

Windfalls, wipeouts, and local economic development: A study of an emerging oil city in West Africa

Local Economy

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Franklin Obeng-Odoom

University of Technology, Sydney, Australia

Abstract

Analysis of the political economy of oil tends to be under the rubric of ‘resource curse’ to the neglect of the broader problematique of the distribution of windfalls and wipeouts, the mediating role of institutions, and broader issues of local economic development. This article tries to fill this lacuna by focusing on the experiences of Sekondi-Takoradi, an oil city located in Ghana. Using the principles of eminent domain and decentralisation as analytical framework, it shows ‘who gets what’ in an oil city; demonstrates why different levels of compensation and betterment ought to be paid and received; and reveals the role and struggles of the local State in trying to ensure harmonious local economic development.

Keywords

betterment, cities, compensation, local governance, oil

Introduction

Until recently, Africa was not the focus of attention among the world super powers – particularly in terms of its oil prospects. However, with the discovery of an estimated 80bn barrels of oil in Africa, the continent has become the focus of attention for many industrialised countries (Servant, 2003). According to the African Development Bank and African Union (AU) (2009), the majority of the oil reserves in Africa are in Libya, Angola, Nigeria, Algeria, and New Sudan which collectively hold 90% of the continent’s reserves.

Ghana joined the league of oil producers in Africa only recently, but with much pomp and pageantry: ‘Today is a special day in the lives of Ghanaians; as we are pouring the first oil let’s give thanks to God and enjoy...’, announced the late President John Mills as he officially turned on the requisite oil taps in the control room in the *Kwame Nkrumah* vessel in Takoradi

Corresponding author:

Franklin Obeng-Odoom, School of the Built Environment, Faculty of Design, Architecture and Building, Peter Johnson Building Room 6.44, University of Technology, Sydney, NSW 2007, Australia.

Email: Franklin.Obeng-Odoom@uts.edu.au

Table 1. Projected GDP growth rates, with and without oil, 2011–2013.

GDP	2011	2012	2013
Without oil	7.0	7.0	7.0
With oil	12.3	9.3	8.3

Source: Ministry of Finance and Economic Planning (2010).

for oil production in commercial quantities to begin (Boye, 2010) or, in the words of the *Ghanaian Times* newspaper, for oil to ‘gush out’ (Ekuful, 2010).

Ghana’s oil reserves are substantial. Currently, the Jubilee Field, Ghana’s largest oil field, produces 105,000 barrels per day, but it is expected to generate half a million barrels of oil per day in the ‘foreseeable future’ (Nuamah, 2013: 3). According to the Ministry of Finance and Economic Planning (2010), the total revenue from oil in 2011 accounted for 1.9% of Ghana’s GDP and the effect of oil on the GDP growth rate is anticipated to be substantial, as shown in Table 1.

The problem

As with the rest of Africa (see, for example, Lesourne and Ramsay, 2009; Obi, 2009, 2010) and the world at large (e.g. Cooley, 2001; Rosser, 2006), research on Ghana’s oil industry is often framed in terms of the resource curse doctrine (Corden and Neary, 1982). Researchers consider whether the country will experience the problems associated with the Dutch disease (e.g. Breisinger et al., 2010; Centre for Policy Analysis, 2010), volatility (Dagher et al., 2010), and corruption (e.g. Gary, 2009; King, 2009). With the issues framed in those terms, the studies have tended to consider how to manage resources in a transparent manner (e.g. World Bank, 2009), how adequate the existing policies are (e.g. Gyampo, 2011), and the influence and effects of global forces (McCaskie, 2008).

These studies neither look at how windfalls and wipeouts are distributed within the urban economy embedded in particular institutional make up nor at broader issues of local economic development, particularly the role of local institutions. Yet, understanding the dynamics of such windfalls and wipeouts and the mediating roles of institutions is crucial for policy making and harmonious local economic development (Alterman, 2012; UN-HABITAT, 2008).

This study

This study engages the principles of eminent domain and decentralisation, as a relatively new dimension to the political economy of oil. It looks at property rights in Sekondi-Takoradi, the twin oil city in Ghana. In particular, it analyses the distribution of the windfalls and wipeouts generated in the built environment, considers the resulting issues of compensation and betterment, and explores the mediating role of the city authorities in ensuring harmonious local economic development. The analysis explores surplus and wipe out distribution dynamics, and processes and institutional interactions that can affect the ways in which the resulting streams of income will be used for local economic development.

It attempts to fill a major gap in the literature on property rights in developing countries (Alterman, 2011: 4, 2012), and contributes an ‘emerging oil economy’ perspective to the literature on ‘oil cities’, dominated by studies on already existing oil economies, such as Port Harcourt in Nigeria (see, for example, Obi, 2008, 2009, 2010).

Drawing on an eminent domain-decentralisation framework and multiple sources of evidence, including historical and contemporary published and unpublished sources, the article reveals that there are complex distributional issues about gains

and costs – or, as they are sometimes called, windfalls and wipeouts (Alterman, 2012) – that have currently been ignored in policy circles. While Sekondi-Takoradi Metropolitan Assembly (STMA), the local government of the city, has tried to position itself in order to exploit oil rents for the public good, these efforts have proven to be necessary but not sufficient to trigger and shepherd the process of harmonious local economic development.

The rest of the study addresses three issues. First, it looks at some of the characteristics of the oil city. Next, it examines key distributional issues in the city by engaging the doctrine of eminent domain. Then, it turns to institutional questions and processes of local economic development within the principles of decentralisation.

The city

Sekondi-Takoradi, Ghana's twin city is the city closest to the oil site. It is located in the Sekondi-Takoradi Metropolitan Assembly (STMA) in the Western Region of Ghana (see Figure 1).

Sekondi is the older of the twins. It had very humble beginnings, mainly as a fishing settlement and known only because the Dutch and the British built a few forts there (Jeffries, 1975). Like Sekondi, Takoradi emerged as a fishing town, but the city was buoyed by the development of rail and sea transport in the 20th century, making it one of the prominent centres of economic activity in the Gold Coast and, later, a cornerstone of the independence struggles for the new Ghana Republic (Obeng-Odoom, 2012a).

Not much was heard, done, or said about Sekondi-Takoradi, post-independence (1957–2006). Housing conditions deteriorated, as did the state of general infrastructure (Owusu and Afutu-Kotey, 2010). Writers familiar with Sekondi in its heyday could only euphemistically say that it

had 'seen better days' (Rémy, 1997: 139). In Takoradi, the magnificent Railways Building stood, but only as a pale shadow of its buoyant days when its ancillary facilities and services were not decrepit. As a twin city, the city authorities declared the economy of Sekondi-Takoradi as lagging (STMA, 2012).

However, since 2007, the city appears to have had a new lease of life. The 'oil year' – the year 2007 – was a watershed in the evolution of the city. The city bounced back into the news again but, this time, as an 'oil city'. A dedicated periodical, *Oil City Magazine*, is regularly produced to broadcast the booming economic activities in the city. The Takoradi Airport, hitherto only a military base, now hosts two commercial aircraft companies with flights in and out of Takoradi almost throughout the week. Sometimes the aircraft can make multiple trips,¹ an indication of the brisk business in Takoradi today.

This new phase of the city complements Sekondi-Takoradi's status as the third largest city in the country and the capital of the natural resources-rich Western Region of Ghana. The current population of Sekondi-Takoradi is estimated at over 400,000 people (UN-HABITAT, 2011), 18% of whom are employed in agriculture. Of this share, some 5000 people are involved in fishing and some 47,000 people farm plots of land which average 5 acres (STMA, 2011). While about 51% of the land in the entire metropolis is suitable for agriculture, STMA (2011) has recently noted that only 34% of the cultivable land in the metropolis is under farming. The city has a huge service sector and, to quote Rémy (1997: 139), 'a heavy accent on industry'.

It is important to study in what ways oil exploration and production are affecting property rights in the city, and understand the efforts and constraints of the existing system of local government to provide the

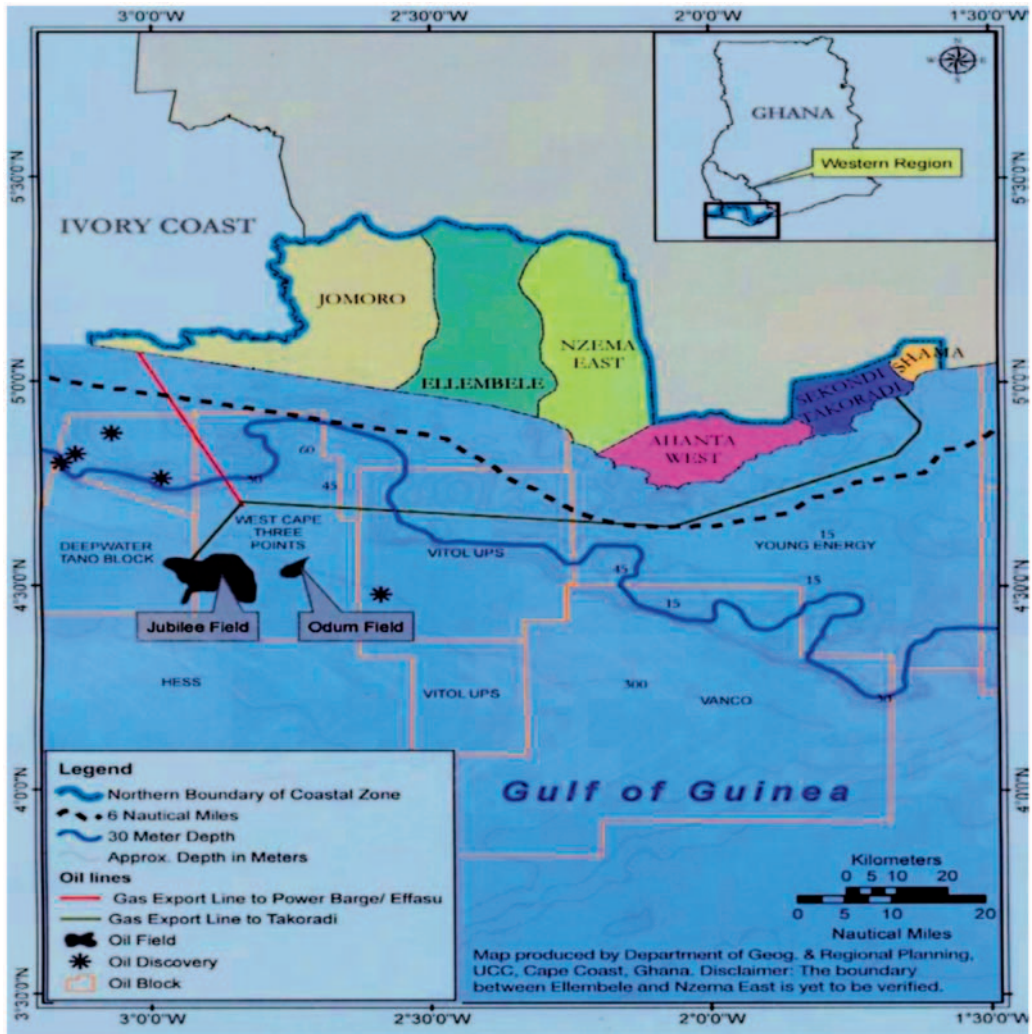


Figure 1. The city and its environs. The Western Region STMA Takoradi.

Source: Sekondi-Takoradi Metropolitan Assembly (STMA) (2012).

ingredients necessary to produce effective spatial development plans; identify the areas requiring new infrastructure, new housing, new welfare and education services; and generate new tax revenues from oil production for harmonious urban economic development. The principles of eminent domain and decentralisation provide useful analytical frameworks for this exercise, hitherto overlooked in the research on

Sekondi-Takoradi's oil experience (Obeng-Odoom, 2012b).

Analytical framework: Eminent domain and decentralisation

The doctrine of eminent domain holds that compulsory acquisition with fair compensation is necessary in the process of economic development (see the Saltpeter case). The

doctrine takes a middle-of-the road view of the polarised debate between conservatives (e.g. John Locke) who hold that there should be total private property in land and progressives (e.g. Jean-Jacques Rousseau) who hold that private property should not be created in land because land is a free gift of nature (Alterman, 2012). The doctrine posits that it is desirable for both private and public property to co-exist, in so far as the State has the right to acquire private property for public benefit subject to appropriate compensation (Saginer and McDonald, 2009).

The theoretical justification for the payment of compensation is the notion of *takings*. A taking is either a compulsory physical acquisition of land or a reduction in the market value of land (Frieden, 2000). It may be classified as direct (arising – directly – from an act or a process) or indirect (as in a ‘third party’ loss), total (complete reduction of market value to zero) or partial (relatively minor reduction in property value). Alternatively, it can be private (a diminution in value caused by private estate developers) or public (value reduction that results from state or public execution of projects) (Alterman, 2011). Takings deprive landowners of their property rights which are often deemed to be secure because of the protection they receive from the public. For that reason, the State normally awards compensation to landowners who suffer a taking (Bromley, 1997).

The doctrine of eminent domain implies that landowners who benefit from an increase in their land values out of public investment or activities unrelated to their own exertion are required to make a payment to the public. This ‘value capture’, capture of ‘plus value’, or the payment of ‘betterment’ (Alterman, 2012) has long been advocated by Henry George who identified the problem of landowners benefiting from their land whose value tends to appreciate because of public expenditure (Alterman,

2012; George, 2006; Stilwell, 2006: 89–91; Stilwell and Jordan, 2004).

However, the issues of property rights entail not just a ‘one-off’ compensation and the taxation of part of the ensuing short-term betterment, but broader roles of institutions in ongoing local development and the need for local governments to have some mechanism of local property taxation in order to ensure that the local public services (e.g. roads, hospitals, schools, water, and drainage) necessary to cope with major economic developments are adequately funded. Sub-national governments are particularly important in such considerations because advocates of decentralisation hold that local governments are closer to the people; know their people’s needs; and, being accountable to them, tend to have the incentives to ensure the local people live a satisfying life (Rondinelli, 1980; Smoke, 2003; World Bank, 2003).

Within this analytical framework, the next section addresses three sets of questions. The first set relates to compensation, namely (1) whether compensation is justified/required; (2) whether existing laws protect property rights by providing for compensation; and (3) whether the State, in fact, would pay compensation. The next cluster relates to betterment, to establish (4) whether a case for the payment of betterment can be made; (5) whether betterment payment is required by existing laws; and (6) whether, in fact, betterment payment would be made, and the last set to local governance, especially (7) what are the functions and powers of the local authority; and (8) whether the local government authority is able to use its functions and powers to foster harmonious local economic development.

Compensation

The few existing studies on the ramifications of oil exploration and production on property rights in Sekondi-Takoradi (Adu, 2009;

Edem, 2011; Obeng-Odoom, 2009, 2013) anticipate three types of takings. The first relates to loss of fishing rights as a result of offshore oil drilling and production; the second relates to loss in farmlands whose value can diminish because of oil-related environmental damage; and the third to physical loss of land arising from onshore oil and gas exploration.

The *Petroleum Revenue Management Act, 2011*, Act 815, too expects such takings (see Clause 25 of the memorandum). It notes in Section 24(3) that: 'Where petroleum operations adversely affect a community, appropriate compensation shall be paid for the benefit of the community in accordance with the relevant laws'.

Similarly, the *Petroleum Exploration and Production Law* (PNDCL 84) of 1984 offers protection of private property rights. It states that: 'any person having a title to or interest in such land who suffers any loss or damage as a result of the petroleum operations shall be entitled to such compensation as may be determined by law' (Section 6, 2b). Further, there are constitutional guarantees of property rights (Article 18 of the Constitution of Ghana) and protection against both partial and physical takings. Article 20 of the Constitution of Ghana notes that '[n]o property of any description, or interest in or right over any property shall be compulsorily taken possession of or acquired by the State' (Clause 1) unless it is absolutely necessary (Clause 1a) and that necessity is made public and backed by and done in accordance with law (Clause 1b). Even when these conditions are met, the expropriated persons are entitled to fair and adequate compensation which has to be paid promptly (Clause 2a). And, in circumstances where there is physical displacement, the State shall settle the displaced people (Clause 3). Also, the affected persons shall have a right of access to the High Court to challenge the taking (Clause 2a).

While the laws relating to petroleum and the constitutional provisions deal with physical taking or compulsory acquisition, there are other laws that protect takings in the form of a reduction in market value. The *Local Government Act, Act 462* (Section 56), and the *Town and Country Planning Act, 1963* (Sections 21–26) stress the legal protection and compensation rights of landowners whose properties suffer a reduction in market value as a result of the implementation of a planning scheme, any work related to its execution, or any actions or inactions done by any persons to make it possible for the scheme to work.

Whether the State does, in fact, respect these laws, however, is not so straightforward. A search via the Ghana Law Finder (2009), the Legal Library Services, Gud 9t containing most digitised Ghana Law Reports, shows that cases involving compensation arising from partial takings have never been contested in the courts of law. For this reason, it is difficult to make a determination on whether the State would pay compensation to those whose property rights have been *taken* in Sekondi-Takoradi since 2007.

The realm of physical taking is rather different. There is plenty of evidence to inform contemporary political economic analysis. Historically, the Ghanaian State has chronically defaulted on compensation payment for physical takings. Between 1850 and 2004, the State executed 1336 instruments to compulsorily acquire land. It did so in all 10 regions of Ghana. The regions with the greatest share of compulsorily acquired lands were Greater Accra (34.1%), followed by the Western Region (26.7%) where Sekondi-Takoradi is located. The State defaulted on the payment of most of the required compensation (Larbi et al., 2004: 121–122). In a few instances, the State did pay compensation. However, even then, it tended to make procedural

errors in its payment mainly because of the fear of offending powerful interest groups such as tribal chiefs (Brobbeey, 1990). Sometimes too, the method of assessing compensation was problematic as it generated conservative estimates (Larbi et al., 2004).

Whether the historical evidence can predict the behaviour of the Ghanaian State in the present circumstances where oil is 'fuelling' changes in property relations is hard to say. However, there is some evidence that the State is unlikely to depart from its past behaviour. A section of the Western regional chiefs recently petitioned the Parliament of Ghana on issues of compensation (Gyampo, 2011). According to the chiefs, given that oil exploration and production are taking place in their region, the State had to offer 10% of the oil revenue accruing to it as compensation. However, the Parliament of Ghana rejected the request because, it argued, the oil revenue is for national, not regional, development (Gadugah, 2010). The basis of the rejection appears to be Article 257, Clause 6 (emphasis added) of the Constitution of Ghana, which states that:

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*.

The Parliament of Ghana further argued that if it granted the request of the chiefs from Sekondi-Takoradi and other parts of the Western Region, it would be setting a bad precedent for chiefs in other mining towns to follow (Gyampo, 2011).

This singular incident foreclosed discussions about how to assess the quantum of

compensation – a key question that requires further consideration. In modern valuation practice, the issue of compensation can be based on market value or developers' profit perspective, negotiation perspective, or a perspective that combines the different perspectives (Boydell and Ulai, 2011). It is not clear how the chiefs arrived at the 10% formula. They sought to do so by negotiation, but without engaging the oil companies and communities which are major stakeholders. That procedure raises important political economic issues, such as whether the chiefs truly represent the people, whether they have the competence to negotiate, and whether public discourse has sufficiently focused on international private capital.

In the Ghanaian traditional system, it is believed that the indigenous chiefs do, in fact, represent the people on the basis that there is considerable deference to the chieftaincy institutions (Bob-Milliar, 2009; Kleist, 2011). However, there is some evidence that, with respect to the land question, chiefs have recurrently abused trust reposed in them (Austin, 2005; Ubink, 2007, 2008). Also, it is not clear whether chiefs are sufficiently skilled to negotiate with the state and mining companies. Evidence from countries where participatory engagement is in place (O'Faircheallaigh, 2008, 2009, 2010) shows that indigenous people are often involved in negotiations about compensation, but most are not sufficiently skilled in that art. Another troubling feature of the compensation issue in Sekondi-Takoradi is that the activities of the chiefs ignore the role of transnational corporations. Although documented historical and oral evidence presented by Ofosu-Mensah (2011) and Bloch and Owusu (2012) shows that international private capital has consistently provided local projects in mining towns and paid some compensation to landowners and the State, there is some evidence that such packages are neither 'fair' nor 'adequate' given

that they tend to be one-off payments, while the effects of mining on local communities are established to be continuing (Akabzaa and Darimani, 2001).

These considerations show that, while the residents of Sekondi-Takoradi, especially the fisher groups, require some compensation, neither the State nor private capital is fully committed to its payment.

Betterment

Not everyone suffers a taking in Sekondi-Takoradi; others enjoy substantial increases in the value of their landed property. There is strong evidence that property values are rising in the city. Gadugah (2009) has reported that there have been sharp increases in rental values, ranging from 20–88% since the discovery of oil. Yalley and Ofori-Darko (2012) offer rates of increase for parcels of land and housing units as shown in Table 2.

My own, more recent interviews (December 2012 to March 2013) at the Lands Commission, Rent Control Department, and the Ghana Revenue Authority in Sekondi-Takoradi confirm that there have been sharp and substantial increases in market value, although my sources do not reach a consensus on the precise rate of increase. Yet, the key point is that there have been tremendous increases in value. These increases benefit the land-owning class. As with the rest of Ghana, land is predominantly customarily owned.

Table 2. Increases in land and housing values, 2007–2011.

Types of housing	Land	Housing
First class areas	800%	200%
Second class areas	400%	200%
Newly developing areas	500%	200%

Source: Yalley and Ofori-Darko (2012).

The allodial interest in land in STMA is jointly vested in the three traditional authorities of Sekondi, Ahanta, and Esikado. These paramount chiefs manage the land with some 37 divisional chiefs, about 30 sub-stools and about 64 families (Farvacque-Vitkovic et al., 2008), not with STMA or any other planning authority. Individuals own the usufructuary interest. However, several surveys (e.g. Edem, 2011; Enin, 2011; Yalley and Ofori-Darko, 2012) show that it is private landlords (or house owners engaged in the letting of houses) and customary landowners who have benefited the most from the substantial increases in value through sales (sometimes to business interests such as speculators), leasing, and increases in rent.

According to Section 24(1) of the *Town and Country Planning Ordinance* (of Ghana), 1945:

Where the operation of any provision contained in a scheme or by the execution of any work under a scheme, any property within the area of which the scheme applies is increased in value, the Minister, if he makes a claim for the purpose within three years after the completion of the work, as the case may be, shall be entitled to recover from any person whose property is so increased in value the amount of that increase.

It must be determined what the factors that affect land values are and ascertain whether they are the result of public investment. My interviews at the Lands Commission, Ghana Revenue Authority, Rent Control Department, and a number of estate agencies in the city suggest that there are three causes. First, there has been a surge in the number of immigrants who have come from different cities and towns in Ghana, neighbouring countries, and other countries around the world, and in a situation where demand is outstripping supply, rental values have tended to rise as a result. Second the State has made public

investments in the city (e.g. road construction and repairs) since the oil find. Finally, property values have been beaten up by speculation, especially by investors who are making purchases of land in the city to take advantage of opportunities related to oil. So, it is necessary to capture the windfalls through betterment.

However, analysis of the cases reported in the Ghana Law Reports, using the *Ghana Law Finder* (2009), the *Legal Library Services Gud 9t* shows that in practice the law on betterment has never been tested in any major case in the Ghanaian courts. Yet, landlords continue to wallow in the affluence bequeathed by the windfall, while low-income people unable to catch up with the hyper increases in rent, housing, and land values have had to look for poorer housing (Edem, 2011; Owusu and Afutu-Kotey, 2010). So, while the oil oozing through the economy of Sekondi-Takoradi has given the city a new lease of life, the distribution of income in the city has become more unequal. It is necessary to analyse how the institutions mandated to ensure broad local economic development in the city are grappling with the tensions and contradictions accompanying Sekondi-Takoradi's nascent oil industry.

Local governance and local economic development

STMA is one of 170 local governments in Ghana. According to the *Local Government Act*, Act 462, Section 10, STMA is responsible for the 'overall development of the district... and [has to] formulate and execute plans, programmes and strategies for the effective mobilization of the resources necessary for the overall development of the district'.

However, the ability to design plans, to identify need, and to address need, is contingent on the availability of personnel, logistics, and political will, not only of STMA but

also the central Government of Ghana. Since 2007, STMA has undertaken major reforms in its activities. Three are particularly noteworthy. First, it has contracted a private valuer to prepare a digitised map of land values in the assembly (Farvacque-Vitkovic et al., 2008). Second, there has been a metropolis-wide street-naming exercise to enhance the process of planning. Finally, the assembly has prepared a draft Sub-Regional Spatial Plan, a draft Structure Plan for Sekondi-Takoradi, and the Western Regional Spatial Development Framework. These plans collectively set the vision, objectives, and the strategy of the city authorities to attain harmonious urban development.

While the assembly has successfully reduced the high levels of rate delinquency reported by Farvacque-Vitkovic et al. (2008) in recent times, mainly because of using improved tracking systems operated by a private specialist firm, STMA remains heavily dependent on central government revenue for its activities, as shown in Table 3.

Thus, the success of its policies is heavily circumscribed by central government policies. STMA can obtain development loans

Table 3. Revenue collection in STMA, 2001–2010.

Year	IGF/Total
2001	49.2
2002	49.6
2003	41.5
2004	24.1
2005	37.4
2006	29.6
2007	22.3
2008	22.4
2009	39.1
2010	32.4
2011	33.3

Source: RevNet Office, STMA, Sekondi, 2012–2013, fieldwork.

to finance its activities but, according to Section 88 of Act 462, STMA can borrow only up to €20 m (about Gh¢2000 or about \$1000). If it wants to borrow any extra amount, it has to consult the Minister for Local Government and Rural Development who, in turn, has to get the approval of the Minister for Finance and Economic Planning.

To finance its plans, therefore, STMA is heavily dependent on the central government's District Assemblies Common Fund (DACF),² which typically makes up over 50% of its total revenue. In theory, it can reap more revenue from property rates which tend to increase as property values rise. However, in Sekondi-Takoradi, there are both institutional and systemic reasons that create a schism between the theory of property taxation and its practice. The Assembly is let down by a poor property registration system. While it possesses a Deeds Registry, land transactions take place so informally in Sekondi-Takoradi that their registration is the exception rather than the norm. Also, contrasted with land title registration, deed registration does not provide sufficient protection against competing claims to land, a common problem in Sekondi-Takoradi. Further, as suggested by Rebecca Sittie (2006), the Chief Registrar of Lands, most people perceive the registration fees to be too expensive relative to their incomes, while others do not understand the need for registration. In turn, the property register is a poor basis for planning a robust property taxation system.

More fundamentally, the property rate system in STMA, and Ghana generally, is calculated in such a way that the local government is unable to tap a significant share of value increases in a systematic way. Thus, the system in Ghana is unlike the system in countries such as the UK where property rates are calculated on the basis of open market rental values and for which reason an increase in property values can be

captured by the State through property rates (Watt, 2004). In Ghana, replacement cost is the basis of calculating property rates (Act 462, Section 96). In turn, it is unlikely that the increases in property values can be captured through the property rate system, as construction cost tends to lag behind open market values.

A major transformation is needed to reverse the status quo, but this is unlikely to materialise given the global evidence of great resistance to such attempts to capture windfalls (see, for example, Stilwell and Jordan, 2004). A direct flow of income from oil funds would enable the STMA to finance its planning activities more effectively and hence ensure improved conditions in the local economy. Such a scenario may be realised in two ways, the first of these being an increase in STMA's DACF, resulting from increases in the national revenue. However, this channel is general, not STMA specific. That is, it is likely to benefit all other districts that are not exposed to the peculiar dynamics of Sekondi-Takoradi as an oil city. Alternative channels are either by permitting STMA to directly tax businesses that will spring up in the oil city or by making STMA the direct recipient of tax revenue transfers from the central government. While under Articles 174 and 254 of the Constitution of Ghana, the Parliament of Ghana can legislate for local governments such as STMA to collect additional taxes or levies outside of the usual metropolitan sources of finance (such as market tolls and property rates), currently, STMA has no such options or powers. So, the first option is unlikely to happen.

Similarly, the second option of receiving special funds is unlikely to materialise. The official position of the Government of Ghana on how to generate, manage and distribute oil revenue is contained in the *Petroleum Revenue Management Act, 2011*, Act 815. According to the Act, all petroleum rents shall be deposited in the

Petroleum Holding Fund based at the Bank of Ghana (Section 2). In addition to this fund, there is a Ghana Stabilisation Fund, the purpose of which is to 'cushion the impact on or sustain public expenditure capacity during periods of unanticipated petroleum revenue shortfalls' (Section 9). There is a third fund called the Ghana Heritage Fund which is to 'provide an endowment to support the development for future generations when the petroleum reserves have been depleted; and receive excess petroleum revenue' (Section 10). Currently, the official government position is that 70% of oil rents will be expended to support the annual budget. This portion is to be called the Annual Budget Funding Amount. The remaining 30% is to be regarded as 100%, which will then be split into a Heritage Fund (30%)³ and Stabilisation Fund (70%) (Kwettey, 2010).

So, there is no provision for any extra support to STMA. Indeed, no member of the Civil and Local Government Staff Association is a member of the Investment Advisory Committee that is established to counsel the Minister of Finance on how to invest the revenues from oil (Section 30). Members on this committee should be people who have 'proven competence in finance, investment, economics, business management or law or similar disciplines' (Section 31), but not in planning. Nowhere in the Act is local government mentioned and when 'planning' is mentioned, it is done only casually and only in five instances. Even in such instances, planning means 'a plan prepared by the National Development Planning Commission' (Section 61), not the activities of a local government. Therefore, while the principles of decentralisation suggest that STMA, as the local government of Sekondi-Takoradi, can use the windfalls from oil exploration to improve the local economy, the analysis of the empirical evidence shows less optimistic scenarios.

Aside problems of finance, STMA faces severe limitations in the performance of its planning functions. Currently, there are only six building inspectors (UN-HABITAT, 2011) to serve a population of over 500,000 people, only one development planner, and only two town planners in the planning department to serve the entire metropolis (The Consortium, 2012). From this perspective, the involvement of the oil companies in the drafting of plans is welcome. However, by sponsoring the entire plan-making process, it may be argued that the city is likely to be shaped in the interest of capital, not necessarily for the public good as envisaged by the principles of eminent domain and decentralisation.

Conclusion

This article shows that a political economic analysis of oil should go beyond simple binaries of 'oil curse' and 'oil blessing'. An approach that looks at lived experiences and existing regulations within the framework of eminent domain and decentralisation shows that there are few winners, and many losers, but they co-exist in the oil city of Sekondi-Takoradi. Fisher and farming groups are likely to miss out as are the majority low-income people who struggle with housing. From a compensation perspective, the corporate oil entities and the government benefit – out of non-payment; from a betterment angle, the landowning class stands to gain. Local government can make a difference, but current evidence suggests that the local institutions only reproduce the 'elite capture' of the windfalls in the oil city.

Small, medium, and large land owners who live farther away from the exploration drilling sites stand to make different levels of windfalls from increases in property values. Given that this latter group is not likely to pay any land taxes and

betterment, they would make huge 'unearned income'. Large land owners, including chiefs who hold land 'in trust' of the people, are likely to benefit on a net basis too. Chiefs do not usually suffer personally from a taking, but they gain personally from selling land and receive compensation payment in the instances when it is paid. Big, private capital including investors, and oil companies stand to make the most profit – this class would make windfalls from speculation which is even sweeter when the existing institutions in the city do not regulate such economic behaviour.

The local government system tasked to promote local economic development within the principles of decentralisation tries to execute its roles, but with so many limitations that its effectiveness is curtailed. The support it obtains from oil companies is welcome, but it is unlikely to be without strings. Thus, for now, the windfalls, wipeouts, and economic development in Sekondi-Takoradi, are concentrated, not evenly spread.

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Notes

1. Interview with Airforce Police/Leading Aircraft Man 30 January 2013.
2. Article 252 of the Constitution of Ghana says that: 'parliament shall annually make provision for the allocation of not less than five percent of

the total revenues of Ghana to the District Assemblies for development' (Clause 2); and 'The moneys accruing to the District Assemblies in the Common Fund shall be distributed among all the district Assemblies on the basis of a formula approved by Parliament' (Clause 3). Currently, the distribution is done according to the following formula: need (poverty defined as health, education, and water deprivation); responsiveness (how well districts collect revenues); service pressure (population density); equality (a minimum, equal amount for all districts); poverty (schools in need of major rehabilitation). In practice, what is shared is 90%; with the remaining 10% going to members of parliament (5%); Regional Co-ordinating Council (2.5%); Ministry of Local Government, and Rural Development (2% to use for district assembly purposes in a way that it deems fit); and DACF Administrator (0.5% for monitoring and evaluation) (Quainoo-Arthur, 2009: 56–57).

3. Fund set aside for use by 'future' generations.

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