

**THE CONTRIBUTION OF CIVIL SOCIETY IN AVOIDING NATURAL  
RESOURCE CURSE IN GHANA: THE CASE OF OIL**

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**DECLARATION**

I, EMMANUEL GRAHAM, declare that this thesis is the result of hard work and dedication on the part of the author under the supervision of DR. ZIBLIM IDDI and PROFESSOR EMMANUEL GYIMAH-BOADI. With the exception of ideas, quotes and opinions from other sources that have being duly acknowledged, the author is fully responsible for any errors that may be identified in this work

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## ABSTRACT

Ghana is a country endowed with rich mineral resources. However, for many years, Ghana has not been able to translate the mineral resources into broad economic wealth for the people. Therefore, when Ghana discovered oil in 2007, many people did not believe that Ghana would use its oil resources to create wealth for the people. The general fears were that Ghana could fall into the oil curse situation. The study investigated the contribution of Civil Society in avoiding oil curse in Ghana. Based on empirical analysis of relevant data, the study found that Civil Society Organizations (CSOs) have helped Ghana from falling in the resource curse; CSOs have facilitated legislative enactments that guaranteed transparency and accountability in the management of Ghana's oil sector. It did this by instigating the passage of the PRMA 815, which established the Public Interest and Accountability Committee (PIAC) and the Heritage Fund in the (PRMA 815), amongst others. CSOs have carried advocacy on the negative effects of oil and gas on the environment and social lives of the people in the coastal communities. Despite these, CSOs are confronted with some challenges such as, difficulties in access to information, inadequate capacity building, limited extent of outreach, stigmatization and diminishing funds. Only through the passage of the right to information bill would allow CSO to gain easy access to useful information to enhance their monitoring of the management of the oil resources, government must be committed to transparency and accountability, civil society ought to address the challenges facing them dispassionately and finally, Ghana should design a development strategy for the oil revenues and use them for economic, social and infrastructural development of the country. All, these can strengthen CSO capacity to promote the effective management of Ghana's oil resources and thus escape the oil curse.

**Keywords:** Resource Curse, Oil and Gas in Ghana, Civil Society Organization.

## **DEDICATION**

To God be the Glory



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**LIST OF ACRONYMS**

AAA	Accra Agenda for Action
ACEP	Africa Centre for Energy Policy
AETC	African and Eastern Trade Corporation
ARPB	Association of Registered Professional Bodies
ARPS	Aborigines Rights Protection Society
BBC	British Broadcasting Corporation
BP	British Petroleum
CEPA	Centre for Policy Analysis
CDD-Ghana	Centre for Democratic Development-Ghana
CPP	Convention Peoples' Party
CSCO	Civil Society Coalition on Oil
CSOs	Civil Society Organizations
DWM	31 <sup>st</sup> December Women's Movement
E & P	Exploration and Production
EIA	Environmental Impact Assessment
EITI	Extractive Industry Transparency Initiative
EPA	Environmental Protection Agency
ERP	Economic Recovery Programme
FBA's	Faith Based Associations
FON	Friends of the Nation

GBA	Ghana Bar Association
GCC	Ghana Christian Council
GHEITI	Ghana Extractive Industry Transparency Initiative
GIMPA	Ghana Institute of Management and Public Administration
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GJA	Ghana Journalists Association
GNPC	Ghana National Petroleum Corporation
GPRS	Ghana Poverty Reduction Strategy
GYF	Global Youth Focus
HIPC	Highly Indebted Poor Countries
IDEA	Institute for Democracy and Electoral Assistance
IDEG	Institute for Democratic Governance
IEA	Institute for Economic Affairs
IFIs	International Financial Institutions
IMF	International Monetary Fund
INGOs	International Non-Governmental Organizations
IPA	Innovation for Poverty Action
ISI	Import-Substitution Industrialisation
ISODEC	Integrated Social Development Centre
MP	Member of Parliament
NALAG	National Association of Local Authorities of Ghana

NDC	National Democratic Congress
NGOs	Non-Governmental Organizations
NLC	National Liberation Council
NPA	National Petroleum Authority
NPP	New Patriotic Party
NRF	Natural Resource Funds
NUGS	National Union of Ghana Students
PCIAC	Petro Canada International Assistance Corporation
PIAC	Public Interest and Accountability Committee
PNDC	Provisional National Defence Council
PNDCL	Provisional National Defence Council Law
PRMA	Petroleum Revenue Management Act
P-TRAC	Index Petroleum Transparency and Accountability Index
SAP	Structural Adjustment Programme
SFP	Societe Francaise de Petrole
TUC	Trades Union Congress
TWN	Third World Network
UGCC	United Gold Coast Convention
UK	United Kingdom
WAOFCO	West Africa Oil and Fuel Company
WERENGO	Western Regional Network of NGO's

## CHAPTER ONE

### GENERAL INTRODUCTION AND THEORETICAL FRAMEWORK

Earth provides enough to satisfy every man's need but not for every man's greed. -Mohandas K. Gandhi<sup>1</sup>

#### 1.1. INTRODUCTION

Can Ghana escape the 'resource curse', "the paradox of plenty" or "the Dutch Disease", a situation which many African countries with rich mineral resources find themselves in? A question that is yet to be answered as Ghana began to produce oil in the last quarter of the year 2011. Ghana discovered oil in 2007 and started commercial oil production in 2011. Ghana, a country in West Africa known as the 'Black Star' of Africa, which is also said to be the beacon of hope for Africa, is now at the centre of discussion as people are waiting to see what will become of this new petroleum sector.

Interestingly, the political economy of Africa in terms of oil and gas has not been encouraging with countries such as Nigeria, Sudan, Angola, Chad and others, just to mention a few, that produced high quantities of oil and gas, yet have failed to channel this resource into the material improvement of their countries and the lives of their ordinary citizens. By contrast, some other countries such as, Norway, Saudi Arabia, Qatar, Trinidad and Tobago, United Arab Emirates, Venezuela and others have over the years been able to make very good use of their oil to improve the lives of their citizens and for the development of their countries.

In Sub-Saharan Africa, countries such as Nigeria, Cameroon, Equatorial Guinea, Angola, Sao Tome, Gabon and others rich in oil but for some time now have not been able to

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<sup>1</sup> Mohandas K. Gandhi from Pyarelal, *Toward New Horizon*, as cited in introduction of Paul Josephson's (2005), *Resources Under Regimes: Technology, Environment and State*, Harvard University Press, p.12.

utilize their huge oil resource for the development of their countries. In 2007 Ghana discovered oil on the west basin of Cape Three Points in the Western Region, which is now known as the Jubilee field<sup>2</sup>. This has brought about high hope and excitement to people, both locals and internationals, as Ghana made this discovery. It is important to note that, Ghana is already seen as perhaps one of the respectable democracies in Africa after going through six peaceful elections from 1992 to 2012.

During the early days following the discovery, President J.A. Kufuor declared that Ghana would avoid the “resource curse” and use its new-found oil wealth to transform the country’s economic and social development (Cavnar, 2008). On 25<sup>th</sup> and 26<sup>th</sup> February 2008, in order to avoid the resource curse syndrome in many resources rich developing countries for which their resource has become more of a curse than a blessing, the executive arm of government and other stakeholders arranged a two-day forum which was to share the experiences of oil-producing countries and to collate stakeholder views for input into the development of a national oil and gas policy (Gyampo, 2011). Gyampo (2011) alleges that civil-society participation in the forum was limited, with only a handful of representatives of organized civil-society groups receiving an official invitation.

Furthermore, Gyampo (2011) suggests that Ghana possesses an inadequate parliamentary system of governance and lacks transparency in creating regulatory framework for the oil sector. This situation is very worrying, as the history of most countries such as Nigeria, Sudan and others that are faced with the resource curse also somehow did not entirely involve civil society in their oil industry. Civil society, as an institution arguably possesses

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<sup>2</sup> Jubilee Field was named so because the oil discovery coincided with the celebration of Ghana’s 50th (Jubilee) independence celebration.

the necessary expertise that could contribute to the transparency and accountability the oil industry in Ghana.

Despite the allegation by Gyampo (2011) of less participation of civil society in the forum organized by the government on 25<sup>th</sup> and 26<sup>th</sup> February 2008 as outlined<sup>3</sup>, Gyimah-Boadi and Prempeh (2012:97) point out that

In March 2010, more than 110 civil society groups, including policy and governance think tanks and research organizations, human-rights and environmental groups, and community-based organizations from coastal districts near the Jubilee field, joined with local oil-policy experts and activists to form the Civil Society Platform on Oil and Gas<sup>4</sup>.

This platform received technical support from Oxfam America, the Revenue Watch Institute, and the World Bank, and has spearheaded civil society's efforts to share knowledge about oil and gas governance, mobilize public input and advocacy on the formulation of oil and gas policy, and forge a common strategy for engaging constructively with key stakeholders such as the government, Parliament, petroleum companies, and oil-affected coastal communities (Gyimah-Boadi & Prempeh, 2012)<sup>5</sup>. It is against this background that the thesis seeks to examine the contribution of civil society in avoiding the resource curse, the case of oil in Ghana.

## **1.2. THE HISTORICAL BACKGROUND TO THE OIL FIND**

In June and September 2007, a consortium of companies comprising Kosmos Energy Ghana (Kosmos), Sabre Oil and Gas Limited, Tullow Ghana Limited (Tullow) Anadarko Petroleum Corporation and E.O Group, in conjunction with the Ghana National Petroleum Corporation (GNPC) made known discoveries of significant quantities of oil and gas in

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<sup>3</sup> (Fieldwork interview, 2013) Interviews conducted on the field confirmed this assertion with an overwhelming number of respondents from civil society groups based in Accra and Western Region stating this fact.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

Offshore deepwater Tano/Cape three Point Basins. After these discoveries, work began on how oil production could start at the region. On the 15<sup>th</sup> of December 2010 Ghana officially began oil production in commercial quantities when the late President John Atta Mills, opened the valves in a televised ceremony at a floating platform some 60km off the Atlantic Coast.

There is therefore the need to understand the history of the exploration of oil and gas in Ghana as discussed below.

### **1.2.1. A brief history of oil and gas exploration in Ghana**

Undisputedly, oil exploration in Ghana is not a recent phenomenon. Contrary to popular misconception, Ghana has a fairly ‘checkered history’ of petroleum exploration going back over a century (Osei, 2011).

The history of oil in Ghana could be categorized into four (4) phases or stages. According to Manu (2011:8), these are the initial phase, which was made up of onshore exploration that took place between the years 1896 and 1969; the second phase concentrated on offshore exploration which occurred between the years 1970 and 1984; the third phase was between the years 1985 to 2000, in 1985 when the government saw the need to establish GNPC to be part of the exploration at the fore-front and later on in 2000 the mandate ended; the fourth stage is from 2001 to date during which period the GNPC was to focus on its main function of collaborating and facilitating the quest for commercial quantities of hydrocarbon deposits and other extractions.

In 1896, The West Africa Oil and Fuel Company (WAOFCO) was the first oil company to pioneer oil exploration in the Gold Coast (Ghana). Though there is limited information on corroborative primary data available on this company, Osei (2011) contends that,

WAOFCO's arrival was most remarkably inadequate if any data had accumulated on the prospects of uncovering commercially the hydrocarbon reserves in the Tano fields. Nkrumah et al (2008) also suggest that evidence exists of the commercial oil drilling in the later part of the 19<sup>th</sup> century till WWII (the Second World War) at Boka Agloe, a community in the western Region of Ghana. WAOFCO's chief aim at that time was focused at the rich onshore Tano field in the Western Region of Ghana. Between the years of 1909 and 1913, WAOFCO drilled five (5) wells and only one was documented, (that is the WAOFCO-2). Again, between the years 1909 and 1913, a French oil company called Societe Francaise de Petrole (SFP) also followed WAOFCO's efforts into the country and was able to drill a total of six (6) wells (Osei, 2011).

According to Osei (2011), SFP first well the SFP-1 struck oil at the depth of 10-17meters and produces 7 barrels of oil per day (bopd). Four (4) out of the five (5) wells also proved to have a promising future for oil. Again, in the quest of oil, the African and Eastern Trade Corporation (AETC) joined in the early drilling rush in the Onshore Tano area and encountered oil and gas between the years 1923 and 1925. Subsequently, another company called Gulf Oil Company also joined by acquiring the Onshore Tano license and drilled four (4) more deep wells in the Tano area between the years 1956 to 1957 (Osei, 2011).

After 1957, news of promising oil discoveries made Ghana somehow attractive to foreign investors despite the setbacks that preceded earlier exploration attempts. For example from 1960 to 1967 diverse groups of Soviet and Romanian geo-scientists joined the search for petroleum resources in the Volta and Accra/Keta Basins (Osei, 2011). Their exploratory activities and their resulting geophysical data in Osei's (2011) view led to an important operational shift from onshore to offshore shallow waters exploration.

After 1967, the Soviets and Romanians left and new ambitious expatriate companies came on board, which carried out further offshore drilling activities. Osei (2011) points out that “it is significant to recall that it is during this period that the discoveries of hydrocarbons were for the very first time made in saltpan basin”.

### **1.2.2. The discoveries of oil and gas in Ghana: the role of GNPC**

In the year 1970 the first discovery of oil and gas was made in the Saltpond field and more discoveries were made from the years 1970 to 2000 at various parts of the Tano Basins. Under the Busia regime in 1971, R.R Amponsah was said to have brought a sample of oil collected from one of the explorations to parliament and made a public exhibition of the discovered oil (Osei, 2011). In 1973 there was a gas find in the Cape Three Point area. Subsequently, in 1975 under General Kutu Acheampong’s regime the first offshore commercial hydrocarbon production took place in the Saltpond Basin under the operation of Agripetco (Osei, 2011).

Ghana’s first petroleum law was passed in 1983 PNDCL 64 which established the Ghana National Petroleum Corporation (GNPC). Under section 26 of the Law, suitable staff of the Petroleum Department was transferred to form the core of that infant GNPC. From 1984, exploration activities took a new dimension with the enactment of the PNDCL64, which gave new statutory and legal framework that would accelerate exploration and production efforts (Osei, 2011).

GNPC’s core mission was mainly to promote, explore and develop the hydrocarbon resources of the country through lean, efficient and technology-driven investment so as to

enhance the economic and development of the nation. It was to become a world-class corporation capable of making the nation a fast growing destination for upstream petroleum investment in West Africa (Osei, 2011)

From the year 1983 and 1989, the GNPC was able to conclude several agreements with various foreign oil and gas firms. A classic example was that of a US-based oil company called Amoco, to prospect in the ten (10) offshore blocks between Ada and the western borders with Togo. According to Osei (2011), in the year 1989 three companies, two American and one Dutch, spent US\$30 million drilling wells in the Tano Basin and on the 21<sup>st</sup> of June 1992, the offshore Tano Basin well produced about 6,900 barrels of oil daily.

Again, Osei (2011) points out that in 1992, the Tema Lube Oil Company commissioned a new oil blending Plant, which was to produce 25,000 tons of oil per year. The plant was to satisfy all Ghana's requirement for gear and motor lubricants and 60 percent of the country's need for industrial lubricants, in all, 90 percent of Ghana's demand for lubricants products. The shareholders included Mobil, Shell, and British Petroleum, Ghana National Petroleum Corporation and the Social Security Insurance Trust. In order to accelerate deepwater oil exploration, the GNPC funded the acquisition, processing and interpretation of the first 3-D seismic data over the South Tano Field and other areas from 1989 to 1991.

The GNPC drilled several wells in the Tano area namely;

1. The North Tano (Gas) field with established reserves of over 73 billion cubic feet of gas.
2. Tano South (Oil and Gas) Field with estimated reserves of over 14 million barrels of oil and about 120million cubic feet of gas.

3. The West Tano (Oil) field bearing heavy crude oil estimates at over 4.0million barrels.

Subsequently, the GNPC invited several companies to conduct exploration activities in the offshore basin of the country among them are Nuevo Energy, Dana Petroleum, AGIP, Diamond Shamrock, Devon Energy, Santa Fe Energy and Fusion Oil. Their activities brought about acquisition of large volume of valuable data that was to become useful for the future operation in the search for oil in Ghana (Osei, 2011).

During this period more explorations were going on in the basin in order to find oil and gas (Manu, 2011). It was during this period of the exploration that some popular oil companies got attracted to the possibility of Ghana becoming an oil producing country (Manu, 2011). Though offshore drilling is deemed relatively dangerous and more expansive it did not stop further search by these companies. For example 1997 and 1998 Hunt Oil Company and Nuevo Energy Company sank wells in the deep water off West Cape Three Points to a depth of 252feet and 170 feet respectively (Manu, 2011). Some companies such as Philips Petroleum, Atlantic Richfield Company Limited, Petro Canada International Assistance Corporation (PCIAC) and Ghana National Petroleum Corporation (GNPC) made some exploratory and appraisal drillings from the progress made by previous companies (Manu, 2011). Companies like Kosmos Energy, Tullow Energy, Norsk Hydro and Gas Hess Corporation, Anadarko and E.O Group eventually became part of the explorations leading to the discovery of commercial quantities of oil and gas off the Cape Three Points (Manu, 2011).

Also, Osei (2011) opines that some significant landmarks in Ghana's oil and gas industry include:

1. The enactment of the petroleum (Exploration and Production) Law, 1984, PNDCL 84, which established the legal and fiscal framework for the conduct of petroleum exploration and production activities in Ghana.
2. The enactment of the petroleum income Tax Law, 1987, PNDCL 188, again by the PNDC government, which provides a separate tax regime for the petroleum sector.
3. The formulation of a Model Petroleum Agreement as the main guide for Petroleum Agreements and
4. Discovery of Significant oil provinces in 2007.

The year 2008 was devoted to appraisal works (finding out how much oil could be produced from the field) and developing a plan for the jubilee field. After such appraisals, it was estimated that the field would be producing 120,000 bpd by the end of 2011 (Manteaw, 2011).

### **1.3. STATEMENT OF THE PROBLEM**

Undisputedly, Ghana has a long history of natural mineral endowment, which led in colonial times to the country being known as the Gold Coast. Though Ghana is Africa's second-largest gold producer, she has experienced disappointing results in translating her mineral wealth into broader economic development (Ayee et al., 2011). For instance, the mining sector is and continues to be one of the biggest contributors to the Internal Revenue Service through payment of mineral royalties, employee income taxes, corporate taxes and ancillary levies (Ghana Chamber Of Mines, 2006 as cited by Boon & Ababio, nd). Again, the mining sector contributes to about 12% of government revenues, 7% of

Ghana's total corporate earnings and 41 % of total export earnings (Ayee & Aboagye, 2008 as cited by Boon & Ababio, nd). Despite this, Ghana is yet to translate all these into broader social and economic development. This has raised a lot of questions on the new oil discovery: if Ghana has not been able to translate its mining industry which has been around for decades into broader economic and social development how ready is it to manage this new resource?

Clearly, the case of oil in Africa has often received negative reportage. Nigeria is a classic example, with over 50 years of substantial oil production which has not resulted in sustainable socioeconomic development in the country. In Nigeria today the poverty level is extremely high, with 50 percent of the population living on less than US\$1 per day, in fact as at 2010 the poverty level rate exceeded that of the period before the oil boom in the 1970s, which was 35 percent (Mahler, 2010). Again, cases like Angola, Sudan, the Democratic Republic of Congo, Gabon, Equatorial Guinea, Sierra Leone, Liberia and several others have endured the difficulties brought on by the presence of high sought after raw materials, particularly oil and precious gemstones (Mbabazi, 2009).

More importantly, research has proven that the resource curse could easily be avoided in countries with high quality institutions. North (1990) and Coase (1998) have emphasized the most influential role of institutions in relation to progress, development and stability. Boschini (2003) and others opine strongly that, countries with high-quality institutions, well-developed financial systems and open to international trade suffer much less from the resource curse syndrome and are likely to even escape it. A classic example is Botswana where through good government policies, strong political leadership, long-term development plan, effective anti-corruption laws and high civil engagement the country

has been able to escape the natural resource curse. Hence, the challenge for resource-rich Africa to improve their institutions in order to reduce the blows of the resource curse syndrome (IMF, 2005).

Ghana, in relation to other African states, is seen to perhaps have strong institutions. In support of this Gyimah-Boadi (2009) points out that the state has strong judiciary and legislative branches, and a democratic executive branch that is regularly changed through generally free and fair electoral means. Also, Ghana's media is described as vibrant and ranks 41<sup>st</sup> in the world and 6<sup>th</sup> in Africa according to Reporters Without Borders (2012). It is worth noting that civil society, the state and business are three core sectors or institutions that play important roles in the development of a country.

Again, since the adoption of multi-party democracy in 1992, Ghana's thriving democracy, good governance practice and vibrant media have created an enabling environment for civil society. Civil society activities in Ghana have expanded from purely service delivery initiatives to active public policy advocacy work as a result of global initiatives such as the Poverty Reduction Strategy Papers, the Millennium Development Goals and the Accra Agenda for Action (AAA) which have encouraged and defined the interface between government, donors and civil society organisations (CSOs) (Bashiru, 2011).

Subsequently, Prempeh and Kroon (2012) posit that an increasing number of Ghanaian civil society organizations (including think tanks) are becoming active in the oil and gas sector. In their view, quite a number of these organizations focus on governance issues, macro-economic aspects and legislative reform (Prempeh and Kroon, 2012). Also, others focus on areas such as public financial management and budget analysis (Prempeh and Kroon, 2012).

Though strong and working institutions played a vital role in Norway, Venezuela and Botswana for them to escape the resource curse, there is so far no research on the specific role or contribution that civil society as an institution played in their success. This is why the researcher seeks to investigate the contribution of civil society in the case of Ghana's oil in the avoidance of the resource curse. That is, despite the existence of various civil society groups in Ghana, there appears to be little research or literature focusing on the contribution civil society groups have made in Ghana's oil and gas sector in order that she could escape the "resource curse". It is from this backdrop that this research seeks to critically assess the contribution of civil society in the Ghanaian petroleum sector.

#### **1.4. RESEARCH QUESTIONS**

The central question that the study seeks to answer is what has been the contribution of civil society in the petroleum sector in Ghana during the early stages of the discovery? In an attempt to understand and deal with these problems outlined above the following questions are raised:

- What is the resource curse (focusing on oil)? And what are its leading causes?
- What are the proposed solutions to the resource curse, with emphasis on the democratic institutions and processes, especially, civil society?
- What was the contribution of civil society in the early stages of the oil discovery in Ghana, particularly in shaping the legal and institutional framework for oil management, example, the drafting and passage of the Petroleum Revenue Management Act (PRMA) by Ghana's Parliament?
- What has been the contribution of CSOs, so far, in the implementation of the legal/regulatory framework and over-sighting oil revenue management, among other things? How effective? What quality?

## **1.5. OBJECTIVES OF THE STUDY**

The research sets out to achieve the following objectives:

- Examine the phenomenon of the resource curse as it relates to oil.
- Explore the proposed solutions to the resource curse in Ghana.
- Explore the role of civil society in the drafting and passage of the Petroleum Revenue Management Act (PRMA) by Ghana's parliament.
- Assess the adequacy and the suitability of civil society in monitoring Ghana's oil and gas resources considering the experiences of other oil-producing countries.
- Offer recommendations to maximize the benefits of Ghana's oil discovery for the development of the country so as to avert the oil resource curse.

## **1.6. THEORETICAL FRAMEWORK**

This study is situated within the Social Capital Theory. Social capital has emerged as a framework for understanding and analyzing the relationships among stakeholders involved in community development. It has been identified as a crucial ingredient in achieving equitable and sustainable development (Abom, 2004).

Social capital has been defined by Bourdieu (1986: 251), as

The sum of the resources, actual or virtual, that accrues to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.

Also, Coleman (1988:96) defines social capital by its function that

It is not a single entity, but a variety of different entities having two characteristics in common: they all consist of some aspect of social structures, and they facilitate certain actions of individuals who are within that structure.

Social capital could also be defined as, the features of social organizations that facilitate coordination and co-operation for mutual benefit of the members as a whole (Putnam, 1993; 1995). Some of the features include social networks, reciprocity, norms and trust (Coleman, 1990; Carroll, 2001; Grootaert & Bastelaer, 2001; Uphoff & Wijayarantna, 2001; Bowles & Ginitis, 2002) that enhances collective action to gain a more sustainable development (Carney, 1998; Pretty & Ward, 2001; Woolcock, 2001). The strength of social capital theory is that it is less ambiguous and that it is easily measured imperially, also it is easily applicable and could be used for comparative analyses. More so, it draws from and influences a range of behaviour and activities.

In the view of Grant (2001) the concept has its roots in various theories such as social support and social networking, as well as governance and community participation. Also, Bautista (2001) points out that, social capital has received novelty and heuristic power because of two main reasons. Firstly, it focuses on the positive consequences of sociability. Secondly, it highlights the fact that nonmonetary forms can also be sources of power and influence.

This research would focus on the associational or network component of the social capital theory serving as a strong force for collective action to help Ghana to utilize its oil for the common good in order to avoid the resource curse.

A core assumption of the social capital theory is that networks have positive externalities that go beyond the benefits individuals pursue: they promote norms of generalized reciprocity and the emergence of trust, they facilitate coordination and communications, they contribute to the spread of the political expertise, they reduce the opportunism and

foster collaboration and they enhance the participation's taste for collective benefits (Putnam, 2000).

Various studies on natural resource management have used this theory based on these reasons. First of all, Putnam (1993) relates social capital to collective level units, such as associations, communities, and regions. Secondly, Putnam (1993) presents social capital as a solution to the dilemmas of collective action. Thirdly, Putnam applies the social capital framework to the study of the performance of institutions, such as regional governments.

This research will use the three reasons outlined above by Putnam (1993). First of all, Putnam relates social capital to collective level units such as association, communities and regions. This aspect of the theory could be seen at the early stage of Ghana's oil discovery particularly March 2010, where more than 110 civil society groups, comprising policy and governance think tanks and research organizations, human-rights and environmental groups, and community-based organizations from coastal districts near the Jubilee field, joined with local oil-policy experts and activists to form the Civil Society Platform on Oil and Gas (Gyimah-Boadi and Prempeh, 2012).

Secondly, Putnam (1993) offers social capital as a solution to the dilemmas of collective action. Collective action is recognized as an important component of rural development and local-level natural resource management as pointed out by (McCarthy, Dutilly-Diane, and Drabo, 2004). In my opinion, it is an essential ingredient for national development as well, as demonstrated by the formation of the oil and Gas platform in Ghana. The feature of collective action is clearly seen at the early stage of oil discovery in Ghana leading to

the formation of the oil and Gas platform in Ghana, as Gyimah-Boadi and Prempeh (2012:97) argue that

The advent of oil has galvanized Ghana's normally splintered civil society into collective action. Working together and often in collaboration with the media and parliament, civil society has played an influential role in the development of key legal and institutional pillars for managing Ghana's hydrocarbons.

Thirdly, Putnam applies the social capital framework to the study of the performance of institutions, such as regional governments. This aspect would be linked to the various policy think tanks which are a part of the platform on oil and gas in Ghana as pointed out by Prempeh and Kroon (2012) that an increasing number of Ghanaian civil society organizations (including think tanks) are becoming active in the oil and gas sector. Most of these think tanks are keen in studying the performance of institutions such as government in the oil sector and where necessary offer some policy recommendations.

Social capital as a theory is not without criticism. Haynes (2009) argues that social capital as a concept is based on a misleading metaphor and that it is not capital. In his opinion social capital is different from other types of capital as described by economists. Citing examples from scholars like Arrow (1990) who argues that the word "capital" implies three elements: extensions in time; an intended sacrifice for the deferred benefit; and alienability. Arrow concludes that the concept of social capital lacks each of the three elements required to be a genuine example of capital and therefore found no reason for "adding something called 'social capital' to other forms of capital" (Arrow, 1999:4, cited in Haynes, 2009:4).

Further to this, Haynes (2009:4) points out that some scholars outside economics noticed that the difference with other forms of capital weakens the ‘explanatory power’ of the theory often being mixed up with functions of other capital. In support of this, Haynes (2009:4) cites examples of scholars such as Bowles (1999) who argue that though the concept of “social capital” might describe important relationships, the word itself and its conceptualization in the literature is unlike the other forms of capital and that the term “social capital” should be discarded.

Haynes (2009) also cites Robert Solow (2000:7) who argues that the term social capital is an attempt to build on a “bad analogy”. Solow (2000) illustrates this by stressing that, by even asking simple questions to develop the analogy such as (what is social capital a stock of? What is its rate of return?). This breaks down, a simple strategy that Solow demonstrates: “is the quickest way to explain why I doubt that ‘social capital’ is the right concept to use”(Solow, 2000:7 as cited in Haynes, 2009:5). In Solow’s concluding remarks, he posits that, I do not see how addressing this set of issues in the language and apparatus of capital theory helps much, one way or the other (Solow, 2000:7 as cited in Haynes, 2009:5).

Another scholar cited by Haynes (2009) in support of this argument is Claude Fischer who opines that the term social capital is unnecessary as other clearer and simpler terms, such as membership, trust and sociability, serve perfectly well on their own. Haynes (2009) suggests that even supporting concepts of social capital such as “bridging” and “bonding: fits better with different metaphor, such as ties or associations, while many of the reasons for using the term are based on the conjectures, for instance that trusts norms are closely related to networks. Furthermore, the susceptible to a slippery slope argument. He

suggests that even before the content of the concept is studied thoroughly the use of the term or word “capital” must be seen to and that its meaning clarified: in the words of Fischer (2005) “the phrase itself is a problem. It is a metaphor that misleads: Where can I borrow social capital? What is the going interest rate? Can I move some of my social capital off-shore? (Cited in Haynes, 2009:5).

Secondly, Haynes (2009:9-10) argues that “social capital is not an explanation but rather a tautology”. He stresses that a key limitation for some influential social capital explanations such as that of Putnam (1993) is that, they begin with the effect of social capital and go ahead to describe the difference between positive and negative examples in terms of the way social capital has been the cause of these effects. These explanations are not explanations at all in his view but rather “circular arguments”. In support of this, Haynes (2009) cites Portes (1998:5) who points out that when Putnam argues that a town is “civic” because it has civic participation and “in civic” if it doesn’t, it explains nothing and that “equating social capital with the resources acquired through it can easily lead to tautological statements” (Portes, 1998:5, cited in Haynes, 2009; 10). In Haynes’ (2009:10) opinion

untangling the cause, effects, correlations and conjunctions is difficult undertaking when dealing with networks and complex interdependencies, and bold claims should be based on theory, a mechanism, excellent case studies or other solid empirical findings preferably triangulated with other data.

Furthermore, Lin (1999) (cited in Haynes 2009:10) opines that, research in social capital failed to consider ways in which social relationships have found new ways in expressing themselves explaining that technology facilitates communication through blogs, posting on the message boards, or social networking with over 500 million members leading to social interactions, relationships, campaigning and the spread of information and knowledge.

Haynes goes further to cite examples from Wuthnow (1998) who shows that there are changes in participation instead of a decline, with changes from bureaucratic form to more ad hoc kinds of participation, which have manifested themselves in different forms that social capital research has not picked up on. Haynes concludes that “social capital interpreted as the “right kind of connectivity” can be a form of hindsight bias or confirmation bias even when it seems to be a cogent explanation” (Haynes, 2009:10).

### **1.7. SIGNIFICANCE OF THE STUDY**

The contribution of civil society in avoiding the resource curse in Ghana especially as it relates to oil needs to be researched into. This would enable government to clarify, improve and strengthen policies and practices. It would also strengthen the knowledge-base on ways in which oil resource in Ghana will become a blessing not a curse. This study will add to the existing repertoire of knowledge in political economy of Africa and development studies and may serve as a basis for further research.

### **1.8. SCOPE OF THE STUDY**

The scope of the study was limited to the contribution of civil society in avoiding the resource curse in Ghana focusing specifically on the oil and gas industry. The study covers civil society organizations, particularly those who were part of the civil society platform on oil and gas in Ghana, and some few civil society organizations that are indirectly involved in the oil and gas industry.

### **1.9. DEFINITION OF CONCEPTS**

The following key concepts will be defined. These are the resource curse, Dutch disease, and civil society.

### **1.9.1. Resource Curse (The paradox of plenty)<sup>6</sup>**

As a starting point it would be helpful to define resource curse or the paradox of plenty. In simple terms, resource curse has been defined by Karl (2007:4) as “the inverse association between growth and the dependence on natural resource revenues, especially mineral and oil”.

Again, resource curse according to Warner (2006:9) is

the phenomenon whereby a country with an export-driven, natural resources sector, generating large revenues for government, leads paradoxically to economic stagnation and political instability.

An all encompassing definition of resource curse by investopedia (2012) is

A paradoxical situation in which countries with an abundance of non-renewable resources experience stagnant growth or even economic contraction. The resource curse occurs as a country begins to focus all of its energies on a single industry, such as mining, and neglects other major sectors.

Central to these definitions is the inverse or paradoxical relationship between export driven natural resource enterprise such as oil and its reflection on the development of the country’s economy. The study uses the phrase ‘resource curse’ to refer to a situation whereby a country channels all its efforts into its oil and gas industry at the expense of other equally important sectors.

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<sup>6</sup> In this study Natural Resource Curse and Resource curse are used interchangeably to mean the same concept.

### 1.9.2. The Dutch Disease<sup>7</sup>

The Dutch Disease as defined in Investopedia (2012) is

Negative consequences arising from large increases in a country's income. Dutch disease is primarily associated with a natural resource discovery, but it can result from any large increase in foreign currency, including foreign direct investment, foreign aid or a substantial increase in natural resource prices.

The phrase "Dutch disease" originates from a crisis in the Netherlands in the 1960s that resulted from discoveries of vast natural gas deposits in the North Sea. The new found wealth caused the Dutch guilder to rise, making exports of all non-oil products less competitive on the world market (Investopedia, 2012).

Also, the Dutch disease according to Roll (2011:10)

refers to the massive inflow of resource-based state income driving the real exchange rate and wage levels up. Productive and trading sectors, especially manufacturing and agriculture thus become less competitive on the world market.

In a nutshell, the 'Dutch disease' is a situation where a state focuses on the export of one commodity and so, becomes economically vulnerable and this affects all other sectors making them less competitive.

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<sup>7</sup> The Dutch Disease was first used as the title of an article published in The Economist of 1977. Originally, "Dutch disease" had an explicit meaning: it referred to the impact that a 1959 discovery of natural gas in the North Sea had on the Netherlands (the Dutch). The large foreign exchange earnings from the export of gas in that country led to a shift in prices and in the exchange rate, so that previously competitive exports lost market share, and their production fell.

### 1.9.3. Civil Society<sup>8</sup>

Also, a more comprehensive definition of civil society is given below by the London School of Economics (2006). According to the School

Civil society refers to the arena of uncoerced collective action around shared interests, purposes and values. In theory, its institutional forms are distinct from those of the state, family and market, though in practice, the boundaries between state, civil society, family and market are often complex, blurred and negotiated. Civil society commonly embraces a diversity of spaces, actors and institutional forms, varying in their degree of formality, autonomy and power. Civil societies are often populated by organizations such as registered charities, development non-governmental organizations, community groups, women's organizations, faith-based organization, professional associations, trades unions, self-help groups, social movements, business associations, coalitions and advocacy groups.

Civil society in the view of Drah and Oquaye (1996:1) is

The presence of an assortment of intermediary organizations and associations that operate in the social and political space between the primary units of society (individual nuclear and extend families, clans ethnic groups village units) on the one hand and the state (government) and her agencies on the other hand. These include labour unions recreational clubs, human rights groups and political parties (Drah & Oquaye, 1996).

Gyekye-Jandoh (undated) puts civil society in Ghana into three groups, these are: "private media, traditional CSOs, and newer CSOs". The private media comprise radio, television, print, with radio being the most ubiquitous throughout Ghana. Traditional CSOs include the Christian Council, long-standing professional groups like the Ghana Bar Association (GBA), and the Trades Union Congress (TUC). Also, newer CSOs are 'made of GONGOS (government-sponsored NGOs), QUANGOs (quasi-NGOs), and "political" NGOs'.

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<sup>8</sup> Civil society as used in this study refers to those groups and associations that have particular interest in the oil and gas industry and any other groups or associations that have made substantial contributions in the industry.

Due to the broad nature of civil society this research focuses more on the “newer CSOs” according to Gyekye-Jandoh (nd) particularly the “Political” NGOs. However both the private media and traditional civil such as the Ghana Christian Council and the Ghana Bar Association (GBA) was included. “Political” NGOs, according Gyimah-Boadi et al’s (2000) comprise independent policy research and advocacy institutions that aim at promoting respect for human rights and protection of democratic freedoms in particular, and in general, aim at the facilitation of democratic consolidation in Ghana. Classic examples include the Integrated Social Development Centre (ISODEC), African Centre for Energy Policy (ACEP), the Institute for Democratic Governance (IDEG), the Institute of Economic Affairs (IEA), the Ghana Centre for Democratic Development (CDD-Ghana), and Ghana Alert (Gyekye-Jandoh, nd).

From these definitions above, it can be deduced that civil society is sufficiently autonomous and is neither part of government nor the household; civil society is expressed in associative behaviour; civil society operates within a set of norms and values which it establishes; civil society is both the space and the activity that occurs in the space; civil society is political though it may not necessarily seek political power. It is worth noting also that the presence of autonomous voluntary associations and socio-political movement does not necessarily mean that a civil society exists (Foster, 1996).

### **1.10. LOCATION OF THE STUDY**

This research focuses on the resource curse and civil society could be placed under comparative politics and development studies. The study tries to investigate the contribution of civil society in Ghana to enable that the country to escape the resource curse. The research seeks to add to the literature on resource curse, civil society and

resource management, therefore, it constitutes a great asset to both civil society and scholars in this field.

### **1.11. ORGANIZATION OF THE STUDY**

The study is divided into five chapters. Chapter one is made up of the introduction and the research design.

Chapter two contains the literature review on the general notion of resource curse, the causes of the resource curse, proposed solutions to the resource curse, role of government in avoiding the resource curse in Ghana, the role civil society in avoiding the resource curse in general, civil society contribution in Ghana's petroleum industry and some limitations of the resource curse literature.

Chapter three is devoted to research methodology, which entails data collections and sources of data, method for data analysis, and some limitations of the qualitative methodology.

Chapter four is devoted to data analysis which entails, discussions and presentation of data, as well as the analysis of the role of civil society in Ghana in avoiding the resource curse the case of oil; while Chapter five encompasses summary findings, conclusions and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1. INTRODUCTION

Ghana began production of oil in large quantities in the last quarter of the year 2011. At the early stage of the discovery of oil, Ghanaians welcomed the announcement of the oil find with great happiness and exhilaration, even the President John A. Kufuor said the discovery of oil could propel Ghana to become an ‘African Tiger’ in some few years (Gyimah-Boadi and Prempeh, 2012:94). Many developing countries in Africa (even Sub-Saharan Africa) have somehow managed their natural resource badly. For instance, available literature attests to the fact that several countries rich in natural resources experience lower economic growth as compared to those countries without these natural resources (Gelb, 1989; Auty, 1993; Ross, 1999; Danquah, 2009).

Since several African countries rich in mineral resources have experienced lower economic growth, it has brought about a great search for solutions, which includes academic discussion on how best to curtail this resource curse, which undeniably exists in our world today. Various suggestions and ideas have come from scholars such as Sach (2007), Ross (2007), Karl (2007), Danquah (2009), Roll (2011) and more.

The literature review examines the various opinions of the resources curse in general by reviewing works on divergent and convergent views of the resource curse. Also, it discusses the causes of the resource curse as argued by several scholars. Then, it points out the proposed solutions to the resource curse by various scholars, with emphasis on the democratic institutions and processes, especially civil society, stressing the examples of Norway, Venezuela, Botswana, and Uganda. It also outlines the contribution of the

Government of Ghana in avoiding the resources curse. More importantly, it outlines the mark made already in Ghana's oil and gas industry by civil society groups. It argues strongly that civil society has played and continues to play a crucial role in order that Ghana could perhaps escape the resource curse, which plagues many African countries. Finally, it points out some limitations of the resources curse literature such as, it ignoring the influence of historical development, that current research has not been able to give a sufficient description of the causal relationship between natural resources and negative outcomes and other limitations.

This literature review is useful for the following reasons; First of all, it discusses the resource curse literature in general looking at the various discourses on the resource curse and synthesizing them within the framework of this research.

Secondly, it outlines some explanations for the resource curse and points to the fact that inadequate institutions are a major cause of resource curse and hence the strengthening of institutions such as civil society to enhance participation, transparency, accountability and development.

Thirdly, the review points out the role of civil society in the effective monitoring (maintaining regular surveillance) of a country's oil and gas resources in general and particularly in Africa, drawing from the experiences of countries such as Venezuela, Norway, Botswana and Uganda in Africa and how their civil society contributed to their success. The review also, points to the role civil society has played in the drafting and passing of the Petroleum Revenue Management Act 815 (PRMA) in Ghana and the role it continues to play in the sector so far.

## **2.2. THE GENERAL NOTION OF THE RESOURCE CURSE <sup>9</sup>**

Before the late 1980s, the general notion of some scholars was that abundance of natural resource in a country would enhance or facilitate its development and growth. For instance in the 1960s, Rostow (1961) went on arguing that natural resource endowments would enhance developing countries to transition from the underdevelopment stage to the industrial ‘take off’ stage like it happened to countries such as United States, Britain and Australia. In the 1970s and 1980s neoliberal economists such as Drake (1972), Krueger (1980) and Balassa (1980) argued in a similar way as Rostow (1961) and the like. Some radical economists and structuralists came out to critique this opinion, arguing that the structure of the global economy and the makeup of the international system put developing countries endowed with natural resources and which rely on their export at a lesser advantage (Singer 1950; Prebisch 1950; Nurske 1958; Levin 1960; Hirschman 1958).

After the 1980’s, several studies on the natural resource abundance challenged the position of earlier scholars such as Rostow (1961), Drake (1970), and the like, arguing that natural resource abundance in developing countries has been more of a curse than a blessing. In their view, natural resource abundance increases the chances of these developing countries in first of all, experiencing poor economic growth (Gelb et al, 1988; Auty, 1993; Sachs & Warner, 1995; Gylfason, Herbertsson & Zoega, 1999; Leite & Weidmann, 1999; Neumayer, 2004; Hayford & Klein, 2005; Danquah, 2009; Frankel, 2010; Rolls, 2011); secondly, causing high level of poverty (Ross, 2003; 2007); thirdly, leading to authoritarian rule (Wantchekon, 1999; Ross, 2001; Jensen & Wantchekon, 2004); and finally leading to civil war (Collier & Hoeffler, 1998; 2000; 2005; Collier, Hoeffler & Soderbom, 2004).

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<sup>9</sup> This is the first objective of the study, which is to examine the phenomenon of the resource curse. It is revisited in the analysis and presentation (chapter four) with empirical evidence from respondents through interviews.

Scholars like Sala-i-Martin and Subramanian (2003), Isham et al (2005) posit that any increase in the dependence of resources beyond a particular level tends to cause an exponential increase in the likelihood of harmful effects. They suggest that the increase in resource abundance leads to a high risk of economic and social problems and not necessarily leading to a resource curse.

Again, other scholars have challenged the general perceptions of Gelb et al (1988) that natural resource abundance does not lead to resource curse. In support of this challenge, Rosser (2006) cites the examples of countries such as Chile, Botswana, Indonesia and Malaysia, which have somehow been able to escape the resource curse.

The resource curse “basically says that countries rich in natural resources are less well off in terms of economic growth and development more generally than countries without such an abundance of natural resources” (Rolls, 2011:9). In support of this claim, Kapela (2009) gives the example that the per capita GDP in resource rich nations grew by only 0.8 percent compared to 2.1 to 3.7 percent in resource constrained nations from 1970 to 1993 (Kapela, 2009:11).

However, Danquah (2009) and others have criticized this comparison between rich-resourced states and states without abundance of natural resources as risking ‘selective bias’ by choosing highly performing East Asian states which are unique and different from rich resourced developing countries in the south and making general conclusions (Danquah, 2009:9). This research supports Danquah (2009) and others on this point, that indeed most of these countries in Africa are unique and different from these Asian tigers.

It agrees with Danquah (2009) who argues that analyzing resource rich countries that are suffering from underdevelopment should be done on ‘case specific’ approach (Danquah, 2009:8).

### **2.3. THE LEADING CAUSES OF THE RESOURCE CURSE<sup>10</sup>**

In explaining the resource curse Danquah (2009:10) places them into two categories; these are, in his words “the economic interpretation” and “politico-institutional analysis”. This can be classified as the economic explanations and the political-institutional explanations, with the former focusing on economic factors such as GDP, the Dutch Diseases, oil price volatility<sup>11</sup> and the latter, focusing on political and institutional factors such as state, civil society and others.

Rolls (2011:10) however, in his explanations of the manifestations of the resource curse placed them into three categories which are; the Dutch disease mechanism, the expansive spending mechanism and the ‘rentier state’ mechanism. The first two mechanisms he calls “classical economic mechanism” and the last one he calls “political mechanism” (the effect of politics and political institutions).

In an all encompassing manner, Rosser (2006) in his article “The political Economy of the Resource Curse: A literature survey” places the causes of the natural resource curse into seven distinctive perspectives which this research would adopt because of the clarity and focus of the clarification. That is, it does not only deal with the economic causes of the

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<sup>10</sup> Ibid

<sup>11</sup> Price volatility refers to the degree to which prices rise or fall over a period of time.

resources curse but, it highlights other causes such as the political causes of which this research seeks to rely largely on.

In contrast with Rosser (2006), Rolls (2011) places the causes of the resource curse into three categories, though it brings some level of clarity in the explanations of the resources curse. It seems to be explaining the same phenomena of the economic causes (which are the Dutch disease and expansive spending mechanism) in two ways and moreover, this study is concerned about the political causes though the economic causes are not entirely neglected. Hence, the use of the model by Rosser (2006) which are as follows; (i) economic perspective, (ii) behaviouralist perspective, (iii) rational actor perspective, (iv) state-centred perspective, (v) social capital perspective, (vi) structuralist perspective and finally (vii) radical perspective.

### **2.3.1. The economic perspective**

In the view of Ross (1999), a lot of the earlier works on the economic performance of resource rich states revealed that the causal relationship between resource abundance and economic performance were more or less economic in nature. On one hand, Prebisch (1950) and Singer (1950) point out that, resource abundant states suffer from declining terms of trade over a period, which as a result constrained their chances of economic growth and development. On the other side, Nurkse (1958) and Levin (1960) suggest that the issue of resource abundant states was the inherent instability of the international commodity market and that these instabilities could easily be transmitted to domestic economies and it eventually affects the reliability of both government revenues and foreign exchange supplies and greatly increasing risks for private investors.

Furthermore, Hirshman (1958) suggested that the issues with resource abundant states was the 'enclave' nature of natural resource activities and that multinational enterprises in these sectors normally repatriate profits rather than reinvesting them in the economy. To him, it made development challenging by limiting opportunities for the development of backward and forward links that existed between these activities and the entire economy (as cited in Rosser, 2006). Subsequently, several scholars in the 1980's such as Corden and Neary (1982), Bruno and Sachs (1982), Gleb et al (1988) argued that resource abundant countries were susceptible to the 'Dutch disease'.

Most of these schools of thought have come under some scepticism. Subsequent works on patterns in the international commodity prices suggest that while in overall terms prices of commodities exported by developed countries or by relatively successful developing countries in the twentieth century have declined, the prices of commodities exported by other countries have not reduced severely during this same period (Rosser, 2006).

In a similar way, several works have argued that the instability in export prices may benefit the exporter as far as it can encourage more levels of private investment as they seek to protect themselves from future price shocks. Other studies have suggested that export prices instability does have a negative effect on the exporter but failed to demonstrate that it harms exporters of primary commodities (Rosser, 2006). Nonetheless, there has been much support in subsequent studies for Hirschman's argument regarding economic linkages and the Dutch disease hypothesis such as Auty (1999) and others. In Ross's (1999) view, these works suggest that government can take actions to address these problems and that these negative effects may manifest more through political mechanism than economic mechanisms.

Due to the above reasons, most studies on the link between natural resource abundance and economic performance have paid particular attention to the role of political variables in mediating this relationship. On one side of the arguments, economists have increasingly incorporated ideas from political scientists, particularly ideas from neoclassical political economy and the new institutionalism from scholars such as Auty (2001); Torvik, (2002); Isham et al. (2002); Eifert et al, (2003); Rodrik, (2003). On the other hand, political scientists brought with them analytical frameworks like behaviouralism, public choice theory and others most of which focus on the role of these political factors in shaping the economic outcomes (Rosser, 2006). Hence the political twist to the arguments.

Notably, both economists and political scientists agree that the immediate cause of poor economic performance in countries with rich resources is poor economic management. For example some scholars such as Mitra (1994), Karl (1997), Ascher (1999) and others pointed out that fiscal profligacy<sup>12</sup>, overvalued exchange rates, excessive protection, and inefficient use of resource windfalls are the main problems in this respect. However, Rosser (2006:14) contends, that “the broad consensus that poor economic management has been the immediate cause of poor economic performance has not reflected consensus about the underlying causes of this poor performance”. This he contends has generated five main sets of perspectives that are as follows.

### **2.3.2. Behaviouralist perspective**

This school of thought argues that natural resource abundance leads to various types of emotional or irrational behaviour on the part of political leaders or elite, therefore leading to poor economic policy-making and institutional deterioration (Rosser, 2006). For

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<sup>12</sup> Excessive, reckless extravagant spending of country's money.

instance Mitra (1994) and Krause (1995) have argued that, resource booms leads to myopia, sloth, and or over-exuberance among the political elite.

Again, Mitra (1994) argued that resource booms enhance the likelihood of optimism in countries that benefit from such booms, in turn enhancing excessive spending by government. In a similar way, Krause (1995: 322) posits that natural resources (abundance) lead to 'wishful thinking' among policy-makers in these countries.

Furthermore, Macartan et al. (2007) argue that the resource curse occurs partly as a result of governments embarking on the indiscriminate consumption of revenues accruing from their natural resources exploitation. This consumption, they contend leads to consumption of capital rather than income and hence leaves the resource owners poorer as time goes on.

This school of thought ultimately suggests that resource curse is caused by irrational and emotional leaders who make wishful decisions without reason and this is contested by the rational actor school of thought as discussed below.

### **2.3.3. Rational actor perspective**

The rationalist school of thought in their explanation of the cause of the resource curse contrasts the opinions of the behaviouralist school of thought. This school of thought argues that political actors are rational and utility-maximising individuals. Hence, in their view the problem with natural resource abundance is not necessarily that it leads to

irrational behaviour on the part of political actors but rather that it gives them the opportunity to line their own pockets by engaging in rent-seeking<sup>13</sup> (Rosser, 2006).

A couple of these scholars such as Ross (2001), Ascher (1999) and others suggest that members of the political elite are the main problem in this regard. For example, Ross (2001) argues that when governments get a windfall from a resource boom, the rational political leaders or elites will use the opportunity to either directly seize the rents created by resource booms or gain control over the right to allocate them – a process he tags ‘rent-seizing’.

Similarly, Ascher (1999) contends that resource abundant countries have generally not utilised their natural resources due to the fact that political elite have tended to use these natural resources for various programs and political objectives such as the financing of controversial development programs, the provision of economic benefits to particular groups, the capturing of rents for the government’s treasury, the creation of rent-seeking chances in order to secure private sector cooperation in relation to other objectives, the gain of control over rent allocation, and the evasion of accountability.

Also on the issue of rent-seeking, Robinson et al. (2002) insist that this rent-seeking behaviour is most likely to bring about negative economic outcomes when natural resource booms are seen to be temporary due to the fact that political elites will focus on maximising the rents that they can extract in the short-term. Whilst natural resource booms are seen to be fixed, these scholars contend that, political elite will be less interested in short term rent-maximisation because permanent booms increase the likelihood that they

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<sup>13</sup> Rent-Seeking is a situation where a state uses its resources to obtain economic gains from others without reciprocating any benefits back to society through wealth creation.

will stay in power and therefore the gains that they can make by promoting long-term economic development (Rosser, 2006). Even at instances where booms are perceived to be fixed, however, Robinson et al. (2002) warn that economic outcomes are likely to be negative due to the fact that political elite will still have an incentive to engage in less efficient redistribution of economic resources in order to influence elections, with the exception of countries with strong political and economic institutions.

However, other scholars, such as Torvik (2002) have suggested that social actors are more to blame for the increment in rent-seeking. He argues that natural resource abundance increases the rewards that social actors can gain from rent-seeking, and therefore providing them with higher incentive to engage in such manner of behaviour.

#### **2.3.4. State-Centred perspective**

This school of thought argues that natural resource abundance causes poor economic performance not by influencing the behaviour of political elite or social actors but by influencing the state's capacity to promote economic development (Rosser, 2006). Several scholars such as Mahdavy (1970), First (1974), Tanter (1990) and others, for example, have pointed to the challenges associated with so-called 'rentier' states<sup>14</sup>.

Also, due to the fact that these states tend to have large amounts of unearned income to spend scholars like Garaibeh (1987) and Chaudhry (1994) have argued that these states tend to develop greater capacity in distributive roles such as, health, social welfare, education, and productive functions, and that state-owned enterprise sectors are mostly

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<sup>14</sup> Rentier states are states that gets regular and substantial amounts of 'unearned' income in the form of, taxes on natural resource exports or royalties on natural resource production

quite large in rentier states as compared to functions related to the regulation and supervision of the economy and domestic taxation. This harmonises with the view of Luciani (1987:74) that rentier states do ‘not need to formulate anything deserving the appellation of economic policy: all (they need) is an expenditure policy’ (as cited in Rosser, 2006).

Also, other scholars such as Karl (1997), and Auty and Gelb (2001) have done similar analyses to rentier state theorists but using slightly different terms and concepts. For example, Karl (1997: 16) suggests that dependence on oil revenues leads to the emergence of ‘petro-states’, that is states that are geared towards the ‘political distribution of rents’ instead of the promotion of private investment, production and economic growth. Furthermore, Karl (1997) suggests that the emergence of petro-states is most likely where oil’s domination of the economy coincides with the process of state formation. With these cases, Rosser (2006) suggests that with the domination of oil, the state gains a distributive character from its inception, which, given the stickiness of institutions, becomes locked in.

Also, Moore (2004) has pointed out that the abundance of natural resources leads to ‘bad governance’ in developing countries because states’ financial autonomy means that they have little accountability to their citizens. However, Auty and Gelb (2001) have argued that natural resource abundance significantly increases the likelihood that countries will develop predatory or factional oligarchic states instead of developmental ones for the following reasons: (i) the relative abundance of land and the existence of natural resource rents in these countries creates a relatively high tolerance by the poor majority for inequitable asset distribution and predatory rent extraction, in turn decreasing the chances that the state will promote asset redistribution; (ii) resource abundant countries are more

likely to adopt protective trade policies rather than developmental export-oriented policies because they are affected by the Dutch disease; (iii) the large size of the resources sector means that it can support inefficient inward-looking industrial sectors with transfers from the resources sector; and (iv) resource abundant countries are more prone to ‘cumulative policy error’ (Auty and Gelb, 2001: 128–9 as cited in Rosser, 2006).

### **2.3.5. Historico-structuralist perspective**

This school of thought argues that natural resource abundance has harmful economic effects not because of its effects on the behaviour of political elite or the institutional capacity of the state but rather its effect on the relative power of different social groups or classes (Rosser, 2006).

One category of researchers such as Urrutia (1988) and Broad (1995), for example, argue that natural resource abundance strengthens well-connected business groups, by increasing pressure on governments to pursue economic policies which are in the interests of these groups instead of the common economic interest. Similarly, some experts have suggested that perhaps one of the reasons why Latin America has performed relatively less well than East Asia in terms of economic growth and poverty reduction recently is due to the effect of the two region’s natural resource endowments on their industrial policies (Rosser, 2006).

Scholars such as Mahon (1992) and Auty (1995) both argued that, in Latin America natural resource abundance led to the social and political dominance of landed and business elite that had a vested interest in Import-Substitution Industrialisation (ISI), therefore preventing the development of an externally competitive industrial sector. In

East Asia, resource poverty suggested that such elite did not exist, or at least did not exercise significant political and social power, and so making it easier for governments to shift away from ISI towards export-oriented industrialisation and the development of an externally competitive industrial sector (Rosser, 2006).

### **2.3.6. Social capital perspective**

This perspective suggests that the problem with natural resource abundance, particularly an abundance of point source resources, is that it rather undermines social cohesion and in turn limits the capacity of governments to manage economic shocks. Also, ownership of resources is argued, to mostly be concentrated in the hands of a few well-connected individuals or families, a situation that creates severe social tensions. While these tensions may be masked during periods of economic prosperity they come to the surface at times of economic crisis. The result, as it is argued, is that it is difficult to generate a social consensus around a reformist strategy for coping with the crisis. In this context, powerful vested interests typically win out and economic reform is stymied (Rodrik, 1999; Isham et al, 2002; Rosser, 2006).

Though this statement above, that natural resource abundance, particularly an abundance of resources undermines social cohesion and in turn limits the capacity of governments to manage economic shocks the statement portrays social capital as negative. On the contrary, this research argues that social capital could be positive. For example various civil society groups in Ghana came together to form the civil society platform on oil and gas at the discovery of oil. The oil has brought several citizens together (civil society groups). In fact this platform has made several inputs and continues to make inputs into the petroleum sector in Ghana.

### **2.3.7. Radical perspective**

This perspective suggests that natural resource abundance makes a developing country a target for forced incorporation into the global capitalist system (a system in which the interests of poor developing countries are subordinated to those of wealthy developed countries) in turn impairing their ability to pursue autonomous programs of economic development (Rosser, 2006).

Perelman (2003:200), for example has warned that ‘a rich natural resource base makes a poor country, especially a relatively powerless one, an inviting target – both politically and militarily – for dominant nations. In the case of oil, the powerful nations will not risk letting such a valuable resource fall under the control of an independent government, especially one that might pursue policies that do not coincide with the economic interests of the great transnational corporations. As a result, dependency theorists have suggested that governments in resource abundant developing countries are permitted to engage in corrupt and economically damaging activities so long as they remain loyal to the dominant nations and allow the natural resource wealth within their borders to be looted by firms from wealthy countries (Rosser, 2006).

Overall, these perspectives and studies as discussed above make important contribution to the general literature on the causes of resource curse, yet much of these discussions from the behaviouralist to the radical perspective remain a bit theoretical with little empirical support.

## **2.4. PROPOSED SOLUTIONS TO THE RESOURCE CURSE<sup>15</sup>**

There are several works on escaping or solving the resources curse by various scholars focusing on different issues<sup>16</sup>. The most common solutions put forward by scholars are; (i) sound fiscal and monetary policies, (ii) economic diversification, (iii) natural resource funds, (iv) Transparency, accountability and public involvement and (v) direct distribution to the population (as cited in Weithal and Luong, 2006:38-42). These are discussed in detail below.

### **2.4.1. Fiscal and Monetary Policy**

Under this proposition, Katz et al (2004) suggests that in order for rich natural resource states to counter the appreciation of the real exchange rate, these countries are encouraged to accumulate income-producing foreign assets so as to sterilize their local economy from the inflow accrued from their mineral sector (Weithal and Luong, 2006). This, in their opinion enables mineral rich countries to deal with their expenditures when there is a boom and to prevent borrowing during busts. Together, these policies help to secure the domestic economy from the volatility of commodity revenues and lead to budget stability (Weithal and Luong, 2006).

In support of this Sarraf and Jiwanji (2001) cite the example of Botswana of just how countries that implement sound macroeconomic policies and spend their windfalls wisely can combat the Dutch Disease. That, Botswana was able to manage its exchange rate policy by the accumulation of foreign reserves and has run budget surpluses that were kept for stability spending at the periods of economic busts (Sarraf and Jiwanji, 2001). This

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<sup>15</sup> This forms part of the second objective of the study, which is to explore the proposed solutions to the resource curse with emphasis on Ghana. It is also revisited in chapter four with evidence from respondents through interviews conducted on the field.

<sup>16</sup> See *Escaping The Resource Curse*, edited by Macartan Humphreys, Jeffrey D. Sachs and Joseph E. Stiglitz (2007), Columbia University Press.

was due to the country's commitment to fiscal discipline, Botswana stopped wasteful spending during boom periods and borrowing during busts periods (Sarraff and Jiwanji, 2001). Furthermore they argued that, these policies have contributed to Botswana's rapidly growing GDP, which in effect enabled it to move from the 25th poorest country in 1966 to an upper-middle income country within 30 years (Sarraff and Jiwanji, 2001).

The success story of Botswana has attracted some debate. One of the views held by Stevens (2004) and Gelb et al (1988) as cited in Weithal and Luong (2006) is that an insulated and autonomous technocracy focused on long-term developmental goals is important for pushing through macroeconomic policies that may be socially and politically unpopular (Weithal and Luong, 2006).

Weithal and Luong, (2006:39) critique this view arguing that it overlooks the institutional capacity that makes accountability possible, for example those institutions for accountability and transparency that stop rent-seeking and corruption. More importantly, they argue that sole reliance upon an autonomous technocracy "overlooks the need for strong budgetary institutions and procedures that can constrain legislatures and ministries from expanding the budget and promoting 'pet projects'" (Ibid). In countering the works of Stevens (2004) and others, Weithal and Luong (2006) recognized the point made by Sarraf and Jiwanji (2001) that in Botswana's case, she was able to keep a firm budget and prevent overspending due to a legislative procedure which required parliamentary approval for any new public project after its National Development Plan was passed, hence preventing the executive from altering their budget.

On the issue of institutions, these scholars appear to be silent on the input of civil society as an institution and thus the case for this research. In Ghana, we see a similar trend where a vibrant civil society has made and continues to make some input in the oil and gas industry. For instance Gyimah-Boadi and Prempeh (2012) point out that the civil society platform on oil and gas has played a vital role in the developing of Ghana's oil management framework and ensuring transparency in the process of its establishment.

#### **2.4.2. Economic diversification**

According to scholars such as Katz et al (2004) and Sarraf and Jiwanji (2001) in order to prevent the booming export sector and the non-traded goods sector from overshadowing the non-booming export sectors, resource-rich countries are advised to invest windfalls in economic diversification. In the view of Weithal and Luong (2006) these resource-rich countries will be able to protect their economies from shocks caused by market volatility. Furthermore, they contend that economic diversification has a direct link to sound fiscal and monetary policies (that is, when the local currency does not appreciate, the likelihood of decline in the non-booming sectors is reduced). Again, they posit that economic diversification is one of the rare areas in which policy prescriptions have been widely followed. In support of this, Weithal and Luong (2006) argue that with the endorsement of developmental economists and international organizations by the United Nations Conference on Trade and Development, the United Nations Economic Commission, and the World Bank, from the 1960s until the early 1980s most resource-rich states made considerable investments in promoting some other economic sectors of the states.

Auty (1990) and Gelb (1985) have also argued that decisions to mitigate the effects of Dutch Disease by transferring rents from the mineral sector to the non-booming export

sectors have actually had an unfavourable economic effect (as cited in Weithal and Luong, 2006). Again, other scholars such as Auty (1993), Sachs and Warner (1995), and others have argued that in historical context state-led investment has brought not only inefficiency in investment but also has led to import substitution industrialization and protectionism both of which are independent contributing factors to stagnant growth rates. On the other hand, Lewis (1984) points out that few countries have actually managed to diversify their economies. Davis (1995) cites the example of Tunisia as the only mineral economy in 1970 that was no longer ranked as a mineral economy in 1991 (Weithal and Luong, 2006). Therefore, Auty (2001:142) ironically suggests, “the growth collapses of the late 1970s and the early 1980s resulted in the backfiring of the resource abundant countries’ efforts to reduce their commodity dependence” (Weithal and Luong, 2006:39).

Furthermore, Weithal and Luong (2006) argue that these policies have failed to decrease dependence on natural resource exports for the same reason that most resource-rich states have not been able to implement sound fiscal and monetary policies. In their opinion, because these states lack strong institutions and a transparent decision making process, they are subject to making poor investment decisions “that is, decisions that are based on either shaky economic ground or political priorities, and hence, do not offer high domestic rates of return” (Weithal and Luong, 2006:40).

This research supports this above assertion by Weithal and Luong (2006) that, indeed strong institutions and transparent decision making processes are necessary for the economic policies to be made a reality. Indeed, research has proven that the resource curse could easily be avoided in countries with high quality institutions. For example, Boschini (2003) opines strongly that, countries with high-quality institutions, well-developed

financial systems and open to international trade suffer much less from the resource curse syndrome and are likely to even avoid it. Like the case of Botswana where through good government policies, strong political leadership, long-term development plan, effective anti-corruption laws and high civil engagement the country has been able to escape the resource curse.

More importantly Ghana, in relation to other African states, is perhaps seen to have strong institutions. Gyimah-Boadi (2009) points out that the state has strong judiciary and legislative branches, and a democratic executive branch that is regularly changed through generally free and fair electoral means. Furthermore, on transparency and accountability Ghana has laid one of the highest standards in the management of the country's petroleum revenues as stated in the Petroleum Revenue Management Act 815 (PRMA)<sup>17</sup>. For example, Clause 8 requires the publication of the records of the petroleum receipt in the newspapers and online (PRMA, 2011)<sup>18</sup>. Also, Clause 16 requires the minister of finance to reconcile quarterly petroleum receipts and expenditures and submit reports to parliament as well as publish the reports in the newspapers and several clauses such as 46 to 48 all on accountability and transparency (PRMA, 2011)<sup>19</sup>.

#### **2.4.3. Natural Resource Funds**

In the view of Weithal and Luong (2006), Natural Resource Funds (NRFs) comprise stabilization or savings funds and often a combination of both. According to Davis et al (2003) stabilization funds aim to reduce the impact of commodity price volatility on the economy and therefore, improve the ability to predict the budget by stabilizing spending

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<sup>17</sup> PRMA, (2011). "Patroleum Revenue Management Acts 815" Retrieved on the 19<sup>th</sup> of March 2013 from <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf>

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

patterns. This, they argue, reduces overspending when prices are high and borrowing when prices are low or fall simply because, when commodity prices are high, excess revenue is placed in the stabilization fund, however, when prices are low, revenue is transferred out to make up for budgetary shortfalls (Davis et al., 2003). Again, Davis et al. (2003) point out that Savings funds are intended to rather ensure that a share of the wealth will exist for future generations, after the natural resources are exhausted.

Furthermore, Weithal and Luong (2006) mentioned that NRFs are found in both developed and developing countries. They also cite the examples of Venezuela's Stabilization Investment Fund, the State Petroleum Fund in Norway, Iran's Foreign Currency Reserve Account, and the Oman General Reserve Fund. However, in their opinion, these countries' institutional structures and success rates vary greatly. Also, Weithal and Luong (2006) mention the example of the Alaska Permanent Fund, which they suggest is characterized by high levels of public involvement in the decision-making process concerning the establishment and evolution of the fund. Public debate is noted to have influenced how the windfalls are spent and subsequently led to the creation of a dividend program in which each citizen of Alaska is entitled to a share of the wealth generated from oil sales. In this connection, Weithal and Luong (2006) mentioned that the Kuwait Reserve Fund for Future Generations is considered extremely nontransparent since information about its holdings and expenditures is neither available to the public nor to the legislature.

More importantly, Weithal and Luong (2006) contended that in order for NRFs to work effectively as it should, states must have strong state institutions (institutions that emphasize oversight, transparency, and accountability for instance a professional bureaucracy that abides by clear fiscal accounting standards and an independent judiciary

that can prevent the executive from arbitrarily changing the rules). To add to this, the research argues that a strong institution such as civil society could play the role of a watchdog between the vacuum that exists between the state and the home. This has been the trend in Ghana and Uganda after the discovery of oil. Through the efforts of civil society Ghana was able to include the stabilization fund and heritage fund (future savings fund) in the PRMA 815.

#### **2.4.4. Transparency, accountability and public involvement**

Weithal and Luong (2006) mentioned that in recent times, international nongovernmental organizations (INGOs) and IFIs have come together to promote transparency, accountability, and public involvement in the management of petroleum revenues in order to deal with the political situation of reliance on external rents. Also, Gary and Karl (2003) are of the view that the aim of INGO activity includes foreign extractive firms, IFIs, Western governments, and domestic governments. INGO do so by first of all, pressing IFIs like the World Bank and IMF to use their leverage to encourage states to provide the public with accurate information about revenues received and spent (Weithal and Luong, 2006). Secondly, they have advocated for foreign extractive firms such as, multinational oil companies to publish what they pay to host governments (Weithal and Luong, 2006). Thirdly, they have urged governments in mineral rich countries to disclose all their transactions with foreign extractive firms and their expenditures (Weithal and Luong, 2006). Lastly, INGO's have sought to increase the chances for public involvement on how revenues will be spent by advocating improved human rights protection and encouraging a free press (Weithal and Luong, 2006).

However, Weithal and Luong (2006) suggest that there are some limitations to relying primarily on external actors to build transparency, accountability, and public oversight. In their view, efforts from IFIs, foreign companies, and INGOs is insufficient unless first of all, societal actors (that is local NGOs—are empowered by institutional safeguards, like freedom of assembly and free speech); secondly, both foreign and societal actors can hold government officials accountable for their actions; and thirdly, all of the actors involved (that is, government officials have a mutual interest in fostering transparency and stopping corruption. The existence of these three conditions has promoted transparency, accountability, and public oversight in Norway, where well-developed political parties, independent oversight councils, and a long-standing national parliament have monitored both government spending and oil extraction contacts (Weithal and Luong, 2006).

Again, in Ghana on issues of transparency, accountability and public involvement, Gyimah-Boadi and Prempeh (2012:98) mentioned first of all that “the sustained involvement of organized civil society and the media throughout the ensuing legislative process made the development of the initial legal framework for oil governance in Ghana exceptionally participatory and transparent”.

Additionally, Gyimah-Boadi and Prempeh (2012:99) explain that through civil society, the Bill (before it was passed into law) included:

clear procedures for the custody and transfer of petroleum receipts between the central bank, as designated custodian, and the government; the mandatory annual transfer of 30 percent of total petroleum revenues into separate stabilization and future savings funds; the mandatory publication by the Finance Ministry of quarterly reports of petroleum receipts and expenditures; multiple audits of the petroleum accounts; and the establishment of the Public Interest and Accountability Committee (PIAC), a thirteen-member independent watchdog group tasked with monitoring and reporting on the government’s stewardship

of petroleum funds and compliance with the law. As a safeguard of the group's independence, PIAC members are to be nominated by statutorily designated professional associations, private sector bodies, organized labour, civil society, policy-research organizations, and other non state stakeholders, including Christian and Muslim clergy and traditional leaders.

All these actions go a long way to support the argument for transparency, accountability and public involvement in the oil sector in order to escape or avoid the curse in the Ghanaian situation.

#### **2.4.5. Direct Distribution**

Direct distribution of windfall revenues to the population, in the views of Birdsall and Subramanian (2004), Sala-I-Martin and Subramanian (2003), and Palley (2003) is one of the ways to avoid Dutch Disease effects, combat corruption, foster democratic governance, and address weak institutions.

The main idea is that, if the population receives the benefits of its natural resource wealth directly rather than through public works projects or state subsidies, it will make better investment choices and have a greater incentive to save these windfall rents than government officials (Weithal and Luong, 2006). Palley (2003) argues that direct distribution forces the public to engage politically and demand oversight and accountability institutions to monitor the flow of petroleum revenue. There are two types of direct distributions, which are as follows: the first is based upon the Alaska model in which the interest from the oil fund is directly distributed to the population; whilst the second eliminates the use of a savings and stabilization fund (Weithal and Luong, 2006).

However, Weithal and Luong (2006) argue that direct distribution schemes are not without their problems. For instance, if direct access to “easy money” encourages myopic behaviour on the part of government officials, then there is no reason to believe that it will not induce the same spending effects on an individual especially the one living below the poverty line. Furthermore they argue that, there is also the tendency that transferring windfalls to individuals might reduce incentives for citizens to be involved in entrepreneurship, which will further affect the growth of small and medium private enterprises in developing countries.

Sala-I-Martin and Subramanian (2003) see direct distribution as a way of encouraging institution building in mineral-rich states, particularly fiscal institutions, due to the fact that the state would no longer be either the sole or the largest recipient of natural resource rents (as cited in Weithal and Luong, 2006). The state would also lack the fiscal autonomy from its population that rentier states enjoy and as a result, it would have to develop a workable taxation system in order to collect revenue from its citizens (Weithal and Luong, 2006). However, under existing and proposed models of direct distribution the government continues to be the largest direct beneficiary of the revenue from natural resource exports (Sala-I-Martin and Subramanian 2004). The failure of direct distribution models to be specific on who will be responsible for the dispersal of the proceeds to the population, and therefore, how to ensure that the state does not either mismanage or appropriate the revenue, moreover, limits their efficacy particularly if the state continues to own and control the production and sale of petroleum reserves (Weithal and Luong, 2006).

Additionally, direct distribution also shares the central problem of the above mentioned solutions because it requires a degree of institutional capacity that most seems to be missing in resource-rich states (Weithal and Luong, 2006). At least it requires a viable banking system to distribute the revenues and strong institutions as NRFs (institutions that emphasize oversight, transparency, and accountability) (Weithal and Luong, 2006).

## **2.5. THE ROLE OF THE GOVERNMENT OF GHANA IN AVOIDING THE RESOURCE CURSE**

Cavnar (2008) states that at the early days following the discovery, President J.A. Kufuor declared that Ghana would avoid the “resource curse” and use its new-found oil wealth to transform the country’s economic and social development. Consequently, government, oil companies, civil society groups and other stakeholders in the country before the production of oil made several consultations. For instance, in February 2008 the Government of Ghana and its development partners organized a national conference on oil and gas. This was to mobilize stakeholders for their input into a framework to govern the oil industry. Also some consultations were done on the regional level focusing on the management of the petroleum revenue, development of a local content participation policy, the petroleum revenue management bill (now passed into law), the petroleum exploration and production bill (which was withdrawn for some further input) and several others.

This study assesses the role of government in avoiding the ‘oil curse’ in Ghana so far from two broad perspectives, which are; first, the legal and institutional framework and secondly, transparency in the oil and gas sector.

### **2.5.1. The legal and Institutional Framework**

Manteaw (2011) suggests that in the formation of a governance framework for the economy of a country, the country needs to articulate its vision in terms of what contribution that sector would play in the nation's economy they must do so in the form of a policy document. This policy then serves as a guide in developing the legal regime, which invariably will follow the objectives set out in the policy document and after the laws have been enacted, there would be the need for regulation of the laws (Manteaw, 2011). Furthermore, the policy, legal and regulatory framework within which natural resources are exploited determines whether or not the resource owner maximises the benefits from their resources (Manteaw, 2011).

Also, in the view of Bell and Faria (2007) any oil revenue management law (like others) must be adapted to the needs, institutions and legal framework of the country it is meant for. In their words “drafting (of any law) must take place within the parameters of the local legal system and must take account of existing laws and practices” (Bell and Faria, 2007: 287). Applying this claim to Ghana suggests that all laws in the country must be within the parameters of the 1992 constitution, which is the mother of all the laws governing the country. The 1992 constitution is the most important law regulating the exploitation of natural resources in Ghana. According to the 1992 Constitution of Ghana, contracts that involve grant of a right (or concession) by or on behalf of any person for the exploitation of any natural resources such as mineral, water or any natural resource of Ghana needs to be ratified by Parliament (Palmer, 2011).

In Palmer's (2011:67) words “this clearly means that before any agreement relating to the exploitation of petroleum resources can have the force of law, it must be ratified by the

Ghanaian parliament”. Apart from the constitutional requirement there are a number of laws which have been passed to regulate the oil and gas sector, these are as follows; the Petroleum Exploration and Production Act 1984 (PNDCL 84), the Ghana National Petroleum Corporation Act 1983 (PNDCL 64), the Petroleum Income Tax Act 1984 (PNDCL 188), the Energy Commissions Act 1997 (Act 541), the National Petroleum Authority Act 2005 (Act 691), the Petroleum Commission Act 2010 (Act 821) and the Petroleum Revenue Management Act 2011 (Act 815)<sup>20</sup>.

#### ***2.5.1.1. Petroleum Exploration and Production Act 1984 (PNDC Law 84)***

In this law (PNDCL 84) all petroleum resources in the country are vested in the government and it establishes a contractual relationship between the state, the Ghana National Petroleum Company (GNPC) and prospective international oil companies (Palmer, 2011). This law encourages the participation of the state and a national company (GNPC). Research has shown that countries such as Norway and Botswana were able to avoid resource curse because the countries became active participants in the exploration and production of their respective natural resource such as oil and diamond.

Also, the law makes provision for government to participate in all petroleum projects and sets the basis of fiscal measures such as royalties and income tax in petroleum agreements; more so, the law deals with issues that pertain to the relinquishing and decommissioning of contract areas (Palmer, 2011). All these and more would lead to the benefit of the oil and gas industry for the Ghanaian. Despite these benefits, this law lacks some specifics pertaining to the exploration and production of oil and gas. Also it allows for foreign

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<sup>20</sup> Though most of these laws were put in place before the discovery and production of oil in Ghana (with the exception of PRMA 815 and Act 821) it could be argued that it has served as a strong foundation for Ghana in order for her to perhaps avoid the resource curse.

companies to have more leverage in the industry hence the government through parliament is considering a more specific Petroleum Exploration and Production Bill which would be sent to parliament for their deliberation and consideration since there are on going explorations both onshore and offshore in the country.

#### ***2.5.1.2. The Ghana National Petroleum Corporation Act 1983 (PNDC Law 64)***

This law established the GNPC to make it responsible for managing the petroleum resources of Ghana and enable it to undertake the exploration, development, production and disposal of petroleum (Palmer, 2011). Furthermore, the Law gives GNPC the mandate to promote the exploration and orderly development of the petroleum resources. Also, according to the law the GNPC manages the participatory share of the government in the project. Under the law, the GNPC does not only regulate the sector but also participates in the commercial aspects of the industry (Palmer, 2011). However, with the discovery of oil and now production, Ghana passed a new law in 2010, which is the Petroleum Commission Act 821. This law separates the role of the GNPC as both regulator and a participator in the oil industry. GNPC is no longer a regulator, which included licensing of the petroleum sector among other function. GNPC now, according to the law, will be focusing on commercial interests such as exploration and development of the oil fields.

#### ***2.5.1.3. The Petroleum Income Tax Ac 1984(PNDC Law 188)***

This law establishes the tax system for petroleum production in Ghana. It provides that income tax shall be assessed on gross income after the deduction of outgoings and expenses wholly incurred in petroleum operations, including the payment of royalties and rentals (Palmer, 2011). When these taxes are taken they are used for infrastructural development such as roads, hospital buildings and development, and many more. It is also

used to pay state workers such as those in the judiciary, executive, parliament, those in the service department such as the police and the armed forces. Since the production of oil began these oil companies have been paying their taxes, clearly the taxes serves as another source of revenue for the country.

#### ***2.5.1.4. Energy Commission Act 1997 (Act 541)***

The Energy Commission Act 1997 (Act 541) deals with the commercial aspects of the oil industry. The Commission is to perform functions relating to the regulation, management, development and utilisation of energy resources (Palmer, 2011). Again, the law tasks the commission to grant licenses for the transmission, wholesale supply, distribution and sale of electricity and natural gas, refining, storage, bulk distribution, marketing and sale of petroleum products (Palmer, 2011). Though Ghana has not started producing gas in commercial quantities this law makes provision for regulation, management, development and utilization of the gas as a source of energy. The Mahama administration has made it known to the citizenry its intention of using the gas to power the various thermal plants that the government has put in place in the country.

#### ***2.5.1.5. National Petroleum Authority Act 2005 (Act 691)***

This law establishes the National Petroleum Authority mandated is to regulate, oversee and monitor activities in the petroleum downstream industry and, where applicable, do so in pursuance of the prescribed petroleum pricing formula (Palmer, 2011). Among other functions, the Authority monitors ceilings on the price of petroleum products in accordance with the prescribed petroleum pricing formula, grants licences to applicants and provides guidelines for petroleum marketing companies (Palmer, 2011).

#### ***2.5.1.6. Petroleum Commissions Act 2010 (Act 821)***

This law establishes the commission to regulate the activities of the oil and gas industry. This suggests that any company that wants a permit or license to operate in Ghana's petroleum industry must do so under the commission. The commission plays the role of a regulator in the oil and gas industry by monitoring and serving as a referee in the sector. This function was earlier on given to the GNPC in PNDCL 64, which was both a regulator and participant in the oil and gas industry. However, this proved conflicting and challenging and so upon the discovery of oil the government introduced a new petroleum industry regulator (Petroleum Commission) by making this law (Act 821). This was a step in the right direction because it brought about transparency, accountability and also took away the issues of conflict of interest. Interestingly the governing members of this committee are citizens from various backgrounds and expertise including a representative from civil society<sup>21</sup>.

#### ***2.5.1.7. Petroleum Revenue Management Act 2011(Act 815)<sup>22</sup>***

This law provides for the establishment of a Stabilization and heritage fund with a clear description of purpose; that the funds would be deployed into the budget when oil revenues fall arising from unanticipated fall in crude oil prices or production levels (Clauses 9 and 12 of ACT 815) (PRMA, 2011). Again, should there be a rise in crude prices and production, excess revenues arising are to be transferred to the Ghana Petroleum Funds in a seventy thirty (70:30) proportion to the Stabilization Fund and the

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<sup>21</sup> The representative from civil society is known as Bishop Akoglo who is the Chief Executive Director of ISODEC.

<sup>22</sup> PRMA, (2011). "Patroleum Revenue Management Acts 815" Retrieved on the 19<sup>th</sup> of March 2013 from <http://ghanaoilwatch.org/images/laws/petroluem-revenue-management-act815-2011-.pdf>.

Heritage Fund respectively (Clauses 11 and 23 of ACT 815) (PRMA, 2011). It also maintains a strong theme of transparency and accountability by encouraging public access to information about petroleum revenue management. Furthermore, it provides for the establishment of the Public Interest and Accountability Committee (PIAC) which is mandated (a) to monitor and evaluate compliance with the Act by government and other relevant institutions of the petroleum revenues and investments as provided in the Act; (b) to provide space and platform for the public to debate on spending prospects, management and use of revenues to conform to development priorities as provided under section 21(3); and (c) to provide independent assessments on the management and use of petroleum revenues to assist Parliament and the executive in the oversight and performance of related functions respectively (PRMA, 2011)<sup>23</sup>.

### **2.5.2. Transparency in the oil and gas sector**

Transparent resource governance is a necessary ingredient in order for countries rich in natural resources to be able to turn their resources into a blessing rather than a curse. In order to achieve this, government and oil companies need to provide more and better quality information concerning their revenues derived from the resources. A vibrant and influential civil society oversight would go a long way in making the government and policy makers more accountable to their citizen. The International Monetary Fund (IMF) specifies four elements of revenue transparency. These are clarity of roles and responsibilities, open budget process, public availability of information and assurances of integrity (IMF, 2007:10). According to Asafu-Adjaye (2011:2) “the average score for revenue transparency was (63.3%)”, “the average score for expenditure transparency was (63.9%)”, and “the average score for contract transparency was (66.7%)”.

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<sup>23</sup> Ibid.

Evidently, the Government of Ghana under the administration of former President J. A. Kufuor, President J. E. A. Mills and the current President J. D. Mahama seems to be showing a great deal of commitment to transparency in the oil industry. For instance, at the early stage of the oil and gas industry the government under President Mills Administration was commended by an international based aid agency Oxfam America and a Ghanaian based development organization Integrated Social Development Centre (ISODEC) for its commitment to increased transparency and public participation in the oil sector.

The Government of Ghana so far has declared its commitment in making the oil and gas a blessing and in so doing has been involving the entire stakeholders in the sector in order to harness the benefits from the industry. Laws are crucial in order to escape the resource curse so, the Government of Ghana in ensuring transparency and accountability included most of the contributions made by civil society in the Petroleum Commission Act 821 in 2010 and the PRMA 815 in 2011. According to Manteaw (2011), the fact that, the country has put such legal regimes and frameworks in place gives some level of hope that when it comes to oil and gas revenues, the future is bright and that the revenues will perhaps be managed in accordance with international best practices.

## **2.5. CIVIL SOCIETY AND THE RESOURCE CURSE<sup>24</sup>**

Generally, there is a dearth of literature on civil society and the resource curse. Some literature have focused on the civil society and the management of natural resource but little work has been done on the role of civil society in avoiding natural resources curse.

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<sup>24</sup> This forms part of the third objective of the study, which is to explore the role of civil society in the drafting and the passage of the PRMA by the parliament of Ghana. It is revisited again in chapter four with evidence from the field supporting the position of the respondents.

Civil society's crucial role in promoting good governance and people-centred development is widely acknowledged particularly in developing countries.

For example, in an article titled "*East Africa: Civil Society And The Oil sector*" the author Otola (2012) posits that the level of interest in the oil sector in the eastern part of Africa has grown with several groups trying to find their niche. This, he suggests, is visible in the manner in which civil society members relate to the sector, by developing media interest and the introduction of the curricular in the oil sector by academics (Otola, 2012). He goes further to discuss what civil society had done and continued to do in Uganda highlighting a few organization such as Civil Society Coalition on Oil in Uganda (CSCO) and Publish What You Pay (Uganda chapter) which have for a long time been calling for transparency in the oil sector. He mentioned that, CSOs have called on the government to embrace the Extractive Industry Transparency Initiative (EITI) which was one of the prominent demands on the CSCO comments on the 2012 petroleum Bills (Otala, 2012).

Just as Otala (2012) has indicated above, this seems to be the case in Ghana where civil society groups have shown and continue to show interest in the oil and gas sector to the extent that a platform on oil and gas has been formed. Some of the inputs made by civil society so far in Ghana has been calling for transparency and accountability in the sector as in the case of Uganda. Also, the civil society platform on oil and gas in Ghana was able to advocate for the adoption of legislation in Ghana's oil industry making keen input in the drafting of the Petroleum Revenue Management Act 815 (PRMA) and the Petroleum Exploration and Production Law (which is yet to be passed by Ghana's Parliament).

Also, Ikelegbe (2001) reveals the fact that civil society has flowered, taken over and escalated the struggle and constructed itself into a solid formation of regional resistance in

the delta region. Furthermore, civil society groups have reconstructed the agitation into a broad, participatory, highly mobilized and coordinated struggle and redirected it into struggle for self-determination, equality and civil environmental rights (Ikelegbe, 2001).

Again in relation to the Niger Delta, Ikelegbe (2005) basically argues that in resource-rich regions where struggles of benefit of the resources are eminent, marginalization can give rise to gendered movement. He cites the case of the Niger Delta region where some women, impoverished, marginalized and aggrieved in the oil economy, have begun to engage in the struggles for justice, accommodation and fair access to benefits through associational forms. In his view, these women groupings have become part of the civil challenge and popular struggles, but have also begun to appropriate traditional forms of resistance and management of the conflict in the region (Ikelegbe, 2005).

This is not entirely the case in Ghana, since its oil and gas industry is a new enterprise. However, some civil society originations in the coastal communities such as Friends of The Nations (FON) have started to raise awareness of, first of all, the potential conflict that might develop in the region since the oil production has affected some of the fishing communities in the area<sup>25</sup>, and secondly, future environmental challenges that could occur in the neighbouring fishing communities along the Jubilee field.

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<sup>25</sup> This because the fishes tend to be attracted to the light near the rig and so most of the fish move towards the rig and the fishermen are not to go close to the rig for fishing.

## **2.6. CIVIL SOCIETY'S MARK IN GHANA'S OIL AND GAS INDUSTRY<sup>26</sup>**

### **2.6.1 Brief History of civil society in Ghana**

Michael Bratton sees civil society as a sphere of social interaction which is between the household and the state and manifest in norms of community cooperation, structures of voluntary association, and networks of public communication (Bratton, 1994). Also, to Gyimah-Boadi (2006), civil society institutions in Ghana include non-governmental organizations (NGOs), community based organizations (CBOs), all kinds of voluntary associations, charitable organizations, trade associations and unions, professional associations, guilds and private sector organizations. The others comprise religious bodies and choral groups as well as ethnic groups, clans and their various sub groups; traditional, social and political institutions including rulers and 'Asafo' companies.

In discussing the history of civil society organizations in Ghana this research would place it into two main categories, which are civil society before the fourth republic and civil society under the fourth republic (1992 to present). This distinction is done because before the fourth republic civil society in Ghana was on a smaller scale and its agenda were somehow different and limited whilst the fourth republic gave rise to several other civil society groups with extensions of the functions of earlier civil society groups such as democracy, good governance, research, advocacy and many more.

#### ***2.6.1.1. Civil society in Ghana before Fourth Republic***

Amoako (2008) suggests that civil society in contemporary Ghana and Africa emerged out of the continent's confrontation with colonialism. In his view it can be traced from the Aborigines' Rights Protection Society in 1897 (the first civil society organization in Gold

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<sup>26</sup> Ibid.

Coast). This and other CSOs made up of chiefs, elders, the intelligentsia, professional lawyers, the youth and the ordinary people were established to pursue the cause of the indigenous people against any possible encroachments on the rights and properties of the people by the British colonial authorities (Gyimah-Boadi et al., 2000).

In the interwar years there was an increase in the associational life and the vibrancy of civil society activities due to increasing urbanisation and expansion in economic activity, which also resulted from increased cocoa production (Gyimah-Boadi et al., 2000). During 1938, associations of indigenous cocoa producers organised a protest against the monopoly of the imperialist forces on the commodity market by the expatriate-controlled Association of West African Merchants (Chazan, 1983). During the post-war period a strong expatriate-dominated organization known as the Association of West Africa Merchants (AWAM) was shaken by some local association of urbanites under the leadership of Nii Bonne the Chief of Osu Alata Mantse. Under him, they protested against the quick rise in the prices of imported goods just after the Second World War (Gyimah-Boadi et al., 2000). One of the main positions of the Boycott Movement at that time was that it did not want to accept the argument that the increase in the cocoa price were simply the product of the market forces and that it had nothing to do with the government (Gyimah-Boadi et al., 2000). This movement went further to suggest to the government ways of curbing inflation and controlling of the profit of AWAM and also making a suggestion of trade indigenization, commerce and industry in the country.

Just after the Second World War, soldiers from the Gold Coast who participated in the war formed the Ex-servicemen's Association to advocate for their appropriate release and resettlement from the colonial leader and racial discrimination. They staged a famous

protest that led to the death of Sergeant Adjetey and some others at the crossroad at the Christiansburg Castle in Accra. This led to the 1948 Riots in the country and gave rise and momentum to the national liberation movement. These Riots in 1948 caused the Trade Unions, youth associations and several clubs to join the struggle for independence with the Trade Union being highly instrumental in the declaration of mass boycotts (Positive Action) (Gyimah-Boadi et al., 2000).

Furthermore, the pre-independence Gold Coast saw the rise of groups like the United Gold Coast Convention (UGCC) and the Convention People's Party (CPP) ; civil society banded together to criticize colonial rule and agitate for independence (Amoako, 2008). These groups were able to gain independence for the Gold Coast, yet the corporatist idea of the ruling government to bring all social groups under its control caused the post-independence regimes to suppress and repress civil society in Ghana (Amoako, 2008). Notably, the 1970s and 80s oil shock brought economic hardships which resulted in civil society groups taking to the streets to register their displeasure at the way the state was not able to solve these socio-economic problems. Africans realized that the socio-economic crisis engulfing the continent was in part induced by an over-centralization of power (Amoako, 2008). A more recent factor is the PNDC introduction of the Economic Recovery Programme (ERP) in the early 80's, which brought much hardship as public sector workers were laid off and the state drastically reduced its range of services to the people. This policy initiative somehow led to a rise in informal sector employment and an increase in the impoverishment of some people, changing the country's social structure at both the lower and middle class levels. These hardships led to an alliance of all former political grouping of the first, second and third Republics to form the Movement for Freedom and Justice (MFJ)(Ayee, 1999). The MFJ with organisations such as GBA,

NUGS, TUC, the Catholic Bishops' Conference and the Christian Council demanded democratic reforms from Rawlings and the PNDC.

#### ***2.6.1.2. Civil society under fourth republic (1993 to present)***

Mike Oquaye (2001) states that the introduction of the 1992 Constitution of Ghana helped in the proliferation of civil society in Ghana. In his view, a pluralistic and vibrant civil society emerged due to the introduction of the 1992 Constitution that stands for the respect of the fundamental freedoms and rights of individuals and groups in the state. Also, Gyimah-Boadi and Markovits (2008) argued that "liberalization in the political arena allowed for the emergence of a new type of civil society organization in Ghana; one that focused on governmental accountability and democratic development". They cite the examples of the GBA working closely with extra-parliamentary opposition (NPP) to file amendment of the constitution, to developing programs to ensure the protection of human right, and the TUC promoting civic education and monitoring of the 1992 election though their impact on government was "severely circumscribed" (Gyimah-Boadi and Markovits, 2008).

The political space for civil society engagement greatly expanded in the late 1990s so several think tanks, advocacy groups and other NGO's who were for the poor moved into this space to fill it (Gyimah-Boadi and Markovits, 2008). Some of these are CDD, IEA, CEPA, the IPA and TWN who are playing agenda-setting roles from a wide range of developmental and policy issues. Also, faith based associations (FBA's) are the most vibrant, largest, the most deeply rooted and most widely distributed CSOs in Ghana (Gyimah-Boadi and Markovits, 2008). According to Gyimah-Boadi and Markovits (2008) civil society played a great role in the creation of the Ghana Poverty Reduction Strategy-I

(GPRS I) than it had ever done in poverty reduction planning in Ghana. There was more political space for civil society to participate than before. Also community groups, the media, the TUC, NUGS, NGOS, Religious bodies, NALAG, CSOs, government, political parties and many more groups and associations were consulted in the development of the GPRS. This according to Gyimah-Boadi and Markovits (2008:227) marked “an expansive and laudable inclusion of civil society in the key governance function, but ownership of the process was still decided and narrowly in government hands”.

In summary, civil society organization in Ghana can be traced to the colonial era with the formation of associations such as the Fante Confederacy and the Aborigines Rights Protection Society (ARPS) that were formed in 1871 and 1890 respectively. Post after the Second World War saw new groups emerging especially after the 1948 riots. These groups demanded independence of the Gold Coast. From post-independence through the Fourth Republic has seen the emergence of more political NGO’s that are involved in research, human right and advocacy, democratic consolidation, developmental project such as poverty reductions and several others.

### **2.6.2. Civil society and the oil and gas sector in Ghana**

Ghana has an impressive amount of natural wealth such as, gold, manganese, bauxite, diamond and now oil and gas. The country’s extractive industry started from the colonial era and continues to be one of the keen sources of revenue to the country. Ghana’s mining sector has over the years experienced certain challenges such as exploitation by foreign actors by violating human and environmental regulations. Many of these problems faced by Ghana’s extractive industry are as a result of the difficulty of civil society and ordinary citizens to gain access to information about regulations, activities and revenue flows

within the industry. Without such information these civil society groups find it difficult to hold companies, state institutions, policy makers and policy implementers accountable. Now that Ghana has begun oil production the call for accountability and transparency in her extractive industry is paramount.

In this vein, Cavnar (2008) suggests that, in Ghana the oil industry has three main stakeholders: the oil companies; the government, and the general public. The first two of these groups (oil companies and the government) he posits have direct access to and control over oil revenues. The public, though not having a direct access to and control over oil revenues, has a keen interest in guarding against the economic and political upheaval that often characterizes resource extraction. Cavnar (2008) believes that this strong interest is due to the fact that ordinary Ghanaians will get nothing from the oil unless revenues are used to promote sound, equitable development. They suffer directly if oil causes unrest. In his opinion, to help avoid the resource curse the public's interests must influence the creation and enforcement of oil policies. This implies that the public would be able to hold companies and the government accountable. Accountability to him, involves creating institutions and laws that would deal with three keen interrelated issues: transparency, oversight, and enforcement (Cavnar, 2008).

Again, Kerr (2012) suggests that apart from Ghana's favourable conditions for creating a successful human rights model of oil production, such as political stability, democracy, a diversified and liberalized economy, and beneficial foreign aid for development, the country's free press allows for its civil society's accountability of the government and multinational corporation's actions (Kerr, 2012).

Clearly, Ghana's laws governing the oil industry has been said to be one of the best in the world following the examples of countries such as Norway. Several clauses in the PRMA (such as 8, 16, 46-48, 50, 51, 52, 53) are all on transparency and accountability (PRMA, 2011)<sup>27</sup>. However, the challenge, which has been the case in Ghana, is the enforcement of its institutions.

Gyimah-Boadi and Prempeh (2012) suggests that the oil in Ghana has brought together various civil society groups in Ghana into a collective action. These groups have been working together with parliament and the media and have played an influential role in the development of key legal and institutional pillars for the managing of Ghana's hydrocarbons. Futhermore, they point out that this the platform on oil and gas has played a vital role in the developing of the country's oil management framework and ensuring transparency in the process of its establishment (Gyimah-Boadi and Prempeh, 2012). Again, the platform was successful at persuading the legislators that Public Interest and Accountabilty Committee's (PIAC) role would "complement, and not displace parliament's traditional oversight responsibilities (Gyimah-Boadi and Prempeh, 2012). Similiary, the passing of the Petroleum Commisions Act in June 2011 in their opinion is a reflection of the popular demand for an independent body and not government ministry. In this regard the platform convinced parliament to reject a provision in the original that "reserved the seat on the commisiion for the government controlled Ghana National Petroleum Company (GNPC)". The platform's intervention also caused the government to hold on with the Petroleum Exploration and Production Bill because the bill allowed oil licenses and contracts to be awarded through negotiation rather than of open and competitive bidding and it did not require mandatory disclosure of oil and gas contracts

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<sup>27</sup> PRMA, (2011). "Patroleum Revenue Management Acts 815" Retrieved on the 19<sup>th</sup> of March 2013 from <http://ghanaoilwatch.org/images/laws/petroluem-revenue-management-act815-2011-.pdf>

and agreements between the government and the third parties (Gyimah-Boadi and Prempeh, 2012).

## **2.7. SOME LIMITATIONS OF THE RESOURCE CURSE LITERATURE**

Arellano-Yanguas (2008) points out some limitations of the resource curse literature as follows. First of all, that it ignores the influence of historical development such as the nature of political systems, international relationships and the functioning of the markets effect on how states manage their natural resources.

Secondly, Arellano-Yanguas (2008) argues that current research has not been able to give a sufficient description of the causal relationship between natural resources and negative outcomes (Arellano-Yanguas, 2008). Contending the position of Sala-I-Martin & Subramanian (2003) that econometric analysis shows that the rise of mineral export above a certain level may cause the quality of public institution to suffer, Arellano-Yanguas (2008) argues that, it does not reveal or explain anything about the ways in which institutional weakening happens and that a deeper comprehension of the resource curse suggest a clarification of the correlation between the cause and effect.

Thirdly, Arellano-Yanguas (2008) suggests that cross-country comparative research must be encouraged with the analyses of the diverse features of each country's resource curse. He laments that research focused on establishing general causal links which are valid somehow for all countries, yet each country according to Boschini et al. (2003) has its own unique context that affects the way in which that country's natural resources causes harmful effects. Arellano-Yanguas (2008) cites the example of the authoritarian regimes of oil producing countries in the Middle East whose oil is found in the desert, and which

do not need to please their citizens to win elections or have to face environment activist who are concerned about protecting the water and forest. These show the different ways in which natural resource exploitation negatively affects rich resources countries. Hence an analysis of the specific problems of each country showed beyond a general causal link (Arellano-Yanguas, 2008).

Finally another limitation of the literature on the resource curse according to Arellano-Yanguas (2008) is that the importance of mineral (oil) rent is not thoroughly highlighted by scholars. In his view mineral (oil) dependency is often measured as a proportion of production in relation to GNP, as a percentage of total exports, or a mixture of both. In support of this Collier and Hoeffler (2005) posit that this kind of measure does not look at the rent available after discounting the extraction costs and the average profit made on a standard investment.

In summary, these limitations re-echo the distinctiveness of the resources curse and call for a more detailed and in-depth political analyses of the specific resource curse problems and the appropriate policy prescription for each country (Arellano-Yanguas, 2008).

These limitations are relevant to the Ghanaian situation where there is virtually little work done in this area. Most case studies have tried to explain why natural resources in such countries have become a curse than a blessing while others have tried to give solutions to the resource curse. This study tries to look at how the resources curse could totally or somehow be avoided and in that line what civil society has done so far in Ghana's case.

## **2.8. CONCLUSION**

The literature review has looked at the general notion of the resource curse, focusing on the various causes and manifestations of it and arguing that strong institutions such as a vibrant civil society would help avert the resource curse which plagues several African countries. It reviewed literature on the role of the Ghana government in avoiding the resource curse. It also reviewed some literature on civil society and resource curse drawing lessons from countries such as Norway and Botswana, and stressing the role civil society is playing in the oil and gas industry in Angola and Uganda. Also, it reviewed literature on history of civil society in Ghana and Ghana's civil society in the oil and gas industry, supporting the views of Gyimah-Boadi and Prempeh that Ghana civil society has made and is making a mark in the oil and gas industry. Finally, it pointed out some limitations of the resource curse literature.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. INTRODUCTION**

Every social and natural science research work adopts a methodology that gives it academic credibility. In doing this, the researchers gather data from different sources and analyze them with various tools that are recognized and approved within the academic community. There are two main research strategies; qualitative and quantitative research strategies. The researcher adopts the qualitative approach in this study. Outlined below are the research strategy, data collection and analysis.

#### **3.2. RESEARCH STRATEGY**

Research strategy is “a general orientation to the conduct of social research” (Bryman, 2004:19). In other words, it is describing how the researcher intends to implement the research study. That is the strategy that the researcher intends to adopt in order to complete the empirical study. In studying the social world behaviour most researchers prefer to describe more than quantifying while the physical science would use measurements. This does not suggest that the social scientists cannot analyse or adopt quantitative measures in their research. Whilst the emphasis of quantitative research is on testing and generation of theories, in qualitative research emphasis is placed more on words and description. This study employed the qualitative strategy in collection and analysis of data.

### **3.3. DATA COLLECTION**

#### **3.3.1 Sources of Data**

For the primary data, the researcher made use of interviews to collect data from experts on oil and gas, top officials from Kosmos Energy Ghana limited, Institute for Democratic Governance (IDEG), the Integrated Social Development Centre (ISODEC), the Africa Centre for Energy Policy (ACEP), Friedrich Ebert Stiftung Ghana (FES-Ghana), Ghana Christian Council, Global Youth Focus, Friends of the Nation (FON), Western Regional Network of NGO's (WERENGO), Foundation of Action Development Western Region, a member of the Parliament of Ghana (Chairman of the Finance Committee), members of the media, and members of the Ghana Bar Association.

The researcher also accessed and used documents from primary sources such as the Petroleum Act, Parliamentary Hansard and other relevant reports by the agencies and organizations named above. The researcher also relied on interviews from YouTube by David Ampofo with President J.D. Mahama on the oil find in Ghana, others with The Chief Executive officer of Ghana National Petroleum Cooperation (GNPC), Tullow oil plc, and many more documentaries from YouTube on oil in Ghana.

Secondary data comprised data from books, journals from libraries like that of IEA, CDD, IDEG, Balme library, Institute of African Studies library and the Political Science library (University of Ghana) and journals from the internet as well.

### 3.3.2. Soliciting of Primary Data

For the collection of primary data, the researcher used the purposive sampling method to select his respondents on the basis of their vast knowledge and experience in the oil and gas industry. In Patton's (1990:169) view, it is necessary to select information-rich cases for in-depth studies and that, these are those from which one can learn a great deal about issues of vital importance to the purpose of the research, hence the term purposive sampling. The researcher used interview guide to collect data from twenty (20) respondents in all. For the civil society groups involved in the oil and gas industry the researcher used two slight different interview guides; one set for the Accra based CSOs and the other for the Western Region Based CSOs, the difference was based on their location yet the same question were asked. Formal interviews were conducted with the researcher relying on the use of a recorder as well as a note pad to record responses from the various respondents.

Out of the twenty (20) eleven (11) were from civil society organization groups based in Accra; namely,

- Three (3) members of the platform on oil and gas (the Chairman, coordinator and a member who is also an expert on oil and gas),
- One (1) top official from the Institute for Democratic Governance (IDEG),
- One (1) from the Integrated Social Development Centre (ISODEC),
- One (1) from the Africa Centre for Energy Policy (ACEP),
- One (1) from the Ghana Christian Council (GCC),
- Two (2) members of the Ghana Bar Association (GBA),
- One (1) from the media (President of the Association of Extractive Journalist) and

- One (1) from Global Youth Organization.

The remaining five (5) civil society representatives interviewed were based in the Western Region namely;

- The coordinator of Western Regional Network of NGO's (WERENGO),
- The Project Officer Extractive (Friends of the Nation (FON),
- The coordinator of FON,
- From the Media (JOYFM Takoradi Respondent on the oil and gas Industry),
- A member of the Foundation of Action Development Western Region.

In addition to the Civil Society representatives, four (4) other experts were interviewed.

They were

- An official from Kosmos Energy Ghana limited,
- The Country Director of Friedrich Ebert Stiftung Ghana (FES-Ghana),
- The Chairman of the finance committee of the Parliament of Ghana, and
- A private businessman who is also an expert on oil and gas.

The study used the qualitative content analysis method to analyze the data in order to make inferences. This involved transcribing all the audio data into written text and later deducing themes out of them. There was also coding of the text under different themes after which the data was interpreted. In the discussions, the researcher used the inferences from the analyzed data to confirm some views from the documented sources as well as relate them to other studies done by other scholars.

### ***3.3.2.1. Interviews***

Interviews are asking questions with the hope of receiving answers. It is done between two or more people: the interviewer and the interviewee(s). According to Robson (2002) interview could be distinguished as structured, semi-structured and unstructured interviews. For structured interviews, the interviewer asks a pre-defined set of questions, and does not deviate from them. Also, in semi-structured interviews, the interviewer has a predetermined set of questions, but he is free to modify them as and when they suit the topic. Whilst in unstructured interview, the respondent has a general area of interest, and so lets the conversation develop around it. The method of interviews adopted for this research was semi-structured for all the respondents.

### ***3.3.2.2. The Interview Guide***

Lofland and Lofland (1984) stress the importance of an interview guide for undertaking semi- structured interviews. According to them, an interview guide or schedule is a list of questions or general topics that the interviewer wants to investigate in an interview. For the entire respondent from civil society groups the researcher used interview guide. There were two slightly different interview guides for those civil society groups based in Accra and those civil society groups based in the Western Region, the difference was based on their location as one group based in Accra and the other group based in the Western Region. Also different interview guides were used for all the experts interviewed.

### ***3.3.2.3. Storage and transcriptions of data***

Most of the interviews were voice recorded and this was complemented with capturing responses in a field notebook. Two (2) of the interviews from civil society were done by phone due to their absence from the field during fieldwork. The rest of the

interviews were face-to-face. In transcribing the data, the researcher played back the recordings and typed them directly onto Microsoft word on the laptop and saved it in a folder titled fieldwork interviews. Also, the researcher made use of notes from the field comprising important points and observations made.

### **3.3.3. Analysing the Data**

The researcher employed the use of qualitative content analysis. According to Hsieh and Shannon (2005:1278) qualitative content analysis is “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns”. Qualitative content analysis is mainly inductive, thus uses data to generate ideas; examining the themes as well as the inferences drawn from them in the data. Qualitative content analysis in the opinion of Zhang and Wildemuth (2009) does not produce counts and statistical significance but rather it uncovers patterns, themes and categories important to a social reality.

Thus, the use of this method was to help the researcher find answers to the research questions posed by the study in order to give a meaningful presentation of the role of civil society in the avoidance of the natural resource curse in Ghana with respect to oil.

### **3.3.4. Themes**

After transcribing the information from the interviews collected purposively from the field, the researcher was able to identify the following themes; The Resource Curse, Formation of the Coalition on oil and gas, Political Environment, Contributions of Civil Society, Government Engagement, and Challenges faced by Civil Society groups monitoring the oil and gas industry.

### 3.4. QUALITATIVE METHODOLOGY

Research may be seen as a medium for acquiring knowledge by observing new phenomenon while combining what is known and the unknown in the quest to produce a new thing. Qualitative data are said to be the "rough materials researchers collect from the world they are studying; they are the particulars that form the basis of analysis" (Bogdan & Biklen, 1992:106). Qualitative researches explore people's life history or everyday behaviour and can be used to study phenomena which are simply unavailable elsewhere. There are several advantages in using this method. This is because qualitative researches are contextually sensitive; which means that they can look at how an apparently stable phenomenon is actually put together by its participants (Silverman, 2006). Hence they are good at capturing meaning, process and context (Bryman, 1988).

The study sought to undertake an evaluation of the activities of the civil society platform on oil and gas in Ghana during the early stage of the discovery and the input they made in the formation of a legal and institutional framework in order to escape the Natural Resource Curse in Ghana. The qualitative nature of the study requires a small sample thus the purposive sampling method was used to identify people who are knowledgeable in the area of Natural Resource Curse and how to avoid it. Unlike a quantitative study which demands a large sample which is very representative of the population under study, qualitative research mostly needs a small sample which may not be representative of the units under study.

In Silverman 's (2006) view, human beings cannot be studied as natural objects since they all have different interpretation and perceptions of various situations and they give

meanings that differ and that human perceptions are better studied using qualitative research approach. As discussed earlier, this research is situated within the qualitative paradigm and hence requires an understanding of how an institution like the civil society can make an input in the oil industry in Ghana so she could escape the resource curse which plagues several countries in Africa. This suggests that the researcher is looking at a particular case of oil and civil society in Ghana to gain insight into the case. The knowledge gained from this research can be applied to similar instances in other countries. Qualitative research methods hence focus on the meanings of social interactions and processes.

#### **3.4.1. Some Criticisms of Qualitative Methodology**

Qualitative research method is not without limitation, it is often criticized as unrepresentative and atypical. Fieldwork raises the problem of biasness while data interpretation can somehow be subjective and not open to external validation. In Bryman's (2004) view, it relies too much on the researcher's often unsystematic views about what is significant and important and mostly the researcher's biases could influence the research findings. Also, it is seen as non-replicable and non comparable and therefore, not a relevant basis for making generalizations. It is often limited to single cases which makes it difficult to make generalizations based on the findings and let alone trying to replicate or apply it elsewhere; therefore, making justification for knowledge gained through this method questionable. In summary, qualitative research may lead to soft, unrealistic results. Nonetheless, there is no doubt that qualitative research has been recognized as an authentic means of gathering scientific knowledge that does not require statistical presentations and explanations.

### **3.5. RELIABILITY AND VALIDITY**

According to Bryman (2004:28) reliability has to do with the possibility to repeat the result of a study or not. The questionnaire of the study was designed in a manner such that some key issues were taken into consideration to make the result reliable and consistent.

Validity is whether the measuring instrument is accurate. The researcher used themes to form questionnaires similar to others used by researchers from institutions who have conducted studies on the resource curse and resource management that have been proven to be reliable and valid.

### **3.6. ETHICAL ISSUES**

The researcher sought consent and approval from all the officials who were interviewed from the various civil society groups and organizations outlined above. This was done by giving interview guides to the respondents ahead of schedule interviewed in order to avoid any misconceptions about the intent of the research. Additionally, an explicit overview of what the result would be used for was given to the respondents.

### **3.7. LIMITATIONS**

Limitations of a research refer to the problems or challenges encountered in undertaking the research. These challenges include those before, during and after fieldwork. The researchers' major limitation was getting access to some oil companies for interviews particularly Ghana National Petroleum Company (GNPC) and Tullow Oil Plc. In addition, making contact with government officials proved difficult with long bureaucratic procedures that were time-consuming especially with the Ministry of Energy and Ministry of Finance and Economic Planning. Their views could have been useful for this research

because they have some experts who could have given some information from a technical point of view, however they were not forthcoming with information. The researcher spent about four weeks going to these places only for them to ask him to come back another time since they could not find the introduction letter.

However good research can be done within limited time and resources, but even better is a researcher able to adapt and sometimes change their plans in order to meet the objectives set for the study. Hence, in cases where the research was not able to get access to information, the researcher decided to use website information, documentaries and interviews with top official of such companies such as GNPC, Tullow plc and others on YouTube by David Ampofo. In spite of all these limitations and the challenges, the researcher made utmost use of the information collected from these sources and others to strengthen the validity and reliability of the research.

## **CHAPTER FOUR**

### **ANALYSIS AND DISCUSSION**

#### **4.1. INTRODUCTION**

The previous chapter discussed the appropriateness of using interview and qualitative content analysis model as the methodological approach for the study in assessing the contribution of civil society in avoiding the oil curse in Ghana so far. This chapter tackles the objectives of the study providing both theoretical data (from literature review, Chapter two) and empirical data (from field work) in the analysis and discussion.

#### **4.2. THEMES**

The central thesis of the study as indicated in chapter one was to examine the contribution of civil society in avoiding the (oil) resource curse in Ghana. The study accomplishes this task by discussing some relevant issues relating to the central thesis which are categorized into six main (6) themes for which adequate evidence have been gathered through field work and interviews. The themes are; the Resource curse, Formation of the Coalition, Political Environment, Contributions of Civil Society, Government Engagement, and the Challenges faced by Civil Society groups monitoring the oil and gas industry.

##### **4.2.1. The Resource Curse (Oil Curse)**

The phenomenon of the resource curse has been extensively discussed in the literature review (chapter two). However a proper understanding of the resource curse was considered necessary in order to investigate the reliability and validity of the data gathered. For that reason the study sought the views of some experts from the oil and gas industry, a parliamentarian and some members from various civil society groups on the phenomenon of the resource curse, the causes, and how to avoid the oil resource curse in Ghana.

#### ***4.2.1.1 The phenomenon of the Resource Curse (oil curse)***

Practitioners, oil and gas experts, and some top officials from civil society all seem to agree with the general definitions by scholars such as Karl (2007:4) that the resource curse is “the inverse association between growth and the dependence on natural resource revenues, especially mineral and oil”, and the opinion of investopedia (2012) that the resource curse occurs as a country begins to focus all of its energies on a single industry, such as mining, and neglects other major sectors<sup>28</sup>. For instance, it has been pointed out that the natural resource curse occurs when countries rich in natural resources focus on the exportation of the natural resources which leads to the neglect of other sectors and ultimately using the natural resource (oil) as an economic growth effector by relying solely on the natural resource without balancing other aspects of the economy (the Country Director of Friedrich Ebert Stiftung Ghana (FES-Ghana), Interview, 9<sup>th</sup> May 2013). Also, Dr. Joe Asamoah, an expert on oil and gas, stated that the signs of the oil curse is that other industries or sectors begin to go down because oil now becomes the main focus and another sign is that the country’s currency starts to increase in terms of exchange rates (Interview, 26<sup>th</sup> May 2013). Additionally, Mr. Kwame Jantuah a member of the oil and gas platform and an oil and gas expert also considers the Dutch disease and the resource curse as the same phenomena in his opinion (Interview, 16<sup>th</sup> June 2013).

These definitions and perceptions above are in consonance with the definition of the resource curse which refers to a situation where a country channels all its efforts into its oil and gas industry at the expense of other equally important sectors. Central to these definitions is the inverse or paradoxical relationship between export driven natural

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<sup>28</sup> See chapter one, p20.

resource enterprise such as oil and its reflection on the development of the country's economy.

#### ***4.2.1.2. Causes of the resource curse***

In addressing the causes of the resource curse (oil curse) the research sought the opinion of four (4) top officials from civil society. Three (3) pointed out that the main cause was due to inadequate institutions which is in agreement with the opinions of scholars like North (1990), Coase (1998), Boschini (2003) and others who have argued that countries with high-quality institutions, well-developed financial systems and open to international trade suffer much less from the resource curse syndrome and are likely to even escape it. Also, one (1) respondent mentioned that it was mainly caused by bad governance and greedy politicians because when a country has a lot of natural resources, people who are in power become greedy everywhere and they do not really care about people on the ground. This view is in harmony with the position of Moore (2004). Additionally, these governments do not regulate their financial spending and when you talk to them they do not want to listen (Field interview, 2013). This assertion confirms the behaviouralist school of thought that contends that natural resource abundance leads to various types of emotional or irrational behaviour on the part of political leaders or the elite, therefore leading to poor economic policy-making and institutional deterioration (Rosser, 2006). Like scholars such as Mitra (1994) and Krause (1995) have argued, resource booms lead to myopia, sloth, and or over-exuberance in political elites.<sup>29</sup>

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<sup>29</sup> See Chapter two, pp.28-40.

Inadequate institutions (low-quality institution, poorly-developed financial systems and lack of openness to international trade as well as bad governance) were the main causes of the resource curse as elaborated by some top officials from civil society. Some respondents also acknowledged other causes such as economic (Karl, 1997; Ross, 1999; Rosser, 2006; Danquah, 2009; et al), historical-structuralists (Urrutia, 1988; Mahon, 1992; Broad, 1995; Auty, 1995) and the radical perspectives (Perelman, 2003)<sup>30</sup>.

#### ***4.2.1.3. Avoiding the resource curse in Ghana***

On the issue of avoiding or escaping the resource curse in Ghana, the chairman of the civil society platform on oil and gas in Ghana and a majority of respondents from civil society (80 %), which represent fourteen (14) out of sixteen (16), stated that Ghana must become an active participant in the Extractive Industry (Field interview, 2013). Furthermore, the chairman cited the examples of Statoil Company in Norway, British Petroleum (BP) in the UK and Debswana in Botswana (which is a South African company in joint partnership with the government of Botswana) and also the Gulf States which has a lot of the national company partaking in the oil industry. The chairman is of the view that *“If Ghana would either directly or indirectly be involved in the extractive activities, there is a way in which our benefit would go beyond taxes and royalties to include dividends and value addition and job creation, that way, Ghana would be able to avoid the resource curse”* (Interview, 13<sup>th</sup> May 213)<sup>31</sup>.

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<sup>30</sup>Ibid.

<sup>31</sup> Interview with Dr. Steve Manteaw Chairman of civil society platform on oil and gas on 13th of May at the Maxlot Hotel Nima. This was a two-day conference organized by the platform the researcher was invited to participate at the meeting. The theme of the conference was “Technical Roundtable Discussion on the 2010/2011 EITI Audit Report and Other Matters”.

Additionally, the Executive Director of Africa Centre for Energy Policy (ACEP) emphasized that in order to avoid the resource curse in Ghana, these three things are essential, namely; scrutiny, vigilance and active voice on the part of civil society and the citizen to expose the corruption in society so that government would sit up and manage these natural resources effectively (Interview, 26<sup>th</sup> April 2013). This statement supports the position of Weithal and Luong (2006) that, indeed strong institutions and transparent decision making processes are necessary for the economic policies to be made a reality. Indeed, research has proven that natural resource curse could easily be avoided in countries with high quality institutions (IMF, 2005; Rosser, 2006; and Danquah; 2009). Similarly, Boschini (2003) argues that countries with high-quality institutions, well-developed financial systems and open to international trade are less prone to the resource curse syndrome like the case of Botswana which has good government policies, strong political leadership, long-term development plan, effective anti-corruption laws and high civil engagement which has helped the country to manage its natural resources effectively in order for her to escape the resource curse<sup>32</sup>.

Notably, in the view of Mr. Kwame Jantuah, for a country like Ghana to avoid the resource curse the country must have a comprehensive national development plan without which it will not be able to avoid the resource curse (Interview, 16<sup>th</sup> June 2013)<sup>33</sup>. This view was generally expressed by more than half of the respondents representing (60%), which is twelve (12) out of the total respondents of twenty (20) interviewed on the field whilst the rest gave several other reasons and solutions to the resources curse such as; direct distribution of oil revenues to citizens, transparency, accountability and public

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<sup>32</sup> See Chapter two, pp. 41-51.

<sup>33</sup> Mr. Kwame Jantuah was former Vice Chairman of the civil society platform on oil and gas and also an expert on oil and gas.

involvement; economic diversifications; infrastructure development and investment of oil revenues into natural resource funds.

In summary, an overwhelming number of respondents interviewed from the field representing (80%) pointed out that in order for Ghana to avoid the resource curse she must become an active participant in the extractive industry. Several reasons were given by the respondents to provide evidence for their position. The most frequent of these reasons was that Ghana should have a national development plan pertaining to the oil and gas industry. This is represented by (60%) of the respondents.

#### ***4.2.1.4. Is Ghana on course in avoiding the resource curse?***

The researcher sought the opinions of all the twenty (20) respondents if they thought Ghana was so far on course in avoiding the resource curse. Fourteen (14) out of a total of twenty (20) representing (70%) of the respondents believe that Ghana is on course so far. Most of them attributed Ghana's progress to the laws the country has put in place. For instance, the chairman of the finance committee of parliament stated that the fact that Ghana has laws that govern the use of the Petroleum Revenue which was put in place before the first drilling of petrol, suggests that the country is on the right path; however, the challenge in his view is ensuring that the laws are implemented (Interview, 30<sup>th</sup> April 2013). The respondent from Kosmos and the two (2) respondents from the Ghana Bar Association re-echoed this same point (Field interview, 2013). Clearly, this sums up the position of respondents who believed that Ghana is on track in avoiding the resource curse. They however cautioned that the actual implementation of the laws was a main concern.

On the other hand, four (4) respondents out of the twenty (20) representing (20%) of respondents were of the opinion that it was too early to tell whether Ghana is on course or not in avoiding the resource curse. The remaining respondents, which were two (2), representing (10%) were of the view that Ghana is not on course and that we already have the resource curse<sup>34</sup>. For instance one of these two respondents stated that Ghana was not on course though Ghana has a very lively civil society, only few of them are closely linked to politicians and they lack lobbying skills. According to this respondent the politicians are not listening to civil society and even, some civil society officials are only interested in the oil and gas industry because of their own personal gains and not for the common good (Field interview, 2013). The other respondent stated that civil society itself is behaving like political parties and that civil society does not believe in itself, because civil society does not practice what it preaches (Field interview, 2013).

Clearly, evidence from the field suggests that a majority of the respondents (70%) believe that Ghana is on course due to the law it has put in place, though they expressed concerns about the actual implementation of these laws. On the other hand, (20%) of the respondents believed it was too early to tell, whilst (10%) suggested that the resource curse is already present in Ghana and that civil society in Ghana lack major skills needed

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<sup>34</sup> This opinion is similar to that of the Omanhene of Essikado Traditional Area, Nana Kobina Nketia V, who laments that the oil wealth is a curse to the people of the Western region. He said government institutions managing the oil and gas industry have side lined the chiefs and people of the area. He expressed this at the opening ceremony of a two-day national stakeholder's conference on oil and gas under the theme: "What it takes to make Ghana's oil and gas resources a blessing to the people of Ghana." The conference was organised by the Trades Union Congress at the Ghana College of Physicians and Surgeons. According to him, sex trade was on the rise in the Western region due to the influx of foreigners in the area. He also felt disappointed over the neglect of potential students from the Western region on the list of beneficiaries of government scholarship package for students studying abroad on the oil and gas subject (Ghana web, 2011). Accessed on 20<sup>th</sup> April 2013 from <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=224074>

in the oil industry and that civil society does not believe in itself and does not practice what it preaches.

#### **4.2.2. Formation of the Coalition on oil and gas**

The study sought to test the appropriateness of the theory of social capital used as theoretical framework for this research by asking respondents from the field the question “was there a need to form a platform on oil and gas?”. Out of the total of sixteen (16) interviewed from civil society on this question, the entire respondents (100%) answered in the affirmative. The reasons some gave were:

- There was a need because of the discovery of oil but before then there were civil society groups that were engaged in advocating for better governance of our natural resources in Ghana including mineral resources, forestry resources, fisheries and others. So when oil was discovered as a natural resource there was the need to extend the same advocacy for better governance of our natural resources to oil and gas. Civil society realized that they needed to have one voice and that individual organizations could not do it alone. This was in terms of ensuring that government and the oil companies were held accountable, that there was transparency around negotiating contracts, signing contracts, exploiting the resource and spending the revenues. In effect, several organizations realized that they needed to come together to coordinate their voice to build a stronger voice that could face government and the oil companies who are much stronger stakeholders (ACEP respondent, interview, 26<sup>th</sup> April 2013).
- There was a need to form a coalition of civil society that has a very specific interest in the management of the resources and revenues that would be coming

from the oil that Ghana was producing in the jubilee fields (IDEG respondent, interview, 30<sup>th</sup> April 2013).

- Different civil society organizations advocating on oil and gas and the extractive sector thought it was better to present a united front to advocate for the proper management of the oil and gas and also to influence government (ISODEC respondent, interview, 8<sup>th</sup> May 2013).
- It must be acknowledged that mistakes have been made in the past with mining. While we blame government we also blame civil society for not organizing itself to engage government to put the right governance framework in the mining sector. Civil society has learnt its lesson so civil society is bent on not repeating the same mistakes. Also, the coalition was formed to engage government in terms of what we expect of the governance framework that needs to be put in place and also to monitor the implementation of such frameworks (Chairman of Platform on oil and gas, interview, 13<sup>th</sup> May 2013).
- The platform on oil and gas was formed out of the fact that Ghana had started with oil exploration without the law being in place. Indeed, that was what brought the communities together because the communities were complaining with regard to what was happening in the western region. It was brought up to be able to handle the community's challenges, especially in the Western Region, where fisher folks were losing their work (Member of the Civil society Platform on oil and gas, interview, 16<sup>th</sup> June 2013).
- Around the time oil was found, coalition building and networking was the order of the day. Donors were demanding that instead of individual organizations bringing proposals they should come together as a group. It was natural for oil and gas to get its own coalition especially because there were other coalitions in other fields

(mining, health, and others) and because it was a new discovery (Media, Accra respondent, interview, 18<sup>th</sup> May 2013).

- There needed to be a coalition with a clearly set agenda and with the ideas and strategies to critique and do serious monitoring of all that was going on. This helped with dialogue, communication and others among civil society groups. If they were to go solo it would not have made enough impact, their impact would not have been enough. The essence of the platform cannot be underestimated (Media, Western Region respondent, interview, 15<sup>th</sup> May 2013).
- The coalition was formed to have a uniform voice and to engage with government and private organizations (FON respondent -Western Region, interview, 15<sup>th</sup> May 2013).

The above reasons given by these civil society groups, both in Accra and the Western Region, for the formation of the platform on oil and gas largely confirms the choice of social capital theory for this research. This research used the three reasons outlined by Putnam (1993) in the application of the theory.

First of all, Putnam relates social capital to collective level units such as association, communities and regions. This aspect of the theory is traced to the early stage of Ghana's oil discovery as pointed out by Gyimah-Boadi and Prempeh (2012) that in March 2010, more than 110 civil society groups, comprising policy and governance think tanks and research organizations, human-rights and environmental groups, and community-based organizations from coastal districts near the Jubilee field, joined with local oil-policy experts and activists to form the Civil Society Platform on Oil and Gas.

Secondly, Putnam (1993) presents social capital as a solution to the dilemmas of collective action. Again these reasons given by some civil society groups involved in the oil industry confirm the position of Gyimah-Boadi and Prempeh (2012) who argued that the discovery of oil in Ghana has galvanized its normally splintered civil society into collective action. These groups are now working together and often in collaboration with the media and parliament, and have played an influential role in the development of key legal and institutional pillars for managing Ghana's hydrocarbons.

Finally, Putnam applies the social capital framework to the study of the performance of institutions, such as regional governments. This is evidenced by the activities of various policy think tanks keen on studying the performance of institutions such as government, GNPC, Tullow oil company and others in the oil sector to assess the performance of these institutions.

In conclusion all the three ways of relating the core issues of oil and gas to social capital theory as outlined by Putnam (1993) such as; associational, communities and region; a solution to the dilemmas of collective action and a framework for assessing the performance of institutions were all confirmed by the various respondents from the field. One hundred percent (100%) of the respondents who answered in the affirmative gave several reasons which provided evidence to confirm the choice of social capital theory in this study. This validates the choice of the social capital theory in this study. Another example of coalition formation on the continent amongst others is Civil Society Coalition on Oil in Uganda and Publish What You Pay (Uganda Chapter) which have for a long period been calling for transparency in the oil sector as argued by Ojala (2012)<sup>35</sup>.

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<sup>35</sup> See Chapter Two, p59-60.

### 4.2.3. Political Environment

The study also sought to assess the nature of the political environment by asking all the respondents from civil society the question “was the political environment conducive or not for civil society groups based in (Accra or Western Region) to participate in the preliminary stages of the oil discovery?” Out of the total of sixteen (16) respondents, which comprised eleven (11) from civil society groups based in Accra and five (5) civil society groups based in Western Region, twelve (12) representing (75%) of the respondents answered in the affirmative that the political environment was conducive. This was made up of nine (9) from Accra and three (3) from Western Region. The other (25%) comprised two (2) from Accra and (2) from Western Region and their responses were “Yes and No” at the same time. They explained that at the very beginning of the discovery it was very difficult for civil society to participate because of the negative perceptions that some government officials had about civil society but eventually they were able to participate because government began to welcome their views and inputs. However, four (4) out of the five (5) respondents from the Western Region pointed out that they were invited on a very short notice because they lacked some levels of expertise. Again, in an interview with Mr. Kwesi Jonah on the nature of the political environment he indicated that the environment was very conducive (Interview, 30<sup>th</sup> April 2013)<sup>36</sup>. In his view, civil society in Ghana had been growing in strength from structural adjustment period<sup>37</sup> because during structural adjustment the state shrunk and moved away from many activities and civil society became very important (Interview, 30<sup>th</sup> April 2013). Secondly, he mentioned that after the return to constitutional rule in 1992 civil society started engaging even more in the political process and so at the time Ghana discovered oil in

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<sup>36</sup> Mr. Kwesi Jonah is a Senior Lecturer at the Political Science Department and also a Senior Research Fellow at IDEG.

<sup>37</sup> The two Bretton Woods institutions, the IMF and World Bank in developing countries in the 80s, introduced the Structural Adjustment Programme. Its main aim was to implement capitalist free market policies, so that countries that adhere to these will be eligible for loans.

December 2007 the atmosphere was just about right especially under the constitutional rule for civil society to engage in the process (Interview, 30<sup>th</sup> April 2013).

In conclusion, (75%) representing a large number of respondents believed that the political environment was conducive, however (25%) believed that at the very early stage of the oil discovery the political environment was not too conducive but eventually the government opened up to civil society. These opinions go a long way to confirm the positions of Larry Diamond (1999) and Mike Oquaye (2001) about civil society being able to function well as agents of democracy only when there is political liberalization and an air of freedom as well as respect of rights. Hence civil society can best function as an agent of democracy in a politically conducive environment devoid of repression and intolerance.

#### **4.2.4. The Contributions of Civil Society**

All the respondents representing (100%) from civil society (16 out of 16) asserted that they made a lot of input into the legal and regulatory framework in the oil and gas industry, particularly the Petroleum Revenues Management Acts (Act 815), the local content policy, and are currently, making input into the Petroleum Exploration and Production Bill among others.

##### ***4.2.4.1. Petroleum Revenue Managements Act (PRMA 815)***

Civil society platform on oil and gas in their quest to ensure transparency were able to make the following input into the PRMA bill, which eventually became law (PRMA 815). In an interview with a former coordinator of the Platform on oil and gas Mr. Mohammed Amin Adam, he stated that out of the fifteen (15) proposals that the platform incorporated

into the bill only one (1) was rejected which was clause 5 which allowed for the collateralization of the funds which the platform did not support (Interview, 26<sup>th</sup> April 2013). Several respondents from civil society expressed this concern.

Some of the clauses that were incorporated are as follows.

- Clause 8, which requires the publication of records of petroleum receipts on the ministry of finance web site, at least two state-owned newspapers and online, and presented to parliament.
- Clause 10, which established the Heritage Fund, a fund to support the future generation when petroleum reserve has been depleted.
- Clause 16, which requires the Minister of Finance to reconcile quarterly petroleum receipts and expenditures and submit reports to Parliament as well as publish the reports in the newspapers.
- Clauses 46, 47 and 48, which provides for four different types of audits of the petroleum accounts like internal audits, external audits, annual audits and special audits.
- Clause 48, which requires the Minister of Finance to submit an annual report on the Petroleum Account and the Ghana Petroleum Funds as part of the annual presentation of the budget statement and economic policies to Parliament.
- Clause 49, which outlines the fundamental principles of transparency, making mention of management, being carried out in line with international best practices.
- Clause 51 and 52, which established the Public Interest and Accountability Committee (PIAC) with its objectives such as to monitor and evaluate the compliance with the Act by government, to provide space for public debate and to provide an independent assessment of the management and use of revenue.

- Clause 53, which provides for the composition of the PIAC. It is made up of eleven members, the majority of which are from civil society. The membership comprises Trades Union Congress, National House of Chiefs, Association of Queen Mothers, Association of Ghana Industries and chamber of Commerce, Ghana Journalist Association, Ghana Bar Association, Institute of Chartered Accountants, Ghana Extractive Industry Transparency Initiative, the Christian Council, the Federation of Muslim Councils and Ghana Academy of Arts and Science<sup>38</sup>.

Commendably, the PIAC has already issued two reports so far which are very critical of the management of the revenues and expenditure by the government<sup>39</sup>. The government is working on these and has been improving them since 2011.

Though the PRMA 815 law provides a stronger framework for public accountability through disclosures of public expenditures and the regular scrutiny by the proposed Public Interest and Accountability Committee several respondents who were interviewed expressed concerns about the actual implementation of these clauses. However, they advocate for citizen vigilance and scrutiny.

#### ***4.2.4.2. Other Contributions by Civil Society***

First of all, with other legislation and policy frameworks such as the local content policy, the Petroleum Exploration and Production Bill and others, civil society has been making some considerable input. For instance, with the local content legislation, Mr. Kwame Jantuah member of the platform mentioned that a team was set up by the platform on oil and gas to do the implementation plan for the policy at the early stages of the oil discovery

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<sup>38</sup> PRMA, (2011). "Patroleum Revenue Management Acts 815" Retrieved on the 19<sup>th</sup> of March 2013 from <http://ghanaoilwatch.org/images/laws/petroluem-revenue-management-act815-2011-.pdf>

<sup>39</sup> For all reports see [piacghana.org/](http://piacghana.org/)

and production (Interview, 16<sup>th</sup> June 2013). The team noticed that there were certain policies in there that would not stand the test of time; for instance, the policy wanted Ghana to take control over the entire oil industry within a short time which the committee did not entirely agree to and so made changes (Interview, 16<sup>th</sup> June 2013). Most of the respondents from the Western Region admitted that they wanted 90% local content, which was eventually incorporated into the policy.

Also, with the Petroleum Exploration and Production bill the platform was given copies of the bill for them to make the necessary input. The platform on oil and gas pointed out that the 2013 bill had been improved, that it incorporates several provisions aimed at achieving good governance, transparency and international best practice in the petroleum regime of Ghana, that there is increased checks and balances in distribution of power between the Minister, the Ghana National Petroleum Corporation and the Petroleum Commission; that the bill was gender neutral and non-discriminatory and finally the gaps noticed in the earlier bill had been pointed out and recommendations made<sup>40</sup>.

Secondly, civil society has been monitoring closely the implementation of the laws and policy in the oil and gas industry. They have been playing a watchdog role and are willing to expose any inconsistency when noticed with regard to how the revenues are first of all, spent and secondly, how revenues are allocated into the Stabilization and Heritage Fund as stated in the PRMA 815. The Platform observed that distribution to the Stabilization and Heritage Funds was inconsistent with the requirement of Act 815, section 23 (b) “A minimum of thirty percent of the excess revenue determined in subsection (1) (a) shall be transferred into the Ghana Heritage Fund and the balance shall be transferred into the

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<sup>40</sup> A presentation by Mr. Martin Amidu at a two day conference by the platform on oil and gas from Monday 13<sup>th</sup> of May to Tuesday 14<sup>th</sup> May 2013 at the Maxlot Hotel Nima.

Ghana Stabilization Fund each quarter” (MoFEP-GHEITI, 2013:38). That is, the allocation to Ghana Heritage Fund shall not be less than 30% of the excess revenues over the Annual Budget Funding Amount. According to the report, the allocation of 18.3% of excess to the Ghana Heritage Fund and 81.7% to the Ghana Stabilization Funds were not consistent with Act 815 (MoFEP-GHEITI, 2013:38)<sup>41</sup>. The platform was yet to take the decision to make this known to the government and to demand some explanations.

Thirdly, some civil society organizations have been making expenditure analysis and making some suggestions for investment strategy for the Nation. From interviews on the field, it was discovered that Africa Centre for Energy Policy (ACEP) with the support of Oxfam, FES and others conducted expenditure analysis on the revenue, to justify whether the money is being spent efficiently and in accordance with the Act 815. In an interview with a top official from ACEP it was pointed out that ACEP and another organization are working on expenditure strategy for spending the revenues so far and are willing to influence the four-priority areas that the minister has to choose in 2014 as Act 815 demands that the minister has to choose from four areas of priority out of twelve (Interview, 26<sup>th</sup> April 2013). Again, ACEP was working on an investment strategy for the petroleum funds that will be sent to the minister for consideration when completed<sup>42</sup> (Interview, 26<sup>th</sup> April 2013).

Fourthly, some civil society groups based in the Western region such as Friends of the Nation (FON), Western Region Development Network of NGOs (WERENGO) and the

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<sup>41</sup> During the second day of the workshop (14<sup>th</sup> May 2013) one of the presentation pointed out from the Ministry of Finance and Economic Planning Report on the oil and gas sector 2010-2011.

<sup>42</sup> In addition, the researcher attended a forum on the strategies for the investment of oil revenues in Ghana organised by Africa Centre for Energy Policy (ACEP) on the 7<sup>th</sup> of May 2013 at the Coconut Grove Regency Hotel. This forum was under the theme “Three Years of Oil Revenues in Ghana-Time for spending strategy, Civil Society forum”. The main aim of this forum was to assess the expenditure made by the government so far with oil revenues and to advocate for other options of expenditure in the future.

media have been educating and creating awareness among the community members about the oil and gas industry and its possible impact on their livelihood in the communities. Six communities targeted are Shama, Jomoro, Ellembelle, Nzema East, Ahanta West and Sekondi-Takoradi. The education involved Environmental Impact Assessment of the oil industry. This collaborates with the news report about the communities along the coastal belt of the Western Region having formed a Platform for the protection and development of coastal communities in the area. In the report, it was stated that the platform would focus mainly on coastal areas in the Western and Eastern Nzema, Upper and Lower Axim, Lower and Upper Dixcove, Ahanta, Sekondi, Essikadu and Shama traditional areas. Also, the platform would collaborate with district assemblies to ensure the enforcement of the Environmental Impact Assessment of the oil and gas industry along the coast. More importantly, the platform would look at the dumping of waste into the sea and the pollution of other water bodies along the coast and the air. Finally, it would also ensure that coastal lands were not sold outright but sold on equity basis<sup>43</sup>.

Fifthly, CSO platform on Oil and Gas have been significantly involved in advocacy for the oil and gas industry. For instance, in a news report on the 8<sup>th</sup> of December 2011, the Platform emitted concern that no independent institution in the country could verify the calibrations of the newly installed flow meter on the FPSO Kwame Nkrumah on the Jubilee Oil Field. In their view, after the Jubilee Oil partners replaced the flow meter in 2011 it was found to be defective. The CSO Platform on Oil and Gas pointed out that replacing the flow meter alone was not enough and that the Standards Board should be

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<sup>43</sup>(Ghana web, 2011). Accessed on 20<sup>th</sup> April 2013 from <http://www.ghanaweb.com/GhanaHomePage/regional/artikel.php?ID=199394>

able to verify whether the metering systems on the FPSO were functioning properly or not. The coordinator of the CSO platform on Oil and Gas entreated government to resource the Ghana Standards Board as a matter of urgency and policy, so the production and export volumes can be tracked and monitored in order to ensure transparency in the entire oil production process<sup>44</sup>.

Furthermore, in 2011 the CSO platform on Oil and Gas issued a 'Readiness Report Card', which appraised the performance of the government in managing the challenges of the emerging oil sector and drew attention to issues needing immediate action. This report evaluated ten proportions of government performance, such as transparency, independent regulation of the sector, licensing and contracting, citizen participation/public oversight, budget openness/public financial management and social and environmental issues. The report did not only consider the role of the Government of Ghana in the industry, but also that of the Parliament of Ghana, Ghana's donor partners, oil and gas companies, and civil society<sup>45</sup>. More so, the CSO platform on Oil and Gas developed a scorecard to rate the government performance after one-year of production and also the Institute of Economic Affairs (IEA) has also developed the Petroleum Transparency and Accountability Index (P-TRAC-Index). According to P-TRAC-Index (2011), the oil and gas sector scored 59.7% in 2011, which showed that considerable improvements are needed to increase transparency and accountability within the sector, Revenue Transparency score was 64.3%, the highest scoring component was Contract Transparency which measures the

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<sup>44</sup> (Ghana web, 2011). Accessed on 20<sup>th</sup> April 2013 from <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=225200>

<sup>45</sup> Accessed on 30<sup>th</sup> May 2013 from <http://capacity4dev.ec.europa.eu/article/civil-society-and-oil-and-gas-governance-ghana>

public disclosure of information regarding the award of contracts, with a score of 66.7%; the publication of Environmental Impact Assessments by the Jubilee Partners was awarded a score of 100%, and other components such as the establishment of the Petroleum Commission as the authority awarding contracts, the constitutional mandate of Parliament to ratify and scrutinize contracts, and the openness and competitiveness of the licensing process also performed relatively well (Asafu-Adjaye, 2011).

Lastly, Expenditure Transparency scored an average of 63.9% for the frequency and quality of reports regarding expenditures from the Government's share of revenues. Also, the review of the projects receiving funding from the oil and gas revenue and the extent of their potential developmental impacts in areas of priority was reasonably positive and scored 88.6% (Asafu-Adjaye, 2011). However, the frequency of reports on expenditure by the Ministry of Finance and Economic Planning (MoFEP) was judged not to meet best practice standards and received a score of only 33% (Asafu-Adjaye, 2011). The lowest scoring component of the Index was the management of the Heritage and Stabilization Funds, with an average transparency score of 44% (Asafu-Adjaye, 2011). The overall 2011 score of 59.7% shows that although some progress has been made in the year under review to enhance transparency and accountability in the management of Ghana's oil and gas resources, there is room for improvement.

#### **4.2.5. Government Engagement**

The study sought the views of respondents on how government has been engaging with civil society. Several respondents mentioned that it had been through the Petroleum

Commission, the Public Interest and Accountability Committee (PIAC), personal communication, and through invitation.

#### ***4.2.5.1. The Petroleum Commission (Act 821)***<sup>46</sup>

The law allows for a representative from civil society to be part of the governing body of the commission, currently the representative is known as Bishop Akologo who is the Chief Executive Director of ISODEG and also a member of the platform on oil and gas. Therefore, he represents the platform on the petroleum commission, which is significant. This representative serves as a link between the Petroleum Commission and civil society (Field interview, 2013).

#### ***4.2.5.2. The Public Interest and Accountability Committee (PIAC)***<sup>47</sup>

The PIAC also plays its role as an independent regulator of petroleum revenues and it is made up of a majority of civil society and their representatives. These representatives send reports to the committee and from the committee to their various organizations and also present the views of these organizations to the committee. The PIAC then goes ahead to publish its reports, which is semi-annual and annual. The committee has published two reports 2011 and 2012 on the petroleum revenue as required by the PRMA 815 (Field interview, 2013).

Some major findings in the 2012 reports were; that monthly production fell from 2.11 million barrels in January to 1.77 million barrels in June, also the average daily production

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<sup>46</sup> This law establishes the commission to regulate the activities of the oil industry. This suggests that any company that wants a permit or license to operate in Ghana's petroleum must do so under the commission. The commission plays the role of a regulator in the oil and gas industry by monitoring and serving as a referee in the sector. This function was earlier on given to the GNPC, which was both a regulator and participant in the oil and gas industry this proved conflicting and challenging and so upon the discovery of oil the government introduced a new petroleum industry regulator by making this law.

<sup>47</sup> see [piacghana.org/](http://piacghana.org/)

during this period was 62,985 barrels of oil per day (bopd), which was short of the estimation of 90,000 bopd for the Benchmark Revenue of 2012 financial year. After pointing out these findings and others the committee made some recommendations. For example a recommendation that the Ministry of Finance and Economic Planning ensure that all oil companies operating in the industry are made to pay their relevant surface rental charges in the Petroleum Holding Funds<sup>48</sup>.

#### ***4.2.5.3. Personal Communication***

Some respondents pointed out that government has been in communication with them through the ministries; for example, one official admitted that the Ministry of Finance and Economic Planning and the Ministry of Energy sent their organization a copy of the new Petroleum Exploration and production bill for their input (Field interview, 2013). All respondents who are members of the platform on oil and gas admitted that the current Minister of Finance Hon. Seth Terkper calls their leadership and other civil society groups as and when it is necessary for their opinions on the expenditure on the petroleum revenues among other things (Field interview, 2013).

#### ***4.2.5.4. Invitation***

Some respondents pointed out that government has been engaging with civil society through invitations to make input into draft bills, through communication from the Ministry of Energy and the Ministry of Finance and Economic Planning. However, they admitted that often it is civil society that had to invite government officials to make some presentations at their meetings. On the same issue of invitation, all the five (5) respondents from the Western Region mentioned that they had not been invited directly by the

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<sup>48</sup> Reports available at [piacghana.org/](http://piacghana.org/)

government for any programme. Also, they pointed to the fact that most issues discussed are done in Accra at the platform level where they have some representatives from the Western Region (Field interview, 2013).

#### **4.2.6. Challenges faced by Civil Society groups monitoring the oil and gas industry**

Generally when respondents were asked about their challenges before the Petroleum Revenue Management bill became law and afterward, several respondents mentioned the following; Access to information, Capacity building, Extent of outreach, Stigmatization and Diminishing funding.

##### ***4.2.6.1. Access to information***

All the respondents (16 out of 16) from civil society representing 100% made up of eleven (11) from Accra and five (5) from Western Region mentioned access to information as the main challenge at the early stage of the oil discovery, a factor that persists even today. They lamented that during the early stages of the discovery there were some consultations that went on without the involvement of civil society and CSO groups. Consequently, some CSO groups such as ISODEC and others had to insist and make some demands on government and other stakeholders for them to be a part of the process. This yielded result with the government eventually opening up to CSO engagement. On the other hand, all the five (5) respondents from the Western Region made mention that access to information was also a challenge and not just that but understanding of the information and issues that emerged from the Petroleum Revenue Management bill such as its content. This is still a challenge even after the bill became law (Field interview, 2013). A couple of the respondents both in Accra and Western Region indicated that the only way they got information if not through the front door was through the backdoor or through “whom you

know”(Field interview, 2013). In addressing these challenges at the moment, some mentioned that they have been and are still advocating for the Right to Information Bill to be passed in parliament for them to get access to the necessary documents in order to make their work easy and effective (Field interview, 2013).

#### ***4.2.6.2. Capacity building***

This is also another challenge facing civil society interested in the oil and gas industry. Fourteen (14) out of sixteen (16) representing 88% of respondents expressed the position that lack of capacity building in this highly specialised and technical industry remains a challenge. This fourteen (14) comprised nine (9) civil society groups from Accra and five (5) from Western Region (all the respondents). The explanation most of these respondents gave was that, it is a new industry and so they have to build their capacity to meet the industry and unfortunately they lack the skills and expertise for the industry (Field interview, 2013). A member on the platform expressed the view that skill sets needed for research and advocacy are very expensive on the market and their ability to hire and retain high caliber researchers, policy analysts, and experts is a major challenge, and with the declining nature of donor funding, the platform and civil society at large has lost some of their highly skilled staff from the mining and oil industry (Field interview, 2013). Some members from civil society both in Accra and Western Region stated they have tried to address this challenge in a very minimal way through workshops and some training of their workers.

#### ***4.2.6.3. Extent of outreach***

Some of the respondents admitted that they faced the challenge of reaching out to a lot of people particularly those in the hinterland. They explained that they could have done more

with public awareness before the PRMA bill became law. Most of the respondents from the Western Region lamented that mobilization of their members also has been a challenge. They mentioned that several of the conferences and meetings by civil society groups are often held in Accra and so movement for some of them has been difficult. Some indicated that movement into and out of the fishing communities has been difficult and so it slows down their progress in those communities. In addressing the general challenge for making more impact, some cited the use of the media, newspapers and the use of video documentaries. On addressing the issues of mobilization, some respondents mentioned using modes of communication such as phone, internet, and others instead of going directly to the communities and meeting with them (Field interview, 2013).

#### ***4.2.6.4. Stigmatization (wrong perception)***

Stigmatization is a situation where civil society has been characterized or branded as anti-government and not pro-government. African governments are somehow suspicious of civil society largely because they are sometimes very critical of government. These governments see civil society as another kind of opposition simply because they might not be singing the praises of the government. In Ghana, the story is not too different. A large number of respondents representing 94% which is fifteen (15) out of sixteen (16) from civil society groups involved in the oil and gas industry mentioned that at the early stages of the oil discovery government engagement with them was minimal simply because their intentions were misunderstood. Eventually, upon pressure put on the government by civil society, government opened up to civil society in the oil and gas industry (Field interview, 2013). However, the stigmatization is still a challenge. A few respondents from civil society mentioned that their critique of the Ghana National Gas company as a limited liability company with total funding from public coffers which makes it difficult for public

oversight and supervision has not been well received by the Chairman of the company and some members of government (Field interview, 2013). Some members from civil society expressed the view that, these issues sometimes make them want to stop playing their roles. Addressing stigmatization, according to a member of the platform on oil and gas, has been through quality research, advocacy and clear transparency (Field Interview, 2013).

#### ***4.2.6.5. Diminishing Funding***

Some of the respondents from Accra admitted that at the early stage of the oil discovery funding was not a challenge because they received some funds from the World Bank, Oxfam, FES, Revenue Watch, GIZ and many more. Others mentioned that they received technical support from experts not only from Ghana but also from the rest of the world. However, few respondents two (2) out of five (5) from the Western Region mentioned that they received no funds at all at the early stage (Field interview, 2013). After the Petroleum Revenue Management bill was passed into law, members from both civil society groups based in Accra and Western Region mentioned that sources of funds have been decreasing. Faced with these challenges, some groups have abandoned some projects that they started. Generally, the issue of funds has affected the motivation that civil society groups had at the early stage of the oil discovery.

## **4.7. CONCLUSION**

On the whole, civil society groups and organization in Ghana have made and continue to make enormous input into the legal and regulatory framework in the oil and gas industry. Civil society in Ghana continues to be vibrant in the monitoring of the implementation of the PRMA 815 and is still making contributions into the Petroleum Exploration and

Production bill, the local content bill and other legislations relating to the oil and gas sector. Furthermore, civil society has been doing some analysis on expenditure and investments of oil revenues as it communicates with the Ministry of Finance and Economic Planning. Some civil society organizations in the Western region such as the Friends of the Nation (FON) and others are also educating the local communities on environmental safety and the implications of the oil discovery on the communities' livelihood.

Despite these, civil societies in Ghana are faced with several challenges such as, access to information, diminishing funding, stigmatization, inadequate resources and others. Gradually, civil society, government and the international community are addressing these challenges. Though it might yet be too early to say, if Ghana continues with the path it has begun the country could perhaps avoid the oil curse. The biggest challenge now as a country is how to see to implementation of all these legislations that have been put in place.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1. INTRODUCTION

The discovery of oil in Ghana brought high hopes and expectations to the people in the country. Several civil society groups and organizations came together to form a platform on oil and gas to serve as a stronger voice in order to make input into the oil and gas industry. The civil society platform on oil and gas and other civil society groups have made enormous contribution so far into the industry, particularly with the legal and regulatory framework such as the Petroleum Revenue Management Act (PRMA) 815, and they are still making inputs into the local content bill, the Petroleum Exploration and Production bill and others. The central question that the study sought to answer was: what was the contribution of civil society in the petroleum sector in Ghana during the early stages of the discovery? This concluding chapter recapitulates the key findings, and presents the conclusion and recommendations of the study.

The overall aim of this research was to examine the contribution of civil society during the early stages of Ghana's oil discovery in order that Ghana could perhaps avoid the resource curse (oil curse). The specific research objectives were:

- Examine the phenomenon of the Resource Curse as it relates to oil.
- Explore the proposed solutions to the resource curse in Ghana.
- Explore the role of civil society in the drafting and passage of the Petroleum Revenue Management Act (PRMA) by Ghana's parliament.
- Assess the adequacy and the suitability of civil society in monitoring Ghana's oil and gas resources considering carefully the experiences of other oil-producing countries.

- Offer recommendations to maximize the benefits of Ghana's oil discovery for the development of the country so as to avert the oil resource curse.

These research objectives were derived from the central research question.

## **5.2. SUMMARY OF FINDINGS**

Firstly, with regard to the phenomenon of Resource Curse as it relates to oil, the literature and empirical data gathered from the field identified various discourses on the resource curse that were divergent and convergent views of the concept. It outlined some perspectives on the causes of the resource curse such as economic, behaviouralist, rational actor, state-centred, historical-structuralist, social capitalist and radicalist. The research pointed to the fact that weak institutions are a major cause of resource curse and hence calls for the strengthening of institutions in the country including civil society to enhance participation, transparency, and accountability and to promote development.

Secondly, on the issue of some proposed solutions to the resource curse the literature review highlighted the crucial role of civil society in the effective monitoring (maintaining regular surveillance) of a country's oil and gas resources in general with lessons from Venezuela, Norway, and Botswana on how in these countries civil society contributed to their success. It also mentioned as a step in the right direction how Ghana's civil society made some contributions in the country's legal and regulatory framework for the oil industry so far particularly in the drafting and passing of the Petroleum Revenue Management Act 815 (PRMA). Hence, civil society in Ghana has been instrumental in lobbying and advocating for enhanced participation, transparency, accountability and development through their credible inputs into PRMA (Act 815). Also, through personal communication with the Ministry of Energy, Ministry of Finance and Economic Planning,

and the Petroleum Commission just to mention a few, civil society in Ghana continues to make inputs in the oil and gas industry in terms of monitoring revenue expenditure, and revenue investments. Again, civil society has been involved in maintaining strong vigilance in the oil and gas industry through environmental and social advocacy.

Thirdly, on the contribution of civil society to Ghana's legal and regulatory framework particularly the case of the Petroleum Revenue Management Act (PRMA) 815, the literature and empirical data gathered from the field suggests that civil society made enormous contributions into the law such as: the establishment of the Public Interest and Accountability Committee (PIAC), the Heritage Fund, the publications of receipt by the minister, the audit of the petroleum account and publication of the reports and several others. Also, civil society continues to make input into up and coming laws such as the Local Content bill, the Petroleum Production and Exploration Bill, and some other regulations for the oil industry in Ghana. Therefore, civil society in Ghana has, and continues to make crucial inputs into Ghana's oil and gas legislations.

Fourthly, in assessing the adequacy and the suitability of civil society in monitoring Ghana's oil and gas resources so far; the research points out that civil society in Ghana is vibrant and equipped with the necessary skill for them to make input into up and coming laws and regulations. It also points out the fact that civil society has also been monitoring keenly the implementation and applications of the laws and regulations in the oil and gas sector. However, civil society in Ghana faces some challenges such as, not having access to information, diminishing funding and stigmatization among others. Though these challenges still exist, civil society groups in Ghana are gradually dealing with them by

means such as remaining vigilant, organizing more workshops and seminars so that the oil find in Ghana could be a blessing instead of a curse.

### **5.3. CONCLUSION**

The discovery of oil in Ghana brought several civil society groups together to form a platform on oil and gas to serve as a stronger voice in order to make input into the oil and gas industry. Civil society platform on oil and gas and other civil society groups have and continue to make enormous contribution into the industry, particularly with the legal and regulatory framework such as the Petroleum Revenue Management Act (PRMA) 815, the local content bill, the Petroleum Exploration and Production bill and others. Furthermore, research has proven that adequate institutions are a major antidote in avoiding resource curse, as has been the case in Venezuela, Norway, and Botswana. Civil society in Ghana is vibrant and equipped with the necessary skills for its experts to make inputs into these laws and regulations despite the challenges. The fact that civil society made some major contributions in the laws and is monitoring the oil and gas industry gives Ghanaians some level of hope that, when it comes to oil, the country might perhaps avoid the resource curse and benefit from the oil and gas industry.

### **5.4. RECOMMENDATIONS**

In the light of the above findings and conclusions the study makes the following recommendations:

First of all, institutions should be strengthened. The study revealed that weak institutions are a major cause of resource curse and hence calls for strengthening of institutions such as civil society to enhance participation, transparency, accountability and development in Ghana. One of the ways government can strengthen civil society and other state

institutions is, by quickly considering the right to information bill<sup>49</sup> and passing it into law. Government should also repeal the non-disclosure clauses and laws. That way civil society would be able to have access to the needed information in order to make the necessary inputs into the oil and gas industry for the good of the nation. Also, other institutions such as Parliament, Courts, Media, Environmental Protection Agency, District Assemblies and others should be strengthened with the needed resources and support for them to function appropriately.

Secondly, both government and civil society should be committed to transparency, accountability and the development of the oil and gas industry. On the part of the government, this can be done by committing to transparent and competitive bidding, full disclosure of oil contracts and strengthening communication capacity in order to communicate and implement the oil and gas policies and laws, improve sustainable environmental laws and management practices. On the part of civil society, it should remain committed to transparency, accountability and the development of the oil and gas industry by being nonpartisan, and getting the necessary skills and resources needed through active training and research.

Thirdly, civil society should be allowed to continually be a watchdog in the oil industry by maintaining keen surveillance over the implementations of the various laws and regulations in the oil and gas industry. It must also be given space without any hindrance from government to function in that capacity. This could be achieved when the Ministry of Finance and Economic Planning, Ministry of Energy, Petroleum Commission and other stakeholders become transparent in their transaction by publishing every receipt, contracts,

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<sup>49</sup> In June 2013 the Ghana Right to Information Bill was approved by Cabinet and forwarded to parliament for consideration. It is yet to be passed into law.

payments and other transaction in the oil and gas industry as stated in the PRMA 815. Government should desist from being overly suspicious of civil society as it performs its surveillance role in Ghana. All other state institutions should collaborate with civil society as it monitors the progress and implementation of these laws.

Fourthly, civil society must be willing to address all the challenges they face. Capacity building as a challenge could be addressed by organizing frequent seminars and workshops where qualified researchers would give presentations and facilitate programmes. The extent of outreach could be addressed by using several other modes of technology to communicate. The challenge of diminishing funds could be dealt with when civil society calls for funds from citizens and philanthropists for them to make voluntary contributions into an account created by the civil society platform on oil and gas. The money received into this account must be used only for matters relating to civil society involved in the oil and gas sector. This must be done in a transparent way for all to see and monitored by publishing quarterly reports on the money received and the expenditures made.

Fifthly, Ghana should have a development strategy for the revenues it would gain from the oil and gas industry. This strategy should be a detailed plan of what revenues from the oil industry would be used for. The plan should not be subject to the dictates of the politicians and political parties in government but be neutral. This plan or policy should also include how revenues generated from the oil and gas industry would be invested or spent. These revenues should be used to support industrial growth, agriculture and educational development since all these are productive ventures and would yield benefits in future, unlike the oil and gas which are non-renewable resources.

Finally, further research could be done on three main themes and areas that the researcher noticed needed extensive investigation. To begin with, is the question of politics in Ghana's oil and gas industry relevant? On the field it was pointed out by several respondents that, there was some politics going on in the oil and gas sector already. For instance, issues like NPP's claims that they found the oil during President Kufuor's era whilst NDC claims they began the process during the PNDC era, the issue with chiefs from the Western Region demanding 10% from oil revenues and the claim that the oil is theirs, how NDC made several changes in the PRMA bill which was started by NPP after they came to power in 2009. Also, oil and gas revenue utilization was prominent in the 2012 election campaigns by both political parties, whilst NPP said they would use it for free education, NDC said they would use it for infrastructure development.

Another area of research is the discovery of oil in Ivory Coast and its implications for Ghana's oil industry. Ivory Coast just discovered oil along the borders of Ghana and Ivory Coast. Some experts believe that where the oil has been found feeds into Ghana's jubilee field and could create problems between the two countries in future.

Also another important area for future research is the impact of the oil on the fishing communities along the Coast. It was realized during fieldwork that because of the light from the rig a lot of the fish move to the rig because they are attracted to light and so these fishermen find it difficult to catch large quantities of fishes. Again, with the issues of oil spillage and pollution of the environment, it was discovered during the fieldwork that Kosmos Energy limited an oil company spilled toxic mud in the sea, which had some effect on the fishing communities. However, the government could not sue the company because the country did not have any law specifically to deal with an oil spillage. Looking

at what happened at the Gulf of Mexico and the effect that the oil spillage had on the people living along the coast, the question is how ready are we as a country to deal with any oil spillage in the jubilee field and any other offshore and onshore production field that would be developed in future as oil explorations are still going on both onshore and offshore in the country. More importantly, it was pointed out that the gas flaring and venting<sup>50</sup> at the jubilee field could eventually cause acidic rain in the fishing communities, though Ghana has a no flaring policy. I call for further research in these areas.

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<sup>50</sup> Flaring is the burning of natural gas that cannot be processed or sold. Flaring disposes of the gas while releasing emission into the atmosphere. Venting is the word used to describe natural gas that is released. Both flaring and venting release greenhouse gases, sulphur dioxide and methane into the atmosphere. Research from Niger delta has proven that flaring and venting have negative impact on the lung function of children and adults living around such communities where gas is flared (Ovuapkoraye, S. et al., 2012). "Effect of Gas Flaring on Lung Function among Residence in Gas Flaring Community in Delta State, Nigeria", *Research Journal of Environmental and Earth Science*, Vol. 4, No. 5, pp. 525-528.

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**APPENDICES****APPENDIX 1****INTERVIEW GUIDE FOR CIVIL SOCIETY GROUPS BASED IN ACCRA**

I want to thank you for taking the time to meet with me today. My name is Emmanuel Graham, an MPhil final year student of the Department of Political Science, University of Ghana, Legon. I am interested in knowing, the contribution civil society has made so far in the oil industry in Ghana in order to avoid the natural resource curse syndrome. The interview should not take more than one (1) hour. I will be taping the session because I do not want to miss any of your comments. All information that would be given will be used for academic purposes only. This means that your interview responses will only be shared with research team members like my supervisor and external supervisor and we will ensure that all the information given including our reports are used for academic purposes. Also, where you are not comfortable your identity shall not be made know.

.....

.....

Interviewee

Date

.....

Institution

### Civil Society and the early stage of the oil discovery

1. Was there a need to form a civil society platform on oil and gas in Ghana?
2. Was the political environment conducive or not for civil society to participate in the preliminary stages of the oil discovery?
3. What contribution(s) did civil society make in the early stage of the oil discovery in Ghana?

### Governments Engagement of Civil society in the oil and gas industry

4. How has the government engaged or involved civil society in the oil and gas industry?
5. What was the contribution of civil society to the drafting and passing of the Petroleum Revenue Management Acts?
6. What were some challenges encountered by civil society in the drafting and passing of the Petroleum Revenue Management Acts?

### Civil Society and Oil Resource Management in Ghana

7. How has civil society contributed to the effective management of the oil industry in Ghana so far?
8. What have been the challenges of civil society in their contribution to the management of the oil and gas industry in Ghana so far?
9. How have you address these challenges?
10. Is Ghana on course in avoiding the oil curse?
11. Is there anything more you would like to add?

I'll be analyzing the information you and others have given me and submitting a draft report to my institution in one month. I'll be happy to send you a copy to review at that time, if you are interested. Thank you for your time.

**APPENDIX 2****INTERVIEW GUIDE FOR CIVIL SOCIETY GROUPS BASED IN THE  
WESTERN REGION**

I want to thank you for taking the time to meet with me today. My name is Emmanuel Graham, an MPhil final year student of the Department of Political Science, University of Ghana, Legon. I am interested in knowing, the contribution civil society has made so far in the oil industry in Ghana in order to avoid the natural resource curse syndrome. The interview should not take more than one (1) hour. I will be taping the session because I do not want to miss any of your comments. All information that would be given will be used for academic purposes only. This means that your interview responses will only be shared with research team members like my supervisor and external supervisor and we will ensure that all the information given including our reports are used for academic purposes. Also, where you are not comfortable your identity shall not be made know.

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.....

Interviewee

Date

.....

Institution

### Civil Society and the early stage of the oil discovery

1. Was there a need to form a civil society platform on oil and gas in Ghana?
2. Was the political environment conducive or not for civil society groups based in Western region to participate in the preliminary stages of the oil discovery?
3. What contribution(s) did civil society groups based in Western Region make in the early stage of the oil discovery in Ghana?

### Governments Engagement of Civil society's in the oil industry

4. How has the government engaged or involved civil society in the oil and gas industry particularly those from Western Region?
5. What was the contribution of civil society groups from the Western Region to the drafting and passing of the Petroleum Revenue Management Acts?
6. What were some challenge encountered by Cso from the western Region in the drafting and passing of the Petroleum Revenue Management Acts?

### Civil Society and Oil Resource Management in Ghana

7. How has civil society groups from Western Region contributed the effective management of the oil and gas industry in Ghana so far?
8. What have been the challenges of civil society groups based in Western Region to the effective management of the oil industry in Ghana so far?
9. How have you address you address these challenges?
10. Is Ghana on course in avoiding the resource curse?
11. Is there anything more you would like to add?

I'll be analyzing the information you and others have given me and submitting a draft report to my institution in one month. I'll be happy to send you a copy to review at that time, if you are interested. Thank you for your time.

**APPENDIX 3****INTERVIEW GUIDE FOR EXPERTS**

I want to thank you for taking the time to meet with me today. My name is Emmanuel Graham, an MPhil final year student of the Department of Political Science, University of Ghana, Legon. I am interested in knowing, the contribution civil society has made so far in the oil industry in Ghana in order to avoid the natural resource curse syndrome. The interview should not take more than one (1) hour. I will be taping the session because I do not want to miss any of your comments. All information that would be given will be used for academic purposes only. This means that your interview responses will only be shared with research team members like my supervisor and external supervisor and we will ensure that all the information given including our reports are used for academic purposes. Also, where you are not comfortable your identity shall not be made know.

.....

Interviewee

.....

Date

.....

Institution

**FOR OIL AND GAS EXPERTS**

1. What is the resource curse?
2. What are the courses of the resource curse?
3. What are the solutions to the resource curse?
4. Is Ghana on course in avoiding the resource curse?

**FOR MEMBER OF PARLIAMENT**

1. What was the contribution of parliament in the early stage of the oil discovery?
2. What was the contribution of the finance committee to the legal framework?
3. What was the contribution of civil society in the legal framework?
4. What were the challenges faced by the parliament/ finance committee in making input into the PRMA and other bills relating to oil and gas?
5. Is Ghana on course in avoiding the resource curse?

I'll be analyzing the information you and others have given me and submitting a draft report to my institution in one month. I'll be happy to send you a copy to review at that time, if you are interested. Thank you for your time.

## APPENDIX 4

### LIST OF PEOPLE INTERVIEWED

1. Hon. James Avegi (Chairman of Finance Committee Ghana Parliament) 30<sup>th</sup> April 2013.
2. Dr. Joe Asamoah (Oil and Gas Experts) 26<sup>th</sup> May 2013.
3. Dr. Steve Manteaw (Chairman of the Civil Society Platform on Oil and Gas) 13<sup>th</sup> May 2013.
4. Mrs. Daniela Kuzu (Country Director FES-Ghana) 9<sup>th</sup> May 2013.
5. Mr. Mohamed Amin Adam (Chief Executive Director Africa Centre for Energy Policy) 26<sup>th</sup> April 2013.
6. Mrs. Akua Appiah – Akukormah (Coordinator CSO platform on Oil and Gas) 31<sup>st</sup> May 2013.
7. Mr. Benard Anaba (Policy Analyst Extractive, ISODEG) 8<sup>th</sup> May 2013.
8. Mr. Fredrick Asiamah (President of Ghana Extractive Journalist Association) 18<sup>th</sup> May 2013.
9. Mr. Kweku Owusu Preprah (JOYFM-Takoradi Correspondent Extractives) 15<sup>th</sup> May 2013.
10. Mr. Solomon Ampofo (Project Officer Extractives -Friends of the Nation, Takoradi) 15<sup>th</sup> May 2013.
11. Mr. Theophilous Yiadom (Friends of the Nations, Takoradi) 17<sup>th</sup> May 2013.
12. Mr. Kwame Mensah (Coordinator Western Regional Development Network of NGOs (WERENGO) 17<sup>th</sup> May 2013.
13. Mr. Henry Yankson (Executive Director of Foundation for Action Development Western Region, Takoradi) 15<sup>th</sup> May 2013.
14. Lawyer. Kofi Adinkra (Member of the Ghana Bar Association) 14<sup>th</sup> May 2013.

15. Lawyer. Richmond Osei-Hwere (Member of the Ghana Bar Association) 20<sup>th</sup> May 2013.
16. Mr. Kwame Jantuah (Member of the CSO platform on Oil and Gas and an oil and Gas Expert) 16<sup>th</sup> June 2013.
17. Mr. Albert E. Kraku (Executive Director Global Youth Focus GYF) 25<sup>th</sup> May 2013.
18. Mr. George Sagoe-Addy (Technical Advisor Christian Council of Ghana) 2<sup>nd</sup> July 2013.
19. Mr. Kwesi Jonah (Lecturer, Political Science University of Ghana and Senior Research Fellow) 30<sup>th</sup> April 2013.
20. Mr. Divine Tetteh (Health Safety and Environmental Advisor Kosmos Energy Ghana Ltd) 4<sup>th</sup> May 2013.