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# Avoiding the Oil Curse in Ghana: Is Transparency Sufficient?

Franklin Obeng-Odoom*

## Abstract

This article assesses measures put in place by the government of Ghana to manage Ghana's newly found oil. It uncovers two actors – the people in the 'oil communities' and the oil companies – that have been 'forgotten' by the government and yet are critical to unlocking the so-called 'oil blessing'. It is argued that the existing policies do not sufficiently account for the peculiar needs of the communities in which oil will be drilled. The existing policy paradigm implies that the activities of the oil companies might set in motion corrupt practices among public officials and worsen the plight of the poor.

**Key Words:** Oil, poor, curse, corruption, Ghana, activism.

## Résumé

Cet article fait l'évaluation des mesures prises par le gouvernement du Ghana pour gérer le pétrole récemment découvert dans le pays. Il révèle deux acteurs – les habitants des 'communautés productrices de pétrole' et les compagnies pétrolières – qui ont été 'oubliés' par le gouvernement et qui, pourtant, sont essentiels pour libérer ce qu'il est convenu d'appeler la 'bénédiction du pétrole'. D'aucuns soutiennent

* Chancellor's Post Doctoral Research Fellow, School of the Built Environment, University of Technoloy, Sydney. Email: franklin.obeng-odoom@uts.edu.au

que les politiques existantes ne tiennent pas suffisamment compte des besoins particuliers des communautés dans lesquelles il y aura des forages. Le paradigme politique existant implique que les activités des compagnies pétrolières pourraient mettre en branle des pratiques de corruption chez les responsables publics et aggraver la situation déjà difficile des pauvres.

## Introduction

> 'What do you wish for?' asked the god. 'Gold', begged the king. 'I wish that everything I touch would turn to gold.' 'It may not make you happy' warned the god, 'but if that is what you want I grant your wish'!
>
> Al Perkins, 1969, *King Midas and the Golden Touch,* pp.16-21, Random House Inc

Ghana is at a crossroads. On the one hand, it faces severe economic challenges: an estimated 28.5 per cent of the Ghanaian population lives under the poverty line (Ghana Statistical Service 2007); about 80 per cent of Ghanaians live under US$2 a day (Gary 2009) and GDP per capita is less than US$400 (Moss and Young 2009). At the urban level, it is estimated that 82 per cent of the urban population in Ghana have no access to improved latrines (World Health Organisation and the United Nations Children's Fund 2010) and 45 per cent of the urban population live in slums (UN-Habitat 2009).

On the other hand, it has the potential to change its socio-economic fortunes. By the first quarter of 2010, Ghana will export oil in commercial quantities. The country's first oil field is called 'Jubilee' because it was discovered around the same time Ghana celebrated 50 years of independence from British colonial rule (Hufstader 2008). Ghana is likely to become the seventh largest oil producer in Africa (Staff Writers 2008).

The initial reaction to the discovery of oil in 2008 was euphoric. The pomp and pageantry that greeted the news started at the seat of presidency in the castle, Accra, where 'President Kufour gave an impromptu speech to the media with a glass of champagne in one hand and a glass of crude oil in the other. He expressed 'joy' that he would 'go down in history' as the president during whose tenure oil was found. Oil, he said, was 'a shot in the arm', and Ghana was now 'going to fly'. He said Ghana was going 'to really zoom, accelerate', and 'if everything works, which I pray will happen' then in only five years [Ghana] would 'truly' emerge as an 'African Tiger'. 'Ghana will succeed' 'because this is our destiny'' (McCaskie 2008:323). Not only will oil provide jobs, it will also bail the country out of its perennial energy crises. According to the president,[1] 'we pray that the company would be successful so that our country would not become a beggar in the energy sector anymore' (Boakye-Dankwa 2008).

The euphoria spread to other sectors. In the energy ministry, the Energy Minister literally ran to parliament House with a receptacle that contained a sample of the oil. According to the minister, the previous government was only able to discover salt, while his government had been more focused and, hence, had been rewarded with oil. To make his case more picturesque, he lifted two containers – one with oil and the other, salt, – for members to see for themselves the difference between the two governments; a gesture that was greeted with the traditional majority 'yeeh yeeeh!' (Joy FM 2008). Churches organised well-attended 'all night' prayer sessions to thank God for the discovery of oil. One of them had a banner that read, 'National Prayer and Thanksgiving Service for Oil Discovery in Ghana All are cordially invited. Be aglow for Jesus'.[2]

Subsequent reactions have been more tempered, particularly because of a fear of the resource curse – the phenomenon where the presence of natural resources like oil leads to stagnation or perhaps retrogression in the fortunes of the host country as 'resource curse' or the 'paradox of plenty'. It is a paradox because it is assumed – and reasonably so – that in the midst of plenty, countries should flourish but, concurrently, natural resources like oil tend to set in motion an array of challenges that can lead to socio-economic and political stagnation in the host country. Conflicts may arise over gaining more access to the oil resource. Overdependence on oil may lead to revenue volatility, the neglect of other sectors of the economy like agriculture, human resource development and the collection of taxes. These may culminate in excessive borrowing (in the hope that petrodollars would easily pay the debt (see Karl 1997 for fuller discussion).

This paper has two aims. First, it discusses the resource curse thesis by looking at the theory and empirical evidence in Africa. The second aim of the paper is to examine the effectiveness of 'good governance', particularly transparency, as a key policy prescription, which the Government of Ghana is pursuing to avert a possible resource curse. The paper is divided into five sections. Section 2 looks at the resource curse thesis, section 3 examines the effectiveness of policy prescriptions from a conceptual perspective, while section 4 complements the analysis by considering Nigeria's experience with oil. Finally, section 5 discusses the lessons of the Nigeria case for Ghana.

### *The Resource Curse Thesis*

Those on the 'resource curse' train in Ghana have been many, ranging from academics, the clergy, politicians, journalists and civil society. The warning about resource curse comes in different shades and under different titles. For example:

- 'Mr. President, Watch out! Oil money is coming, but corruption will follow' (Saminu 2009).
- 'Oil will be hot potato for energy minister' (Public Agenda 2009).
- 'Oil hot spot Ghana must proceed with caution' (Hart 2009).
- 'Ghana: Why Country Should Not Bank on Oil' (Osei 2009).

It is important to insert these concerns within the broader discussion of the oil curse thesis. Before the 1980s, the prevailing view was that countries with significant deposits of natural resources were most likely to develop their economies and institutions. Scholars from various disciplines expoused this view. In geography, Norton Ginsburg and in economics, Arthur Lewis, Walter Rostow added their voice, and perhaps weight, to such claims (Rosser 2006).

However, since the 1980s, the phenomenon known as the resource curse became the more accepted view. The phenomenon was first discovered in the Netherlands where the discovery of natural gas in the 1960s led to negative effects on the Dutch economy: the Guilder, the Dutch currency, appreciated and led to negative effects on made Dutch exports uncompetitive and national attention was given to the development of the natural gas resource to the detriment of the manufacturing. In 1977, *The Economist* periodical coined the term 'Dutch Disease' to describe the fate of the Netherlands (Goodman and Worth 2008:204; Collier 2009:39).

As a concept in economics, however, the term has come to be used more generally to refer to the negative relationship between resource wealth and the economy. Hence, the resource curse is sometimes called 'the paradox of plenty' (see, for example, Auty 1993). Indeed, resource poor countries such as Switzerland and Japan have usually outperformed resource rich countries such as Russia. The Newly Industrialising Countries (NICs) of East Asia, such as Korea and Singapore, have consistently surged ahead of resource rich countries such as Venezuela (Sachs and Warner 1995). Such is the paradox that led Sheik Ahmed Yamani, Oil Minister of Saudi Arabia, to contend that 'All in all, I wish we [Saudi Arabia] had discovered water' (cited in Goodman and Worth 2008:201).

The curse can plague all continents. However, Africa is the focal point of considerable research and interest regarding the resource curse thesis (Obi

2009), perhaps because of the increasing amount of hydrocarbons which have been discovered on the continent in recent times (Lesourne and Ramsay 2009). Africa is a continent with significant amount of oil, particularly in the Gulf of Guinea. As of 2007, Nigeria, Angola, Cameroon, Chad, Congo-Brazzaville, Equatorial Guinea and Gabon were producing an estimated 5,120 million barrels per day. The Gulf of Guinea alone produces 7.1 per cent of total world production (Lesourne and Ramsay 2009:8).

Is it likely that the resource curse will whittle away the potential 'blessing' of oil? The curse is potentially multi-dimensional: war, conflict, corruption and dictatorship. A negative relationship between natural resource plenty and economic development has been empirically established in many parts of Africa.

In Chad, oil from the Chad-Cameroon Pipeline, alone stood at 140,000 barrels per day in 2004 and by the first half of 2005, it had increased to 180,000 barrels per day. Macroeconomic indicators showed some positive trends: GDP averaged 1 per cent between 1997 and 2001, but rose to 9.3 per cent in 2005. Yet, in terms of social effects at the household level, the oil seems to have had limited impact. A substantial part of the revenue goes into military spending. In turn, spending on health is low. Not surprisingly, an estimated 80 per cent of the population live in poverty (Pegg 2006).

The experience of Angola is similar to that of Chad. A recent evaluation by Nicholas Shaxson (2009) reports that the 2009 budget shows significant returns from oil, totalling about US$42 billion, bigger than all the Overseas Development Assistance the OECD countries give to the entire African continent. In fact, oil production has kept rising: from 1.2 million barrels per day in 2005 to 1.6 million barrels per day in 2007 and an estimated 2.0 million barrels per day in 2009. Yet, there is conflict and violence everywhere, corruption abounds, social services are weak, mortality rates are high and the country has become increasingly unequal (Shaxson 2009).

Similar effects have been found in other African countries, such as the Democratic Republic of Congo where Ross (2001) has recently found that, in spite of large reserves of oil, progress in economic development has been low as corruption and diversion of oil wealth into militarisation has soared. Also, oil revenue has done greater damage to democracy as states are less accountable and more authoritarian. Auty and Pontara (2008) have recently analysed the possibility that a resource curse awaits Mauritania where production started in 2006. They find that, although it enjoys a significant production, totalling about 45,000 barrels per day, the country risks the resource curse in such a way that the political structures can be crippled and the economy can suffer setbacks (see also Auty 2007). Across Africa, the research on the resource curse has focused on oil and the economy and oil and institutions of governance. Both themes show negative relationships: more oil; weak economy and more oil; weak institutions of governance (Collier and Hoeffler 2005).

The negative effect of oil on institutions and economic development in Africa raises the question of what factors may be driving this curse. According to Sala-i-Martin and Subramanian (2003), there are three ways to explain the inverse relationship between resource boom and the curse of plenty. First, resource wealth increases the chances of rent-seeking behaviour which, in turn, may lead to corruption and its concomitant negative effects on the economy. Second, dependence on oil makes a country vulnerable to global fluctuations in oil prices. Third, oil may drive out investment in other sectors.

Within this simplified framework, several studies have shown the more complex picture. For example, Collier (2009) has found that oil-rich countries with democratic governments tend to under invest because they are more interested in projects which would make them win the next elections. When they do invest, their choice of investment is usually unwise. Thus both the rate and return of investment in oil-rich countries are low (Collier 2009:44). The work of Collier reflects the general concerns about the 'rentier state'. Resource-rich countries tend to rely less on taxation by citizens and more on economic rents from the oil resource. The lack of accountability weakens democratic institutions as government officials tend to use the rents to corrupt voters and opinion leaders. Rentier states prefer not to invest in public services because they do not feel any pressure from citizens, whose taxes tend to make them hold governments to account. By avoiding investment in labour-intensive infrastructure development and the provision of social services, unemployment tends to be high in resource-rich countries (Auty 1997; Auty and Pontara 2008).

Another perspective on the causes of the curse is how natural resource abundance crowds out other economic growth-enhancing sectors, such that those sectors contribute little to national growth. The oil sector may also have a wage premium that can crowd out entrepreneurial activity. If such entrepreneurial skills are in short supply and they enhance growth, drawing them into the oil sector may constitute a brake on economic growth (Sachs and Warner 2001). These drivers of the Dutch Disease build on concerns arising from the Prebish-Singer model, which suggests that the prices of primary commodities such as oil are volatile and typically tend to decline over time, compared to manufactures, so that dependence on natural resource is not good for a country as the country is likely to suffer price shocks. Other economic reasons for the paradox of plenty come from the idea that wealth obtained without sweat leads to indolence (Sachs and Warner 1995).

These various concerns about the effect of the resource curse suggest that an array of political and economic problems is the likely outcome: widening inequality, worsening poverty levels, low economic growth, underinvestment and low returns to investment and corruption, dictatorship and civil strife (see, for example, Ross 2006; De Soysa and Neumayer 2007). The distributional dimension is important but the research on 'who suffers what' is sparse (Frederiksen 2007). However, the few studies suggest that women and children face a more precarious situation when the curse strikes while corporate elites and politicians, often men, win. Ross's (2008) work is revealing. Based on global data, he finds that oil abundance leads to the contraction of the traded sector, a fall in the wages there and a rise in the non-traded sector and the wages there. Since women tend to be disproportionately in the traded sector, their participation in the labour force declines. In turn, their political influence declines. Children also bear a disproportionate burden. For each increase of mineral dependence of five percentage points, the mortality of children who are under 5 years rises by 12.7/1000 (Vidyasagar 2005:743-744). On the other hand, politicians, the elite and corporate power benefit considerably from the exploitation of the oil resource as a result of corruption and patronage politics (see, for example, Rosser 2004; Watts 2005). The concern with these aggregate and distributional aspects of the presence of the resource curse leads to the question of what can be done to avoid it.

## Avoiding the Resource Curse: The Main Policy Prescriptions

How can the resource curse be avoided? Neo-liberal thinking is that, with transparent management and incorruptible institutions, the resource curse will be avoided and turned into a resource blessing for all. As noted by the International Monetary Fund (IMF), 'Given the potentially substantial costs of non-transparent practices, institutional strengthening to improve transparency in vulnerable resource-rich countries should provide ample pay-off for a relatively modest investment. In particular, transparency can help establish and maintain credibility in regard to the collection and distribution of resource revenue' (IMF 2007:4).

The most authoritative writers on the resource curse agree. Auty (2000, 2007) has argued that a more accountable state is all that is required to cure the curse. Collier (2009:140-151; see also Collier and Hoeffler 2005) comments at length about how transparency and democracy can help the situation. Other scholars (e.g., Dietz et al. 2007) have lent their support to the 'good governance, less corruption thesis', claiming that greater liberalisation and, hence, internationalisation reduces corruption (See, for example, Rosser 2004 and Rosser 2006 for a review). Of all these exponents, the World Bank has been the most outspoken advocate of good governance. According to the Bank, extraction of oil in a context of good governance leads to the reduction of poverty and improvement in social conditions (see Pegg 2006). To the question 'why is there the resource curse?' Paul Collier (2009:42) says, 'I think the evidence points to governance as the key problem'. Several initiatives have been launched in furtherance of this view. In 2002, Tony Blair, former UK Prime Minister, launched the Extractive Industries Transparency Initiative (EITI) as a measure to improve transparency in the extractive industry. Other initiatives include George Soros' 'Publish What Your Pay Campaign' and the G-8 Declaration in 2003 on transparency (See Jerome et al. 2005 for discussion).

The government of Ghana has emphasised the need for transparency and good governance too. According to a minister for energy, Mr. Felix Owusu Agyapong, 'if we can begin to improve the level of transparency, the oil find can be a blessing' (GNA 2008b). When president John Mills recently met the diplomatic community in Accra, he said:

> Your Excellencies, I am aware that in Africa and elsewhere, the onset of oil wealth, in the absence of adequate legal structures and safeguards, tends to erode democratic accountability. This government will take steps to address transparency and governance concerns relating to the nation's oil find (GNA 2009).

To make oil benefit all, Boakye-Dankwa (2008) argues, government institutions like the Ghana Standards Board and the Environmental Protection Agency should be strengthened. The government of Ghana has commissioned numerous committees and called for 'technocratic' management in order to make Ghana's oil a blessing. In fact, a ministerial committee on oil and gas and a 'technical' committee have been put in place to produce a National Oil and Gas Policy and a Gas Master Plan; and plans have been made to set up an Oil and Gas Authority to regulate the commercial production of oil (Hope and Yeboako, 2008). Ian Gary, a senior policy advisor with OXFAM America, has also observed that 'Ghana's challenge will be to ensure that the right institutions and transparent policies are in place before oil production starts' (Gary 2009:3).

This emphasis on transparency is summarised in an article that appeared in the *Economist* on 'The curse of oil'. The article quotes the response of an elderly American parishioner who asked an African who had come to the church to complain about the devastations of America gasoline on 'faraway lands': 'I know Africa is very rich in diamonds, gold and oil, but the people are very poor. Why are your governments so bad at managing that wealth?' (*The Economist* 2005). From this background discussion, it is important to ask two key questions: Is corruption the *genesis* of the oil curse and therefore will incorruptible institutions and officials guarantee an oil blessing for 'all Ghanaians'? And does good governance have a trickle-down effect?

### Is Corruption a Precursor for Oil Crisis?

In reviewing the resource curse literature, Pegg (2006) depicts the following typical sequence: 'natural resource booms, less accountability, increased corruption, misallocation of resources, poor economic and political performance' (p.4). When oil falls into the hands of states, they become less reliant on taxes from the people. This makes them less accountable to the people and more corrupt. The major driving force in the resource curse thesis is corruption, but this can be linked to conflict and war too. To borrow from Kaldor and Karl (2007, np) 'the main reason why oil-rich countries are prone to war is because of the character of their society and economy. Sectarian groups compete for access to oil resources and finance their military adventures through smuggling oil, kidnapping oil executives, or blowing up pipelines. Outside intervention only makes things worse…' The literature on the devastations of oil has persistently placed corruption as a driver of the crisis. However, this depiction is ahistorical and does not tell us what exactly triggers corruption.

Generally, the role of transnational corporations (TNCs) in the oil industry can cause and usually intensifies the likelihood of corruption. One way to look at the role of TNCs is to examine them in the owner-worker relationship. TNCs in the oil industry tend to exploit their workers, leading to agitations for fairer treatment. This agitation is intensified as many of the workers, who hitherto were tilling the land, cannot go back to the land, having been expropriated with neither fair nor adequate compensation. However, this 'worker alienation' framework is inadequate. The role of TNCs in the oil-development nexus is a more complex terrain of transnational capitalist accumulation and dispossession, mediated by various global, national and local factors (Obi 1997; Ikelegbe 2005).

Oil companies tend to bribe the key personnel in neo-liberal state apparatus, the media and the community leaders that are too 'loud'. Such corrupt states have curiously obtained support from Western countries like the USA and UK. This support has come in the form of international praise, refusal to reprimand dictatorial regimes, selling of arms to dictators or directly funding their activities. The rationale for this 'unholy alliance' between the western countries and the neo-liberal states in Africa, according to a middle-level state department USA official, is that corrupt states, and especially military ones, are better able to guarantee USA interest in oil even though they use crude means (Fleshman 2002). A Few months before his illegal execution, the Nigerian political activist and writer, Ken Saro Wiwa (1995:245-246), wrote of Britain:

> Ultimately the fault lies at the door of the British government. It is the British government, which supplies arms and credit to the military dictators of Nigeria, knowing full well that all such arms will only be used against innocent, unarmed citizens. It is the British government, which makes noises about democracy in Nigeria and Africa but supports military dictators to the hilt. It is the British government, which supports the rape and devastation of the environment by a valued taxpaying labour-employing organisation like Shell. I lay my travails, the destruction of the Ogoni and other peoples in the Niger Delta, at the door of the British government.

Western countries and their multinational corporations tend to support predatory states once these states guarantee them oil. In exchange, these governments are not pressured to live up to democratic standards and, even when this unholy alliance becomes too glaring for worldwide condemnation, the predatory states are still left untouched because, according to their western collaborators, they are 'sovereign' (White and Taylor 2001). The opposite logic is true. Whenever the state proves to be unsupportive of these oil hungry western countries, there is military intervention in the name of securing human rights (Ifeka 2004). Thus, Markusen (1978) has argued that there is a negative correlation between a state guarantee of oil and violence or corruption in oil countries. According to Markusen:

> The stronger the local or state level opposition to development, or assertions or right to control development, the greater the corporate pressure at higher levels to override or buy off opposition (Markusen 1978:128).

The notion that oil companies and some western states collude is neither new nor unknown. The General Communiqué of Oilwatch Africa (1999:186-187) begins as follows: 'transnational companies have supported dictatorships, authoritarian and corrupt governments, in order to favour their profit interest in different regions of the world'. Corruption is nearly always part of this process (see for example Omeje 2004; Malaquias 2001; Kibble and Vines 2001), but it is usually at the heels of dramatic exploitation of oil communities by transnational corporations. This 'international criminality' (Power 2001) is lost under hue and cry about massive corruption in Africa in western media. For example, a *New York Times* article, titled 'No oil yet, but African Isle finds slippery dealings' suggests that African leaders are pathologically corrupt. The authors state:

> The first drop of oil has yet to be produced but Federal investigators suspect-oil-related corruption. All of this might not seem unusual in Africa, where oil and corruption often go hand in hand (Meier and Mouawad 2007).

It is important to note, however, that corruption may be a systemic feature of the neo-liberal state. According to neo-liberal analysis, the state should be minimalist because its general tendency is to be corrupt and inefficient. The state should not regulate private enterprises since the market is competent enough to do this. Also, with reference to direct production by the state, neo-liberal thinking is that the public sector should be downsized to attain cost efficiency (Martinussen 1997). In other words, the market can 'sanitise' a corrupt and non-entrepreneurial state.

However, downsizing and deregulation can themselves be seeds of corruption. For example, downsizing has weakened the capacity of governments to conduct state-of-the-art audits, given that the public sector has had to reduce expenditure. By creating opportunities for the privatisation of state enterprises, deregulation has opened a window for some government officials to loot state coffers in order to secretly buy some hitherto public enterprises. With privatisation, these corrupt state officials have also had the option of operating bank accounts in private banks (Szeftel 1998). The growing demand for oil from newly industrialised countries like India and China, coupled with shortage of oil and new oil finds, is incentive for the (already) industrialised countries to pursue strategies that weaken the state in oil producing countries (Kaldor and Said 2007). An environment of weak 'small' states and powerful 'big' private companies competing for the most profit is *sine qua non* for corruption.

While it would be preposterous to contend that corruption did not exist before the influence of neo-liberalism, 'it is also clear that liberalisation creates a set of new problems while not always eradicating the old sources of dishonesty. The use of patronage and bureaucratic 'rent-seeking' have not been ended by market reforms; rather they have been joined by new kinds of graft' (Szeftel 1998:233-4). Profit-seeking enterprises can be expected to consider any strategy that contributes to higher profitability.

### *Does good governance[3] have a trickledown effect?*

Initial deposits of Ghana's oil are around 3 billion barrels. It is estimated that about 60,000 barrels of oil will be exported per day at the initial stages in 2010, 120,000 barrels a day in 2011 and thenceforth, about 200,000 barrels a day. The country is expected to earn US$836 million annually and $20 billion over the production period 2012-2030 from offshore oil deposits, mainly at Cape Three Points near Efasu, Axim and Takoradi in the Western region. The prospecting companies are Kosmos, Tullow and Anadgo (*Daily Graphic* 2008; Achiaw 2008; Gary 2009). LukOil has also invested US$100m to support on-shore oil exploration in Ghana which is said to cover about 40 per cent of the landmass of Ghana, specifically in the Volta, Brong Ahafo and Northern regions (GNA 2008a).

Out of the US$836 million annual revenue from oil, it is estimated that about 50 per cent will accrue to the state as economic rent (Breisinger et al 2009). Estimates of 'local content' in the supply of goods to the oil sector and job creation seem to be positive. For instance, 40-60 per cent of the jobs to be created directly from the Jubilee 1 phase will go to Ghanaians (World Bank 2009:22). The impact of oil on the macroeconomy of Ghana is likely to be substantial: oil will add about US$5 billion to the GDP, push the GDP growth rate up by about 28 per cent and bring in about US$1 billion in taxes from the Jubilee field alone (Akufo-Addo, 2010). From 2010 to 2015, oil revenue is predicted to constitute an estimated 4 to 6 per cent of GDP (Dagher et al. 2010).

It is expected that the country will produce gas from the oil at a rate of one thousand cubic feet of gas per barrel of oil. Assuming a peak Phase 1 production from the Jubilee field alone, Ghana could produce 120 million cubic feet of gas per day. Assuming current world market price for natural gas liquids (NGL) of US$2 per thousand cubic feet, the country is expected to obtain gross revenues of approximately US$260 million per year in addition to the oil revenues. From these figures, a 50 per cent equity ownership in the gas infrastructure by the Ghana National Petroleum Corporation (GNPC), Ghana's power production company, could lead to corporation tax revenues of about US$120 million per year for the government of Ghana (World Bank 2009:2-3).

The government of Ghana believes that, once Ghanaians occupy key positions in the oil company, environmental institutions are strengthened, corrupt officials are dealt with and jobs are given to Ghanaians and not foreign consultants, oil should be a blessing to all Ghanaians. A similar argument has been advanced by Kibble and Vines (2001) who studied the oil industry in Angola. But can this 'macro view' impact positively on local oil communities?

This logic is not new; it is called the 'trickle down' thesis and was popularised under president Reagan of USA. Reagan gave high tax cuts to the rich, believing that ' a rising tide lifts all boats'. Applied to development studies, the thesis holds that poverty reduction follows from economic growth or that, with increased wealth in a country, it trickles down to the poor. The World Bank's policy of infrastructure-led poverty-reduction is a classic example. A recent study by Dollar and Kraay (2002) argues that 'growth is good for the poor' although, according to the authors, their 'evidence does not suggest a 'trickle-down' process or sequencing in which the rich get richer first and eventually benefits trickle down to the poor'. They contend that privatisation is good for the poor, as much as for everyone else, while social spending does not in any way help the poor.

Though trickledown theory is widely criticised (see for e.g. Frank 2007), some economists still place enormous faith in it (see for e.g. Aghion and Bolton 1997). Applied to the discovery of oil, 'trickle down' means oil will bring jobs, money for schools and community development for *all Ghanaians* (that includes poor Ghanaians). According to former President Kufour, 'oil is money, and we need money to do the schools, the roads, the hospitals. If you find oil, you manage it well, can you complain about that?' (BBC 2008).

Indeed, we cannot complain about that, but we may question whether the poor – especially those in the communities on whose lands oil exploration will take place – will benefit from the 'blessings for all Ghanaians'. In order to analyse the distribution of the so-called benefits of oil, we should return to basics – the consequences of an oil boom. According to Goodman and Worth (2008), oil booms lead to socio-economic disadvantages (like the weakening of non-oil sectors such as agriculture and lack of community transformation), political disruption (like clientelism and corruption) and environmental degradation (pollution of water bodies, for example).

In a slightly elaborated version, oil attracts the labour force from other sectors like agriculture and frequently induces in-migration for jobs in oil communities. However, because oil production is capital intensive, these jobs tend to be relatively few. Many of the jobs are short-term, during the initial drilling and construction state, while ongoing operational jobs are few. Long-term construction jobs require some skill which frequently has to be imported from outside the oil communities. In any case, where those who eventually get jobs had been unemployed for a long time and have low incomes, they do not tend to agitate for better working conditions, given that the oil jobs pay relatively more. These jobs are insecure; not only because of their brief nature but also because of the volatility of oil prices, the non-renewable nature of oil and the specialised nature of the machinery input which is often imported.

The development of an oil industry also deprives the local community of its land, either because pipes have to be laid across farms or because oil activities despoil land previously used for agriculture or tourism (because of say, spillage). Even locals in tertiary sector jobs like restaurant businesses may lose their current jobs because oil boom attracts multinational businesses like MacDonald's that easily outcompete the local industry (Markusen 1978:123-124). Olien and Olien (1982) have also argued that, apart from the boost to the real estate industry, oil brings with it a desecration of cultural values and a proliferation of prostitution and general crime. All these consequences of an oil boom could be positive or negative. Take the real estate example. An expansion in real estate could be a boon when it employs the local people and trains them in construction technology. It could, however, be a bane when developers try to maximise profit by employing the *highest and best use* principle which may prevent them from 'greening' their developments.

To cast further light on these issues, the next section of this paper analyses the interlinkages between corruption and oil and the related transparency argument for insulating Ghana against the oil curse. Reference is made to the experience of Nigeria, Ghana's neighbour that has long mined oil.

## Empirical Evidence from Nigeria

Nigeria is one of the wealthiest countries in Africa. It produces about 2.46 million barrels of oil on a daily basis. It is also a major producer of natural gas, which amounts to about 22 million tonnes per year (Obi 2009). Between 1970 and 1999, US$231 billion in oil rents accrued to Nigeria (Ross 2003).

The thinking that governance can change a curse to a blessing has led to a proliferation of governance institutions or initiatives, including the Economic and Financial Crimes Commission (EFCC), Independence Corrupt Practices and Other Related Offences Commission, the Nigerian Extractive Industries Transparency Initiative and the Department of Petroleum Resources (See, for example, Obuah 2010). Have they been effective in preventing the oil curse?

Some gains have been made. The EFCC, for example, has succeeded in putting over 500 corrupt people in jail and recovered money and assets wrongly obtained, totalling over US$700 million (Obuah 2010). Nuhu Ribadu, an anti-corruption chief, has claimed that between 2003 and 2005, the amount of oil money stolen fell by 30 per cent (Watts 2006).

Yet, 57 per cent of Nigerians are poor (Aigbokhan 2008:13). Also, the country is polarised between the extremely rich and the extremely poor. For instance, in 1970 the income of the bottom 17 per cent of the population was equivalent to the top 2 per cent of the population. However, by 2000, the income of the top 2 per cent had increased so much that it was equal to the income of the bottom 55 per cent which was equivalent to that of the top 2 per cent (Sala-i-Martin and Subramanian 2003:4). Over the period, 1965 – 2004, income per capita fell from US$250 to $212 (Watts 2006).

Most of the oil production in Nigeria comes from the Niger Delta area (Obi 1997a) but social conditions in the area are poor (Obi 2007a). An estimated 70 per cent of the people in the Niger Delta area have no clean water, passable roads, electricity supply and adequate medical supplies (Idemudia 2007:3). In the oil-rich states of Delta and Bayelsa, the patient-doctor ratio is 150,000 to 1 (Watts 2006). Between 1970 and 1999, revenue from oil rose but per capita income fell (Ross 2003). An estimated 80 per cent of Nigeria's oil accrue to only 1 per cent of the population, while the remaining 99 per cent of the population struggles to share only 20 per cent of the oil revenue (Obi 2009:123).There are also severe environmental problems in the form of pollution and degradation in areas where oil is drilled (Obi 1997b). The area is a source of recurrent violent conflict. Several foreign oil workers have been captured. For instance, in 2007, nine Chinese workers were abducted and a car bomb detonated (Obi 2008:418). In 1999, it was estimated that there were 20 deaths from oil violence per day. The figure rose to 50 deaths per day in 2004 (Arowosegbe 2009:588).

So, if Nigeria is a case study of good governance, why has so little been achieved? The assumptions underpinning that posited solution are mainly to blame. Advocates presume that the resource curse is mainly the result of bad behaviour of individuals or arises from the culture of actors. But, in fact, the curse is a function of systems and processes (Shaxson 2007). Ifeka has argued that Western advocates of the 'governance solution' to the resource curse misunderstand the nature of African politics: hierarchical clientelism is never resolved by good governance (Ifeka 2004). Political scientists specialising in the political economy of Africa (e.g. Obi 2009) have even suggested that the institutions of governance are themselves caught in a symbiotic relationship with the state, local elites and transnational co-corporations such that it is difficult to independently ensure transparency. Foregrounded on the wrong assumptions, the posited governance framework has attained little and has, in fact, become a vehicle for further accumulation by dispossession (see also Watts 2004). To illustrate the systemic nature of the resource curse in Nigeria, the relationship between local people and Shell, the Anglo-Dutch global oil giant, which produces about half of the oil in Nigeria (Obi 1997a and b, 2008), should be carefully unpacked.

A recent study by Okonta and Douglas (2003)[4] is an informative source on the effect of oil in the Niger Delta area in Nigeria. It focuses on the activities of Shell but looks generally at the oil industry in Nigeria. The historical analysis is impressive because of the variety of sources on which the conclusions of the study are based. Shell, according to the authors, arrogantly breaches environmental laws in the Niger Delta area. It leaves oil pipes naked and rusted. These lead to frequent oil spillage and fires. The natural result is massive ecological destruction. In many cases, Shell has failed to compensate the oil communities for their lands. In the few cases where compensation has been paid, Shell had to be dragged to court to force the compensation payment. In *Farah v Shell Petroleum Development Co. Ltd*, an oil spillage by Shell saw the plaintiff going to court to seek redress. Shell, according to the authors, battled the plaintiff for 25 years before the court finally ruled against Shell and compelled it to pay adequate compensation to the plaintiffs. 'Fair and adequate', however, is very difficult to define since in Nigeria the compensation figure is based on crop yields. There is room for independent valuation using fairer approaches, but poor farmers do not have the money to retain the services of independent valuers.

In terms of physical development, Shell contributes little to the oil towns because it is not legally bound to develop these communities once it pays its taxes to the central government. Thus, infrastructure such as electricity, water, roads, hospitals and schools has eluded the oil communities, even though Shell continues to make millions from these communities. Jobs promised to the local people have not been forthcoming and, in Ogoni alone, unemployment is about 70 per cent. Expatriates have sometimes been flown into Nigeria to replace local staff. According to the authors:

> Shell made a lot of promises: the hospital and toilet houses were destroyed, as were the burying grounds. They pumped out water and destroyed the farmland with promised compensation like community and secondary schools, a road to Nembe and pipe-borne water....but nothing has happened. It is like a dreamland (Okoraba community leaders in November 1993, cited in Okonta and Douglas 2003:96).

Exploitation of the oil communities, according to the authors, has led to poverty, hunger and anger. Naturally, anger has led to civil unrests in the area. Such agitations have sometimes forced Shell to halt operations, re-strategise – which in Shell's case, Okonta and Douglas note, means bribing officers of the state and causing divisions among activist groups and community leaders – and resume operation. The 'dissident' few, who attempt to stand in the way of Shell, are 'dealt with', by violence meted out sometimes by the Nigerian army. The Coalition Against Dictatorship (CAP) (1995:474) has alleged that one memo signed by Major Okuntimo of the Rivers State Internal Security Task Force, and dated 12 May 1994, read, 'Shell operations still impossible unless ruthless military [sic] operations are undertaken for smooth economic activities to commence'.

The struggle of the Ogoni people against Shell and the Nigerian state has historical roots, it dates back to 1958. As global forces became interested in oil on the land of the Ogoni people, landowners were alienated from their land. As oil was drilled, the environment was degraded. In turn, the basis of their livelihood, farming, was destroyed, without compensation (Mustapha 1996). Ogoni used to be the main provider of food to Rivers State and, since 1958, a major source of oil revenue. An estimated US$30 billion worth of oil had been drilled by 1995 (CAP 1995: 473). The conflict had other catalysts such as the Nigerian civil war (which led to the creation of new states and subsequent loss of control of oil by the minority ethnic groups), military coups, which altered land rights, and the effects of free market reforms which removed social support for many Nigerians (Mustapha 1996; Obi 1997a:142-146).

Many have lost their lives, including the writer and political activist, Ken Saro Wiwa. Supporters of Wiwa have been massacred and oil communities reduced to rubble (Okonta and Douglas 2003). According to Okonta and Douglas (2003:131-132), Colonel Paul Okuntimo, gave a detailed account of his activities at a press conference broadcast on the Nigerian Television Authority:

> The first three days of the operations, I operated in the night. Nobody knew where I was coming from. What I will just do is that I will just take some detachments of soldiers; they will just stay at four corners of the town. They…have automatic rifle[s] that sounded death. If you hear the sound you will just freeze. And then I will equally now choose about twenty soldiers and give them grenades explosives very hard ones. So we shall surround the town at night…the machine gun with five hundred rounds will open up. When four or five like that open up and then we are throwing grenades and they are making 'eekpuwaa!' what do you think people are going to do? And we have already put roadblock[s] on the main road; we don't want anybody to start running.

Okuntimo and his men, according to the authors, were sometimes spotted using Shell aircraft for their operations. Shell has been accused of being behind these infamous activities, though it has persistently denied these allegations. Two cases: *Wiwa v. Royal Dutch Petroleum (Shell)* and *Wiwa v. Anderson*, which were filed against Shell and the head of its Nigerian operation, Brian Anderson, respectively were re-opened in New York on 7 October 2008. It is significant to know that Shell had attempted to seek an adjournment of the case. The attorney from the Centre for Constitutional Rights (CCR), Jennie Green, said that: 'We are looking forward to finally bringing Shell into court, where we will prove their role in the torture and murder of our clients and their pattern of human rights abuses... It's time for our clients and their families to see justice' (CCR 2008). And on 8 June 2009, it finally happened: on the basis of the evidence against Shell, the company was forced to pay US$15.5 million in compensation to the plaintiffs in an out-of-court settlement (CCR 2009).

The mayhem has been described by BBC as follows:

> With oil prices at a 25-year high, this should be a boom time for Nigeria's oil capital, Port Harcourt but it isn't. Instead, the towns's business is reeling with militant attacks on oil installations, kidnappings and a general rise in lawlessness (Gregory 2006).

Shell continues to laugh all the way to the bank. It makes about 13 per cent of its worldwide profits from Nigeria alone and apart from USA; production in Nigeria is the highest globally (Okonta and Douglas 2003).

The experience of the Ogoni people in engaging Shell and the Nigerian state reflects how local, national and global social forces interact to influence access, production and distribution of natural resources. It shows how the state can be used by local and global forces of capital for private gain in an era of globalisation (Obi 1997a:137).

More recent studies by Obi (2007, 2008, 2009) shed further light on this account, focussing on the activities of the Movement for the Emancipation of the Niger Delta (MEND) but looking more broadly at the factors that drive and sustain the status quo in the Niger Delta area. The studies reveal that mono causal models are inadequate descriptors of the 'curse' in the area. Obi dissects the causes of the curse in the Niger Delta area into historical and contemporary factors; local and international factors. Four of them are particularly prevalent. Historically, the creation of the states and the Biafran war and subsequent control of the Niger Delta by federal government sowed the seeds of discord. The allocation of resources and the attempt to use the Distributive Pool Account to undermine the derivation principle, whereby states which contribute the most to the federation obtain the most from the resources. The derivation principle – the percentage of the revenue from oil set aside for the development of the area from which oil is drilled – has been reduced from 50 per cent in 1966 to 13 per cent in 1999. Attempts by the oil producing states to get an increase through the Supreme Court of Nigeria have failed. The situation effectively means that the Niger Delta area, which produces the most of the oil of Nigeria, is the least developed and gets the least oil revenue.

It is this injustice that has led to the formation of MEND, to demand social justice. Obi (2009) shows that a key driver of the problem is the issue of land. A policy of central control of land, which is locally owned, means that the centre which is controlled by elites from the majority ethnic groups, control the oil produced from the minority states. These four factors are intensified by local (e.g. elites in the Niger Delta leadership), national (e.g. officers of the state and the military) and global forces (e.g. oil multinational corporations). The local forces have two faces, one for the people and the other for their self gain. The national forces perceive the struggles as attempts by criminals to bring the Nigerian economy to a halt. Besides, they want to protect the oil companies which are influential even within their countries. The multinational oil companies would do anything to ensure their profits are secure (Obi 2008, 2009).

This complex interplay of factors cast doubt on the one-size-fits-all analysis by neo-classical economists like Collier (2003:40), who recently claimed that:

> Every time a civil war breaks out, some historian traces its origin to the 14th century and some anthropologist expounds on its ethnic roots. Don't buy into such explanations too quickly. ...distant history and ethnic tensions are rarely the best explanations of a conflict...look instead at a nation's recent past and, most important, its economic conditions.

Looking at the resource curse from a purely economic perspective is unhelpful (see also Olarinmoye 2008). Why? methodologically, the reliance on simplified statistical analysis with simplified assumptions is problematic. The recent work of Alexeev and Conrad (2009) has shown severe computational errors in the econometric work as well as weak conceptualisation of the variables used.[5] In any case, no one monolithic explanation can suffice. At the root of the problem are questions of self-determination and resource control (Obi 2008:430) and questions of neglect, particularly of the youth in the Niger Delta area (Arowosegbe 2009), but also of a general feeling that the wealth of Nigeria is not even invested there but in foreign private banks. Because of this 'volatile mix' of factors (Obi 2007), the statistical evidence cannot stand on its own. Rather, all evidence of the phenomenon must be carefully studied, particularly taking account of the differences in institutions and ideologies prevailing in different countries.

## Is Ghana Different?

Based on the liberal thesis of transparency, one may argue that the Nigerian experience would not be replicated in Ghana, because Ghana has better governance institutions compared with Nigeria's rankings (and many other oil rich African countries like Chad, Angola and Congo). Ghana scores above the 50th percentile in the World Bank Institute's Worldwide Governance Indicator rankings based on rule of law, government effectiveness, regulatory quality, and voice and accountability. Also, on corruption, Ghana ranks 67 out of 180 countries in Transparency International's Global Corruption Report 2008 (Gary 2009:7).

It is useful to ask how valid this argument is. We may draw some brief insight from Ghana's experience with gold mining.

The abundance of gold in Ghana earned it the name, 'Gold Coast'. But gold mining has severely impoverished gold mining communities. The majority of people in gold mining towns like Obuasi, Tarkwa and Akwatia are landless, homeless, unemployed, poor and weak. Many have died as a result of mining and the environmental impact has been devastating (Hilson and Banchirigah 2009; Yelpaala 2004; Akabzaa and Darimani 2001).

Mining employs 15,000-18,000 people in Ghana, less than 1 per cent of the total labour force. Yet, the operations of only two companies, Newmont Ghana Ltd and AngloGold Ghana Ltd., have displaced over 50,000 people who have been poorly compensated (Owusu-Koranteng 2008). A comprehensive study of the effects of gold mining in Ghana undertaken by the *Operations Evaluation Department* (OED) of the World Bank acknowledged, rather solemnly, that

> It is unclear what its true net benefits are to Ghana. Large-scale mining by foreign companies has a high import content and produces only modest amounts of net foreign exchange for Ghana after accounting for all its outflows. Similarly, its corporate tax payments are low, due to various fiscal incentives necessary to attract and retain foreign investors. Employment creation is also modest, given the highly capital intensive nature of modern surface mining techniques. Local communities affected by large-scale mining have seen little benefit to date in the form of improved infrastructure or service provision, because much of the rents from mining are used to finance recurrent, not capital expenditure (OED 2003:23).

Generally, the state has been directly or indirectly endorsing these attacks on the livelihood of workers and the poor. This was documented by Jim Silver in the most detailed work on this topic. Silver (1978:67) noted that 'the alliance of mining capital, the state and the trades union bureaucracy which faces the mineworkers has resulted in their development of a militant class consciousness. ...[this] is a defensive consciousness, disruptive, but not linked to any socialist transition in Ghana.' While Silver's analysis is dated, there exists some more recent anecdotal evidence of the 'favourable' role of the Ghanaian state to capital. For example, though the mining law obligates the mining companies to pay royalties of between 3-6 per cent of the value of gross minerals mined, the state allows mining companies to pay the barest minimum of 3 per cent. Also, court cases against mining companies drag for a long time, as in the case of forced evictions instituted by the people of Nkwantakrom against AngloGold Ashanti, which has lasted 10 years and is still unresolved (Owusu-Koranteng 2008). Also, a recent study by researchers from the University of Ghana revealed that mining activities in Obuasi had created dramatic levels of arsenic values, 10 to 38 times higher than levels permitted by the Environmental Protection Agency (EPA) of Ghana and over 1,800 times higher than the values allowed by the World Health Organisation (GNA 2008c). This abuse of environmental standards has been allowed by the state.

Such devastation sometimes leads to protest by the mining communities, often led by farmers who stand the risk of losing their farmlands. In this regard, there have been protests in Obuasi and Asunafo North lately. But, as noted by Owusu-Koranteng (2008), there is lack of organisation in many mining communities, which has led to the emergence of some civil society organisations like the *Wassa Association of Communities Affected by Mining* to help in the organisation of struggles and protests against the mining companies. Such struggles have pressured the companies to make minor changes in their operations and have also created national awareness on the dramatic devastation of mining companies (see Owusu-Koranteng 2008).

The evidence from the gold mining experience in Ghana may be anecdotal, but it suggests that the Ghanaian state is not a 'class'-neutral state. Rather, it supports the interest of powerful groups such as corporations. It suggests that there is a limit to which 'transparent' or 'incorruptible' or 'governance' models can prevent an oil curse. The liberal analysis that corruption and opaque 'deals' are the root cause of the devastation of oil is palpably flawed.

In any case, many of the root causes of the problem in Nigeria exist in Ghana too. One crucial issue relates to the question of land ownership - who is the owner of the oil resource: the people or the state? According to article 257 (6) of the Constitution of Ghana, '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'. If it is government that owns land (defined as water bodies and physical land) which contains natural resource wealth, then it is unlikely that any special consideration will be given to the people in oil communities. Indeed, clause 22 of the draft Petroleum Revenue Management Bill stipulates that 70 per cent of the revenue from oil will be centrally managed by politicians and bureaucrats (Akufo-Addo 2010).

From this perspective, the trickle-down idea begins to look extremely shaky because there are insufficient policies to give particular attention to the local communities. What about at the macro level: what social policies are being developed to connect the oil industry to the public interest?

Most of the laws about oil were enacted over two decades ago, when Ghana did not have oil in commercial quantities, so there are fears that most of these laws are not relevant. For instance, the Fundamental Petroleum Policy of Ghana is believed to be too vague about how the oil industry can be regulated (Cavner 2008). Also, most of the existing laws such as the Petroleum (Exploration and Production) Law of 1984 (PNDC Law 84) and the Petroleum Income Tax Law of 1987 (PNDC Law 188) were promulgated in the 1980s when Ghana was governed by a military dictatorship, so they were not subjected to broad public scrutiny, parliamentary debates, discussion and approval (Gary 2009).

Further, as of 2009, there were no specific laws about how emission standards and compensation for oil-related abuses would be decided. There is currently a Petroleum Revenue Management Bill before the Parliament of Ghana. However, according to Akufo-Addo (2010), a former attorney general of Ghana, it is necessary to revise many of the clauses if an oil curse is to be avoided. Yet, even before the Bill is discussed by parliament, there are clear signs that the content will inform government budgeting, for instance. At best, the government, using its majority in parliament, can rush the bill through the house and get it passed into law, assuming that it wants to score political points by not using a bill, instead of an act, to guide its policies (Akufo-Addo 2010).

These weaknesses in oil-related regulations have several implications. First, they open up the possibility that the oil companies may act in ways which are socially suboptimal and environmentally degrading (Adu 2009). Secondly, they give the ingredients for avoidable litigation. Take, for example, the oil activities in Ghana's exclusive economic zone (200 miles from shore), for which there are no clear laws. Ghanaian laws are applicable to its territorial sea (12 miles from shore), a subset of the economic zone, however, sections of the zone are covered by Public International Law (e.g. the Law of the Sea) rather than local laws (Allan 2009).

Meanwhile, the global interest in Ghana's oil has soared. Tom McCaskie (2008) was the first to raise the issue of the global interest in Ghana's recent oil discovery. In particular, he showed how the United States, using the discourse of promoting USA-Ghana security relations, is keenly interested in securing its share of Ghana's oil under the auspices of a military command for Africa (AFRICOM). Some of the leading companies in Ghana's young oil industry are Kosmos Energy,[6] Anardako, the EO Group, Sabre Oil and Gas, Tullow, Exxon Mobil Lukoil and the Ghana National Petroleum Corporation. Although rising global powers such as China have not been as dominant as the USA in Ghana's oil industry, by financing infrastructural projects such as energy-producing dams (e.g. the Bui Dam), China is seen not to be a disinterested party in Ghana's oil. But, again, it is not only China and the USA that are interested in oil in the New Gulf: all industrialised countries are seeking to move away from the Middle East-centric focus in their pursuit of oil supplies (Mohan and Power 2009).

Since 2007, there have been at least 41 companies, from different countries, which have applied for prospecting licenses. The approach adopted by the Government of Ghana in dealing with these applications is to negotiate with individual companies rather than use a competitive tendering process. This method raises concerns about transparency and competitive contracts (Gary 2009).

Other questions loom large: can Ghana absorb such revenues without upsetting macro-economic stability? Will the oil industry being established be linked to other sectors of the domestic economy or will it operate as an extractive enclave industry primarily serving global interest?

Definitive answers are hard to find at this stage. There are a few tentative statements that can be made, based on econometric studies. The World Bank (2009) reckons that the oil reserves are not so large as to structurally change the Ghanaian economy. Yet, it cautions that effort should be made to remove the bottlenecks in non-oil sectors, such that they do not get crowded out in a Dutch Disease scenario. Dagher and her colleagues (2010) have reached similar conclusions. According to Breisinger et al. (2009), whether Ghana will be plagued by Dutch Disease depends on how it uses the oil resources, whether it invests in local communities and agricultural areas or in urban and non agricultural areas. Moss and Young (2009) believe a Dutch Disease scenario can happen in Ghana, especially if revenues are poorly managed. Anything short of this and a Dutch Disease scenario becomes highly likely.

All in all, in the light of the evidence considered in this paper, it is hard to be optimistic. There are weak regulations, little interest in making special arrangements for local communities, the issue of ownership looms, the issue of land revenue management is unresolved and transnational oil companies are already scrambling for Ghana's oil. Transparency – real or rhetoric – is not sufficient.

## Conclusion

In order to avert a potential 'curse' of oil and turn Ghana's oil into a 'blessing', the government of Ghana has called for, and put in place, measures to promote anti-corruption and transparency. To the government, these liberal measures are expected to unlock the blessings of oil for all Ghanaians. However, the government overlooks crucial actors in the resource curse problem, namely the oil communities and the multinational companies. To what extent are oil communities catered for in government policy? Who owns what? Who gets what?

The liberal analysis that mystifies the oil problem as a 'paradox' unsurprisingly leads to attempts to 'throw light' or be 'transparent' in order to demystify the 'paradox'. However, it is more fruitful to see oil as a part of the bigger agenda of capitalist accumulation – by expanded reproduction and dispossession (Harvey 2003). The resource curse is complex, it comes about and is sustained by transnational accumulation and dispossession, mediated by various global, national and local factors. It follows that not only are existing regulations weak but also the assumptions underpinning them are shaky. On these bases, it is hard to be optimistic about the effectiveness of the government of Ghana's liberal solutions to avert the oil curse: transparency and anti-corruption measures *per se* are unlikely to be sufficient to cause the blessings of oil to trickle down to the poor, especially those in the oil communities.

## Notes

1. President Kufour finished his term as president on 6 January 2009. He was replaced as president by John Atta-Mills.
2. See picture of banner at http://www.guardian.co.uk/business/2007/jul/30/oilandpetrol.news
3. Note that 'good governance' in this paper refers to transparency and zero tolerance for corruption.
4. Other studies that generally corroborate the account above are Ifeka (2004), Turner (1976) and Omeje (2004).

5. When they correct the computational and conceptualisation errors, there seems to be no problem with resource wealth: it neither undermines institutions nor reduces economic growth. It is 'normal' and there is no 'curse'!
6. Its expertise is oil discovery. After discovery, it typically sells off its interest to other companies specialising in the 'oil business' (see *Daily Guide* 2009).

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