

# **DEVELOPMENTS IN AND PROSPECTS FOR GHANA'S PETROLEUM SECTOR**

## By Dr. Ashley Neese Bybee

AFRICA

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Fishermen prepare to head out to sea just after dawn, at the fishing beach in James Town, in Accra, Ghana. The West African nation of Ghana has begun pumping oil, which some feel threatens the livelihood of the country's fishermen. (Source: AP Photo/Rebecca Blackwell.)

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# BOTSWANA'S 2014 ELECTIONS: CONSPIRACY THEORIES AND A LONG-SUFFERING OPPOSITION—RECIPE FOR DISASTER?

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The party of President lan Khama is running for re-election in October 2014. (Source: AP.)

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## **About IDA**

The Institute for Defense Analyses is a non-profit corporation operating in the public interest.

IDA's three federally-funded research and development centers provide objective analyses of national security issues and related national challenges, particularly those requiring scientific and technical expertise.

IDA's Africa team focuses on issues related to political, economic, and social stability and security on the continent.

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When Ghana discovered large deposits of petroleum off its coast in 2007, two camps immediately emerged in response to this major find. The first, eager to see Ghana rise in the ranks of Africa's economic performers, comprises ardent supporters of the government's plans to develop the petroleum sector. The second, more apprehensive and fearing the dreaded "resource curse" that has beset so many African oil-producers, has been a vocal advocate for public oversight of the oil sector and transparency of its revenues. Production has been under way for three-and-a-half years, and although political will appears to exist for the responsible management of the petroleum sector, residents of the oil-producing Western Region have been disappointed thus far and are not optimistic about the future.



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#### **Impact on Fishing**

Fishing, which provides income for <u>10 percent</u> of the population, began to suffer in 2011 when fishermen noticed their catches were <u>declining drastically</u>. In addition, fishermen have faced the danger of increased collisions at sea with large oil tankers and restrictions preventing them from operating close to rigs where fish tend to migrate. Now, a <u>seismic survey</u> due to start in August and continue until November is expected by many observers to disrupt fishing operations further, although the Ghana National Petroleum Corporation (GNPC) refutes this. This trend has heightened concerns that Ghana's fishing industry might go the same way as Nigeria's, where <u>villagers say</u> the local environment was devastated by oil spills, depriving thousands of subsistence farmers and fishermen of their livelihoods.

Fishermen blame the government for failing to address their needs. Kwabena Okyere Darko-Mensah of the New Patriotic party, who is the MP for Takoradi, <u>agreed</u>:

The environmental impact assessment [of oil exploration] was not properly done.... The public forum that was held was rushed through, and therefore many of the local concerns were not addressed. It also did not make provisions for alternative livelihoods for fisherman affected by oil and gas exploration—that's where we need to concentrate.

#### **Persistent Concerns over Local Content**

Despite the passage of legislation in 2013 that gives Ghanaian companies preference in bids for petroleum licenses, mandates a minimum 5 percent equity stake for local companies in every oil contract awarded to an international investor, and provides skills training for Ghanaian workers in the petroleum sector, benefits to the local population have been slow in coming. The expectation that the law can achieve 90 percent local participation in the oil sector by 2020 seems unrealistic, given the lack of indigenous capacity. Furthermore, research shows that Ghanaians working in the oil and gas sector earn on average \$26,800 per year compared with \$128,500 paid to their expat counterparts. This disparity has the potential to breed resentment of foreigners who can afford more luxurious lifestyles. The presence of such expats has also driven up the cost of living in Takoradi-Sekondi, where some landlords now charge exorbitant rents, forcing many locals out of their homes. The major depreciation of the Ghanaian cedi and resulting 15 percent inflation have led to numerous protests throughout the country, with protestors objecting to the high cost of living and demanding the government restore the 23 percent subsidy that it removed from petroleum products.

#### Transparency

Ghana's vibrant civil society has taken proactive steps to incorporate public oversight of oil revenues into national legislation through the Public Interest and Accountability Committee (PIAC). The PIAC has been a highly touted but some say under-resourced vehicle for public oversight of Ghana's petroleum industry. Ghanaian Civil Society and the international community alike have been optimistic that the PIAC will ensure transparency, so long as the political will exists to provide it with adequate resources to operate. The PIAC has produced <u>numerous reports</u> documenting instances of the government's non-compliance with the Petroleum Revenue Management Act, as well as an independent assessment of its management and use of revenues. <u>Other observers</u> have noted that revenues have been directed into projects for which they were not originally intended.

#### Signs of Dutch Disease?

Although it is too early to draw conclusions, there are some indications that Ghana may not be doing enough to avoid succumbing to the "Dutch Disease," an affliction whereby countries with vast natural resources become dependent on those exports while neglecting other non-resource sectors such as manufacturing or services. Recent data shows a <u>decline in Ghana's agriculture sector</u> by 3.9 percent in the second quarter of 2013 compared with 1.1 percent growth during the same period in 2012. While this may be attributable to a decline in global cocoa prices (a major Ghanaian export), the government should continue its attempts to diversify its economy to hedge against fluctuations in the oil market and an eventual return to a non-oil economy.

#### **Prospects for the Future**

Despite these concerns, the Ghanaian government continues to have new opportunities where it can demonstrate its commitment to the economic development of the Western Region. <u>Fuel shortages</u> in Takoradi-Sekondi stemming from a significant reduction of fuel imports from Nigeria have reignited calls for long-term energy security. The <u>Ghana Gas Infrastructure</u> <u>Project</u> at Atuabo, which will process raw gas from the Jubilee field, is scheduled to become operational by September and is expected to play a large part in meeting Ghana's future energy needs, as well as creating jobs. The construction of a new <u>oil refinery in Takoradi</u> is to begin in the first quarter of 2015, with production expected in 2017, thus reducing reliance on gasoline imports. Last month, President John Dramani Mahama announced the renovation and expansion of the Takoradi Port into a <u>world-class hub for oil services</u>, which will facilitate the movement of goods and services in the entire country. He also committed <u>\$750 million</u> to the improvement of roads in the Western Region, stating that such improvements would help in the transportation of products from local farming communities to urban and commercial centers. If such development projects are accompanied by investment in local human resources and continued public oversight of the oil and gas sector, Ghana might still be on a trajectory toward economic development and political accountability.

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In October, Botswana will hold its <u>11th consecutive multiparty election</u>. Many consider the country to be one of the most stable democracies in sub-Saharan Africa. Botswana has no history of violent conflict, coup, or any other adverse regime change. Since independence from British colonial rule in 1965,



The party of President lan Khama is running for re-election in October 2014. (Source: AP.)

there have been four presidents, two of whom have stepped down after serving the constitutional maximum of two 5-year terms. Festus Mogae, president from 1998 to 2008, has been one of only three recipients on the continent of the <u>Mo Ibrahim</u> <u>Foundation Prize for Achievement in African Leadership</u>, which, among other criteria, is awarded to democratically elected heads of state who step down after serving their constitutionally mandated terms. In addition to its political stability, Botswana has also enjoyed widely praised <u>economic growth</u> and substantial <u>personal freedoms and liberties</u>.

#### **Trouble in Paradise?**

Despite these signs of democratic maturity, there are some troubling trends. Only one party, the Botswana Democratic Party (BDP), has ever won elections. Based on the country's electoral system (winner-take-all), the BDP has generally won a supermajority of parliamentary seats (more than 75 percent), despite winning just slightly more than 50 percent of the vote in general elections. The president is indirectly elected by parliament, and because of the BDP's persistent parliamentary majority, the BDP has retained the presidency for almost 50 years. Ian Seretse Ian Khama, son of founding president Seretse Khama, has been president since 2008. If the BDP wins a majority in the 2014 elections, he will be returned to office for his second presidential term. The dominance of the BDP is not in and of itself troubling if it is a sincere reflection of the preferences of the electorate, but there are concerns that such overwhelming majorities for one party may lead to lower levels of political accountability, representativeness, and responsiveness of the government. Furthermore, with no demonstrative proof that the ruling party would graciously and peacefully accept defeat, many are left wondering how the BDP would respond to an electoral loss.

Before the 2014 elections (which are not yet scheduled but usually held in October), some startling allegations have emerged regarding the conduct of the government of Botswana. In particular, the death of opposition politician <u>Gomolemo Motswaledi</u> has made waves. On July 30, while traveling from neighboring South Africa to Botswana's capital city Gaborone, Motswaledi died in a single-car accident. Almost immediately the opposition <u>accused the government</u> of orchestrating Motswaledi's accident and assassinating him for political ends. <u>Conspiracy theories</u> have been repeatedly printed in several of Botswana's more reputable presses, and the opposition has been conducting what it calls a "<u>parallel</u>" investigation into the crash. On August 21, however, the Botswana police <u>released their findings</u>, stating that Motswaledi's death was the result of an unfortunate road accident.

Motswaledi, 44, was a member of the ruling BDP until he formed the breakaway Botswana Movement for Democracy (BMD) with several other disgruntled BDP legislators after the 2009 elections. He had been previously secretary general of the BDP until President Khama <u>suspended</u> him for 60 days shortly before the 2009 elections for undermining Khama's authority as leader. The others who joined Motswaledi were reportedly upset over President lan Khama's increasingly autocratic style of leadership. Motswaledi isn't the only one who raised concerns over the quality of democracy under Khama's rule. Recently, at a panel discussion in Tanzania, former president Festus Mogae <u>lambasted the president</u> and accused Botswana of slipping toward autocracy.

Adding fuel to an already combustible situation, opposition leader Duma Boko of the Botswana National Front (BNF) stated on August 21 that the opposition was aware of the government's intention to <u>rig the upcoming elections</u> and warned that instability could follow if the elections were not free and fair.

#### **Opposition Politics—Gains and Stagnation?**

The opposition has grown substantially since 1966, and elections have become <u>more competitive over time</u>, but has the opposition matured? Whereas in 1979 the BDP received 75.4 percent of the vote, in the last elections held in 2009, the BDP won 53.3 percent. But based on several factors, including the electoral system and a fragmented opposition, 53.3 percent of the vote resulted in 79 percent of the seats in the National Assembly. This trend—receiving approximately 50 percent of the vote and 75 percent of the seats for the BDP—has held in every election since 1994. And it is clearly frustrating the opposition who constantly feel like they are one election away from gaining power.

But the disorganization and factionalization of the opposition also contributes to the BDP's staying power. The fragmentation of the opposition has long been an impediment to its becoming a legitimate threat to the BDP. Various coalitions have been entered into (and many broken) before elections, but no unitary opposition challenge has thus far been sustained because the opposition usually splits the remaining 50 percent of the popular vote among two to four other parties. After the 1994 elections in which the BNF received 37.7 percent of the vote to the BDP's 53.1 percent, the BNF experienced a leadership crisis, and the Botswana Congress Party (BCP) formed. In the subsequent election, the BNF and BCP combined to win 37.9 percent of the vote. In the 2009 election, the BNF and BCP received a combined 42.6 percent of the vote.

The most recently conducted poll (from 2012) shows a <u>split within the electorate</u> between support for the BDP: 50 percent would vote for it with the remaining 50 percent either supporting one of six opposition parties or undecided. For the 2014 elections, Motswaledi and the BMD had aligned with a coalition of opposition parties called the <u>Umbrella</u> for <u>Democratic Change</u> (UDC). Motswaledi was elected deputy president of the UDC alongside Duma Boko, BNF, to contest the general elections. The BCP, which received 19 percent of the vote in 2009, has yet to accede to the opposition union and is running candidates in many, but not all, constituencies.

#### Conclusion

Motswaledi's death has triggered an emotional response that could become the spark that ignites a previously marginalized opposition, providing the opposition an opportunity to expand its popular support. Nevertheless, unless the opposition is able to overcome its differences and present a credible and united front, the upcoming poll may result in the BDP's 11th consecutive victory.

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