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Confronting the 'Oil Curse': State–Civil Society Roles in Managing Ghana's Oil Find

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ABSTRACT

Ghana discovered large oil deposits at Cape Three Points, on its western coast, in 2007. With the discovery of additional oil it is anticipated that the oil sector will significantly boost the economy, which in turn will have a positive developmental impact. However, questions have been raised about the capacity of the state to properly manage and account for revenue receipts from the oil sector in the absence of civil society oversight. This paper argues that civil society has a critical role to play in partnering with the Ghanaian state in managing Ghana's oil resources if the country is to avoid the negative experiences of other oil-rich African countries.

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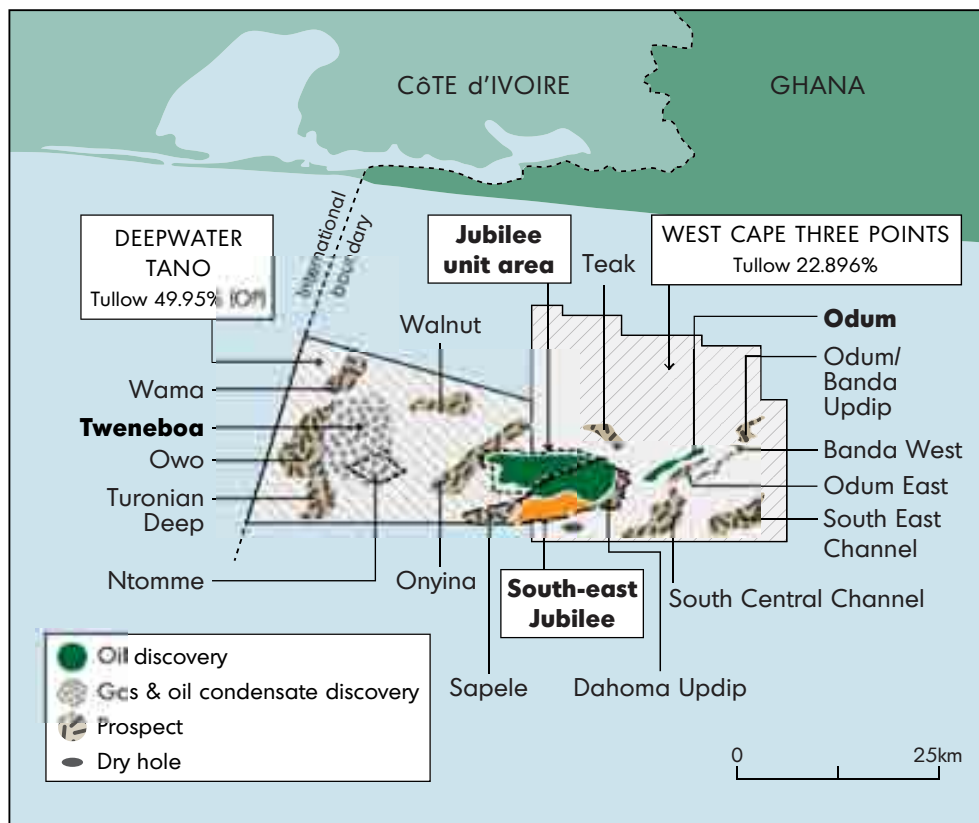
ABBREVIATIONS AND ACRONYMS

bpd	barrels per day
CSO	civil society organisation
EPA	Environmental Protection Agency
GDP	gross domestic product
GHF	Ghana Heritage Fund
GNPC	Ghana National Petroleum Corporation
GSF	Ghana Stabilization Fund
IEA	Institute of Economic Affairs
mmbo	million barrels of oil
NDC	National Democratic Congress
NPP	New Patriotic Party
PIAC	Public Interest and Accountability Committee
PNDC	Provisional National Defense Council

INTRODUCTION

Following independence in 1957, successive Ghanaian governments explored the country's hydrocarbon deposits with a view to diversifying the resources that the country can exploit to support its economy and enhance development. High operating costs and an unfriendly business environment due to unconstitutional changes of government in the past meant that many petroleum companies considered Ghana a high-risk option for oil and gas exploration. However, following the country's return to constitutional rule in 1992 there have been considerable changes in the manner in which oil exploration is pursued. The discovery of large oil and gas deposits in 2007 in the Jubilee field rekindled the expectations of Ghanaians that the country was on the path to becoming an oil-producing country. The Jubilee field is located about 60km off the coast of Cape Three Points in Ghana's Western Region (See Figure 1). The Jubilee field is owned by a group of companies operating as Jubilee Joint Venture and managed by Tullow Ghana Limited. It is estimated that the Jubilee unit area has a gross resource base of 500 million barrels of oil (mmbo) (P90) through 700 mmbo (P50) to an upside of 1 000 mmbo (P10).¹ The oil reserve is estimated to hold between 800 million and 1.5 billion barrels of oil.²

Figure 1: Jubilee field unit area



Source: 'Jubilee Field Video: Exploration and Development Activities offshore Ghana', 29 August 2010, <http://ghanaoilwatch.org/index.php/jubilee-field-unit-area>, accessed 20 September 2014

After their having suffered from the inconsistent pricing and availability of petroleum products over the years, the oil discovery heightened expectations among Ghanaians of seeing major improvements in the availability of petroleum products, reasonable pricing, investments in the petrochemical industry and national development. With a potential annual income from oil production of \$1 billion a year for the next 20 years, Ghana's oil revenues could contribute significantly to the development of the country. However, after nearly two years of receiving these proceeds there has been no real improvement in the living conditions of the majority of people.³ Questions are being raised as to whether the country will benefit at all from becoming an oil-producing country. Despite these fears, oil production has changed the political environment, making the contest for political power more competitive and more polarised between the two major political parties – the New Patriotic Party (NPP) and the incumbent National Democratic Congress (NDC).

Surrounded by the poor examples set by other African countries such as Nigeria, Cameroon and Gabon, it is not clear whether Ghana will be able to avoid the 'oil curse' or the 'paradox of plenty' by overcoming the challenges of economic and social development, high levels of unemployment and relatively high levels of deep-rooted poverty. Over the years, civil society organisations (CSOs) in Ghana have been vocal in calling for full disclosure from the state on issues related to accounting for natural resource wealth/revenues. The phenomenon of the 'resource curse' can be avoided in Ghana if the government forms partnerships with civil society groups in managing oil and gas revenues.

This paper examines the intersection between civil society and government in the management of oil revenues, and explores the implications of this partnership for the broader development goals of Ghana. It seeks answers to the following questions: What structures are in place to ensure that oil revenues are managed to support development? What are the roles of the state and civil society in harnessing the oil resource for the benefit of all Ghanaians, and what potential is there for collaboration between these stakeholders? By engaging with these questions, the paper seeks to contribute to existing research and literature on the 'oil curse' phenomenon in West Africa, and Africa more broadly. The paper first provides a description of Ghana's oil economy, including a brief history and a look at the progress made so far. It continues by assessing state and civil society co-operation in managing oil resources. Here, the paper further highlights the roles of both the state and civil society in managing the country's oil, after which challenges arising from the discovery of oil and its production are examined. The paper concludes with recommendations on enhancing state–civil society co-operation to ensure the effective management of the country's oil.

GHANA: THE EMERGING OIL ECONOMY

In 2007, with the discovery of high-quality sweet and light oil⁴ at Cape Three Points, Ghana joined the league of African oil-producing states. The announcement of an estimated 600 million barrels of offshore oil reserves was met with mixed reactions from Ghanaians, with some welcoming the potential oil revenues and others warning of possible development and security threats. This was understandable, considering the plight of other oil-rich African countries and Ghana's own internal struggles in managing its natural resources, including bauxite, manganese and gold.⁵ Despite these mixed

feelings, oil has become one of the country's most valuable national assets. When the oil discovery was first publicised in June 2007, former president John Agyekum Kufuor was quoted as saying:⁶

Oil is money, and we need money to build schools, roads and hospitals. If you find oil, you manage it well, can you complain about that? Even without oil, we are doing so well, already. Now, with oil as a shot in the arm, we're going to fly.

Oil exploration in Ghana dates back to the late 19th century, with onshore exploration undertaken in the Tano Basin, today's Western Region, during British colonial rule.⁷ Over 17 wells were drilled from 1896 to 1957. Although some heavy oil, light oil and gas deposits were found, these reserves were not in commercially viable quantities.⁸ Determined to discover oil in Ghana, successive post-independence regimes continued with onshore and offshore oil exploration. From Kwame Nkrumah's First Republic (1957–1966) to Kufuor's Fourth Republic (2000–2008), about 75 oil wells were drilled.⁹ Although some achievements were made under the Supreme Military Council regime (1972–1979) with the Saltpond oil find in 1978, it was under Kufuor's rule in 2007 that oil was discovered in large, commercially viable quantities.

Today, the nation's persistence has paid off. It has joined the league of wealthy African oil-producing states, with earnings projected at nearly \$20 billion in 2012–2030.¹⁰ Tullow Oil, one of the exploration companies responsible for the discovery, describes it as 'one of the biggest oil finds in Africa in recent times'.¹¹ In 2011 alone, Ghana accrued \$347 million in oil revenues.¹² The '2013 Ghana Reconciliation Report on the Petroleum Holding Fund' indicated that in that year the country's total petroleum receipts were \$846.77 million, while those of 2012 were \$541.62 million.¹³ This shows a significant growth rate. This income is projected to grow as oil companies expand production. Tullow Ghana Limited, for example, expected to increase production from 90 000 barrels per day (bpd) by the close of 2012 to 100 000–120 000 bpd in 2013.¹⁴ According to the company's 2013 *Annual Report*, Tullow Ghana Limited produced 100 000 bpd that year, generating \$1.3 billion in revenues.¹⁵ In 2011 there were 19 local and international oil exploration and production companies as well as nine oil distributing companies operating in the country, contributing considerably to employment in Ghana.¹⁶ Even with the steep decline in global oil prices of late 2014 factored in, the potential contribution of oil revenues to funding development programmes in Ghana is still likely to remain significant.

The wealth accrued from Ghana's oil production has been used to support government activities and projects. For example, of the \$846.77 million in revenue received in 2013, about \$222.42 million went to the Ghana National Petroleum Corporation (GNPC), while the state received \$624.35 million.¹⁷ Additionally, in accordance with the Petroleum Revenue Management Act No. 815 of 2011 (sections 9 and 10), the government of Ghana has set up the Ghana Stabilization Fund (GSF) and the Ghana Heritage Fund (GHF) under the umbrella of the Ghana Petroleum Funds to ensure that oil rents are invested for present and future use.¹⁸ Under these funds, the government is expected to allocate, on a quarterly basis, 70% and 30% of all revenue earned to the GSF and GHF respectively.¹⁹ The objective of the former is to 'cushion the impact on or sustain public expenditure capacity during periods of unanticipated petroleum revenue shortfalls'; while that of the latter is to 'provide an endowment to support the development for future generations

when petroleum reserves have been depleted'.²⁰ Thus, out of the oil revenues received by the state in 2013, \$245.73 million was transferred to the GSF and \$105.31 million to the GHF.²¹ These funds in turn earned a net return on investments of about \$2.52 million, with the GSF earning \$1.4 million and the GHF \$1.12 million.²² Also in 2014, the government completed the much-awaited \$850 million gas project at Atuabo in the Western Region.²³ The project, which is expected to support power generation at the Aboadze Thermal Plant, will be one of the major sources of electricity for the country.²⁴ Nevertheless, Ghana had to approach the International Monetary Fund for a bailout in 2014, due in part to what some regard as over-ambitious public expenditure on the back of overstated assumptions about the volume of future oil revenues.²⁵

STATE-CIVIL SOCIETY CO-OPERATION IN THE MANAGEMENT OF GHANA'S OIL RESERVES

Ghana's rich endowment of natural resources such as gold, diamonds, salt, bauxite, limestone, iron ore and manganese, along with the recent addition of oil, underlines the importance of effective natural resource management that will enhance production and ensure the proper use of resource revenues for the benefit of all. From all indications, the management of natural resources in the past has not been very effective. Communities such as Obuasi, Tarkwa, Bogoso and Prestea, where gold, diamonds, bauxite and manganese have been mined since the 17th century, have seen very little development.²⁶ In some of the communities, resources are being depleted at an alarming rate. Sustainable natural resource management has remained elusive in many instances. To redeem the present situation and ensure that the oil sector remains profitable, unlike some other resources, this section interrogates how civil society could partner with the government in ensuring the effective management of Ghana's oil resources.

Role of the Ghanaian state in oil resource management

The state holds the primary responsibility for administering natural resources in Ghana. Irrespective of who owns the resources or their location, article 257 of the 1992 constitution empowers the state with the 'sole' responsibility of managing such resources for the greater benefit of the entire country. As such, the oil found within the territorial confines of the country, both on- and offshore, remains the exclusive preserve of the state, with the president holding it in trust for the people.²⁷ To ensure the sustainable management and utilisation of these resources for socio-economic growth and development, the state's role is limited to the efficient formulation, implementation, co-ordination, monitoring and evaluation of laws and policies within the sector.²⁸ In practical terms, the state is responsible for policy formulation, supervision of the sector (which includes co-ordination, monitoring and evaluation, and validation of policies, programmes and projects) and negotiations with development partners.

As the overall and absolute owner of the oil, the state has a critical role to play in ensuring that oil revenues are appropriately used for national development. Since the discovery of oil in commercial quantities in 2007, the state has played diverse roles in the governance of the oil sector, including promulgating the necessary legal frameworks,

monitoring and evaluating oil exploration activities, managing revenues, developing policies and programmes, building capacity and undertaking training. To meet the expectations of Ghanaians, the government has introduced institutional mechanisms to ensure the effective management of oil revenues. These institutional frameworks were established following intensive advocacy and collaborative efforts by civil society to help Ghana escape the resource curse. Without institutional frameworks, political patronage will take centre stage, resulting in increased popular alienation from the state, rising corruption and economic distortions. It is for this reason that both the government and civil society have agreed on the need for a solid institutional framework to ensure developmental benefits for the nation. It is hoped that this will prevent the perverse economic declines experienced by other resource-rich countries.

Regulatory frameworks, public oversight bodies, checks and balances, and mechanisms to control spending are essential to avoiding the resource curse syndrome.²⁹ However, the credibility of these structures and processes is also vital. Endogenous motivation for political elites to submit themselves to legal provisions and procedures is not automatic. Part of the challenge, in fact, is addressing how key stakeholders can credibly be motivated, especially executive office bearers vested with the power to disburse and allocate public funds.

The oil industry as it is represented in Ghana has two major corollary elements: the upstream and the downstream. Each of these is regulated by laws,³⁰ including the Petroleum Revenue Management Act No. 815 of 2011; the Petroleum Exploration and Production Bill of 2013; the Ghana Model Petroleum Agreement; and the Petroleum Commission Act No. 821 of 2011. Through this legislation, the Public Interest and Accountability Committee (PIAC) was established in 2011 to provide an opportunity for public discussion on the investment of petroleum revenues; give an independent assessment of the management and use of revenues; and monitor and evaluate compliance with the numerous acts already mentioned.³¹ Collectively, these laws constitute the legal framework that regulates both the upstream and downstream sectors of Ghana's oil industry.

Prior to the passing of these laws, there was a legal framework for managing the country's upstream petroleum industry. The Provisional National Defense Council Law No. 64 of 1983 (PNDC Law 64) and the Petroleum Exploration and Production Law No. 84 of 1984 (PNDC Law 84), supplemented by the Petroleum Income Tax Law No. 188 of 1987 (PNDC Law 188), were the three main statutes. This legislation guided the use of the nation's oil revenues, stipulated allocations and disbursements and, above all, regulated the management and investment of Ghana's petroleum funds. Significantly, PNDC Law 64 established the GNPC and made it responsible for managing the country's petroleum resources.

The government has also set up the GSF and the GHF under the umbrella of the Ghana Petroleum Funds; established the Investment Advisory Committee to counsel the Minister of Finance and Economic Planning on investment opportunities and the monitoring of petroleum funds; and appointed the Ministry of Finance and Economic Planning as the overall manager of the petroleum funds, while the Bank of Ghana oversees their daily operational management.³²

The Petroleum Commission Act of 2011 calls for the establishment of the Petroleum Commission to oversee the general management of the petroleum sector, including issuing new contracts and licences and monitoring compliance with petroleum contracts and

regulations.³³ To ensure transparency, the Commission has taken over the mandate of the GNPC in issuing licences and contracts. In addition to these policies, the government is also in the process of developing the Natural Gas Master Plan, the Petroleum Exploration and Production Bill, the Local Content Bill, the Marine Pollution Bill and shipping regulations, among others.³⁴

Although these legal regimes were put in place to support the effective and efficient management of the oil, it has become apparent that merely having legislation in place says nothing about the capacity of the state to effectively manage resources and ensure compliance. These laws do not cohere with each other, some – at least at face value – are not workable, and some do not comply with international best practices.³⁵ Moreover, it has become apparent that there are a number of gaps and challenges regarding the manner in which the state has positioned itself to ensure the seamless implementation of these legal frameworks.

The first challenge has to do with the environment within which most of these laws were promulgated. A number of laws were passed when Ghana was under the military rule of the PNDC. Therefore, the open discussion that is normally associated with such conversations under democratic rule was missing. Stakeholders such as experts, civil society, academics and business people played an insignificant role in the formulation of these laws. The net effect is that these laws only provide broad guidelines, with key elements left to the mercy of oil contracts. The situation is no better with the current laws. Although they are being passed after parliamentary debate and approval, these debates are often rushed through on the pretext of urgency to directly or indirectly stifle opposing views. The debates are also characterised by severe partisanship, which may cloud the judgement of the lawmakers.

The second challenge has to do with the acquisition of licences. At present the legal framework does not provide for a licensing round for the exploration for and production of oil, as is found in other jurisdictions such as Norway and the UK. Tullow Ghana Limited – the first company to discover oil in commercial quantities in Ghana – did not go through a competitive bidding process. This was mainly because the government adopted the approach of negotiating individually with oil companies rather than through a competitive tendering process. As a result, the possible benefits provided by an array of consortiums were lost. For instance, as per its March 2006 agreements with Tullow Ghana Limited, Kosmos Energy and Sabril Oil, Ghana only receives royalties of 5% from the collective proceeds emanating from the gross production of crude oil by these three companies.³⁶ The terms, although favourable, could have benefited the country more.

The third challenge has to do with the dual role given to the public institutions managing the oil sector. The GNPC, for instance, has both a regulatory and a commercial role. Likewise, the Ministry of Energy and Petroleum, which has immense powers, has also been saddled with a variety of roles. This has inhibited the watchdog role assigned it by the 1992 constitution and other acts of Parliament. The net effect is that this state institution is handicapped in managing operations in the oil sector. Some commentators have raised serious questions about possible conflicts of interest. In the past, the GNPC has also shown itself to be vulnerable to losing its strategic focus: in 1996, for example, it started engaging in activities such as rice production, which were outside its core mandate. It took increasing public pressure and the change of government in 2001 to help refocus the GNPC on the job for which it was established.

The last challenge has to do with the fiscal provisions and regimes that the state is adopting to maximise the full potential of oil resources. The hybrid system of royalty tax, which includes some aspects of joint ventures and production-sharing agreements, has been criticised for decreasing the state's stake in its own resources.³⁷ Ghana lost almost \$3 billion in three years in potential profits as a result of operating the Jubilee fields under this hybrid arrangement.³⁸ This raises serious questions about how the state is co-ordinating with development partners in the effective and efficient management of oil.

In 2010, the Ghanaian government, in collaboration with the World Bank, initiated a capacity-building and training project for personnel in the oil and gas sector. This training was aimed at promoting transparency and strengthening local technical skills in the Ghanaian oil marketplace.³⁹ The main institutions benefiting from the \$38 million capacity-building project were the Ministry of Energy and Petroleum, the GNPC, the Environmental Protection Agency (EPA), the Ministry of Finance and Economic Planning, the Ghana Revenue Authority, the Ghana Extractive Industries Transparency Initiative, the Attorney General's Department, the Economic and Organized Crime Office, and technical and vocational institutes.⁴⁰

Despite the government's efforts to ensure the effective governance of oil, the relevant state institutions have been accused of impropriety, and a lack of transparency and accountability regarding oil revenues and production.⁴¹ In 2011, for instance, the CSOs Transparency Initiative, Strengthening Transparency Accountability and Responsiveness Ghana and IMANI Ghana made serious allegations against the GNPC that bordered on impropriety.⁴² First was the issue of accounting, where it was alleged that the GNPC had failed account to national authorities for an amount of \$207.96 million entrusted to its management.⁴³ The second had to do with the GNPC's unilaterally appropriating public funds and refusing to pay dividends on its 2011 earnings. The third allegation pertained to claims that the GNPC was misleading the public over the prospects of the Jubilee oil fields. Lastly, issues were raised with the cost of the Jubilee field development, particularly the cost of the Jubilee Phase 1A remediation programme.⁴⁴ The arguments were that Ghana was not getting value for money because the prices quoted were far above comparable costs around the world. As a result, the GNPC was forced to issue a press release to clear the air and made a full disclosure on activities in the oil sector. This satisfied public demand for information on the sector, for the moment.

Civil society organisations and oil resource management in Ghana

For over 50 years there has been an exponential increase in civil society's role in and impact on the political, social and economic landscape of Ghana. CSOs have advanced and contributed to good governance, democracy, sustainable socio-economic development, peace initiatives, environmental protection, natural resource management and gender equality, among others.⁴⁵ Yet when oil was discovered in 2007 very few Ghanaian CSOs had the experience or expertise to engage the government on its management. Today about 135 CSOs focus on oil and gas in Ghana.⁴⁶ They play a pivotal role in supporting the governance of Ghana's oil, particularly through emphasising the need for oil revenues to contribute to sustainable development and ensuring that the government and other players in the oil industry adhere to national and international best practices. However,

the sheer number of CSOs involved in this burgeoning industry can be problematic in terms of their oversight responsibilities and donor accountability.

In 2008, with the support of Oxfam America and the World Bank, these CSOs came together to form the Civil Society Platform on Oil and Gas (the Platform), which has become one of the most influential institutions in the management of Ghana's oil.⁴⁷ The Platform comprises organised groups, individuals and professional bodies such as community-based organisations, faith-based groups, research institutions, gender-based groups and trade unions. Collectively, these groups have worked towards ensuring transparency and accountability in the oil industry. Among others, the Platform played a key role in lobbying for the legislation that now governs the country's oil revenue collection and environmental protection.⁴⁸ Additionally, the Platform published a communiqué in August 2012 calling on the government to set up a time frame for the development of a long-term National Development Plan for the use of oil revenues; expedite the passage of the Petroleum Exploration and Production and Local Content and Local Participation bills; suspend the issuing of licences to both international and national oil companies until supportive legislation has been passed; and share the details of the Gas Development Plan with the public and other stakeholders.⁴⁹

The impact of the Platform has especially been felt at the national level, where its advocacy role has seen it releasing hard-hitting policy briefs that have gone a long way to influencing policy. For instance, in 2011 the Platform issued a 'Readiness Report Card' that assessed the government's performance in handling challenges⁵⁰ within the sector and drew attention to issues that needed immediate action.⁵¹ The report evaluated not only government performance but also that of other key stakeholders such as Parliament, donor partners, oil and gas companies, and the broader civil society network.

Both the Petroleum Commission and the PIAC have civil society representation:⁵² CSOs actively contribute to the PIAC, which is responsible for monitoring and reporting on oil and gas revenues. The decisions of this committee have made a significant contribution to the public debates on oil and gas.

In relation to capacity building, several CSOs have organised workshops, seminars and training events to improve the skills, knowledge and capacity of relevant institutions in the oil industry. CSOs such as the Institute of Economic Affairs (IEA), the Civil Society Platform on Oil and Gas, and the Ghana Centre for Democratic Development have conducted capacity-building workshops for government institutions and other relevant organisations in the oil and gas sector on petroleum revenue governance.⁵³

Furthermore, CSOs play an active role in oil governance by organising press briefings and consultative meetings bringing together government institutions, the media, academics and other public interest groups to discuss and develop proactive strategies on the management of oil for the sustainable and long-term advantage of all Ghanaians. In July 2012, for example, the IEA organised a press briefing on '*Making Ghana's Oil and Gas Resource Count*' to create awareness of developments in the oil and gas industry.⁵⁴ The media, as a component of the broader civil society, has also played a critical role in disseminating information related to the oil and gas sector.

Civil society's monitoring role in the oil sector cannot be overlooked. In 2011, when the Ghana Revenue Authority reported that a defective flow meter on the Jubilee oil field was preventing the accurate measurement of oil flows, CSO lobbying obliged it to install a new meter within a few days.⁵⁵ Similarly, in April 2012 the GNPC was criticised by some

oil and gas activists for allegedly planning to provide annual funding of over \$3 million to the senior national football team (the Black Stars). However, the criticism was not enough to reverse the decision of the GNPC to become one of the lead sponsors of the Black Stars. The oversight role of civil society obliges the state and other relevant institutions to adhere to national petroleum legislation and increase accountability on oil revenues.

Although civil society's efforts in the oil and gas sector have increased, its watchdog and whistle-blower role has been hampered by a number of factors, key among them being funding and the legal regime. CSOs in Ghana depend on donor and government support, and when these sources of funding dry up their activities are seriously affected. For instance, in November 2014 the PIAC, which receives a lot of its funding from the government, was evicted from its premises for the non-payment of rent. Some people argued that it was a deliberate attempt by the government to weaken the PIAC so it could not perform its duties in monitoring the use of the oil fund.⁵⁶ Currently the PIAC does not have any premises from which to operate and this has curtailed its operations. Similarly, oil contracts in Ghana are still not completely open as CSOs are limited in their ability to monitor government allocations. There is thus a need to improve the institutional strength and capacity of the various CSOs that operate in the oil and gas sector under the aid effectiveness agenda. This could be achieved through external funding for civil society advocacy programmes and training opportunities for stakeholders, particularly those active in the oil and gas sector.

State-civil society interface

A collaborative partnership between the state, civil society and other relevant groups (the private sector, individual citizens, etc.) is critical in ensuring that oil revenues benefit ordinary Ghanaians. Although state-civil society co-operation has improved in other sectors, co-operation between them remains limited when it comes to natural resource governance. While the role of civil society is recognised through the PIAC, this is insufficient, as the mandate and influence of the PIAC remain unclear.

CSOs continue to experience challenges in soliciting information and support from some state institutions. A case in point is the GNPC, which is perceived to be inaccessible to CSOs.⁵⁷ The strained relationship between the GNPC and CSOs has resulted in criticisms and counter-criticisms between the two groups. In July 2012, for example, some CSOs accused the GNPC of not reporting on oil revenues and publishing false operating costs for the Jubilee oil field.⁵⁸ This allegation was countered by the GNPC in a press release that clarified its mandate and denied the accusation.⁵⁹ However, the fact that CSOs managed to elicit a response from the GNPC is a great example of accountability in action. Another challenge is the confidentiality clause in the Petroleum Commission Act. While confidentiality may be necessary for commercial reasons, it prevents the open sharing of information, potentially hindering transparency and accountability. One possible remedy for this is that the legislation clearly stipulates the conditions under which confidentiality is to be protected.

Very few CSOs are invited to national forums on oil and gas. This lessens their impact on national policies and programmes and limits discussions of issues such as the social and environmental impact of oil production.⁶⁰ In addition, CSOs' appeal to the government for additional information on the environmental impact assessment of the

Jubilee oil field has yielded no results. Since environmental issues do not appear to be a priority of the government, little has been done to address environmental risks and little data is available to inform risk mitigation efforts.⁶¹ The state's lack of responsiveness may cause a militant response from civil society. For example, in 2011, a youth militia group (the 'Cape Militia') emerged as a response to oil spills, demanding greater environmental accountability in oil and gas exploration.⁶²

A lack of in-depth knowledge of the oil and gas sector is an obstacle to effective civil society participation in the policy development process as well as effective civil society oversight of public institutions.⁶³ The majority of Ghanaian CSOs, particularly the community-based organisations, lack the knowledge and technical skills to collect and analyse data and provide constructive input on the development of policies and strategies.⁶⁴ This suggests that the state's lack of responsiveness is not necessarily only its fault, but is also attributable to the skills deficiency in CSOs. Associated with this challenge are the consequences of entrenched poverty in local communities, since locals are often deprived of employment opportunities due to their lack of technical skills. Poor co-ordination and knowledge dissemination among CSOs exacerbate these challenges. For example, the Platform has been experiencing internal discord, which affects the achievements of its goals. There are reported frictions within the group over the dominance of one member over others.⁶⁵ Moreover, the lack of a proper institutional framework guiding the activities of both the government and civil society prevents both from achieving greater results in the governance of oil revenues and production.⁶⁶

Emerging challenges

Despite the efforts of the state and civil society, there are some persisting challenges resulting from oil production which, if left unaddressed, could corrode democracy and undermine development in the country.

Environmental

The discovery and production of oil and gas in the country have brought additional environmental challenges, particularly with regard to the coastal landscape. For example, in December 2009 US-based Kosmos Energy, one of the oil exploration companies active in Ghana, spilled over 600 barrels of low-toxicity, oil-based mud into the sea, affecting farmland, marine life and the livelihoods of local communities. The spillage affected over 70% of the local population within the catchment area of the offshore fields, who depend on farming and fishing for their livelihoods.⁶⁷ Although Kosmos Energy was fined \$35 million, it questioned the legality of the fine imposed by the five-member committee tasked with investigating the oil spill. Meanwhile, the communities affected were not paid any compensation, although the District Assembly (representing the central government) and the EPA tried to undertake some clean-up operations. Subsequently, traditional livelihoods such as farming and fishing, the main economic activity in the Western Region, have been negatively affected. In addition, there is a worrying trend of increasing environmental degradation, which has an impact on the country's economy. The environmental costs of exploring for and producing oil doubled from 4% of gross domestic product (GDP) in 1990 to an estimated 10% of GDP in 2006.⁶⁸ The lack of strong institutions and a robust legal framework to monitor the environmental impact of

oil production on the economy presents a serious challenge that needs urgent attention. Moreover, regular oil exploration and the concomitant failure to protect the environment and livelihoods of the communities within the relevant catchment area present an environmental security threat.

Socio-economic

Another challenge relates to the need to transcend the possible negative effects of spending oil revenues on non-oil sectors of the economy. According to the 2012 budget statement, the economy is experiencing Dutch Disease (a phenomenon that occurs when the local currency overly appreciates in value, leading to a loss of competitiveness on the global market in traditional commodity sectors such as agriculture and manufacturing).⁶⁹ It is reported that since Ghana began producing oil, cocoa and gold exports have decreased from 18.9% and 49% respectively over the 2009/2010 period to 18% and 39% in the 2010/2011 financial year.⁷⁰ However, the local currency, the Ghanaian cedi, has depreciated from GHS⁷¹ 1.19/\$ in 2008 to GHS 2.63/\$ in 2013, an unusual phenomenon caused by the rebasing of the Ghanaian economy in 2010.⁷² Arguably, the agriculture sector, which is the bedrock of the Ghanaian economy, underperformed in 2011 mainly because the government's attention had shifted to the oil sector.⁷³ As a result, expected subsidies such as free fertiliser and other extension services were not provided for the agriculture sector. The yearly investment typically associated with the agriculture sector, agro-processing and manufacturing industries was virtually non-existent in 2011.⁷⁴ These developments have caused a rise in youth unemployment, particularly as the expected oil industry-linked jobs such as carpentry, masonry and welding have not been forthcoming⁷⁵ – oil companies have relied mostly on expatriates rather than hiring locally.

Despite increasing oil revenues, there are other potentially unintended consequences for the economy. For example, the escalating demand for housing by expatriates and their willingness to pay above the market rate has pushed rental prices far beyond what locals can afford. Rent for a three-bedroom house in Takoradi, for example, increased from \$41–\$51 a month in 2006 to \$102–\$152 a month in 2012.⁷⁶ The same holds true for access to goods and services: the prices of general commodities in the enclave of Sekondi-Takoradi are above the national average. Another unintended consequence of the oil find is the growth of the sex industry. Greater promiscuity, especially among children, is gradually distorting societal norms and increasing the cost of health care for families.⁷⁷

Political

The political atmosphere in Ghana has been inflamed since the arrival of oil revenues. The oil wealth has become the focus point of debates and manifestos by political parties aimed at gaining favour from the populace, thereby heightening people's expectations. During the 2008 electoral campaign, almost all the political parties – the NPP, NDC, Convention People's Party and People's National Convention – premised the implementation of their manifestos on oil revenues. This resulted in heated national debates when the Western Regional House of Chiefs demanded 10% of oil earnings, based on President John Atta-Mills' promise during his 2008 political campaign to increase infrastructural development in the region.⁷⁸ This trend continued in the 2012 political campaigns. A case in point was the promise of the presidential candidate of the NPP, Nana Addo Dankwah Akufo-Addo, to implement his free senior high school education policy

with oil revenues.⁷⁹ These expectations, if unfulfilled, could engender political tensions between political leaders and the population and threaten national security.

Furthermore, politics of patronage in Ghana often places state institutions in the hands of 'political favourites' who may not be competent managers.⁸⁰ For instance, currently all major state institutions, including the GNPC, are headed by NDC loyalists. Should the NDC lose the election in 2016, these individuals are likely to be replaced by loyalists of the new leading party. This political patronage system weakens democratic institutions, including state oil agencies, and engenders corruption and a lack of transparency, which negatively affects resource governance in the country.

Security

Since the discovery and production of oil there have been reports of inter-community and ethnic tensions, particularly in communities near the oil field, as well as incidents of oil theft, piracy and other maritime crimes. Tension has been growing, for example, between the chiefs and people of Ahanta and Nzema (two main tribes along the western coast of Ghana) over the ownership of the portion of the sea where oil has been discovered.⁸¹ Additionally, there have been reports of the establishment of militia groups in communities and the invasion by militant groups from Nigeria's Niger Delta region.⁸² Oil theft and sabotage are also posing security threats in the areas surrounding the oil field and the country as a whole.⁸³

Another worrying trend is the issue of piracy, which is increasing along the Ghanaian coast. According to the 2012 International Maritime Bureau report, from 2007 to the first half of 2012 Ghana experienced 10 piracy attacks within its territorial waters.⁸⁴ For a country that has had relatively safe waters, this is alarming. Although the oil sector may not be the main cause of the rise in piracy and other maritime criminal activities along Ghana's western coast, oil resources have been identified as one of the factors contributing to this emerging security trend.

CONCLUSION

Natural resource governance, especially in the African context, has been fraught with complex challenges. In West Africa, for example, there are many instances of deprivation, exploitation and conflict arising from the poor management of natural resources, particularly oil. The experiences of affected countries should inform the government of Ghana and other actors to take collective measures to curb the negative effects of oil wealth. As shown, civil society remains weak and lacks the capacity to single-handedly monitor activities in the oil and gas industry. Nevertheless, strengthening active co-operation between the state and civil society actors is one of the fundamental requirements to overcoming the potential 'oil curse' syndrome. Happily for Ghana, its civil society is one of the most visible and active on the African continent, together with the press, which is vigilant and operates with a great degree of freedom.

To enhance the effective partnership between the state and civil society in the proper management of oil revenues, there is a need to exchange information on best practices in oil resource governance through consultative meetings and stakeholder dialogues. This will enhance transparency, which in turn will help ensure effective oil resource governance.

Furthermore, there is a need to increase capacity-building and training opportunities for government institutions and civil society; strengthen the institutional capacity of the Platform and state agencies; ensure easy access to information on oil revenues and activities; and strengthen state institutions to enforce sanctions enshrined in the legislation, thereby enhancing transparency and accountability.⁸⁵ The passing of the Right to Information Bill, as well as the removal of the confidentiality clauses in the Petroleum Commission Act, should positively influence the manner in which oil revenues are handled in Ghana.

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