



MAY, 2016 | REPORT

OILING THE WHEELS OF QUALITY EDUCATION IN GHANA

A VALUE FOR MONEY ANALYSIS OF OIL REVENUE INVESTMENTS IN DABAABI
M/A PRIMARY SCHOOL AND NSESERESO R/C PRIMARY SCHOOL



**Africa
Centre for
Energy Policy**

Executive Summary

There was a wave of optimism in Ghana in 2007 after Tullow Oil PLC discovered a large offshore oil reserve. The World Bank estimated in 2009 that the oil boom would boost government revenue by a third and transform an economy that stood at \$16 billion at the time. In December 2010, when the former president, President Mills opened the first oil tap, he pledged to avoid the mistakes of other African oil producers and save revenue for future generations; adding that Ghana's oil discovery will be furthered by fiscal prudence. He stated that the oil resource comes with serious responsibilities and the government must ensure oil becomes a blessing, and not a curse. However, five years later, Bloomberg reported that Ghana's economy was sinking. The government was forced to seek an emergency loan from the International Monetary Fund (IMF) of almost \$1 billion, the currency was the worst performer in Africa against the dollar in the first half of the year, and power cuts of twenty four (24) hours at a time was crippling businesses. It invariably becomes imperative to investigate how well the volatile revenues from Ghana's oil and gas sector have been invested in areas that can support the country's development and reduce over-

reliance of the economy on the oil and gas sector.

This report has assessed Ghana's oil revenue investments in the education pro poor sector over the years, amidst the fiscal booms and busts in the oil and gas sector. Oil revenue investments in Ghana have been reviewed, vis a vis cross country comparison of five other randomly selected oil producing countries namely Oman, Nigeria, Trinidad and Tobago, Saudi Arabia, and Brazil. The essence was to establish a case for oil revenue investment in education to support economic growth and sustainable development. Next, a field visit was undertaken to two oil-funded school projects, Dabaabi M/A Primary and Nsesereso R/C Primary schools and value for money analysis conducted on these two projects based on some legal, social and economic parameters as would be seen later in chapter 3. The essence of value for money analysis is to track government's expenditure of oil revenues as an effort to increase transparency and accountability while ensuring that investments made truly meet the needs of the ordinary Ghanaian.

Even though education is not one of the priority areas to receive oil revenues, the sector has benefitted in terms of both capital and recurrent expenditure. This report made the following findings:

1. Fifty-seven per cent (57%) of the oil revenues allocated to the education sector from 2011 to 2015 was spent on science resource centres whilst 21% went into the construction of 6-unit classroom blocks. This manner of investment does not balance the expansion of primary school infrastructure with that of the senior high school to absorb the inflow of pupils from the primary school level.
2. Construction work on the Dabaabi M/A Primary School has not yet commenced although the Ministry of Finance indicates that funds have already been disbursed and the project actually completed. This demonstrates a clear sense of the lack of transparency and monitoring in the use of oil revenues.
3. Both the Dabaabi and Nsesereso primary school projects have suffered from time overruns. The Dabaabi primary school project suffered a time overrun of twenty two (22) months whilst the Nsesereso project recorded

a time overrun of thirteen (13) months.

4. Both project communities were unaware that oil revenues were allocated for the construction of their schools. This makes it difficult to track the impact of oil revenue utilization.
5. The utilization of oil revenue was not guided by an investment plan that tackles the execution of the projects in a holistic manner. For instance, in the case of the Nsesereso Primary School project, although the primary school was completed, the dilapidated state of the KG block still posed an infrastructural deficit for the community. Oil revenues will not be adequate to address all the challenges in the educational sector and its investment must be guided by a plan that allows it to be used where necessary, as a support in addition to other sources of funds rather than a substantive source.

In view of the above findings, ACEP recommends the following:

1. Education should be made a priority area to receive oil funding. This is important to, in addition to developing local expertise for

the oil and gas industry as envisaged by the local content law, build and train the human resource potential and skills of the country which is a pre-requisite for nation building.

2. The government should be transparent with the disbursement of oil revenues into education to make it easy for tracking and assessment.
3. Oil revenue investments in education should be guided by an investment plan. This is important to identify the extent to which oil revenues can address the deficits in the educational sector to avoid inefficient spending. Furthermore, the presence of an investment plan will address which level of the educational sector should
4. The Ministry of Finance must, in addition to the disbursement of funds, do a follow-up check of the progress of contracts they have awarded. This will prevent a future recurrence of the Dabaabi scenario, where no school has been constructed and yet funds have been disbursed.
5. There should be punitive measures to deter officials and contractors from diverting oil revenues from intended investment purposes.

be prioritized for oil revenue investment first. This will make oil revenue investment targeted and allow its impact to be monitored and measured.

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Acronyms and Abbreviations

ABFA	Annual Budgeting Funding Amount
ACEP	Africa Centre for Energy Policy
GDP	Gross Domestic Product
GETFund	Ghana Education Trust Fund
IMF	International Monetary Fund
JHS	Junior High School
KNUST	Kwame Nkrumah University of Science and Technology
M/A	Municipal Assembly
OPEC	Organization of the Petroleum Exporting Countries
PRMA	Petroleum Revenue Management Act
R/C	Roman Catholic

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1. BACKGROUND

The discovery of crude oil in commercial quantities in any nation is met with much hope and anticipation for economic boom as the multi-billion-dollar oil industry creates jobs and rakes in revenue for the government either directly or from taxes and royalties. However, this is not always the case as many countries have suffered the resource curse. The resource curse, also known as the paradox of plenty, refers to the situation where countries with an abundance of natural resources, specifically non-renewable resources like minerals and crude oil, tend to have less economic growth, less democracy, and worse developmental outcomes than countries with fewer natural resources. According to the International Monetary Fund (IMF), there are fifty-one (51) resource rich nations in the world. The IMF defines a resource-rich nation as one which derives at least 20% of exports or 20% of fiscal revenue from non-renewable natural resources. In the midst of plenty, such countries have not developed as they ought to. Twenty-nine (29) of these countries are low and lower-middle-income as they are heavily dependent on the resource wealth which is usually very volatile on the international market.

This trend is however being challenged by some countries especially in the Gulf region where nations like Qatar, Saudi Arabia and United Arab Emirates have put in measures to diversify their economy by improving infrastructure, healthcare and education. For instance, United Arab Emirates is diversifying its economy with the oil wealth to become a tourism and commerce centre. In Africa however, countries such as Nigeria, and Angola have not really benefited much from many years of oil production. Kidnappings of expatriates and militancy has arisen in these countries as the oil wealth has widened the gap between the rich and the poor. This means that Ghana has many examples to learn from to maximize the oil revenue, though the initial expectations and borrowings of the government exposed the country to the symptoms of the oil curse.

The promise of an oil windfall led Ghana on a borrowing spree. Ghana's fall as a prey to the oil curse has been attributed to high expectations of how the oil money was going to solve all of its problems. This has caused a perverse impact on government planning, spending and behaviours.

After posting the fastest economic growth of about 14% in Africa in 2011, Ghana's expansion of 4% in 2014 was the slowest in twenty (20) years (Bloomberg Report, 2015).

To escape the oil curse, oil producing countries channel their wealth in many areas of the economy for development. In addition to economic structure, oil revenue investment has a substantial impact on

the growth and sustainability of the educational sector in oil-exporting countries, which has not been widely discussed.

This paper identifies the social and financial impacts of investment in the educational sector. The relevance of education for both individual and social development in Ghana and other developing societies is generally acknowledged.

1.1 Purpose / objectives of the report

The purpose of this report is to identify the impact of oil revenue investment in educational sector and ascertain whether petroleum funds have been used efficiently on educational projects.

The analysis is based on the assumption that value for money is achieved if a project is delivered within specified time and budget and has a positive socioeconomic impact on the community where the project is situated. The analysis considers cost and time overruns, project monitoring measures and how these factors impact on project outcome. This objective is achieved by conducting an oversight assessment on government's use of oil revenues for sustainable development.

The Africa Centre for Energy Policy (ACEP) tracks oil-funded educational projects through field visits to gather and analyze empirical evidence on whether these projects bring real economic and social benefits to their respective communities in particular and Ghana at large. For this report, the Dabaabi M/A Primary and Nsesereso R/C Primary schools were selected for study.

In line with the findings of the assessment of these two education projects, recommendations are made to support strategic approaches to boost Ghana's educational sector. The project monitoring exercise also improves on transparency and accountability in petroleum revenue governance,

provides insight to the indigenes and hence incites their interests in the petroleum sector.

1.2. Methodology

This value for money analysis report evaluated two (2) oil funded projects in the educational sector. The assessment of the project was based on qualitative research method; evidence for assessment was project specific and could only be found through field visits to ascertain the information provided by the government, the contractor, local community, desk overview and comparative analysis.

The determination of the social and economic impacts of these projects on the respective communities required unrestrained approaches that fully capture and answer the questions and

uncertainties.

The assessment did not encompass comparison of the two (2) projects in any significant way.

1.2.1. Data collection procedure

In this analysis, both secondary and primary data were collected. Secondary data were predominantly budget statements, reports, articles and news items. Primary data were collected during field visits to Dabaabi and Nsesereso through semi-structured interviews to confirm secondary data and gather new insights.

2. RELEVANCE OF OIL REVENUE INVESTMENT IN EDUCATION

Education can potentially be the biggest single driver of economic development if adequately invested in. Psacharopoulos and Patrinos (2004) estimates that the average economic return of investment in education is about 10%. Knowledge acquisition and the development of robust skills are extremely critical for the advancement of any nation. If there is one investment that policymakers should make to boost Ghana's GDP, it is investing in the country's educational sector.

The link between education and economic growth in some of the early work on the economics of education was based on the argument that a more educated labour force has an increased capacity to produce. This is because when the workforce is more literate and numerate, they are easier to train. It is easier for them to learn more complex tasks. In addition, they have better work habits, particularly time consciousness, productivity and dependability.

A scarcity of educated people may limit growth and promote civil unrest in the face of the slightest

provocation. One of the clues in support of the conclusion that education does contribute to growth is that countries with higher levels of economic growth have labour forces with higher levels of formal schooling. Beyond such a macroeconomic approach to the relation between education and economic growth, the new growth theories assert that developing nations have a better chance of catching up with more advanced economies when they have a stock of labour with the essential expertise to develop new technologies themselves or to adopt and use foreign technology. In such models, a more educated labour force increases output in two ways: education adds skills to labour, increasing the capacity of labour to produce more output; and it increases the worker's capacity to innovate (learn new ways of using existing technology and creating new technology) in ways that increase his or her own productivity and the productivity of other workers. The first of these emphasizes the human capital aspect of education (that is, that education improves the quality of labour as a factor of production and permits technological development); the second

places human capital at the core of economic growth and asserts that the externalities generated by human capital are the source of self-sustaining economic growth — that human capital not only produces higher productivity for more educated workers but for most other labour as well. The positive influence of economic growth on poverty reduction is supported by several studies (World Bank, 2015).

Investment in education however requires financial resources. Oil provides Ghana with revenue to undertake developmental projects in the education sector. The argument could be made that Ghana's annual oil revenue is insignificant to finance all developmental projects. However, with less priority areas targeted for investment by oil revenues, investment guidelines and a focus on pro-poor sectors such as education, the oil revenues can make a huge difference.

2.1. How Ghana has spent oil revenue on the educational sector

Oil producing countries that have been successful in managing their oil resources usually diversify into areas where they enjoy competitive advantage. In line with this strategy, (Section 26 (3)) of the Petroleum Revenue Management Act (PRMA), 2011 (Act 815) mandates the Minister of Finance to select not more than four (4) priority areas for oil revenue investment.

Petroleum revenues have since 2011 become a feature of Ghana's annual budget. The revenues have increased from US\$444 million in 2011 to US\$978 million in 2014 but declined to US\$396 million in 2015. By the end of 2016, a cumulative

amount of US\$3.45 billion had been received. The fiscal terms, which determine the petroleum streams, are defined in Section 6 of the PRMA as follows:

- a. Royalties, additional oil entitlements, surface rentals, other receipts from any petroleum operations and from the sale or export of petroleum;
- b. Any amount from direct or indirect participation of government in petroleum operations;
- c. Corporate income taxes in cash from upstream and midstream petroleum companies;
- d. Any amount payable by the national oil company as corporate income tax, royalty,

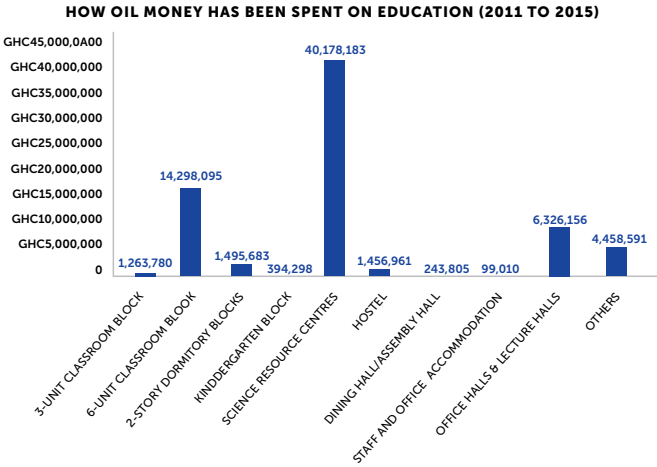
- dividends, or any other amount due in accordance with the laws of Ghana; and
- e. Any amount received by government directly or indirectly from petroleum resources not covered by paragraphs (a) to (d) including where applicable, capital gains tax derived from the sale of ownership of exploration, development and production rights.

The Petroleum Revenue Management Act (Act 893 as amended) stipulates that a portion of petroleum revenues is transferred to the annual budget for financing socio-economic interventions, also referred as the Annual Budget Funding Amount (ABFA). On the distribution of ABFA, section 21 (5) of the PRMA requires the Minister of Finance

- to prioritize not more than four (4) areas, in the absence of a long term development plan. Over the last six years, the Minister of Finance prioritized:
- Expenditure and Amortization of Oil and Gas loans;
 - Road and other infrastructure;
 - Agricultural Modernization; and
 - Capacity Building

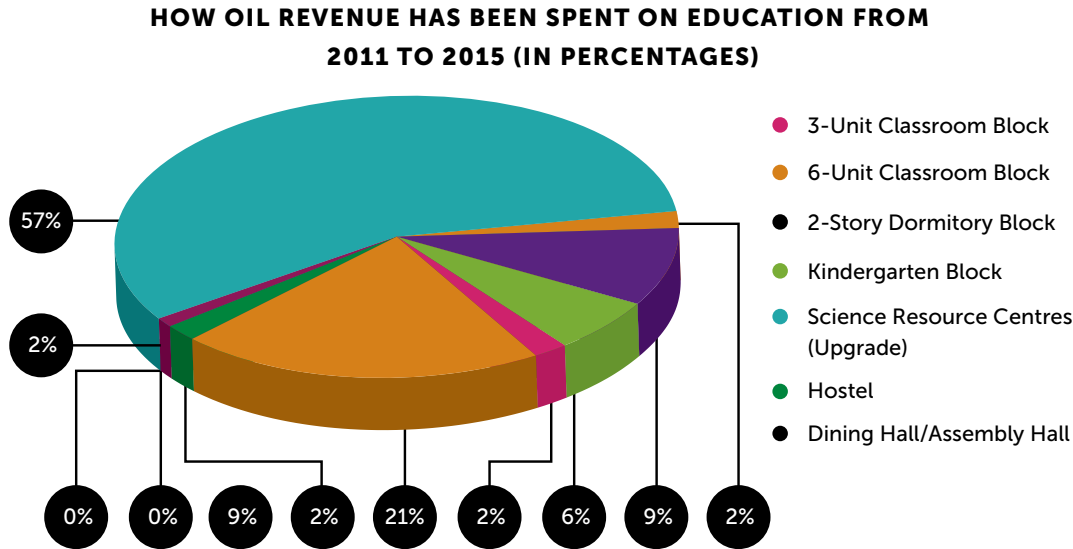
To ensure that the ABFA is productively invested, the PRMA stipulated that a minimum of 70% should be devoted to capital spending. This is in line with the PRMA's objective of maximizing the rate of economic development with petroleum revenues.

Figure 1: How oil money has been spent on education (2011 to 2015)



Source: ACEP, 2016

According to Figure 1, fifty-seven per cent (57%) of oil revenues allocated to the education sector from 2011 to 2015 was spent on science resource centres. This is followed by 6-unit class room blocks which received 21%. Figure 2 shows the percentage of oil revenues that has been allocated to various sections of the education sector.



Source: ACEP, 2016

The role of capital investments to achieve the policy objectives for the education sector is critical, as it is positively correlated with improving the access and quality of education. The education sector has consistently received the highest allocation from the country's annual budgets. The Ghana Education Trust Fund (GETFund) is the largest contributor to capital investments, averaging 80% of total allocations

over the period. Petroleum revenues constituted the third highest funding source for capital investments between 2011 and 2014. ABFA allocations to the education sector in 2013 was GHC10 million, a 50% decrease from that of 2012. However, this was increased to GHC103.5 million in 2014¹, representing a 1,035% leap from that of 2013. In 2012 and 2013, actual disbursement of GHC10.6 million and GHC9.1 million respectively were lesser than allocations for those two (2) years.

In 2012, ABFA funds allocated to the education sector were spent entirely on Basic Education, with the Pre-School, Primary and Junior High School (JHS) levels receiving GHC1.06 million, GHC6.3 million, and GHC3.2 million respectively. In 2013, ABFA funds were spent entirely on tertiary education, which included the construction of the Teaching Hospital Administration Block at Kwame Nkrumah University of Science and Technology (KNUST).

2.2. Spending Efficiency

It appears the government is merely spreading petroleum revenues across the various levels of education, without undertaking any rigorous needs assessment for each level. For instance, in the 2014 national budget, majority of petroleum revenues were allocated to technical and vocational education. Basic education, however, was allocated the least amount of petroleum funds. This begs the question of which level of our educational system requires the most attention regarding capital investments. It is imperative

that such an assessment is done, to guide capital investments in the future utilization of petroleum revenues.

Cumulatively, out of over GHC1.3 billion of ABFA spending from 2011 to 2013, only GHC19.6 million representing a paltry 1.49% was spent on the education sector. This is woefully inadequate considering the fact that over 90% of the sector's budget goes into recurrent spending. It would appear that the significantly higher ABFA allocation

¹ Annual Reports on Petroleum Funds (2012 – 2014); Reconciliation Report on Ghana Petroleum Holding Fund (2013 & 2014)

in 2014 was meant to stem this trend; however, actual disbursement data is yet to be released by government.

To curb the spending inefficiency canker, spending of petroleum revenues should be based on an investment plan guided by a long-term national development or medium term development framework. For instance, the World Bank has proposed a framework for managing oil investments (see Table 1.)

Table 1: Public investment management system for oil revenue investment

STAGE 1. Strategic Guidance & Appraisal	<div>1. Investment guidance, project development and preliminary screening. Broad strategic guidance to anchor investment decisions and make a first selection can be derived from a national plan or other medium – to long-term strategic plan that defines economy-wide development priorities</div> <div>2. Formal project appraisal. This step includes feasibility analysis, cost-benefit analysis and identification of relevant alternatives.</div> <div>3. Independent review of appraisal</div>
STAGE 2. Project Selection and Budgeting	<div>4. Project selection and budgeting. Linking the process of appraisal and selection of investment projects is important to ensuring sustainability of recurrent costs and proper accounting of any revenue generated by the project.</div>

<p>Stage 3: Project Implementation</p>	<ol style="list-style-type: none"> 5. Project implementation. This step includes clear organizational arrangements (including procurement plans, management and monitoring of project implementation, cost management systems, multiyear budgeting) and a realistic timetable 6. Project adjustment. This step should be included to allow for changes in project implementation, cost management systems, multiyear budgeting) and a realistic timetable. 7. Facility operation. This is the process of ensuring that the investment project is ready for operation and can be delivered, including verification of any needed adaptations or additional investments before use.
<p>Stage 4: Project Evaluation and Audit.</p>	<ol style="list-style-type: none"> 8. Basic completion review and evaluation. This often-neglected step serves the important function of evaluation by the responsible agency or ministry after completion, whether the project was completed within the original budget and time frame and whether outcome and output meet the initially established objectives.

Source: World Bank, 2016

Table 1 details a proposed model for the allocation of oil revenues for the purposes of diversifying from the extractive sector. In order to maximise investments in education, Ghana can enact a public investment management framework for oil revenue expenditure.

2.3 Cross-country overview of oil revenue investment in education

Oil is the world's number one export product. Amounting to 4.8% of the global value of all export products, crude oil shipments totalled US\$786.3 billion for 2015. This figure represents a 50.3% drop in value since 2011 and a 44.4% decline from 2014 to 2015. Despite the fact that oil revenues continue to decline due to falling crude oil prices, oil exporting countries notwithstanding allocate portions of the revenue into developmental sectors that drive the economy. Case studies of five oil exporting countries and how they spent oil revenue on education investment are presented below.

2.3.1. Oman

Despite declining oil and gas revenues, Oman maintained its commitment to education spending in its 2015 budget, with the sector retaining a major share of state expenditure. This bodes well for 2016 and beyond, too, as the government clearly recognises that the long-term health of the broader economy, as well as of its citizenry depends, to a large measure, on the success of its education and training initiatives.

The budget thus sees total expenditure up from

OR13.5bn (\$35bn) in 2014 to OR14.1bn (\$36.5bn) in 2015, while total estimated revenues were expected to fall by just 0.9%, from OR11.7bn (\$30.3bn) in 2014 to OR11.6bn (\$30bn). Of the total expenditure for 2015, OR1.8bn (\$4.7bn) was earmarked for education – a rise of 27% on OR1.4bn (\$3.6bn) in 2014. This gave the sector the highest increase overall, as well as the highest total value.

The education budget jump, described as a “shot in the arm” by Said Amur Said Al Rahbu, Director of the Qualifications Equivalence and Recognition Department at the Ministry of Higher Education, will enable a greater focus on both developing the sector's physical infrastructure and improving the quality of its delivery. Regarding the former area, the budget sets aside funds for the construction and operation of forty one (41) new schools. This addresses a pressing demographic issue – around half of the country's population is under the age of 21 and student numbers are on the rise, increasing by 28,345 between August 2014 and August 2015 alone.

Also specified in the budget is an allocation of OR95m (\$246m) to fund training programmes both

within and outside Oman, with these programmes directed at preparing graduates for the job market.

2.3.2. Nigeria

The most populous country within the Organization of the Petroleum Exporting Countries (OPEC), Nigeria has over 183 million inhabitants. The oil and gas sector accounts for about 35% of GDP, and petroleum exports revenue represents over 90% of total exports revenue. Nigeria swaps the crude oil for refined oil and forwards the remaining funds into Nigeria's budget. In 2011, Revenue Watch Institute, a New York-based watchdog, ranked the Nigerian National Petroleum Corporation (NNPC) the least transparent oil company in the world. Government expenditure on education is not available both at the World Bank and

2.3.3. Trinidad and Tobago

Trinidad and Tobago is the leading Caribbean producer of oil and gas, and its economy is heavily dependent upon these resources. Oil and gas account for about 40% of GDP and 80% of exports, but only 5% of employment. Oil production has declined over the last decade as the country focused the majority of its efforts on natural gas. The government of Trinidad and

Tobago is targeting increased investment in areas including tourism, agriculture, information and communications technology, and shipping. The government spends 3.1 percent of its total revenue in education. Trinidad and Tobago has a literacy rate of 99%.

2.3.4. Brazil

The oil and natural gas sector's contribution to Brazil's GDP increased from 3% in 2000 to 12% in 2010 and attained 13% by 2015. The main driver for this increase is Brazil's national oil company Petrobras, which has an ongoing plan in place to invest US\$ 220.6 billion during the period 2014-2018 and is looking to double the current level of oil production by 2020, when it is expected to reach 4.2 million barrels of oil a day.

To develop other sectors of the economy, there is a partnership between Petrobras and Sebrae (Brazilian Service for Support to Micro and Small Enterprises), involving investments of US\$64 million, which has helped to increase the number of small scale suppliers in the Petrobras portfolio, from 14,000 in 2004 to 19,000 in 2013. The initiative is targeted at advancing micro and small enterprises through professional training and

qualifications, making use of the best practices and guidance of larger companies. The opportunities presented by the country have attracted many foreign companies to Brazil. Many of the sector's major suppliers have set up themselves in the country and have built manufacturing plants and technology development centres. Through the oil revenue, Brazil has become one of the most promising countries in the world for foreign investment by companies seeking to set up an industrial plant in order to supply the oil and natural gas market². Brazil spends 5.9 percent of its total GDP on education with a literacy rate of 98%.

2.3.5. Saudi Arabia

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about 16% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in

OPEC. The petroleum sector accounts for roughly 45% of GDP, and 90% of export earnings. Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Diversification efforts are focusing on power generation, telecommunications, natural gas exploration, and petrochemical sectors. The country spends 25% of budget on education but the performance of schoolchildren for now remains below average.

More recently, the government has approached investors about expanding the role of the private sector in the healthcare, education and tourism industries. While Saudi Arabia has emphasized its goals of diversification for some time, current low oil prices may force the government to make more drastic changes ahead of their long-run timeline.

² Article by Petrobras on the contribution of oil and gas to Brazil's GDP. Accessed from <http://www.petrobras.com/en/magazine/post/oil-and-gas-sector-contribution-to-brazilian-gdp-reaches-13.htm>

3. VALUE FOR MONEY ANALYSIS OF OIL REVENUE INVESTMENTS IN EDUCATION: THE CASE OF DABAABI M/A PRIMARY SCHOOL AND NSESERESO R/C PRIMARY SCHOOL

3.1. Dabaabi M/A primary school

Dabaabi is a farming community in the Dormaa West district with a population of about a hundred (100) people. The educational sector in this district is plagued with many challenges, particularly infrastructure. The only school in the Dabaabi village is the Municipal Assembly (M/A) basic school. The school has a nursery, kindergarten and primary from classes 1 to 6. The only school block was

constructed in 1997. The community has erected a wooden structure for the kindergarten pupils at a cost of GHC300 of which GHC150 was taken from the capitation grant, according to the head teacher. Enrolment has reduced drastically due to the deteriorating conditions. Current enrolment is about 160 and are predominantly males.

Picture 1: Dabaabi M/A Kindergarten



Source: ACEP's Field Visit, 2016

3.1.1. Contracting process

The Public Procurement Act 663, prescribes the procurement process for the acquisition of goods and services for the public sector. As a general principle, section 35 of the Act prescribes that a procurement entity shall procure goods, services or works by competitive tendering, and shall select consultant through a quality and cost-based method. The only conditions under which a procurement entity may resort to sole sourcing are specified in section 40 of Act 663 and include contractor's specialized knowledge/monopoly he enjoyed, urgency of need for which reason it will not be feasible to engage in competitive tendering, limited size of proposed procurement, among others.

Despite these provisions, the contract for the construction of a two stream kindergarten block in Dabaabi was awarded through sole sourcing. One of the weaknesses of sole sourcing is that it relies much on the discretion of the tender committee and can have a negative impact on the outcome of the decision.

3.1.2. Contract period

The contract for the construction of a two stream

kindergarten block at Dabaabi was awarded to Real Call Company Limited to be completed by June, 2014. The construction of the project was to be executed within a period of five (5) months.

3.1.3. Contract price and project funding

The construction of the M/A school block was awarded to Real Call Company Limited at the contract price of two hundred and fifty one thousand, five hundred and fifty Ghana cedis (GHC 251,550.00). Out of the contract sum, two hundred and forty five thousand, eighty two Ghana cedis and thirty five pesewas (GHC 245,082.35) has been paid to the contractor. Oil revenues contributed one hundred and ten thousand, six hundred and forty six Ghana cedis (GHC110,646) representing 44% of the total contract sum. The respondents at the municipal assembly and leaders at Dabaabi were not aware that oil revenues contributed to the project.

3.1.4. Project progress

As of the time of visit (December, 2016) by the ACEP team, no work had been done. This means that the completion rate was at 0%. Checks at the Ministry of Finance revealed that the contractor had completed and received the contract sum.

However, the Municipal Chief Executive of Dormaa Central and the Chief of Dabaabi, Nana Takyi, both indicated that no kindergarten block has been built at Dabaabi.

3.1.5. Economic evaluation

The Dabaabi M/A kindergarten block has suffered from time over-run. Though the school was to be completed in June, 2014, construction had not started as of February, 2017 (Table 2).

Table 2: Summary of Economic Evaluation for the Dabaabi School Project

ITEM	DESCRIPTION
Name of Contractor	Real Call Company Limited
Award Process	Sole Source
Contract Sum	GHC 251,550.00
Amount Paid so far	GHC 245,082.35
Project commencement date	January, 2012
Timeline for Execution	Five Calendar Months
Project completion date	June, 2014
Any cost overrun	No
Time Overrun	Yes (22 months)
Main challenge	1. Funds allocated to the project could not be traced. 2. Difficulty in acquiring data on the project details

Source: ACEP, 2016

Table 2 outlines the contract terms for the Dabaabi M/A Primary School. According to the Ministry of Finance, the project has been completed. However, a visit by ACEP reveals otherwise (see Picture 1 above). There is no record of actual cost overruns arising from the non-delivery of the project. It is noteworthy however that due to macroeconomic factors such as the effects of inflation over the years, initial project cost will most likely vary to the high should the project be built.

3.1.6. Social impact evaluation

When the ACEP team called on the chief of the town, Nana Sakyi, he lamented the poor state of the educational infrastructure and the impact on the pupils of school going age. This he said has been a challenge for him and his elders who continually resort to making official complaints to the district assembly to come to their aid but has so far fallen on deaf ears. He therefore called on the benevolence of ACEP to assist them in building

a permanent KG block to encourage the pupils to enrol.

Dabaabi currently does not have a junior high school. Pupils who graduate from the primary school walk about 5km daily to neighbouring towns, Danyame/Agyemankrom for their junior high school education. This is a major disincentive for most students within the junior high school age bracket.

3.2. Nsesereso R/C primary school

Nsesereso is also another farming community in the Dormaa West district with a population of about two hundred (200) people. Educational infrastructure at Nsesereso is better than that of surrounding communities. GETFund constructed a 6-classroom block in 2014 which has increased enrolment. The first primary classroom block, completed in 1998 and now named Primary A, has a pupil population of about two hundred (200) while the new one by GETFundd, named Primary B, has a pupil population of two hundred (200). The GETFund building has curbed pupil absenteeism and increased enrolment since its construction. The pupil population is female dominated.

Picture 2: A section of the Nsesereso primary school block



Source: ACEP's Field Visit, 2016

3.2.1. Contracting process

Just like the Dabaabi MA Primary School project, sole sourcing was used to award the contract for the Nsesereso Roman Catholic Primary School in the Dormaa West District. The contract was awarded to Messrs. Nkansah Company Limited.

3.2.2. Contract period

Even though the contract has been completed, there was time overrun of thirteen (13) months.

The contract was awarded on July, 2012 and completed January, 2014.

3.2.3. Contract price and project funding

The total contract sum was GHC 294,771.31. Out of this, GHC279,935.70 has been paid so far leaving a balance of GHC14,835.61. The project was funded with monies from the ABFA and GETFund. The project suffered delays in payment by GETFund.

Picture 3: A section of the KG block



Source: ACEP's Field Visit, 2016

3.2.4. Project progress

The project has been completed, handed over to the community and is in use.

3.2.5. Social impact evaluation

The near perfect 6-classroom unit completed in 2014 and funded by GETFund leaves Nseserero R/C Primary with no infrastructural deficit except the dilapidated structure of the kindergarten (KG) block and lack of electricity in the community. The head teacher of the school, Mr. Philip Nsiah commended government for the two primary school blocks; the first block, Primary A built in 1998, and Primary B built in 2014. However the KG block is dilapidated and needs urgent renovation since it has become a breeding ground for wild animals.

According to Mr Nsiah, headmaster of the school, there is no electricity in the community which is a challenge for teachers and students alike. During the field visit, he called on the government to help them fix the issue. He indicated though that the lack of electricity has not resulted in teacher absenteeism. He made another request for a community senior high school since the closest was at Danyame, which was several kilometres away.

3.2.6. Employment opportunities

The number of teachers recruited is adequate and most of them are locals from the community. A well-resourced teachers' quarters was built in 2014 with the common fund. It houses the head teacher and the rest of the teachers. The staff to pupils' ratio of the school is well balanced. Some community members also sell food and other stationery products at the school to make ends meet.

3.2.7. Gender issues

The infrastructural sufficiency has led to a great performance and output by the teachers and pupils. Both teacher and pupil turnout is very impressive. Each primary block caters for about two hundred (200) students with a total enrolment of about four hundred (400). Unlike Dabaabi, the female pupil population is higher than that of the males which is significant because this makes Nseserero stand out in the district with such a feat.

3.2.8. Effects of the poor state of the kindergarten block

There's no significant record of absenteeism as a result of the poor state of the kindergarten block. The head teacher was however of the view that if

with the poor structure the turnout is fairly good, enrolment could increase if the block is rebuilt and well-resourced.

3.2.9. Other benefits

The state of infrastructure in Nsesereso is enough motivation for both pupils and their parents to invest in their education. The high number of enrolment which is one of the highest in the district makes it a significant factor in the growth and development of the entire community.

The ACEP team was given a warm reception from the head teacher and his staff. The team was also impressed with the reportage from the head teacher who was of the view that though the infrastructural development is satisfactory, more could be done in terms of facilitating the building of both junior and senior high school blocks. This

he said, was necessary due to the number of graduates from their upper primary every year who have to trek about three kilometers to Danyame, the nearest community with a junior high school and the newly built community day senior high school.

He was hopeful and optimistic that ACEP's visit to the community will draw the attention of government and other concerned organizations to help with the remaining infrastructural deficit.

3.2.10. Economic evaluation

The construction of the Nsesereso Roman Catholic primary school delayed for about thirteen (13) months due to difficulties in getting GETFund to make payment. See Table 3 for a summary of the contract details.

Table 3: Contract Summary of the Nsesereso Roman Catholic Primary School Project

ITEM	DESCRIPTION
Contract sum	GHC 294,771.31
Amount paid so far	GHC 279,935.70
Balance due the contractor	GHC 14,835.61
Percentage of work done	100%
Contractor	Messrs. Nkansah Company Limited
Cost Over run	No
Date awarded	July, 2012
Date Completed	January, 2014
Time Over run	Yes (13 months)
Contracting Process	Sole Sourcing
Challenges	Delays in honouring payment by GETFund

Source: ACEP, 2016

4. KEY FINDINGS, CONCLUSION AND RECOMMENDATIONS

4.1 Key findings

1. 57% of the oil revenues allocated to the education sector from 2011 to 2015 was spent on science resource centres whilst 21% went into the construction of 6-unit classrooms. This manner of investment does not balance the expansion of primary school infrastructure with that of the senior high school to absorb the inflow of pupils from the primary school level.
2. Construction work on the Dabaabi M/A Primary School has not yet commenced although the Ministry of Finance indicates that funds have already been disbursed and the project actually completed. This demonstrates a clear sense of the lack of transparency and monitoring in the use of oil revenues.
3. Both the Dabaabi and Nsesereso primary school projects suffered from time overruns. The Dabaabi primary school project suffered a time overrun of twenty two (22) months whilst the Nsesereso project recorded a time overrun of thirteen (13) months.
4. Both project communities were unaware that oil revenues were allocated for the construction of their schools. This makes it difficult to track the impact of oil revenue utilization.
5. The utilization of oil revenue was not guided by an investment plan that tackles the execution of the projects in a holistic manner. For instance, in the case of the Nsesereso Primary School project, although the primary school was completed, the dilapidated state of the KG block still posed an infrastructural deficit for the community. Oil revenues will not be adequate to address all the challenges in the educational sector and its investment must be guided by a plan that allows it to be used where necessary, as a support in addition to other sources of funds rather than a substantive source.

4.2 Conclusion

In November, 2013, the Petroleum (Local Content and Local Participation) Regulations, 2013, LI2204 was promulgated to, inter alia promote maximisation of value-addition and job creation through the use of local expertise, goods and services business, financing in the petroleum industry value chain and their retention in Ghana. The Local Content Committee established by the Board of the Commission is required to oversee the implementation of LI2204.

Local content refers to the quantum/percentage of locally produced materials, personnel, financing, goods and services rendered to the oil industry and which can be measured in monetary terms.

Local participation on the other hand refers to the level of Ghanaian equity ownership in the oil and gas industry. To qualify as a Ghanaian/ indigenous company, the company must have at least 51% of its equity owned by a Ghanaian with 80% management and senior positions occupied by Ghanaians. Education is a major pre-requisite to achieving the ultimate goal maximising local expertise in Ghana's oil and gas industry as envisaged by the local content law.

In addition to achieving local content for the oil and gas industry, education is a major driver to maximizing the economic potential of Ghana through a literate and developed human resource.

4.3 Recommendations

In view of the findings of the value for money analysis, this report recommends the following:

1. Education should be made a priority area to receive oil funding. This is important to, in addition to developing local expertise for the oil and gas industry as envisaged by the local content law, build and train the human
2. The government should be transparent with the disbursement of oil revenues into education to make it easy for tracking and assessment.
3. Oil revenue investments in education should be

resource potential and skills of the country which is a pre-requisite for nation building.

guided by an investment plan. This is important to identify the extent to which oil revenues can address the deficits in the educational sector to avoid inefficient spending. Furthermore, the presence of an investment plan will address which level of the educational sector should be prioritized for oil revenue investment first. This will make oil revenue investment targeted and allow its impact to be monitored and measured.

4. The Ministry of Finance must in addition to the disbursement of funds, do a follow-up check of the progress of contracts they have awarded. This will prevent a future recurrence of the Dabaabi scenario, where no school has been constructed and yet funds have been disbursed.
5. There should be punitive measures to deter officials and contractors who divert oil revenues from being used for the intended projects.

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