Note de l'Ifri

Ghana and the Oil Sector: Beyond the Resource Curse?

Mathieu PELLERIN

September 2015

This study has been realized within the partnership between the French Institute of International Relations (Ifri) and OCP Policy Center

The **French Institute of International Relations** (Ifri) is a research center and a forum for debate on major international political and economic issues. Headed by Thierry de Montbrial since its founding in 1979, Ifri is a non-governmental and a non-profit organization.
As an independent think tank, Ifri sets its own research agenda, publishing its findings regularly for a global audience. Using an interdisciplinary approach, Ifri brings together political and economic decision-makers, researchers and internationally renowned experts to animate its debate and research activities.
With offices in Paris and Brussels, Ifri stands out as one of the rare French think tanks to have positioned itself at the very heart of European debate.

OCP Policy Center is a Moroccan policy-oriented *think tank* whose mission is to contribute to knowledge sharing and to enrich reflection on key economic and international relations issues, considered as essential to the economic and social development of Morocco, and more broadly to the African continent. For this purpose, the think tank relies on independent research, a network of partners and leading research associates, in the spirit of an open exchange and debate platform.
By offering a "Southern perspective" from a middle-income African country, on major international debates and strategic challenges that the developing and emerging countries are facing, OCP Policy Center aims to make a meaningful contribution to four thematic areas: agriculture, environment and food security; economic and social development; commodity economics and finance; and “Global Morocco”, a program dedicated to understanding key strategic regional and global evolutions shaping the future of Morocco.

The opinions expressed in this article are the author’s alone and do not reflect the official views of their institutions.

ISBN: 978-2-36567-549-9

Ifri
27, rue de la Procession
75740 Paris Cedex 15 – FRANCE
Tél. : +33 (0)1 40 61 60 00
Fax : +33 (0)1 40 61 60 60
Email : accueil@ifri.org

Ifri-Bruxelles
Rue Marie-Thérèse, 21
1000 – Bruxelles – BELGIUM
Tél. : +32 (0)2 238 51 10
Fax : +32 (0)2 238 51 15
Email : info.bruxelles@ifri.org

Website : *Ifri.org*

Author

Mathieu Pellerin is a research associate at Subsaharan Africa programme of the French Institute of International Relations (Ifri), and runs the *Centre d'Intelligence Stratégique sur le Continent Africain* (CISCA).

His analytical studies on country risks and economic intelligence in Africa is destined to large French and international companies and institutions. He mainly focuses on the Sahel region (Mali, Niger, Libya and Mauritania) as well as Madagascar and Ghana, and he works on cross-cutting dynamics: counter-terrorism, the geopolitics of conflict, Sino-African synergies, corporate social responsibility, etc. He is also the deputy editor of the Security & Strategy review (Sécurité & Stratégie).

He holds a Masters degree in Economic Intelligence from the French Institute for International and Strategic Affairs (IRIS) and a Masters in African Studies from the Sorbonne University. He has worked with Risk & Co – an economic intelligence consultancy group – as well as within the Africa and Indian Ocean department of the French Ministry of Foreign Affairs. Additionnally, he worked for Total and he was part of the NGO Green in Madagascar.

Summary

Four years after the *Jubilee block* went into production, we can make an initial assessment of the governance of Ghana's oil resources. In terms of its institutional structure, Ghana is seen as a model for the entire continent. This structure is certainly not an empty shell and serves as an effective regulator for this strategic sector and, singularly, for the use of oil revenues. Although this framework clearly has its limitations, as highlighted in this paper, the balance sheet is a positive one and there have been notable improvements since 2011. The relative success of this governance is a direct consequence of Ghana's political maturity. This is evidenced by the preeminent role played by Parliament and civil society in formulating, implementing, monitoring and continuously improving this framework for governance. Conditions seem to be reunited for Ghana to transform its oil potential into opportunities for success. However, this is not the case, and this is due to economic obstacles as much as a Ghanaian sense of desilusion concerning oil exploitation and the benefits thereof.

Contents

Introduction

In an article published in 2011, we introduced Ghana as a country standing "at a historic crossroads, facing the twin challenges of democratic consolidation and responsible use of its oil revenues". We also stated that "the task would be all the harder in view of the fact that each of these challenges would influence the other one, since adhering to liberal democratic principles was a pledge of good governance of its oil revenues, and Ghana's admission to the club of oil-producing countries could weaken these democratic principles, thus consolidating the economic positions of predatory elites".[1]

Although this statement is still relevant today, Ghana's situation is no longer the same. The country overcame the death of President John Atta-Mills in July 2012. In compliance with the Ghanaian Constitution, John Dramani Mahama – the Vice-President at that time – replaced John Atta-Milss after being elected in December 2012 with 50.7% of the votes. Ghana's democracy was shaken when the results were disputed by Nana Akufo-Addo, his National Democratic Congress (NDC) rival, until the Supreme Court dismissed the allegations of electoral fraud in September 2013.

In this way Ghana has consolidated its status as a democratic model and retained the characteristics of a liberal democracy, [2] with a civil society composed of a strong Parliament and solid institutions acting as a safeguard, preserving the democratic steps achieved since the election of Jerry Rawlings in 1992. Yet, the fact that there is a permanent corruption, that some institutions lack independence, and that partisan interference is tangible within the institutional game (currently by the party in power, the NDC) means that the Ghanaian state is fragile, and its ability to ward off the *Resource Curse* (whereby countries which are rich in mineral resources become poorer) is questionable.[3] In a recent article, Dominik Kopinski was

1. M. Pellerin, "Ghanaian Democracy and the Oil Challenge" (« La démocratie ghanéenne face au défi pétrolier »), *Notes de l'Ifri*, September 2011.
2. Defined as a political system based on democratic norms and values. See L. Diamond, *The Spirit of Democracy. The Struggle to Build Free Societies throughout the World*, New York, Times Books, 2008.
3. This expression was first used by Richard Auty in 1990.
See R. Auty, *Resource-Based Industrialization: Sowing the Oil in Eight Developing Countries*, Oxford, Clarendon Press, 1990. This theory is based on the observation that there is a negative correlation between the proportion of raw material exports in a country's GDP and its growth rate. This correlation has in fact been verified

optimistic about Ghana's ability to overcome this scourge, basing his analysis on three premises that should allow oil production to be a growth accelerator for Ghana: the weight of civil society, the institutionalisation of a democratic process, and the predictability of Ghana's economic performances. In his view "the curse should be perceived more as a treatable disease".[4] Even more recently, in 2014, John. R. Heilbrunn considered that Ghana was one of the foremost African nations which were in a position to avoid the *Resource Curse*, arguing that democracy was unquestionably firmly rooted in the country and that Ghana had institutional assets.[5] Once again it is true that the indicators are promising for Ghana's future. All the rankings, such as the one issued by Freedom House in 2015,[6] illustrate Ghana's political maturity: Ghana is one of the six countries in sub-Saharan Africa described as "free",[7] both in terms of political rights and civil liberties, and one of the five African countries where media freedom is guaranteed. The Mo Ibrahim Index provides further data for variables affecting this study. Ranked fourth in terms of the rule of law (independent judicial system, separation of powers, compliance with sanctions) on the whole continent, Ghana has even progressed in this field since 2009 (from 7.5/10 to 8.5/10 in 2015). Regarding accountability, which includes both transparency and corruption, Ghana did however slightly regress over the same period (from 61.4 to 57.3 in 2015). But we should applaud the adoption of a National Anti-Corruption Action Plan by the Commission on Human Rights and Administrative Justice (CHRAJ) in 2013.

Besides, the inclination of public debate in Ghana in recent years demonstrates this maturity. Nowadays, no one questions what happens to the money generated by oil production; instead debates seem to focus on how the revenues can be managed so as to further productivity. Observers have lost count of the number of public debates and report back sessions of the Public Interest and Accountability Committee (PIAC) investigations, or advocacy NGOs working on how oil revenues should be managed and tracing back these revenues for each sector and project. Even if traceability is not perfect, the granularity of debates shows how effective the activism of civil society – truly playing its role of watchdog (or safeguard) – has been, as well as evidencing the degree of institutional maturity and thus of public debate concerning the management of oil revenues.

---

empirically by Sacks and Warner. See J. D. Sacks and A. M. Warner, "Natural Resource Abundance and Economic Growth", *NBER*, Cambridge, 1999.

4. D. Kopinski, A. Polus and W. Tycholiz, "Resource Curse or Resource Disease? Oil in Ghana", *African Affairs,* 2013, 112 (449), p. 583–601.

5. J J. R. Heilbrunn, *Oil, Democracy, and Development in Africa*, New York, Cambridge University Press, 2014.

6. Freedom in The World 2015, *Discarding Democracy: Return to The Iron Fist*, Freedom House. See more at: <www.freedomhouse.org>.

7. The ranking makes a distinction between States which are free, partially free, and not free, depending on their listing.

At the same time, the economic background has changed significantly, and Ghana is clearly beset by stagnation. In 2013, in the article referred to earlier, Dominik Kopinski formulated the hypothesis that the country's economic stability could overcome oil's negative impact on inflation and interest rates. However, in the current climate, the reverse may be true. After a phase of sustained growth which culminated at 14% in 2012, the Ghanaian economy has been growing more modestly: 7.3% in 2013, 4% in 2014, and an estimated 3.9% for 2015. The country has experienced a succession of domestic and external shocks (collapse of oil and gold prices) which threatened her economic foundations causing budget deficits (10.4% in 2014), a fall in the country's reserves (equivalent to 3.2 months imports at the end of 2014), depreciation of the Cedi[8] (which fell of 30% in 2014), and a higher national debt and interest rates. A major obstacle preventing Ghana's return to economic health is the increase in its national debt, which exceeded 65% at the end of 2014 (against 56% at the end of 2013). This macroeconomic fragility, identified in this study as early as 2011, did become a reality, and in 2014, Ghana was forced to accept a drastic 918 million USD reform plan from the the International Monetary Fund (IMF), after the financial institution ranked Ghana among countries with a high risk of debt distress. The IMF is hoping that indicators will improve in 2016 after the first quarterly review under this plan. In the meantime, caution is essential, especially as 2016 will be an election year in Ghana, and past election years are known for their indebtedness. Above all, these cash-flow problems affect Ghana's ability to overcome the acute energy crisis which is slowly paralysing the country in the absence of adequate investment in infrastructures, and because of considerable delay in obtaining gas from the Jubilee deposit.[9] Indeed, Ghana has been very slow to develop its oil production as planned, as the following table demonstrates:

Year	Budget		Actual		Variance of Total
	Bopd	Total	Bopd	Total	
2011	84,737	30,929,005	66,290	24,195,895	(6,733,110)
2012	90,000	32,850,000	71,997	26,351,278	(6,498,722)
2013	83,341	30,419,465	99,685	35,587,558	5,168,093
2014	93,029	33,955,644	101,976	37,201,691	3,246,047

Source: Ghana National Petroleum Corporation, 2015.

In 2011 and 2012, Ghana's total deficit was in excess of 13 million barrels when compared to budget forecasts, representing 25% of total production for both years. From 2013 onwards,

8. The Cédi has been Ghana's official currency since 1965.
9. The Jubilee deposit was discovered by *Tullow Oil* in 2007. The intention is that gas associated with the deposit, which is currently burnt off, will be extracted to supply Ghana's gas needs.

production increased and it seems that the British company Tullow Petroleum, which operates the Jubilee deposit, will finally reach the long-awaited threshold of 120,000 barrels per day (bpd) fixed by the GNPC in 2011. The fact remains that Ghana is now bearing the weight of the fall in the price of oil (the 2015 budget had been calculated on the basis of 99 USD per barrel) and that this fall could delay future projects which were intended to double Ghanaian production. 23 new fields have been discovered since the Jubilee field, and two of these projects (TEN[10] and Sankofa) should enable Ghana to inflate production to 200,000 bpd by 2020. Although the TEN project was based on a price of 80 USD per barrel, this project should not be delayed since the decision to invest has already been made.

Thus, although Ghana is facing numerous difficulties, these need not challenge the idea that what is now an "intermediate-income country" can aspire to the highly-prized status of "emerging country". An essential element of this status will be managing oil resources in such a way as to trigger a sustainable development process (for the benefit of future generations) and one which is fair (to benefit the whole population) and balanced (over the country as a whole). In order to attain this objective, Ghana can count on its highly influential civil society, which has been on the forefront of constructing the Ghanaian institutional framework, and which is analysed in detail in this study. It is followed by an explanation of how oil revenues are allocated and spent, and subsequently by considerations on how the environmental and societal impact of oil exploration and production is managed.

10. Tweneboa-Enyenra-Ntomme.

An expert and influential civil society

As far as oil governance is concerned, Ghana's solid institutions and underlying model architecture owe much to the country's civil society, which has taken full advantage of the opportunities offered by the 1992 Constitution. Article 37-2A of the Constitution sanctions legitimate activism based on defending rights and on freedom of association. The best illustration[11] of this is the Ghana Anti-Corruption Coalition (GACC), a network of private actors created in 2000 whose success was rewarded by the World Bank in 2009. The knowledge that Ghana would become one of the oil-producing countries provided considerable impetus to the creation of an unusually structured network of associations, ranging from local organisations to others located in Western capitals. A local presence is an irrefutable source of expertise, while international influence ensures that the network has resonance.

In the field of natural resource management, Ghana's civil society is structured around a few figures who are recognised by the country's media and government, and by the technical and financial partners, all three being indispensable to the emergence of a strong civil society which commands respect. They make daily appearances in the media and undoubtedly benefit from freedom of speech; they are consulted by the Ghanaian political parties, approached by the authorities and have the support of the international community. The leading figure is Amin Adam, founder of the Ghanaian think tank Africa Center for Energy Policy (ACEP), created in 2010 and specifically dedicated to the management of oil and mining resources. In August 2014 Amin Adam, who enjoys international recognition, was appointed to two International Advisory Boards: the *Open Contracting Partnership* (OCP), a public/private initiative based in Washington, and *Natural Resources and the Community Review*, specialising in community relations and social performance in the mining and renewable energy sectors. ACEP also works extensively with the Open Society Initiative for West Africa (OSIWA) and OXFAM.

Franklin Cudjoe, another influential personality, is the chairman and founder of IMANI. According to The Africa Report,[12] he

11. See M. Pellerin, *Op. cit*.
12. <www.theafricareport.com/franklin-cudjoe.html>.

is one of the 50 most influential Africans, while the University of Pennsylvania[13] ranks his think tank as the second most influential in sub-Saharan Africa. Although the think tank does not focus exclusively on energy problems, these do constitute a significant part of its work.

Doctor Steve Manteaw is an equally influential figure in Ghana in the field of resource governance (amongst others). As Campaign Coordinator for the NGO ISODEC, created in 1987, Steve Manteaw is probably the most well-connected figure on the international level. He is Ghana's *Publish What You Pay* (PWYP) representative and vice-chairman of *Ghana's Extractive Industries Transparency Initiative* (GHEITI), and also a member of *the World Bank Extractive Industries Advisory Group*. Within Ghana, he coordinates *the Civil Society Platform on Petroleum and Gas (CSPOG)*, a body created in 2009 with a membership of 120 (NGOs, journalists, scientists) in order to give civil society greater weight, at a time when it had very little experience of resource governance. CSPOG's priority is "monitoring oil production, government expenditure and the environmental impact on the population".[14] The Platform is a member of the *Tax Justice Network Coalition,* and has received support from the multi-donor STAR programme (financed by the European Union, British DFID, Denmark's DANIDA and America's USAID), intended to increase the influence of Ghanaian civil society and Parliament on governance, in order to strengthen accountability on authorities' side. This programme, launched in 2010, ran until spring 2015, spending 37 million USD for the benefit (notably) of 172 associations and 10 Parliamentary Committees. Coalition members divided up the fields of activity according to their particular expertise (budget matters, resource management, human rights, environment). The Coalition's work was recognised in 2011 with the publication of a report – namely the *Readiness Report Card* published by OXFAM America in which critical observations generated considerable arguments, which was the subject of a presentation at Chatham House, an extremely symbolic and strategic location, since the operator of the Jubilee field is none other then the British company Tullow Petroleum.

The Coalition also incorporates local associations, particularly those from the Western Region, where oil production is concentrated. Several of these have now international recognition and they have therefore been able to establish partnerships with renowned NGOs. This is true of the *Wassa Association of Communities Affected by Mining* (WACAM), created in 1995 by Hannah Owusu-Koranteng and based in Tarkwa (Western Region). The association, which campaigns for the protection of communities affected by mining and

---

13. <www.repository.upenn.edu/think_tanks/>.
14. E. Debrah and E. Graham, "Preventing the Oil Curse Situation in Ghana: The Role of Civil Society Organisations", *African Studies*, 2015, 7(1), p. 21-41.

oil resource exploration, has been supported by OXFAM since 2003, and in 2005 it received Oxfam America's "Right the Wrong" prize for promoting women within communities affected by mining exploration. Some other NGOs have a degree of local influence, starting with *Friends Of the Nation* (FON), based in Sekondi-Takoradi and which is also supported by OXFAM. The NGOs in the Western Region are also part of the coalition *Western Region Network Of NGOS* (WERENGO). These NGOs represent the most influential sample, but many other NGOs and think tanks have studied the impact of mining and petroleum in the Western Region, and frequently appear in the media. This is true of *the Network for Women's Rights in Ghana* (NETRIGHT), which has a representative in the Western Region and which, in 2008, published studies on the negative impact of exploration on women's rights. Others which are worthy of mention includiee the CEPIL, Petroleum Watch Ghana, the National Peace Council (NPC) and the Institute for Democratic Governance (IDEG).

The maturity of Ghana's civil society is best illustrated by the fact that instead of exerting pressure through mobilising people in the streets, it conducts extremely efficient lobbying within the Ghanaian institutional sphere. It is very active within the Public Interest and Accountability Committee (PIAC), which is responsible for monitoring and assessing how oil revenues are managed. It also took part in a large number of consultations with the Parliamentary Committee on Energy and is thought to have influenced the adoption of laws on renewable energy and the management of oil receipts (PRM Act 815) as well as their implementation. According to A. Adam, only one of the 15 proposals submitted to Parliament was rejected. Some of the most important clauses in the PRM Act 815 are the work of the Coalition, including clauses 51 and 52 creating the PIAC. [15] D. Kopinski considers that this influence was also tangible in the 2010-2011 debate on collateralisation[16] of oil revenues[17] opposed by NGOS. A compromise was reached whereby collateralisation could take place, but would be limited to the existing part of oil revenues in the general budget (ABFA) and not the share of these revenues in the *Stabilisation and Future Generations Funds*. The government agreed that all the loans pledged on oil revenues would be made public. Similarly, the Coalition expressed strong objections to the government's intention to arrange for a representative of the GNPC (Ghana National Petroleum Corporation) to be appointed to the National Petroleum Commission (NPC), which would have entailed an obvious conflict of interest, as the GNPC is the operator. As a result, it had to withdraw from any regulatory role. The coalition even succeeded in having a representative on the NPC, in the person of Bishop Akologo, ISODEC's executive director. Civil society managed

---

15. E. Debrah and E. Graham, "Preventing the Oil Curse Situation in Ghana: The Role of Civil Society Organisations", *African Studies*, 2015, 7(1), p. 21–41.
16. Guarantee in the context of a duly contracted loan.
17. See M. Pellerin, *Op. cit*., on this subject.

to resist the authorities' attempts to coopt other members. For example, D. Kopinski specifies that two of ISODEC's directors were offered positions within ministerial bodies. While it is true that the expertise and impartiality demonstrated by Ghana's civil society organisations are acknowledged, the leaders of a number of organisations are sometimes accused of defending hidden political interests, a broadly unfounded allegation. Thus the case of Mohamed Amin Adam has been mentioned on several occasions, because he was formerly active in the main opposition party, the NPP (The New Patriotic Party), as mayor of Tamale and Vice-Minister of the Northern Region. The fact remains that this political branding has not prevented him supporting the government's position in favour of privatising the Electricity Company of Ghana (ECG), or encouraging improvements in resource management, even though he has remained overall critical. The same accusations were directed at Peter Amewu, another ACEP leader who focuses mainly on radio appearances. Amewu has been the NPP's representative for the Volta Region since 2014.

Apart from institutional lobbying aimed at impacting the way legislation is drafted, civil society also plays an important advocacy role, monitoring both the implementation of laws and the management of oil revenues. Thus, since 2011, the Institute of Economic Affairs (IEA), has developed the Petroleum Transparency and Accountability Index (P-TRAC Index), based on four variables: revenue transparency, expenditure transparency, contractual transparency and the Ghanaian Petroleum Funds. This means that improvements (or the absence of improvements) in public management of resources can be constantly monitored via a system of indicators. Therefore in March 2015, the IEA published its third P-TRAC Index. Other NGOs are also taking steps to monitor the use of oil revenues. In 2014, ACEP, in partnership with OXFAM, published a report entitled *Tracking Budget Expenditure of Extractives Resource Revenues in the 2014 Budget*,[18] and in June 2015 it published a further report on the use of oil revenues in the fields of education, health and agriculture.[19]

From this perspective, the scientific debate is making a major contribution which appears set to become even more significant in the light of the scientific studies produced by Ghanaian research students, working in Ghana and abroad. Noteworthy contributors include Franklin Obeng-Odoom – who has published numerous articles and works on the subject since 2013 – Austin Dziwornu Ablo – currently writing a thesis on local content – Augustina Adusah-Karikari, with her work on the impact of oil on women in the Western Region, Jasper Ayelazuno and Ackah-Baidoo.[20] In terms of

18. <www.aceplive.com>.
19. "The Role of Extractive Resource Revenues in Bridging the Financing Gap in Pro-Poor Sectors in Ghana", *ACEP*, June 2015.
20. See for example: F. Obeng-Odoom, "The discovery of oil in Ghana: is

international exposure, the Ghanaian extractive sector has become an important field for scientific exploration, with at least six theses currently being undertaken on the subject in universities outside Ghana.[21] As well as activism on the part of the NGOs, the development of local scientific literature on the subject of resource governance encourages both public and private actors to appropriate this challenge, especially since it helps raising awareness among the public.

transparency sufficient?", *African Journal of International Affairs*, 2010.

- A. Dziwornu Ablo, "Local Content and Participation in Ghana's Oil and Gas Industry: Can Enterprise Development Make a Difference?", *The Extractive Industries and Society,* 2015 (2), p 320-327.
- A. Adusah-Karikari, *Black gold in Ghana: Changing livelihoods for Women in Communities Affected by Oil Production*, University of Birmingham, November 2014.
- J. Ayelazuno, "Oil Wealth and the Well-Being of the Subaltern Classes in Sub-Saharan Africa: A Critical Analysis of the Resource Curse in Ghana", *Resources Policy*, June 2014, p. 66–73.
- A. Ackah-Baidoo, "Fishing in Troubled Waters: Oil Production, Seaweed and Community-level Grievances in the Western Region of Ghana", *Community Development Journal*, 48 (3), 2013, p. 406-420.

21. F. Obeng-Odoom, "Global Political Economy and Frontier Economies in Africa: Implications from the Oil and Gas Industry in Ghana", *Energy Research & Social Sciences*, 10, 2015, p. 41-56.

Ghanaian institutional model

The institutional structure regulating the oil sector is the fruit of Ghana's mature democracy, in other words it is the result of a Parliament with real prerogatives and of a civil society which provides excellent safeguards. Naturally, this structure consists of providing a framework for the oil companies' activities, regulating the award of blocks and licences, maximising the positive impact of exploration and production on the population and ensuring that this becomes a sustainable process. This requires sensible resource management combined with a productive use of oil revenues. Ghana's ability to overcome the Resource Curse is at stake.

Regulation of Ghana's oil sector

One of the main problems with Ghana's oil legislation was that under the 1984 Petroleum Exploration And Production (PNDC) Act, the national oil company – the GNPC – was also the regulator for this sector. This was hardly unique to Ghana: in Angola, for example, SONANGOL was responsible for both aspects, which opened the door to obvious conflicts of interest. The same person cannot be responsible for distributing blocks and licences and also operate these. Under the pressure from the international backers (primarily the World Bank) and the SCOs (Civil Society Organisations), in 2010 John Atta-Mills' government had to concede after a vain attempt to bring in a model designed to make the GNPC into the equivalent of SONANGOL, arguing that the national company possessed the expertise and experience.[22]

With the adoption by Parliament of the *Petroleum Commission Act* in 2011 after a heated debate, the National Petroleum Commission (NPC) was created and was granted a management monopoly for the sector. Its chief task was to ensure that the oil companies and sub-contractors complied with Ghana's laws on oil exploration and operations, especially, as we shall see, in terms of local content, but also in the fields of health, safety and the environment, where specific legislation is still awaited. The NPC also has an advisory role in relation to the Minister for Petroleum, but in

22. E. M. Rafoss, "Regulatory Reform in Ghana: From a Policy Transfer Perspective", Thesis, University of Oslo, May 2014.

this respect, as Else Margrete Rafoss explains, the task is actually shared with the GNPC, which is mobilising the same arguments about experience and expertise in this context.[23] Even if this approach can be defended on the basis of the national company's know-how, it still contravenes the law.

From an operational point of view, two complicated years after it was founded, the NPC is now fully capable of carrying out its tasks. The operators submit their performance and local content plan to the NPC every quarter and the NPC can sanction any contraventions. As an example, when instances of non-compliance were recorded during an inspection in 2013, two companies had their operations temporarily suspended.[24]

Several matters remain unresolved in relation to governance of the NPC. The first one concerns the institution's independence. As we said in 2011, there is some doubt about its independence because its members are appointed and can be removed from office by the President of the Republic, at his sole discretion. Although article 70 of the 1992 Constitution allows the President to appoint members of public agencies, it cannot be denied that this is a link to a supervising authority which favours political patronage. For the moment nothing can indicate that the NPC is suffering from excessive dependence on the executive, although observers of Ghana's oil sector consider that the boss of the NPC is incapable of objecting to orders from the executive or even from the GNPC and its influential boss, Alex Mould.[25] Appointees have proven experience or are from civil society (like the executive director of ISODEC) or the opposition. Furthermore, the NPC is only partly dependent on budget subsidies from the executive, and although in early days the institution did have some difficulties on this score, it is entitled to create and levy taxes and contract loans. This means that, in due course, the NPC is likely to be fully autonomous. One of its revenue sources is the *Upstream Permit*, required for any operations throughout the country, and issued by the NPC at a price which has increased 100-fold since 2012 (currently 150,000 USD).[26] The only limitation on this autonomy could be circumvention by the Minister for Petroleum in the realm of local content, or in the context of the brand new Petroleum Revenue Management Bill which is still debated in Parliament but will be adopted very shortly, before the end of 2015.

At first glance, the adoption of this bill is a blessing. Expected since 2011, it has been persistently withdrawn from Parliament and re-worked by the executive, so its adoption is essential for governance of the oil sector, which is still regulated by the 1984

---

23. *Ibid*.
24. *Ibid*.
25. Interview, Paris, 27 August 2015.
26. "The Petroleum Commission uses blackmail" (« La Petroleum Commission fait du chantage »), *Africa Energy Intelligence*, n°733, 4 November 2014.

PNDC. This bill is the ultimate law required to complete governance in the sector. Its chief contribution lies in the reorganisation of the process for allocating oil permits. Even today, no call for tenders is required regarding the allocation of permits, and this has led to opaque negotiations outside Parliament, which is frequently circumvented or else involved artificially when an emergency procedure is invoked. The main beneficiaries have been Nigerian companies, often of dubious competence, and frequently assumed to be willing to speculate. Broadly speaking the Ghanaian CSOs echo these practices. Thus Mohamed Amin Adam maintains that: "Only small companies such as A-Z Petroleum, Sahara, among others, with little experience are coming in and not big ones. Most of them are Nigerian companies who have experience only in managing marginal fields and not in deepwater fields or upstream sector oil operation".[27] According to Franklin Cudjoe (IMANI), only seven of the 23 oil contracts signed by the Mahama government went through Parliament.[28] The new Petroleum Bill corrects this error by providing for an open tendering process, steered by the Petroleum Commission. However, many remain fearful and in July 2015 several CSOs voiced their viewpoint in order to correct a number of inaccuracies before the law was actually adopted by Parliament. In fact, in its current form the legislation still includes a number of ways for the Minister for Petroleum to circumvent the results of the tendering process. Although under certain circumstances there might be a legitimate explanation for this, the relevant circumstances are barely mentioned, and this gives the Minister considerable room for manœuvre. Clause 106 of the agreement even allows him to start direct negotiations if these offer the "most efficient" means of meeting Ghana's oil needs – without defining how efficiency should be assessed.

It is certainly true that the law fills a vacuum in a number of fields and provides "ammunition" for the National Petroleum Commission by legislating on the fiscal regime (providing in this case investor incentives) and stating the terms of the law on local content and environmental management. However, the law does not fully meet expectations of contractual transparency. True, Ghana has already published oil agreements, but unless this is imposed by law, publication depends on the authorities' goodwill. On the same subject, the Petroleum Bill provides for a mandatory public register of oil agreements, a step towards transparency; nonetheless this is tempered by the fact that the law does not require the content of agreements to be published.[29]

27. "Oil Curse Looms", *Daily Guide*, 25 February 2015.
28. "Why the President May Have Fired his Chief of Staff", *Myjoyonline.com*, 16 February 2015.
29. ACEP, "Public Advertisement on the E&P Bill 2014", 14 June 2015.

A monitoring role for the Public Interest and Accountability Committee (PIAC)

The creation of the PIAC can be credited to the NGOs, who remain closely associated with this institution. Incidentally, Amin Adam has disclosed that with funding from international donors,(Germany's GIZ) he acted as consultant for one of the PIAC reports. Its composition is a clear reflection of its origins, as members of civil society (journalists, members of associations, traditional authorities, etc.) are in the majority.

The PIAC was instituted by section 51 of the Petroleum Revenue Management Act (PRMA) 2011. Its chief task is to monitor and assess whether the government and other institutions pertained to the use of oil revenues are complying with the PRMA legislation, particularly insofar as the expenditure is consistent with development priorities nominally listed in the PRMA. They are obliged to publish a six-monthly report, as well as an annual report on how oil revenues have been used, and in addition, they must reconvene in public session in order to generate public debate. In the course of its work, the PIAC works in conjunction with community organisations, both nationally and internationally. In January 2015, for example, the NGO Friends of the Nation, supported by OXFAM, organised a Forum in Takoradi to discuss the PIAC's functions and reports, entitled Following the Petroleum Money: Informing Citizens for Better Petroleum Revenue Management.

The PIAC, which held its first session in December 2011, constitutes the main institution for monitoring and assessing oil revenues. It is considered a model for the whole continent, as Steve Manteaw, for example, has remarked; but today the PIAC is faced with a lack of resources, making its task very difficult. When it was created in 2011 by the PRMA, no decision was made on how it would be funded, resulting in having no budget of its own and being dependent on the goodwill of the Ministry of Finance. From the very beginning, it has been faced with an appalling lack of financial resources: salaries frequently went unpaid, the PIAC was evicted from its premises by the owners (its members were accommodated free of charge by the American NGO Natural Resource Governance Institute). In 2013, when the PIAC requested one million Cedis, the Committee only received half of that amount, which was not paid until December 2013, in other words after it had had no budget for over six months. This meant that during the whole of 2013 the PIAC could only arrange a single public information meeting in the Volta Region and none at all in the other nine regions, which breached the terms of its mandate. In August 2015 the PIAC published its first half-yearly report for 2014. This means that the Committee is a year behind with its work, which actually precludes timely regular monitoring of how oil revenues are used. In a more general sense, because the PIAC is unable to travel, and lacks any independent means for carrying out investigations, it is forced to rely on information published by the government.

It appears that the PIAC is not the only official body facing cash-flow problems, which is all too clearly the consequence of Ghana's financial crisis. In 2012, for example, the Petroleum Commission faced financial problems which prevented it from carrying out an audit of the oil operators that was part of its mission.[30] However, most Ghanaian players agree that depriving the PIAC of funds is tantamount to sanctioning the institution. Parliament's Public Accounts Committee (PAC) has openly accused the government of wanting to sabotage the PIAC by withholding resources. This accusation has been repeated more or less openly by most representatives of Ghanaian civil society and members of the PIAC. It is true that the PIAC's reports made no concessions to the government in terms of the nature of the expenditure.[31] In its 2014 report on the year 2013, the PIAC analysed the breakdown of oil revenues for each sector, illustrating the government's failures. It challenged in particular, the Ministry of Finance, which had bypassed Parliament in deciding to allocate 159 million USD of oil revenues for debt repayments.[32]

By 2016, these financial difficulties might be a thing of the past, with the adoption of the Petroleum Revenue Management Bill (PRMB) in July 2015. This is an amended version of the 2011 PRMA, since this time the law provides funding for the PIAC. However, doubts still exist, given that the PIAC does not have its own budget allocation but is dependent on the goodwill of the Ministry of Finance, so this could point the way to even more discretionary allocations.

The final point which deserves to be mentioned is the forthcoming adoption of the 2014 Ghana Extractive Industries Transparency Initiative (GHEITI) bill, called The Natural Resource Sector Transparency and Accountability Bill. By providing a formal legal framework for implementing the EITI standards, the bill aims to improve transparency and accountability in the governance of natural resources. Unlike the GHEITI, which was initiated a decade ago, the

---

30. E. M. Rafoss, "Regulatory Reform in Ghana: From a Policy Transfer Perspective", Thesis, University of Oslo, May 2014.
31. By way of illustration, in its 2013 report covering the year 2012, PIAC denounced the fact that in 2012 the government had not complied to the letter with the division of the funds between the *Heritage Fund* (18.3%) and the *Stabilization Fund* (81.7%) when the latter should have reached 82%; nor had the Ministry of Finance complied with the expenditure plan approved by Parliament in the 2012 budget vote. PIAC, *Report on Management of Petroleum Revenues for Year 2012*, Annual Report, January 2013.
32. The Ministry of Finance was accused of making a mistake in its interpretation of section XII of the *Petroleum Revenue Management Act,* which makes any transfer of this kind from the *Ghana Stabilization Fund* to the ABFA (general budget) conditional on a shortfall in oil revenues, which was not the case at the time the transfer was made. This dispute over interpretation was the subject of bitter public debate in Ghana.

Act extends the process to every sector including oil, mining and fisheries. Most importantly, it covers the whole of the value chain from the award of licences to the use of revenues. Indeed, the Act recommends publication of the contractual terms between the companies and the government, as well as maximum transparency regarding the distribution of payments to local authorities and traditional authorities.

Allocation and management of oil revenues

Is there a "Ghanaian model"?

In 2013, Revenue Watch Institute report puts Ghana ahead of all the other African countries and ranks it fifteenth in the world for governance of natural resources. Ghana stands out because of its very high score regarding the indicators relating to the legal and institutional framwework.[33] Although other African countries such as Sierre Leone, South Sudan and Sao Tome and Principe are not to be outdone, Ghana's management of her oil revenues means it is a model for others. This chapter will put this hypothesis to the test.

The adoption of the Petroleum Revenue Management Act in 2011 established an ambitious institutional framework. The Petroleum Holding Fund centralises oil receipts (Benchmark Revenue) in an account at the Bank of Ghana and distributes them in the following way:

- 70% to the Annual Budget Funding Amount (ABFA), which represents the share of oil revenues allocated to the general budget and earmarked for development expenditure;
- 21% to the Ghana Stabilization Fund (GSF);
- 9% to the Ghana Heritage Fund (GHF).

This does not take into account the GNPC's own expenditure, which has since 2011 been roughly equivalent to the ABFA. By centralising receipts in a single fund, the Petroleum Holding Fund, oil receipts can be properly accounted for. However, until very recently part of the oil revenues did elude the Petroleum Holding Fund perfectly legally, and were transferred directly to the GNPC for its holdings in the various blocks.

The purpose of the GSF is to counteract the consequences of the volatility of the price per barrel, with particular emphasis on guaranteeing budget stability. It resembles a sovereign fund which

33. <www.resourcegovernance.org/sites/default/files/rgi_2013_Eng.pdf>.

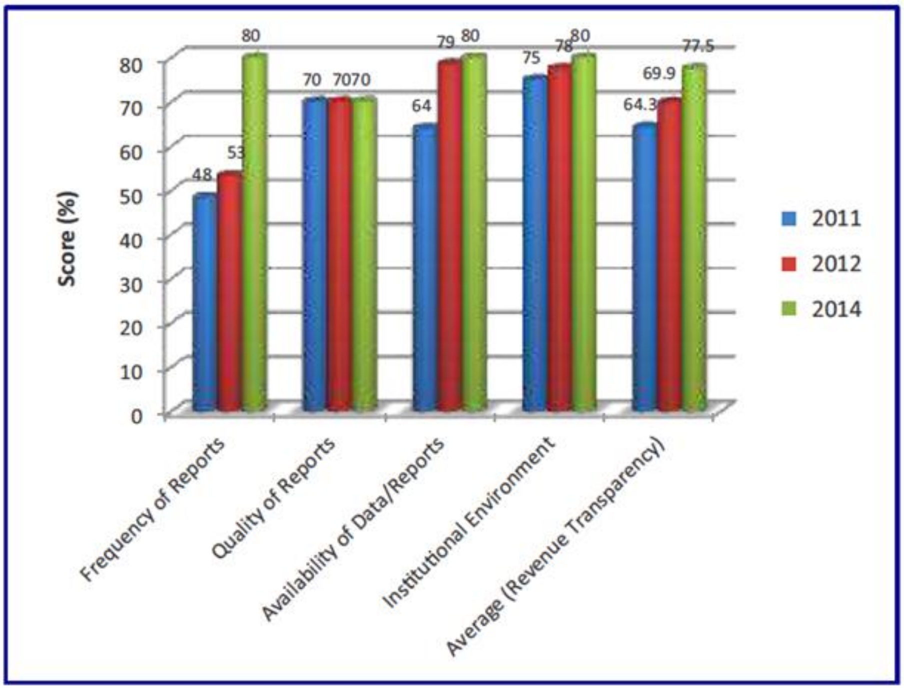
amasses money for Ghana's future economy, so as to anticipate and rectify the non-renewable nature of oil resources by investing the receipts in remunerative assets, just as Norway does with its sovereign fund. The flows generated by the financial assets must be sufficient to service the debt, thus safeguarding future generations.[34] They also allow the country to accumulate foreign currency reserves, which support the value of the Cedi while simultaneously strengthening Ghana's credibility on the financial markets. This last aspect is important for Ghana, which has issued Treasury bonds on three occasions since 2011. The success of these issues depends on the financial market's confidence in Ghana. Both Ghanaian funds have grown significantly since 2011 with increases of 35% in 2012 and 378% in 2013 due to a continuous increase in oil receipts and investment revenues.

By the September, 1st of each year, the Minister of Finance is required to report a Benchmark Revenue drawn from oil revenues. Although in 2011 the government was scrupulous in observing the way funds were allocated to the ABFA and the Ghana Petroleum Funds, it was a different picture in 2012 and 2013. As we have already mentioned, the Minister of Finance interpreted the 2011 PRMA to his advantage, allocating the ABFA more than the 70% required by law. In spite of this infringement, the general feeling is one of continuous improvement in the management of oil revenues, as an ACEP report on the last three years of management demonstrates: "the report found that Government has progressively improved on its management of oil revenues year after year; and has largely complied with provisions of the Act".[35] As far as transparency in the oil companies is concerned, Steve Manteaw, GHEITI's vice-representative, thinks along the same lines. Although he maintains that there is still room for improvement, Dr. Manteaw has acknowledged the progress evidenced in Tullow Petroleum's 2014 annual report.[36] For the third consecutive year, Tullow Petroleum disclosed its payments to the States in which it operates, and the company complied with the relevant European Union Directive for the second year running. Tullow Petroleum cooperated with GHEITI by providing all the information required for GHEITI's audit without delay.[37] The only notable failure relates to the price obtained by Tullow Petroleum to operate Jubilee, as well as its reluctance to reveal the price forecast used to determine the viability of its investments in Jubilee.

34. M. Pellerin, 2011, *Ibid*.
35. M. A. Adam, "Three Years of Petroleum Revenue Management in Ghana: Transparency without Accountability", *ACEP*, July 2014.
36. <www.tullowoil.com/investors/2014-annual-report>.
37. Thus we learn that Ghana had received 1.3 billion of the 1.96 billion USD of sales revenues made by Tullow. 10 million USD were spent on CSR. 225 million USD were paid to local suppliers, 459 million went on salaries and 518 million to the States.

This impression that improvements have been made is shared by the IEA, which uses its P-TRAC Index to determine changes in revenue transparency. Since 2011 there has been significant and continuous improvement.

P-TRAC Index Scores for Revenue Transparency



Source: IEA, Report 2014.

If the ACEP's calculations are to be believed, the amount of revenue collected lends credence to the IEA's impression (see graphic). Between 2011 and 2014 the revenues more than doubled (from 444 million USD in 2011 to 978 million USD in 2014), which was not indicative of an increase in production – this had remained relatively stable owing to technical delays – but instead meant that after two virgin years in 2011 and 2012 corporation tax was being collected and also that state holdings in operating projects had increased.

The role of extractive resource revenues in bridging the financing gap in pro-poor sectors in Ghana

Year Revenues (million €)	2011	2012	2013	2014
Royalties-Jubilee	26 948 000	33 021 000	38 361 000	42 231 000
Royalties - Saltpond	0	22 839	88 398	33 315
Dividends on investments	70 403 000	85 582 000	99 423 000	109 453 000
Dividends on holdings	0	0	47 563 000	62 373 000
Rents		98 250	175 000	198 825
Funds' interest	0	0	0	27 199
Total	97 351 000	118 724 089	185 610 398	214 316 339

Source: ACEP, June 2015.

The CSOs deplore the fact that revenues are lower than initial estimates, which, as the ACEP[38] demonstrates, is due to a lack of budget forecasting by the Ghanaian state. This lack of forecasting is chiefly due to a lack of understanding of how oil revenues are collected. Thus, in 2011 and 2012, the government encountered numerous problems when collecting corporation tax because it had planned to collect 642.2 million Cedis (132 million euros) over both years, whereas the companies were not legally bound to pay this amount. The loss of income and the consequent impact on the annual budget were therefore considerable. In 2013 the government decided to be cautious, with a minimalist estimation: 55 million Cedis (11 million euros) although ultimately 216 million (44 million euros) were collected. This same forecasting problem arose with gas revenues; these had been included in the general budget from 2012 onwards, whereas gas production has only just begun (in July 2015) because of delays in setting up the Atuabo plant. The same applies to capital gains tax, which was not paid by Tullow Petroleum in 2011 and 2012 although the company purchased EO Group, Sabre Petroleum and Gas Holdings Ltd during this period. This represents a loss of 70 million USD for the Ghanaian state.[39]

This loss of income shows that after acquiring her new status as a oil producer Ghana went through a learning phase, but succeeded in adapting and therefore improved the way it collected oil revenues. Moreover, there has been further encouraging progress.

38. M. A. Adam, "Three Years of Petroleum Management in Ghana: Transparency without Accountability", *ACEP*, July 2014.
39. This non-payment complies with the Petroleum Agreement between the company and the State and also with the *Petroleum Income Tax Law*, 1987 (PNDC Law 188), but contravenes the *Internal Revenue Act,* 2000 (Act 592) and most importantly the 2011 PRMA, section 1(2) of which stipulates that if there is any contradiction in law, the last-named Act will prevail. The fact remains that in the course of negotiations between the company and the State, both parties agreed that the Jubilee Accords had been dictated by the *Petroleum Income Tax Law* and that these Accords were protected by the "*stabilization clauses*"». Amin Adam considers that the CSOs were influential, as the government subsequently incorporated the tax on capital gains into the oil accords negotiated with AMNI and CAMAC, and decided to apply the *Internal Revenue Act* to the oil sector.

The adoption of the Petroleum Revenue Management Bill (PRMB) in July 2015 is designed to correct many of the errors made in the 2011 PRMA. Its content, which has long been awaited by civil society, shows that Ghana has great confidence in her model and its ability to attract investors. Mohamed Amin Adam has reiterated that the new oil-producing States are divided between optimitising receipts and preserving a sufficiently attractive environment.[40] In the version of the law dating from late 2014, Ghana increased local firms' share in exploration and production projects from 10% to 15%. The Act was also supposed to introduce bonus payments by the oil companies, as well as capital gains tax. This casts doubt on Ghana's ability to preserve an attractive business environment, especially with the barrel in freefall and 70% of Ghana's mining districts still without a licence. It remains to be seen whether the final version adopted in July 2015 will retain these reforms. It is already accepted that this final version strengthens accountability in respect of the Minister of Finance, who is henceforth required, under section 48, to present an annual report to Parliament setting out the extent to which programmes funded under the ABFA have been implemented. He is also required to show the percentage of the ABFA allocated to the new Ghana Infrastructure Investment Fund (GIIF) created in 2014, so that part of the oil revenues could be earmarked for the creation of structural infrastructure.

Moreover, the Act put an end to an accounting anomaly which caused much criticism within civil society and among the international backers, namely the fact that the GNPC collected its revenues directly, without these going through the Petroleum Holding Fund. Now, all the revenues are re-allocated to the fund, which gets three days to transfer them to the GNPC. Oil revenues will henceforth be centralised and this must be an indicator of better financial traceability. On the other hand, the Act authorises the GNPC to borrow money on its own without the necessity for sovereign guarantees. This contributes to the GNPC's aim to abandon regulation (a task attributed to the NPC) so as to become a sizeable national operator just like other large-scale national companies, such as Sonangol, Sonatrach, PDVSA, Petrobras et al.

40. M. A. Adam, "The Oil Price Crush and Oil Frontiers: the Stakes and the Escape Strategy for Ghana", *ACEP*, January 2015.

Allocation of expenditure: a lack of strategic planning

Ghana's legal framework

Not only does the 2011 PRMA establish how revenues are collected and divided between investments and savings, but it also specifies how the revenues intended for the ABFA are to be used, by fixing three expenditure objectives for these revenues: maximising the level of economic development; promoting equal economic opportunities to ensure citizens' welfare; and ensuring that development is balanced between the regions.

To ensure that the ABFA is invested in a productive way, the Act also requires money to be used in accordance with a medium-term expenditure framework, aligned with a long-term national development plan which will be adopted by Parliament. It so happens that Ghana does not have any plan of this kind, a limitation frequently underlined by the Ghanaian CSOs that regularly deplore the country's lack of strategic planning. To rectify the situation, President Mahama has instituted a National Development Planning Commission (NPDC) which will produce a National Development Plan for Ghana (NDPG) by 2018 covering a period of 40 years. However, since 2011 there has been no framework for fixing national development priorities, which is why the 2011 PRMA lists the 12 social sectors where intervention will take place (section 21-3). Nonetheless, section 21-5 limits the annual budget subsidies to four sectors in order to ensure tangible results, rather than spreading them over a multitude of sectors without any impact.

So the absence of a national framework is proving highly problematic. Apart from the fact that no strategic planning can take place and that it is impossible to monitor the consistency of the funded projects over the long term, there is no criterion or principle dictating how oil revenues are to be spent, such as the sustainability principle, for example, which is at the heart of the debate on the Resource Curse. At best, projects (and especially the local areas which will benefit from them) are selected in a discretionary fashion without any objective criterion, or at worst, as the Friedrich Ebert Foundation fears, on the basis of political allegiance or preferential personalties.[41] In 2011, for example, it was established that there was a close link between the fiscal revenues received by the District Assembly Commun Fund (DACF) and districts' political affiliation. In 2001 and 2005, under the presidency of John Kufuor, payments to districts which were politically affiliated to the regime were on average 16.8% lower than payments to districts which did not support it. This was a way for the regime to ensure that the second group would give

41. E. Plänitz and D. Kuzu, *Oil Production and the Transformation of Livelihoods of Communities in Ghana*, Friedrich Ebert Foundation, March 2015.

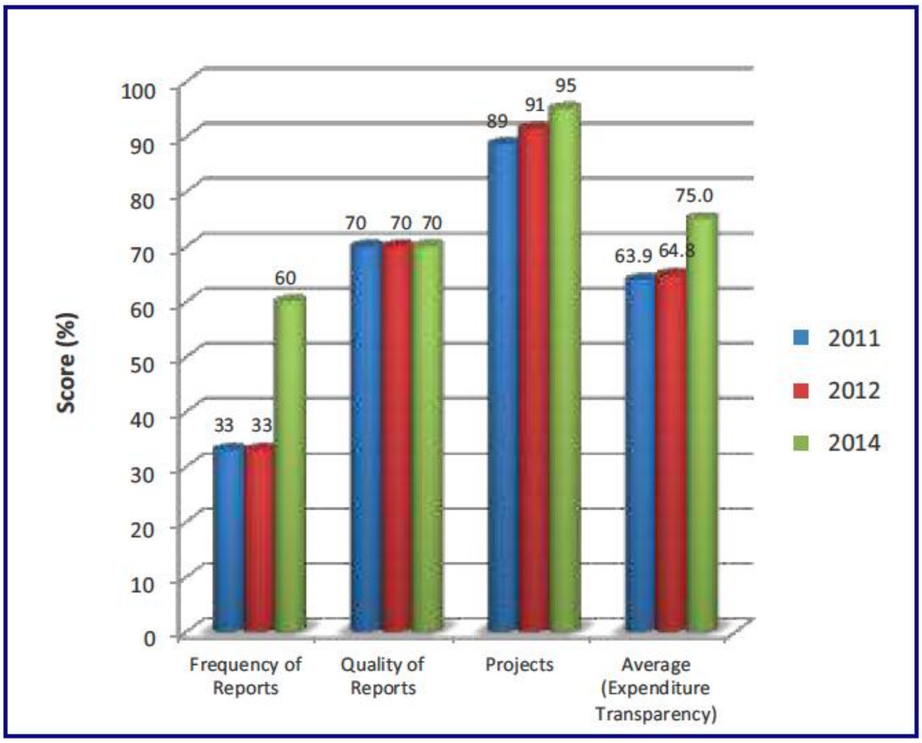
it political support. There is a widespread fear that this patrimonial management will recur in relation to projects funded by oil revenues, although at this stage nothing has been proved. The opaque manner in which projects are funded can certainly exacerbate such a fear. Thus in 2013 the PIAC was unable to carry out detailed analyses of the projects funded by the ABFA, because it could not access a list of these projects. The best the Committee could obtain was the list of programmes and projects funded in 2011.

The lack of access to information is probably the main black mark against Ghana's oil governance, even though the IEA assessment shows that since 2011 access to information in the oil field has made increasing progress. The difficulties encountered during adoption of the long-awaited Right To Information Bill (RTI Bill) seem to indicate that the regime is very reluctant to truly facilitate free access to information. The RTI Bill has been discussed in Parliament since 2002 but has never been adopted. Since 2014 it is discussed in Parliament again and in view of the pace of the discussions there is some hope that it will be adopted in 2016 in spite of the many amendments (too many, even) which have to be discussed. At present there is deadlock on article 53 and the Minister of Justice's role in enforcing the RTI Bill. Members of Parliament and the NGO Right To Information Coalition are rejecting this so that the Bill will not be submitted to the executive. They would prefer to create an independent Commissioner for Information who would be responsible for its implementation.

Oil versus infrastructure

Although expenses have been monitored relatively precisely by both the PIAC and by Ghana's CSOs, the CSOs' on expenditure traceability is significantly harsher than their view on revenue traceability. This can be seen in the ranking accorded by the IEA in its P-TRAC Index, even though there have been significant improvements in this area since 2011.

P-TRAC Index Scores for Expenditure Transparency



Source : IEA Report, 2014.

In the period between 2011 and 2014 the ABFA has been dedicated to four priority sectors, as required by the PRMA, which works on the basis of three-year programmes:

- Expenditure and staggered repayment of loans contracted for oil and gas infrastructure;
- Roads and infrastructure;
- Modernising agriculture;
- Strengthening capacity (which includes oil and gas).

In a study published in June 2015, ACEP lists ABFA's expenditure for each sector since 2011 (see table below). It demonstrates the priority accorded to expenses on infrastructure and loan repayment, but equally on agriculture. In terms of strengthening capacity, the ABFA's expenditure was channelled to the Kwame Nkrumah University of Science and Technology to construct an oil engineering laboratory.

Expenditure by sector pursuant to the ABFA

Année Sector of intervention	2011 (in €)	2012 (in €)	2013 (in €)	2014 (in €)
Amortisation of loans dedicated to petroleum and gas infrastructure	4 053 829	20 269 147	27 955 380	33 055 852
Roads and infrastructure	45 127 588	47 106 161	75 416 257	43 718 799
Modernising agriculture	2 664 917	14 689 420	2 757 481	34 584 066
Strengthening capacity	152 018	22 693 284	4 090 995	6 604 296
SUB-TOTAL	51 998 352	104 758 012	185 610 398	117 963 013
BALANCE AT THE END OF 2014	0	0	0	135 004 289
TOTAL	51 998 352	104 758 012	185 610 398	252 967 302

Source: "The role of extractive resource revenues in bridging the financing gap in pro-poor sectors in Ghana", ACEP, June 2015

In fact, between 2011 and 2014, no money derived from oil revenues were spent in the "pro-poor" sectors of education and health although they should be a priority for the Ghanaian authorities. The ACEP tracks budget changes in both areas and reiterates that Ghana's expenses on education have always been significant.[42] Since 2011, Ghana has even spent a higher percentage of her GDP than the threshold recommended by the United Nations, despite a significant drop between 2012 and 2013.[43]

The ABFA, on the other hand, has devoted a significant share of its budget to agriculture, more particularly in 2014 when the sector received almost one third of the budget derived from oil revenues. Significantly, this enabled the sector to reduce its dependence on international funding andto have a significantly positive impact on the lifestyle of a large number of Ghanaians, as 45% of the Ghanaian workforce is employed in agriculture. Funds were used to modernise agriculture, distributing fertiliser and building agricultural infrastructure, an undeniable contribution to a very strategic sector which is one of the most productive in Africa. Moreover, the support for agriculture is indispensable if the sector is to remain competitive

42. "The Role of Extractive Resource Revenues in Bridging the Financing Gap in Pro-Poor Sectors in Ghana", *ACEP*, June 2015.
43. In the last three years education has attracted between 22% and 25% of public expenditure, although it represents 40% of the public sector. Funding for the health sector, however, is chiefly dependent on the international backers (78% in 2014).

and it will provide partial protection for agricultural exports if the Cedi rises, this being a traditional effect of the Dutch Disease.[44]

In its 2015 report[45] the think tank IMANI Center for Policy and Education deplores the fact that since 2011 infrastructure has received 56% of the ABFA subsidies (including 41% for the roads sector alone) against 0.02% for health, 1.9% for education, and 14.4% for agriculture. This over-representation of infrastructure at the expense of the "pro-poor" sectors is also deprecated by the researcher Franklin Obeng-Odoom, who considers that although building roads does of course create short-term employment and aligns with the Poverty Reduction Strategy Papers (PSRP) supported by the IMF, it only has a limited impact on reducing poverty. This emphasis on developing infrastructure was actually accentuated in 2014, when ABFA's budget was 40 % higher than in 2013. This perspective demonstrates the priority given to infrastructure despite the risk that it will be pre-empted by the collapse in the price per barrel. In fact, half of the ABFA's 2014 budget was devoted to the energy sector, which illustrates the urgency for investing in this crisis-ridden sector which has already begun to paralyse the country's economy. In the absence of guidance for ABFA's choice of allocations in the form of a national plan, the infrastructure sector seems to be the government's priority.

This choice is supported by the international donors on the basis that the infrastructure deficit, which justifies annual funding requirements totalling 1.5 USD, could impose a burden of debt affecting the country's economic growth in the long term.[46] These colossal requirements mean that support from donors alone will not suffice to make up for the delay. This explains why the Infrastructure Development Fund was created to focus specifically on infrastructure through the use of PPPs (Public/ Private Partnerships). The Fund's chairman has already stated that the energy sector would be one of its priorities. The GIIF should be funded by an increase in VAT in addition to a portion of the ABFA dedicated to infrastructure, together with autonomous sources of funding (international funding, investment funds and borrowing).

Opaque and ineffective expenditure

Behind these sectoral expenditure allocations there is considerable opacity regarding the effectiveness of expenses, as shown in this harsh summary by Franklin Cudjoe, IMANI's chairman: "(the

---

44. *Dutch Disease* means that in countries exporting natural resources, a growth in export receipts causes the local currency to appreciate (in this case the Cedi), which then reduces the competitiveness of non-petroleum and particularly agricultural exports.
45. "Citizens Demand for Accountability in Ghana's Oil and Gas Sector", *IMANI,* June 2015.
46. M. Apenteng (Ministry of Finance – Ghana), "Ghana Steps up Infrastructure Investment", *World Finance*, 2nd July 2013.

petroleum money) is now being used to pay people at the sports Ministry, the Flagstaff house (the presidency of Ghana) people get some of the money and it is going into 13 other unrelated areas and that is where the problem comes in, so you cannot spent all your petroleum money on toffees and chocolate for kids".[47]

Mohamed Amin expressed serious concern about the huge variations between the allocated budgets and effective expenditure. If we examine ABFA's budget forecast for 2014, 135 million USD were never spent, yet no light was shed on how this amount was used. Similarly, according to Mr. Amin, a number of promised projects were never implemented, such as the Teshie Agriculture College or the 57 million USD allocated to the GNPC which the company says it has never received.[48] Lastly, some budget allocations have proved unfounded. The PIAC contends that expenditure on capacity-strengthening includes consumables and subsidies for creative industries. Allegedly only 6.7% of these expenses have really been allocated to developing capacity in the oil and gas sectors. To prevent the law from being circumvented in a similar manner,the Center for Social Impact Studies (CeSIS) judges that expenditure on capacity-strengthening should be confined to three areas, including support (training) and equipment subsidies for regulatory agencies like the Environment Protection Agency (EPA) and National Petroleum Commission (NPC).

In the absence of any information from the Ministry of Finance about actual expenses, suspicions are enhanced in regard of these grey areas. A number of civil society players have even made public appeals indicating that any announcements made by the President should not be believed. Steve Manteaw, for instance, has recommended the public to ignore the list of completed projects prepared by the President in his 2015 speech to the nation, given that there is no mechanism allowing this to be checked or for confirming the truth of what he said. He reiterated that in 2014, after a similar announcement, the President had issued a directive to Ministers ordering them to demonstrate progress in existing projects via quarterly reports. According to Steve Manteaw, some Ministers did not submit their work programmes and there was no quarterly follow-up. This opacity should now be rectified, as the 2015 PRMB introduced a requirement for the Minister of Finance to present Parliament with an annual statement on the level of progress for funded projects. Yet the previous version of this Act – in 2011 – had already imposed an obligation to publish an annual report on funded projects. To combat this opacity Mohamed Amin Adam has even created a new tool which has been available since June 2015: a

---

47. "Ghana's Petroleum Money Being Misused", 22nd January 2015, available at: <www.StarrFMonline.com>.
48. Ghana News Agency, "ACEP to Sue Government Over Failure to Publish Projects Funded with Petroleum Revenue", 21 February 2015, <www.ghananewsagency.org>.

website[49] aimed at strengthening traceability in relation to expenditure derived from oil revenues.

As well as breaking down ABFA's expenditure by sector, since 2011, there has been a view that this expenditure is scattered over too many projects, to the point where no real effect can be perceived, to say nothing of the extensive delays and overspending encountered, particularly in infrastructure projects. As Mohamed Amin Adam says, "the completion periods have been extended for most projects and these no doubt have financial cost complications derived from variation in the original project cost due to increasing inflation and interest rates, and the fast depreciating local currency against major currencies".[50] It follows that a share of the ABFA has been used to pay these extra costs. The ACEP interprets this as meaning that due to this costly and barely effective way of thinly spreading money the regime can widen its network of political patronage. It can also be assumed that problems in executing contracts arise from the fact that they are awarded without any tendering process, and are based more on political or personal allegiance than on technical criteria. If we consider road infrastructure funded by the ABFA, not only were all these projects begun before 2011, but fewer than one third had been completed by 2013. Like the findings on revenue collection, this is another area where Ghanaian authorities seem to be rectifying their mistakes after these were highlighted by reasoned, costed argument adduced by Ghanaian NGOs. Thus, unlike the 2012 and 2013 allocations, which were divided between 16 and 15 sectors respectively for relatively modest amounts, the 2014 ABFA only concentrated on six sectors: education, transport, roads, energy, agriculture, and trade and industry. The Center for Social Impact Studies (CeSIS) considers that resources should not be concentrated on more than three priority sectors.

Finally, a point remains concerning one of the expenditure objectives fixed by the 2011 PRMA, namely balanced regional development, and this has clashed with a pragmatic approach which seeks to give preferential treatment to the Western Region, which has felt the effects of oil exploration and production more than anywhere else. Thus, in its 2013 report, the PIAC noted that the regional division of expenditure gave rise to significant disparities between regions. Between 2011 and 2013 the Ashanti, Eastern and Western Regions received 18%, 17% and 12% respectively of the ABFA, yet the Northern, Upper East and Upper West Regions only received 5%, 5% and 1%.

In his Reconciliation Report in 2013, the Minister of Finance acknowledged that "a lot of lessons have been learnt, and we will continue to learn a lot more in petroleum revenue management and

49. <www.ourpetroleummoney.org>.
50. M. A. Adam, "Three Years of Petroleum Management in Ghana: Transparency without Accountability", *ACEP*, July 2014.

reporting as we mature in this field". These are certainly not empty words; in fact they reflect a real dynamic in Ghana, and one which is universally acknowledged: Ghana is learning about a new universe and, as a result, is continuously adapting and improving practice in this field.

Societal and environmental repercussions of oil production in Ghana

Managing the social and environmental impact is one of the constraints on Ghana's framework for governance of oil resources.

Managing the environmental impact

In institutional terms environmental protection is the primary responsibility of the EPA, which was created by the Environmental Protection Agency Act of 1994. There is no issue concerning its independence, but it can suffer from a lack of influence and its findings can concealed by the authorities. It is a legitimate authority with modest powers of enquiry into matters referred to it by organisations or communities which have been affected. The majority of its findings are, at the very least, reported in the press and so its presence strengthens transparency in the sector.The Act also gives the GNPC a role in matters of environmental compliance, as required under the PNDC Law 64 and the PNDLC Law 84, and this increases the likelihood of conflicts of interest, given that the GNPC is a oil operator. So the role of environmental regulator ought to be returned to the EPA. This will result in considerable problems in terms of budget allocations as the government had already announced publicly that it would be reducing the funds allocated to the EPA in 2015, which will give rise to restructuring and reorganisation of the management team.[51] As we saw with the PIAC, this reduction in the budget signifies that when there are tensions over cash-flow this agency is not a priority for the current regime.

Ghana's legal framework is still highly deficient as far as protection against environmental consequences of oil exploration and production are concerned. The Marine Pollution Bill, adopted in 2011, is not designed to deal with the sort of challenges caused by offshore operations. Kyei Kwadwo Yamoah, Friends Of Nation's natural resources programme manager, considers that the Act does not provide any standards or procedure for claiming financial

51. Business Day, 30 March 2015.

compensation when pollution occurs. In addition, there is a still a need to harmonise the various Acts which instituting different sanctions for the same offence.[52] Acting in conjunction with the CSOs which are active in this field, during 2015 the EPA proposed a regulatory framework for environmental challenges, aimed at offshore operating companies. This legal framework should establish rules against maritime waste and pollution as well as mechanisms for improving community relations and safety during the exploration phase. Consultation and negotiation on the wording should take until 2016 at the very least. At the same time, the prospect of the GHEITI Bill being adopted, as mentioned above, has incited civil society to militate for restoration of the post-extraction environment to be included in the Bill together with the establishment of an independent institution with responsibility for supervising mining activity. Logically both these legal processes should be cross-referenced in order to create a single regulatory framework.

So far Ghana has not experienced a real ecological scandal like its neighbours in Côte d'Ivoire (Probo Koala) and Nigeria. Environmental incidents have been managed peacefully, particularly in the gold-mining sector. After two rivers were polluted in October 2001 by Newmont Ghana Gold Limited (NGGL), the Wassa Association of Communities Affected by Mining (WACAM) put pressure on the Ministry of the Environment to carry out an enquiry. This was done by the EPA and by the Ghana Water Research Institute, and saw NGGL pay penalties amounting to 7 million Cedis (1.4 million euros). As far as oil is concerned, the main incident concerned Kosmos, which was accused of discharging Low Toxicity Petroleum Based Mud in Ghanaian waters between December 2009 and May 2010. A Committee established by the Ministry of the Environment found Kosmos guilty and sentenced it to a fine of 35 million USD, which Kosmos considered illegal and unconstitutional. When 14 environmental organisations and civil society rallied against it, including WACAM, and no doubt in an effort to improve its relations with the government – which had been tense since the EO Group[53] affair - Kosmos finally agreed to pay 23 million USD.

Leaving aside ecological scandals, local complaints about the environmental impact of oil operations are still relatively frequent. When it was noted that the number of whales found dead on coastal beaches had increased, a coalition of NGOs including Petroleum Watch Ghana and Friends Of Nation kept up pressure on the authorities, pushing the Environment Minister, in February 2014, to task the EPA with establishing an independent committee of enquiry. The enquiry did not, however, succeed in establishing who was

---

52. "EPA Reviews LI to Regulation Ghana's Environment", 6 August 2015, available at: <www.citifmonline.com>.
53. M. Pellerin, *Op. cit*.

responsible, but oil production was mentioned as one possible cause. This ambiguity did not win over the coalition of NGOs, which persists in the belief that there is a direct connection with oil operations simply because there are too many whale deaths in the Western Region. So now the problem is either the EPA's independence or its lack of resources. The EPA is not capable of supplying scientific proof as it lacks the resources required for laboratory tests and research. Nor does the EPA seem able to carry out its tasks in relation to cleaning and restoring the ecosystem, as it has, for example, left the burden of cleaning beaches after hydrocarbon spillages to the community.[54]

Managing the societal impact

Although in this chapter negative consequences will be emphasised, restraining the analysis ourselves to these would amount to concealing all the positive repercussions oil has had on economic activities. As an illustration, the existence of oil and gas infrastructure in Atuabo, with the free port and the gas purification plant, has given rise to a multitude of small businesses (restaurants, grocery shops, etc.). Notwithstanding, oil and mining projects are usually conspicuous for their negative impact. Most of them result in timescale clashes between the imperative to start operations in a highly capitalistic industry, and the lengthy period required to explain a project to the population and reduce its negative impact.[55]

Oil operations in Ghana are no exception to this rule, unfortunately, and cause a certain number of societal consequences usually called "negative externalities": internal migration to the pockets of oil prosperity, similar to a rush for black gold by "job hunters"; an increase in the number of expatriates, giving rise to generalised inflation (starting with the price of land); an increase in prostitution; development of unofficial trade which competes with official traders. The Ghanaian population has clearly experienced these effects, as demonstrated by a survey published by the Friedrich Ebert Foundation (FES) in 2015, based on interviews conducted in 2013. The study shows that 59% of respondents tried to migrate to the coast in search of economic opportunities, with the level reaching 70% in some regions (Ashanti, Volta, Upper East and Upper West).

However, the north-south economic divide which structures Ghanaian territory does not seem to have worsened as a result of this phenomenon. It is a divide which has caused disparities in living

54. E. Planitz, "Consequences of the Oil Production in Ghana on the Livelihood of the Urban Population in Sekondi-Takoradi", Master Thesis in Global Studies, University of Gothenburg, 2014.
55. M. Pellerin, *Op. cit*.

standards, urbanisation and literacy.[56] The FES survey makes much of the rise in the cost of living, which is confirmed by the Ghanaian Price Index and has clearly been felt by the population. 79.6% of people surveyed considered that the cost of living had risen in the previous three years and estimated that the price of basic necessities had doubled (this perception was even greater in the Western Region).

These negative externalities are overtaken by consequences which are more local in nature and which weigh more heavily on particular communities (in areas affected by oil operations) or specific socio-professionnal categories. The impact that the Jubilee field operations have had on fishing communities is the subject of local controversy. Since operations began at the field the Western Region fishermen have been complaining that fish resources are becoming increasingly scarce. Friends Of Nation, which has been passing these complaints on for years, holds oil companies responsible for this disappearance. Given the importance of fishing in the region, this scarcity has had a considerable impact. Official statistics show that the livelihood of 2.4 million people along the coast depends on fishing. The impact on fishing has affected the communities of Axim and Atuabo more than others. Although fishermen are generally men, King has explained the role played by women in enabling communities affected by oil operations to survive even though their husbands are economically active (often unofficially).[57] This is particularly true in the fishing sector, where women are responsible for selling the fish. Fish sellers, especially in the Axim community, are now obliged to migrate as far as Côte d’Ivoire (an hour’s journey from Axim) to buy fish, which is subsequently resold locally in the Western Region. With no gender promotion policy in place for recruitment to the oil industry, the position of these women is giving rise to increasing concern. Fishermen on the Ivorian coast in search of waters rich in fish are also affected by this migration of employment.[58] This is evidenced by a substantial drop in income but it could also cause an increase in HIV imported from Côte d’Ivoire.[59] The increasing scarcity of fish resources has led many to seek alternative work. A newspaper article from 2013 explained that fishmongers from the Enosie community in Half Asini – the capital of the Jomoro district – have developed small-scale businesses (sachets of iced water, ironmongery) and agriculture as alternatives to fishing resources, due

56. D. Tsikata and W. Seini, *Identities, Inequalities and Conflicts in Ghana*, CRISE, Oxford University, November 2004.
57. R. King, “An Institutional Analysis of the Resource Curse in Africa: Lessons for Ghana, Consilience”, *The Journal of Sustainable Development*, 2009.
58. A. Adusah-Karikari, “Black Gold in Ghana: Changing Livelihoods for Women in Communities Affected by Oil Production”, *The Extractive Industries and Society*, November 2014.
59. A. Adusah-Karikari, *Ibid*. Although this type of accusation is encouraged by the fact that the illness is less widespread in Ghana than in Côte d’Ivoire, it would be useful to verify the true situation regarding HIV being imported from Côte d’Ivoire.

to the fall in production.[60] The fact that the 2011 PRMA provides for royalties to be paid to communities which are affected by onshore projects and are obliged to move, yet makes no provision for those affected by offshore deposits, has accentuated the problem, since the effect on fishermen has been critical.

The concern is that, so far, no scientific study has been able to establish a link between oil production and the increasing scarcity of resources. The only impact of which oil companies are aware, and which they acknowledge, concerns the exclusion zone, a 500-metre band around the drilling platforms, of which there are 50 along the Takoradi coastline. This actually prevents the fishermen from accessing a large fishing zone. But the main bone of contention is the alleged negative effect of the FPSO,[61] whose powerful lighting is said to attract the fish. Friends of Nation, for their part, are in no doubt at all, since the dearth of fish exactly coincided with the beginning of the exploration phase. In the absence of scientific proof, however, the debate remains open. Research undertaken by ACORN International, a United States-based research group (accused of having links with the Democrats in the United States), in association with the Environmental Protection Agency (EPA) and Kosmos Energy showed that the oil and gas sector is not responsible for the drop in fish resources in the coastal zones where oil companies operate. Their view is that the fishermen's problems can be explained by the presence of sargassum in the Western Region as well as a seaweed known locally as "green green". Their explanation is that illegal unregulated fishing is a major cause of the dramatic fall in fish production[62] owing to the use of explosives. Awulai Annor Adjaye, the Joromo district *Paramount Chief*,[63] has expressed doubts about the research and considers that a sample consisting of 100 people is inadequate. According to him, myriad problems facing coastal fishermen have not been addressed. Even so, it seems that the local communities are themselves divided according to the study's findings, since Nana Kondua – the Abuesi fishermen's Chief and also their representative on the Western Regional Fishermen Council – acknowledged in the Daily Express that local fishermen were largely responsible for destroying fish stocks in the region. "*We can agree to the fact that the petroleum exploration at the Jubilee Field may be a factor, but that is not the main cause of our business collapsing. My people are destroying our business activities. They are not listening to*

60. J. Arku, "Oil Production Threatens Fish Catch", 14 May 2013, available at: <www.graphic.com.gh>.
61. A floating production, storage and offloading unit.
62. This position is supported by the figures recorded by the FAO, which show that fish production dropped from 399,388 t. in 2004 to 333,524 t. in 2011, that is before Jubilee went into production.
63. *Paramount Chief* is the supreme title in Ghana's traditional system of chiefdom and is recognized in the Ghanaian Constitution. There are several *Paramount Chiefs* in each region, as well as a customary assembly called the *House of Chiefs.* They play a significant role in relation to land matters.

the elders and this is having heavy effect on our community. For about 15 years now business is not the same".[64]

While offshore oil as such only has limited impact on soils, the same does not apply to the subsequent gas operations. Onshore gas operations, as with the mining sector, generate significant impact on soils. Indeed, the Atuabo gas purification plant (in Ellembelle district in the Western Region) and the thermal power stations in Aboadze are situated in agricultural areas which are vital to the neighbouring communities: the main crops are coconuts, rubber, palm oil, cocoa and coffee. In Atuabo, a significant portion of the land has been taken over to allow Sinopec to build factories on it. According to Augustina Adusah-Karikari, although the people affected were consulted, they were not informed of the project's starting date, and the land was destroyed one Sunday in July 2012 while the population were attending church.[65] She says that the population are still waiting for compensation for the considerable loss of income this had caused. The situation is equally worrying in Bonyere, ever since a construction project for a 5,000-hectare gas plant began in 2010, necessitating the destruction of coconut plantations. Nearly 200 farmers from 27 different clans were affected. In addition, this project put the region's traditional authorities at considerable odds with Jomoro.[66]

So far, the societal impact and subsequent claims made by communities have not given rise to any form of violence in the region, against either the company or the State. Although we should not forget that the development of armed groups in the Niger delta – of which the most important one is the Movement for Emancipation in the Niger Delta (MEND)[67] – has fed on the dissatisfaction of fishermen affected by oil operations; however at this stage, there is no reason to suspect that this phenomenon might occur in Ghana too.

Nonetheless, oil is new in Ghana and the exploration and production taking place in the Western Region are bound to magnify the impact on people's way of life. Foremost among these will be the fishermen. In November 2014 there were fresh protests by fishermen in the region arising from seismic campaigns undertaken by the oil companies, which had increased the area in which fishing was prohibited. In time, taking jobs away from thousands of people whose only technical capital is fishing, risks causing criminal behaviour, whether organised or not. Ghana can counter this by stepping up her efforts in terms of local content so that the benefits of oil are felt by as many Ghanaians as possible.

---

64. "Ghana's Coastal Communities Overburden with Illegal Fishing Activities", *The Daily Express*, 6 July 2015.
65. A. Adusah-Karikari, *Ibid*.
66. M. Pellerin, *Op. cit*.
67. Movement for the Emancipation of the Niger Delta. K. Nwajiaku-Dahou, "The Politics of Amnesty in the Niger Delta. Challenges Ahead", *Note de l'Ifri,* December 2010.

The relationship between those in power and the traditional regional authorities, for that matter, is extremely tense. Why? because of all the consequences referred to above, which have been roundly denounced by Bonyiere's Paramount Queenmother, Nana Ebellekyi; and because no royalties or percentage of revenues have been paid to the local communities. Indeed, in 2010 the Ghanaian government refused to accede to claims by fourteen Paramount Chiefs in the Western Region for retrocession of 10% of oil revenues. Five years later, this refusal is a source of frustration for the Paramount Chief of the Western Nzema Traditional Area, Awulae Annor Adjaye III who in March 2015, threatened to secede from Ghana and join Côte d'Ivoire, thus taking advantage of the territorial dispute between Côte d'Ivoire and Ghana (cf. insert below). No-one believes for a moment that these threats are anything else than a way of pressuring on the government or that they will be acted upon, but these threats do nevertheless demonstrate that the Paramount Chief is inclined to lead a revolt against the government. As far as this aspect is concerned, he did support the several hundred young people who took part in demonstrations in Takoradi last May (organised by the group Occupy Ghana) to protest against the energy crisis and the way in which resources were being jettisoned. In a public statement the Paramount Chief encouraged the young people to lead a "revolution".

Hopes and limitations of "local content"

Oil and mining states now develop a local content policy as a matter of course, and the same is true of the foreign companies operating within their borders, pursuant to their Corporate Social Responsibility policy (CSE). This is the principal method they can use to maximise the positive repercussions of the economic enclave created by oil operations. The IPIECA defines and summarises local content in the following way: "*the added value brought to a host nation (and regional and local areas in that country) through the activities of the petroleum and gas industry. This may be measured (by project, affiliate, and/or country aggregate) and undertaken through workforce development (employment and training of local workforce), investments in supplier development (developing supplies and services locally, procuring supplies and services locally)*".[68] The minimalist version of local content, which has become widespread in Africa since it was conceived, consists of maximising the local recruitment rate. The local aspect could mean either nationality (recruiting a Ghanaian), or membership of the affected community (a Ghanaian from Axim). In any event, the repercussions on jobs in the oil and parapetroleum services are minimal and wholly inadequate to positively impact the

68 Local Content Strategy, *IPIECA*, 2011.

local economy. This led on to a more ambitious version of local content consisting of enabling local (and national) entrepreneurs to become players in oil operations by obtaining contracts for supplying parapetroleum services. This implies extensive support in the form of training, even more so than for recruitment. The ever-present difficulty with local content, in all cases, is finding a subtle balance between promoting the labour force or local companies, and ensuring that oil operations remain competitive and safe. When someone lacking the necessary minimum qualifications is promoted, this generates greater risk for the project and its profitability. In Ghana, this can be illustrated by Tullow Petroleum terminating its collaboration with the Ghanaian airline Citylink, for air safety reasons. The other challenge, which was referred to earlier, is the difference is timescales: the workforce required by the oil industry must already be trained and available, yet it takes several years to train an engineer. It follows that few Ghanaians were in a position to meet the recruitment needs of the oil operators post-2010. Since the Jubilee field requires under 1,000 employees, most Ghanaians are still outside the oil universe.

The Act governing local content, adopted in February 2014 after a three-year wait, can be filed next to other ambitious policies on the same subject. It was directly influenced by the local content model promoted by Trinidad and Tobago.[69] The Act provides a complete list of its missions, namely:

- Promoting the maximisation of value-addition and job creation through the use of local expertise, goods and services, business and financing in the oil industry value chain.

- Developing local capacities in the oil industry value chain through education, skills transfer and expertise development, and transfer of technology.

- Achieving the minimum local employment level and in-country spend for the provision of the goods and services in the oil industry value chain.

- Increasing the capability and international competitiveness of domestic businesses

- Growing local companies' capacity and competitiveness.

69. For further information about local content in Trinidad and Tobago, see Local Content – Trinidad & Tobago, Columbia Center on Sustainable Investment, June 2014, available at: <www.ccsi.columbia.edu>. For a study comparing the Ghanaian experience with the situation in Trinidad, see Natural Resource Governance Institute, Governance of natural resource funds: essential points, August 2014. To see more : <www.ccsi.columbia.edu>.

- Creating industries associated with oil which will support economic development.

- Supporting a degree of control for Ghanaians over development initiatives run by local actors.

- Providing a solid, transparent monitoring and reporting system to ensure that local content objectives are fulfilled.

The local content Act intends oil to become a force for development, by linking the oil sector to the rest of the economy rather than remaining an economic enclave. This is nothing short of ambitious, just like the Act's objective of achieving a local content rate of 90% within 10 years. Some observers, like the Ghanaian economist Theo Acheampong, consider that the Act is unrealistic, particularly given that the structures required to attain these objectives do not exist.[70] The Act introduces a number of facilities for Ghanaian companies. It gives Ghanaian goods and services priority, as well as Ghanaian companies. In particular it prohibits the exclusion of Ghanaian companies from tenders on the unique lowest price criteria. On the contrary, it allows a better bid of up to 10%. This national preference clause is used by many States which want to industrialise their economy without contravening WTO texts.

The national preference approach can, however, have pernicious effects connected with the selection of inadequately qualified partners. As an illustration, we learn from Africa Intelligence that the oil company ENI awarded a FPSO operating and maintenance contract to the Ghanaian company OMA for developing Ghana's Sankofa gas and oil deposit.[71] Since OMA did not have the requisite skills, it subcontracted the work to the Malaysian company Yinson. This example suggests that the local content law contravenes an approach based on efficiency, since but for this legal obligation, ENI would never have entrusted the contract to OMA. On the contrary, it would seem more appropriate for the company to undertake learning and training in conjunction with Yinson. This corresponds to one of the objectives of the local content Act: skills and technology transfers. Similarly, again according to Africa Intelligence, some Ghanaian businessmen falsify their assets so as to persuade foreign companies to go into partnership with them. The same publication gives the example of Ghana Energy Resources

70. "IMANI Cries Foul over Petroleum Revenue", 9 May 2015, available at: <www.graphic.com.gh>.
71. "OMA Ghana, an Outsider Allied with Yinson for the Sankofa FPSO", *Africa Energy Intelligence*, no. 739, 3 February 2015.

Development, which awarded itself fictitious holdings in blocks in Nigeria.[72]

Ghana's local content Act even goes beyond the IPIECA framework and introduces an obligation requiring the oil companies to operate in conjunction with a local partner, which must own a 10% share. This led the company Erin to partner with the Ghanaian company Base Energy in order to obtain its exploration permit. Since the Act does not have a retrospective force, it does not apply to companies which obtained their approvals before it was adopted, like Medea Development, Tullow Petroleum and Anadarko. Even so, Africa Intelligence discloses that the Petroleum Commission might threaten not to issue the Upstream Permit, in an attempt to force the companies to apply the law.[73]

The oil companies' contribution under their RSE policy

Local content is not the prerogative of the Ghanaian State but is in fact the companies' chief contribution under their CSR (Corporate Social Responsibility), for a reason which is as simple as it is obvious: it is more profitable for a oil operator to train an individual locally and then recruit him, than to take on an expatriate. Thus the oil companies based their commitments on a rational desire to reduce costs, even though this approach still seems to escape a few companies. There are two relevant initiatives which are particularly deserving of mention. Tullow Oil provided 6 million USD to fund Takoradi Polytechnic, and Technip has supported Kumasi University. As yet, levels of recruitment remain modest, but it is highly likely that in the future many Ghanaians will be recruited thanks to these initiatives, particularly by the new companies which are currently in the exploration phase, as they will benefit from a local pool of qualified staff.

The second project is the Ghanaian government's flagship project in Takoradi, the town which has been most affected by oil operations. An Entreprise Development Center (EDC) has been created to improve local operators' capability (through training and incubators) to enable them to meet the oil sector's extremely demanding standards, thus becoming competitive. This is a public/ private partnership, funded by the Jubilee oil partners (Tullow Petroleum, Anadarko, Kosmos, Petro SA and GNPC) to the tune of 55 million USD over 5 years. Austin Dziwornu Ablo undertook

---

72. "Ghana Energy Resources, l'inconnu qui rêvait d'être Oando", *Africa Energy Intelligence*, n°747, 2 June 2015.
73. "The Petroleum Commission Uses Blackmail", (« La Petroleum Commission fait du chantage »), *Africa Energy Intelligence*, n 733, 4 November 2014.

research on site[74] providing us with some initial lessons about this ambitious, innovative tool. His findings inspired the following remarks. After public sessions in Tamale, Kumasi and Takoradi for the purposes of recording information, a total of 419 companies were listed, while a preliminary assessment of their problems highlighted the lack of financial capital, technical expertise and competitiveness. The EDC ranked the companies according to different performance and certification criteria: whether they were registered with the Registrar Generals Department (RGD), the National Petroleum Commission (NPC), whether their employees were covered by social security (SSNIT), whether they had a business plan, a VAT certificate with Ghana Revenue Authority (GRA), and whether they had undergone training. These companies will attend training or incubators in accordance with their ranking, in order to attain the requisite level. The EDC also established partnerships with the SSNIT, GRA (Ghana Revenue Authority), RGD and NPC to facilitate company registration. After training, 25 companies were certified and their dossiers were submitted to the petroleum and para-petroleum companies by the EDC.

In July 2014, six companies which had benefited from the EDC had won contracts. The site study revealed that these companies recognise that without their EDC training they would not have succedeed. However, they believe the standards applied by oil companies are discriminatory, particularly regarding ISO. One operator complained that although he thought he was appropriately qualified, he had not won the contract because he only had ISO 14 001 certification. Some criteria, like price or experience, are not really negotiable and it remains difficult for young companies to penetrate the petrolleum and gas universe. Austin Dziwornu Ablo acknowledges that the EDC has introduced local entrepreneurs to the oil companies and brought them closer together, with some success. Similarly, through the EDC local companies have become aware of the oil companies' expectations and the standards required, and have improved their technical standards to meet the pre-qualification criteria. Even so, the author concludes that there is still a long way to go before local companies constitute an integral part of the oil and gas sectors. Although the EDC has had a significant impact on the local economy, it is important to note that its impact on the national economy has been derisory. Nevertheless, the great merit of the EDC lies in its contribution to the quest for the subtle balance between promoting local companies and preserving competitiveness.

Few studies have looked at the CSR of oil companies in Ghana, apart from a few reports, including one which looks explicitly

74. A. Dziwornu Ablo, "Local Content and Participation in Ghana's Oil and Gas Industry: Can Enterprise Development Make a Difference?", *The Extractive Industries and Society,* 2015 (2), p. 320-327.

at Tullow Petroleum.[75] In 2011 the Civil Society Platform on Petroleum and Gas was strongly critical of the pre-2010 public consultation phases. Their position was summarised by Steve Manteaw in a 2011 publication.[76] The EPA, for its part, denounced the environmental and social impact studies (ESIS) conducted by Tullow Petroleum and Kosmos on the basis that they had concealed some of the consequences of oil activity on the environment and communities. This highlighted the inadequacy of the oil companies' CSR policies, which could be considered a natural consequence of the conflicting timeframes mentioned earlier. Bringing production on stream took precedence over anticipating and mitigating the negative externalities of oil exploration and production.

All in all, when these externalities appeared in 2009-2010, the company was incapable of responding, because no CSR programme had been implemented. Unfortunately, this stemmed yet again from its focus on profitability: until the oil field enters the production phase it does not bring in any revenue, and the company is not interested in supporting a CSR policy which would incur additional costs.

This is bound to lead to disappointment and frustration among the population, as substantiated by the opinion surveys undertaken by Evangelia Fragouli and Aiden Yengbalang Danyi:[77] 82% of those surveyed were dissatisfied with the actions implemented by Tullow Petroleum pursuant to its CSR, while 62% were unhappy with the company's Ghana operations. Although Tullow Petroleum seems to have developed activities in the affected zones and communities, it does appear that these projects are still suffering from serious problems.

A case in point is a water supply project for communities in Jomoro. This project, which resulted in the communities being deprived of a similar project carried out by the World Bank, was manifestly a failure: either the wells produced water which was not drinkable, or they produced no water at all.[78] To make up for this, Tullow Petroleum provided water supplies to cover the short term, but this was a temporary solution. CSR policies are intended to reinforce local acceptance of the company and should never be viewed by the company as a waste of money. These funds are the fruit of risk analyses and assessments of the costs and benefits of a CSR project. This is a significant reason why oil companies invest so much

75. E. Fragouli and A. Yengbalang Danyi, "Promoting Local Acceptability of International Oil Companies (IOCS) Through Corporate Social Responsibility (CSR): The Case of *Tullow Oil* in Ghana", *Financial Risk and Management Reviews*, 2015.
76. Steve Manteaw, "Making Oil and Gas Governance Work for Democratic Development – A Civil Society Perspective from Ghana", in *Fueling the World: Failing the Region? Oil Governance and Development in Africa's Gulf of Guinea*, *FES*, Autumn 2011.
77. *Op. cit*.
78. "Tullow's transparency record impressive, but…", *Business News of Sunday*, 26 April 2015, available at: <www.ghanaweb.com>.

in local content, as the prospect of recruiting staff locally is a way of saving on costs. Making a profit is every company's raison d'être and this is how we should interpret the shedding of 70 employees by Tullow Petroleum in May 2015, in the wake of a fall in the price per barrel. Tullow Petroleum was heavily criticised in Ghana and reproached by the Minister for Petroleum, Emmanuel Koffi Buah, who asked the company to limit the number of posts shed and to redeploy the staff who had been dismissed. However, while the NPC's resources remain limited, no regulatory mechanism can compel the company to do this.

Ghana has embarked on a promising initiative designed to ensure that the companies' CSR actions are as effective as possible. In July 2015, the Vice-President announced the creation of a Western Region Coastal Foundation dedicated to facilitating a transparent dialogue between gas, oil and energy partners. This project, substantially funded by the British DFID, will promote efficient use of the CSR funds from the various companies, which is consistent for all the sectors and needs involved. This collaborative approach is designed to maximise growth in the six districts which make up Jomoro, namely Ellembelle, Nzema East, Ahanta West, Sekondi – Takoradi and Shama. The Minister for the Western Region, Paul Evans Aide, has indicated that the motivation for this new structure came from the failure of mining and cocoa contributions to encourage regional development.

Conclusion

Since 1992 Ghana's democratic consolidation has been crowned with success.The country must now adapt its political system to the existence of oil revenues. Five years later, we can say that the balance sheet is an encouraging one, less in terms of the effects of oil on the country's economy than in terms of governance of oil revenues. In fact, the country's economy is in turmoil, linked in part to oil, for both domestic and external reasons.

The main conclusion of this study is that Ghana has to come to terms with its deafening entry into the closed circle of oil-producing countries: considered by every observer as West Africa's "good student" (or even for Africa as a whole), Ghana has generated a lot of hope and may have been intoxicated by the promise of an oil miracle. From this viewpoint, the result may look brutal today: a somewhat disillusioned population; a sector which has been badly hit by the fall in the price per barrel; domestic production which seems unable to take off; an economic crisis connected to a rate of indebtedness which betrays the authorities' excitement, who borrowed money without considering the real consequences. And yet, each of these points is a reason for optimism. The population is not expecting any miracles from the manna of oil and has a rational attitude towards it; the external shock produced by the fall in price has forced the authorities to see how vulnerable the oil sector is, in the light of price volatility, which means it will plan for the future and be better prepared; the debt crisis has forced the authorities, albeit under pressure from the IMF, to act more wisely both in budgetary and fiscal terms.

Ghana seems to be reassessing itself and progressing steadily towards a sustainable era of oil production, which could well become a blessing for the country's economy. Unquestionably, its strength lies in a strong parliament in which the opposition is not just a foil, and in its civil society which, far from being a mere observer of events on the oil stage, is a main player in the energy sector. It has kept, and continues to keep, a permanent watch on both the legal and institutional architecture of the oil sector (and in a broader sense the mineral resources) as well as on other sectors of the country's economy, while respecting this architecture. The expertise, advocacy, lobbying and consultancy roles played by NGOs like the ACEP, ISODEC and IEA in the sector have probably made a significant contribution to the authorities' steady improvement in this sector.

For the government, the main challenge is to ensure that from now on Ghanaians benefit from the effects of oil exploration and production. This is certainly not the case at the moment, as demonstrated by the findings of the FES survey referred to above, which makes much of the general disenchantment felt by the population about oil operations. A mere 18% of the people who took part in the survey thought that oil revenues were being used in a sensible manner, as against 50% who disagreed. Even worse, only 10% of the population considered that oil revenues were fairly distributed among Ghanaians, with 70% disagreeing to a greater or lesser extent. Finally, 38% of Ghanaians consider that Ghana will have to face the same economic and security problems as Nigeria in the next 10 to 15 years. Of course, this disillusionment is relative and should be considered in the light of the hopes invested in oil production. And this is the second mistake which the authorities must address. Although since the mid-2000s the media have been relaying warning coming from the civil society, with the aim of questioning the bright picture painted by the authorities, oil production has served the political interests of each successive regime, all dangling the virtual prospect of automatic prosperity. This is all too evident from a statement made by former President John Kufuor in an interview with the BCC in 2007: "with oil as a shot in the arm, we're going to fly". Recently, the Executive Director of the National Petroleum Authority (NPA),[79] Moses Asaga, acknowledged publicly that the government had failed to meet the hopes of the Ghanaian people. It should not be forgotten that the Ghanaian oil sector is only starting to grow, so the relatively poor oil revenues cannot boost the country’s economic growth. The authorities must refrain from exaggeration and stop promising that oil production will automatically bring prosperity. We know that Ghana is not one of the ten main oil producers in Africa. Not at the moment, anyway.

79. The NPA is the agency which regulates the downstream part of the oil sector. When the former Minister for Employment, Moses Asaga, was a Member of Parliament, he was considered to be extremely well-informed on this subject.