



# Ghana's oil revenue management: Convergence of popular opinion, the law, and practice

By Daniel Armah-Attah



## Introduction

Ghana's efforts to explore and develop the country's oil potential, spearheaded by the Ghana National Petroleum Company (GNPC), culminated in the 2007 discovery of oil in commercial quantities offshore at Cape Three Points in the Western region. Three years later, production commenced at the Jubilee Field.

Public expectations, already high, were further fuelled by politicians who portrayed oil revenues as a panacea and made their management a campaign issue (McCaskie, 2008). The New Patriotic Party (NPP) promised to use oil revenues to propel Ghana to accelerated economic growth and development and to improve socioeconomic conditions. The National Democratic Congress (NDC) matched that promise and raised the ante by vowing to use some of the oil revenues to create a fund for the development of the region where the resource is located, which played well with traditional leaders in the oil region.

Estimates of 600 million barrels of oil in the Jubilee Field (Civil Society Platform, 2011) and more than 900 million more in untapped wells nearby mark Ghana as a potential member of the league of leading oil producers on the African continent. As in Nigeria, Angola, Algeria, Egypt, Libya, Sudan, the Republic of Congo, and Equatorial Guinea, this promises spectacular revenues while also threatening the "resource curse" or "Dutch disease" due to mismanagement or dissipation of oil revenues through corrupt government practices (Le Billon, 2005; Basedau, 2005).

Being cognizant of these potential difficulties, Ghana has strived to secure a sound legal framework for oil exploration and production, including the 2011 Petroleum Revenue Management Act and Petroleum Commission Act, a 2013 legislative instrument aimed at increasing opportunities for Ghanaians to participate in the oil and gas sector, and the establishment of a Public Interest and Accountability Committee (PIAC). The PIAC is intended to monitor and evaluate the management and use of petroleum revenues (including publishing semi-annual reports) and provide a platform for public debate on the use of petroleum revenues in line with development priorities of the country.

Despite two decades of political stability and relatively strong institutions, Ghana faces a number of challenges in effectively managing its oil wealth and avoiding the "resource curse," including high levels of corruption resulting from weak transparency and accountability in public administration.

After four years under the Petroleum Revenue Management Act, does management of oil revenues provide some hope that Ghanaians are on course to reap real benefits from this newfound resource? Specifically, this paper examines the extent to which public opinions and aspirations regarding the management of oil money, as expressed in Afrobarometer surveys in 2012 and 2014, converge with provisions of the petroleum revenue management law and current management practices, and offers some policy recommendations on the basis of this analysis.

## Afrobarometer

Afrobarometer is an African-led, non-partisan research network that conducts public attitude surveys on democracy, governance, economic conditions, and related issues across more than 30 countries in Africa. Five rounds of surveys were conducted between 1999 and 2013, and Round 6 surveys are currently under way (2014-2015). Afrobarometer conducts face-to-face interviews in the language of the respondent's choice with nationally representative samples of between 1,200 and 2,400 adults.

The Afrobarometer team in Ghana, led by the Center for Democratic Development (CDD-Ghana), interviewed 2,400 adult Ghanaians between May 24 and June 10, 2014. A sample of this size yields results with a margin of error of +/-2% at a 95% confidence level. Previous surveys have been conducted in Ghana in 1999, 2002, 2005, 2008, and 2012. In 2012 and 2014, a set of country-specific questions in the Ghana surveys explored public opinions

regarding how oil revenues should be managed as well as measures to promote transparency and accountability.



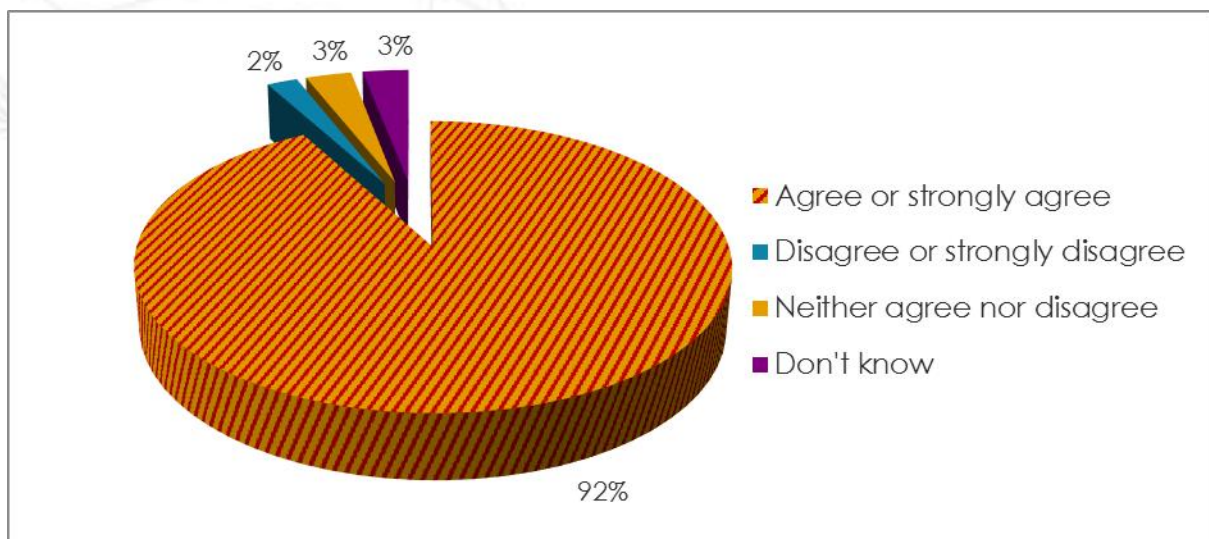
### Commitment to the sustainable management of oil revenues

The Petroleum Revenue Management Act calls on the government to set up a number of funds, including a Petroleum Holding Fund (PHF) designed to receive and disburse all petroleum revenues. Each year, the government estimates how much it will receive (the “benchmark” revenues) after disbursements for the functioning of the Ghana National Petroleum Company (GNPC) (and conceivably other oil and gas companies established by the country). Up to 70% of those benchmark revenues are allowed to go to the government’s annual operating and investment budget; this is called the Annual Budget Funding Amount (ABFA). The rest is to go into the Ghana petroleum funds (GPFs), consisting of 1) the Ghana Heritage Fund (GHF), a type of endowment to support development for future generations, which is to receive at least 30% of this remainder, and 2) the Ghana Stabilization Fund (GSF), a kind of savings account to sustain public expenditure capacity in case of shortfalls in petroleum revenues.

#### Citizen support for saving some oil money for future generations

If sustainable management is the ability of present generations to use resources to meet their needs without compromising the ability of future generations to meet their needs, then Ghanaians support sustainable management of their oil wealth. Overwhelmingly, survey respondents support the idea of saving part of oil revenues to benefit future generations. In 2012, 92% of survey respondents agreed or strongly agreed that the country should save part of its oil revenues in a special account for future generations. Only 2% were opposed to this kind of arrangement (Figure 1).

Figure 1: Support for saving part of oil revenues for future generations | 2012



**Respondents were asked:** Now let's talk about the management of revenue from the country's recent oil find. Please tell me whether you agree or disagree with the following statement: The country should save part of its oil revenue in a special account for future generations?

This support is clearly consonant with the requirement of the law. When it comes to operationalizing the law, the 2013 report of the PIAC says the Ministry of Finance and Economic Planning (MoFEP) signed an agreement with the Bank of Ghana (BoG) for management of the GSF and the GHF, and since 2011, oil revenues have been transferred into these funds.



However, Table 1 depicts how oil revenue transfers have been made for various purposes over the period 2011-2013 and challenges encountered in adhering to the dictates of the law. For instance, actual receipts varied from benchmark revenues in some years. Only in 2012 did receipts equal the benchmark estimate, while receipts were slightly lower than the benchmark in 2011 and nearly double the benchmark in 2013.

Underestimating expected revenues leads to under-allocation to the annual national budget and consequently over-allocation to the GSF and GHF. On the other hand, overestimating the benchmark will amount to under-funding the GSF and GHF.

Table 1 shows the computed amounts to be transferred into the GPFs and the amounts, according to MoFEP figures, that were actually transferred. In 2011, the amount transferred to the GPFs was slightly higher than the computed amount, while in 2013, the amount transferred was marginally lower than the computed amount.

Also, ABFA disbursements did not conform to the statutory requirement that they not exceed 70% of the benchmark revenues. Instead, they ranged from 70.7% in 2011 to 91.9% in 2012. Releasing more funds than stipulated for the national annual budget implies a reduction in transfers into the GHF and GSF. Indeed, the PIAC voiced concerns about this issue in its 2013 semi-annual report and advised those responsible for estimating the benchmark revenues to pay closer attention to factors or variables used in their projections.

Transfers to the GHF and GSF matched the legally approved ratio (i.e. at least 30% for the GHF) in 2012 and 2013 after having been off in 2011 (21% to the GHF).

**Table 1: Allocation of oil revenues (millions of Cedis) | 2011-2013**

	2011		2012		2013	
	Amt.	%	Amt.	%	Amt.	%
Total petroleum revenues	666.19		979.32		1668.11	
Transfer to GNPC	315.39		416.89		437.60	
Receipt by government of Ghana	350.80		562.43		1230.51	
Benchmark revenues	354.24	100%	562.43	100%	686.54	100%
ABFA allocation (for national annual budget)	250.43	70.7%	516.84	91.9%	543.78	79.2%
Computed GPF allocation after ABFA allocation	100.37		45.59		686.73	
GPF receipt based on Finance Ministry figures	103.81	100%	45.59	100%	686.04	100%
Transfer to GSF	82.01	79.0%	31.91	70.0%	480.02	70.0%
Transfer to GHF	21.80	21.0%	13.68	30.0%	206.02	30.0%

**Source:** Computed from figures in PIAC annual reports (2011-2013), which were provided by the Ministry of Finance and Economic Planning

It is also worth noting that some politicians from the ruling party have called on the government to use monies in the GHF to shore up gaps in statutory payments to public sector institutions as a result of economic difficulties confronting the country – a call that civil society and some politicians from opposition parties vehemently opposed, arguing that it would defeat the purpose of the GHF (Chronicle, 2014; Modern Ghana, 2014). The law does allow for withdrawals from the GHF at intervals of 15 years from the date the Petroleum Revenue Management Act took effect, based on a parliamentary resolution supported by a simple majority.

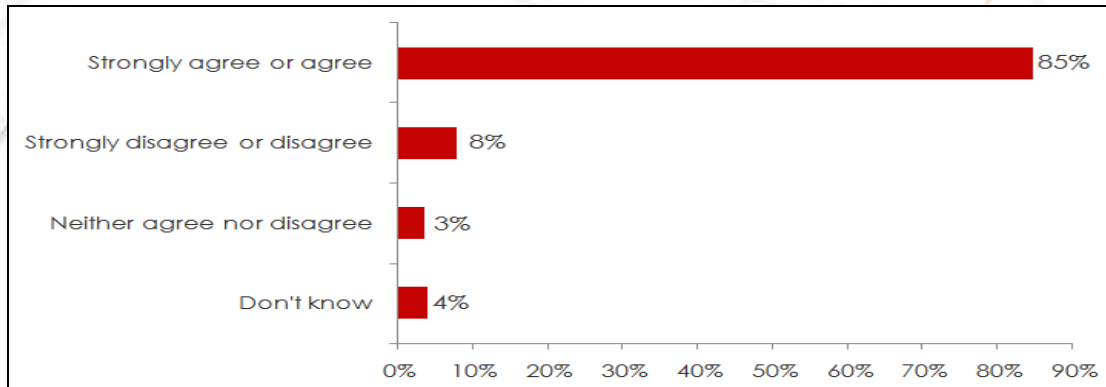
#### *Citizen support for the use of some oil money to finance the national development plan*

According to the law, the ABFA (up to 70% of the benchmark revenue) is part of the national budget, and its uses are subject to the country's budgetary processes. In addition, the law states that use of these funds should target balanced development of the regions, a maximized rate of economic development, and equality of economic opportunity and

should be guided by the medium-term expenditure framework aligned with the long-term national development plan approved by Parliament.

Most Ghanaians agree that oil money should be used to support national development plans. In 2014, 85% of survey respondents agreed or strongly agreed that the government should use oil revenues to fund priorities in national development plans while 8% disagreed or strongly disagreed (Figure 2).

**Figure 2: Support for using oil revenues to fund national development plans | 2014**



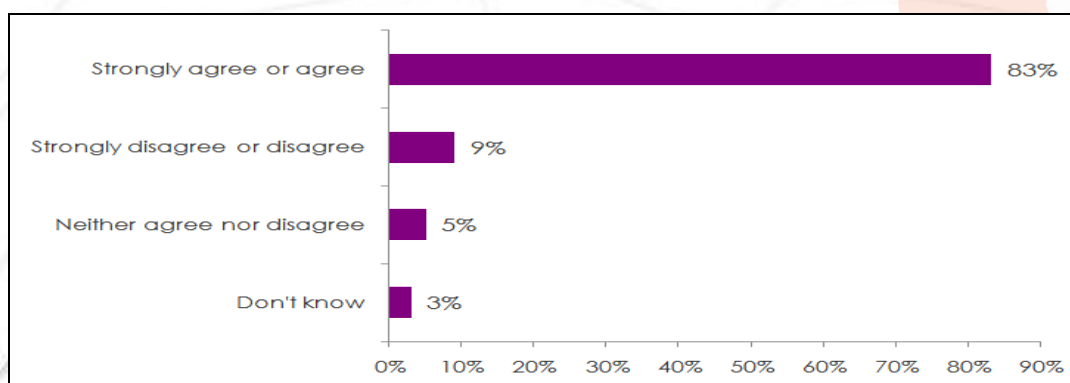
**Respondents were asked:** For each of the following statements, please tell me whether you agree or disagree: Government should use the revenue from oil to fund the development agenda proposed in the national development plan?

#### *Citizen support for the use of some oil money to finance annual budget*

Where no long-term development plan approved by Parliament is in place, the law provides that the ABFA allocation should be used to finance programs in the following priority areas: agriculture and industry; infrastructure and service delivery in education, science, and technology; potable water and sanitation; infrastructure in telecommunications, roads, rail, and ports; infrastructure and service delivery in health; housing; environmental protection, sustainable utilization, and protection of natural resources; rural development; development of alternative energy sources; strengthening of institutions of government concerned with governance and the maintenance of law and order; public safety and security; and social welfare and protection of physically handicapped and disadvantaged citizens.

Most Ghanaians support the idea of using “only some percentage of the oil revenue to be determined by Parliament” to fund programs and projects in annual budgets. In 2012, 83% of respondents agreed or strongly agreed with this proposition, while 9% disagreed (Figure 3).

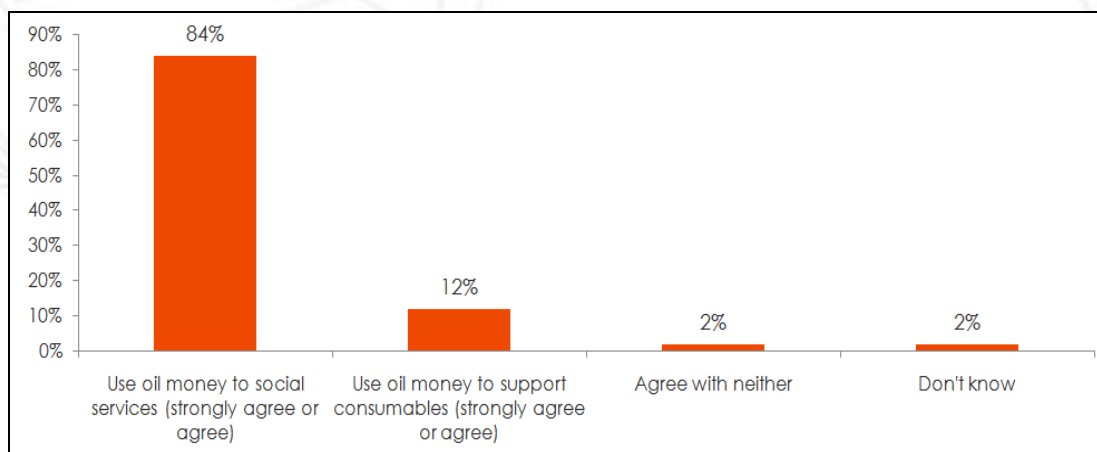
**Figure 3: Support for the use of oil revenue to finance annual budget (ABFA) | 2012**



**Respondents were asked:** Please tell me whether you agree or disagree with the following statement: The country should use only some percentage of the oil revenue to be determined by Parliament to finance its annual budget?

Public support for using a portion of the oil money to finance annual budget expenditures was further qualified with a preference for supporting activities producing longer-term benefits. When asked to choose between using the ABFA for social services (e.g. education, water, sanitation, electricity, and health care) and for current consumption (e.g. food and imports of other consumables), 84% of Ghanaians favoured using oil money for the development of social services. Only 12% favoured spending such funds on short-term consumption expenditures (Figure 4).

**Figure 4: Support for using ABFA to improve social services and infrastructure | 2012**



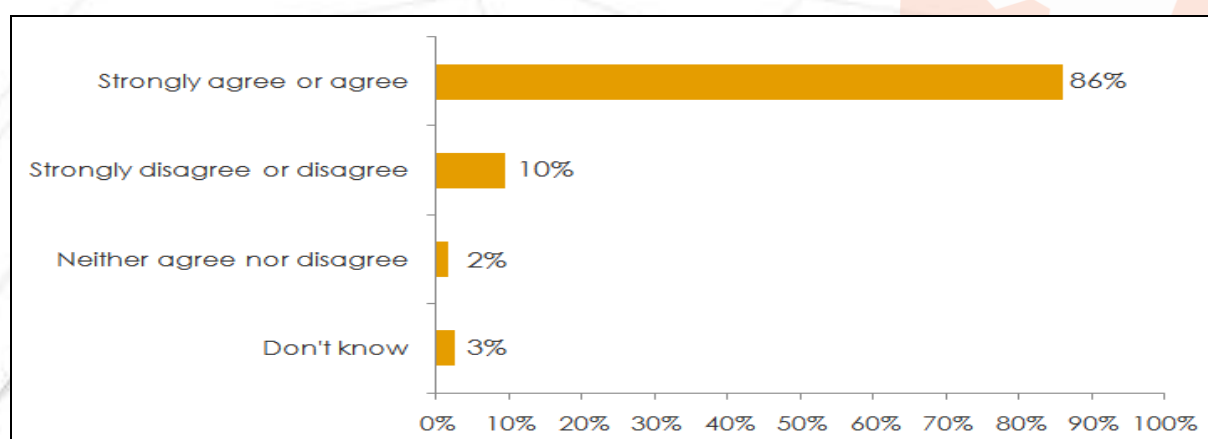
**Respondents were asked:** Which of the following statements is closest to your view? Choose Statement 1 or Statement 2.

*Statement 1: The percentage of oil revenue to be used to support the annual budget should be spent dedicated to financing education, water, sanitation, electricity, and health care.*

*Statement 2: The percentage of oil revenue for supporting the annual budget should be used to finance current consumption items such as food and other consumable imports.*

Further confirming high public interest in sustainable management of oil wealth to benefit present and future generations, 86% of Afrobarometer respondents agreed or strongly agreed with the proposal that the government use oil revenue to finance “few projects with huge social and economic benefits to citizens” (Figure 5).

**Figure 5: Support for using ABFA on few projects with huge benefits | 2014**



**Respondents were asked:** For each of the following statements, please tell me whether you agree or disagree: Government should use a portion of the oil revenue to finance few projects with huge social and economic benefits to citizens?

These findings show that Ghanaians' views of preferred uses of the oil money going to annual budget expenditures is in general alignment with statutory requirements that prioritize national medium- and long-term expenditure frameworks priority areas approved by Parliament.

In practice, Ghana currently has no national development plan, only the medium-term Ghana Shared Growth and Development Agenda (GSGDA). As a result, between 2011 and 2013, oil revenues spent as part of the national annual budget have largely been used to finance projects under priority areas approved by Parliament. These include expenditures and loan amortization for oil and gas infrastructure, agriculture modernization, roads and other infrastructure, and capacity building (including oil and gas). Table 2 shows that in 2011, 2012, and 2013, 62.9% of these funds were used to develop roads and other infrastructure.

**Table 2: Allocation of ABFA to priority areas (millions of Cedis) | 2011-2013**

Priority areas	2011	2012	2013	Total (2011-2013)	Percentage of total
Expenditure and amortization of loans for oil/gas infrastructure	20.00	100.00	137.92	257.92	19.5%
Agriculture modernization	13.15	72.47	13.60	99.22	7.5%
Roads and other infrastructure	227.64	232.40	372.07	832.12	62.9%
Capacity building (including oil and gas)	0.75	111.96	20.18	132.89	10.1%
<b>Total</b>	<b>261.54</b>	<b>516.83</b>	<b>543.78</b>	<b>1,322.16</b>	<b>100.0%</b>

**Source:** Computed from figures in PIAC annual reports (2011-2013), which were provided by the Ministry of Finance and Economic Planning

An analysis of the total 2011-2013 ABFA allocated to roads and other infrastructure (i.e. GHC832.12 million, as shown in Table 2) reveals that 35.3% (GHC293.56 million, as shown in Table 3) went to other infrastructure development, such as energy, security, works and housing, education, water, health, railway, and water transport. Almost two-thirds (64.7%, or GHC538.56 million) went toward road construction, rehabilitation, upgrading, and resurfacing. Further breaking down the GHC293.56 million that went into other infrastructure development reveals that education, water, and health – three of the priority social-service sectors for surveyed Ghanaians – together received just 5% of the allocation for other infrastructure development (Table 3). In 2011, the entire ABFA allocated to roads and other infrastructure development was spent on roads.

**Table 3: Allocation of ABFA to infrastructure projects (millions of Cedis) | 2011-2013**

	2011	2012	2013	Total [2011 - 2013]	Percentage of total
Energy	--	30.00	96.40	126.40	43.1%
Security	--	15.40	4.31	19.71	6.7%
Works and housing	--	37.50	1.61	39.10	13.3%
Education	--	4.08	7.51	11.59	3.9%
Water	--	2.81	--	2.81	1.0%
Health	--	0.44	--	0.44	0.1%
Railway	--	11.35	10.74	22.09	7.5%
Water transport	--	43.16	--	43.16	14.7%
Other	--	15.00	13.27	28.27	9.6%
<b>Total</b>	--	<b>159.73</b>	<b>133.83</b>	<b>293.56</b>	<b>100.0%</b>

**Source:** Computed from figures in PIAC annual reports (2011-2013), which were provided by the Ministry of Finance and Economic Planning.

Thus, even if the government has adhered to procedures and guidelines related to the use of the ABFA, the emphasis has been on oil and gas infrastructure, road infrastructure, and energy, with little left for the social-service sectors that survey respondents would prioritize.

Moreover, in its reports the PIAC has raised questions regarding the efficiency of spreading ABFA-funded road projects (as well as other infrastructure developments) over a large number of projects across the country (Table 4). The PIAC's 2011 and 2013 reports classified all road projects financed from ABFA as "ongoing" (as opposed to completed) during the reporting period. Only 2012 projects did not bear the "ongoing" tag. Road projects funded by ABFA that year were mainly rehabilitation, reshaping, and upgrading projects, rather than construction.

**Table 4: Distribution of ABFA-funded road projects in the 10 regions | 2011-2013**

	No. of projects in 2011	No. of projects in 2012	No. of projects in 2013	Total (2011-2013)	Percentage of total
Western	2	3	7	12	8.1%
Central	4	0	5	9	6.0%
Greater Accra	2	14	14	30	20.1%
Volta	12	2	9	23	15.4%
Eastern	3	1	3	7	4.7%
Ashanti	16	8	10	34	22.8%
Brong Ahafo	12	1	9	22	14.8%
Northern	2	2	2	6	4.0%
Upper East	0	0	3	3	2.0%
Upper West	2	0	1	3	2.0%
<b>Total</b>	<b>55</b>	<b>31</b>	<b>63</b>	<b>149</b>	<b>100%</b>

**Source:** Computed from figures in PIAC annual reports (2011-2013), which were provided by the Ministry of Finance and Economic Planning

### Other uses of oil revenues

Ghanaians' preference for sustainable management of oil revenues is further illustrated by disapproval of the use of oil money for certain kinds of activities.

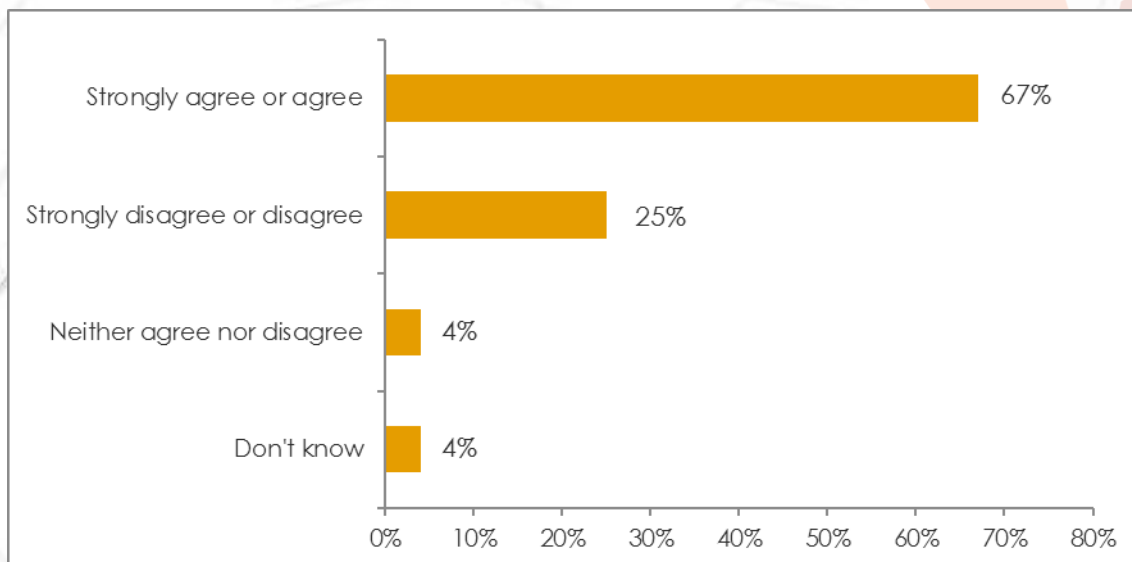
#### *Citizen disapproval of using oil money for loans*

The petroleum law stipulates that GSF and GHF monies shall not be used to provide loans or as collateral for debts, guarantees, commitments, or other liabilities. Two-thirds (67%) of survey respondents in 2012 agreed or strongly agreed that the government should not lend oil revenues to public enterprises or private-sector entities (Figure 6). This view may be related



to experience with past government credit facilities, particularly in the micro-financing sector, that failed as a result of clientelism and political patronage.

**Figure 6: Objection to the use of oil money to grant loans | 2012**



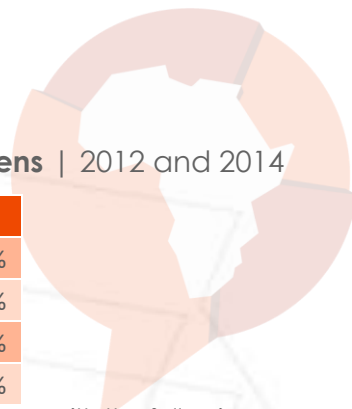
**Respondents were asked:** Please tell me whether you agree or disagree with the following statement: Government should not give the country's oil revenue to public enterprises or private sector entities as loans?

Available figures for 2011, 2012, and 2013 do not show the government using GSF or GHF funds for loans, indicating that the law, popular preference, and actual practice converge on this issue.

### *Citizen disapproval of the use of oil money for cash transfers*

Like Ghana, many countries have used the mechanism of special funds with stringent rules governing disbursements to and from these funds (as in the case of the GSF and GHF), to ensure management of natural resource wealth to benefit both present and future generations and avoid the "resource curse" (see Moss & Young, 2009; Segal, 2009; Shaxson, 2008). Another mechanism that has gained prominence in policy circles is the oil-cash transfer, which involves direct government payments of oil money to citizens (all citizens or selected citizens identified through specific criteria). The transfer is treated as income and taxed to support public and social services. Supporters say this policy encourages citizens to become active in demanding accountability in the management of oil wealth.

However, in line with their commitment to sustainable management of petroleum revenues, most Ghanaians do not support oil-cash transfers. Seven of 10 survey respondents (70%) in 2014 disagreed or disagreed strongly with such a policy, an increase from 49% in 2012. Support for such a distributive policy declined from 42% in 2012 to 23% in 2014 (Table 5).



**Table 5: Objection to using oil money for cash transfers to citizens | 2012 and 2014**

	2012	2014
Strongly disagree or disagree	49%	70%
Strongly agree or agree	42%	23%
Neither agree nor disagree	5%	4%
Don't know	4%	3%

**In 2012, respondents were asked:** Please tell me whether you agree or disagree with the following statement: Government must distribute some of the oil revenues equally to all citizens in the form of cash transfers?

**In 2014, respondents were asked:** For each of the following statements, please tell me whether you agree or disagree: Government should distribute some of the oil revenue to all citizens in the form of cash transfers?

Asked whether receiving oil-cash transfers would make them more likely to demand responsible management of the country's oil wealth, a majority (56%) said in 2012 that it was "not likely" or "not at all likely." Instead, large majorities said they would be "very likely" or "somewhat likely" to demand responsible management if oil revenues were invested to improve the quality of public services such as water, electricity, and sanitation (86%) or in infrastructure development such as roads, bridges, and irrigation dams (86%) (Table 6).

**Table 6: Areas of investment that will make citizens demand responsible management of oil money | 2012**

	Improved public services	Infrastructure development	Monthly cash transfer
Very or somewhat likely	86%	86%	40%
Not at all or not likely	10%	11%	56%
Don't know	3%	3%	3%

**Respondents were asked:** There are many ways of making oil revenues beneficial to all Ghanaians. Which of the following distribution mechanisms will make you more likely to actively demand responsible management: (a) Government invests the oil revenues to improve the level and quality of public services such as water, electricity, sanitation in your community? (b) Government invests the oil revenues in infrastructure development like roads, bridges, irrigation dams in your community? (c) Government pays you a regular (monthly) cash income from the oil revenues?

Ghana has a social cash transfer program known as the Livelihood Empowerment against Poverty (LEAP) program targeting poor households, but there is no indication in MoFEP numbers that oil money has been channelled into this program.

### *Citizen disapproval of the creation of a special fund for oil regions*

While the petroleum law calls for ABFA funds to be used in a manner that ensures balanced development of the regions, the NDC promised during the 2008 election campaign to create a fund dedicated to the oil regions. Some traditional leaders from the Western Region expressed support for this, and in 2010, they demanded that the government set aside 10% of oil revenues for the development of the region. In early 2015, members of the Western Regional House of Chiefs expressed anger over the government's handling of their request (Peace FM, 2015).

As shown in Table 7, Ghanaians who support this idea are in the minority (32% in 2014, down from 41% in 2012). The majority (59% in 2014, up from 53% in 2012) hold the view that the pursuit of development on the basis of resource endowments of regions will widen the development gap among regions.

In two regions with offshore oil-drilling activities – Central and Western – as well as in the Volta Region, which has oil potential, majorities of respondents (61%, 64%, and 64%, respectively) supported the creation of such a fund in 2012. In 2014, only Volta still had a majority of respondents (53%) in support of such a fund.

**Table 7: Objection to the creation of a special fund for oil regions | 2012 and 2014**

	Create fund dedicated to development of oil regions		Special endowments for oil regions will widen development gap among regions	
	2012	2014	2012	2014
Western	64%	26%	29%	73%
Central	61%	19%	38%	64%
Greater Accra	33%	35%	57%	59%
Volta	64%	53%	18%	44%
Eastern	28%	26%	71%	73%
Ashanti	45%	37%	52%	46%
Brong Ahafo	26%	38%	73%	52%
Northern	26%	29%	53%	63%
Upper East	17%	21%	82%	67%
Upper West	14%	16%	84%	73%
<b>National average</b>	<b>41%</b>	<b>32%</b>	<b>53%</b>	<b>59%</b>

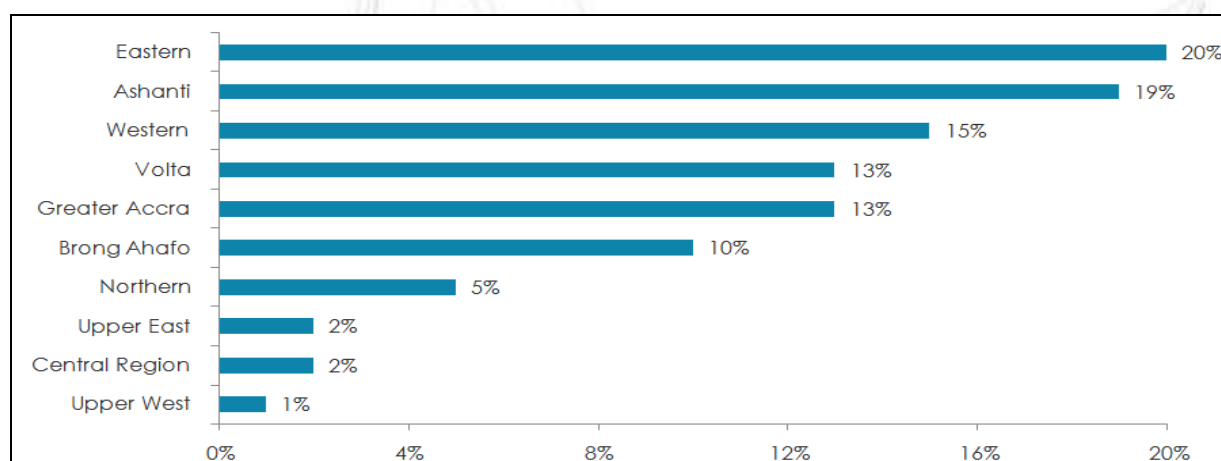
**Respondents were asked:** Which of the following statements is closest to your view? Choose Statement 1 or Statement 2.

Statement 1: The government should create a (special) fund dedicated to the development of the region where the country's oil resource is located.

Statement 2: Pursuing development on the basis of natural resource endowments of regions could widen the development gap among regions.

The majority position is thus consonant with the law. In practice, the distribution of road projects (shown in Table 4 above) reflects an attempt at balanced regional development, although actual spending on those projects (Figure 7) shows wide disparities.

**Figure 7: Regional distribution of ABFA used to fund road projects | 2011-2013**



**Source:** Computed from figures in PIAC annual reports (2011-2013), which were provided by the Ministry of Finance and Economic Planning

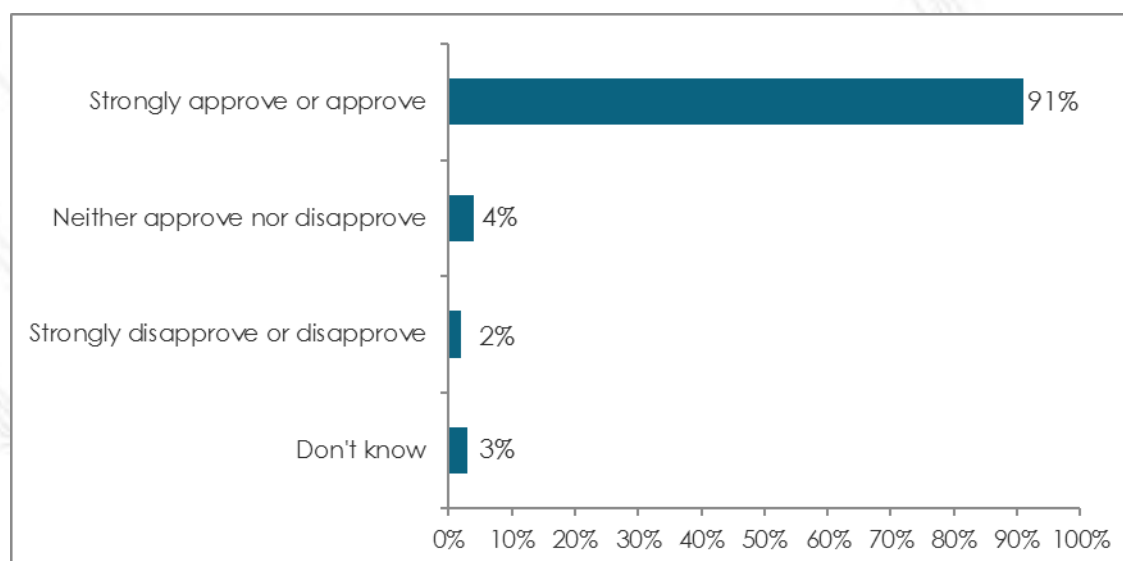
## Transparency and accountability in the management of oil money

### Support for parliamentary oversight

To help ensure transparency and accountability in the management of oil revenues, the law calls for the establishment of an Investment Advisory Committee (IAC) and the PIAC. It also requires the Minister of Finance and Economic Planning to submit reports on petroleum funds as part of the annual budget statement and economic policies presented to Parliament. The reports are expected to be presented in a manner that makes them easy to disseminate to the public. They also have to include audited financial statements for the preceding year that highlight transfers to and from the Petroleum Holding Fund and the GSF and GHF.

Ghanaians overwhelmingly support measures to ensure transparency and accountability in the management of their new resource, including 91% who favour reports to Parliament – their elected representatives – on how oil revenues were used and on earnings from capital investments (Figure 8).

**Figure 8: Support for report to Parliament on management of oil revenues | 2012**



**Respondents were asked:** *There are many ways of ensuring transparency and accountability in the management of oil revenues. Would you disapprove or approve of the following ways: Parliament should on a yearly basis call the body mandated to manage the oil revenue to report to it how revenues were used and earnings from the capital investment?*

Since 2011, the Minister of Finance and Economic Planning has in fact been reporting on oil revenues and expenditures during the presentation of annual budget statements to Parliament.

### Expectation that oil-revenue management information be made public

The law requires that information on oil revenues be made public in a variety of ways, including:

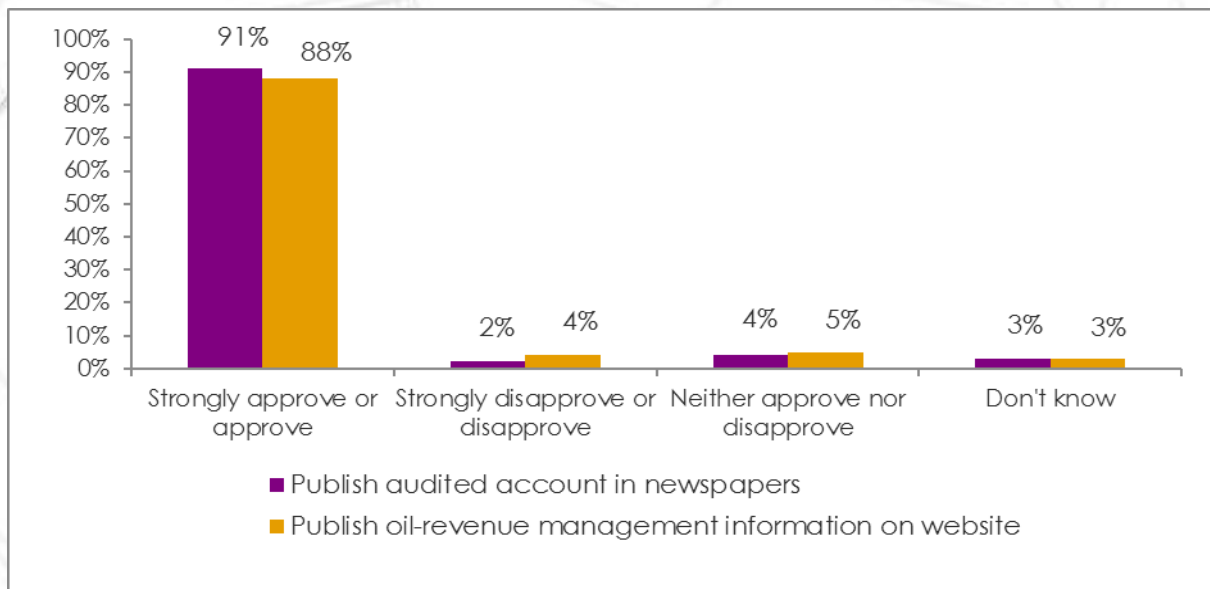
- Semi-annual and annual reports from PIAC, to be published in at least two state-owned national daily newspapers and online
- Quarterly records of petroleum receipts, to be published by the MoFEP in the gazette, two state-owned newspapers, and online



- Quarterly reports from the Bank of Ghana to the MoFEP and the Investment Advisory Committee on the performance and activities of the GSF and GHF, with semi-annual reports published in newspapers and online

Most Ghanaians support these measures. As shown in Figure 9, about nine of 10 survey respondents favour the publication in newspapers and on websites of information about oil-revenue management, including annual audited accounts on portions used in financing budgetary items.

**Figure 9: Support for publishing information about oil-revenue management | 2012**



**Respondents were asked:** *There are many ways of ensuring transparency and accountability in the management of oil revenues. Would you disapprove or approve of the following ways: (a) Annual audited account on oil revenue accrued to the state, including the portion used in financing budgetary items, should be published in the newspapers with national circulation? (b) All information on oil revenue management should be made publicly available on the website of the body mandated to manage the same resource?*

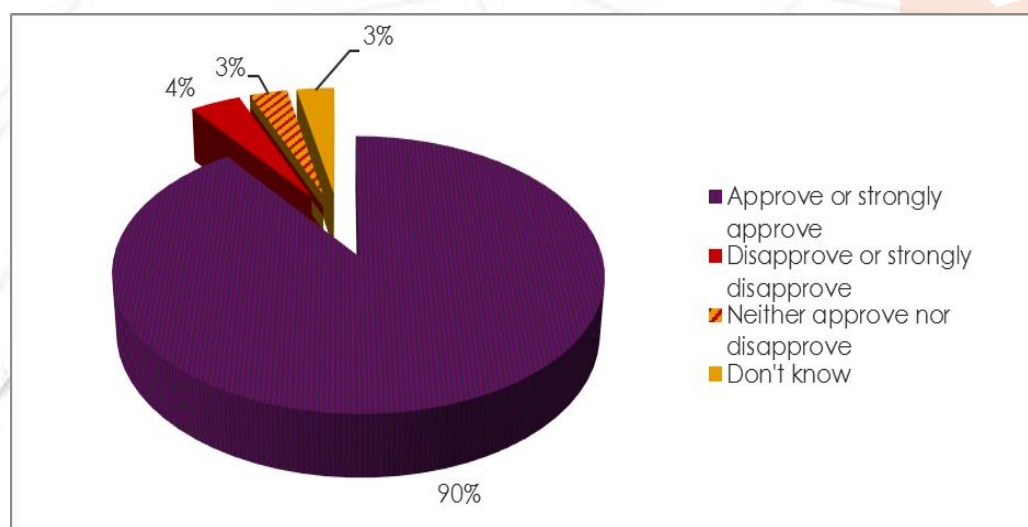
In practice, the relevant public and civil-society institutions with responsibilities related to transparent and accountable management of the oil wealth have since 2011 been publishing the required information on their websites and in national dailies.

### *Expectation that the government publish contracts with oil companies*

Publicly disclosing contracts and licenses awarded to companies for oil and gas operations is a major way of enhancing transparency. However, the petroleum revenue management law does not require this.

In contrast to this gap in the law, an overwhelming majority (90%) of Ghanaians “approve” or “strongly approve” of government publishing all contracts between oil companies and the state (Figure 10).

Figure 10: Support for publishing all contracts with oil companies | 2012



**Respondents were asked:** *There are many ways of ensuring transparency and accountability in the management of oil revenues. Would you disapprove or approve of the following ways: Government should publish all contracts between the oil companies and the state.*

The government has not given any indication of its readiness to reconcile public opinion and the law through such a policy. Voluntarily, the MoFEP and the GNPC have published some information on petroleum agreements on their websites, though in some cases it consisted of summaries and lacked details.

### Conclusion and recommendations

The results of this comparative analysis of how the law and actual practice converge with Ghanaian public opinion on the management of oil revenues are quite motivating. Ghanaians strongly favour sustainable management of their newfound wealth, expressing high levels of support for 1) saving part of the oil wealth for future generations and 2) targeting current use of oil money to finance a limited number of high-impact projects that are in national development plans or are approved by Parliament, prioritizing social services such as education, water, sanitation, electricity, and health care.

Most Ghanaians are opposed to using oil money for loans, for cash transfers to citizens, or for an endowment fund for the development of the oil regions.


To ensure transparency and accountability, Ghanaians expect Parliament to demand regular reports on oil receipts and expenditures, and they want such information to be published in newspapers and online. They also want the government to publish all oil contracts.

With the exception of the publication of oil contracts, the law and in most cases current practices align with the policy preferences expressed by Ghanaians regarding management of the oil wealth.

Gaps in this convergence include the level of accuracy in estimating benchmark revenues, with implications for the GSF and GHF; questions about the efficiency of spreading the ABFA across a large number of projects; and some aspects of transparency and accountability mechanisms.

These shortcomings can be addressed through the following policy recommendations:

1. To reduce disparities between benchmark estimates and actual receipts, which have a significant impact on ABFA, GSF, and GHF transfers, the institution responsible for



estimating the benchmark revenues should review its indicators and formulas. Further, it should produce counter-estimates based on methods used in the oil and gas industry in other countries and, through comparisons over time, determine which methods yield the best estimates.

2. Managers of the oil revenues should ensure that the 70% legal limit for transfers into the ABFA is respected, in order to avoid illegally short-changing the GHF and GSF.
3. To maximize the efficient use of oil revenues, the MoFEP should avoid funding a large number of thinly spread, endlessly “ongoing” road and other development projects every year and instead focus on a few high-impact projects that can be completed in the short term. The MoFEP and relevant state agencies should develop mechanisms to identify key projects in each broad priority area that meet the expectations of citizens and present these to Parliament for scrutiny and approval. The MoFEP should put in place appropriate results-based monitoring and evaluation systems for projects funded with ABFA to ensure that they deliver expected returns for the benefit of citizens.
4. The government and Parliament should review and tighten sections of the law that currently allow a simple parliamentary majority to revise restrictions on the use of the GHF after 15 years. Such a step, for example by requiring at least a two-thirds parliamentary majority, would reduce the likelihood of political manipulation or premature depletion of the GHF.
5. Since publishing oil contracts would increase transparency in the sector, the government should consider ways of making oil contracts public for the information of citizens. The country should also hasten passage of the Right to Information (RTI) and Ghana Extractive Industries Transparency Initiative (GHEITI) bills, which have the potential of compelling the government and the extractive industries to make public relevant information that the current Petroleum Revenue Management Act does not address.

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# AFRO BAROMETER

LET THE PEOPLE HAVE A SAY

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Afrobarometer is produced collaboratively by social scientists from more than 30 African countries. Coordination is provided by the Center for Democratic Development (CDD) in Ghana, the Institute for Justice and Reconciliation (IJR) in South Africa, the Institute for Development Studies (IDS) at the University of Nairobi in Kenya, and the Institute for Empirical Research in Political Economy (IREEP) in Benin. Michigan State University (MSU) and the University of Cape Town (UCT) provide technical support to the network.

Core support for Afrobarometer Rounds 5 and 6 has been provided by the UK's Department for International Development (DFID), the Mo Ibrahim Foundation, the Swedish International Development Cooperation Agency (SIDA), the United States Agency for International Development (USAID), and the World Bank.

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Afrobarometer Policy Paper No. 19 | May 2015