



GÖTEBORGS
UNIVERSITET

DEPARTMENT OF POLITICAL SCIENCE

TRANSPARENCY AND THE RESOURCE CURSE IN GHANA: A CASE STUDY

Changes since oil discovery

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Essay/Thesis:	15 credits
Program and/or course:	Bachelor's Program in Political Science/SK1523
Level:	Bachelor/First Cycle
Semester/year:	Spring/2023
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Abstract

When a country has high levels of natural resources, they risk falling prey to the resource curse. Studies show a correlation between high levels of natural resources and corruption as well as lower quality institutions and less democracy. Transparency is a key precondition for accountability and mitigating corruption. This study examines if transparency levels in Ghana, a young democracy with recent oil discoveries, have changed since extraction started and if institutions have adapted. It does this through expert interviews and text analyses of Environmental Initiative Transparency Index annual country reports on Ghana. The analysis shows that Ghana increased the transparency in several areas of the oil sector, and that its institutions and laws adapted to the newfound resources to ensure transparency. This study develops the theory regarding the resource curse and the “in-between” cases, where it shows that a young democracy like Ghana can resist that transparency deteriorates. It has policy implications since it shows that natural resources do not necessarily have to be the end of a democratization process. Future studies should continue to examine and isolate the different mechanisms behind the resource curse and how it affects corruption and transparency.

Keywords: Resources curse, Ghana, transparency, oil, corruption

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1. Introduction

The resource curse has been debated among political scientists and economists for some time. It refers to when a resource rich country becomes negatively impacted - politically, economically, and socially - by immense natural resource windfalls, especially from oil. There is a large body of literature documenting a consistent correlation between petroleum and lower levels of democracy as well as lower quality in institutions. Studies have suggested that under some conditions, resource windfalls lead to an increase in corruption and harm the quality of institutions (Ross, 2015). It can provide rent-seeking and fuel patronage, where citizens often have limited access and transparency regarding revenue flows (Epremian et al. 2016). A few studies have pointed out that the resource curse in many ways is driven by a ruling elite that appropriates the revenues from the extractive sector and uses it to buy control (Arezki & Brückner, 2011; McFerson, 2009; Kopinski et al. 2013; Bhattacharyya & Hodler, 2009). Still, few studies have distinguished between the causal mechanisms behind the oil curse and examined precisely how it increases corruption (Ross, 2015).

The resource curse literature has been largely criticized for this. Lashitew & Werker (2020) point out, that there is evidence suggesting that the resource revenues can be both a blessing and a curse (Lashitew & Werker, 2020). Basedau (2005) highlights that there is variation among countries with oil richness with regards to corruption, and that the cases seemingly not affected by the curse need theoretical explanation (Basedau, 2005). A study by Arezki & Gylfason (2013) also shows that higher resource rents lead to more corruption, but this effect was stronger in less democratic countries. Their results suggest that resource rich countries require particularly strong checks and balances to contain damage and corruption related to resource windfalls (Arezki & Gylfason, 2013). Transparency is key to ensuring accountability and, by extension, reducing corruption. By providing information about contracts that governments are signing and revenue and budget transparency - the risk of uncovering corrupt actions increases and stakeholders are given the opportunity to hold governments accountable (Öge, 2016).

Ghana started extracting oil in 2010 and has some of the strongest institutions in Africa (Graham et al. 2016). It is considered one of the strongest democracies on the continent (Freedom House, 2021). Some argue that the symptoms associated with the curse are not evident in Ghana, despite the very recent oil discovery (Kopinski et al. 2013). This makes the

country an interesting case to study with regards to oil and corruption. Parts of the literature argue that the country should see an increase in corruption through weakened institutions and less transparency. Others argue that Ghana, despite being a young democracy, has robust political institutions and a strong civil society that will prevent a curse.

This study seeks to examine if and how oil extraction in Ghana has affected corruption by examining one of the mechanisms through which actors can increase discretion and weaken institutions and accountability: by limiting transparency. The aim of this study is to investigate key theorized mechanisms of the oil curse by examining if and how oil discovery in Ghana has affected conditions for accountability and corruption in the country. The thesis examines the two following question: have transparency levels changed subsequently to the start of oil extraction in Ghana in 2010? If so, how can a country strengthen its institutions to minimize the risk of falling prey to the resource curse? This study contributes to the field by examining one possible mechanism in the resource curse literature more extensively in a case that poses greater challenges to it. It establishes that transparency in Ghana has increased in several sectors related to contract and revenue and budget transparency. It also concludes that the institutions tied to the oil sector, and possibly beyond, have adapted and been strengthened since the beginning of oil extraction.

This study is structured as follows. Section two presents the previous literature of the field and section three presents the theory used, focusing on transparency. Section four presents how the expert interviews and text analysis are used to examine transparency. Section five contains the analysis itself while section six presents the results and robustness. Finally, section seven contains the findings.

2. Previous literature

Resource curse

The resource curse literature, particularly studies linking oil windfalls and corruption, has been divided about the exact mechanisms and outcomes that the curse produces (Ross, 2015). Corruption here is defined as public interests being exploited by private interests (Shaxon, 2007). The oil revenues are often appropriated by an elite, either by buying control (McFerson, 2009) or altering political conditions (Arezki & Brückner, 2011).

The effect that oil has on corruption has empirically been shown to be greater when the state has greater participation in oil production. State ownership in the resource industry can result in more corruption because the states' increased presence can present more opportunities for politicians to abuse public power for private purposes (Arezki & Brückner, 2011). Many resource-rich countries have been seen to adapt inadequate policy responses to the newly acquired oil revenues – for example a large increase in public spending and increased public employment (Basedau, 2005). This in turn can lead to inefficiency in the public sector unless strong political institutions can prevent patronage and rent-seeking (Bhattacharyya & Hodler, 2009). Oil revenues can in many ways create conditions for increased corruption, but for elites to be able to appropriate the revenues and avoid accountability it is also preferable to decrease transparency.

How the curse develops and operates is likely to differ because of the variation in political systems. In autocracies there is often a lack of public scrutiny and transparency when it comes to how the rents are used. Democracies in large parts focus on consensus, where the executive branch can be constrained and therefore less prone to pork-barrel spending. Countries with higher democracy levels are less prone to increases in corruption levels following large oil rents because their strong institutions limit executive powers and enhance political competition (Arezki & Gylfason, 2013). Nevertheless, the assumption that disclosure of information leads to greater public scrutiny within the transparency literature is deemed to be more relevant in cases with strong democratic traditions and a civil society and media that is free from state coercion. Many resource-rich countries are, in contrast, young democracies with fragile and unstable institutions (Epremian, et al. 2016).

Transparency

The literature points to transparency as an important condition for detecting corruption and creating conditions for accountability. Studies show a correlation between the two, but there are also studies pointing to the fact that transparency alone will not cure high levels of corruption (Dimant & Tosato, 2018). Nonetheless, transparency and accountability are still key elements of effective, legitimate, and accountable institutions. The main four arguments for how transparency and accountability generate improved governance are closely tied to how transparency impacts: democratic engagement, effectiveness and efficiency in the bureaucracy, control of corruption and equity and redistribution. The resource curse literature has been consistent with institutional quality and governance being tied to mitigating negative

outcomes of resource abundance. The natural resource sector often lacks transparency, with direct transactions between state actors and companies taking place without insight from citizens (Epreman et al. 2016).

There are different forms of transparency that can be relevant for mitigating corruption in the extractive sector - both institutional transparency and transparency in terms of aggregate data disclosure from the government. Transparency can improve management of oil revenues and lower corruption where accountability can be ensured and where civil society can play the role of whistleblower (Öge, 2016).

Ghana

Another relevant aspect of the literature concerns the large variation in levels of corruption between resource-rich countries. As McFerson (2009) points out, there are many corrupt countries in Africa without natural resources. There are also countries with resources and good economic performance and high public integrity, like Botswana (McFerson, 2009). Some argue that Ghana, despite the recent oil findings, will not see a decrease in institutional quality and transparency and an increase in corruption like in the case of Nigeria. The main factors confining Ghana from the oil curse is the stable political system of the country, the strength of civil society and the relatively robust and diversified economy. The country's gold extraction, reaching its peak in the mid 1990s, has given it immense experience within management of natural resources. This experience together with the drastically different political and institutional context that the oil was discovered during makes Ghana better equipped for mitigating the negative effects of the curse. The natural resource curse literature may therefore have little relevance in the case of Ghana (Kopinski et al. 2013).

Ghana has often been seen as a successful example of political pluralism in West Africa. The parliament is Westminster style, and the president is directly elected. The country also has a constitution from 1992, where the Commission on Human Rights and Administrative Justice was established - aiming to protect citizens, democracy and battling corruption (Kopinski et al. 2013). The Public Interest Accountability Committee (PIAC) has been created to monitor transparency and accountability in the oil sector and is important for strengthening and mitigating negative effects of oil. However, the management of the revenue could potentially risk overriding costs and risk spending the revenues unwisely, since there is a lack of a national development plan for the oil revenues that details how much and where the oil

revenues would contribute to development (Graham et al. 2016). Civil society organizations have had an impact in terms of shedding light on oil management and advocating for political action. Ghana is also implementing the Extractive Industries Transparency Initiative (EITI), working closely with civil society and government (Kopinski et al. 2013).

3. Theory

The literature identifies a chain of causality, where transparency leads to more oversight that in turn leads to increased public scrutiny and at last better governance. This is based on a rational-actor model and a principal-agent framework often used to describe the relationship between citizens and the government. Elections are the instrument for citizens (principals) to sanction the politicians (agents). Their relationship is seen in terms of contract, where public service and government institutions are accountable to the public through democratic practices (Epreman et al. 2016). Different forms of accountability are enabled by transparency: vertical (electoral), horizontal (intra-governmental) and diagonal (societal) (Bauhr & Grimes, 2017). Transparency and access to information is crucial for citizens to be able to properly monitor and react to abuse of public power and for these three types of accountability mechanisms to function (Epreman et al. 2016).

Transparency has been defined in various ways, which has posed challenges to the reliability and comparability of studies within the field. Without more precision, effects of transparency on corruption are impossible to identify (Bauhr & Grimes, 2017). Transparency involves, as Epreman et al. (2016) state “..a supply of information that is timely, accessible and relevant, enabling increased understanding” (s. 4). When assessing levels of transparency, it is important to distinguish between the supply of information increasing/availability increasing and when the accessibility impacts the actual asymmetry in information (Epreman et al. 2016). It is also useful to conceptualize transparency with regards to the purpose which information is to be used and principals, as in the users of the information. Two purposes of government transparency may be accountability and deliberation - where a precondition of deliberation is disclosure of information to stakeholders in policy making. Accountability can be described as containing several components, both transparency, answerability, and sanctioning. To ensure accountability through transparency with public resources, information about government finances such as revenues, expenditures and transfers are required (Bauhr & Grimes, 2017). When discussing transparency and accountability it is

important to distinguish the different dimensions of these concepts. This study will assess changes in supply and availability of information regarding processes and conditions inside organizations to outsiders – focusing on natural resource revenues. Transparency will be measured through contract transparency and revenue and budget transparency.

Contract transparency

The majority of national procurement regulations mandate that bidding is open and competitive. Auctions can be useful when attempting to get an indication on the value of a certain contract or object and it can also make out a source of revenue for governments. However, auctions have also been subject to corruption and there is an increase in the number of cases reported. The secrecy surrounding corruption can be seen as a sign that there are probably a lot of undetected cases in the sector where it can take various forms such as bribes, extortion, embezzlement, fraud, or favoritism. In other words, corruption can be used to manipulate the outcomes of auctions (Boehm & Olaya, 2006).

The procurement and auction can be divided into several steps, each one sensitive to corruption in different ways and requiring different countermeasures. The three steps are: before the bidding, bidding and award, and lastly the aftermath. The first stage is most prone to corruption because of the decision to auction off to begin with. The needs and evaluation of them can be manipulated. Bribes can also be paid from those taking part in the auction to be considered pre-qualified for the bidding. Apart from this, requirements and specifications for tenders could be strategically tailored by the public agent to fit a certain contestant. During bids and after bids, but before the award, there are also opportunities for contestants to bribe to win. Corruption might occur when evaluating contract proposals, since there is always room for discretion which also leaves room for manipulation. Contracts can be handed out to a less qualified firm in exchange for a bribe. During the last stage of the procurement, when the contract has been handed out, the contract negotiations can be subject to corruption. The aim is usually to lower costs in the aftermath, for example by lower quality standards, not complying fully to the contract and ensuring impunity in such cases (Boehm & Olaya, 2006).

The whole contracting process can be subject to corruption, and deciding what to procure can be a contributing factor. If the project or asset is scarce, specific, and unique it can raise the risk for corruption (Rose-Ackerman, 1999). Complex processes surrounded by opacity and

secrecy creates preconditions for corrupt activities. Transparency mitigates this by increasing the cost of concealing corruption and helping to avoid the prisoner's dilemma where the expectation of corrupt behavior from others makes it more likely (Boehm & Olaya, 2006). Bauhr et al. (2019) argue and show empirically that ex ante transparency, that is transparency before the contract is awarded, is more effective in terms of reducing corruption than ex post transparency, which entails publishing information afterwards (Bauhr et al., 2019). But it's still reasonable to expect that the ex-post transparency is also important because it opens for monitoring and supervising the outcomes of the procurement among stakeholders and the public. This in turn enables accountability and increases risk of sanctions when taking part in corrupt activities (Boehm & Olaya, 2006).

Revenue and budget transparency

Institutional transparency - that is transparency in the decision-making process and in government - is the most vital form of transparency in terms of mitigating corruption in the extractive sector and ensuring efficient management of resource revenue. By increasing the risk of getting caught, transparency undermines corrupt activities like bribery and embezzlement. This is why transparency in the management of resource revenue and budget is important; if information is not available it's not possible to hold governments accountable. Although not the most effective one, aggregate data disclosure by governments is also an important form of transparency that informs the public about policy outcomes and performance. This is also key when it comes to monitoring government expenditure of revenues (Öge, 2016). Lack of insight and accountability in terms of taxes, royalties and other payments enables poor governances and corruption (Andrews, 2016).

Increased information on resource revenue within government is important in terms of creating the opportunity to monitor revenue streams and expenditure. A public official can have incentives for increasing information asymmetries if there is possibility to extract resource rents. This effect can be even stronger when rents are high – for example in a rentier state where resource rents have been seen to undermine democracy. The reason for it is because resource rents can reduce a state's need for taxes, which in turn weakens the social contract between the state and its citizens. Citizens will therefore not hold the state accountable and may even find it difficult to know what revenues are available to government. Resource rents may also be used for patronage, and public expenditure is in many ways central to patronage. It is therefore important that information on expenditure is

accessible (Kolstad & Wiig, 2009). Revenue is also important for monitoring and controlling that contracts are followed as well as ensuring that the money is being managed in a non-corrupt way.

4. Method

The case of Ghana

This paper will be conducting a case study where the unit of analysis is theoretically relevant aspects of government in Ghana, at different points in time, starting from when they first started extracting oil up until today. An advantage with this approach is that several indicators are held constant since many possible alternative explanations remain the same in the context of Ghana over time (Metodpraktikan, 2017; 108). The aim is to track changes in availability of information and transparency with regards to the oil sector towards the public.

Ghana is an interesting case to study because it has to some extent more favorable political and institutional conditions than other African countries with oil. These institutional and political conditions pose some challenge to the outcomes that part of the resource curse literature predicts. The chosen case resembles a least likely case where the conditions may not be favorable for a curse to develop (Metodpraktikan, 2017; s.163). This could help isolate the mechanisms behind the resource curse, because if Ghana does not fall prey to the curse the case might hold the answer to how it can be avoided and under what circumstances it does arise. It might help to single out a tipping point for when it occurs, or alternatively give more insight into how the curse damages institutionally and politically favorable conditions. In this sense, the study has some theory-developing ambitions.

Method

This study used two types of sources: interviews with experts to investigate if and what changes have occurred with regards to transparency in the Ghanaian oil sector, and reports on the oil sector from 2010 to 2018. Interviews were conducted remotely through video with individuals with a high degree of expertise on the issue at hand (Appendix 1 - interview guide). Interviews open for a larger quantity of questions with more complex nature and provides opportunity for follow up questions. Semi-structured interviews are advantageous for trying to understand in what ways a problem or phenomenon presents itself (Metodpraktikan, 2017; s.244, 261). This is preferred because the previous literature on the

resource curse has struggled to distinguish exactly how and under what conditions the curse develops. The method will therefore be used to further examine the phenomenon of the resource curse and how it may affect transparency. A disadvantage with using this method is the risk of interviewer effects, but these seldom pose a serious problem (Metodpraktikan, 2017; s.244). Another disadvantage is that personally conducted interviews take a lot of resources to execute on a larger scale. This study will therefore consist of both interviews with experts in the field and text analysis of country reports conducted by the Extractive Industries Transparency Initiative on transparency in Ghana.

The text analysis carried out in several steps focusing on sorting, summarizing, and comparing the information from the reports throughout the years. The first step included collecting all the relevant data from the reports and coding it under the broader categories: contract transparency and revenue and budget transparency. The information was then coded into each subcategory (Disclosure of contracts; Procurement and legal framework; Revenue streams; Expenditure; Legal framework for revenue management). When comparing the information availability, themes for the subcategories could also be established and the information was once more summarized and analyzed but within each under category. The method has deductive and inductive dimensions, where the previous literature and interviews were used for establishing the initial categories for the analysis. After assessing the data availability in the reports during coding, subcategories and themes were established, giving the study a more indicative dimension. This method will further broaden the scope of the study and bring more insight into the development and changes over time.

Source material

Interviews

The interviewees were chosen based on centrality, experience, and presence with regards to tracking transparency and corruption in Ghana. The interviews have therefore been conducted with researchers and representatives from different non-governmental organizations (NGOs) in Ghana. NGOs and civil society organizations are not directly affiliated with governments and can therefore give a more independent and critical status report than direct government sources. A General weakness in terms of the interviewees is that they to some extent rely on their memory of events and developments that have happened several years ago. Even though

it is possible that they remember things incorrectly, this risk is minimized by trying to capture their view on the broader trends and comparing them to the reports.

Interviewee number 1 had a PhD in political science and did their thesis on political economy and natural resources. Their research has been focused on politics of natural resources, where they have researched the mining sector in Tanzania and Mozambique and the political economy of oil in new oil producers in Africa – one of which was Ghana. They are today active in another research project in Ghana connected to political economy and energy transition. The interviewee is evaluated as having central knowledge and sufficient presence in the field.

Interviewee number 2 has worked in the field of corruption for the last eight years, mostly as a researcher. They currently work for the Ghana Anti-Corruption Coalition in Ghana and focus on anti-corruption legislation as well as gathering citizens views on the legislation. Apart from this, they have been involved in corruption reporting and monitoring for GACC. This interviewee is also evaluated to have sufficient and central knowledge of the field with more perspective on civil society and corruption.

Interviewee number 3 is a representative for EITI and leads the implementation work for the organization in Ghana but also provides support for other countries in the region. In terms of academic merits, they have a background in political science as well as peace, conflict, and development management more broadly. They have done research in the field, focusing on natural resource governance, relative deprivation and conflict and the potential for conflict in Ghana. They are evaluated as having high centrality and expertise when it comes to Ghana and transparency in the sector.

Interviewee number 4 is also a researcher, with an academic background in economics and development as well as oil and gas management. They work for the Natural Resource Governance Institute monitoring natural resource governance in Ghana. Their work has focused on revenue management and energy transition, contract management and legal reforms within the oil, gas, and mining sectors in Ghana. Before this they worked in the Public Interest and Accountability Committee where they focused on oil and gas revenues. This person has great expertise when it comes to natural resources in Ghana and specific

knowledge on the institutional side of transparency and monitoring of revenues in government.

The questions in the interview guide changed slightly with regards to who was interviewed and their area of expertise. They focus on transparency and the challenges that Ghana is facing today, the challenges the country was facing around the time oil was found and changes in transparency level. The interview guide in some cases also contained questions surrounding corruption levels and other types of institutional changes in the country. This is partially because the study had a slightly different focus at the outset, which is a slight weakness. The questions still capture the aim of the study, which is to identify changes in transparency level.

EITI reports

The EITI country reports on Ghana served as the second type of source material for the analysis because they provide detailed insight and evaluation of the management of the extractive sector. The analyses cover reports from 2010 up until 2018. This timeframe has been chosen because oil extraction began in 2010, and it likely didn't have an instant effect on transparency. Due to data availability the 2018 report will be the last one examined, because it is the latest one available. Some might argue that this is too short of a timespan to capture changes but, based on the previous literature, some changes or indicators for change should be recorded. If not, this might provide answers to for how to avoid the negative effects of oil on transparency levels.

EITI promotes transparency within the natural resource sector to increase accountability and dialogue as well as providing policy recommendations. Member countries of EITI commit to implementing the EITI standard which includes disclosing information along the extractive industry value chain. Countries commit to create a local multistakeholder group, with the responsibility to monitor, identify and mitigate corruption in the sector and improve governance through increased disclosure (EITI, 2022). The EITI is supported by international agencies like IMF, UN, and the World Bank who also promote transparency in fiscal management. Its implementation is also used by the World Bank when evaluating intentions for improved governance before investment decisions (Epremian et al. 2016).

EITI has been criticized for disappointing results with regards to the main objectives of the initiative, and one contributing factor can be that it has only been in place for a limited time. The data only covers the revenue side of resource management, and not the environmental impact, which is a weakness. It can also pose limitations to how much can really be said about transparency levels – where incomplete data can affect the results (Epreman et al. 2016). EITI has been present in Ghana since 2003 and started implementing the initiative from the start of oil extraction (Kopinski et al. 2013).

The evaluation of the transparency level will mostly consist of my own comparison of the amount of disclosure between the reports. In some areas I will also consider the evaluations done by EITI in terms of increased or decreased transparency. The study will not use the reports to evaluate the effect of the initiative itself. It will only look at the evaluations of the MSG of different indicators and rates of disclosure, and how those change over time. The multistakeholder groups involved in the initiative also have an interest in scrutinizing the situation on the ground - ensuring a higher level of reliability.

Analytical framework

The analytical framework deductively builds on previous literature on what indicators could be relevant to examine, but was also refined after initial interviews with informants, which contributed to operationalizations that are more relevant to Ghana. The subcategories and the evaluation points were established inductively and refined once again during the text analysis itself. The reason for this was because it was difficult knowing the exact data availability in the reports through the years and what the appropriate evaluation points within the categories could be. The overarching aim of the text analysis is to evaluate if there have been changes in the availability and comprehensiveness of relevant and timely information, as reflected in the reports, to understand how the situation has developed over time. My analytical framework for the text analysis consists of two main categories: contract transparency and revenue and budget transparency. They will be evaluated with regards to three levels of transparency: Full transparency/disclosure/accessibility, Some transparency/disclosure/accessibility and Little to no transparency/disclosure/accessibility. The analytical framework is operationalized by a set of questions that will be used when examining the text. These questions aim to capture

changes in transparency and practice and try to identify relevant actors. When all reports have been examined an overall development can be evaluated.

Contract transparency

Contract transparency includes disclosure and accessibility to the contracts that the government signs with companies in the oil sector. It also includes the procurement process and access to information before and after procurement has taken place (ex-ante and ex post transparency) as well as how transparent the application process is. Procurement process is competitive, and transparent. If there are signs of exchange of services that have been left out of the contract, it is not transparent. The subcategories evaluated are disclosure of government contracts as well as procurement and legal framework. Under the latter subcategory, the following themes are evaluated: criteria and the application process. The EITI defines contract as *“The full text of any contract, concession, production-sharing agreement or other agreement granted by, or entered into by, the government which provides the terms attached to the exploitation of oil gas and mineral resources.”* (EITI, 2021, 1 May. This definition will be used but the study will only include contracts connected to oil.

Questions for evaluating contract transparency: Disclosure of contracts that the government has signed with other companies in the oil sector - are they published? Procurement - how competitive is the procurement process? How transparent is procurement of contracts? how are they awarded and negotiated? Is there a legal framework for disclosure of contracts?

Revenue and budget transparency

Revenue and budget transparency includes disclosure of the revenue streams coming in and out of the government from the oil sector as. Revenue and budget transparency has been divided into three subcategories: revenue streams, expenditure, and legal framework. There are three themes evaluated for transparency: information on revenue streams, reconciliation of revenue streams where transparency includes the amount of revenues disclosed and unresolved discrepancies. For full transparency, there should not be unresolved discrepancies when reconciling the amounts governments claimed to have received and the amount companies say they have paid. The information on the revenue streams should also be detailed and revenues separated.

The second subcategory is expenditure and the points evaluated are: annual budget funding amount, Ghana national petroleum company, project level transparency and quasi-fiscal expenditures. There should be transparency regarding the budget and disclosure on what projects are funded by the oil revenue and the level of implementation of the projects. Quasi-fiscal expenditures are defined by EITI as are payments outside of the national budgetary process financing for example public infrastructure, social services, national debt servicing and fuel subsidies (EITI, 2018b, p. 87). There should not be any quasi-fiscal expenditures for full transparency. The subcategories for the legal framework-subcategory are the Petroleum Management Act, Data management and the Petroleum Commission Act. There should be a legal framework ensuring transparent management of oil revenue and establishing units for monitoring oil revenue management.

Questions for evaluating revenue and budget transparency:

How transparent is it in terms of where the money is coming from? Is there disclosure on the streams coming to the government? Is there disclosure on where the oil money is going to? How detailed are the revenue streams. Is there disclosure of revenues from the oil sector that the government is receiving? Is there a legal framework ensuring transparent management of oil revenue and establishing units for monitoring oil revenue management?

5. Analysis and Assessments

Contract transparency

Disclosure of government contracts

Publications of contracts is more recent development phase in the transparency development of Ghana's petroleum sector, this is supported both by the EITI reports and by the material gathered through expert interviews. By comparing the EITI reports, I have identified that there was in publication of contracts in the early years of petroleum extraction and in many ways a reluctance to transparency from both the government of Ghana and the oil companies. This could therefore be classified as little to no transparency. The reluctance to report was not mentioned in the reports between 2012-2013 like it was in the 2010-2011 report (EITI, 2013, p. 42), and the volume of the report itself has grown significantly indicating more information being reported. There was a development towards more transparency, but in 2014 the EITI report stated that there were still reports of information not being available to the public as well as long waiting times when trying to obtain information to the report (EITI, 2015, p. 105). In the later years of the petroleum extraction, I have distinguished several major developments in terms of publishing contracts and making information available to the public.

When reflecting on the development over time, one of the interviewees stated that:

No.2: "The contract transparency, publishing contracts - it is a new phase. Over the last 4-5 years they have been doing it and increasing it. It didn't used to be like that 5 years ago. Publishing documents, the production volumes, and the sales, where the money is gone - but not the contract between the government of Ghana and the oil companies. But during the last five years, there has been a lot more disclosure on that as well." This interviewee confirms that the publishment of contracts is a new phase in transparency and disclosure for the sector and that it is a development that has taken place in later years.

In 2015 the Petroleum Commission developed an online cadastral system that was meant to increase contract transparency (EITI, 2018a, p. 15). It published information about offshore activity map with a record of offshore activities including awarded and relinquished acreages and contracts, but the system still has many gaps according to EITI (EITI, 2018a, p. 11). I identify that this was a major break from the previous trend of no disclosure, and there was

now some disclosure present. The gaps in this online cadastral system subsequent years became fewer and fewer both when comparing the reports and as stated by EITI. At first, they lacked information on date of application of the license, the date of award is unavailable, the duration of each award and expiry date of the license, coordinates for each license are only shown in the agreement itself and not clearly displayed in the registry (EITI, 2018b, p. 114). In the report from 2017-2018 only one gap was identified according to EITI and that was absence of a map showing the area of the coordinates (EITI, 2019, p. 37).

The second major development I have identified in terms of publishing contracts came in 2018 following a new legal framework surrounding tendering and public procurement. Section 56 of Act 919 gives mandate for a registry of Petroleum Agreements, License, Permits and Authorizations to be established. The Petroleum Commission therefore launched an online petroleum register in 2018 that has agreements for all 18 oil blocks published. The agreement, registration, exploration, drilling development permits and production permits are all available for each petroleum block (EITI, 2019, p. 36). It also includes block sizes of the contract area, operator of the license, equity holdings of contracting part and effective dates of the arrangement. Apart from this it shows current phase of the operations and the fiscal terms. In terms of accessibility the register is online and doesn't require an entry registration or other costs. The agreements also disclose contractor rights and obligations in relation to GNPC among others (EITI, 2019, p. 38). I evaluate this development as reaching full transparency, where all contracts and details from contracts are published and available to the public.

Procurement & Legal framework

Ghana has gone from using a first come first serve, open door negotiation type method in procurement of oil blocks to instead using bidding and adopting competitive tenders (EITI, 2019, p. 20). I identify this as a major development in terms of transparency, and it is also one highlighted by the interviewees.

No. 4: "On the contracts, in 2016 there was a new exploration and production act which mandated the Minister of energy to undertake competitive bidding as a default position in the award of oil blocks. And so, since then, in the award of oil blocks, the default position was that the Minister of energy was to do this competitively and allow for competitive companies to bid. But they have only had one licensing round in the award of oil blocks, since 2018 -

2019 when the process started.”. This quote also confirms the change that has happened and highlights the new law, but it also shows that there is more to be done and that there might be implementation gaps.

The law regulating acquisition of oil blocks was for many years the Petroleum (Exploration and Production) Law, 1984 (EITI, 2018b, p. 5). This law gave the government of Ghana, which is represented by the Ministry of Energy, and the GNPC mandate to negotiate petroleum contracts. Another law, The Model Petroleum Agreement, emanates from the previously mentioned law and guided the negotiation process both with regards to terms and conditions in petroleum agreements between Ghana’s government, GNPC and oil companies (EITI, 2018a, p. 5). As stated in one of the EITI reports, the first-come-first-serve negotiation type process cannot be considered open and can lead to oil blocks being rewarded to less efficient operators (EITI, 2014, p. 47). The technical requirements for acquiring an oil block were not included in the EITI report, and the details of the negotiations were not made public (EITI, 2014, p. 7), which I asses makes room for non-objective and biased evaluations of applicants.

After the introduction of the new Exploration and Production Act in 2016, open and competitive public tendering became the default arrangement in allocation of oil blocks in Ghana, but section 10 (9) still gives the Minister of Energy mandate to enter into direct negotiations when it is considered to be the most efficient manner of optimizing exploration, development and production in a defined area (EITI, 2019, p. 32). The procedure and conditions for qualification requirements, terms and conditions for open and competitive tenders as well as for direct negotiations became more closely regulated under The Petroleum (Exploration and Production) (General) Regulations, 2018 (LI 2359). The law for example states that the tender process should include: the expression of interest, invitation to tender, submission of bids and evaluation of bids, decision on bids and entry into petroleum agreement (EITI, 2019, p. 33).

Criteria

Even though the criteria are defined by law and accessible to public, the evaluation of these can still be open to corruption and the Minister also has the possibility to include additional criteria (EITI, 2019, p.33-34) – which I asses can leave room for rigged tenders. The direct negotiations can still be used, and the applicant must meet the pre-qualification requirements

– that although are regulated by law, still can be adapted to benefit some applicants, and exclude others (EITI, 2019, p.35). One example is that the deadline for submissions is set by the Minister. There are also requirements for the Minister to publish reasons for deciding on direct negotiations, what area it concerns and the potential contractor in media (Gazette, at least two state-owned daily newspapers, website of the ministry and any medium of public communication) (EITI, 2019, p. 33,35). I evaluate this as a clear step towards more transparency and leaves room for safeguarding. In 2018 the first competitive bidding round was announced, with pre-qualifications that 16 companies responded to. Three of the oil blocks were to go through the competitive bidding process. Two of the blocks were going to be awarded through direct negotiations. One was reserved for the GNPC. Twelve of the companies that submitted applications later pulled out of the bidding process. It was according to EITI considered a big flaw that open competitive bidding and direct negotiations were done together because some companies were discouraged from taking part in the competitive bidding (EITI, 2019, p.34). A more detailed description of the criteria can be found in Appendix 3.

The application process

The application process itself was up until 2016 more or less the same (Appendix 2) but the information regarding the process, the requirements and technical/financial criteria was slowly becoming more defined and more accessible to the public, for example through the website of the Ministry of Energy and the Petroleum Commission (EITI, 2018b, p. 15-16). One development was also that there were steps taken during 2012 to separate the GNPC's commercial functions from its regulatory support to the Ministry in the procurement process. All the while the Petroleum Commission was taking on a bigger role in the procurement process (EITI, 2014, p. 40). This brings about more transparency because it clarifies the role of GNPC and PC as well as distancing the commercial interests of the state more, and places more mandate into a regulatory entity so that other operators can compete on more equal terms.

The gathered evaluation I have made is that the process was not transparent up until 2015 and has become more transparent after 2016. But it is still not considered to be fully transparent since the direct negotiations are still being used after 2016 and has had an impact on the competitive tendering. Another point mentioned by the interviewees is the fact that the oil

fields still haven't been allocated to the companies and that the second tendering process has not yet been held.

Resource and budget transparency

Revenue streams

Both interviews and the EITI reports suggest that the disclosure of revenue streams has throughout the years become more detailed and with a broader coverage. As stated by one of the interviewees:

No. 3: "For example, in the very early versions of when Ghana started producing oil, we mostly had aggregated figures on how much the government is getting from the oil sector. But more and more we are getting disaggregated data on for example which of the revenue streams are coming from the sale of oil that belongs to the government – more increasingly with time." This quote highlights that the disclosure has increased in terms of revenue streams from the government and that it has become more detailed, making the revenues easier to monitor and verify.

Information on revenue streams

The reports have throughout the years been consistent in disclosing the total amount of oil revenue, the amount received by each company, the amount received by revenue stream, and by oil field as well as date of extraction and the volume of the extractions (EITI, 2013, p.14, 17, 21, 23-24; EITI 2014, p. 51-53, 63-64, 67; EITI, 2015, p. 23-24, 58, 60-62; EITI, 2018a, p. 28, 30, 33; EITI, 2018b, p. 6, iv, v; EITI, 2019, p. 12-13, 28). There has also been a consistent amount of government agencies taking part in the reconciliation process (EITI, 2013, p. v; EITI, 2014, p. 3; EITI, 2015, p. ii; EITI, 2018a, p. 40; EITI, 2018b, p. 66) – except for 2017-2018 when the ministry of finance did not participate (EITI, 2019, p. 85).

Although there has been disclosure, I have identified that the information disclosed has varied in how detailed and separated it has been, and therefore also varying in the amount of transparency. One example is that the earlier on revenue streams. It has a table showing discrepancies between each company and the government as well as by revenue streams to the government but not one combining companies and revenue streams (EITI, 2013, p. 32-24). My assessment is that this makes it difficult to identify the discrepancies more closely.

Another example of this is that the earliest report states that the Petroleum Holding Fund received payments from all revenue streams in accordance with the Petroleum Revenue Management Act but doesn't disclose the amounts more closely (EITI, 2013, p. 38) – something later reports do (EITI, 2014, p. 95-97; EITI, 2015, p. 96, 99; EITI, 2018a, p. 45, 55-56; EITI, 2018b, p. 56, 81, 102-103; EITI, 2019, p. 70-72). It is also stated that the reporting process has been challenging because of government institutions' reluctance to provide data. For instance, Bank of Ghana did not provide details of the Petroleum Holding fund (EITI, 2013, p. 42). I assess as little disclosure because several revenue streams are excluded, and the information is not detailed. Even though information was disclosed it could also be disclosed in manners that make it difficult to verify and compare, as was the case in 2012-2013 between the Ghana Revenue Authority and the Ghana National Petroleum Corporation (GNPC) where the organizations used different methodologies when calculating figures for revenue streams – causing discrepancies where there in fact were none (EITI, 2014, p. 104). The same happened in 2014 when the lack of standard formatting for reporting crude oil extractions caused discrepancies between what the Ministry of Finance, Bank of Ghana and the Public Interest Accountability Committee reported (EITI, 2015, p. 104). This is, according to EITI, not ideal for transparency reasons because it makes it difficult to compare and verify, although it is positive that the information is provided.

Reconciliation of revenue streams

Between 2010 and 2014 the following revenue streams were reconciled: royalty, profit tax (corporate tax), surface rental, dividends, initial carried interest and additional participating interest (EITI, 2013, p. 11; EITI, 2014, p. 29-30; EITI, 2015, p. 55-56). However, several revenue streams were not considered. After 2014, Corporate tax; withholding tax; Pay-as-you-earn; Value Added Tax; Excise Duty; Import Duty; Capital Gain tax were also considered in the reconciliation (EITI, 2015, p. 57; EITI, 2018a, p. 32; EITI, 2018b, p. 51; EITI, 2019, p. 67). I identify this as a clear sign of increasing transparency. In the years following 2014 there was also disclosure on type of revenue streams specifically received by the Petroleum Commission and the GNPC from petroleum (EITI, 2018b, p. 32; EITI, 2018b, p. 51; EITI, 2019, p. 67), which also is an indicator of increased transparency.

From 2015 the GNPC participated to a higher extent, contributing to the reconciliation coverage reaching 96 % (EITI, 2018a, p. 44). From this point and onwards I therefore evaluate the revenue streams to be somewhat transparent, but still not fully transparent. This

is due to several incidents that I have identified in the reports where full disclosure was not provided. For instance, the discrepancies between Kosmos Energy HC Ltd and the Ghana Revenue Authority in terms of reported tax credit in 2015 (EITI, 2018a, p. 43). Another example from the same report is that 69,61 million USD was missing from the Petroleum Holding Fund, most of it representing a sale of gas between Ghana Gas Company limited and the GNPC (EITI, 2018a, p. 64). It is unclear where the missing money is and why it was not allocated to PHF. I evaluate this as not transparent when it comes to the management of petroleum revenue. Another incident was during 2016 when GNPC did not provide data for data license fees during the preliminary stage of gathering information. According to EITI all government agencies are required to submit receipts and details of receipts during the preliminary information gathering phase (EITI, 2018b, p. 120). The EITI states that there was a significant improvement in this area for the 2017-2018 report (EITI, 2019, p. 127).

Unresolved discrepancies

The EITI reports have detected several unresolved discrepancies throughout the years. When I compared the reports there is an overrepresentation of companies reporting less revenue than the amount that the government has reported receiving, or not reporting at all. My evaluation is that this problem was especially prominent in 2013 when the Ghana Revenue Authority reported receiving 55 million USD in corporate tax payments from Anadarko WCTP Ltd, contradictory to what Anadarko WCTP Ltd themselves reported (EITI, 2014, p. 6). This was a significant amount of revenue and discrepancy. In 2014 there was a discrepancy on approximately 84 million USD, representing 8 % of the total government receipts. This was due to non-reporting by Anadarko and was recovered after the reconciliation process and was not caused by a government agency (EITI, 2015, p. 76). My assessment is that it still causes significant difficulties and gaps in terms of accountability and monitoring of petroleum revenue. In my comparison of the reports, I identified that in the following years revenue discrepancies were not as significant. In 2016 they represented 0,11 % of total government revenues, in 2017 it decreased to 0,063 % and in 2018 to 0,018 % (EITI, 2018b, p. 75; EITI, 2019, p. 15).

To conclude, I identify that there has been a development from little to no transparency to some transparency. In the earlier years there was disclosure of revenue, but the information was not detailed and therefore harder to verify. There were also significant discrepancies in terms of the revenue reported to EITI and a lack of coordination when it came to

methodology and standard formatting of reporting. From 2015 this improved, and more revenue streams were considered marking a significant improvement classified as some transparency, but the missing money from the Petroleum Holding Fund is an indicator for non-transparency. The reports from 2016 and 2017-2018 include significantly more information concerning revenue streams, including more detailed information. There are still unresolved discrepancies between what is reported by companies and the government of Ghana, marking them as showing some transparency but still not full. This is also showed by the interviewees confirming this general development but also the remaining problems in terms of transparency.

No. 3: “Of course, the disclosures from day one would not be the disclosures of today. When have seen an increasing trend in terms of how comprehensive the reports are and how disaggregated the revenues that have been disclosed by government are.”. The quote highlights the development towards more detailed disclosure and as I interpret it more transparency.

Expenditure

The interviews as well as the reports point to information being more detailed and disclosed over the years but are also unison in terms of problematic areas and areas of improvement. One of these is the lumping together of sums in terms of expenditure. As one interviewee states:

No. 2: “Government of Ghana says we have built three schools in this part of the country, you show up and there are no schools - like a comingling of the funds. You can only tell money is missing, by at that point you cannot be as specific as to maybe it was given to this or put into that. It has all been lumped into one. And the government is not very willing to desegregate.”. This quote highlights the remaining problems in terms of tracking and monitoring expenditure of revenues that is disaggregated information on how the revenue is managed but also governments unwillingness to provide this information. This is interpreted as a risk in terms of corruption and evaluated as some but not full transparency.

Annual Budget Funding Amount

There has throughout the years been disclosure on the amount of oil revenue allocated to Annual Budget Funding Amount (ABFA) as well as how much money has been spent on the four priority areas (EITI, 2013, p. 40; EITI, 2014, p. 90; EITI, 2015, p. 86; EITI, 2018a, p. 53; EITI, 2018b, p. 98-99; EITI, 2019, p. 110). But in the earlier reports there was only disclosure on total amount spent per priority area, and no disclosure on specific expenditures for specific projects, also stated by EITI in the reports (EITI, 2014, p. 92; EITI, 2015, p. 103). This is regarded as little to no transparency. I have identified a shift in the report for 2014 where more information was provided in terms of disclosing expenditure for specific projects, for instance “six-unit classroom blocks” along with the amount spent and similar disclosure for the different priority areas (EITI, 2015, p. 91-92). EITI also states that the Ghana Petroleum Funds have published investment guides since the beginning and there has been disclosure of how much the Petroleum Funds have received (EITI, 2015, p. 103).

Ghana National Petroleum Corporation

In terms of expenditure by the GNPC, I have identified that there has increasingly been more disclosure in the areas of cash to be spent, cash brought forward and TEN project cost. There has been consistent information provided on equity financing, net carried and participating interest, total amount received, jubilee equity financing cost, staff cost, general operational and admin capital expenditure between 2011-2013 (EITI, 2014, p. 86). The GNPC started publishing their investment plans regarding expenditure which also points to more transparency, a development highlighted by EITI (EITI, 2014, p. 8; EITI, 2014, p. 103). In 2014 and forward there was disclosure on expenditure for specific projects but still the sums were lumped together in the millions and not specified (EITI, 2015, p. 83). In 2017 and 2018 the expenditures from GNPC have gotten more detailed (EITI, 2019, p. 121-122), and I assess them as fully transparent.

Project level transparency

Another problematic area is that even though projects and the amount spent on them have been disclosed, they lack level of implementation. Another interviewee highlights that:

No. 4: “There are some pieces of information that is either not accurately disclosed or not disclosed in a form that it should be disclosed. For instance, the Minister is required under the Petroleum Revenue Management Act to disclose the stage of completion of projects that are funded from petroleum revenues. Most of the time the projects are just listed. After some

advocacy that was done by PIAC the Minister has started including percentage completion rate. But then that's just all the information. But the law it says: describe the level of implementation. There was a view in PIAC at the time that given a percentage of completion rate is not enough of a description of the stage of completion.". This quote highlights the problem of lack of implementation rate disclosure – stated by PIAC but also by EITI in the reports. It is yet another example of information that is not detailed enough and therefore can be seen as not transparent enough.

When comparing the EITI reports, I identify that in the early years of oil extraction there was no information on level of implementation regarding projects financed by oil revenue. Still in 2014, even though more disclosure was provided on ABFA financed projects the stage of implementation was not being reported, in breach of Section 48 of Act 815 according to EITI (EITI, 2015, p. 106) – and this continued through 2015 (EITI, 2018a, p. 64). But as of 2017-2018 reporting on implementation has commenced (EITI, 2019, p. 130), indicating a development towards more transparency but still considered as little to no transparency.

Quasi-fiscal expenditures

A new development in terms of expenditure transparency has been the occurrence of several quasi-fiscal expenditures made through GNPC appearing from 2016 (EITI, 2018b, p. 119). These are payments outside of the national budgetary process financing for example public infrastructure, social services, national debt servicing and fuel subsidies (EITI, 2018b, p. 87). These types of expenditure appear as hidden when examining the government budget and are a risk in terms of corruption. All expenditures should be presented in the budget, and I therefore evaluate this as a sign of some but not full transparency. There were no quasi-fiscal expenditures recorded throughout 2017 and 2018 (EITI, 2019, p. 115), indicating a development towards more transparency.

Legal framework for revenue management

There is a legal framework regulating the management of oil revenue in Ghana. This is shown both in the reports and from the interviews and the main law in this area is the Petroleum Management Act, 2011 (Act 815) or PRMA. As one interviewee states:

No. 2: "The main one has been the PRMA, Petroleum Revenue Management Act. It basically tells us how we should use our oil resources and what the structures that are supposed to be

in place are. If you look at our laws, there is money we use to support our budget, which is a certain percent that we get from the oil every year.”. This quote describes how the law is used generally and specifically how it is connected to the budget.

Petroleum Revenue Management Act

This law has been in place almost since the beginning of the oil extraction and regulates collection, allocation, and management of petroleum revenues from the upstream and mid-stream petroleum operations (EITI, 2013, p. 4; EITI, 2014, p. 46; EITI, 2018a, p. 5; EITI, 2018b, p. 9; EITI, 2019, p. 112). According to PRMA, the receipts from petroleum sales are placed at the Bank of Ghana and into the Petroleum Holding Fund. All petroleum revenue shall be placed in the fund for subsequent transfer according to section 2(2) Act 815. They can then be used to finance GNPC, be further transferred to the Petroleum Fund, as well as to the Stabilization Funds and Heritage Fund (EITI, 2018b, p. 49). The PRMA for example also states that revenue reporting from crude oil by agencies must comply to a certain standard (EITI, 2015, p. 104). It also requires the government to report stage of implementation of the programmed activities that are funded by the Annual Budget Funding Amount (ABFA) (EITI, 2014, p. 102-103). The relationship between the state owned GNPC and the government as well as government financing to GNPC is also regulated in the PRMA (EITI, 2018b, p. 32).

Data management

During 2014 the Petroleum Management Act was amended and during its review the Ministry of Petroleum started developing regulations on data management to, as stated by EITI, strengthen oversight over the sector (EITI, 2015, p. 11). The data from the petroleum sector was after 2017 also regulated through the Petroleum exploration and production-data management regulation. This law more specifically regulated the reporting and management of petroleum data on conduct of petroleum activities in Ghana (EITI, 2019, p. 20). The law among other things includes receipts and a “*efficient management of the data and the documentation and reporting for information related to acquisition and submission of petroleum data*” (EITI, 2019, p. 25).

Petroleum Commission Act

Another important law with regards to the management of oil revenue and that has been in place since beginning of oil extraction is the Petroleum Commission Act, 2011 (Act 821) which establishes the Petroleum Commission as a body whose purpose is to objectively

regulate and oversee the utilization and management of petroleum resources as well as coordinating them with other policies (EITI, 2013, p. 4).

No. 1: “The oil sector has been good for the quality of institutions. With all the flaws, Ghana is far from perfect, but I think the creation of these institutions that we have mentioned, it has been good for the Ghanaian transparency sector. I think things would have been completely different if these institutions were not in place. Like imagine if the Public Interest Accountability Committee was not in place, life would have been completely miserable. If the Petroleum Regulatory Authority was not in place, if Ghana wasn't member of EITI.”. This quote highlights the impact that these institutions have had for the sector, and that it has strengthened the transparency sector overall.

I assess that the laws have has a significant impact on regulating the sector and ensuring disclosure and transparency in terms of revenue streams, allocation, expenditure, and monitoring. This is very important even though there are signs of implementation issues and gaps in transparency. Overall, there is a legal framework regulating access to information and revenue management.

6. Results

Main results

The overall trend through analysis of EITI reports and expert interviews is that Ghana has developed towards more transparency when it comes to contract and revenue and budget transparency. Nevertheless, there are still key areas that are lagging and that are not fully transparent or even with little to no transparency.

In terms of contract transparency, disclosure of contracts by the government has developed from little or no transparency to full transparency where all contracts are published. There is an online register available for the public that has become increasingly more comprehensive and therefore increasing ex post transparency. This combined with open and competitive bidding in procurement in the most recent years as well as more specified requirements and technical/financial criteria also provides more ex-ante transparency. But the fact that the procurement process still uses direct negotiations in some cases opens for opportunity for corrupt activities, especially since it did have an impact on the latest tendering process and the fact that the fields are yet to be allocated and that there is yet to be a second round of bidding held. To summarize, the overall contract transparency has increased both in terms of disclosure and accessibility, but the procurement process is somewhat transparent but not fully.

In terms of revenue transparency, the disclosure of revenue streams has developed from little or no transparency to some transparency. The aggregate data disclosure by government has increased and become more coordinated in terms of methodology as well as become increasingly detailed. More revenue streams are considered and there are less unresolved discrepancies between the government of Ghana and oil companies. The reason that they are not considered to be fully transparent is because of missing money from the Petroleum Holding fund as well as some unresolved discrepancies.

The expenditures have also been classified overall as being somewhat transparent and have remained so throughout the years. There has been more disclosure in terms of what projects that the oil revenues are financing, and this information has become more detailed – but it is still not clear enough. There are investment plans published for GNPC which increases transparency. Quasi-fiscal expenditures are one development pointing to a decrease in

transparency, but this was on the other hand improved for the following two years. Nevertheless, this together with the lack of reporting on level of implementation for projects financed by oil revenue makes the expenditures somewhat transparent.

The legal framework is considered to regulate the revenue management in a transparent way and has contributed to ensuring disclosure and transparency in terms of revenue streams, allocation, expenditure, and monitoring. This contributes to the revenue management being evaluated as somewhat transparent.

Robustness

The interviews have been used to focus the framework of analysis towards my main categories. But they have also provided some insight into the broad development of the sector and transparency over time. One disadvantage with using interviews as a source for evaluating trends over time is that the more time passes, the less reliable our memory is. This is one limitation that the study has, but I would not consider this to be limiting to the study since its results are also based on reports – which are far more advantageous when examining data further back in time. Another limitation is that corruption can be difficult to examine and capture because it doesn't happen out in the open, and participants in it generally go to great lengths to not get caught. One way to improve the study could have been to talk to someone that has even more knowledge on corruption and lack of transparency, but because of the nature of corruption this is difficult. Still, the experts chosen for this study have great experience within the field and have contributed to giving a more detailed and outlined background of the problem.

The reports that have been used also have their limitations in terms of discovering gaps in transparency. Just because there is lack of information on a certain topic within the reports it doesn't necessarily have to mean that there was a gap in transparency or a lack of information. There is a possibility that the reports could have missed something. It is also very difficult to know what you do not know yet – in other words, there might be information that is hidden from the public and that indicates corrupt activities, without the reports having knowledge of that information. This is a consequence of the nature of corruption and hard to circumvent. But the reports do provide a broad overview of the sector over a long period of time, also taking into consideration different sources of information in their own assessment – making them more reliable.

7. Conclusion

To conclude, Ghana appears to have avoided a degradation of transparency after the discovery of oil. The country has in fact improved it, even though there is work to be done to strengthen it further. There is a legal framework in place protecting transparent management of revenues and securing public access to information from the sector. The development has not been towards less transparency except for the occurrence of quasi fiscal expenditures – that have also decreased. With the help of rigid legal frameworks and institutions with monitoring capacities, like the Public Interest Accountability Committee, preconditions for accountability through transparency have in many cases increased and, in some areas, at least not deteriorated. Transparency both *ex ante* and *ex post* as well as aggregated data from the government has increased providing preconditions for accountability and increasing possibility to discover corruption.

Ghana's escape from degradation in terms of transparency in the petroleum sector provides more insight and understanding to the "in-between" cases where a resource curse might occur, but where institutional strength is also present. This is not to say that transparency is the ultimate cure for the resource curse and corruption, but in the case of Ghana transparency has been upheld and even increased. The result of this study is specific for the case of Ghana but might be applicable to other young democracies with recent petroleum discoveries, or even natural resource discoveries. It shows that transparency can work as a safeguard in terms of mitigating effects of the curse and that the deterministic view on the resource curse might not apply to Ghana, or to young democracies in general. Even though Ghana is a young democracy with more fragile institutions, the institutions showed flexibility and managed to adapt, and new ones were established to strengthen and ensure transparency.

The study has policy implications because it shows that natural resources do not have to be the end of a democratization process or the start of an increase in corruption, but the institutions might need to adapt and it might be a necessary to establish structures that monitor and ensure transparency. Future studies should continue to examine how the curse develops, isolate the different mechanisms behind the resource curse and how it affects corruption and transparency. More case studies on countries with petroleum resources and with varying degree of democracy and institutional strength, focusing on transparency in

different areas of the petroleum sector can provide more knowledge on how to mitigate or hinder a rise in corruption due to natural resource revenues.

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Appendix

Appendix 1 – The interview guide

Background

- What is your name?
- What is your title and role at EITI?
- What is your experience within the field?

Transparency

- In your view, have the revenues from the oil sector been managed transparently by the government of Ghana?
- How would you describe transparency levels in Ghana, specifically related to the oil industry and the revenues related to that sector, before 2010?
- Have any changes occurred with respect to transparency, and specifically related to the oil industry and the revenues related to that sector, over the past decade or so? In other words, has transparency of revenue flows changed after 2010 compared to before, or after 2015?
- How is the transparency with regards to revenues from taxes and licensing fees from the oil sector? Has there been a change over the past decade?
- How is the transparency with regards to government spending of these revenues? when change is indicated (in laws/institutions, either implementation, or enforcement)

Corruption

- Do problems of corruption exist? Have they increased or decreased over time? What type of corruption, what form does it take?
- Have laws and regulations been amended in ways to prevent corruption or, alternatively, have they been relaxed in ways that might even allow corrupt practices to occur?
- If regulated, and if laws have been put in place: to what extent are they implemented? Has this changed over the past decade?
- What was the greatest challenge that Ghana faced regarding corruption and transparency before oil was found?

- What is the greatest challenge Ghana is facing with regards to corruption and transparency in the public management of oil?

Institutions

- Have government bodies been created to ensure integrity in the sector? Or alternatively, have any government bodies been dismantled or weakened over the past decade?

Appendix 2 - The application process

The application process up until 2016 started by the company submitting an application to the Ministry of Energy, and the requisition is referred to the GNPC. The applicant then schedules and inspects data on available blocks and or contract area at GNPC's data room, whereby an available block of interest can be identified, and application forms can be accessed through GNPC or Ministry of Energy. The application is submitted to the Ministry of Energy and the application fee of US dollar 10.000 in Bankers Draft. The application is reviewed by GNPC and the results are sent to the Minister. When a decision has been made the applicant is informed and if it is accepted the Minister sets up a team that negotiates a petroleum agreement with the applicant. The team consist of representatives from the Ministry of Energy, Attorney General's Department, Ministry of Finance and Economic Planning and the Ghana Revenue Authority. A report on the outcomes is sent to the Cabinet and then to the parliament for approval. Lastly the petroleum agreement then comes into effect upon the date of ratification. Through the years the requisition of the block would come to be referred to the Petroleum Commission instead of GNPC, and the PC would overall get a bigger role in the procurement process. In 2015 there was an added fee of 1000 dollars GHC for booking an appointment to visit the data room. Also some deadlines in terms of minimum notice of two weeks to visit the data room and specific formats for the application.

Appendix 3 - Technical & financial criteria

The technical capabilities considered by the petroleum commission aim at evaluating the capabilities to execute the work program for the area applied for. First the needs of the area of interest are established based on available data. Then the experience of the intended operator of the oil block in terms of operations that are similar to the one its applying for is evaluated. Also the profile of the assigned staff to the projects that demonstrates similar capabilities is important to evaluate if the project will succeed. The area of specialization that the applicant

has - in terms of onshore, shallow or deepwater player - is also considered and compared to the area of interest. Another point of evaluation is what stage the applicants' operations are in other projects, for example exploration or production phase, as well as the work commitments. Then key technical personnel of the Ghana project is evaluated along with submitted CV, but the report doesn't specify in what way this is evaluated.

In terms of the financial criteria, financial resources to commit to the activities – especially in the exploration phase – is evaluated. This takes into consideration information about ownership, financial statements are cross-checked with auditors, audited financial statements from the past three years are analyzed, information on if the company is public or listed is evaluated as well as cash flows from operations, main financiers, and overall financial commitments to other projects. Then the overall financial state of the applicant is compared to the minimum expenditure that the initial exploration period requires.

After 2018: The Minister decides to enter into petroleum agreement on the basis of objective criteria that are regulated under Regulation 16 of L.I 2359. These include: how responsive the applicant is to the policy objectives of the bid, evaluating proposed work program against the minimum requirements presented in the invitation to the tender, evaluating geographical understanding and assessments of the potential of the area, proposal of the initial participating carried interest and additional participating interest, proposed level of local content compliance in accordance with L.I 2204, royalty rate exceeding minimum rate, bonus if any, methodology and plan for the transfer of knowledge and skills, training and technology support and other criteria that is determined by the Minister. The applicant that gathers the highest numerical score is the allegeable for a petroleum agreement. A written note from the Minister after the evaluation of the bids is issued to all bidders where the decision is presented. The preferred bidder will also receive an invitation to negotiate details of the agreement.