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PROMOTING LOCAL ACCEPTABILITY OF INTERNATIONAL OIL COMPANIES (IOCS) THROUGH CORPORATE SOCIAL RESPONSIBILITY (CSR): THE CASE OF TULLOW OIL IN GHANA

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ABSTRACT

Ghana discovered oil in commercial quantities in 2007 following intense exploration works by Tullow Oil Plc and Kosmos Energy. Ghanaians are expecting more benefits from government and the International Oil Companies (IOCs) in particular. This study is aimed at assessing the global integration and local responsiveness strategies of IOCs in Ghana and how that impacts on the acceptability of the operations of these IOCs by locals presenting Tullow as a case study. Main research questions refer to how these local expectations can be properly managed, how IOCs can design and properly implement their CSR obligations and the extent to which the pursuit of CSR activities by IOCs can help promote their local acceptability in Ghana. An empirical study with a qualitative analysis approach was applied to obtain primary information from Tullow Oil Plc, government agencies, Civil Society Organisations (CSOs), and local communities. The study established a positive relationship between good CSR practice and local acceptability. Even though some of the local people acknowledged the benefits of Tullow's CSR activities, others do not, but express a continuous desire for IOCs and Tullow in particular to do more.

Keywords: Oil, Corporate social responsibility (CSR), Policy, International oil companies (IOCs)

1. INTRODUCTION

The discovery of oil in Ghana brought about an increase in the presence of IOCs and other allied businesses owned by foreign investors in the country. Even though Ghana is endowed with a lot of mineral and natural resources such as gold, diamond, bauxite, manganese, oil and gas and timber among others (CIA - The World Factbook, 2011), the discovery of oil and gas in commercial quantities were done only recently in 2007 by Tullow Oil Plc. (TOP) and Kosmos Energy. The need to discover more oil and gas resources is as important to the producing countries just as it is to the IOCs that are engaged in the oil exploration, development and exploitation. As captured by Broni-Bediako and Addei (2010), *"Ghana's oil and gas discovery has brought in its wake, huge growing expectations where the youth in fishing, farming and diverse fields are strongly*

awaiting their share of the impending wealth-generating potentials of the oil and gas". The production of oil in Ghana has led to the development of other petroleum related projects in the country some of which have led to the destruction of farmlands and the relocation of people away from these projects. Even though those affected are either being compensated or are going to be compensated, a sense of dissatisfaction looms among the affected communities. The importance though that has been attributed to oil and gas revenue and the socio-economic development of oil producing countries should not be overemphasised. A lot of lessons remain to be learned by a new oil producing country like Ghana, given the case of Nigeria, and specifically the Niger Delta region of Nigeria where most of its oil and gas resources are located, which is still worse off even with the abundance of this resource (Von Kemedi, 2003). This is the case with many other oil-rich countries in the developing world and particularly in Africa. This development has put IOCs under the spot lens as the local population count their gains from oil and gas activities in the country long before the first oil pours out of the oil wells. This paper's contribution is that it serves as a guide for IOCs and their stakeholders in designing and implementing appropriate and acceptable global integration and local responsiveness strategies. The above is achieved by answering the following pertinent questions:

➢ How can the government and IOCs effectively manage local expectations of oil and gas finds in Ghana?

➢ To what extent are the CSR activities of IOCs effective in promoting their local acceptability in Ghana?

➢ To what extent is local acceptability of IOCs important to their survival in Ghana?

1.1. Research Problem

Although it is anticipated that oil and gas resources should be effectively exploited to help accelerate national economic development and poverty reduction in order for the country to attain middle income status by the year 2015 (Asamoah, 2011), however, there is the fear that this newly discovered *"black gold"* will become a bane rather than a blessing if caution is not taken. The experience also that stems from the mining sector, particularly the gold-mining sector which is another key natural resource sector in the country that is alleged to be contributing very little (Oxford Business Group, 2011) to the socio-economic development of the country, increases this fear. The expectations are legitimate and genuine given the fact that oil and gas revenues that have been properly managed in countries like Norway, Canada and Brazil among others have acted as strong economic incentives for propelling economic and social development in these countries while poorly managed oil and gas resources elsewhere in Nigeria, Chad and Trinidad and Tobago among others have also led to oil crisis due to the inadequate or the complete mismanagement of local expectations of oil and gas discovery and revenue (Von Kemedi, 2003; Bategeka *et al.*, 2009; Broni-Bediako and Addei, 2010; Gary, 2010).

The problem is further compounded by the occurrence of major oil disasters ranging from Piper Alpha (March 24, 1988) through Exxon Valdez (July 6, 1989) to the Gulf of Mexico's (April 20, 2010) oil spills. The big question therefore remains as to how these IOCs can effectively manage these local expectations and the associated problems of oil production in order to gain local acceptability and become popular in the

countries and communities in which they operate. Managing these numerous local expectations could be a daunting task for both government and the IOCs that are involved in the exploration, development and production of these petroleum resources in the country. TOG, whose name is almost synonymous with oil production in Ghana, is not insulated from all these challenges and expectations.

2. THE IMPORTANCE OF CSR, STAKEHOLDER MANAGEMENT AND LOCAL ACCEPTABILITY IN INTERNATIONAL BUSINESS INTERACTIONS

2.1. Corporate Social Responsibility (CSR)

The concept of CSR is fast gaining grounds and corporations are being encouraged to act in a socially responsible way. It is also widely used interchangeably with Corporate Social Performance (CSP) and corporate citizenship (Dahlsrud, 2008). According to the World Business Council for Sustainable Development (2000), *cited in* Dahlsrud (2008), *"Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large".* Businesses are therefore eyed in the mirror of their level of voluntariness, stakeholder engagement and the amount of socio-economic value they create for their stakeholders (Dahlsrud, 2008).

However, the idea that corporations should endeavour at all times to strike a balance between the interests of its numerous stakeholders such as employees, suppliers, the local communities and the societies in which they operate began gaining prominence in the 1960s (Thompson *et al.*, 2010; Thompson *et al.*, 2013). The concept was popularised by *"The Business Roundtable"* in its popular *"Statement on Corporate Responsibility"* in 1981 which noted that *"Balancing the shareholder expectations of maximum return against other priorities is one of the fundamental problems confronting corporate management. The shareholder must receive a good return, but the legitimate concerns of other constituencies (customers, employees, communities, suppliers and society at large) also must have the appropriate attention"* (Business Roundtable, 1981 as *cited in* Thompson *et al.* (2005)). In assessing the social, environmental and health considerations for host communities as a CSR imperative for IOCs, Maniruzzaman (2009) opined that, IOCs need to take into account the socio-economic and environmental concerns of the local communities in designing their corporate strategies which should also be reflected in their contracts with the HCs. Maniruzzaman further agrees that these factors should be incorporated into the CSR programmes of IOCs to serve as both a risk mitigation and dispute avoidance tool. There is therefore the need to properly integrate corporate strategies and local community needs so as to ensure mutual benefits (Maniruzzaman, 2009).

Mullins (2007) has also noted that, in an era of increasing globalisation the decisions taken by the management of large organisations have a growing impact on the lives of other organisations, communities and the individuals within their physical area of operation since these organisations cannot operate in isolation from their environment in their strive to achieve their organisational goals and objectives. In stressing on the interdependence between organisations, the society and the environment in which they operate, Mullins (*ibid*) further noted that organisations do not only make positive contributions to the quality of life and social well-being of the people in the communities where they operate but that the survival

of the organisation itself is dependent to a large extent on the series of positive relationships that they establish with these local communities. In effect, Mullins also agrees with Chant (2005) that CSR is a two-way partnership which if done properly will yield mutual benefits to both the organisation and local population alike. In writing on the new CSR models for oil companies in the Niger Delta region of Nigeria and its challenges for sustainability, Aaron (2012) agrees with (Blowfield, 2004; 2005; Jenkins, 2005; Idemudia, 2008; 2009) that, CSR is an effective tool for international development that can reduce poverty especially in developing countries. Unlike other writers such as Newell (2005) who sees CSR as mere image management strategies employed by corporate entities, Aaron (2012) sees the benefits of CSR to be two ways; that help build the corporate image of businesses while providing development to the local communities. However the extent to which this development is sustainable could be a subject matter for further research. Porter and Kramer (2006) also opine that, stigmatised industries such as those in the chemical, oil and gas and other extractives industries often perform CSR obligations as a form of insurance with the hope of building their reputation and gaining local acceptability. They also hope that the creation of public awareness of the company's social consciousness will one day temper public criticism in the unwelcome event of a disaster such as what was witnessed in the Gulf of Mexico in 2010. By these assertions, Porter and Kramer sought to establish a kind of relationship between organisations and local communities *"that does not treat corporate success and social welfare as a zero-sum game"* (*ibid*: 79).

2.2. Stakeholder Management

According to Carroll and Buchholtz (2012), *"Stakeholder management is an approach that increases the likelihood [sic] decision makers will integrate ethical wisdom with management wisdom in all that they do"*. For Carroll and Buchholtz, as a management perspective, stakeholder management practice will help managers of businesses to identify the various stakeholders within and outside the firm who contribute to its major decision making processes and survival and also help them identify and incorporate the various concerns of these stakeholders into the daily operations and strategic business plans of the firm (*ibid*). Carroll and Buchholtz further asserts that an effective stakeholder management process should result in a win-win situation for all stakeholders and that management can achieve this by gaining knowledge about the needs and behaviours of all stakeholders and translating these behaviours into actions by appropriately predicting their behaviours and actions.

Johnson *et al.* (2011) have identified four types of external stakeholders in accordance with the nature of their relationship and how they might affect the success or otherwise of the company's corporate strategy. According to Johnson, Whittington and Scholes, *economic stakeholders* include; suppliers, distributors, competitors and shareholders who are very core to the company's very existence. They also identify *political stakeholders* to include policy makers, regulators and government agencies that may directly or indirectly influence the company's strategy and its context. *Technological stakeholders* according to Johnson *et al.* (2011) also possess key competitive technologies that are core to the innovative strategies and operations of the company.

Perhaps most important and closely related to the substance of this study are the *community stakeholders*, who reside close to the business establishments and may be directly or indirectly affected by the company's activities. Community stakeholders might not have a direct and formal influence but their activism could adversely affect the company's operations. Managing the different expectations of all these stakeholder groups could be challenging especially where companies have internationalised with operations in multiple arenas.

The importance of properly engaging all stakeholders in the management of the extractive industry of non-renewable resources as a precursor to avoiding and managing extractive industry related conflicts is succinctly articulated by The United Nations Interagency Framework Team for Preventive Action (2010) also known as the Framework Team (FT) pointing out that extractive industries may cause tensions at the local or national levels.

In explaining the reasons for such tensions in its *Guidance Notes*, the FT further cited poor engagement and marginalisation of local communities and stakeholders or their exclusion from dialogue in the industry's development process as a precursor to opposing the exploitation of such resources from the local communities (The United Nations Interagency Framework Team for Preventive Action, 2010). This may lead to the use of violent and coercive strategies by these local communities against the companies involved in the extraction of such resources as a means of addressing their grievances and mounting opposition against their marginalisation.

The underlying importance of an effective stakeholder engagement process in the oil and gas industry is also underscored by Tullow Oil Plc (2012). Tullow has identified its stakeholders to include any individual or group who is impacted by or can influence the direction or outcome of its projects or operations.

2.3. The Issue of Local Acceptability of MNCs' Operations in HCs

The successful operations of MNCs in HCs can be greatly impacted by their level of local acceptability. Gardberg and Fombrun (2006) have asserted that, the expectations of corporate behaviour from the local population often vary from the industry context of the particular corporation. And that companies operating in the oil and gas industry and other unfamiliar businesses often face greater resistance as local stakeholders may not only misunderstand their business processes and operations but may also fight against the liability of foreigners. Companies that are in the oil and gas and other extractive industries whose businesses are considered as environmentally high-risked are likely to attract higher local expectations and attention and are therefore expected to demonstrate higher social responsibility. Citing the filing of lawsuits by host country citizens of Nigeria and Ecuador against Chevron Texaco in 2003, Gardberg and Fombrun (2006) further opine that IOCs and other MNCs in the extractive industries are at a higher risk of being expropriated or nationalised and are therefore required to engage in more socially responsible activities so as to win local acceptability of their operations in HCs.

Klueh *et al.* (2009) also opine that, there are specific guidelines regarding the local acceptability of oil and gas projects in the host countries. Their analysis sort to address the possible distortions of localization outcomes of oil and gas projects from rent-seeking local stakeholders as far as local content promotion is

concerned. For them, the promotion of local acceptability through local content policy promotion is not intended to pick winners and favorites but to focus on the specific public inputs that will carefully balance the structural necessities of oil and gas projects *vis-à-vis* the likely dangers of publicly induced distortions of such projects. Thus, once IOCs are adequately implementing their local content and CSR obligations in HCs, they are in a position to adequately promote the local acceptability of their projects.

Gold mining in Ghana has offered little employment to indigenous Ghanaians, displaced small holder farmers and small-scale miners, led to cyanide spillage into water bodies, land degradation, dust pollution, chronic impoverishment and lost of land due to relocation *inter alia* (Jenkins, 2005; Hilson and Nyame, 2006). This has led to an increasing level of community resistance to mining activities by some local communities in the country. *"In an attempt to ameliorate community resistance to extractive resource activities, multinational corporations (MNCs) are increasingly adopting Corporate Social Responsibility (CSR) and sustainable development as the cornerstones of community-based activities"* in Ghana. This is intended to gain local acceptability of their activities in the HCs.

In a similar vein, Hilson and Yakovleva (2007) also noted that, the brawl between local *"galamsey"* (*illegal small-scale mining*) operators and the Bogoso Gold Limited (BGL) in the Prestea area of Ghana is as a result of unfulfilled promises made to develop the local community. The local people are not allowing BGL operate peacefully because the new management of the company have failed to fulfil most of the commitments made to the local people by their predecessors which has waned the trust of the local community totally.

In assessing the level of local acceptability of wind farm investments in the Greek Aegean islands, Dimitropoulos and Kontoleon (2009) analysed the factors that motivate local communities' resistance to wind farm installations in their vicinities. Their study reveals that, local resistance to the wind power installations could stem from possible land intrusion, visual intrusion, impact on the ecosystem and noise pollution among others. In a related study, Wolsink (2007a; 2007b) argues that the resistance of local communities against wind power installations is an actual expression of their disapproval of unfavourable top-down decisions from policy makers or the lack of incentives from prospective project owners. These are similar to concerns raised by local communities against oil and gas installations and operations in their vicinities such as marine pollution, lost of farm land due to relocation and lost of livelihood from fishing around offshore oil and gas installations.

Mikkilä (2005) provides an empirical analysis of the theoretical framework of the local *'acceptability of operations'* of corporations as a motive behind their corporate social performance (CSP). The study points to the location of the company's installations, the environmental impacts of its operations and their contributions to local economy as some of the factors influencing the local acceptability of the operations of both national and multinational businesses in HCs. The study also points to the fact that local acceptability of operations of firms is a good indicator of CSP thereby establishing a positive correlation between the CSP of MNCs and the level of local acceptability of their operations in the HC.

Even though most of these studies regarding the promotion of local acceptability of the operations of MNCs in HCs were not conducted directly on the oil and gas industry, the extent to which they help in

appreciating the importance of local acceptability in the success stories of IOCs cannot be overemphasised. Most MNCs and especially IOCs are increasingly stepping-up their CSR activities, practicing good stakeholder engagement and implementing local content obligations as preconditions for gaining local acceptability of their operations in the HCs. Cooperation among the numerous stakeholders of the firm is therefore indispensible in managing the diverse stakeholder interests and expectations for mutual gains. An analysis of some theoretical perspectives will be relevant at this stage of the study in order to provide a framework for a better understanding of the context in which this study is conducted.

3. ASSESSING THE RELATIONSHIP BETWEEN IOC'S ACTIVITIES AND LOCAL ACCEPTABILITY FROM A THEORETICAL PERSPECTIVE

3.1. The Stakeholder Theory

Freeman (2010) is often accredited with popularising the stakeholder theory in his work *"Strategic Management"*. According to Zu (2009), stakeholder theory is a concept that is used to evaluate the social performance of corporations by analysing their relationships with their diverse stakeholders. Freeman (2010) also defines stakeholders as *"any group or individual who can affect or is affected by the achievement of the organisation's objective"*.

As a theoretical perspective, (Freeman *et al.*, 2010; Freeman, 2010) notes that, the tenets of stakeholder theory suggest that if an integrated approach is adopted to analysing the relationships between a particular business entity and the groups or individuals who can affect or are affected by the activities of the business, then there is a better chance of dealing with the problems of value creation and trade, ethics of capitalism and managerial mind-set. Stakeholder theory also views the firm as a business enterprise that seeks to aggregate the numerous interests of the various stakeholders or participants for mutual benefits without necessarily prioritising the hierarchy of interests or benefits of the stakeholders (Freeman *et al.*, 2004).

As noted by Donaldson and Preston (1995), stakeholder theory can be used in the *descriptive/empirical, instrumental and normative* contexts. As far as this study is concerned, the stakeholder theory when used *empirically* will help to describe the kind of interactions that exist between IOCs as organisational entities and their numerous stakeholders such as the local communities in their operational areas. In the course of these interactions if the stakeholders of these IOCs do not accept the firm's corporate behaviour, this might lead to an erosion of the firm's legitimacy (Mueller *et al.*, 2009) to operate. It should however be noted that the *empirical* connotation of the stakeholder theory falls short of a complete analysis of the theory itself. This is because an indication of a mere interaction between a firm and its multiple stakeholders does not lend enough credence for a better understanding of the theory. It is not only important to clearly identify who these stakeholders are. It is equally important to clearly identify what constitutes their specific interests, what their expectations are and what benefits could accrue to them in the process.

The stakeholder theory when used in its *instrumental* connotation seeks to address the notion that managers of firms should first strive to address stakeholder needs as a precursor to achieving other desired organisational goals such as shareholder value creation and profit maximisation (Phillips *et al.*, 2003). The *instrumental* underpinnings of the stakeholder theory finds applicability in this study to the extent that it

helps in examining the importance of the practice of good stakeholder engagement and management in achieving other corporate performance goals and strategic objectives. The principal focus of interest here is that IOCs that engage in good stakeholder management practices will invariably (all things being equal) be more successful in their local engagement, local acceptability, profitability, stability and growth efforts. There are therefore carefully crafted reasons behind the corporate behaviour of firms including IOCs as far as managing their stakeholders' interests are concerned.

Even more fundamental to the stakeholder theory is its *normative* underpinnings. As a normative concept, the theory identifies stakeholders as individuals or groups having a legitimate interest(s) in the operational processes and/or substantive aspects of a firm's corporate activity. The theory is also normative in the sense that the interests of the various stakeholders are intrinsic and based on their own merit considerations and not based on the furtherance of the interests of all other stakeholders first. In its *normative* context, the stakeholder theory is very relevant to this study to the extent that it provides an indication why local communities hold expectations and make demands on IOCs that might be contrary to the interests of other stakeholders such as shareholders.

The *normative* connotation of the theory also answers the question why IOCs do not simply disregard these intrinsic individual or group interests and expectations but seek to adequately manage them. It is therefore based on these intrinsic value-oriented and interest-based tendencies of the normative aspects of the stakeholder theory that equally makes it *managerial*. This is because, as a normative concept, the stakeholder theory does not just describe existing relationships or predict cause-effect relationships between corporate entities and stakeholders, it also recommends structures and practices for managing stakeholder expectations and interests for mutual benefits.

However, the stakeholder theory has been variously criticised by some writers. Jensen (2001) has criticised the theory for its lack of clarity on what constitutes better or worse stakeholder engagement and value creation. Phillips *et al.* (2003) also criticised it for its ambiguity as to what constitutes stakeholder theory proper. Phillips, Freeman and Wicks further opine that, defending stakeholder theory is like shadow boxing partly due to the ambiguity and extensiveness of stakeholder theory itself. It is indeed true that issues of ethical considerations could be very subjective since an action which might be considered as ethically appropriate by an IOC might also be perceived as ethically inappropriate by the local community or environmental activists and vice versa. For instance, Porter and Kramer (2006) have highlighted that Shell's decision to sink the obsolete *Brent Spar* oil rig in the North Sea in 1995 was met with fierce protests from Greenpeace and other environmental activists making significant international headlines. These protests are good indicators to IOCs that external stakeholders are closely monitoring their activities and will hold them accountable for *"unethical"* social behaviours with potentially high financial risks for any IOC whose conduct is deemed as ethically unacceptable according to international best practices.

However, despite all these criticisms, it is obvious from the many studies conducted so far that the primary aim of the stakeholder is to properly identify who the stakeholders of a firm are, what their interests and expectations are, what their level of influence are and how to properly manage these diverse expectations and interests so as to create mutual gains. It is also obvious that for the stakeholder theory to

achieve the primary objective of carefully managing stakeholder interests and expectations in order to create mutual gains for all stakeholders, then all stakeholders must be willing to engage in a cooperative behaviour. The theory of cooperation as it helps in understanding the context of this study is discussed below.

3.2. Theory of Cooperation

Cooperation is a way of life by which states, organisations and individuals unite democratically with the aim of creating mutual aid that will enable them get the largest possible access to the goods and services that they need (Lyimo, 2012). Keohane (2005) sees cooperation as a *"mutual adjustment"* instead of a simple *"common interest"* among parties. Tjosvold (1984) has noted that, the theory of cooperation has been largely ignored by organisational researchers in their analyses of social interactions within organisations. Tjosvold further opines that, cooperation does not only facilitate social interactions, it also increases productivity in businesses through cooperative interactions between organisations and stakeholders.

Cooperation cannot occur in isolation since it is important in all human endeavours in both bad and good times. Even though Axelrod (2009) presents the theory of cooperation in the context of individuals making conscious efforts to pursue their own self-interests without the aid of a central authority coercing them to cooperate with each other in the process, the theory also finds relevance in the interactions between corporations such as IOCs and their stakeholders including the local communities in which they operate. In stressing on the importance of cooperation, Axelrod (*ibid*) likened the problem of cooperation to two industrialised states with trade barriers erected between their exports. This will defeat the purpose of free trade and the mutual benefits accruing from free trade. Both states therefore stand to benefit greatly if these barriers are removed.

Child *et al.* (2005) refer to cooperative strategy as *"…the attempt by organizations to realize their objectives through cooperation with other organisations rather than in competition with them. It focuses on the benefits that can be gained through cooperation and how to manage the cooperation so as to realize them"*. For Child, Faulkner and Tallman, cooperation which is based on trust can also provide easier access into new markets through the cooperation of firms thereby creating mutual synergies. Child, Faulkner and Tallman therefore envisage cooperation as synonymous with the pursuit of competitive advantage. However, cooperation does not only occur among work organisations. Cooperation between firms and communities is also core to managing community tasks and social orders. The cooperation theory should therefore be applied to maintain social links between individuals and groups and not be used instrumentally to accord rewards and punishments (Tyler, 2011). One of the major tenets of the theory of cooperation is the notion of generalised reciprocity (Abell and Reyniers, 2000) whereby one party (actor-1) in an endeavour will take the first initiative to act prudently so as to benefit the another party (actor-2) with reasonable expectation that either actor-2 or another actor (actor-3) will reciprocate the kind gesture of actor-1 anytime actor-1 requires it. Taking cognisance of the fact that the needs of

stakeholders in a corporation will often meet in the near future and also given the fact that these stakeholders have the propensity of recollecting how each stakeholder behaved in a previous encounter, it is of strategic importance for all stakeholders to take cognisance of their past and current cooperative behaviour for the sake of the future.

Keser and Van Winden (2002) asserts that, the decision to cooperate or not to cooperate is informed by a party's perceptions and anticipation of future interactions and the tendency to engage in a cooperative behaviour is greater where parties anticipate a longer interaction with other stakeholders or parties. Keser and Van Winden therefore perceive cooperation as a reactive and reciprocal behaviour between parties. Vivoda (2009) also asserts that the engagement in *"cooperative"* behaviour between IOCs and HCs involves a relatively harmonious relationship as well as compatible interests among all actors in the international oil industry. However Zamagni and Zamagni (2010) see two conflicting dimensions to the theory of cooperation; an economic or business perspective of the firm which is aimed at maximising shareholder value and a social dimension that is aimed at producing positive externalities for the other stakeholders as well as the entire community. From the literature and the theoretical frameworks that have been reviewed so far, it is obvious that most firms including IOCs do not just engage in CSR and prudent stakeholder management for their own sake. These undertakings by corporate entities including IOCs are carried out with the motive of creating mutual value for the shareholders of the firm as well as its other stakeholders. The practices of CSR and proper stakeholder engagement by firms often make local communities easily identify with such firms thereby increasing the firm's chances of gaining greater competitive advantage and local acceptability of its operations in the HCs as far as MNCs and IOCs are concerned. The stakeholder theory and the theory of cooperation as applied to this study therefore provide a better understanding of the context within which the study is carried out. It does so by identifying the factors shaping stakeholder expectations and interests and the need for a cooperative behaviour in an attempt to satisfy most if not all stakeholders and ensure peaceful co-existence. This can be very rewarding if backed by an effective local content implementation commitment on the part of these IOCs.

4. ASSESSING LOCAL CONTENT POLICY IMPLEMENTATION, REGULATORY FRAMEWORKS AND LOCAL ACCEPTABILITY OF IOCS IN HOST COUNTRIES

Closely linked to the concepts of CSR and stakeholder management in the oil and gas sector as far as local communities and HCs are concerned is the issue of the extent to which IOCs are effectively implementing their local content obligations. Ghana has designed its own local content policy framework to help create value for the indigenes in the petroleum sector. However, as noted by Hobenu (2011), it is no news that the upstream and most midstream oil and gas activities in Ghana are novel to the country likewise the availability of appropriate human capital and technical competencies to adequately engage and take charge of the activities of the

petroleum sector. Hobenu (2011) has further noted that, in order for Ghana's Local Content policy to be fully operational and for the indigenes to adequately profit from the gains and opportunities accruing from the petroleum sector, there is the need to build as many human capacities and technical competencies as possible.

Gulbrandsen and Moe (2005) in commenting on the need to effectively implement local content policies to help curb the *"Resource Curse"* particularly in oil-rich developing countries, has admonished IOCs to take responsibility for the economic, political and social development of the HCs in which they operate. Gulbrandsen and Moe have acknowledged that IOCs have long engaged in or supported local activities that go beyond their core businesses in both developed and developing countries by sponsoring cultural institutions, providing support for research and science, funding and building schools and hospitals and the provision of portable water to local communities. They further agree with Pursell (2001) and Qiu and Tao (2001) that the emerging concept of local content which reflects an increasing pressure on MNCs to maximise local benefits by engaging local workforce and by accessing the services of local suppliers, is equally paramount to the survival of IOCs in HCs.

Kaiser and Pulsipher (2007) in commenting on the low participation of the local people in the oil and gas production ventures in Kazakhstan noted that one of the reasons for the government's decision to regulate the petroleum sector is to build local capabilities through a quota system by ensuring that tender proposals for E&P rights must not only specify the IOCs commitments to infrastructural and economic-social advancements of the HC but also their commitment to engage local personnel and make use of the goods and services of local related businesses. By the local content requirements of Kazakhstan, *KazMunaiGas* (KMG) which is the national oil and gas exploration and production company is guaranteed the right to be the first to tender on all new oil blocks with a minimum ownership of 50% (Subsoil Law, 2005; Palazuelos and Fernández, 2012). This practice of giving greater control of the exploration and exploitation activities of the oil and gas industries to national operators at the expense of IOCs could amount to what Stevens (2008) refers to as "*resource nationalism*" whereby states seek to maximise their gains from their natural resources. From the reviews that have been conducted on the above mentioned literature as they relate to local content development and local content policy implementation, it is obvious that HC governments often owe it a duty to ensure that the local population do benefit immensely from the petroleum exploration and exploitation activities in oil and gas producing countries. Even though the local content policies of various countries may vary in terms of the proportion of local expertise that have to be engaged or developed as well as their local services engagement obligation, the import or objective of these local content policies remains the same, which is, to create maximum benefits for the local population and to bring about economic development in the host country.

This is however not to say that the IOCs also do not benefit from low cost of engaging local expertise and trainees and services than they would have incurred if they were to engage the

expertise of expatriates. Even more important is the wide local acceptance they stand to enjoy which goes a long way to legitimise their operations, enhance their reputation, leverage their competitive advantage and promote their local acceptability against their peers who are not implementing their local content obligations to the letter (Steurer *et al.*, 2005). In this regard, an understanding of the various legal, regulatory, institutional and policy frameworks governing the petroleum industry of HCs will equally serve as a reference point for IOCs in the conduct of their operations and in their bid to win local acceptability of their operations.

5. TULLOW OIL GHANA (TOG)

Tullow Oil Ghana is a subsidiary of Tullow Oil Plc. Formed in the 1980s Tullow Oil Plc expanded its operations by acquiring acreage in United Kingdom's (UK) north sea, Côte d'Ivoire, Ghana, Uganda, French Guinea, Mauritania, Mozambique and Liberia among others. Tullow is arguably Africa's leading independent oil exploration and production company (Tullow Oil Plc). With interests in Ghana's Deepwater Tano and West Cape Three Points exploration blocks, Tullow is the operator of Ghana's Jubilee oil field which straddles both blocks. In July 2011, Tullow increased its stakes in the Jubilee field to 36.5% through the acquisition of the 1.75% belonging to the EO Group. Tullow operates the Jubilee field with four other partners namely; Kosmos Energy who owns 23.49%, Anadarko Petroleum who also owns 23.49%, the Ghana National Petroleum Company (GNPC) who owns 13.7% with the remaining 2.81% being owned by Sabre Oil and Gas (Tullow Oil Ghana; Obeng-Odoom, 2012; Public Interest and Accountability Committee (PIAC), 2012). Tullow Ghana is committed to conducting its local business in line with the high industry standards of TOP itself by ensuring that ethical, health and safety and environmentally related issues are handled in line with global industry best practices. Tullow has the mission of developing Ghana's oil and gas industry to the best of its ability so as to ensure profitable and sustainable economic growth that will benefit even future generations.

6. METHODOLOGY AND RESEARCH FINDINGS

6.1. Methodology

This study is based on primary and secondary data following a deductive methodological approach. The study also adopts a *Case Study* approach by using Tullow Ghana as a basis for understanding the relationship between the conduct of CSR activities of IOCs and level of local acceptability of their operations in Ghana. An empirical study for Tullow Ghana takes place, through the distribution of a questionnaire and administration of interviews, following a qualitative analysis of the findings. Qualitative research is aimed at describing and explaining events & experiences, emphasizing *"…the understanding of social phenomena in natural settings"* (Neergaard and Ulhøi, 2007). Additionally as this study is case study centred, the qualitative method is most appropriate in providing specific information relating to the case study.

6.1.1. Sampling

The sample size constitutes of 50 people. The selection criteria of participants for this study includes, staff of Tullow Ghana whose job roles are directly related to External Communications, Community Relations or CSR. Staff of the Ministry of Energy in Ghana, the Ministry of Lands and Natural Resources (MLNR) and the Environmental Protection Agency (EPA) are also targeted because of the regulatory, monitoring and assessment roles they play in the management and exploitation of the country's natural resources as government institutions.

Representatives of Civil Society Organisations (CSOs) are also targeted due to the critical monitoring role they play as the voices and eyes of the ordinary citizen. Finally, the study also targeted local chiefs, local community leaders and members of fishermen and fish mongers associations resident in the towns of Shama, Takoradi or Cape Three Points in the Western Region of Ghana for the past five years. This last group is also targeted because of the critical role they play as leaders and representatives of the local communications or because their sources of livelihoods have been greatly impacted by the oil and gas exploration and production activities as frontline communities to the Jubilee field. The selection of respondents for the telephone interviews were based on the respondents' possession of extensive knowledge & experience.

Out of the sample of 50 respondents, 42% were females while 58% were males. A total 92% of the respondents are in the active working group with ages between 18-60 years while 8% of the respondents (basically made up of local chiefs) are above 60 years; 20% had degrees, 14% had masters while 4% had PhDs (respondents from the government ministries and agencies, Tullow, the CSOs); 4% had obtained HND/Diploma certificates, 28% also attained basic education and 12% had Senior High School level qualifications. However, 18% of the respondents had no formal education.

6.1.2. Sampling Technique

For the purpose and context of this study, the *purposeful and snowball sampling* techniques were employed. The study started with an initial *purposive sampling* technique but included the *snowball sampling* technique during the course of the interviews as interactions with some interviewees led to the identification of the African Centre for Energy Policy (ACEP) and the Civil Society Platform on Oil and Gas (CSPOG) as very key CSOs in Ghana's oil and gas industry. Representatives of ACEP and CSPOG were subsequently interviewed. The study adopted an initial *purposeful sampling* technique because; it does not only provide relevant and accurate information to support the study but it also makes use of few observant and reflective members of the community of interest who know much about the issues relating to the research questions and who are able and willing to share their knowledge (Tongco, 2007).

6.1.3. Instrumentation/Data Collection

For the purpose of gathering empirical data, the study employed three main data collection tools were employed. These include; questionnaires, face-to-face interviews and telephone interviews. For the purpose of reliability and validity of the data obtained, a sample of ten (10) questionnaires was pre-tested across a section of the target sample. The final questionnaire was administered either through personal contact with respondents, through electronic mail, or by phone interviews.

6.2. Presentation of Research Findings

A total of 50 questionnaires were administered to respondents while a total of 4 telephone interviews were conducted as follow ups to clarify and get some further information on particular issues. From the responses that were received, it was revealed that the local communities hold very high expectations not only from Tullow (100%) but also from the other IOCs (76%), industry service contractors (84%), the government (100%), local chiefs (98%), local community leaders (70%), CSOs (64%) and members of parliament (92%) among others. It is also evident that, Tullow is very popular among the frontline communities of the Jubilee field and in the country in general due to the fact that Tullow is the lead operator of the Unified Jubilee Field and hence its presence is more visible in the country. Even though a majority (84%) of the respondents confirmed their knowledge of some CSR programmes and activities in the country and especially among the frontline communities, most (82%) of these respondents however indicated that they have not personally benefited from these CSR programmes even though their communities might have benefited from them. Local expectations in the areas of job creation (100% response), skills and local capacity development (100% response), granting of scholarships (98% response), provision of social amenities infrastructural development (100% response), good environmental practices (96% response), provision of fishing equipments (90% response), and the payment of royalties (92% response) among others are still very high. The local people however expressed dissatisfaction with the level of Tullow's community engagement (38%), lack of jobs for indigenes of the frontline communities in the oil and gas industry (96% response), environmental pollution through minor oil spillage and gas flaring (100% response), poor infrastructural development (98% response), ban on fishing around offshore oil and gas installations (100% response) and disregard for cultural, religion beliefs and practices (100% response) and the increasing sexual relationships between the wives and daughters of the local people and some staff of Tullow and other IOCs (with 62% response) *inter alia* as some of the things that could affect Tullow-local communities' coexistence. Even though a total of about 62% of the respondents confirmed that the CSR activities that have been implemented so far by Tullow in the country have been comparatively effective, a greater percentage (between 72% to 96%) of the local communities believe that Tullow could institute and undertake more CSR programmes in their communities in order to drive more benefits for them and their communities. This general dissatisfaction towards Tullow's CSR activities and programmes (with 82% response) reflects in the expression of low

acceptability (with about 62% response) of Tullow's operations in the country. However it is worth noting that, Tullow started oil production in Ghana only less than three years ago and has barely started the implementation of its CSR programmes. As a corollary, it is early days yet to try to establish a true picture of Tullow's CSR performance so far *vis-à-vis* its level of local acceptability. It will therefore be interesting to investigate further in the near future in order to establish the kind of relationship that will exit between the realignment and pursuit of Tullow's CSR activities and the level of its local acceptability as Tullow intensifies its CSR activities in the local communities and the country at large.

7. ANALYSIS OF RESEARCH FINDINGS

7.1 Impact of the Socio-Economic Characteristics of Respondents and Study Area on Expectations

The information obtained on the socio-economic characteristics of respondents and the study area revealed that, out of the 50 respondents, a total of only 38% had acquired either a degree, masters or PhD level qualification while a majority of the respondents (40%) only had basic school level education or had no formal education at all (18%). It is noteworthy that all the 38% with degree level education are workers of Tullow, the government sector, CSOs or some private companies that are mainly based in Accra, Tema or Takoradi and not the typical local communities of Cape Three Points and Shama. Again the total of 58% of the respondents who had only basic level education or no formal education at all are also not engaged in any formal employment unlike the 38% with higher educational qualifications who are gainfully employed. A majority of the people who constitutes this 58% are either engaged in small scale fishing or subsistence farming with very low incomes. Meanwhile all these respondents are in the active working age bracket of 18-60 years. It is worth noting that, Ghana's oil industry is not only novel, but also the industry is very technical and technology driven and most of these local populations either lack basic education or the requisite technical qualification to properly understand the technical aspects, high risk, the capital intensive nature of the industry and possibly land jobs in the mainstream oil and gas sector. Given the low level of education of the local people, most of them do not understand the contractual issues involved in oil and gas licensing and Production Sharing Contracts (PSCs). Public education should therefore not shy away from educating the ordinary Ghanaian to clearly understand the contractual agreements between the government and IOCs and what percentage of the proceeds the government is entitled to. This will help demystify the notion that government is collaborating with IOCs to deprive them of their most pressing needs. As noted by Hilson and Yakovleva (2007), the Western Region has been the hub of the country's gold, diamond, bauxite and manganese mines even prior to the oil discovery however the region has benefited very little from mining activities and as such their expectations and fears about prospects from oil activities for the region are firmly grounded.

7.2. Managing Local Expectations

From the study it was revealed that there are very high and sometimes outrageous local expectations towards the oil and gas industry as noted by the External Communications and Community Relations Manager of Tullow Ghana.

It was also revealed that, the government and Tullow in particular have embarked upon series of public consultative forums in an attempt to educate the local people about the operations and technicalities of the oil industry in Ghana, what opportunities that are available for them and the contribution they could make to the development of better policies for the industry in order to create mutual benefits.

In effect, the level of expectations of the local communities for the provision of jobs, social amenities and capacity and skills development among others are very high. Once these expectations are not fulfilled, any attempt to deprive them of their main sources of livelihoods from fishing and farming as a result of the oil and gas exploration and production activities will most likely be met with an appreciable level of community resistant.

As noted by Idemudia and Ite (2006) and Gyampo (2010), the incessant conflicts in the Niger Delta region of Nigeria are as a result of the poor management local expectations of the people in the area. Government and IOCs should therefore be guided by the Niger Delta experience by effectively engaging the local communities on regular basis so as to create peaceful coexistence and local acceptability of the operations of IOCs.

7.3. Promoting Tullow-Community Relations through Effective Engagements

The issue of effective community and CSO engagement in key decision making processes is still a tussle. Whereas a section of the local communities and some CSOs are claiming that they are hardly involved in the decision making processes of some of the activities of Tullow that directly affect them as local communities (e.g. ban on fishing around the FPSO), the government and Tullow still maintain that there has been an effective engagement of the local communities in most of the key consultation and decision making processes way back before the oil production began in 2010. As noted by Gyampo (2010), even though the government and Tullow did very well by organising the national consultative forums prior to the oil production, the low involvement of CSOs and the sidelining of some political parties from the process by the government is regrettable. Gyampo (2010) further opined that, *"If indeed, Civil Society Organizations are the true representatives of a cross section of the ordinary citizenry, then their exclusion from the processes implies the sidelining of the views of the ordinary people….Anything short of this means that the nation is fully prepared and may be heading for a problem"*.

Whereas the local communities also believe that they have being some level of disregard for their religious and traditional beliefs, norms and practices, Tullow still maintains that there are no such occurrences and that some of those beliefs and practices (e.g. local ban on going to sea to fish on particular days) are more scientifically proven than being upheld as beliefs and cultural

practices (*interview with a Tullow staff, name withheld*). It should however be noted that issues of religious beliefs, traditions and cultural practices are very sensitive and any disregard for them may create disaffection and mare IOCs relationships with the local communities. This view is supported by Zandvliet and Pedro (2002) assertion that, the perceptions, expectations and socio-cultural values held by the local communities are very crucial in shaping their relationships with IOCs. An effective local engagement scheme is therefore necessary in ensuring that Tullow understands the needs, expectations and cultural practices of the people and also for the people to understand Tullow's core business and operational activities so as to create mutual coexistence.

7.4. Relationship between the Pursuits of CSR and Local Acceptability

The study reveals that 58% of the respondents from the local communities do agree that Tullow has undertaken some forms of CSR activities in their own communities. 33% of the respondents from the local communities also agree that other communities other than theirs have benefit from some of Tullow's CSR programmes since they started operations in 2010. However, 9% of the respondents from the local communities claim that neither they nor their communities have benefited of any CSR programme of Tullow. This category of respondents also claims that they have no knowledge of any community that has equally benefited.

The implication of these responses points to the fact that the people at the very lower grassroots levels have been ignored not only from community engagement sessions but have also been marginalised when it comes to the distribution and allocation of CSR benefits. A respondent from one of the fishermen groups at Cape Three Points intimated that;

> *The oil companies and even the government hardly involve us in their discussions and decision making processes. They have even made a law that bans us from fishing anywhere close to the FPSO.*

As a result, there are very high levels of disaffection between these local people and the activities of IOCs in the area and the level of granting of social licence to IOCs to operate is on the low side.

8. CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

8.1. Conclusions

From the onset, this study sets out to contribute to the debate on how to manage local expectations in the oil and gas industry as well as the relationships that exit between IOCs and local communities in their attempt to promote local acceptability of their operations in HCs. The outcome of the study was also to provide a guide for IOCs and their stakeholders in designing and implementing appropriate and acceptable global integration and local responsiveness strategies.

From the research findings the following conclusions were drawn;

8.1.1. Managing Local Perceptions, Expectations and Demands

The formation of local perceptions and expectations towards new oil producing countries such as Ghana cannot be overemphasised. Gardberg and Fombrun (2006) noted that, *"The particular philosophical, cultural, and economic features of the national system that the global company is entering heavily influence expectations about its role in the local community"*. However the extent to which these perceptions and expectations are adequately managed is the first step at establishing very good relationships between IOCs and the local communities. From the study, it is evident that some public consultative forums were conducted across the country to educate the citizens on the oil find, assess their perceptions and expectations about the nascent oil and gas industry and to solicit their views and inputs towards the development of workable policies for the industry. This first attempt was a plus. However, there seems to be very little work currently ongoing with regards to continued effects aimed at managing these expectations and perceptions even as oil production is ongoing.

Even where there appear to be some level of continuous education and sensitisation going on, the extent of penetration of this education does not go any further to the very people at the grassroots. These discussions only end with forums involving Members of Parliament, DCEs, local chiefs and some local community leaders but the information transmitted at such forums do not often transcend from these leaders to the very people at the grassroots. These local people are still not sensitised enough with regards to the contractual agreements between government and IOCs and hence are consistently demanding that some percentage of the oil proceeds should be allocated to them since they are more impacted by the oil exploration and production activities without getting to understand that the IOCs are already paying what is due the entire country to the central government. These people need to understand that apart from the community development plans and CSR activities of IOCs, it is the responsibility of the government to allocate to these frontline communities, a share of the revenue that is due them and in accordance with the governing laws of petroleum revenue management in the country.

It is therefore important not to neglect the continuous management of the perceptions and expectations of citizens and the people of the Western Region in particular. This is because the people of the Western Region have already had a bad experience with mining sector where almost all the mining communities within the region have not recorded any significant socio-economic advancement. Road networks and other infrastructural development as well as social amenities are still poorly developed despite the fact that mining activities have been ongoing in the region for decades now. The local people are also being guided by the Niger Delta experience and are therefore raising their perceptions and expectations of the industry and which needs to be properly managed. This is paramount because, Idemudia and Ite (2006) have intimated that the continuous conflicts and unrests in the Niger Delta region of Nigeria are as a result of lack of management of local expectations within the region.

8.1.2. Achieving Local Acceptability through CSR Engagements

Even though Tullow Ghana is doing relatively well as far as the implementation of its CSR programmes and obligations are concerned, there is a general sense of dissatisfaction with regards to the level of local stakeholder engagement by Tullow. For instance in August 2013, Tullow held a day's workshop on oil spillage management for the frontline communities of its operational area in the Jomoro District of the Western Region. At the same workshop, Nana Epilla Sam II retorted that, the oil exploration and production business activities did not have a positive influence on their lives and implore IOCs to do more to better their lives (Ghana News Agency, 2013). However, the people still complain that they are hardly involved in the major decision making processes of some of the activities and programmes that Tullow is carrying out in their communities or other parts of the region that have a direct impact on their own livelihoods. Fishing is the main occupation of the frontline communities of Cape Three Points, Shama and Takoradi to some extend and as such any attempt to deprive them of their main source of livelihood will not go down well with the local people. Proper engagement with the local people to educate them on the impact of some decisions such as the need for them not to fish around the FPSO and other oil and gas installations offshore is important. It is indeed true that IOCs and Tullow for that matter might have outlined its priority areas as far as its CSR activities and obligations are concerned. However it is equally important to engage the very beneficiaries of these programmes in order to identify what their most pressing needs are and how best they can fit into Tullow's CSR programme design. If Tullow was adequately engaging all stakeholders including the local communities, then DCEs would not have expressed surprise about some of the CSR activities of Tullow that are ongoing. Even if DCEs who are at the frontline of the interactions with these IOCs more than the ordinary person, are unaware of some of the activities that are supposedly meant to benefit their constituents, then local communities might be right in their assertion that they have been neglected or poorly engaged in some of these decision making processes that impact directly or indirectly on their lives. This is very necessary to the extent that, *"Companies whose core activities involve significant financial, production, or environmental risk are expected to demonstrate higher levels of responsibility to the local communities in which they participate"* (Gardberg and Fombrun, 2006).

8.1.3. General Disaffection towards Operations of IOCs in the Country

From the data obtained from the three local communities (Cape Three Points, Shama and Takoradi), there seems to be a general disaffection between the locals of the frontline communities and IOCs. They are generally dissatisfied with the lack of employment opportunities for the local people within the industry, bad road networks, lack of social amenities in the area, influx of people into the region, high cost of living, increase in social vices such as armed robbery, prostitution, teenage pregnancies and frequent abortions, lost of their source of livelihood

through fishing, and the pollution of the environment *inter alia*. It is however important to stress that these local frustrations have not degenerated into any form of direct confrontation between the local people and the IOCs unlike the occurrences in the Niger Delta region where the workers of IOCs are being heckled and kidnapped on the daily basis.

It is also worth noting that, even though the IOCs and Tullow might not have satisfied every single need, expectations or perceptions of the local communities through their numerous and varied CSR programmes in some of the local communities so far, there are good signs that Tullow and its Jubilee partners are in to tell a positive story that is totally different from that of the Niger Delta region of Ghana's sister country, Nigeria. Even though Tullow maintains that it is enjoying very high level of local acceptability in Ghana, the local people are divided on this position but fail to clearly demonstrate any evidence of protest or confrontation against the operations of Tullow or any other IOC in the country. It is just a matter of maintaining peaceful co-existence.

The study therefore contributes to existing literature because it establishes a positive relationship between good CSR practice and local acceptability, providing guidelines how local expectations can be properly managed, how IOCs can design and properly implement their CSR obligations and the extent to which the pursuit of CSR activities by IOCs can help promote their local acceptability in Ghana.

8.2. Limitations of the Study

Even though the study is aimed at assessing the CSR strategies of IOCs in promoting local acceptability in Ghana, it is however limited in its scope to TOG, the major international oil exploration and production company in Ghana. A comparative analysis between the CSR strategies of Tullow and other IOCs operating in Ghana and how they impact on their local acceptability could however be a subject matter for further study.

Furthermore, the production of oil and gas in commercial quantities in Ghana is barely three years old and as such obtaining specific literature on the Ghanaian context is another challenge faced by this study. While it might be desirable to engage as many participants as possible in a study, it is practically impossible to study entire populations hence the need to have a representative sample of the target population to provide relevant information for the study. As stated by Marshall (1996), *"…choosing a study sample is an important step in any research project since it is rarely practical, efficient or ethical to study whole populations"*.

This is why the study limited the respondents to the selection of some *key informants* from; the MoE, MLNR, and the EPA to solicit views from a government's perspective; some staff of Tullow Ghana who provided their views from an IOC's perspective; the CDD, the ACEP, the CSPOG and the ISODEC to represent the views of CSOs and NGOs; and the views of chiefs, local

community leaders, fishermen groups and fish mongers associations as representatives of the local population of Cape Three Points, Takoradi and Shama as some of the adjoining coastal settlements who are directly impacted by the oil and gas exploration and production in the Western Region of Ghana.

Furthermore, even though the study revealed that there is low penetration of the CSR programmes of Tullow particularly among the frontline communities and reflection of low acceptability of Tullow's operations in Ghana, the timing of this study also constitutes another limitation in arriving at the results. This is because, Tullow started oil production in Ghana only less than three years ago and has barely started the implementation of its CSR programmes.

8.3. Recommendations
8.3.1. Managing Perceptions and Expectations

Despite all the noble efforts that the government and Tullow has put in towards sensitising and managing local expectations, the fact still remains that Ghana's oil industry is not only novel, but also the industry is very technical and technology driven and most of these local populations either lack basic education or the requisite technical mindset to be able to properly understand the technical aspects, high risk and the capital intensive nature of the industry. A majority of the populace also do not understand the contractual issues involved in oil and gas licensing and Production Sharing Contracts (PSCs). Public education should therefore not shy away from educating the ordinary Ghanaian to clearly understand the contractual agreements between the government and IOCs and what percentage of the proceeds the government is entitled to. This will help demystify the notion that government is collaborating with IOCs to "*steal*" the oil revenue instead of addressing their most pressing needs. Already the Western Region was the hub of the country's gold, diamond, bauxite and manganese mines even prior to the oil discovery however the region has benefited very little from mining activities and as such their expectations and fears about prospects from oil activities for the region are firmly grounded.

8.3.2. Effective Public Education on What Constitutes Local Content and Local Participation Proper

From the interviews, responses and observations made during the field work, it was revealed that there was a general lack of understanding particularly among the local people with regards to what constitutes local content and local participation proper. It is indeed true that the government's local content and local participation approach is still undergoing Parliamentary debates and subsequent Presidential assent to be passed into law. However, the level of public education and public awareness of what the policy means is being clearly misconstrued by the ordinary Ghanaian and more so the people of the Western Region. From the group discussions, it was obvious that about 95% of the local communities either misunderstand or misapply the concept of local content. Instead, they understand local content and local participation to mean,

the considerations for offering employment, award of service contracts, allocation of CSR programmes and the award of scholarships *inter alia* should be offered first and foremost to the indigenes of the Western Region before any other Ghanaian. They fail to understand that, the fact that oil and gas were discovered closed to their region does not give them rights of ownership or title rights to the petroleum resources which invariably belongs to all citizens of the country as stipulated in the 1992 Republican Constitution. They also fail to understand that by local content and local participation, the policy aims at promoting the engagement of indigenous capacities and businesses of all citizens in the oil and gas value chain with no prejudice to ethnicity or region of origin or proximity to the oil bearing region. In order to properly manage local perceptions and expectations, the government, IOCs, CSOs, Parliamentarians, local chiefs and community leaders who have a good understanding of what the government's policy on local content and local participation actual means, should help educate the local communities as such. These tendencies and misinterpretations are divisive and ought to be properly managed before they degenerate into what is called resources generated ethnic conflicts. During the interviews, a fish monger at Takoradi intimated that *"our own people are not getting employed by these oil companies. Instead, foreigners from Northern Ghana and the Volta Region are taking up all the jobs"*. The External Communications Community Relations Manager of Tullow remarked in an interview that, Tullow is committed to implementing Ghana's local content policy to the letter, but that as a corporate organisation, Tullow will not compromise on competence and capabilities in favour of ethnicity.

8.3.3 Promoting Local Acceptability of IOCs and Establishing Long-term Relationships.

From the study it was gathered that an effective local community engagement in most of the discussions and decision making processes that directly affect the local communities; the implementation of an integrated CSRs programmes by IOCs that will foster socio-economic advancement; adherence to Environmental, Health and Safety (EHS) standards; respect for religious and cultural beliefs values, norms and practices *inter alia* are some of the things cherished by the local communities and which will determine their level of acceptability of the IOCs in the country. Issues of culture and religion are very sensitive and should not be downplayed. Periodic and effective engagement of the local people in discussions and decision making processes in order to acquaint themselves with some of the CSRs and operational activities of IOCs that directly impact upon the lives of these local people should be promoted. This will enable them accept and identify with such programmes reflecting their particular needs.

This position is clearly supported by Gardberg and Fombrun (2006) assertion that, the extent to which local communities are able to clearly indentify and familiarise themselves with a particular company's operations could greatly affect the corporate citizenship programmes of the particularly company. For instance, companies that are operating in less familiar industries to the local community are faced with a greater chance of being misunderstood in terms of its products

and operational processes. Once these products or processes do not conform to local values, norms, beliefs and practices they stand the high chance of increasing their liability of foreignness.

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