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Local content and participation in Ghana's oil and gas industry: Can enterprise development make a difference?

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ABSTRACT

In 2013, a local content law was passed with the purpose of promoting internal and external linkages between Ghana's oil and gas sector and the broader economy. An Enterprise Development Centre (EDC) was established to enhance the capacity of indigenous Ghanaian firms and promote their participation in the oil and gas industry. This study examines the forms of linkage the EDC project promotes. Drawing on Bourdieu's distinction between social, cultural, economic and symbolic capital, different aspects of and ways of enhancing local entrepreneurial capacity are examined. It finds that the EDC facilitates interaction between local entrepreneurs, officials of state institutions and foreign oil companies, which enhances local entrepreneurs' knowledge of the oil and gas sector and provides enterprises with an entry point. However, it is argued that only a few well-established medium to large-scale Ghanaian enterprises are able to take advantage of the opportunities provided by the EDC project to expand their operations. The majority of relatively new and small businesses are still unable to gain entry.

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1. Introduction

The debate surrounding petroleum and development in sub-Saharan Africa is highly contested. Some believe that petroleum is a blessing. This includes former president of Ghana, John Kufuor, who anticipated that his country's newfound oil discovery would transform its economy and make it an 'African tiger, in economic terms [of] development' (BBC, 2007). The dominant view, however, is that oil is a curse and produces negative development outcomes (Yates, 2012). The orthodox resource curse doctrine posits that natural resource-dependent countries are exposed to the volatility of market prices and experience a boom–bust cycle (Humphreys et al., 2007). It is further argued that they are susceptible to Dutch Disease – the crowding out of manufacturing and agriculture (Frankel, 2010) – while poor governance leads to rent capture by elites (Collier, 2010; Humphreys et al., 2007; Sachs and Warner, 2001).

In sub-Saharan Africa, the orthodox view of the resource curse has been critiqued for having an ahistorical, uncritical and reductionist approach to natural resource development (Campbell, 2003; McNeish and Logan, 2012; Rosser, 2006; Watts, 2004). The blame placed on poor institutions in developing countries (Sala-i-Martin and Subramanian, 2003) is rather simplistic (Rosser, 2006). Critics fail to take into account how historical processes have made these institutions weak and how powerful groups have promoted their own interests (Acemoglu, 2003).

Proponents of resource enclavity posit that the delinking of the extractive industries from the rest of the economy and operating in secured enclaves leads to negative development outcomes (Ackah-Baidoo, 2012a; Ferguson, 2005; Karl, 2007). In Angola, for example, Ferguson (2005) observed that neither the oil nor the money it brings touches the country's soil. The author argues that 'capital "hops" over "unusable Africa", alighting only in mineral-rich enclaves that are starkly disconnected from their national societies' (Ferguson, 2005, p. 380).

Local content policies (LCPs) are increasingly being viewed as important policy interventions capable of catalysing positive synergies between the extractive industries and national economies. In 2013, Ghana's *Petroleum (Local Content and Local Participation) Regulations 2013* or L. I. 2204 was passed, with the aim of promoting local participation in the oil and gas sector. Following this, the government partnered with Jubilee Partners, a consortium of international oil companies (IOCs), to establish an Enterprise Development Centre (EDC) in the town of Takoradi, with the aim of enhancing the capacity of Ghanaian businesses in the oil industry. This paper critically examines the operations of the EDC and its role in linking Ghanaian firms to the international oil and gas sector.

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Current studies on Ghana's oil and gas industry have tended to focus on governance (see Chitor, 2012; Gyimah-Boadi and Kwasi Prempeh, 2012; Gyampo, 2011). Studies by Obeng-Odoom (2014) analysed the impacts of the oil and gas industry on the economy of Sekondi-Takoradi, while other analyses have explored the training of Ghanaian youths (Darkwah, 2013) and the employment process of oil-rig workers (Ablo, 2012). Ackah-Baidoo (2012b) also explored perceptions of the impacts of the offshore oil and gas sector on fishing. This paper contributes to the literature by exploring the extent to which specific skills development programmes promote the participation of Ghanaian enterprises in the oil and gas sector. The study charts the roles of the EDC as an 'incubator' for the incorporation of indigenous Ghanaian enterprises in the oil and gas industry.

The paper draws on Bourdieu's (1986) concept of capital, including economic, social, cultural and symbolic capital, to explore how various capacities of local entrepreneurs are enhanced through the EDC activities in a manner that is relevant for participation. The study shows that the EDC facilitates interaction between the officials of state institutions, IOCs, service companies and Ghanaian entrepreneurs, in the process bridging information gaps. The EDC project has also enhanced local entrepreneurs' knowledge of the rules, norms and values of the highly international oil and gas sector. It is argued, however, that the prospects for participation are much better for a few well-established medium- to large-scale Ghanaian firms. The majority of relatively new and small businesses are still unable to take advantage of the opportunities available in the oil and gas sector.

The next section of the paper presents a discussion of Bourdieu's concept of capital to underscore aspects of entrepreneurs' capacity and forms of linkages they have attempted to forge with the oil and gas sector and the broader Ghanaian economy. The third section outlines the data collection process adopted in the study, followed by a brief overview of Ghana's emergent oil and gas sector, with emphasis on the Petroleum (Local Content and Local Participation) Regulations 2013 in the fourth section. The fifth section reflects critically on the enterprise development project, and two cases which illustrate how it is impacting on local firms are presented in the sixth section. Finally, the seventh section provides a theoretical analysis of the EDC project and presents concluding remarks.

2. Entrepreneurial capacity and forms of linkages

2.1. Bourdieu's capital concept

As noted, this paper draws on Bourdieu's (1986) concept of capitals (or relevant financial and non-financial resources) to identify ways in which the capacity of Ghanaian entrepreneurs can be enhanced to facilitate their effective participation in the oil and gas sector. For the framing and analysis of aspects of entrepreneurial capacity that are targeted by the EDC project, Bourdieu's (1986) distinction between social, cultural, economic and symbolic forms of capital is useful in several ways. First, Bourdieu's (1986) use of social capital generally denotes resource embeddedness in social relations or networks that individuals can draw on to pursue specific goals (Perrault, 2003). For example, engaging in social relations with representatives from foreign oil companies and state institutions can yield relevant information for local firms. The value of social capital is only significant within a particular sociocultural milieu beyond which its worth diminishes or disappears (Perrault, 2003). It is imperative, therefore, that Ghanaian entrepreneurs understand the context and culture of the international oil and gas industry, in order to accumulate and draw on these relevant networks. This study explores the extent to which the EDC project enhances the networking opportunities for local entrepreneurs.

Secondly, Bourdieu (1986) conceptualised cultural capital as credentials and assets embodied in individuals, families, societies and firms, and institutionalised in the form of educational qualifications. Perrault (2003, p. 328) describes these assets as comprising a 'constellation of shared understandings'. As will be explained, a major challenge facing Ghanaian entrepreneurial activities is a lack of understanding of values and meanings inherent in the oil and gas sector. The EDC project could, therefore, help enhance understanding of team building, training, professional development, efficiency and safety issues intrinsic in the oil and gas sector. Indeed, cultural meanings are fundamental to the formation of social relations and economic activities (Bråten, 2013), not the least for local entrepreneurs in the oil and gas industry.

The third form of capital distinguished by Bourdieu (1986) is the economic capital that can take the form of property rights, shares, finance and factories. A key argument advanced in the literature on enclavity is that the oil and gas sector forge weak links with the broader society (Karl, 2007). The nascent oil and gas sector in Ghana is not impervious to this challenge. While Ghana's local content law makes provision for active technology transfer, it remains to be seen if and how crucial technology transfers are possible. The extent to which the EDC project could enhance the capacity of local firms to meet financial and technological requirements might go a long way towards enabling their participation in the sector.

Finally, symbolic capital is 'the form that the various species of capital assume when they are perceived and recognised as legitimate' (Bourdieu, 1989, p. 17). In the oil and gas sector, symbolic capital could take the form of foreign companies' trust in local firms and their capacity to deliver goods and services satisfactorily. Establishing trust among people is an outcome of their relationships (social capital), which are also based on the level of understanding between them (cultural capital) in a given context. This study examines how the EDC project improves foreign companies' perception of the capability of local firms to deliver, and whether it is translated into awarding them contracts.

From the above discussion, it is clear that the extent to which the EDC project enhances what Bourdieu (1989) calls 'stock' of the various 'species' or types of capital for local businesses will greatly determine their level of engagement in the oil and gas sector. If the EDC project could enhance local entrepreneurs' knowledge of the oil and gas industry (cultural capital) and connect them to what the EDC Head of Research and Training termed 'the people who matter' (social capital) in the oil and gas sector, this could increase their chances of securing some contracts. As will be shown, the approach adopted by the EDC could play a useful role in developing trust (symbolic capital) among key actors such as IOCs, service companies, state institutions and local enterprises. Although the EDC project does not provide financial assistance to businesses, it provides measures that can assist local businesses in accessing finance. As will be highlighted in the fourth section of the paper, the Petroleum (Local Content and Local Participation) Regulations 2013 aims to establish linkages between the oil and gas sector and the Ghanaian economy. The EDC project forms part of strategies to forge such linkages. In the next section, various types of linkages between the extractive sector and the national economy are discussed.

2.2. Types of linkages

In light of the tendency of the offshore oil and gas sector to develop in an enclave, policies that promote linkages between the petroleum sector and the economy could be relevant in facilitating

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