

Ensuring Harmonious Relations among Investors and Communities in an Emerging Oil and Gas Industry in Ghana

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Abstract

The development of mining has been in Ghana since the 1880s with the mining of gold, diamonds, bauxite, manganese etc. This has brought both development of social infrastructure, road improvement, growth of villages into towns and provision of housing facilities to workers of mining communities to live better. However, this has not been done without much controversy and conflict among the communities where the exploitation of the minerals occurs. In most cases conflict arises among the chiefs or traditional rulers and the subjects or the investors and the communities concerned. Thus, the procedures for determining the beneficiaries for royalties and unequal developments sometimes stall the successful operations of the industry. Other potential conflicts involve environmental concerns. This paper therefore seeks to examine the implications of the emerging oil and gas industry in reducing conflicts among investors and the communities in which the oil and gas industry is developed. It draws evidence from mining areas across the world and the effects previous experiences of mining had on Ghana.

Key words: Investors –Community relations, emerging oil and gas industry in Ghana, Environmental impact assessment

1. Introduction

The history of mining in Ghana dates back many years before the advent of Europeans in 1472. However, modern mining through small scale activities started with the work of Pierre Bonnet a French trader. This activity was however legalized in 1989 by granting few mining concessions to indigenes. Before then, open cast and deep shaft mining were performed by multi-national corporations. Minerals over the years have contributed immensely to Ghana's export revenue. For instance, in 1992, the mining sector earned the nation a proportion of a total foreign exchange of 40%.

Mining in 2005 accounted for 5% of Ghana's Domestic Gross Product (GDP) and minerals make up 37% of total exports of which Gold constitutes 90% of total mineral exports. For example Obuasi mines alone employ over 5722 local staff directly engaged in its activities. Ghana is Africa's second highest gold producer producing 70 tons in 2003 and 2143 M oz in 2005. In 2005, the mining sector produced 1,065,923 ct of diamonds; 606,000 tons of bauxite and 1,719,589 tons of manganese (www.mbandi.com/indy/mining/af/gh/p0005.htm). Royalties accruing from the mining operations vary from 3% to 12% of the gross value of minerals variation is related to the "operating margin" and is designed to prevent Royalties becoming too onerous during times of low profitability. Today, minerals account for 20% of total exports. Gold alone account for two-thirds of the production of minerals, most of it extracted by multinational companies. In the Democratic Republic of Congo conservative estimates show that 2 million people are actively involved in mining and are responsible for producing 90% of the minerals exported from the country. Yet, the country has not seen peace in the mining sectors of the economy and the communities in which mining occurs. There are thousands of the unemployed youth living in mining areas who do not benefit from their activities and therefore engage in illegal mining with dynamites, mercury and other forms to earn a living despite the threats they pose.

Akapiro (2010) maintains that mining employs many men hence it attracts labour. Dickson and Benneh (1998) stated that people from various parts of Ghana and West Africa flock the mining towns, thereby increasing their populations. Such towns become unsafe to live in as so many unscrupulous men are bent on getting rich quickly. Furthermore, social life deteriorates due to the population increase which promotes the practice of stealing and prostitution resulting in low standard of living.

Addo (1997) cited by Akapiro (2010) in a report to a National Symposium on the current environment practice in the mining industry on Iduapriem Goldmine at Tarkwa stated that a number of communities have been displaced due to the company's operations. It is important that these communities have adequate amenities to cope with the change and assisted in such project as electrification, provision of market, a clinic, a place of convenience and construction of schools and wells through the company's support.

The Daily Graphic of Monday May 18, 1998 reported that some mining companies have created water pollution problems for resettled communities. Besides, there are poor company- community relations in areas where they operate. Some settled communities have no access to adequate farmlands while ancestral homes are lost (Badu-Nyarko, 2004). The Daily Graphic report further stated that the rate and quality of reclamation of destroyed areas

are not satisfactory at some of the mines. For instance, in August 1997 the Minister of Mines and Energy in a meeting with the Mine Workers Union at Tarkwa remarked: “the wrath of public outcry against surface mining is not so much that there should not be surface mining at all, what the people are against is the wanton and seemingly uncontrolled destruction of the environment and the economic livelihood of the people through surface mining” (p.7).

Similarly, the Daily Graphic’s editorial of May 1997 with the title “ AGC compensation package’ at page 7 lamented on the effects the company’s surface mining is going to have on the people which may result in the destruction of private property and the environment. In order to guarantee private property and protect the environment in its operations, the company has the responsibility to safeguard the interest of individuals who own property within the operational area and strive for a balance in the environment. For instance, McDougal in 2011 wrote extensively on the plight of Obuasi which has not benefited much from mining over the years with poor road network, no good drinking water, electricity, unemployment, environmental pollution, high cost of living and diseases. These issues are similar to other mining towns in Ghana.

In an experiment performed on pollution in the Obuasi Township Down (1977) cited in Akapire (2010) concluded that pollution extended to a minimum of 5-9 miles further away from the Pompora treatment plant. This is an indication that air pollution is a major problem in mining areas due to the mode of ore and other chemicals used at the mines. Down found out that the vegetation around Obuasi is being destroyed by large quantities of noxious substances regularly poured into the air. This renders the land susceptible to erosion and instability of slopes to hills. The lands are also vulnerable to landslides which can cause great damage to man and property.

For instance, it is estimated that every year mining and metallurgy release over 13 billion cubic metres of effluents into Peru’s water courses. This is a very worrying situation about the potential for adverse environmental impacts and the implications that these will have for livelihood, consumption, wellbeing and health.

In Ghana, open pit mining has gradually degraded the landscape and the forest cover. Mining particularly oil and gas poses a danger to forest reserves which will destroy the vegetation cover particularly timber species and natural forest. Abdallah (2010) commented on the oil exploration in Uganda and stated that oil extraction will ruin Uganda’s environment particularly its national parks and water bodies. This will also displace a large number of people who rely on the national parks and ecology for survival. This is expected to bring a lot of dissatisfaction and disaffection among the people and the companies rather than relief.

Ghana intends to invest 60% of oil revenue in agriculture to sustain the economy to balance the structure of the economy. However, the development of the oil and gas industry will not be free of tensions between the investors and the communities where this occurs. Therefore, this paper intends to delve into the potential tensions and conflicts expected in the development of the oil and gas industry after one year of oil production in Ghana and how to ensure harmonious relationships between the oil and gas companies and the local communities where the industry is established.

2. Potential areas of conflict

The expansion of mining in Ghana is expected that over 40% of Ghana’s peasant communities in the Western Region will be affected by mining activities. With greater optimism that this will eventually lead to significant economic growth, there is much concern that the socio-environmental costs might be unacceptably high. In fact, there exist major stakes in these conflicts, affecting everything from local livelihood sustainability to the solvency of indigenous societies and traditional life. There are genuine fears for water quality and quantity, unequal development, poverty, and social vices that may sometimes produce violent conflicts between investors (miners) and the communities in which they operate.

3. Economic ventures and influx of non-indigenes

Another area of potential conflict is the influx of non-indigenes into the areas of oil and gas exploitation. These new entrants may bring with them the skills and expertise needed to develop the industry. Their success and service to the industry at the expense of the indigenes that lacked such skills may gradually develop into hatred. This becomes even worse when they begin to acquire landed properties like buildings, commercial ventures and become highly prosperous. This has been the case in places like the Congo and the Niger delta. Also, the influx of people may bring about its attendant social vices when they fail to secure employment.

4. Unequal development and land use

One of the major sources of mining related disputes in Australia concerns land use. These conflicts have arisen partly due to increased public support for conservation and partly because of the more intense search for resource deposits as less controversial deposits are used up. The problem is between the aborigines who live on, own and

have claim to land and the mining companies that want to mine the land. This conflict has intensified since the Mabo High Court decision recognized native title to traditional aboriginal land owners. Industry groups are opposed to aborigines having the power to veto mining access to land granted to them under the land rights and the Mabo decision, and they see some claims on sacred sites not being genuine. They argue that minerals belong to all Australians, and that the decision over whether they should be mined should take account of 'general community as well as Aboriginal values' (Beder, 1996).

The Ghana News Agency report of Sunday, July 25, 2010 headlined "Government blamed for poor development in mining areas" indicated that the General Secretary of the Ghana Mine Workers Union of the Ghana Trades Union Congress Mr. Prince William Ankrah stating that the lack of adequate infrastructure and the increasing number of slums in mining communities was a sign of failure on the part of government and local authorities. He stated: "We cannot continue to operate in an area which lacks the basic necessities that promotes the social wellbeing of the inhabitants and makes the cost of doing business in the area difficult."

5. Lack of effective communication and discussions

There is an overall absence of clear, reliable, transparent and independent information on the nature of the risks involved as a result of the mining activity. In many instances, long histories of poor corporate environmental practice and of weak state regulation have left communities distrustful of the central government and mining companies. This is very severe where mining is a new activity. In many instances, the companies and the government refuse to disclose the long term effects of the activity on the community. Also, the absence of a comprehensive communication plan on the activities creates conflicts. Such was the case in Poboya Forest area in Indonesia where the indigenes protested to stop the government and the mining companies from encroaching on their lands and for that matter operating a mine. This is based on the fact that there is no mining activity anywhere that has not been destructive and wanted to know the long term effects on their lives.

6. Poverty in the mist of riches

Onduku (2001) cites the Environment and Conflict Project document the "environmental conflicts manifest themselves as political, social, economic, religious or territorial conflicts or conflicts over resources or national interests, or any other type of conflict. They are traditional conflicts induced by an environmental degradation". P. 1. He further stated that environmental conflicts are usually complex in structure and history and to a large extent impact on public interests and goods as well as non-represented interests like future generations. Furthermore, government policies and land controls including forest reserves have rendered many locals poor at the expense of industrial growth and development. Such tendencies where the people wallow in abject poverty while others enjoy decent and affluent lifestyles while exploiting their resources degenerate hatred and tension. In fact, Onduku (2001) writing on the Ogoni people remarked that the conflict between Ogoni, Shell and the Nigerian State may in part be attributed to the unguarded devastation made to the fragile natural environment of the Niger Delta. To many Ijaw youth of the Niger Delta of Nigeria, the best way to ensure the continuous survival of the indigenous people of the Ijaw nationality is "the unabating damage to the environment as due to uncontrolled exploration and exploitation of crude oil and natural gas which has led to numerous oil spillages, uncontrolled gas flaring, the opening up of forests for loggers, indiscriminate canalization, flooding, land subsidence, coastal erosion, earth tremors etc" p.6. The author citing the Kaiama declaration stated further that oil and gas are exhaustible resources and the complete lack of concern for ecological rehabilitation is a signal for impending doom for the people of Ijaw.

7. Provision of harmonious relations

With these potential conflicts and tensions happening in other parts of the world, Ghana has to draw lessons from them in order to ensure harmonious relations or limit the tensions anticipated. The following are therefore proposed.

7.1 Improved information and communication

There is the need to provide effective dialogue among all the stakeholders in the industry such as the communities, the oil and gas companies and the government of Ghana through the ministries and agencies. This requires a baseline information on effects of oil and gas before activities begin. For example, Singh, Koku and Balfors (2007) in a study of mining communities in the Wassa West district on the causes of conflict in these areas. The authors using the practical theory of Trinity of Voice (TOR) in resolving conflicts in mining areas in Ghana recommended a multi-stakeholder decision making processes and effective public participation of members from the local host communities to resolve existing conflicts and prevent such occurrences in future. In Indonesia for instance, the Poboya community were apprehensive of the sincerity of the mining companies. They stated in part:

This company has never been open to us about issues relating to mineral potential and the impacts that will later be felt by the community. Instead, the company and the municipal government officials have been pushing for the community to accept the mining plans by feeding promises of employment and profit to the community in order to gain public acceptance of the mine (<http://www.minesandcommunities.org/article.php?a=1519>. Culled: 31/12/2011).

This requires improved participation of broad range of stakeholders and Advisory groups procedures for consultation

7.2 Developing and offering various management tools enabling landowners and land users to choose measures appropriate

Another important aspect of providing harmonious relationship is the use of available land space. In many instances, indigenes ownership of land is threatened when developments take place. The lost of land and livelihood requires that various management tools are designed to allow land owners to adopt the most appropriate measures that will help them sustain their lives. This can be the payment of royalties or property rates over time. It is also appropriate that compensation is not paid once but spread over time or a percentage of amount given per year. This will make land owners have some form of financial standing over time. It is also advocated that part of the land use is reserved for community ownership and cultivation within a specified radius for farming and other economic ventures.

8. Financial incentives and compensatory measures

The GNA report of July 25, 2010 indicated that the General Secretary of the Mine Workers Union suggested the formation of a Mining Development Fund for the development of social infrastructure, road improvement, slum upgrading and the provision of modern housing facilities that would make the workers of mining communities live better after mining life. He further suggested that 20% of mineral royalties should go to the fund to be managed by a decentralized institution that would make communities feel part of the success stories of mining. He cited particularly Tarkwa in which he emphasized that despite the six mining companies with international recognition, the present state of Tarkwa and its environs is too embarrassing and negative.

8.1 Employing some youth in unskilled sectors of the industry

Mr. Ankrah suggested that the University of Mines and Technology (UMaT) at Tarkwa despite focusing in producing graduates for the mining sector, must develop and expand its programmes to enable other youths and individuals who are not interested in mining to venture into other areas.

8.2 Skills development

In line with sustainability and avoidance of tensions skills development to usher in the industry by indigenes through education and training in oil and gas industry such as scholarships and identifying areas of interest is advocated. In many mining areas, companies and governments fail to provide the needed skills for the local people. With the emerging oil and gas industry, it is expected that the local people will embrace themselves by engaging in economic and educational ventures that will help the meet the growing demands of the industry as artisans and technicians. The oil and gas industry apart from being highly venture also requires both middle and lower manpower to operate successfully. These middle and lower personnel require skills that may include carpentry, mining engineering, technical skills, masonry, draughtsmanship. This requires that the chiefs, opinion leaders, assembly men and women as well as politicians in the area provide enough scholarships to local people to learn these trades and skills. This is a development towards the future – long term. It is pertinent to note that some institutions like the Takoradi Polytechnic has shown interest in this and intends to run petroleum related courses to welcome the oil and gas industry into the region (Weekly Spectator, Saturday, 7 January, 2012).

9. Agriculture and future livelihoods

An important element in ensuring conflict –free society where companies operate is to assist these communities in subsistence agriculture and sustainable livelihoods. According to Biney (2010) the mining companies in the Tarkwa area through environmental community needs assessment have assisted the communities in various economic ventures. In the same vein in the Gamawela community in South Africa, the Anglo-Platinum board approved the following for the community before operations

- That we compensate the community for the servitude over the area that the dam will cover at the same price/ha as the land value/ha when the land was expropriated **or**
- That AP will assist the community to set up a fish breeding and harvesting system in the dam to maximum value of R 1 million and
- That AP will provide funding for a management consultant to assist and train the community for a maximum of three years on the fish farming to a maximum total value of R 1 million over this period

These and other support may include re-location and resettlement benefits so that the inhabitants can easily adjust to the new life and continue with their livelihood. However, these could be possible through

discussions with the local communities on agreed terms. Other alternative sources of income like Eco-tourism may also be looked into.

10. Environmental impact assessment

In some instances, proper environmental impact assessment is not performed by the mining companies and even if they were done the direct effects particularly adverse effects were not disclosed to the communities until the unexpected happens. In fact, since many of the educated indigenes do not live in such communities they sometimes connive with the mining companies to cover such issues or are bribed. This sometimes happen with the assistance of the educated traditional rulers (Badu-Nyarko, 2004: Anokye, 2001)). The end result is agitations by the youth of the communities as the leaders of the Wassa Communities Affected by Mining (WACM) in Ghana and Ijaw youth in the Niger Delta of Nigeria over the years. This is because despite several agitations, demonstrations and discussions government has not heeded to their plight. In Ghana cases can be cited of open pit mines in the Amansie-West District which were left uncovered, abandoned mines, destruction of livelihoods and diseases like malaria and “bululi” ulcer. The interest of the companies is making profits rather than local development.

10.1 Resolving the issue of land ownership and control

Like many areas of the world like Niger Delta, Uganda, southern Sudan and Australia where mining particularly oil is concerned, the people have no or little control over the land and its resources. These areas are less developed and the people live in abject poverty. It is in fact very deplorable. They are looked down by the mining companies. In most oil and gas nations, the operations of the companies indicate that most of the communities are criss-crossed by oil pipelines and gas flares burned around the clock at ground level. This is to say that these pipe lines are found close to villages. As Onduku (2001) puts it the companies remain negligent and willful. Another issue lies with the fact that the mineral wealth particularly oil and gas belongs to the government and must decide how the wealth from it is distributed for national development. Therefore, based on the interest of the government areas where the resource is exploited may earn less. In Ghana similar expression has been made by the chiefs of Western Region demanding 10% of the oil revenue for the development of the region.

The people of Poboya in Indonesia protesting the establishment of a mining company in their community stated inter alia:

We strongly protest the government’s position that favours the interests of the government and Pt CPM of finding profits rather than the interests of the community as actual owners of the land in the region. Turning our region into a mining region means taking away our rights to life because from this region we are able to sustain our lives. The region planned to be mined includes one of the major suppliers of drinking water for the community in the Pulu valley. If this gold mining project goes ahead, our community as well as the community living in the Pulu Valley region will also face the threat of the loss of their source of drinking water.

10.2 Underdevelopment and Poverty

This has been identified in Nigeria, Peru and Uganda as potential for conflicts. This tension can be managed by appropriate institutional structures. While this is a potential issue, the provision of health, education and other facilities of social wellbeing can help reduce conflicts. Onduku (2001) indicates that the employment policies of the oil companies are lop-sided with the Niger Delta youths always denied. This has created a pool of unemployed youth in the areas. Also as he indicated, the less a people benefit from a system, the less interest they have in the system for their survival. He writes: ” Basically, “profit” or derived from a functioning economy or system create an interest in avoiding conflict, which will prove more costly than management of the tension even if the latter process requires some compromises.” The industry must take into account the survival of future generations.

11. Conclusion

Mineral exploration and exploitation over the years had not promoted peace anywhere in developing countries. This is based on the fact that the investors are first interested in their profits and deriving maximum benefit from what they have invested. As many of them are outsiders of the area in which the operations are conducted they care very little. Unlike Johannesburg where the whites found it as their permanent abode under the Apartheid system, other towns and villages are an eyesore. Even in Johannesburg, we can cite Soweto as the other side of the coin. Preventing tension in Ghana’s oil and gas industry can be achieved if practices in other areas can be learnt. In essence genuine peace and harmony can be achieved by participation, equitable distribution of resources, appropriate development, conscientization and environmental sustainability (Onduku, 2001). For a solid foundation for the future of Ghana’s oil and Gas industry, all stakeholders must resolve to the address the issues of poverty, environmental devastation, political, economic and social injustice, low level of literacy and

unemployment.

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