



## Review

# Global political economy and Frontier economies in Africa: Implications from the oil and gas industry in Ghana



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## ABSTRACT

This review highlights what has been learnt from research on West Africa's oil economy, Ghana and what remains to be studied. The existing knowledge about the industry is both analytical (entailing different frames of thinking, such as enclave and linkages approaches) and empirical (including in what ways is the oil resource a blessing, a curse, or both and to what extent regulations can attenuate or accentuate undesirable outcomes). The existing research shows that to probe whether there is a resource curse/blessing is to ask the question the wrong way. Instead, it is more useful to ask in what ways the oil and gas industry in Ghana driven by a fear of resource curse moulds and is moulded by institutions and aspirations. The tendency has been to emphasise the need for more economic growth and avoid state corruption. Steeped in mainstream economic management, the interest is in bolstering growth-enhancing processes, such as attenuating currency instability and expending limited revenue on social development as a right because such social expenditure is 'unsustainable'. While this emphasis can achieve the important goal of stabilising the economy, it totally ignores or superficially considers the more complex ramifications of oil and gas extraction, namely the growing sphere of influence of transnational oil companies some of which have become key actors in planning, inequalities across space in terms of income and productive resources, exploitation of women, especially, and labour more generally, and ecological pillage. When the policy focal lenses are changed to emphasise these other ramifications, both the implications for and possibilities to use oil resources for social development become more clearly evident and the need to re-theorise the ramifications of oil ever more pressing. In spite of this contribution to the global energy debate, the existing body of knowledge in Ghana is weak in the sense that it lacks a careful theorisation of oil as part of the biogas–electricity–oil–gas–biofuel complex, how this complex is melded into the local/global capitalist mode of production, contradictions in the process, attempts at attenuating these contradictory processes, and how these attempts, in turn, cause different and differential experiences across the entire spectrum (up, mid, and downstream) of oil production, distribution, and consumption. To address these gaps, this article briefly describes several new approaches that could be used to bolster theorisation of the oil and gas industry.

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## 1. Introduction

### 1.1. Historical Background

On December 15, 2007, Ghana joined the league of commercial oil producers in the world. There has been a growing global interest in Ghana's experiences as a petro state. Touting the credentials of Ghana, US President Barack Obama recently noted that '... it is important for us to also focus on the good news that's coming out of Africa, and ... Ghana continues to be a good news story' (cited in *Growth Green Agriculture*, 2013, p.8). Recently, when African states were ranked by *Hendrix and Noland* (2014) on a three-point scale from consolidated democracies (best), soft autocracies (medium), and hybrid regimes to hard core authoritarian regimes (worst), it was only Ghana and South Africa that were classified as 'consolidated democracies' (*Hendrix and Noland*, 2014, p.81) or 'strongly democratic' (*Hendrix and Noland*, 2014, p.82). As South Africa is better known for its coal production, Ghana remains a more relevant focus for this article. As the studies on Ghana's oil and gas industry are more extensive, sophisticated, and sustained than any of the *frontier* fossil economies (e.g., Sierra Leone, Uganda, Mozambique, and Sao Tome and Principe) in Africa, analysing the state of oil and gas research in Ghana can generate possible lessons for other (African) countries or regions.

The knowledge base on Ghana's fossil industry was developed rather sluggishly at first, but much research has now been done on Ghana's oil and gas sector. The earliest papers on oil discovery were published in 2008. It is arguable that McCaskie, History Professor at the University of London, was the first to write a journal-length article on the discovery. His article appeared in *African Affairs* in May, 2008. At the time, the basis of the claims in his paper included almost every source (e.g., interviews, media accounts, reports)—except published journal articles on Ghana's oil industry. There were also some short pieces – such as Anna Cavnar's 'Averting the resource curse in Ghana' – and many media articles in that year (see *Behrman et al.*, 2012). Two journal articles on oil appeared in 2009 in the maiden issue of *African Review of Economics and Finance* (*Adu*, 2009; *Obeng-Odoom*, 2009). *King* (2009) offered 'an institutional analysis of the resource curse in Africa: Lessons for Ghana' in the journal *Consilience*, and the publication of reports and short pieces gathered pace (e.g., *Gary's report published in 2009*; *Moss and Young's working paper released in 2009*)—but no more journal articles on oil in Ghana.

The year 2010 is significant not only because it marked the official coronation of oil export in the country but also because it was a watershed in the publication of journal articles on oil. Indeed, it was the year, in which the *Ghana Policy Journal* published a special issue on oil in Ghana under the caption, 'Ghana's petroleum industry: The prospects and potential impediments towards good governance standards'. The guest editor was Ghana's highly respected economist Prof. Amoako-Tuffour, who played a leadership role in designing many institutions and developing frameworks for oil revenue management in the country. So much was research on oil topics that, in 2011, when Gyampo and his colleagues at the University of Ghana wrote 'the first 100 days of oil preparations', they could talk of 'studies on Ghana's oil discovery' (p.17). And, in 2012,

writers (e.g., *Obeng-Odoom*, 2012) had started 'problematizing' frameworks that were moulding the studies on oil.

Today, in addition to the growing number of articles, book chapters, government reports, magazine and newspaper articles, as well as self-published booklets, there are at least 4 books on oil and gas in Ghana, namely: *Making the Oil and Gas Find in Ghana a Blessing* by *Asamoah* (2011);<sup>1</sup> *Governance of the Petroleum Sector in an Emerging Developing Economy* edited by *Appiah-Adu* (2013b), and *Oiling the Urban Economy: Land, Labour, Capital, and the State in Sekondi-Takoradi, Ghana* (2014) by *Obeng-Odoom* (2014c). John Heilbrunn's book *Oil, Democracy, and Development in Africa* (2014), which gives special attention to Ghana, as an emerging oil producer, although the book is an Africa-wide analysis much like *Confronting the Curse: The Economics and Geopolitics of Natural Resource Governance* (2014) written by *Hendrix and Noland* (2014). These books have been interesting enough to generate a small stream of book reviews. *Attah* (2014) and *Obeng-Odoom* (2014f) have reviewed Appiah-Adu, *Collins* (2015), *Attah* (2015), and *Bryceson* (2015) have reviewed Obeng-Odoom's book, and *Obeng-Odoom* (2015a) and *Yates* (2015) have reviewed Heilbrunn's book. There is even a movie about the Ghana oil industry – *Big Men: Everyone Wants to Be Big* – and that too has been reviewed (*Hilson*, 2014b).

### 1.2. Institutional context

Ghana's status as a 'petro state' is not only because oil rents constitute 10 per cent of its GDP (*Heilbrunn*, 2014) but also because the oil industry itself has been a spark for major foreign direct investments. For instance, in 2010, Ghana's oil-induced foreign direct investment was US 2.27 billion, an amount which is 19 times much greater than the average annual FDI in Ghana between 2000 and 2005, that is, before the oil find (*Hendrix and Noland*, 2014, p.53). Ghana has an elaborate institutional structure for its oil and gas industry. *Table 1* provides only a snapshot.

In addition to the institutions listed in *Table 1*, many others have been recently created, mostly to avert the resource curse. One of them is the Public Interest and Accountability Committee (PIAC) responsible, according to the law establishing it (Petroleum Revenues Management Act, Act 815), for monitoring compliance with the agreed ways of managing and using oil revenues as well as a platform for the public to be involved in debating issues about the best use of oil resources (Section 52). The mandate of other institutions has been defined by the results of extensive surveys carried out by the Ghanaian state and other multinational partners mainly concerned with avoiding the resource curse. This institutional architecture suffers significant problems, including poor funding and design defects in their operations (see, for example, *Amoako-Tuffour and Ghanney*, 2013, pp.35–63; *Gyampo*, 2011; *Gyimah-Boadi and Prempeh*, 2012). Yet, the failures are nowhere close to the aggravated institutional confusion sometimes driven by international processes in the two Sudans, as *Young's* (2012) book – *The Fate of Sudan* (2012) – shows. In the case of Ghana, there are quite extensive checks and balances across the state but also from

<sup>1</sup> Joe Asamoah self-published a related version of this book.

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