

# GHANA'S JUBILEE FIELDS OIL AND GAS EXTRACTION: ACCOUNTABILITY AND PROSPECTS

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## **Abstract**

Ghana commenced the oil and gas extraction in commercial quantities in the year 2011 and hence the country was listed among oil and gas producing countries in the sub-Saharan Africa. Accordingly, Ghanaians' optimism widened because the oil and gas sectors were the change agent for social infrastructure and better living standards. Suddenly, however, Ghanaians' optimism started to dwindle due to the lack of accountability mechanism to protect their interest. This study explored the Ghanaians' misgivings regarding the accountability mechanism in the oil and gas sectors. Primary data for this study was collected from interviews and survey. Findings revealed that the majority of Ghanaians are pessimistic about the prospects of the oil and gas sectors for ensuring parity in national development. It concluded that Ghanaians have little information about the accountability mechanism to protect their interest and therefore recommended a policy action to strengthen the accountability and prevent the resource curse syndrome.

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**Keywords:** Oil and Gas Extraction; Commercial Quantities; Oil and Gas Producing Countries; Optimism; Accountability Mechanism; Pessimism; Misgivings; Prospects

## **Introduction**

Ghana emerged as a new oil and gas producing economy in 2011. Consequently, Ghana was listed among the oil-rich nations in sub-Saharan Africa when the country commenced the extraction of oil and gas products in commercial quantities in 2011(Adam, 2012). Commercialization of Ghana's Jubilee Fields oil and gas extraction in 2011 led the government to initiate a consortium which consisted of researchers, policy-makers and media practitioners to address some of the perceived challenges in oil and gas extraction and petroleum producing industries such as the "resource curse"

syndrome (Mohammed, 2012). History has shown that commercialization of oil and gas extraction often comes with delicate legal, technical, economic, financial and environmental challenges and that maximizing the benefits from Ghana' Jubilee Fields' oil and gas extraction requires a constant balancing act between resource and oil companies (Amaechi, 2010). The risk of "resource curse" associated with the extractive industries is very critical and hence the redistribution of oil and gas resources should not be taken for granted (Brobbe, 2014).

### **Statement of Research Problem**

The majority of Ghanaians lack access to information about the quantity or volume of oil and gas usually extracted from the Jubilee Fields and the accountability mechanism for protecting the interest of the citizens against unfair redistribution of oil and gas benefits (Bissie, 2011). Consequently, Ghanaians are wondering whether or not the "black gold" would provide socio-economic infrastructures (economic growth, jobs, improved living standards) or become a resource curse (threat to national development) (Adam, 2012). This study therefore argues that the revenues from Ghana's Jubilee Fields could facilitate national growth and development if it is well managed.

Ghanaians received the news about the discovery of oil and gas in Ghana's Jubilee Fields with great enthusiasm simply because most Ghanaians had anticipated a booming economy coupled with a fleet of jobs leading to better living standards. However, some months into the commencement of the oil and gas extraction, the euphoria with which Ghanaians welcomed the oil and gas discovery tidings through the varied media houses began to erode leaving many Ghanaians in the state of quandary and despair (Efam –Dovi, 2013).

There is a lack of an accountability mechanism at Ghana's Jubilee Fields' operations coalesced with pervasive patronage politics and hence revenues obtained have been misappropriated or mismanaged in favour of a few Ghanaians at the expense of the majority otherwise known as the 'resource curse'(Adam, 2012). For instance, the generally held views of many Ghanaians about lack of information reported by the varied media about the quantity of oil and gas produced and a lack of an accountability mechanism about the management of the revenues obtained from the industries have led many Ghanaians to become more agitated. Indeed, Ghanaians are wondering whether or not the "black gold" would ensure parity with regards to national development or to benefit just a few Ghanaians (Efam –Dovi, 2013).

Some scholars have reiterated that the management of the Jubilee Fields' revenues is characterized by patron-clientelist networks and that it is

preventing the hard fact regarding the total quantity of oil and gas and the revenues obtained from the extractive industries from coming into the public domain (Hogan and Goldsworthy, 2010). Other scholars such as Nakhle (2011) and Adam (2012) attribute the lack of accountability to the rapacious exploitation of the resources in the developing countries by Western capitalist companies. They argue that conflict can be inevitable if a natural resource like that in Ghana is not well managed. They claim that the way the international economic system is organized often makes resource rich countries not to benefit significantly from their resources. To Perkins (2005), clearly, under a capitalist regime, oil or gas or any natural resource is exploited by the multinational corporations. From exploration to exploitation and transformation to marketing of the product requires huge capital investments undertaken by those companies. To this end, the companies pay, but taxes to the state coffers and the state in turn is content because of job opportunities offered to the citizens. For a developing country like Ghana, owning a natural resource does not automatically transform the citizens and the country into fabulous riches. This is because the operations of those companies (multinational corporations) are never transparent and are backed by their powerful states, which no African state has had the effrontery to challenge, at least for now.

It is important to note that many scholars have ascribed the lack of accountability in Ghana's Jubilee Fields oil and gas extractive industries to widespread patron-clientelist networks (van de Walle, 2005). To them patron-client network does not only endanger vertical accountability (inability of subordinates to question the Big man for bending the rules because perhaps the former have received some favour from the latter and unable to do so for fear of being fired). But also, it endangers horizontal accountability (political leaders often fail to hold their Ministers and Chief Executives accountable to their actions or inactions due essentially to kick-backs). Indeed, these actions or inactions of the capitalists and political leaders often prevent the hard fact about the Jubilee Fields' revenues from coming into the public domain (van de Walle, 2005). And hence little is known about the accountability mechanism about the revenues from the Jubilee Fields.

Thus, this study argues that the accountability challenges in the Jubilee's oil and gas sector in Ghana are underlined by several practical questions such as: Would the international oil companies not take advantage of an inexperienced, emerging, oil-producing country such as Ghana in the petroleum contracts? Would Ghana's fiscal regime and neopatrimonial tendencies not pose a serious challenge to the oil industries? What is the efficacy and/or likely setbacks of the existing legal and regulatory framework? Are the institutions such as Parliaments, media and other

stakeholders making efforts to promote the rules and laws to sustain and to guide the emerging industry? How adequately, is the media informing and educating the public about this?

With regards to the questions above, this study broadly, explores the accountability challenges in Ghana's Jubilee Fields oil and gas extraction sector. Specifically, it examines the extent to which the international oil companies could take advantage of an inexperienced, emerging, oil-producing country such as Ghana in the petroleum contracts. It explores how Ghana's fiscal regime coupled with neopatrimonial tendencies could pose a serious challenge to the oil industries. It analyzes the efficacy and/or the setbacks if any, of the existing legal and regulatory framework. Moreover, it examines the efforts made by institutions such as Parliament, media and other stakeholders in promoting the rules and the laws to sustain and to guide the emerging industry. Finally, to analyze how adequately the media is informing and educating the public on oil and gas extraction issues.

### **Theoretical Framework/ Literature Review**

Putting issues of accountability in Ghana's Jubilee Fields oil and gas extraction sector in the proper perspective would not be complete without a careful consideration of views expressed and theories propounded on oil and gas exploration, exploitation, transformation and marketing. It would, also, be particularly useful to examine the legality involved in the management of the Jubilee Fields' revenues, and the entire energy sector in Ghana and elsewhere. Beginnings of the oil and gas exploration and exploitation in the sub-Saharan Africa's oil economy would also be explored.

This study thus, analyzes the main contributions from different articles. Natural resource endowment has value to which the owner has a claim. When the owner is not the resource developer or producer, fiscal instruments are used to capture that value (Mummer, 2011).

Against the background of over a century of mining; Ghanaians are understandably uncertain and anxious about whether the value of the natural endowed resources often allocated to Ghana is fair. A difficult question to answer. Some scholars have asserted that Ghana's petroleum fiscal regime as of the year 2010, compares the key features of the regime with that of a peer group of oil-producing countries in Sub-Saharan Africa, and assesses the regime against five key features of importance to government and prospective investors: the degree of progressivity, stability, flexibility, neutrality and how the regime distributes the burden of risk between the resource owner and contractors (Amoako-Tuffuor and Owusu-Ayim, 2012). .

However, before proceeding to review the relevant studies on oil and gas exploration and exploitation, this study provides the theoretical

foundation upon which the understanding of how oil and gas economy facilitates national development or otherwise produces ‘resource curse.’

Theories abound on natural resources exploration and exploitation. Perhaps it is because natural endowed resources are one social-economic empowerment that is critical in most societies worldwide. According to Amoako-Tuffuor and Owusu-Ayim (2012), the most crucial of all human dependence finds expression in natural resources in this case oil and gas economy. Apart from ensuring economic development through redistribution of resources, it also attracts direct foreign investments as well as foreign earnings.

The discussion of whether or not the “black gold” would facilitate development and produce a resource curse is subsumed under two theoretical paradigms otherwise known as ‘Theories of natural resources exploration and exploitation propounded by Amoako-Tuffuor and Owusu-Ayim (2012). First is the ‘Theory of Oil-rich or Wealth Nations’ and second, is the ‘Theory of Resources Curse’ or the ‘Dutch Disease.’

The theory of ‘oil-rich or Wealth Nations’ states that countries with well-endowed oil and gas resources turn to develop at a faster pace but with high level of crimes.. The theory explains that oil and gas extractive industries usually have great opportunities to expand their economies through socio-economic infrastructural development such as job creation, provision of social amenities and better living standards. However, this often comes with a cost. When the resources are not properly handled this could lead to a high level of crimes and crime related phenomena. By extension, it means that any attempt by the state to misappropriate the revenues generated from the oil and gas extractive industries could lead to unfortunate circumstances such as disorders in the form of political instability, persistent pirating and resource curses.

Indeed, this theory is useful for this study in two ways. First, at least, it places Ghana in the context of oil-rich nations which the study found to be correct. Second, it advances the argument made earlier that oil wealthy economies are often manipulated by the capitalist economy. For example, under the capitalist regime, oil and gas or any natural resource is exploited by the multinational corporations from exploration to exploitation and from transformation to marketing of the product. The fact is that the exploration and exploitation of natural resources require huge capital investments and this is usually undertaken by those multilateral companies. To this end, for a developing country like Ghana, owning a natural resource does not automatically transform the citizens and the country into fabulous riches as the resource wealth or oil-rich nation’s theory projects. Besides, the roles played by the multinational corporations also undermine accountability since those companies are themselves not transparent.

In the meantime, on the surface, the theory sounds quite plausible, because rich oil nations, indeed, have the potency to become prosperous. Similarly, oil and gas revenues management has a legal backing, however, certainly those laws and regulations are often not sufficient to ensure accountability since those laws and regulations are often designed by the multinational corporations themselves. A major feature of the oil and gas industries is that its accountability mechanism is problematic and that could lead the future of oil and gas economy to a very critical situation or produce a resource curse. It is rare to find any oil-rich nation in sub-Saharan Africa operating a transparent and accountable oil and gas economy due to pervasive patronage politics and crony capitalism (networks involving placing cronies at vantage positions for mutually reciprocating benefits).

This study finds this theory to be inconsistent with the reality of oil and gas extraction economy. And therefore it argues that the theorist could have shown how oil- rich nations could also serve to benefit other economies and not seen as only facilitating doom. Oil and gas revenues could promote national development if media access to information about the sector is not facile and stakeholders do not lack insight into the operations, and government and oil and gas partners desist from patronage politics and excessive capitalism. This leads the study to examine the theory of the resource curse.

However, another theory worthy our attention as far as this study is concerned is the ‘Resource Curse theory’ which states that mismanagement of the revenues; and the crime associated with it is the “visible form of the invisible curse”(Amoako-Tuffuor and Owusu-Ayim, 2012). Evidence from media reportage attests to the position of this theory. Media reportage explains that wars and other related crime activities have become pervasive in most oil-rich nations not because oil and gas themselves are evil resources but rather, the mishandling of such black gold is tantamount to high level of crime and some level of obscenity.

To a large extent, the theory employed in this study explains how a lack of an accountability mechanism in oil and gas sectors could engender mismanagement and hence undermines its perspective or realities. It also reinforces what the Dutch disease makes in countries where corruption is rampant. It is important to note that oil and gas extractive industries lack accountability mechanism. They are characterized by pervasive patron-clientelist networks and crony capitalism. So, it sounds convincing to claim that the mismanagement of oil and gas revenues is predestined and conspicuous in all oil and gas rich nations. But, this study wonders how the theory would explain the nuanced re-distribution of national revenues among the advanced world? How have oil revenues issues in the advanced countries been explored? Is the advanced world also likely to suffer all the crime

related issues that are found in the ‘third world countries’? And if yes, how does the theory of resource curse explain this?

In view of this, this study hypothesizes that the revenues obtained from the oil and gas extractive industries would be a blessing or a curse depending upon the manner in which the revenues would be put to use. The majority of Ghanaians are pessimistic about whether or not the oil and gas sectors would focus on national development and not be a menace towards national security.

In what follows, the study reviews the relevant studies. This is a highly important research subject that has a potential for an innovative contribution in that there is a dearth of publications on Ghana’s emerging oil and gas economy- how it is structured, managed and efforts to avoid the resource curse syndrome that has ravaged many natural resource-rich African countries. First, this study unravels the accountability challenges bedeviling Ghana’s Jubilee Fields oil and gas sectors. Second, it plugs the knowledge gap and hence expands the frontiers of knowledge regarding the literature on accountability challenges in Ghana’s Jubilee Fields’ oil and gas extraction.

Here, this study takes issues with a number of articles about the discourse on accountability of oil and gas revenues management. This study begins with Adam’s (2012) assertion that it is a truism to say that good laws do not guarantee good application of laws. And this is exactly the case in Ghana’s application of the Petroleum Revenue Management Law (Act 815), which Tordo (2007) has claimed, variously, to be one of the best laws in the world. Tordo (2007) contends that the law provides a strong and transparent mechanism for monitoring oil receipts and more importantly for spending the revenues accrued to the state. The author did not provide adequate explanation about who designed the laws of the state and who enforces it and whose interest it serves or who benefits most especially, in a regime characterized by widespread patronage politics and crony capitalism.

Similarly, this study takes issues with aspects of the Supplementary Budget which deals with oil revenues; and concludes that there is both misapplication of the law and insufficient explanation for certain decisions. For instance, in Section 110 of the Supplementary Budget, the Government justified the rationale behind the budget by stating that ‘developments in the domestic economy have necessitated the revisions made to the fiscal framework as follows: passage and implementation of the Petroleum Revenue Management Act, 2011, Act 815, coupled with changes in world crude oil prices and revised oil production levels (Adam, 2012; Keen, and McPherson, 2011). However, in the case of petroleum revenues, this study contends that the government knew well the implications of such volatility but inadequately addressed them in the law.

To Adam (2012), what the incumbent government ought to have done with the Supplementary Budget was to have revised mid-year the reference crude oil price to \$100 per barrel and production levels to 84,737 barrels per day and by these new assumptions determined a higher Benchmark Revenue of GH¢1,250.8m (70% of GHC1,250.8 m and GHC875.56 m). However, this study also agrees to the assertion that in the language of the law, any revenues in excess of the first Annual Budget Funding Amount (ABFA) are classified as excess revenues, and therefore do not form part of ABFA. The allocation of excess revenues as part of benchmark revenues and the ABFA is therefore an open violation of the Act 815. Furthermore, the Supplementary Budget has created a second Benchmark Revenue and used it as the ‘foundation benchmark’, a practice inconsistent with the law.

The bone of contention in this study here is that, the first benchmark revenues were computed when Act 815 had not been passed and when oil production had not commenced. But this only means double standards as there was no need to allocate oil revenues for spending in the budget when oil production had not commenced. One wonders the legal basis for allocating oil revenues to the budget when the law was still pending in Parliament. Similarly, Tordo and Johnston, (2010) have argued that even if the arguments were valid, this would not have been the right time to determine benchmark revenues and ABFA as the Supplementary Budget has done. Tordo and Johnston (2010) further contend that predictably, government allocated petroleum revenues to the original budget because the plan was to pass the law before the budget was presented to parliament, which did not materialize, therefore the logical time after this failure was to be 1<sup>st</sup> September, 2011 for spending in the 2012 budget. And that this, however, could have also violated the law since there is provision in the law for the spending of oil revenues in 2011. This study posits that there is purely a technical problem here but no one is to be blamed.

This study therefore supports the assertion that there is lack of public knowledge about the collateralization of the ABFA. The fact is that it remains unclear why the ABFA is being used to finance non-oil-collateralized debts. Nakhle’s (2011) earlier study corroborated this position. To Nakhle (2011), in addition, the allocation for capacity building including oil and gas needs to be clarified because government has already signed a loan of \$38 million with the World Bank for oil and gas capacity building, which the budget was very silent on. Furthermore, while oil and gas revenues management policy design elements are important, so are the means by which the revenues are allocated. Ghana’s work program bidding by which oil and gas extraction contracts are awarded on the basis of competitive bids, has a major shortcoming of lack of transparency on what is judged to be

competitive. This study posits that, in the end what should become a competitive bid, in fact, becomes a negotiated package on oil and gas quantity as well as the revenues obtained.

To this end, it is abundantly clear that Ghana's Jubilee Fields oil and gas sectors are bedeviled with a number of challenges including an oversight system or accountability mechanism to hold both government and oil partners in check. As a result scant information regarding revenues and its disbursement is made public and sadly, the media, the watchdog for the state and the stakeholders has very little access to information.

All in all, there is a theoretical gap regarding a proper oversight mechanism for ensuring accountability confirmed by this study. This study is therefore original and valuable, because it fills the existing gap in research on Ghanaians' knowledge, attitudes and growing perceptions over the lack of proper accountable mechanism for the management of the oil and gas revenues from the extractive industries in the Jubilee fields.

## **Methodology**

This study employed both quantitative and qualitative approaches. It was also descriptive and undertook a content analysis of relevant literature. Where statistical and primary data were used they were a derivative of secondary sources. With reference to related literature and debates, the researcher made use of studies on political economy, to help in making the argument. Epistemologically, it employed the neopatrimonial thesis, oil-rich nations or oil wealth and resource curse theories to provide the understanding of the dynamics and travails of lack of accountability in Ghana's Jubilee Fields oil and gas extraction sectors. Particularly, the survey (questionnaire) and in-depth interviews (productive dialogue) approaches respectively were employed for primary data and peer reviewed articles, newspapers and magazines were also used as secondary sources. This study explored and analyzed whether or not the revenues from Ghana's Jubilee Fields are advancing development of the entire Ghanaian economy or rather facing some disruptive potentialities that tends to threaten national security. A sample size of two hundred and fifty (250) respondents was selected from the Western and Central Regions of Ghana. The sample size consisted of two hundred (200) respondents for the survey and fifty (50) respondents for the face-to-face interviews. Purposive sampling technique was used and the selection of study areas was informed by convenience, representativeness and proximity to the oil and gas fields.

In the discussion section this study solicited and analyzed the opinions of Ghanaians on the criticalities of the mismanagement of revenues at Ghana's Jubilee Fields, whether or not patron-client networks serve as the disruptive potentialities to transparency in Ghana's Jubilee Fields' revenues

management and attempted at confirming whether or not the Jubilee Fields' revenues are ensuring development for all Ghanaians or for a few of them. This study encountered a number of methodological challenges, which were classified as technical and critical. The technical challenge had to do with accessibility, language barriers, respondents' unwillingness to participate and rescheduling of appointments. The critical challenge had to do with the reliability and accuracy of the translations by the hired translators. However, the researcher made sure that these challenges never compromised the findings of the study.

### Findings and Discussions

This study revealed that the majority of the respondents were pessimistic about whether or not Ghana's Jubilee Fields' revenues would focus on national development or be a menace towards national security. The practical implication of the findings was demonstrated in the desire of an overwhelming majority of respondents, especially the civil society group to express freely their views about the management of the revenues.

### Background of Respondents

A sample of 250 Ghanaians was interviewed. It was made up of 200 respondents for the survey and 50 respondents were selected for the elite interview. The sample of 200 respondents selected from academics, NGOs specialized in governance issues, the media and the masses. The sex distribution of the respondents was as follows. 57.5% of the respondents were male whereas female respondents constituted 40.5%. Some 2.0% of the respondents failed to indicate their sex status. This means that the sex distribution was fairly balanced. There was also a regional balance as table 1 indicates.

Table 1 (What is your region of origin?)

		Frequency	Percent	Valid percent	Cumulative Percent
<b>Valid</b>	Non-response	8	4.0	4.0	4.0
	Central	98	49.0	49.0	53.0
	Western	94	47.0	47.0	100.0
	Total	200	100.0	100.0	

Source: Survey Questionnaire

Incidentally, the survey conducted in the Central Region understandably had a majority of 49.0% of the respondents. The age distribution was also somewhat balanced with respondents coming from all the age groups as table 2 below shows, even though majority of the respondents came from the 36-45 (29.0%) and 46-55 (26.5%) age groups,

however, only a few respondents 4.0% failed to mention a particular age group within which they belong.

Table 2 (Age group you belong to)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non-response	9	1.5	4.0	4.0
	18-25	63	10.5	10.5	14.5
	26-35	159	26.5	26.5	41.0
	36-45	174	29.0	29.0	70.0
	46-55	69	11.5	11.5	81.5
	56-65	99	16.5	16.5	98.0
	66 and above	27	3.5	2.0	100.0
	Total	600	100.0	100.0	

Source: Survey Questionnaire

With regards to selected areas, 49.0% of the respondents were residents of Takoradi, Sekondi and Tarkwa. Moreover, 47.0%, of the respondents were also residents of Cape Coast, Elmina and Salt pond, indeed, this indicating that all the two regions namely, Central and Western were duly covered in the survey.

With regard to the employment status, 71.0% of the respondents indicated they were employed, 28.0% of them stated they were unemployed whilst only a small minority of 1.0% did not respond to the question on their employment status.

Table 3. (Employment Status)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non-responses	2	1.0	1.0	1.0
	Employed	142	71.0	71.0	72.0
	Unemployed	56	28.0	28.0	100.0
	Total	200	100.0	100.0	

Source: Survey Questionnaire.

Regarding monthly incomes in Ghana Cedis, 36.0% of the 71.0% of the respondents with employable status indicated they earn a monthly income of about GH¢ 1,700. 00 and above. Meanwhile, 14.0% of the respondents indicated they earn about GH¢1, 500.00 to below GH¢1,700.00. 8.0% of those employed earn about GH¢1, 300.00 to below GH¢1,500.00, while 4.0% earn about GH¢1, 100.00 to below GH¢1,300.00 per month. Moreover, 3.0% earn about GH¢900 to below GH¢1,100.00 per month and 5.0% earn GH¢700.00 to below GH¢900.00 monthly. Furthermore, about 30.0% said they receive GH¢500.00 to below GH¢300.00 monthly.

Table 4. (Monthly Income Bracket)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	GH¢ 1,700.00 and above	72	36.0	36.0	36.0
	GH¢1,500.00 to below GH¢1,700.00	28	14.0	14.0	50.0
	GH¢1,300.00 to below GH¢1,500.00	16	8.0	8.0	58.0
	GH¢1,100.00 to below GH¢1,300.00	8	4.0	4.0	62.0
	GH¢900 to below GH¢1,100.00	6	3.0	3.0	65.0
	GH¢700.00 to below GH¢900.00	10	5.0	5.0	70.0
	GH¢100.00 to below GH¢700.00	60	30.0	30.0	100.0
	Total	200	100.0	100.0	

Source: Survey Questionnaire

The respondents indicated that “there are growing perceptions of Ghanaians over the lack of proper accountable mechanism for the management of the sector and the revenues from the extractive industries in the Jubilee fields.” Thus, the data analysis confirmed that an overwhelming majority of about 78.0% of the respondents were aware that oil and gas revenues were mismanaged because there is lack of proper accountability mechanism in the oil and gas extractive industries. A small minority of 17.0% of the respondents did not think that the revenues were being mismanaged and 5.0% were ignorant about the oil and gas extractive industries. The practical manifestation of the oil and gas mismanagement is revealed in table 4.4 below where 60.5% of the respondents stated that they often heard that oil and gas revenues are channeled towards political gains, whilst 36.0% said they very often heard with only 1.0% who had never heard of how oil and gas revenues were managed.

Table 5. (Mismanagement of Oil and Gas revenues)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	2	1.0	1.0	1.0
	Often	121	60.5	60.5	61.5
	Very often	72	36.0	36.0	97.5
	Don't know	5	2.5	2.5	100.0
	Total	200	100.0	100.0	

Source: Survey Questionnaire.

The lack of an accountability mechanism resulting from crony capitalist's activities and pervasive patronage politics negatively affects national development in various ways. As table 4.5 below shows, 32.5% of the respondents claimed that lack of an accountability mechanism coupled with pervasive patronage politics was likely to produce resource curse, whilst 27.5% said it slowed down development and about 5.5% of the respondents said they had no idea.

For a country that has joined the Heavily Indebted Poor Country group and is struggling to get out of economic underdevelopment, such a lack of an accountability mechanism coupled with widespread patron-clientelist networks render the prospects of economic take-off not hopeful.

Table 6 (C2 the implications of the lack of transparency and proper accountability mechanism)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Nonresponse	2	1.0	1.0	1.0
	It slows down development	55	27.5	27.5	28.5
	Fuels partisan politics	11	5.5	5.5	34.0
	No idea	2	1.0	1.0	35.0
	Produce resource curse	65	32.5	32.5	67.5
	Increase corruption	65	32.5	32.5	100.0
	Total	200	100.0	100.0	

Source: Survey Questionnaire.

To the question; 'how would you rank the contribution of the oil and gas towards national development in Ghana?', almost a third of the respondents (47.0%) graded the contribution as poor, whilst 7.5% ranked the contribution as very poor. Some 43.5% and 2.0% ranked the contribution as fairly good and very good respectively.

Table 7. (Ranking of Contribution of the oil and gas towards National Development)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Poor	94	47.0	47.0	47.0
	Very Poor	15	7.5	7.5	54.5
	Fairly Good	121	43.5	36.0	98.0
	Good	4	2.0	2.0	100.0
	Total	200	100.0	100.0	

Source: Survey Questionnaire.

However, in spite of the generally poor contribution rendered, most respondents thought that the right transparency and accountability in oil and gas extractive industries in Ghana was crucial, compared to some 40.5% who

thought that partisan politics was widespread in the sector. When respondents said there was partisan politics in the oil and gas sector in Ghana, they meant different things. Whereas a greater amount of the revenues were used to support party members, it also meant that recruitment in the oil and gas extractive industries were conducted on a partisan basis.

While 52.5% of the respondents attributed the lack of transparency and proper accountability mechanism to governmental or political interference, 26.0%, 11.05%, and 9.5% ascribed the lack of proper accountability to ineffective law enforcement agency and patronage politics respectively. The implication here is that any increases in general tariffs unaccompanied by political or governmental disengagement will only be a cosmetic solution. The interview conducted revealed that “there is a high measure of pessimism among the respondents as to whether a permanent solution to the mismanagement is possible in the foreseeable future. Findings from the interviews showed that many Ghanaians have given up any hope of a future solution to the oil and gas revenues contribution towards national development, and this is understandably so, for Ghanaians have had to live in poverty for a long time and it appears all previous attempts to solve the poverty problems have failed. The findings revealed that some 36.0% of the respondents do not foresee any solution to the oil and gas challenge in the future, whilst 54.0% of the respondents are optimistic that a solution may be found in the future.

Among the possible solutions offered by the respondents were: civil society should back up and strengthen agitations and demand their fair share of the oil and gas revenue (23% of respondents), efficient management and more funds (23.5% of respondents), checking corruption (1.0% of respondents), checking partisan and patronage politics (9.0% of respondents), use oil and gas revenues profitably (2.0% of respondents), public education (2.0% of respondents), definitive oil and gas revenue policy (14.5% of respondents), publish what is produced (1.0% of respondents) and then put in place proper checks and balances (15.5% of respondents).

Of all these, the single most important factor in solving the challenges in the oil and gas sectors, according to some 59.5% of the respondents, is efficient management. Some 20.0%, 9.0% and 9.0% think proper accountability mechanism, minimal state intervention, in that order, are critical to solving the oil and gas sector revenue management problems. Overall, in the opinion of an overwhelming majority of respondents (73.5%), the mismanagement was attributable to the lack of adequate oil and gas operating policy. This is an indictment of the state, since it is traditionally responsible for state policies including oil and gas revenue management policy. Table 4.7 throws further light on the correlation between state policy and the oil and gas revenues mismanagement.

Table 8 (E2 Governmental interference in oil and gas revenues policy in Ghana)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Nonresponse	1	.5	.5	.5
	Yes	65	32.5	32.5	33.0
	No	132	66.0	66.0	99.0
	Don't know	2	.5	.5	100.0
	Total	200	100.0	100.0	

Source: Survey Questionnaire.

Here we notice that 66.0% of the respondents think that the oil and gas revenues management policies pursued by governments in Ghana have not been insulated from political interference. In other words, statist control and political interference are contributory factors to the mismanagement of oil and gas revenues. One of the most striking findings of the survey was that in spite of the negative impact of political or governmental interference on oil and gas extractive sector, most respondents (53.0%) do not see depoliticization as a panacea to the mismanagement. Only 46.0% of the respondents think that checking corruption is a solution to the challenges. As a further solution to the oil and gas sector predicament, most Ghanaians (about 55.5% of the respondents) think that Ghana should discontinue with the total sale of ownership of asset to her foreign development partners. Only 44.05 of the respondents favour a continuation of the engagement trade between Ghana and her development partners. Finally, findings concerning the provision of broad energy laws and policies to protect Ghanaians were as follow; 26.5% suggested the setting up of independent body that deals with energy, 11.05% proposed a policy to depoliticize the oil and gas sector, 16.00% recommended the need to provide transparent and proper accountability mechanism, 7.5% recommended the need for the foreigners to pay economic rates to Ghana, 5.5% recommended the need for efficient management, 11.4% the need to ensure equity and finally, 14.0 recommended publish all that is produced.

Generally, the majority of Ghanaians have demonstrated overwhelmingly through their negative expressions, their disappointment in the lack of an accountability mechanism. As the media reportage, government's report as well as the reports by oil and gas dealers to Ghanaians have shown, there is no clarity about the exact quantity of oils and gas and total revenues (Johnston, 2007). The originality and value of this study reflects the fact that it contributes to filling the existing gap in research on Ghanaians' knowledge, attitudes and growing perceptions about the lack of accountability mechanism coupled with pervasive cronyism (whom you know or who knows you) and nepotism (favouritism) regarding the management of the Jubilee Fields oil and gas revenues.

## **Accountability Mechanism in Ghana's Jubilee Fields Oil and Gas Sectors**

In diagnosing the level of accountability in Ghana's Jubilee oil and gas sectors for the period 2010 to now, the study concerned itself with exploring whether or not the oil and gas sectors could bring about national development or result in the 'resource curse.' This was against the backdrop that accountability in the sector gives the impression of a façade and hence this could be a menace in disguise.

To attribute the challenges such as lack of a proper accountability mechanism in Ghana's Jubilee Fields oil and gas sectors to a particular factor is rather perilous for the reason that it cannot be done with a high degree of exactitude. Notwithstanding the evidence or facts at hand, there will be a certain degree of error in the prognosis. It must be pointed out, however, that the conclusions arrived at in this study are based on hard data and should be useful to journalists, students, stakeholders, policy-makers and the civil society group in Ghana as a whole.

Meanwhile, the primary objective of the survey, as in any scientific research, was to gather data that would enable us to verify our basic assumption. Here, this study discusses the findings to see whether the findings support or oppose the basic argument. A glance at the data analysis provides some useful insights into the accountability mechanism in the oil and gas extractive industries. It demonstrates a lack of an accountability mechanism coupled with widespread patronage politics, its impact and the general perceptions of policy-makers and ordinary people as to how revenues from oil and gas sectors are to be put to use or managed. To restate the basic assumption: The revenues obtained from the oil and gas extractive industries would tend to be a blessing or a curse depending upon the manner in which the revenues would be put to use or managed.

As already indicated, the findings revealed that majority of the respondents were pessimistic about the likelihood of the Jubilee Fields revenues being a guarantee to equity in national development. Or on the other hand probably a menace to national security.

The practical implication of the findings is demonstrated in the desire of an overwhelming majority of respondents, especially the civil society group to express freely their views about the management of the oil and gas revenues. This study is thus, original and valuable, because it fills the existing gap in research on people's growing perceptions over the lack of an accountability mechanism coupled with pervasive patronage politics for the management of the Jubilee Fields' oil and gas sectors.

## **Conclusion**

This study is by no means exhaustive. It provides partial answers and lays the groundwork for further inquiry. It draws attention to institutional design challenges, the ways and means by which Ghana could ensure accountability in oil and gas sectors, and the implications of the institutional design for better performance of the industry, to enhance transparency as well as to ensure the maximization of the benefits to the citizenry. It makes some significant contributions to the existing literature on oil and gas extraction in Ghana.

This study established that natural resource endowment has value to which the owner has a claim. When the owner is not the resource developer or producer, fiscal instruments are used to capture that value. This study reviewed Ghana's oil and gas accountability mechanism as of the year 2010 and compared the key features of the regime with that of a peer group of oil-producing countries in Sub-Saharan Africa, and assessed the regime against five key features of importance to government and prospective investors: The degree of progressivity, stability, flexibility, neutrality and how the regime distributes the burden of risk between the resource owner and contractors.

Clearly, Ghana's Supplementary Budget exposed the obsession for spending by Governments of resource producing countries. They do not know 'breaks' even if it means violating the legal frameworks or interpreting them to suit their interests. The transparency demonstrated in the budget is commendable because it has brought to the fore the potential to abuse the oil and gas sectors' accountability and has therefore laid the foundation for public scrutiny in the management of expected large inflows of capital from oil and gas exploitation as Ghana becomes a major oil producer in the near future.

Ghanaians and development partners have the right to question the government on matters regarding mismanagement and misapplication of the country's oil wealth which is known to be non-renewable. By this way it could bring about public accountability and sustainable development. Ghanaians are still wondering how to prevent or break the "curse" that has often marked Africa's oil and mining industries. This study has elucidated examples of oil and gas problems that are very close to home for instance, such as that which is found in Nigeria and other neighbouring countries. It also provides information about the continent's largest crude producer and reveals how successive governments have depleted the earnings from crude oil sales since the 1970s. Besides, Ghana's own record in managing mineral revenues after a hundred years of gold mining was highlighted.

This study has also attempted at explaining the seemingly new dawn which has broken and to offer civil society the platform on oil and gas as

well as the coalition of civil society groups that promote transparent and accountable management of oil and mineral wealth to air their views on Africa Renewal including Ghana's attempt to create a right path and a law that governs how the oil revenue should be collected and managed. In view of the need for dealing with critical issues of accountability, crony capitalism and nepotism therefore, this study explored the challenges encountered by the sector in ensuring a proper accountability mechanism and also to minimize cronyism and nepotism bedeviling the Jubilee Fields.

This study posits that through media reportage and other stakeholder watchdog activities, the transparency and issues of crony capitalism and nepotism characterizing the management of Jubilee Fields' oil and gas revenues could not only be brought to public attention but also be minimized to promote national development as opposed to the perceived 'resource curse'. In addition, this study unearthed the background to oil and gas discovery in Ghana, investigated the accountability mechanism and patronage politics in the oil and gas extractive industries and finally, analyzed the development prospects for Ghanaians by focusing mainly on the construction and maintenance of an effective accountability mechanism in the oil and gas sectors.

The expectation has been that patronage politics and crony capitalism which has since the commencement of oil and gas extraction been obscuring accountability in Ghana's Jubilee Fields oil be well- investigated and media's sensitization of public on matters of Jubilee Fields' oil and gas sectors will be promoted. Also to bring into the limelight such a policy regarding revenue re-distribution intended to accelerate national development. It also sought to elucidate how the lack of accountability in oil and gas sectors could serve as a menace to national security in Ghana.

Finally, oil and gas constitute a national asset and that the oil and gas proceeds obtained from the extractive industries and the use and management of oil and gas revenues must be guided by law to provide development for the entire citizenry.

### **Recommendations**

This study makes a number of recommendations based on the conclusions. On the theoretical level, judging from the kind of data collected, it would be of interest to a prospective researcher to delve more into why transparency and a proper accountability mechanism are becoming a more dominant issue or phenomenon in the oil and gas sectors.

There is a world of choice open to the design of oil and gas revenues management regime, and hence the media should be well-equipped to be able to access information regarding accountability to hold government and oil and gas partners in check.

Policy makers should note that one step towards reversing the paradox labeled ‘resource curse’ lies in the effective management of oil and gas revenues, ensure adequate information flow and provision of training for media activists in order to provide an informed analysis on the sector in their reportage. There should be a synergy between government, the private sector and the media to ensure that the activities that will help attract investments in to the country are publicized.

Parliament should expedite action to pass the Right to Information Bill to empower the media in particular and Ghanaians in general to have access to information pertaining to oil and gas production and revenues. Policy makers should adopt the US Dodd-Frank Act, i.e. Publish What You Pay law and apply it to the later.

In the light of the aforementioned issues, it is recommended that the synergy between the oil and gas industry and the rest of the economy becomes important to ensure that Ghana achieves a broad-based development and that the exploration of its natural resources meets the needs and aspirations of its citizens. Furthermore, it is recommended that Revenue Transparency should collaborate with Transparency International (TI) and the Revenue Watch Institute (RWI) in making oil and gas revenues more beneficial to the society by ensuring information flow to the public domain. It is also, recommended that decisions over the type of fiscal regime, the state’s needs for revenue for the extraction of its resources, the incentives system, the monitoring and cost verifications, and equitable risk-sharing become important considerations within the context of the geological uncertainties in oil and gas extractive industries.

Since the current oil and gas extraction regime does not provide for standardization of the terms governing oil and gas contracts, it is recommended that the Petroleum Income Tax Law (PNDCL 188) promulgated in 1987 which contains some fundamental flaws should be fully reviewed. Such revision should reflect current industry best practices with the view to guard against open ended exemptions, allowances, and withholding taxes, transfer pricing and cost containment.

However, a superficial revision that does not respond adequately to the concerns but betrays the trust of citizens in the state’s capacity to realize the full benefit of resource extraction for the public interests should be discouraged. A better option might be to repeal the Public Interest and Accountability Committee (PIAC) and incorporate all its essential features into the Internal Revenue Act (IRA) to ensure consistency of the treatment of chargeable income and with greater clarity on “cost stop” elements for all extractive industries.

Finally, there should be institutional incentives to check or minimize widespread patron-client networks and to insulate the oil and gas sectors

from the vagaries of patronage politics and crony capitalism. Widespread crony capitalism and pervasive patron-client politics which reinforces the paradox labeled the ‘resource curse’ would however be reversed provided successive governments construct and maintain a credible and effective accountability mechanism in Ghana’s Jubilee Fields oil and gas sectors

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