PUBLIC MANAGEMENT OF PETROLEUM RESOURCES

A CASE STUDY OF GHANAIAN EFFORTS TO ENHANCE ACCOUNTABILITY & TRANSPARENCY

Written by:
Mildred Akosua Agyele Awuku

Study Program:
MSc International Business & Politics

Supervised by:
Mogens Kamp Justesen
Department of Business & Politics

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Abstract
This thesis was written due to the author's interest for Ghana's newfound petroleum resources and the opportunities and challenges the management of these resources entail. The overall purpose of this thesis analyzing the Ghanaian government’s public management of petroleum resources and the level of accountability the government is able to maintain. The focal point has been the materialization of the Public Interest & Accountability Committee (PIAC), and their role in enhancing government accountability on the public management of petroleum resources. Ghana’s new found petroleum resources has been source to both optimism for further development of the country, as well as acknowledging a concern for developing symptoms of the natural resource curse, a phenomenon well documented in other sub-Saharan African countries.

The main findings of the thesis include identifying PIAC as an oversight committee that has proved to be instrumental in combating information asymmetries between the government and the Ghanaian population though their published reports. However, as a unique and newly established committee, PIAC has encountered substantial challenges in encountering the bureaucracy and also depending on the parliament’s role of taking their reports into account. The role of PIAC is however still seen as being imperative to Ghana’s transparency agenda.
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1. Introduction
March 2\textsuperscript{nd} 2013 the Economist had a 14 page special report on Africa, including a leader on the fastest growing continent in the world (The Economist, Leader, 2013; March 2\textsuperscript{nd}). We are officially in an era of Afro-optimism. Despite rapid economic growth the continent still faces major challenges; poverty is still widespread and there is a long way to go in combating economic and democratic challenges. In any case, the economic growth spurt the continent is experiencing is very much welcomed and the hope is that one can maintain and sustain this throughout the continent. A major challenge ahead is the fact that Africa is heavily dependent on exporting commodities, a market which is known for being exceptionally volatile. However, some of the opportunities for further growth and development might also lie within commodity exports.

1.1 Oil Discovery in Ghana
Ghana discovered the Jubilee oil field in July 2007, on the 50\textsuperscript{th} anniversary of their independence. They joined the ranks of African petroleum exporting countries in January 2011. For Ghanaians this has been a source for increased optimism for the future. Although natural resources paradoxically have lead to low growth and despair in several countries, there are strong hopes that Ghana will be an exception to this phenomenon. Ghana has several strengths that could work in its advantage when dealing with the challenges that come alongside entering the international petroleum economy. Among them is their record of over 20 years with democratic elections and continued development. Like many other developing countries, Ghana also emerged into a liberal state after the Cold War. Free institutions, representative government, free elections and human rights typically characterize the liberal democracy (Boafo-Arthur, 2007, p. 5).

An extensive set of legislation was required in order to govern all parts of the complex petroleum sector. The Petroleum Revenue Management Act (PRMA) was particularly influenced by a public participation process and learning from the experiences of fellow petro-states. This allowed for a strong focus on accountability and transparency in the law governing public management of petroleum revenue, which characterizes legislation of international standard. A distinctive feature of PRMA is the establishment of the Public Interest & Accountability Committee. Consequently it is interesting to
analyze the role of this unique committee and the accountability mechanisms that it aims to implement in the institutional framework of petroleum revenue management. This is as a unique measure worth analyzing and could give indications about the trajectory development of the petroleum revenue management is taking, and possibly also the direction of petroleum resource management as such. According to the Fundamental Petroleum Policy of Ghana, the goal for the country is:

“to become a net exporter of oil and gas in the global petroleum industry through the development and management of the nation’s petroleum resources and revenue streams in a transparent and environmentally responsible manner for the benefit of every Ghanaian, now and in the future” (Ministry of Energy, 2009).¹

If managed well, the oil revenues will undoubtedly have a major impact on the government’s ability to invest in infrastructure, social services and future generations. As the Jubilee field was discovered in 2007 and the production was stated as soon as 2010, it’s evident that the institutional framework that is to handle the new challenges is not yet fully evolved, even though this complex and long process is definitely in progress.

1.2. Research Question
Accordingly, I have arrived at the following research question:

How has the Ghanaian government managed the newly discovered petroleum resources, and what procedures have been established to hold the government accountable for the management of petroleum resources?

The following sub-questions have been established in order to concretize the most important aspects of the research question, and also provide a structural framework for the analysis:

¹ Italics added
² Source: (Steets, 2010, p. 16),
³ Alexander Hamilton, James Madison and John Jay wrote the essay series the Federalist Papers under
1. Since the petroleum discovery in 2007, what kind of process has Ghana gone through in establishing an institutional framework for managing the newfound resources?

2. What is the role of Public Interest & Accountability Committee's operations in this institutional constellation?

3. How can we locate Public Interest & Accountability Committee and its operations in the bigger context of the natural resource curse?

1.3. The Case
Petroleum abundant countries that are analyzed are usually countries that have managed their resource wealth for several years. As a consequence both the formal and informal institutions are fairly well established. This is why it is both interesting and important to analyze a country that has newly established an institutional framework to manage natural resources, and especially concerning the management of petroleum revenue. Ghana makes a very good case for analyzing a developing petroleum state. Important aspects to be analyzed are the mechanisms in public management of petroleum revenues that can be put in place in order to mitigate deviant behavior, despite characteristics of petroleum revenues that makes it easy to limit transparency and accountability. These characteristics will be thoroughly presented and discussed.

Consequently, the interesting aspect to analyze in the Ghanaian case is the relationship between the micro and macro-political level of petroleum resource management. Consequently, the processes that have been started in public management of petroleum resources in Ghana, particularly focusing on management of petroleum revenues, will be analyzed. These are important aspects of the larger issue of possibly developing a natural resource curse. Thus I want to analyze the natural resource curse on a micro-political level, behind the symptoms, namely behavior in public management. By analyzing and identifying these aspects, it could also have implications for the extent to which a country will develop symptoms of the natural resource curse, or if it will be able to join the ranks of successful resource abundant countries. The behavior of individuals and agencies have an immense impact on the state of democracy and also the quality and effectiveness of the implementation of policy. It is especially important to analyze
these mechanisms in the management of petroleum revenue management, as it is very easy to hide and disguise the amount of money that come in from companies and exports, and also the manner in which they are spent. Essentially, the behavior of public officials and agencies will have an effect on the quality of public management of petroleum revenues.

1.4. Scope and Delimitation

It is the case of the recent oil discovery in Ghana and the public management of the petroleum resources that will be analyzed. From the initial discovery in July 2007 until today there has been a long process developing legislations and policies on how to best manage the resources. Although the process as a whole will be referred to, the focal point will be issues related to the management of petroleum revenues, as the one of the most serious challenges are related to the revenue aspect of petroleum resources. More specifically the passing of the PRMA will be focused on. Because the issue of transparency and accountability that seems to be the main challenge connected to petroleum revenues, the PRMA has established the Public Interest and Accountability Committee (PIAC). This committee and its published reports will be the main object of analysis as its establishment is the materialization of mitigating the main challenges of petroleum revenues. Of course, the establishment of PIAC will not be able to deal with all the challenges related to petroleum management. There are several issues connected to petroleum revenues, such as the role of national oil companies, the role of political elites, petroleum companies, etc., but these issues will not be explicitly analyzed in this thesis. The numerous actors involved in the complex constellation that is petroleum management indicated that a thesis of this scope would not be able to deal with them all to a satisfactory extent. The goal of the thesis is to analyze how materializing accountability measures in a distinct committee can potentially affect the behavior of public agencies in the public management of petroleum revenues and its potential effect on petroleum resource management trajectory development.
2. Literature Review
For all purposes in this thesis the natural resource curse is defined as the phenomenon that countries with an abundance of natural resources tend to perform worse in terms of economic development and good governance. There is a repeated pattern of ill-performing oil exporting countries, across geographic location, culture, size and history. Success stories are few and far apart. In Sub-Saharan Africa, the challenges of managing natural resources adequately seem to be a particularly immense challenge. This chapter will present the main concepts related to the theory of the natural resource curse. Next, will present some of the most influential literature on the subject that will be useful in the analysis of the public management of petroleum resources in Ghana. As there is a large volume of work done on the natural resource curse, the literature review is limited to the most influential works on the more political and institutional aspects of the natural resource curse, as it is the focus of this thesis.

2.1. The Natural resource Curse
The economic and political challenges associated with petroleum revenue windfalls are evidently not to be underestimated. The widely documented natural resource curse is defined as the phenomenon that natural resource abundant countries on average experience lower economic growth than countries with few or no natural resources. This has proven to be especially true in sub-Saharan Africa, as several countries are defined as underdeveloped or developing. The largest petroleum exporters in sub-Saharan Africa are Angola, Cameroon, Chad, Congo Republic, Equatorial Guinea, Nigeria and Sudan. Several of these countries face severe governance and corruption issues connected to petroleum resources, and consequently fail to reap the benefits of their resources. In Angola and Sudan especially, major political conflicts have made oil an important factor for the development of conflicts because of absence of credible and fair state structures to manage the oil resources (Alao, 2007). The devastating state of these resource abundant countries is the backdrop against which the development of the Ghanaian petro-institutions will be analyzed.
2.1.1. Defining the Natural Resource Curse
Defining the natural resource curse is perhaps more easily done through asking a question rather than giving the answer. The question that sums this phenomenon up, is very well put by Karl in the book *The Paradox of Plenty*:

“after benefiting from the largest transfer of wealth ever to occur without war, why have most oil-exporting developing countries suffered economic deterioration and political decay?” (Karl, 1997, p. xv).

The reason why this phenomenon has become an object of analysis is that it countries that differ in regimes, social structures, culture, geographic location and size, all seem to develop strikingly similar conjectures (Gary & Karl, 2003, p. xv). The natural resource curse is thus defined as the phenomenon that resource abundant countries on average experience lower economic growth than countries with no or few natural resources. Natural resource abundance also seems to have a deteriorating effect on democracy and social development. Consequently, the natural resource curse is a complex issue covering several aspects of society and democracy.

2.2. Economic Aspects of the Natural Resource Curse
According to the International Monetary Fund (IMF), the challenges of managing and governing petroleum revenues stem from:

“... the high volatility of oil prices, the enclave nature of the sector, the exhaustibility of the oil reserves, and the high concentration of revenue flows from the oil sector, which invites rent-seeking behavior and may lead to governance problems” (Katz, Bartsch, Malothra, & Cuc, 2004, p.1).

Furthermore, petroleum revenue flows to the government tend to be concentrated, coming from relatively few taxpayers, mostly foreign rather than domestic (Campos & Pradhan, 2007, p. 196). This makes it difficult for the population to keep track of government spending and knowing the actual amount of money the government receives from oil companies. Several characteristics of the natural resource curse are
thus connected to the characteristics of petroleum revenues, as the effects trickles down through the institutional constellations.

In the early phases of developing a theory on the natural resource curse, one often focused mainly on the economic consequences, the Dutch Disease being one of them. The Dutch disease is defined in the following way:

“Domestic use of foreign exchange inflow generally leads to an appreciation of the real effective exchange rate (REER) and a loss of competitiveness in the non-oil tradable sectors of the economy. This is also called the “Dutch disease” “(Katz et al., 2004, p. 11).

The consequence of Dutch Disease is usually an erosion of diversification of the economy. When the Dutch Disease is combined with exploitation of exhaustible resource, the outcome is especially negative. The Dutch Disease also means that there is an erosion of the diversification of the economy (Campos & Pradhan, 2007, p. 192). Although the Dutch Disease is a well-documented macroeconomic phenomenon, it’s not sufficiently explaining the complexities of managing petroleum resources, as more institutional aspects such as policy and legislation is not included through this issue alone. These issues will be covered later on.

The concept of rent seeking is also a significant concept when discussing more economic aspects of the natural resource curse. Natural resource rents have a particular character because of the oligopolistic characteristic of the industry in which prices are typically vastly in excess of the cost (Campos & Pradhan, 2007, p. 196). Rent-seeking is thus defined as widespread behavior aimed at capturing petrodollars through unproductive and even corrupt means, in the end productive economic activity is actually penalized, growth is hindered and economies become distorted (Gary & Karl, 2003, p.19). Many argue that most developing countries lack the type of political institutions necessary for counteracting rent seeking.
2.3. Corruption

One major issue in general, and especially connected to natural resource abundance and the petroleum sector, is the issue of corruption. Corruption can occur in all levels of society, the focus here will be on corruption in relation to the public management of petroleum resources. The reason why corruption is especially connected to the petroleum sector is the complexity of the sector, which makes legal, commercial and fiscal arrangements governing the sector even more complex (Campos & Pradhan, 2007, p. 197). Information asymmetry is key to the connection between petroleum sector and corruption. The strategic significance of the petroleum sector, namely that a large portion of the economy is dependent on the export of oil, makes it easy for governments to argue that their heavy presence is necessary (Campos & Pradhan, 2007, p. 197). As the windfalls from the sector often overshadow tax revenues, it is also easier for the government to argue that they have the knowledge that enables them to manage them in the best way possible. From the demand side, oil is considered a great source of energy security, which also makes it easy to overlook and tolerate corruption in the industry of exporting countries (Campos & Pradhan, 2007, p. 197).

There are two main categories of corruption related to the public management of the petroleum sector (Campos & Pradhan, 2007, p. 198):

I. **Policy corruption**: corrupt influence on the design of sector policies, as well as the enactment of sector laws and taxes in a manner intended to provide political or personal gains at the public expense

II. **Administrative Corruption**: the abuse of administrative office to exert illegal benefits in exchange for approvals covering a wide of commercial and operational activities, for “looking the other way” in the face of corrupt behavior, or for favorable interpretation of fiscal regulations

Both of these categories are of importance in the analysis to come. Ghana is currently rated as number 64 on the *Transparency International Perception of Corruption Index*, with a score of 45 (Transparency International, 2012). In comparison, the successful resource abundant country Botswana is ranked as number 30 with a score of 65.
Botswana is considered the best practice example of natural resource management in sub-Saharan Africa. In contrast, we find Equatorial Guinea at number 163, with a score of only 20. Equatorial Guinea thus serve as a “worst case scenario” in terms of corruption in resource abundant countries in sub-Saharan Africa.

2.4. Political Aspects of the Natural Resource Curse

Lately, scholars have concentrated more and more on the role of democracy, quality of institutions and good governance, when discussing the natural resource curse. This does not mean undermining the economic consequences, rather adding to the understanding of a complex phenomenon. In the following three very influential authors’ contributions on the institutional aspects of the natural resource curse will be presented.

2.4.1. The Paradox of Plenty

“The Paradox of Plenty”, written by Terry Lynn Karl in 1997, is one of the most influential contributions on the political aspects of the natural resource curse. She takes a political economy approach to analyze the phenomenon. Her point of departure is that it is the interaction between decision-making and the leading export sector, and not the commodity per se, that determines whether a particular product is a blessing or a curse (Karl, 1997, p. xvi). Essentially, she seeks to fill the gap of knowledge on the area of the creation and reproduction of decision-making frameworks through the influence of both economic and politics. She has developed an approach called structured contingency to analyze the natural resource curse and petro-states. Structured contingency emphasizes how choices are structured over time, that historical interactions impact the range of choice facing policymakers. Karl further coined the concept of “petrolization”; the structural transformation of the economy and society induced by the discovery of petroleum resource abundance (Karl, 1997, p 81). Petrolization includes the weakening of non-oil interests and new social classes whose fortunes are linked to the distribution of oil rents. The consequences of this process of petrolization, Karl states, is that petro-states ultimately create their own clients with a self perpetuating dynamic; the greater the budget the more clients and vice versa (Karl, 1997, p. 225). Some of the very important concluding remarks are that there are several dynamics in play in the public management of petroleum resources, and that we should not look at the natural resource curse as an inevitable consequence of natural resource abundance. However,
the imperative aspect is how choices are made and the trajectory they develop, and consequently narrows the range of choices ahead (Karl, 1997, p. 227). Furthermore, Karl states that the issue is not whether or not oil is a blessing or a curse, but what kind of political and economic-development trajectories it encourages and whom it benefits (Karl, 1997, p. 235).

Her conclusions are essentially that countries that are dependent on the same export will develop the same kind of “stateness”, even though their institutions can be considerably different in other aspects. Policy choices made in a specific historical context and that no simple factor endowment or institutions alone will determine whether fruits from resource abundance will be good or bad (Karl, 1997, p. 237). Consequently, the existence of capable bureaucracies when embarking on petroleum exports is imperative to the future success of public petroleum management.

2.4.2. The Oil Curse

Michael Ross discusses the several impacts of petroleum resources on the state of democracy and the characteristics of the petroleum revenue. Ross also takes a political-economic perspective in analyzing especially developing oil-exporting countries. Compared to Karl, Ross focuses more on issues such as conflict, civil war, gender inequality and the state of democracy.

Ross seeks to explain both why oil resources often result in a curse and how countries can turn their resources into a blessing. Ross describes the unique properties of oil revenues by using four distinctive categories: scale, source, stability and secrecy (2012, p. 5-6). These four properties are linked to why so many countries experience the oil curse. The scale of oil revenue are often massive compared to the revenue of other commodities and very often lead to expanding governments. Nationalization of oil companies is also a development that has led several oil exporting countries into the oil curse trajectory. The fact that oil revenues do not stem from taxes often result in governments being less constrained by public opinion. Oil revenues are incredibly instable, which often lead to governments not being able to perform as well as they should due to the financial instability. Finally, and perhaps also most importantly, there
is a lot of secrecy connected to the oil revenue and expenditure. This is not only in the interest of governments, but also the international oil companies. These four factors make up very important political implications of oil revenue. The consequence of these properties is often that oil revenues help incumbent politicians stay in power, encourage rebellions and overstretch bureaucracies (Ross, 2012, p. 235). He concludes with the fact that politicians must be willing to forego the short-term political benefits of spending, and rather focus on long-term growth.

### 2.4.3. The Role & Quality of Institutions

As many other scholars, Torvik tend to focus more on the role of institutions rather than strictly the economic impacts of natural resource abundance. In the article “Institutions and the resource curse” (Torvik et. al., 2006), the authors make a case for why the quality of institutions matters for the economic growth of resource abundant countries. The quality of institutions is established by the extent to which they are able to make producer friendly and rent-seeking activities complementary or competing activities. The argument is that the quality of institutions could affect how natural resources will affect economic growth (Torvik et. al. 2006, p. 3).

In his article “Why do some resource-abundant countries succeed while others do not?” (2009), Torvik investigates whether we can point to factors that will affect the extent to which some countries are successful or not in their management of natural resources. One important contribution he makes in this article is the focus on correlations versus causalities. It is here the role of institutions and political aspects become important. His argument is that even though there is a clear linkage between low or negative growth in GDP and natural resource abundance, one cannot claim it is a causality, but that there might be a third factor, like policy, that correlates with both growth and resource abundance (Torvik, 2009, p. 243). Consequently, he turns the question around, asking in stead, when does resource abundance lead to success and when does it lead to economic and social deterioration?

### 2.5. Conclusion

In conclusion, the public management of petroleum revenues stands out as a particularly important factor and indicator for the possibility of making the resource
abundance a blessing for the continued economic and social development of a country. Karl's influential work does contribute with linking both economic and political factors that seem to influence the development trajectory in petroleum exporting countries. This analysis will focus more on the initial decisions and procedures. The analysis will be focused on the character of the bureaucracy in Ghana, essentially focusing on the behavior of public servants that make up the bureaucracy. As such the thesis is building on Karl's conclusion that the choices made in the early stages of developing an oil sector will affect the range of choices that come later on, and as such shapes the development trajectory. In conclusion, the whether a country will develop the of the natural resource curse is not a yes or no question, but rather one that needs to take more abstract issues such as decision-making, choice and behavior into account. The analysis will be made on a micro-political level; on the choices and behavior of politicians and public servants managing the petroleum resources in Ghana. In the following chapter, the concept of accountability, public management and principal agent theory will be outlined in a theoretical framework for the analysis of the public management of petroleum resources in Ghana.
3. Theoretical Background
This chapter will provide an in-depth presentation of the main theories applied to the analysis. It will start by outlining the concept of accountability in order to thoroughly understand the idea behind establishing the Public Interest & Accountability Committee (PIAC). The main theory is principal-agent theory in a public management context. This theory outlines behavioral monitoring mechanisms that optimally should be in place in the delegatory relationships we find in public management organizations. This theoretical background will be used to define the borders and role of the main object of analysis, namely PIAC. PIAC is considered an attempt to materialize accountability and transparency in the public management of petroleum revenues, and consequently constitutes the perfect object of analysis. The theoretical framework will be used as an analytical tool analyzing the behavioral mechanisms in the public management of petroleum resources in Ghana. By starting with the concept of accountability and moving towards principal-agent theory, the analysis will be able to move from a abstract macro level, to a more detailed issues of the mechanisms monitoring and controlling individual behavior and the effects of this behavior. This is essentially a micro-political level. These theories and concepts will provide a theoretical framework for further analysis of the PIAC's role and activities.

3.1. Theory Selection & Application
The purpose of using conceptual categories and theoretical frameworks is to be able to have a clear framework that will facilitate answering the research question. The literature review is made in order to clearly situate the chosen case. Choosing to apply principal-agent theory to the case is done in order to properly define the borders and operationalization of the public agencies in question. Application of the principal-agent theory to given public agencies does have the limitation of possibly over-simplifying their organization and activities. However, as the chosen case is very complex and situated within the increasingly complex phenomenon of the natural resource curse, this simplification of reality is considered necessary. The strength of the principal-agent theory is that it allows for a systematic framework that can be applied to an analysis on a micro level. The framework contributes to explaining the behavior of individuals, and also to a certain degree the effects of this behavior. Furthermore, its systematic approach contributes to a solution-oriented framework that will add to the level of
analysis. The critique of the framework includes whether or not it is able to truly capture real life situations due to its mechanistic nature. That being said, explaining the pathologies that might occur does deal with this issue to a certain extent. The theory essentially includes its own limitations.

3.2 Accountability

Analyzing the accountability mechanisms in petroleum revenue management is important because:

“We must ask the question: *For outsiders, it is often particularly difficult to unravel who, and in what way, has contributed to the conduct of a complex organization and who, and to what degree, can be made to account for its actions*” (Bovens, 1998, p. 46).

As the possible pitfalls of petroleum management are widely documented, international organizations, NGOs and not to mention the Ghanaian population are all patiently waiting to see how Ghana will handle petroleum related challenges. Consequently, it is necessary to be able to trace both actions and accountability in the complex environment of public management of petroleum resources. Furthermore, the number of people involved in management of this magnitude is high.

“The problem of many hands is therefore also, and above all, a problem of control. It can form an important obstacle in the way of attempts in the part of society, or of general managers, to prevent misconduct on the part of complex organizations” (Bovens, 1998, p. 49).

These are major reasons for why it is necessary to identify and analyze accountability mechanisms, and in this case in the Ghanaian government. Accountability is considered one of the core values of democratic governance (Mulgan, 2003, p. ix). The discourse on accountability in the public sector has been developed in the context of representative democracy. A free country is described as “one where there is open political competition, a climate of respect for civil liberties, significant independent civic life and independent media” (Freedom House, 2013, p. 4). Ghana is accordingly defined as a free
country, as only one of 10 in sub-Saharan Africa, according to the same report. Furthermore, it is considered to be necessary for social and economic development (Mulgan, 2003, p. 4)

3.2.1. Defining Accountability
A general understanding of accountability is having the possibility of questioning the actions of people in power. In order to be able to do so people need to be able to attain information, debate issues and to have the possibility of sanctioning actions and behavior that are deemed inadequate or wrong. A more precise definition entails that people in power need to be able to justify, explain and respond to criticism (Mulgan, 2003, p 13). Often, the mere expectation of being held to account is considered a mechanism in its own right (Mulgan, 2003, p. 11).

It is important to distinguish between formal and real accountability. Formal accountability refers to some kind of institutional structure that makes a politician accountable for the way he executes his job. Real accountability refers to the requirement of sufficient information that enables a person to hold someone accountable (Besley, 2006, p. 37). Consequently, having formal accountability structures in place does not necessarily mean that the mechanisms are used or can be used effectively. Designing and developing robust accountability mechanisms can potentially deal with several of the challenges connected to the public management of petroleum resources. Consequently, identifying crucial accountability mechanisms could be a way of adding to the understanding of the challenges associated with the public management of petroleum revenues, and thus also the larger issue of the natural resource curse.

3.2.2 Accountability Mechanisms
Accountability mechanisms is identified as the following three factors (Mulgan, 2003, p. 30):

- Information: Initial reporting and investigating
- Discussion: Justification and critical debate
- Rectification: The imposition of remedies and sanctions
Firstly, there can be no accountability if information is lacking. Furthermore, the information available needs to be up for discussion. Being able to sanction is an important aspect of accountability mechanisms, but not all mechanisms need to include all three aspects (Mulgan, 2003, p. 112). However, if there is no clear sanction possibility, much of the concept of accountability is of no use as failing to perform a task satisfactorily will have no immediate consequence. Steets illustrates accountability mechanisms in a principal agent relationship in this figure:

![Accountability model](image)

Figure 1: Accountability model.  

Accountability in a governmental context would entail a government:

“whose organs institutions and agencies are open, transparent and responsive, explain or justify their actions and omissions, and enforce standards of accountability when maladministration, and error of judgment, abuse of power or injustice occurs” (Chirwa & Nijzink, 2012, p. 4-5).

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2 Source: (Steets, 2010, p. 16).
Both competitive markets and interest groups can serve as accountability mechanisms in societies (Mulgan, 2003, p. 20). Furthermore, external actors like international organizations, intergovernmental organizations and non-governmental organizations also serve as accountability mechanisms.

3.2.3. Government Accountability
Governments are accountable to the citizens simply because the government is there to serve the citizens through their electoral contract. In essence they are accountable for:

- Economy: the best possible use of resources
- Efficiency: best ratio of outputs to inputs
- Effectiveness: achievement of government objectives

The economic responsibility of governments becomes even more pressing when petroleum revenues are a part of the equation. In relation to the management of petroleum resources, the economic accountability is important do to the great impact the use or misuse of the resources can have. Furthermore, ensuring efficient use of the resources and the effectiveness will also have an effect on the rate the government can achieve its goals. The outcome of efficient accountability mechanisms are desired impact of government activities on society, while the output is the goods and services produced by government agencies to assist the achievements of outcomes (Mulgan, 2003, p. 158). The establishment of PIAC is mostly aimed at enhancing the effectiveness of the Ghanaian government, by monitoring their achievement of objectives set in PRMA.

3.2.5. Limits to Accountability
Even though accountability mechanisms have been presented here as a crucial element of good governance in public management, we also do have to ask whether or not accountability standards are always for the better. As we can see from the presentation of accountability and its mechanisms earlier in this chapter, they are put in place in order to secure that the government and its public agencies are able to provide the goods and services that the public expects them to deliver, in a manner that also utilizes the resources the governments has to greatest extent. However, as governmental
organizations and agencies are complex organizations, there is the danger of not being able to make efficient and competent constellations of accountability mechanisms and procedures, so that it leads to more confusion than actual results. In establishing an accountability constellation in public governance especially three complications can easily occur, if great oversight is not in place (Steets, 2010, p. 32-33):

I. Principals can hold agents accountable according to multiple, sometimes even contradictory standards.
II. Accountability mechanisms generate costs.
III. Excessive accountability can hamper flexibility and innovation

The most important aspects of accountability mechanisms in the public organization are to strike a balance between accountability and merit to ensure that people's knowledge are being used effectively. Furthermore, in the case of petroleum revenue management in Ghana, accountability and transparency is not enough to secure that the petroleum resources becomes a blessing rather than a curse. The fairness of allocation of benefits and opportunities coming from the process of resource extraction is equally important to ensure (Alao, 2007, p. 278). In the case of Ghana, these issues might include not being able to allocate across the country or prioritizing certain groups in providing opportunities for growth and development. However, as the management of petroleum resources is a new challenge to Ghana, the issue of ensuring accountability and transparency is a good place to start and set the standard for the years ahead.

3.3. Public Management
The concept of public management deals with the behavior of public officials and agencies. Loosely put, public management concerns the way that the government establishes organizations of people; motivate them in the performance of programs as well as evaluating their performance and results (Lane, 2005, p. 4). However, there has been a paradigm shift from public administration to public management. The concept of public administration is often traced back to Max Weber, and his classical work on bureaucracy and public administration. It states that public organizations should be organized hierarchal and bureaucratically in order to be most efficient and competent.
The government thus becomes the direct provider of goods and services through the bureaucracy. Another very important aspect is that administration and any political or strategic aspects can, and should, be kept separate. Accordingly, the professional bureaucracy should be able to serve any political master equally (Hughes Owen, 1998, p. 1).

A recent paradigm shift indicates that the traditional bureaucracy is not necessarily the best way for the government to organize and provide goods and services for its population. The shift is made from public administration to public management. This entails that the government is not necessarily to direct provider of goods and services, but often indirectly through subsidies, regulations or contracts (Hughes Owen, 1998, p. 2). Furthermore, the notion of the professional bureaucrat is no longer as common as it used to be, as the terms of employment increasingly have come to resemble those of the private sector. Finally, and perhaps most importantly for the purposes of the analysis, the increased focus on accounting for performance, efficiency and results are essential characteristics for the modern public management (Hughes Owen, 1998, p. 4).

Essentially, there seems to have been a shift from administration to management, a shift that seems to entail going from a public servant that follows instructions and procedures, to a public servant that focus on achieving results and also being personally responsible for those results (Hughes Owen, 1998, p. 5). However, it is also argued that public management includes an administration aspect, but also the additional element of achieving results, being efficient and being personally responsible for actions.

It needs to be said that the public management that is described here stems from a more Western tradition. As this thesis focus on the Ghanaian public management, it is worth elaborating on why these western perspectives can be applied in the Ghanaian context. As Ghana is a previous British colony, they have adopted a Westminster style parliament with a directly elected President (Kopinski, Polus, & Tycholiz, 2013, p. 586). As such western institutions have influenced Ghanaian government and bureaucracy, and one can argue accordingly that it is appropriate to apply a theory of public management on the Ghanaian case.
In connection to the public management of petroleum resources, more specifically the public management of petroleum revenue, the behavior of public officials is of immeasurable importance. Petroleum revenues have the ability to change the trajectory of an entire country, and as such must be managed with care. It gives a country a unique opportunity to change their development trajectory. The quality of public management and behavior of public officials is thus imperative, especially due to the danger of developing a corrupt public management and other kinds of deviant behavior when dealing with the public management of petroleum resources. As petroleum revenue is the result of extractive industries and does not derive from collecting taxes, it is easy to disguise the amount of money that comes in to the government, through i.e. confidentiality clauses in contracts with large petroleum companies. It’s consequently also easy to conceal where and how the money is spent. Transparency and accountability thus become imperative values to public management in the case of petroleum producing and exporting countries (Olsen, 1989, p. 17). As governmental organizations and agencies are not directly involved in the extraction and export of petroleum resources, their job is to establish a robust and transparent framework that ensure national interests (Olsen, 1989). The public management of petroleum resources requires both a very specialized expertise and also strong political leadership in order to deal with important long-term goals rather than short-term goals with immediate impact.

“It is axiomatic that an accountable government is inherently good. We need governments to account for the manner in which they allocate and spend public funds, make public policy and take decisions, which affect the people in whose name they govern” (Chirwa & Nijzink, 2012, p. 4).

The principal-agent theory framework is an appropriate way to conceptualize both issues related to public management and the increasingly important concept of accountability.
3.4. Principal-Agent Theory
As the focus lies within the public management of Ghanaian petroleum resources, principal-agent theory will be able to provide further insight to the challenges of public management and bureaucracy. This framework will be able to provide an additional level of understanding to the behavior of public officials and agencies, as well as shed light on the immense challenges that can and will occur when delegating tasks in public management. Principal-agent theory is not a framework limited to the public management context, but as the object of analysis of this thesis is the public management of petroleum resources in Ghana, and consequently in an institutional hierarchy setting, the theory will be applied as such. Principal-agent theory is thus an excellent framework for analysis on the micro-political level.

3.4.1 Locating Principal-Agent Theory in Public Management
The hierarchical organization is characterized by the monitoring of the marginal productivity through central members of the organization monitoring the individual performance of subordinates. The hierarchy is ultimately aligning individual self-interest with the group efficiency (Miller, 1992, p. 34). The Publius view on government recognizes that the government and thus public management has the potential of acting in the best interest of the public, but also acknowledges that things can go awry.³ This view is analyzed from the micro-political level through principal-agent theory, which deals with delegatory relationships and the monitoring of delegation of tasks in representative democracies.

The government receives legitimacy through elections where they promise to conduct a range of public policy; this is also called an electoral contract. The government depends on public agencies for the implementation of public policy, where the key concerns are accountability, efficiency and competency of the agencies (Lane, 2005, p. 119). When dealing with principal-agent theory on the governmental level, one should make a clear distinction between pre-electoral contract and the post-electoral contract (Lane, 2005, p. 254). In other words there is a need for making a distinction between the contract between the population and its politicians, and on the other hand between the

³ Alexander Hamilton, James Madison and John Jay wrote the essay series the Federalist Papers under pseudonym Publius, where they advocated the ratification of the U.S. Constitution.
electorally established government and its public agencies. The electoral contract is ambiguous and vague, and consequently the relationship between government and public agencies that is the focus of this framework and the consequent analysis. More specifically it is the contract between the government (through PRMA) and PIAC that will be analyzed. Both the government and its agencies are parts of a constellation, as they delegate tasks in order to fulfill their respective functions.

The principal agent relationship becomes very interesting in the public management of petroleum resources in Ghana, due to the complex organization of government. In the vast amount of natural resource curse theories, the common denominator is essentially that petroleum revenues have an uncanny ability to undermine democratic principles of accountability and thus the rights of the population. This makes a good case for analyzing and identifying what kind of accountability mechanisms that is put in place in the public management of petroleum resources in Ghana. The case of Ghana is especially interesting as the petroleum resources have newly been extracted and thus the policies they put in place in the early phases petroleum production will have an immense effect on the development trajectory of the country as a whole. Through the theoretical framework presented previously, these issues can be thoroughly analyzed. The aim of this kind of analysis is to assess the checks and balances in the Ghanaian government and public management that have the potential to follow and evaluate the robustness of the public petroleum revenue management, as the industry is settling in and public officials handle the new challenges. In the end, public management of petroleum resources comes down to delegation of tasks and the behavior of groups and individuals.

3.4.2. Defining the Principal-Agent Relationship
Briefly stated, the principal-agent theory framework is concerned with the fact that services and payments of governments are transferred at various levels in the political system. This delegation of tasks and services is necessary, but also leads to complications that arise in the relationship between the principal and the agent. The theory operates on a detailed micro level and is widely acknowledged. One of the strengths of using principal-agent as a framework for analysis is that it does not only present the ideal relationship between a principal and agent, but also includes the many
pathologies that may occur. It provides a systematic perspective on human interaction that will constitute a good framework for the analysis of the different levels of management of petroleum resources. It is essential, however, that the object of analysis is a representative democracy, which is of course the case in the 4th republic of Ghana (Freedom House, 2013, p. 17). The principal-agent theory framework can help us understand what a government can achieve through the public sector, and will therefore be useful in the analysis to come (Lane, 2005, p. 49).

Principal-agent theory essentially outlines the perfect or ideal relationship between the principal (delegator) and agent (delegatee). The core of the theory concerns a principal delegating a task to an agent through a contract specifying assignments, responsibilities deadlines, financial resources, etc. This is referred to as a contract, although not necessarily in strictly legal terms. A principal is defined as a person who instructs the agent to act on his/her behalf in exchange for remuneration (Lane, 2005, p. 52). The principal should be able to trust that the agent acts in his/her best interest, despite the fact that they are both autonomous and rational actors. In order for this relationship to function optimally, the concept of fiduciary duty is important. Fiduciary duty is defined as a duty of care and a duty of loyalty (Besley, 2006, p. 40). Both politicians and public servants should optimally be characterized by possessing fiduciary duty. As the role of the government is to act as agent for the population in order to provide goods and services for the benefit of the population, fiduciary duty will thus serve as intrinsic motivation. The extent to which public servants have this intrinsic motivation can however depend on the extent to which he/she agrees with the ends they are pursuing (Besley, 2006, p. 41). Consequently it is imperative to have procedures in place that select public officials with the right intrinsic motivation and also avoid incentive issues.

If the agent is not able to fulfill the contract, the principal can impose sanction, i.e. by terminating the contract (Flinders, 2008). The contract between principal and agent need to provide the agent with incentives to be a contracting party. The incentive need to be two-folded; the agent’s reservation price need to be met and should be compensated for working hard (Lane, 2005, p. 33). A contract between principal and agent should optimally allow for autonomy and managerial flexibility. In the case of
public management, we can link this to striking a balance between merit and accountability as mentioned in the previous paragraph.

![Diagram of the principal-agent relationship](image)

**Figure 2: Underlying structure of the principal-agent relationship.**

Figure 2 illustrates the underlying structure of the principal-agent relationship. In addition to the principal delegating tasks to the agent, the transfer of resources or responsibilities with expectations is illustrated as a significant part of the relationship. In the specific case of the establishment of PIAC the transfer of resources is especially important. First of all financial support is explicitly mentioned in the contract (The Parliament, 2011b, Section 57). Second of all, the members are committed to employing themselves in order to ensure public accountability. They are doing a civil service that goes beyond their normal line of work and should be compensated as an incentive.

### 3.4.3. The Contract: Locating PRMA and PIAC in a Principal-Agent Relationship

Some of the largest challenges of managing petroleum revenues are ensuring transparency and accountability, the ability for the population to know where and how petroleum revenue is spent. Due to the complex organization of government and

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4 Adapted from (Flinders, 2008).
bureaucracy, being able to locate accountability and ensuring transparency is difficult. Much of the challenge lies with the issue of information asymmetries; the case where one party has more or better information than the other. It is not possible to hold people or organizations accountable if there are information asymmetries, that is not having the information needed to hold people accountable for their actions and the results of their actions. In order to ensure accountability and transparency the Ghanaian government, and thus ultimately combating information asymmetries, the Parliament developed and passed the Petroleum Revenue Management Act (PRMA). The law is of course comprehensive and deals with complex issues such as establishing future generations fund, stabilization fund and as a very interesting supplement; the Public Interest & Accountability Committee (PIAC). It is imperative to identify crucial delegatory relationships that are involved in the management of petroleum revenue in order to further analyze the quality of accountability in the complex organization.

This is where the principal-agent framework becomes especially interesting to use as an analytical framework. The fact that PIAC was established through actual legislation provides us with a very clear and objective contract, as legislation is a binding contract. Consequently is it also relatively easy to identify the relationships. Essentially the Parliament is the principal that delegates the task of ensuring transparency and accountability to the agent: PIAC. The goal of the establishment of PIAC is that they will be able to gather all the information necessary to combat issues like information asymmetries, and also shed light on the issues that might be present in the management of petroleum revenues. This is done through the reports they are to publish annually and biannually.

PIAC are to be given a budget and secretariat, and develop annual and biannual reports on the management of petroleum revenues. PIAC is the organization responsible for developing the reports and ensuring accountability and transparency, but the Minister of Finance & Economic Planning (henceforth referred to as “the Minister of Finance”) is the person that is ultimately responsible for PIAC being able to perform its duties by transferring financial resources and ensuring moral support. More specifically the Parliament is considered the mandate-providing principal, while the Minister is
considered the resource-providing principal. These relationships are depicted in the figure below:

![Diagram showing principal-agent relationships]

Figure 3: Principal-agent relationships

The Petroleum Revenue Management Act (PRMA) was passed April 11th 2011 by the Ghanaian Parliament and assented to by the President. PRMA sets to regulate the collection, allocation and management by government of petroleum of revenue derived from upstream and midstream operations (The Parliament, 2011b, Section 1.1). With the Parliament passing the PRMA, PIAC was established in Section 51. The fact that PIAC was established though the passing of legislation gives the coming analysis the advantage of having an actual legal contract in writing, and consequently makes it easy to identify the details of the contract between the principal and the agent. As such the PRMA is the contract that establishes a delegatory relationship between the Parliament and the Minister of Finance, who is ultimately responsible for appointing members to PIAC and financing their activities. Essentially, the Minister of Finance is identified as the principal, as he is responsible for the overall management of petroleum revenues, and PIAC is identified as the agent. The Minister of Finance is overall responsible for PIAC being able to perform their duty, but for all purposes of their work, they are an
*independent* committee working according to the terms of contract set in PRMA. This relationship will be at the core of the analysis.

An important additional aspect of the relationships is the implied contract between PIAC and the public officials that are required to provide them with relevant information for the reports. As the contract with this third party is implied rather than explicit, this is a very important aspect of the analysis, as it will define to what extent PIAC will be able to perform their part of the contract with the Minister of Finance. Thus, PIAC is not only dependent on the Minister of Finance to perform his end of the deal, but also a third party that is the public officials involved in the public management of petroleum revenues. The relationship between PIAC and public officials in the bureaucracy defines whether PIAC is considered an principal as well as agent, or if public officials are also considered to be agents of the Minister of Finance. If the latter is the case, one could encounter a multiple agent problem, which indicates that the undefined relationship between two agents under the same principal compromise the extent to which one is able to achieve the overarching goals of the principal-agent constellation. The figure below serves as a possibly alternative principal-agent constellation in the public management of petroleum resources in Ghana. This issue is very important to solve in order to thoroughly answer the research question, which will be done in the analysis.
3.4.4. The Contract: Defining the Tasks

The next important part of the contract is determining the actual tasks and responsibilities of the agent, namely PIAC. The official objectives of PIAC is to (The Parliament, 2011b, §52):

- Monitor compliance with the act by the government and other relevant institutions
- Provide space and platform for public debate
- Provide independent assessments of the use of petroleum revenue

The extent to which PIAC is able to monitor compliance with PRMA, provide a platform for public debate and independently assess the use of petroleum revenue will decide the extent to which the establishment of PIAC is a success. Being able to facilitate platforms for public debate will be imperative for public participation and opinions on the public management of petroleum resources, which is actually the property of the Ghanaian people. The people could potentially be serve as checks and balances for making sure that petroleum revenues are managed responsibly and in a way that benefits the
population at large, if PIAC is able to function as intended. In regards to PIAC’s function, the committee is to set their own rules of procedure. Other than “consulting widely” on best practices concerning the use and management of petroleum revenue, they will operate as they see fit. PRMA states that PIAC shall have its own secretariat wherefrom they can facilitate its functions. Furthermore, each member is to be compensated for his or her work, however the amount is not set in the contract, but will be determined by the Minister of Finance and approved by the parliament. Beyond mere economic resources it is imperative that they are also given legitimacy from authorities within the government, as they are so dependent on the cooperation of a wide selection of individuals and agencies in petroleum revenue management.

3.4.5. PIAC as a Fire Alarm Oversight Committee: Identifying the Agent
In order to be able to analyze PIAC as an agent for the Parliament and the Minister of Finance, it is important to know how the composition of the committee. It is determined though the PRMA that the eleven members of PIAC each represent different societal and occupational groups in Ghana, and the combination is meant to serve as a cross-section of the Ghanaian society. The Minister of Finance appoints the representative from each of the groups. The 11 groups are:

I. Trade Union Congress
II. National House of Chiefs
III. Association of Queen Mothers
IV. Association of Ghana Industries and Chamber of Commerce
V. Ghana Journalist Association
VI. Ghana Bar Association
VII. Institute of Chartered Accountants
VIII. Ghana Extractive Industries Transparency Initiative
IX. Christian groups on rotation: National Catholic Secretariat, the Christian Council and the Ghana Pentecostal Council
X. The Federation of Muslim Councils and Ahmadiyya Mission on rotational basis
XI. Ghana Academy of Arts and Sciences
The representatives from these different groups are to perform independent assessment of the public management of petroleum resources and from the foundation for public debate though their reports. Including representatives from a range of different groups aims to ensure thorough reports and a diverse set of considerations made. Furthermore, it is essential to know the agent as well as the principal when dealing with possible pathologies that may occur.

PIAC’s role will be identified as an oversight organization that can be characterized as being a fire-box, sounding a fire alarm if major concerns are discovered in the public management of petroleum resources. It is identified as such in accordance with McCubbins and Schwartz’ article on congressional oversight (1984). Fire-alarm oversight is defined as

“a system of rules procedures, and informal practices that enable individual citizens and organized interest groups to examine administrative decisions (sometimes in prospect), to charge executive agencies with violating congressional goals, and to seek remedies from agencies, courts and Congress itself” (McCubbins & Schwartz, 1984, p. 166).

Given that the members of PIAC are chosen from different interest groups, NGOs, professionals and representatives of societal groups, PIAC will be identified as an organization of fire-alarm oversight. The aim is that the Ghanaian Parliament will respond to the sound of fire alarms from PIAC and thus enforce compliance with legislative goals (McCubbins & Schwartz, 1984, p. 171). This alleviates the Parliament for time consuming activities that are also expensive, which direct oversight would imply. Although this particular article is written within a U.S. Congressional context, the authors argue that most organizations of a certain size will adopt methods of control that are decentralized and incentive based (McCubbins & Schwartz, 1984, p. 172). Accordingly this theory of oversight is also applicable to the context of the Ghanaian Parliament and the establishment of PIAC.
3.4.6. The Pathologies of a Delegatory Relationship

The main challenges of principal-agent theory are that there is usually divergence of goals, situation of uncertainty and information asymmetries (Steets, 2010, p. 17). These issues can potentially lead to poor performance on either part. In the bureaucratic context it’s consequently necessary for the principal to actively monitor the agent in order to make sure that the bureaucracy is pushed out of a sub-optimal solution (Lane, 2005, p. 35). In the complex constellation of delegatory relationships concerning the work of PIAC, challenges are bound to occur, and consequently needs to be held in mind during the analysis. The two main issues in principal-agent theory are hidden action and hidden knowledge (Lane, 2005, p. 42). Both of which are also characteristics of the challenges connected to the challenges of public management of petroleum resources. Due to these two characteristics of the principal agent relationship, a plethora of pathologies can occur. The two main issues that occur are those of monitoring to prevent the agent to act opportunistically and being able to select the most competent agents that are in-tune with the public interest (Besley, 2006, p. 98). This makes the principal-agent theory applicable to analyze a representative democracy as such, and not necessarily focusing on whether or not the institutions are the optimal solution (Besley, 2006, p. 100). The former is also frequently referred to as moral hazard. The crux of the matter is finding an agent with the right motivation, so as to avoid incompetent incumbents. Flinders (2008) lists a plethora of pathologies that are associated with the principal-agent framework:

<table>
<thead>
<tr>
<th>Pathology</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singularity</td>
<td>The issue of having multiple principals and agents.</td>
</tr>
<tr>
<td>Letting go</td>
<td>The principal corrupts the formal relationship by trying to control or influence the agent through informal mechanisms.</td>
</tr>
<tr>
<td>Clarifying Accountability</td>
<td>Informal rules and relationships concerning the release of information can undermine the clarity of contract and result in a blame game.</td>
</tr>
<tr>
<td>Information Asymmetry</td>
<td>When the principal is dependent on the agent for detailed information concerning the</td>
</tr>
</tbody>
</table>
operation of the relationship. On the other hand, a principal being too intelligent will undermine the benefits of delegation.

<table>
<thead>
<tr>
<th>Operation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tunnel Vision</td>
<td>Agents focusing exclusively on their one task, while not acknowledging the intra-organizational initiatives with longer-term benefits.</td>
</tr>
<tr>
<td>Rationality</td>
<td>Rationality is agent-specific.</td>
</tr>
<tr>
<td>Observational Equivalence</td>
<td>Absence of sanctions is both consistent with the obedient servant and runaway bureaucracy theory (bureaucracy operating without congressional control).</td>
</tr>
</tbody>
</table>

Table 1: Pathologies of the Principal-Agent Relationship

The point of identifying pathologies in a delegatory relationship is dealing with them and thus enhancing the quality and efficiency of doing the tasks at hand. Worst-case scenario of deviant behavior of public servants is that of political failure, which are suboptimal patterns of resource allocation due to i.e. the self-interest of an agenda-setter (Besley, 2006, p. 46). These pathologies are interesting in terms of PIAC being able to gather the information required to fulfill the stated objectives of PRMA. Consequently, both selection of agents and monitoring are important aspects. The latter can also be equated with accountability mechanisms, formal and informal mechanisms that are put in place in order to monitor the actions and achievements of public servants. These pathologies will be taken into consideration when analyzing PIAC’s activities and reports.

3.5. Conclusion
This chapter has presented theories of public management, theory and accountability mechanisms. Furthermore, there has been a presentation of how this theory will be applied to the case of public management of petroleum in Ghana and the relationships relevant for the analysis have been identified. This framework will enable me to analyze the public management of petroleum resources in Ghana, focusing on mechanisms and procedures that influence individual behavior. Consequently, the use of principal-agent theory will influence the methodology, which will be developed in the following chapter.
4. Methodology & Empirical Data

This thesis is defined as a single case study. The aim of the Methodology chapter is to present the research framework that is applied to the analysis in order to provide an answer to the research question and its sub questions. It sets out the framework of which the analysis is made within, as well as shed light on possible limitations of the methodological choices that were made. As the study is made within an interdisciplinary program, the methodology chapter presents different tools applied to the analysis and considerations made, rather than a particular and set methodological framework applied to the analysis. However, this does not compromise consistency in the applied framework as evaluation of possible trade-offs is made, which this chapter will thoroughly explain.

4.1. Philosophy of Science

This case study is made within the epistemological tradition of realism, rather than positivism. Scientific realism is the idea that scientific theories refer to real features of the world. This is not to be confused with scientific objectivism, as realism maintains that there can be more than one scientifically correct way of understanding reality. Due to the focus on causal mechanisms rather than causal effects, the realism model of explanation is the most useful to this analysis. Gerring states:

“the identification of a specific mechanism – a causal pathway – has come to be seen as integral to causal analysis, regardless of whether the model in question is formal or informal or whether the evidence is qualitative or quantitative” (Gerring, 2007, p. 5).

Consequently, the realist perspective upholds that social causal processes exist in the social world and is consequently not merely constructed by the observer.

4.2. Methodological Approach

Due to the focus on behavior in the public management of petroleum revenues in Ghana, it is a study of people in a real life context, which would locate the analysis in the qualitative tradition. “Qualitative“ is understood as inference based primarily on a few dataset observations and/or of causal-process observation (Gerring, 2012, p. 362).
Consequently, the data will be qualitative, focusing on subjective experience in a small number of respondents through reports and interviews. The chosen data will be presented later on in this chapter. As the object of the analysis is the real world setting of petroleum discovery in Ghana, the method will be classified as a qualitative research methodology. The object and aim of the analysis includes some distinctive features of qualitative research. The case includes the study of real-life contextual conditions and the use of multiple sources of evidence. As opposed to quantitative research, the observations are somewhat undefined. It results in an un-standardized method, which is not weak or peripheral, but cannot be subject to sample-based methods of analysis (Gerring, 2012, p. 330). These considerations lead us to defining the research design that will be applied to the analysis.

4.3. Research design
The context of the analysis is the newfound petroleum resources in Ghana, and the public management of these resources. The focus lies especially with the management of petroleum revenues. The variables of the analysis are the causal mechanisms between the institutional variable (X) and the behavioral variable (Y). The question focuses on what the causal mechanisms are, rather than the causal effects. Focusing on causal mechanisms allows us to peek into the black box of causation and thus allows us to generate theory (Gerring, 2012, p. 309). This is consistent with the realist philosophy of science this study is located within. It is consequently a X/Y centered analysis, where a specific causal factor(s) and a specific outcome have some pattern of association between the two (Gerring, 2007, p. 72). It follows that the case study employs a descriptive inference with proximate causes. This is in line with Gerring’s understanding of the descriptive study, as it is focused on an empirical argument about the world that aims to answer a what-question (2012, p. 107). The concept formation made in the literature review and the theory chapter and also supports this.

The hypothesis of the analysis is that the accountability mechanisms that are put in place in public administration of petroleum resources will influence to which extent Ghana will move towards a resource curse or blessing. This study is hypothesis generating, rather than hypothesis testing.
This study is defined as a single case study as it concerns the spatially delimited phenomenon that is Ghana’s discovery of oil in 2007 and the public accountability in the management of these resources (Gerring, 2007, p. 19). This particular case of petroleum management in Ghana is the result of considering a broader set of cases within the natural resources curse phenomenon. This lines up with several of the characteristics of the single case study; qualitative method, holistic research, naturalistic evidence gathering, diffuse topic, employs data triangulation and investigates the properties of a single phenomenon (Gerring, 2007, p. 17). A case study is a detailed study of a unique example: a single, particular social actor, object or situation. Here PIAC as a social actor, representing a larger Ghanaian government. The case study implicitly rests on the existence of a micro-macro link in social behavior (Gerring, 2007), which is very much the case in this particular study. This case is seen in the context of the larger phenomenon of the natural resource curse that has been observed and analyzed over decades and thus has the advantage of dealing with a full variety of evidence – documents, artifacts, observation and interviews (Yin, 2003, p.8). The boundaries between the phenomenon and the context are not especially clear in a case study (Yin, 2003, p. 13).

As the research question of this analysis is how the government handles the public management of petroleum resources in Ghana, the empirical argument is understood as a interpreting or descriptive one (Gerring, 2012, p. 107). It will allow for highlighting aspects of the case using explicit theories and pre-existing conceptual categories. As the analysis is made within the context of the larger issue of the natural research curse, the case study rests on the existence of micro-macro link in social behavior, namely the link between the establishment of petroleum managing institutions and the behavior of those who are set to manage it (Gerring, 2007).

The form of conclusion, or inference, that follows from the philosophy of science, ontology and epistemology is retroduction – a conclusion based on recurring empirical observations as well as general theories applied to empirical observations. It is formulated so that they can justify a general theory of what will happen in the future.
Retroduction is essentially combining both induction and deduction. In this case the induction will be made on the basis of the case of petroleum revenue management in Ghana. The deduction will be made on the base of the existing natural resource curse theory.

4.4. Case Selection
The case of public management of petroleum resources in Ghana was chosen due its unique properties; a developing country with a unique history of democracy tackling the widely documented challenges linked to the management of petroleum resources. The petroleum discovery on the coast of Ghana gained international attention due to the uniquely positive development trajectory of the country, but also because of the devastating consequences petroleum resources has had on other countries in the region. The uncertainty connected to the economic and political consequences of the newfound resources made for a very interesting and complex case, where the process of establishing an institutional framework can be investigated through legislation, reports and interviews. The case is one where the pre-existing knowledge on the natural resource curse needs to be taken into account, but also the unique context of petroleum management in Ghana. Furthermore, resource abundant countries have been thoroughly analyzed, but only after several years of managing the resources, consequently with well-established petroleum related development trajectories. The case of petroleum revenue management in Ghana arguably holds a degree of exceptionality, both in case of the positive developments the country has made the last couple of decades, and in the unique opportunity to analyze the early stages of establishing public petroleum management. Furthermore, analyzing the case of petroleum management in Ghana is a way of contributing to the field of the natural resource curse and the institutional factors that are said to establish positive trajectories, namely the institutionalizing transparency and accountability. The establishment of PIAC and the reports it has produced is thus quite unique and deserves attention and thorough analysis of its role in establishing transparent and accountable institutions for the management of petroleum resources in Ghana. The goal of the thesis is to analyze how materializing accountability measures in a distinct committee can potentially affect the behavior of public agencies in the public management of petroleum
revenues and its potential effect on petroleum resource management trajectory development.

4.5. Method of Analysis
According to the research question and its sub questions, the analysis will be divided into three parts. The first part has an introductory role, identifying the process of establishing public management of petroleum resources in Ghana and thus contextualizing the main object of analysis. The second part of the analysis will concentrate on PIAC’s role and activities, an expression for the state public management of petroleum resources in Ghana, by analyzing their reports through a principal-agent theory framework. This framework was thoroughly presented in Chapter 3. Finally, the analysis will include the aspect of the natural resource curse, and thus moving back towards the macro-political aspects of the natural resource curse.

In order to provide a very clear structure of the analysis, I have divided the establishment of Ghanaian petroleum management into separate temporal phases. This will make it easier to follow the development of the public management of petroleum resources, and thus also help answer the research question in a structured manner.

4.6. Documentation
Most of the data used in this study is of a secondary character. Its qualitative data based primarily on the two published PIAC reports for 2011 and 2012, combined with Ghanaian petroleum management legislation. More specifically the primary empirical data includes:

- Public Interest & Accountability Committee Annual Report 2011
- Public Interest & Accountability Committee Semi-annual Report 2012
- Fundamental Petroleum Policy for Ghana – June 2009
- Petroleum Revenue Management Act 2011, Act 815
Although the PIAC reports include both qualitative and quantitative information, the qualitative aspects are the information that is mainly being used for the analysis. This data is documentation created independently of this case study and are all readily available to the public. These documentations are the primary data. The legislations and reports are able to concretizes the larger institutional framework established to manage petroleum revenues, and also the borders and operations of PIAC. This data is imperative for the ability to thoroughly analyze and answer the research question.

4.7. The Qualitative Interview
In order to supplement the primary data, and thus enhance the validity of the data, a few semi-structured interviews have been conducted. The interviews are accordingly considered secondary data. The subjects have in-depth knowledge of PIAC and experience with public management in Ghana. Kvale & Brinkmann’s framework for conducting the interviews has been applied in this case study (2009). The purpose of the qualitative research interview is to understand themes of the daily world from the subject’s own perspectives (Kvale & Brinkmann, 2009, p. 24). Consequently, the interviews will be able to add to the understanding of public management of petroleum resources, as an addition to the published reports. The interview framework in this study will be semi-structured, meaning that it falls in between the open everyday conversation and the closed questionnaire (Kvale & Brinkmann, 2009, p. 27). Subsequently, questions were prepared for the interviews, while simultaneously allowing for the conversation to develop organically and thus gaining more insight than a closed questionnaire would allow.

4.7.1. Ensuring Interview Quality
The quality of the interview is imperative to the quality of the subsequent analysis and evaluation of the findings (Kvale & Brinkmann, 2009, p. 164). This includes, among other things, being able to ask concise questions that invite longer interviewee questions, follow up answers, and interpret the interview as it unfolds. Of course, leading questions have been avoided. The interviewer has been well prepared to ensure an informed conversation that is clear, structured and open. Furthermore, possible limitations of the interviewing situation has been considered, one of which is interviewing across cultures. As the interviewing subjects are Ghanaian and the
interviewer Norwegian, the interviews are considered to be interviews across cultures. However, as Ghana’s official language is English and the subjects as well as interviewer’s working context is also English, the cultural issues are considered to be minimal for interviewing purposes.

4.7.2. Analyzing the Interviews
The qualitative interviews were conducted with the general requirement of providing rich descriptions and well-controlled information and will be analysed through a theoretical reading. This implicates that the interviews is conducted with rich material on the subject matter relevant to the theoretical approaches (Kvale & Brinkmann, 2009, p. 239). The interviews are analysed through the conceptual lens of the principal-agent theory and through the lens of the natural resource curse. Kvale and Brinkmann suggests that applying specific analytical tools to analysing an interview becomes less important with a theoretical knowledge of the subject of investigation, and with a theoretically informed interview questioning (2009, p. 236). Accordingly, the semi-structured interviews were heavily informed by both the principal-agent framework and the natural resource curse. The questions were of course directly related to the role and work of the respective interview subject. It is however important to acknowledge that while theoretical reading of interviews can contribute to new understanding and dimensions of phenomena, biased interpretations can also occur (Kvale & Brinkmann, 2009, p. 238). The biased interpretation may include only noticing aspects that can be seen though theoretical lenses. In this particular case, issues such as not maintaining the different actors in strict roles and relationships set forth by the principal-agency framework has been an important aspect to have in mind when analysing the interviews. Furthermore, it has been important to work with flexible concepts related to the natural resource curse in order to encompass aspects that are contextual and particular to the specific case in question.

4.7.3. The Interview Subjects
PIAC coordinator Mr. Isaac Dwamena is the first interview subject. He is involved with all the work of PIAC as a professional rather than a member, which will contribute to a sound understanding of the organization and their activities. His role as a coordinator

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5 Interview with Mr. Dwamena conducted October 2nd 2013; see digital recording enclosed.
enables him to answer questions about the issues found in the reports, and also elaborate on the processes the organization has gone through.

Mr. Allan George Lassey is the second interview subject. He is interviewed in his capacity of being Senior Advisor for Extractive Resource Governance at the German NGO Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). As GIZ is explicitly mentioned in the reports of PIAC because of the immense support they have been to the organization, this interview is considered to be imperative to the analysis. It is also a good supplement to the interview with Mr. Dwamena, as it offers a more external view on the issues at hand, while not compromising the level of knowledge of PIAC.

All of the interview objects have been carefully chosen because they have knowledge and experiences that will enhance the quality and depth of the analysis. The interview with PIAC coordinator Mr. Dwamena was made in order to supplement and further explain the information found in the annual and semi-annual reports. The interview with GIZ was made because PIAC themselves have referred to the support of the organization as being imperative to their establishment and continued work. Consequently, the experiences of this organization are deemed as being informative and important aspects that will enhance the quality of analysis. It needs to be said that interviewing more NGOs involved with PIAC could have been interviewed, such as Ghana Extractive Industries Transparency Initiative, which have been active in the public debate about the management of petroleum resources and also has a delegated seat in PIAC. However, the fact that the interview subjects are not in fact active members of PIAC, but have coordinating and supportive roles enhances the validity of their information and opinions.

4.8. Data Triangulation
The case study inquiry copes with the technically distinctive situation where there will be many more variables of interest than data points and consequently relies on multiple sources of evidence with the data needing to converge in a triangulating fashion and

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6 Interview with Mr. Allan conducted October 1st 2013; see digital recording enclosed.
benefits from prior development of theoretical propositions to guide data collection (Yin, 2003, p. 14). Consequently legislation, public reports and interviews will be used. This data is compatible with answering the research question through data triangulation, which is a method of data analysis frequently used in single case studies. Applying data triangulation enhances the validity of the analysis.

4.9. Ethics, Generalizability & Limitations
In this part of the methodology chapter the ethics, validity, generalizability and limitations of the study will be discussed, in order to ensure high quality and relevance. By evaluating these aspects of the study the quality will be enhanced and held to an appropriate level.

4.9.1. Ethics
None of the data used in this case study is confidential. However, as semi-structured interviews involves interaction with individuals where their accounts will be placed in the public arena (Kvale & Brinkmann, 2009, p. 62). Ethical considerations are made through the entire study, through measures like making sure that the subjects made informed consents to participating in the interview. This essentially means that the interview objects were thoroughly informed about the aim of the study and were presented with the findings as the study was completed. Furthermore, none of the questions or answers was of confidential character. Also, all the interview subject were chosen in light of their professional position, and not due to their personal relationship to the theme of this study. The aim of the study remains not only contributing to the research field, but also to the human conditions analyzed in the study.

4.9.2. Generalizability & Limitations
As it is a single case study, the results are particular to context of the management of petroleum resources in Ghana. However, lessons-learned can be used as pointers for other countries trying to manage petroleum resources, as Ghana themselves have done when developing their legislations and institutions that are to manage the petroleum resources. This descriptive study is an inferential act – inferring from what we know to what we do not know (Gerring, 2012, p. 108). Consequently, some generalization will be drawn from this study. A limitation of this dissertation is that a comparative study could have enhanced the external validity, but would have also compromised the depth of the
analysis. Thus, I have chosen to make an in-depth analysis that will affect the generalizability to some extent.
5. Contextualizing the Ghanaian Oil Adventure

In this chapter a brief history of Ghana, the characteristics of its contemporary government and a timeline of the Ghanaian oil adventure will be presented. The chapter will thus provide some historical background that will be able to contextualize the public management of petroleum resources that is to be analyzed later on.

5.1. A Brief History of Ghana

Ghana was the first African colony to become independent in 1957. The transition to independence and establishing its own representative democracy proved to be a turbulent process, as several *coup d’état* occurred over several decades. Consequently, the periods of rule under different constitutions have been divided into 4 different republics:

- 1966-1969: Military dictatorship
- 1969- 1972: 2nd Republic of Ghana – President Busia
- 1972-1979: Military dictatorships
- 1979: 3rd republic of Ghana – J.J. Rawlings

At the time of independence in 1957, Ghana was in fairly good economic shape compared to other African countries as it had $500 million in foreign exchange reserves due to having the world’s largest production of cocoa. Additionally Ghana had a relatively well-developed infrastructure and civil service (Opoku Darko, 2010, p. 18). President Dr. Kwame Nkrumah followed the dominating development theory at the time; stating that the state needed to assume the role of development and social transformation agent (Opoku Darko, 2010, p. 18). After several coups d’état and political instability, Ghana entered into it 4th republic in 1992.

There have been 4 successful democratic multi-party elections since the establishment of the 4th republic of 1992, where the presidents have stepped peacefully aside if suffering electoral loss. The 4th republic of Ghana has slowly but surely established itself
as one of the most stable and democratic countries in sub-Saharan Africa. The Ghanaian elections of December 7th 1996 were crucial for the future of democracy in Ghana. Ghana’s presidential and parliamentary polling went ahead peacefully; violence, though widely expected, never materialized. Moreover, the 1996 elections were freer and more transparent than those of 1992 (Joseph, 1999, p. 409).

By the mid-1990’s Ghana made some notable achievements (Opoku Darko, 2010, p. 4-5):

- Massive depreciation in the exchange rate
- The removal of all quantitative restrictions no imports and lowering of tariffs to a relative uniform 10-25 percent range;
- A reduction of corporate taxes to 35 percent and of capital gains tax to 5 percent; the removal of price controls and subsidies;
- The privatization or closure of numerous of public enterprises;
- The revision of the foreign investment code to improve incentives;
- The award of special incentives to exporters and to investors in infrastructure

The post election period also saw a modest boost in governmental transparency and accountability, thanks to the resumed publication of the Auditor General’s reports, the institution of parliamentary debate, and the increasing activism of constitutionally established watchdog bodies such as the Commission on Human Rights and Administrative Justice (CHRAJ) and the Media Commission, as well as the crusading spirit of the private media (Joseph, 1999, p. 410). Constitutional rule also opened a larger political space for civil society in Ghana, and civic associations proliferated (Joseph, 1999, p. 410). Civic groups in Ghana are often enthusiastic, but they are also beset by organizational and financial shortcomings. They are heavily dependent on external agencies for their funding and sometimes for moral and political support as well (Joseph, 1999, p. 423). The Serious Fraud Bill sought to give the proposed Serious Fraud Office sweeping powers to investigate monitor and prosecute an unspecified portfolios of frauds and economic crimes, and a nongovernmental organization (NGO) bill, which sought to place these bodies under a government-appointed advisory council
(Joseph, 1999, p. 411). By 1996 Accra had moved from not having a single privately owned FM station to having half a dozen (Joseph, 1999, p. 414). According to the World Bank, Ghana is one of the most advanced African countries when it comes to free trade and lowering of trade barriers (Opoku Darko, 2010, p. 5).

President John Dramani Mahama is currently in office and has been so since July 24th 2012. The 4th Republic of Ghana is a presidential representative democratic republic. The President is thus the head of state, government and multi-party system. The government holds the executive power. The legislative power is vested in both the government and the parliament. The judiciary is independent of both of the other branches. The constitution of the 4th republic of Ghana aims to prevent dictatorship, one-party rule and coups. The constitution promotes power sharing, as they have learned from the weaknesses that were inherent in the previous 3 constitutions. Half of the appointed ministers must be chosen from the parliament. The parliament consists of 230 members plus the Speaker. The president has veto right over all bills, except those who have a vote of urgency attached. Ghana has developed into a two-party system, where there are two major parties that influence politics. The two largest parties are National Democratic Congress (NDC) and New Patriotic Party (NPP). Elections are held every four years, usually on December 7th.

5.2. A Timeline of the Ghanaian Oil Adventure

Oil was first discovered outside the coast of Ghana in 2007 by the U.S. based firm Kosmos Energy. The field was named the “Jubilee” field, as it was discovered when Ghana celebrated 50 years of independence. January 11th 2011 Tullow Oil announced yet another significant discovery (Okpanachi, 2012, p. 433). Ghana joined the list of oil producing countries with the export of its first oil from the Jubilee oilfield in January 2011 (Okpanachi, 2012, p. 430).
The Jubilee field is estimated to produce 120,000 bpd with total reserves of 1.2 billion barrels (Gary, 2009, p. 19). In total, the Jubilee field alone has potential revenue of $1 billion per year (Okpanachi, 2012, p. 433), and the IMF has calculated a total government income of $20 billion in the period 2012-2030 (Gary, 2009, p. 3). In comparison with Nigeria, producing a staggering 3 million bpd, Ghana is by no means among the biggest players in African oil. Consequently, we are talking about resources of commercial value.
After Ghana found oil of substantial volume, public debates started at once. The focus was especially on how to mitigate the deteriorating trajectory of the natural resource curse, like their neighboring country Nigeria and several other sub-Saharan African countries. In February 2008 the Oil Forum was held in Accra in order to gain insights from a wide range of actors from the international community on how best to manage the challenges ahead (Amoako-Tuffour, 2011). Due to the fact that petroleum revenues would affect the fiscal environment of Ghana, the decision was made to keep issues of managing petroleum revenues separate from other issues. After reviewing international best practices of oil revenue management, the process of establishing a petroleum revenue management framework was started. In addition to seeking consultancy from different experts, town-hall meetings and public surveys were conducted in order to get information about the general public’s perspectives on revenue management. As we can see, the Ghanaian government made a great effort to include not only international...
expertise, but also the greater population in order to get perspectives on the plethora of challenges connected to revenue management. 97% of the survey responses preferred for all information regarding petroleum revenues to be fully transparent and also holding public hearings on the use of revenues (Amoako-Tuffour, 2011, p. 9).

Petroleum management requires a plethora of legislations in order to govern every aspect of the sector. One of the results of public hearings, surveys and external consultancy was the Petroleum Revenue Management Act (PRMA). The Act includes well-established norms of good governance and includes rules to ensure oversight (R.P. Heller & Heuty, 2010, p. 51). It meets international standards and lessons learned from other petroleum exporting countries. It was passed in March 2011. The Bill provides for (Okpanachi, 2012, p. 437):

I. A clear system of controls for the collection of oil revenues and their allocation to the budget and the proposed stabilization and saving funds.
II. A clear division of responsibilities among authorities among authorities.
III. Reasonable rules for managing the investment of the funds.
IV. Strong oversight and transparency provision.

The Ghanaian Petroleum Sector is governed by several legislations, some of which has not received the praise of PRMA. Especially the Exploration and Production Bill was not received well, as it was said to lack the careful attention to accountability that PRMA did (R.P. Heller & Heuty, 2010, p. 51). The most pressing issue is the lack of providing standardized petroleum contracts; the contracts are rather based on the moral suasion of individual public officials. Furthermore, the contracts are not published to enhance transparency of petroleum revenues.

Currently, over 115 civil society groups are involved in scrutinizing oil deals, many of which are organized in the Civil Society Platform on Oil and Gas established in March
2010 (Kopinski et al., 2013, p. 591). Furthermore there are over 150 private FM radio stations, 20 TV stations and 114 private internet service providers, which all have shown interest in the management of oil revenues for the benefit of the majority of people in Ghana (Obeng-Odoom, 2012, p. 8).
6. Analysis

The previous chapter provided a contextualization and a brief description of the process the Ghanaian government and society has gone through in order to establish a robust framework for managing their petroleum resources as well as possible. This contextualization sets the background for the analysis. The first part of this chapter concerns an analysis of PIAC’s operations and activities through both the published reports and the supporting interviews. The analysis is done through the Principal-Agent Framework that was established in Chapter 3.4. This analysis will focus on identifying pathologies and issues present in the delegatory relationships PIAC are part of, and consequently how these affect the role and results of PIAC’s activities. Secondly, the analysis will move towards assessing the level of public accountability PIAC is able to contribute to through its reports and activities.

The Annual Report 2011 and the Semi-Annual Report 2012 have been published, more or less meeting their deadlines. This paragraph will discuss the conclusions of the two published reports within the principal-agent framework established in Chapter 3. The aim is to identify to what extent the contracting parties is fulfilling their roles and responsibilities, and also to identify if any pathologies has developed. Second, the paragraph will discuss to what extent PIAC is able to set a high standard and improve the level of public accountability, as is of course their main objective.

PIAC was inaugurated on September 15th 2011, and started its work the following month (Public Interest & Accountability Committee, 2011, p. v). The first report was somewhat delayed, but this is considered understandable due to being newly established. In general both the first and second report bear clear signs of being a newly established committee in a new institutional environment that is also in the process of being thoroughly established. Accordingly, some pathologies have surfaced in the
delegatory constellation. The pathologies will be identified and analyzed in the following. The next part of the analysis will focus on the extent to which PIAC is able to enhance and promote public accountability though their reports and activities.

6.1. The Contract: Relationship with the Principal
The legal contract that establishes PIAC and their mandate is clear on the demand for information on actions and activities in public management of petroleum revenues. However, they are not clear on the use of methodology and specific criteria that the annual and semi-annual reports of PIAC are to apply in order to gather the required information. As PIAC is not a Parliamentary committee, but one that consists of representatives from different important societal groups and organizations, the need for a unifying methodology is considered important to their work. This is not necessarily a negative aspect of the contract, as it can in fact increase PIAC’s power to decide on the most efficient and appropriate way of going about making the reports. However, this kind of “open” contract does demand that the resources and capacities needed to perform such a large and complex task are actually transferred to the agent. This transfer of resources, here focusing on financial resources, has not happened so far, despite PIAC being active for more than 2 years.

A fundamental issue that is established in the Annual Report 2011 is the lack of funding that has resulted in several challenges for PIAC being able to perform their mandate (Public Interest & Accountability Committee, 2011, p. v). By the time of the publication of the Semi Annual Report 2012, PIAC had still not received any resources (Public Interest & Accountability Committee, 2012, p. 22). According to Section 57 of PRMA “Members of the Accountability Committee shall be paid allowances determined by the Minister and approved by the Parliament”. This issue is very serious, and is considered a breach of contract rather than a mere pathology. If we again consider the delegatory relationship that is established through PRMA, we can clearly see that by PIAC not receiving any resources in order to perform their obligations, a crucial part of the contract is not fulfilled by the principal. This breach lies with the Minister of Finance, which is ultimately responsible for PIAC receiving the funds necessary to perform their duties. This is illustrated below:
As the figure illustrates, the principal not transferring resources to the agent compromises the foundation of the contract, and is also not in accordance with PRMA (The Parliament, 2011b, Section 57). There is a demand for information and services that the principal so far has not been willing to pay for. This breach of contract is without a doubt the most serious problem that PIAC has accounted, and it is admirable that they have been able to overcome this fundamental problem in 2011 and 2012. However, there are strong evidence pointing to that the problem has not been solved; the 2012 annual report and the semi-annual report 2013 have not yet been published, despite deadlines having expired. However, the Annual report of 2012 has an expected publishing time by the end of October 2013, according to PIAC Coordinator Mr. Dwamena. This means that PIAC is very much still active, but the fact that reports are missing indicates substantial issues that are directly connected to the lack of financial support from the government. It seems that the Semi-Annual Report for 2013 will not

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7 Adapted from (Flinders, 2008)
8 By mid-November, when this thesis was concluded, the Annual Report 2012 had still not been published on PIAC’s website.
be published, as the 2012 annual report is only now on the way. In any case, it is admirable that the annual report for 2012 is on the way, considering the severe financial challenges PIAC has encountered since its creation.

A contract should always be entered between parties that consider themselves to have a fiduciary duty (see Chapter 3.4.2). Mr. Allan George Lassey, Extractive Industries Senior Advisor at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), claims that the members of PIAC are losing motivation to participate in making the reports due to the lack of both financial and moral support from the Ministry of Finance & Economic Planning and its agencies (Interview with Mr. Lassey 10/01/13). The duty of loyalty and the duty of care do not seem to be taken into account by the different agencies that PIAC is dependent on in order to perform optimally. On the other hand, Mr. Dwamena focuses on the fact that the establishment of a committee like PIAC is both new and unique, and that the implementation and efficiency of this work will have to be a work in progress (Interview with Mr. Dwamena, 10/02/13). This issue is complex and is also related to the issue of an unclear definition of roles in the sections of PRMA that establishes PIAC (see Chapter 3.4.3). Furthermore, the different agencies connected to the public management of petroleum revenues are not explicitly mentioned in PRMA, which again can result in unclear roles and responsibilities of these agencies in relation to PIAC. This issue is further discussed in Chapter 6.2.

PIAC coordination Mr. Dwamena has a slightly more positive view, pointing to all the positive developments there has been, despite experiencing a challenging start for the committee. The positive developments has especially come after the publishing of the first two reports, as PIAC has been able to assert its authority and legitimacy within the bureaucracy, as well as starting productive dialogues with the Finance Committees in the Parliament and the Ministry of Finance & Economic Planning. In any case, the severity of the lack of resource transfer from the principal to the agent suggests that this issue should be prioritized and followed up, if one is to expect PIAC and its members to continue to perform their work to a satisfactory extent and for the committee to exist for years to come.
6.1.1 Other Pathologies in the Delegatory Relationship

Although the lack of transfer of resources from the principal to the agent is indeed a breach of contract, it is also important to look into possible factors behind it. The issue of lack of transfer of resources can be characterized as being one of *tunnel vision* on the part of the principal, namely the Minister of Finance (see Chapter 3.4.3.). Tunnel vision is an issue of not being able to focus on long-term issues due to an over-focus on other short-term tasks and obligations. The Minister of Finance is responsible for the work and efficiency of the entire ministry, not only the newly established PIAC. One can easily assume that the Ministry of Finance has encountered several changes and new challenges as a result of the production and export of petroleum. One can thus also easily assume that these challenges may have required time and energy of the principal that the successful establishment and operations of a small and new committee like PIAC, has not been prioritized. Furthermore, as the production of oil started before PRMA was passed, additional implementation challenges may have occurred as the first phase was characterized as one without a clear framework to apply to the management of these resources. This issue is identified as an issue of tunnel vision, resulting in a breach of contract.

6.1.2. External Assistance & Support

Despite the major challenge of being an active committee without receiving the required financial support, PIAC has been able to draw on a network of organizations and has received support from different NGOs located in Ghana. The foreword of the report clearly states:

“with out the efforts of the Revenue Watch Institute Africa Regional Office the Committee would have been a stillborn Committee” (Public Interest & Accountability Committee, 2011, p. v).

Revenue Watch Institute Africa Regional Office (RWI) offered their premises to PIAC, as their secretariat was not in place from the very start. This assistance made it possible for PIAC to hold their inaugural meeting and officially start their work. PIAC has now moved into their own office and the secretariat is working from there, but still receives material
resources like office supplies from RWI, for which they are very appreciative (Interview with Mr. Dwamena, 10/02/13).

The reports would not have been made without the financial contributions and support of several NGOs (Public Interest & Accountability Committee, 2011, p. v). In addition to the RWI, GIZ has also been a major support to PIAC. One of the most essential contributions GIZ has made to PIAC is the training of the PIAC members. As no methodology or framework for their work was established in the legislation, this transfer of knowledge from GIZ to PIAC is considered to be of immense importance. This training is especially important due to the fact that the members of PIAC represent vastly different societal groups and organizations – ranging from occupational to religious groups (see Chapter 3.4.5). Consequently, receiving adequate training in the complex field of public management of petroleum revenues and establishing a thorough framework for the development of the reports is essential to the robustness of the committee, as it will ensure unifying PIAC and its work through common means and goals.

Mr. Dawmena also highlighted the involvement of the World Bank as they have been pushing for the government to live up to their contract with PIAC. The interest of the World Bank is a natural result of following up their Oil and Gas Capacity Building Project in Ghana (The World Bank, 2012). This international pressure indicates that PIAC is on the radar of international organizations, which is a testimony to their important role in enhancing transparency and accountability. While being very interested in the reports PIAC publish, the World Bank has however not contributed with any financial support so far.

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9 The World Bank’s Oil & Gas Capacity Building program in Ghana has two objectives: first, to help improve public management and regulatory capacity and enhance sector transparency by strengthening the institutions managing and monitoring the sector; and second, support the development of indigenous technical and professional skills needed by the petroleum sector through support to selected educational institutions.
The think tank The Institute of Economic Affairs (IEA)\textsuperscript{10} has also supported PIAC in the early stages of their establishment by contributing to the training of PIAC members by establishing *The Building Institutional Capacity for Effective Petroleum Revenue Scrutiny (BICEPS)* program (The Institute for Economic Affairs Ghana, 2011). IEA is a natural actor in the public management of petroleum resources, as they contributed to consultative meetings in Ghana in the very start of the petroleum adventure (see Chapter 5.2.). Furthermore, PRMA, which is the foundation of the establishment of PIAC, includes inputs from IEA.

PIAC has been able to produce the two reports due to the support of these NGOs, without which they would have been a stillborn committee (Public Interest & Accountability Committee, 2011, p. v). The fact that PIAC has been able to perform their duty to a satisfactory extent without the help and assistance of the principal points to PIAC being a truly independent committee which enhance its ability to make an unbiased assessment of the quality of public management of petroleum revenues. However, acquiring a secure and stable source of funding is imperative for a committee like PIAC to continue their work and uphold the quality of the work they do. In the budget and policy statement for 2013 PIAC’s budget was incorporated into the budget of the Ministry of Finance (Interview with Mr. Dwamena 02/10/13). Consequently, the allocations have been made, but not yet transferred. Hopefully this means PIAC will receive funding momentarily, so that the most pressing challenges of PIAC will be dealt with.

**6.2. Encountering the Bureaucracy: A Multiple Agent Problem?**

Another substantive issue is that of the unclear obligations of the public officials that manage petroleum revenues. This is considered to be an issue related to an unclear contract, which again have lead to certain pathologies in the delegatory relationships (see Chapter 3.3.6.). As was discussed in the Chapter 3, there are uncertainties in the contract, as it does not identify the role and responsibilities of the public officials and

\textsuperscript{10} IEA is a public policy institute established in 1989 to good governance, democracy and a free and fair market economy.
their relationship to PIAC. This uncertainty has lead to several pathologies, each of which will be discussed in the following.

6.2.1. Clarifying Accountability
The first issue connected to the lack of clarity of the contract is absence of clarifying accountability. By not clarifying the role and responsibilities of the agencies and organizations involved in the public management of petroleum revenues, the interaction between PIAC and the relevant agencies become more complicated than necessary. As these agencies are essential for PIAC to fulfill their mandate, this issue should have been made clear in the contract.

As agencies are not explicitly mentioned in PRMA, it becomes very difficult to clarify their respective roles and their accountability. As the Ministry of Finance most likely are experiencing a vast amount of new challenges and changes to their daily work, clarifying roles and accountability within the bureaucracy becomes even more important. When developing and changing an institution of government size in order to encompass the kinds of challenges connected to petroleum revenue management, clarifying roles and accountability could perhaps have combated some of the challenges connected to managing the petroleum revenues that PIAC highlights in both of the reports. Especially start issues connected to reporting directly to PIAC in a timely manner for the publishing of the reports could have been mitigated if roles and responsibilities were clearer.

6.2.2. Tunnel Vision
Due to the lack of coordination between PIAC and the bureaucratic agencies in the contract, it is evident that tunnel vision has occurred. As described in Table 1, tunnel vision is a case of actors focusing exclusively on their one task, while not acknowledging the intra-organizational initiatives with longer-term benefits. The challenges of accessing information and assistance could possibly be a result of the agencies themselves adapting to new challenges and procedures in order to adjust to the new task of managing of petroleum revenues. Consequently, start phase issues and challenges can result in not being able to manage more tasks than already at hand. In
any case, the government-wide clarification of roles and responsibilities is a big issue that should be prioritized so that successful implementation of legislation and new procedures is ensured. However, it does seem that the issue of communicating well with the different agencies and institutions have greatly improved during the short period of time PIAC has been operating (Interview with Mr. Dwamena, (02/10/13). Hopefully this positive development will continue, as PIAC thoroughly establishes their legitimacy and authority as an accountability body with a mandate set forth in legislation.

6.2.3. Singularity: Multiple Agent Problem
As previously discussed in relation to issues and pathologies in the relationship between the principal and PIAC, there seems to also be an issue of singularity, more specifically an issue of multiple agents. This means that due to the challenges the Ministry of Finance and its agencies are facing in adapting to new tasks and challenges, coordination between the Minister of Finance and his agents is lacking. It needs to be said, that the reports point to the issue of the revenue managing institutions are themselves in the process of being established, which can explain some of the issues PIAC has encountered. This issue is explicitly mentioned in the Annual Report 2011:

“There was a delay in the establishment of agencies created under Act 815, this coupled with a lack of resources has led to a deficiency in their ability to fulfill their mandates prescribed in the Act. In addition, existing agencies face capacity challenges in meeting their extended responsibilities linked to the management of petroleum revenues” (Public Interest & Accountability Committee, 2011, p. vii).

Additional challenges have also occurred due to the fact that oil production started in December 2010, which is before PRMA was passed (Public Interest & Accountability Committee, 2011, p. 1). This will undoubtedly have caused some issues with conducting sound management as a framework for the management of oil revenues were missing prior to the passing of PRMA.
Having identified the pathologies above, it is evident that these pathologies collectively are symptoms of a larger multiple agent problem. The fact that the role of PIAC contra the bureaucratic agencies have not been sufficiently clarified has lead to a sub-optimal communication and cooperation. This has increased the challenges that PIAC has encountered as a newly established committee. PIAC is not only a newly established committee, but is also unique in the Ghanaian context in that its members have backgrounds varying from professional associations to traditional authorities. Consequently, the clarification of roles should have been a natural part of the contract, so that their struggle to prove their legitimacy and authority could have been reduced to some extent. This issue is illustrated below:

Figure 8: Multiple Agent Problem

PIAC coordinator Mr. Dwamena highlights that the implementation of PRMA is experiencing start phase issues, which PIAC is also experiencing first hand. He is however pleasantly experiencing a positive development in solving these issues, as PIAC is asserting itself as a committee with legitimacy. It is imperative however, that this
sense of positive development is also felt by the members of PIAC that spend time and energy fulfilling PIAC’s mandate.

6.3. Accountability Mechanisms
As was presented in Chapter 3.2.2, accountability mechanisms are identified as the following factors:

- Information: Initial reporting and investigating
- Discussion: Justification and critical debate
- Rectification: The imposition of remedies and sanctions

In this case, different actors are intended serve as different mechanisms through their actions. PIAC serves as both an informative and debate-mechanism. The first is directly related to their investigations resulting in the annual and semi-annual reports. The second is directly related to the forms of they facilitate through radio shows and by arranging public meetings. The Parliament is intended to serve as both a debate- and sanctioning mechanism. Consequently, the Parliament is intended to move the debate forward by discussing the findings of the reports and the concerns of the public and subsequently instigate remedial or sanctioning response from the Ministry of Finance. The Ministry of Finance is thus the recipient of these instructions and is intended to take them into account, consequently resulting in a change of behaviour. These mechanisms are illustrated below:
PIAC has a much larger role than what we see in Steets’ original model (see figure 3.3). Furthermore, only the fact that there are two principals makes the Ghanaian case somewhat different. Figure 9 illustrates accountability mechanisms of the case study. The consequence of the delegatory constellation of this case is that the major issue of ensuring debate is divided between the mandate-providing principal, the Parliament, and the agent, PIAC. This means that PIAC’s role in enhancing public accountability by being a platform for public debate is crucial and could instigate some response from the Minister of Finance, while the lack of authority to sanction makes the Parliaments evaluation and debates of the reports equally important. It is the Parliament that largely has the possibility and also responsibility to adequately act on the issues presented in the reports. PIAC themselves point to demanding reporting by the government on how they aim to combat issues and legal shortcoming presented in the reports, which again leads, full circle, to the role of the Minister of Finance in figure 9. In conclusion, the formal accountability is established by the PRMA, while achieving real accountability is

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11 Figure 9: Accountability process figure; the PIAC case (ref. Figure 1).

11 Adapted from (Steets, 2010, p. 16)
dependent on all the actors in the principal-agent constellation performing their role. The important issue of sanctioning behavior will be discussed in the following.

6.3.1. The Issue of Sanctions

As the PIAC’s mandate is defined in law, what is evident is the fact that PIAC has no possibility to sanction agencies where procedures are not being followed, as they should. Granted, sanctioning may not be a natural tool for a committee such as PIAC, but in any case the issue of sanctions is not thoroughly covered in the contract.\textsuperscript{12} PIAC is incredibly dependent on the actions of other bodies, as the Parliament needs to lay the reports and consider them in order for the reports to be taken into consideration and making sure that their recommendations and concerns are being heard and acted upon by the respective agencies. Essentially, the Parliament is responsible for performing its part in fulfilling the mandate it has given PIAC through PRMA. The Parliament has so far not yet reviewed the reports and taken it to the next level of government, as the Aemi Annual report of 2012 clearly states:

“Parliament must decide on the Committee that will consider and lay year 2011 report of PIAC and subsequent reports for debate and adoption. This will ensure accountability of institutions that have mandates under the law” (Public Interest & Accountability Committee, 2012, p. 21).

“Parliament should also demand a Report from Government highlighting how they address the findings of the PIAC reports” (Public Interest & Accountability Committee, 2012, p. 21).

The result is that actual sanctions being non-existent so far in the history of PIAC, as is illustrated in Figure 9. One can hope that the extent to which PIAC is able to spread and communicate the information to the public and thus create public awareness of the state of public management of petroleum resources can act as an instigator of behavioral change in the agencies. Furthermore, the World Bank has proven to show great interest for the working conditions of PIAC and also the findings of the reports. This kind of

\textsuperscript{12} Except for in the exceptional case of discovering personal fraud.
international attention to the behavior towards PIAC could also serve as an incentive for behavioral changes. Mr. Dwamena, coordinator of PIAC, points to that the establishment and work of PIAC should be seen as a part of a larger transformation of the Ghanaian government, where start phase issues and implementation challenges are to be expected. However, he also emphasizes that PIAC has experienced a positive development in their work during its short lifespan. This points to PIAC having already had a positive effect on the behavior in public management of petroleum resources in Ghana.

However, as was discussed in Chapter 3.2.2., the mere expectation of sanctions could also be an instrument in ensuring accountability. In this particular case, sanctions or reactions form the population and the international community may serve as an incentive for the agencies and the Parliament to take the reported issues into consideration. However, PIAC’s role as a fire-alarm oversight committee is dependent on the Parliament performing its sanctioning role. The issue of lack of sanctions has further implications for the role and operations of PIAC, which will be presented in the following.

6.3.2. Observational Equivalence?
One last, but very important aspect of lack of sanction is that of observational equivalence (see chapter 3.3.6.). This concept takes into account the possibility that lack of sanctions can be the result of both obedient servants where no sanctions are necessary, or on the other hand it can be the result of a runaway bureaucracy which is a bureaucracy operating without congressional control. In this case the argument is that we are dealing with a certain degree of runaway bureaucracy. The statements of the two reports and the findings from the interviews support that the lack of sanctions in this case are not connected to obedient servants, but rather that the issues and problems highlighted in the reports are not being dealt with in Parliament. This is not to say that there is a general problem with runaway bureaucracy in Ghana, as this is a single case analysis, but rather that the Parliament failing to prioritize to deal with the findings of the reports results in the bureaucracy being able to operate without taking the findings
of the reports into account in their continued work. Consequently, the lack of sanctions seen in this conclusion is not a case of obedient servant, but a case of runaway bureaucracy.

6.4. Public Accountability
PIAC’s work is aimed at enhancing government accountability, specifically enhancing the governments effectiveness by monitoring the government’s achievement of objectives set in PRMA. If successful PIAC could contribute to enhancing government accountability by monitoring the government’s achievement of their set goals set forth in PRMA. PIAC has so far performed their tasks quite satisfactorily despite lack of cooperation from the government and public officials. Help from different NGO's has made it possible. The reports establish an excellent framework for a public debate on the quality and direction of public management of petroleum resources. Unfortunately, there have been uncertainties about which Parliamentary committee has responsibility of dissecting and present the issues that need to be dealt with on a higher level of government. According to Mr. Dwamena the published reports have now been laid in Parliament by the Finance Committee and he expects that it will be picked up and taken into account from there. Hopefully the reports will be discussed and taken into account by the government, so that the level of accountability is increased in the future. The Semi-Annual report of 2012 also suggests that the government should report back to the Parliament on how they intend to deal with the issues that have been uncovered in the various PIAC reports. If these two steps are not put in place, it will undermine the role and impact of PIAC to a large extent.

6.4.1. Fire Alarm Oversight
In Chapter 3.4.5. PIAC was identified as having a role of oversight that can be characterized as being a fire-box, sounding a fire alarm if major concerns are discovered in the public management of petroleum resources. The aim is that the Ghanaian Parliament will respond to the sound of fire alarm from PIAC and thus enforce the agencies’ compliance with legislative goals and procedures. Consequently, the issue of sanctions is important for PIAC to perform it role optimally (as discussed in Chapter 6.3.1). The main issue connected to the lack of sanctions is not that PIAC does not have the authority to sanction, as it would undermine their role as a fire-alarm oversight
body. Rather, the issue is that the alarm PIAC is signaling through the published reports does not instigate a reaction in the Parliament and the Ministry of Finance. When sanctions are not imposed, it compromises PIACs role of fire alarm oversight, as fire alarms have no impact when people turn a deaf ear to its sound. Consequently, lack of response to the reports is considered an existential issue for PIAC, as it undermines their raison d’être. If the reports are not taken into consideration in the very near future, and the future reports do not receive more attention when they’re published, there is a danger that members of PIAC will loose the motivation to continue their work. This would diminish the degree of public accountability vastly, as compliance with PRMA

### 6.4.2. Combating Information Asymmetries

PIAC is most definitely taking several measures in order to increase and promote public accountability in the entire country. In addition to producing the Annual and Semi-Annual reports, they take action in order to make the content of the reports known to the public. Shortly after having published a report, the members of PIAC attend radio shows where people can call in and ask the members of PIAC questions or ask them to explain issues that are not clear to them. The radio shows are held in local languages, which is an extremely important element in establishing actual public accountability.  

This kind of follow-up on the reports is an important step in including the general population and explaining issues that are very complex and technical in the petroleum sector. Through radio broadcasting in local languages PIAC is able to reach a very broad audience. These kinds of measures are ways of combating the information asymmetries between the government and the general population, and thus increase the level of public accountability.

Furthermore, PIAC has held one public meeting so far, as is demanded by law (The Parliament, 2011b, Section 52 (b)). The addition of public meetings in the different regions of Ghana is a way of further enhancing the level of public accountability, as civil society can make their voices be heard in their local communities. The first public meeting was held the city of in Takoradi May 2012. According to Mr. Dwamena a cross-section of the population attended the meeting, as a result of efforts made of the

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13 English is the official language in Ghana, but there are an additional 9 local languages that are government-sponsored: Akan, Ewe, Dagomba, Dangme, Dagaare, Ga, Nzema, Gonja and Kasem
members of PIAC to reach out to their constituencies in the region where the meetings are held. Additionally, PIAC made sure that the meetings were announced in the public media as well. It is important to mention that Takoradi is a coastal city in close proximity to the petroleum resources. Choosing to hold the very first public meeting here makes good sense due to the fact the area is in close proximity to the oil production will feel the impact quite early, in contrast to regions that are further from the activities. However, it is imperative that the following meetings should also be held in other regions, so that the entire population gets access to the information and also has a possibility of raising issues that affect them. The conclusions of the meeting were;

“The concern of many of the contributors was that government should establish a clear-cut long term plan for the public to know what the petroleum revenues are going to be used for, so that periodically, government can be assessed whether it is meeting the objectives which are contained in the plan” (Public Interest & Accountability Committee, 2012, p. 21).

6.5. Limitations of PIAC

The establishment of PIAC through PRMA set some natural boundaries for their role as a committee. They are indeed limited to ensuring and assessing the quality of the public management of petroleum revenues. Their role is thoroughly set in Section 51 of PRMA:

a. Monitoring and evaluating compliance with the Act by the Government and other relevant institutions in the management and use of petroleum revenues.

b. Providing a platform for public debate on spending prospects of petroleum revenues in line with development priorities.

c. Providing an independent assessment on the management and use of revenues.

Consequently, their role is to monitor legal compliance and the use of petroleum revenues. PIAC has no role to play prior to the revenues actually entering government and its agencies. Issues such as monitoring the process of developing contracts with oil companies are areas that are important for establishing transparency and accountability in the entire process of public management of petroleum. PIAC needs to be acting in
concert with other committees, organizations and commissions in order to truly cover all the issues related to ensuring a holistically transparent and accountable public management of petroleum resources. Mr. Dwamena once again points to start phase issues and is hopeful that as the government becomes more experienced and is able to deal with the new challenges posed by petroleum exports, several agencies and committees will encompass issues of transparency and accountability in their everyday work. There have been positive developments in this direction with the creation of Ghana Petroleum Commission (Act 821, 2011a). Previously, the state owned petroleum company GNPC was both player and regulator in the petroleum sector. As Ghana entered into petroleum production and exports of commercial quantities, this practice was reviewed and changed. The Petroleum Commission was established as a result of this review to play the role of regulator, and thus separate the roles of being regulator and player. This step is a step complying with international standards. Consequently PIAC should be seen as one player that contributes to enhancing the level of transparency and accountability in the public management of petroleum resources in concert with other organizations and agencies.

The most severe issue of PIAC is that the committee is supposed to be monitoring and promoting transparency and accountability within the Ministry of their own principal; the very Ministry that they are dependent on for financial support. When considering the major issue of lack of financial support and the issues PIAC have encountered the last couple of years, this is an unfortunate aspect of the contract. This is where the interview with Mr. Lassey particularly contributed with the external perspective of PIAC, while also having in depth knowledge of their work and activities. He suggested getting funding from other sources, i.e. being allocated a part of the petroleum revenues (Interview with Mr. Allan Lassey, 10/01/12). Mr. Lassey argues that getting funding from other sources than their own principal, which they are also monitoring, could potentially increase the effectiveness of PIAC. When keeping in mind important the role of the Parliament in debating and sanctioning based on the findings of the reports,

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14 Act 821: The Petroleum Commission Act, Section 2: “The object of the Commission is to regulate and manage the utilization of petroleum resources and to coordinate policies in relation to them”
receiving funding from the Parliament could also perhaps serve as an incentive for being more proactive in assessing PIAC’s reports.

While PIAC has done an admirable effort of communicating the conclusions of the reports to the public, and also establishing arenas for public debate an discussion, the fact that the report has not yet been thoroughly discussed in Parliament or been taken into account by the government as a result of this. This is hindering the potential for the influence and ability to promote and enhance transparency and accountability that is inherent in PIAC. Consequently, the steps that have been made towards improving public accountability has so far been the result of PIAC’s own determination to do so with the help of NGOs and organizations, not due to measures taken by the government and the Parliament. Furthermore, the issue of making an effort to locate public meetings in all regions of Ghana is also something that needs to be taken into account in order to ensure actual public accountability. As a concluding remark on the role of PIAC Mr. Allan pointed out that if one was to take PIAC out of the equation there would hardly be any objective information on petroleum revenue, and as such has huge value to Ghana’s transparency agenda.

6.6. Conclusion
The most serious issue PIAC has encountered in doing their work is the lack of financial support. This is considered to be more than a mere pathology that has occurred in the delegatory relationship between the Minister of Finance and Economic Planning, it is actually considered to be a breach of contract. Despite this breach, PIAC has been able to publish reports thanks to the support of several national and international NGOs, which has had the benefit of providing practical, financial and educational assistance.

Second, there seems to be an issue of multiple agents and tunnel vision within the bureaucracy which leads to coordination issues between PIAC and the different agencies they are dependent on. This is most likely the result of a somewhat messy start in the public management of petroleum resources due to the late passing of PRMA compared to the actual production start.
Third, PIAC is not alone in activating accountability mechanisms. Granted, PIAC is instrumental in monitoring and reporting on behavior and compliance with the PRMA. Furthermore, PIAC serves as a platform for public debate on the issues covered by the reports, but also other public concerns related to public management of petroleum resources. The Parliament is however, instrumental in imposing sanctioning mechanisms based on issues raised in PIAC’s reports. This is intended to affect the behavior of the Ministry of Finance and its agencies. So far, the Parliament has failed to perform this task.

Finally, public accountability is most severely threatened by the fact that PIAC is dependent on financial support of the same ministry that they are to monitor. If this issue is not dealt with in a timely manner, the worst-case scenario is that the members of PIAC do not feel that their work is supported and taken into account by the government and thus lack the motivation to continue their work. This could be detrimental to the way that they so far has been able to include the population in the public management of petroleum revenue which is their greatest strength in enhancing and promoting public accountability in the management of petroleum revenues.
7. PIAC and Public Management of Petroleum Resources in a Natural Resource Curse Perspective

This chapter will discuss the findings of the analysis in the larger context of the natural resource curse, which was presented in Chapter 2. First, PIAC and their findings will be linked to the larger issues of the natural resource curse in a Ghanaian context (see Chapter 5). Finally, the kind of petroleum management trajectory Ghana seems to be making the foundations for will be discussed. This enables the analysis to move from the micro-political aspects of PIAC’s activities to the macro-political issue of the natural resource curse and thus thoroughly answer the research question.

When discussing Ghana’s management of petroleum resources in connection to the natural resource curse, it is important to keep Ghana’s particular history and context in mind. First of all, it is important to recognize that their petroleum resources are of commercial quantities, but not large enough to be among the “big players”. This implies that the possible impact of petroleum revenues somewhat smaller than in larger exporting countries, i.e. Nigeria. Second, it is important to acknowledge Ghana’s record of democratic stability and the benefits this implies for public management of petroleum resources. Furthermore, while the phenomenon of the natural resource curse is widely recognized, direct causations leading to the complex phenomenon are not established. Rather, this discussion will focus on public management issues issues that are correlated to developing symptoms of the natural resource curse.

7.1. The Sound of PIAC’s Fire Alarm and the Natural Resource Curse

As established in Chapter 3.4.5., PIAC has a fire alarm oversight role established to

“... ensure successful utilization of proceeds from oil and gas exploitation to secure the greatest social and economic benefit for the people of Ghana. This
requires Government Accountability to an Informed Public” (Public Interest & Accountability Committee, 2011, p. 1).

Consequently, the natural resource curse is a context in which it is natural to discuss the broader consequences the issues that PIAC has highlighted in their reports. PIAC states that most institutions have not fulfilled the mandates set in PRMA (Public Interest & Accountability Committee, 2011, p. 31). As PRMA was passed in 2011, it has not been in place for very long, and implementation issues are to be expected. The issues raised by PIAC are, however, to be taken seriously as the government cannot afford to have anything but the highest ambitions for the public management of petroleum revenues. PIAC could be instrumental in achieving the ambitions of transparency and accountability set forth in PRMA, and thus could contribute to raising the quality of the public management of petroleum revenues. As such, the very decision to establish PIAC is significant and their main concerns on the state of public management of petroleum revenues equally so.

7.1.1. Contractual Issues
A well-known issue for petroleum exporting countries is that of making contracts with oil companies, which are usually international ones in the start phase. Most contracts with international oil companies include confidentiality clauses, which make it difficult to promote transparency in all parts of the petroleum sector. Furthermore, the secrecy connected to the contract can affect the degree of which it is possible to know the exact amount of money the government receives from the different companies. The issue of corruption becomes very relevant here. In both the Annual Report of 2011 and the Semi-Annual Report of 2012, the issue of corporate taxes paid by the oil companies was highlighted as an aspect of public management of petroleum revenues that were not keeping up to international “best practice” standards.

“The Ministry’s reliance on negotiating corporate taxes with oil companies based on moral suasion is not in tune with established international practice” (Public Interest & Accountability Committee, 2011, p. 15).
This again has lead to the projected corporate tax incomes being inconsistent with the actual incomes (Public Interest & Accountability Committee, 2012, p. 12). This not only leads to challenges in reaching budgetary goals, but also undermines the level of transparency and accountability in the public management of petroleum resources in Ghana. The secrecy and confidentiality makes it difficult for the population to keep track of government spending and knowing the actual amount of money the government receives from oil companies. The danger of developing corruptive behavior is particularly high when there is a lack of standardized contract and negotiation procedures. Several characteristics of the natural resource curse are thus connected to this particular aspect of petroleum revenues, and the effects can trickle down all the way though the institutional constellations.

7.1.2. Allocation of Petroleum Revenues
The volatility of oil prices on the international market is a well-known characteristic of oil exports. For this very reason, Ghana has established two petroleum funds: the Stabilization Fund and the Heritage Fund. The Ghana Stabilization Fund is established in order to “cushion the impact on or sustain public expenditure capacity during periods of unanticipated petroleum revenue shortfalls” (The Parliament, 2011b, Section 9 (2)). The objectives of the Ghana Heritage Fund is “to provide an endowment to support the development for future generations when the petroleum reserves have been depleted; and receive excess petroleum revenue” (The Parliament, 2011b, Section 10 (2) (a) (b)). Consequently, the legislation on revenue management does take the volatility of petroleum revenues seriously, and also takes into account the exhaustibility of such exports and revenues. 30 % of excess revenue is to be transferred into the Ghana Heritage Fund, and 70 % is to be transferred into the Ghana Stabilization Fund (The Parliament, 2011b, Section 23(1)(b)). However, as both of the PIAC reports reveal, the funds have not received the allocated amount of excess revenue from the Annual Budget Funding Amount, despite the provisions made in by PRMA:

“An amount of GH¢57,536,827 being excess petroleum revenue collected over the ABFA in the first half of the year and which should have been transferred to the Ghana Petroleum Funds in line with Section 23(1)(a) of Act 815 was not
transferred. The excess revenues were allocated to the budget as a part of the Annual Budget Funding Amount. This defers the investment incomes the revenues could have generated for the Ghana Petroleum Funds if the transfers were made in line with the law” (Public Interest & Accountability Committee, 2012, p. 16).

In order to make sure that Ghana gains the robustness required to deal with fluctuating oil prices on the international market, allocating the proscribed amount of excess revenue should be prioritized. Furthermore, there has been a problem of only allocating revenues from the Jubilee Field to the petroleum funds.

“The records however show that only the revenues collected from the Jubilee operations were allocated to the to the prescribed fund. Revenues from Saltpond royalties and rental payments were not shown to have been allocated during the period” (Public Interest & Accountability Committee, 2012, p. 14).

The *Saltpond Offshore Production Company Limited* is the only fully owned Ghanaian oil producing company, and as such should allocate revenue to Ghana Petroleum Holding Fund according to PRMA (The Parliament, 2011bSection 6). This has so far not been the case, and the Semi-Annual Report for 2012 stress this issue, and highlights this as one of their main recommendations. This issue became very controversial, as the company claimed to have made the correct transactions to the government and perceived the report as being aimed at harming the company (Kunateh, 2012). It was later discovered that the revenue had been paid into the non-tax revenue account instead of the Holding Fund as demanded by the PRMA. As such PIAC proved to indeed report on issues of non-compliance with PRMA and performing their mandate.

7.1.3. Lack of Long-term Development Plan
As PRMA was developed after broad consultancy with various experts to make sure the legislation follows international best practice and expertise, there are particular provisions made for national development plans. As was mentioned in Chapter 2, Michael Ross concludes with the fact that politicians must be willing to forego the short-
term political benefits of spending, and rather focus on long-term growth. The development plan provisions are made in PRMA in order to prioritize such considerations. However, as was presented in Chapter 6, the provisions in PRMA have yet to be completely implemented and followed so far. While a medium-term plan is developed and being followed, the formulation a long-term development plan is yet to be completed.

The issue of the government establishing clear spending and investment plans was one of the major conclusions from the first-ever public meeting PIAC arranged in Takoradi-Sekondi:

“The concern of many of the contributors was that government should establish a clear cut long-term plan for the public to know what the petroleum revenues are going to be used for, so that periodically, government can be assessed whether it is meeting the objectives which are contained in the plan” (Public Interest & Accountability Committee, 2012, p. 21).

It seems that the public demands a more available document that presents the government’s plan for long-term plan for the use and investment of petroleum revenues. This concern from the population points towards the importance of having a clear cut long-term plan, which citizens can consult in order to assess the work and ambition of the government. The fact that the long term national developmental plan is still missing, is an issue that should be taken very seriously, as long-term development should be given high priority for Ghana, in order to ensure that petroleum revenues actually does benefit Ghanaians as much as possible. This long-term plan that is demanded by law could also potentially satisfy the public to some degree, as long-term development goals are set and it becomes easier to follow the progress made by the government.

7.2. Developing Trajectory of Public Management of Petroleum Resources in Ghana

By analyzing PIAC’s reports and main findings, the goal has been to be able identify some suggestions on the direction of the trajectory development of Ghana’s petroleum management. The worst-case scenario of the natural resource curse is the basis for
comparison. Due to the scope of this analysis, this is a discussion on the developing trajectory of Ghanaian petroleum management according to the findings of the analysis of the case study. The conclusions will not be made based on causality, but on issues with correlations to the natural resource curse. Furthermore, by focusing the attention to the issues in the public management of petroleum revenues, PIAC is contributing to strengthening the framework for public management of petroleum revenues. Issues connected to the reporting and use of petroleum revenues are, as we have established, closely connected to the degree to which a country as a whole is able to benefit from their resources. Consequently, the fire alarm oversight role of PIAC is closely connected to the natural resource curse, and if able to operate according to their mandate can be a positive contributing to combating some issues connected to the natural resource curse.

As a “late-comer” in exporting petroleum, compared to other Sub-Saharan African countries, Ghana has been able to draw on the good and bad experiences of other countries. In addition to this, Ghana will be able to benefit from their strong history of democratic and political stability.

7.2.1. PIAC & the Natural Resource Curse
There is no doubt that PIAC is intended to play a role in combating signs of the natural resource curse, as they themselves reference the phenomenon in their very first report:

“The government is expected to receive several billion dollars in revenue over the next two decades and how these new revenues are managed will be vital to Ghana’s continuing development. Ghana has a chance to show that oil revenues can be managed and used in a transparent and accountable manner, and is seeking to avoid the “resource curse” as experiences in other oil rich countries (Public Interest & Accountability Committee, 2011, p. 1).

PIAC’s mandate is a deliberate measure towards limiting policy corruption by ensuring that the PRMA is enacted by appropriate governmental agencies and that the different actors in petroleum production pay taxes. Furthermore, administrative corruption is also fought though the extensive reporting on revenue spending and allocation.
7.2.2. Including the Ghanaian Population

The establishment of PIAC is an attempt to include the entire population in the oil-adventure that has just started. This sparks the hope of nation wide development ahead, not only development and growth for the elite and the southern regions. One of the most important scholars on the natural resource curse, Terry Karl states that the issue is not whether or not oil is a blessing or a curse, but what kind of political and economic-development trajectories it encourages and whom it benefits (Karl, 1997, p. 235). The Fundamental Petroleum Policy for Ghana follows the same line of argument in stating that:

“The fundamental issues are those that address basic questions about the stakeholders in the industry, their relationships with each other and to the resource, and the principles that must guide these relationships and the development of the industry to ensure success. It is important that these issues are addressed at the initial stages of developing the industry, as they serve as the precursor to the establishment of a successful and sustainable petroleum industry” (Fundamental Petroleum Policy for Ghana, 2009, p. 5).

Consequently, the way that PIAC so far has been able to include the population in discussing their findings and highlighting issues that potentially can have devastating consequences for the Ghanaian society at large. This can be seen as a deliberate effort to mitigate that only a small elite gaining from the petroleum recourses, rather than the country as a whole. Furthermore, they play an instrumental role in combating the information asymmetries by making themselves available for the public to ask questions and further elaborating and explaining complex issues. By involving the public to this extent, the government will have to be accountable for their actions to a larger extent than would be the case without PIAC. If PIAC is able to overcome the challenges discussed in the analysis, chances are that Ghana will be able to continue developing a petroleum management trajectory that aims at making the petroleum adventure a development possibility.
In addition to making efforts to inform the population of the state of public management of petroleum resources, the issue of local content is imperative. The issue of local content has not been the focal point of this case study, but one can argue that a natural extension of involving the general population in the public management of petroleum resources through establishing PIAC is to also ensure that the population is able to participate in developing this new and important industry. The complexity of petroleum extraction and production results in a high degree of foreign presence, especially in the start phase of developing the industry. Consequently, it is important to have deliberate strategies directed towards developing a high degree of knowledge transfer and opportunities for locals, so that the people are able to actively participate in the economic opportunities that the petroleum sector gives. Committing to local content is a long-term goal that should be prioritized, so that the population is participating in developing the industry and the country.

7.2.3. Confidential Contracts
Despite several positive developments in the public management of petroleum revenues, there is especially one issue that needs to be taken seriously, namely that of lack of systematic and open bidding processes and the transparency of these contracts. As previously mentioned, the secrecy aspect of the petroleum industry is one that is tightly connected to corruption and other aspects of the natural resource curse, which can lead to deteriorating developments in petroleum exporting countries. If this issue is not prioritized, it could affect the quality of Ghana’s public management of petroleum resources. Going back to Karl once again, the issue of the natural resource curse is essentially what kind of political and economic trajectory development it encourages and whom it benefits. This is exactly why the issue of non-standardized procedures and transparency concerning the contracts is an issue; it could easily come to benefit international oil companies and rent-seeking behavior over the Ghanaian population. The confidentiality of contract processes is one that could undermine the work of PIAC in informing the population and contribute to developing a more elitist trajectory of petroleum management in Ghana.
7.3. Conclusion

The Ghanaian government established a foundation of public participation that valued transparency and accountability in the management of petroleum resources. These are aspects that have become more prominent when discussing the natural resource curse. Lessons learned from other resource abundant countries and international best practices on petroleum resource management have influenced the public management of petroleum resources in Ghana and provides a good base for developing a positive trajectory development of petroleum resource management.

The decision to establish PIAC is important in itself, as it acknowledges the importance of including the population in the process of becoming a petroleum-exporting country and all it entails of possibilities and challenges, as it mitigates the possibility of elite groups to exploit petroleum resources for personal benefit both in terms of direct corruption, but also in more subtle ways like ensuring investments in long term development projects that benefit the entire country.

Confidentiality of contracts and lack of negotiation standards seems to be the issue that seems to be the most pressing one encountered through this particular case study. This is an issue that is also stressed in natural resource curse literature, particularly by Michael Ross, and is very much associated with developing a negative trajectory of petroleum resource management.

As this particular case study is dealing with a limited timeline of petroleum management in Ghana, its conclusions serves as a snap-shot of the state of affairs. High ambitions for accountability and transparency allows for careful optimism, while acknowledging that both the positive and negative aspects of the trajectory development so far can in fact change over the next couple of years.
8. Conclusion
The purpose of this concluding chapter is to thoroughly answer the research question set out in the Introduction. This single case study has aimed at analyzing the Ghanaian government’s public management of petroleum resources and the level of accountability the government is able to maintain. The focal point has been the materialization of the Public Interest & Accountability Committee and their role in enhancing government accountability. Resulting from data triangulation including interviews, theory, documents and semi-structured interviews, the findings suggest that the Ghanaian government has been especially focusing on managing petroleum resources on behalf of and to the benefit of the Ghanaian population. This view is especially manifested through a wide consultative process in establishing resource-governing legislation. The Petroleum Revenue Management Act proved to have especially high ambitions for responsible, transparent and accountable management of petroleum revenues. Furthermore, deliberate steps have been taken towards ensuring public accountability in the public management of petroleum revenues through establishing the Public Interest & Accountability Committee.

The role of PIAC is defined as a fire alarm oversight role, focused on ensuring accountability and transparency in the public management of petroleum revenues. Through the published reports, public meetings and other activities they are able to sound alarms if procedures are not being followed according to PRMA. Furthermore, PIAC is able to combat some of the information asymmetries that occur due to the level of technical knowledge and expertise needed in order to fully understand the petroleum sector and its challenges. This information asymmetry makes it especially difficult for the population to evaluate the performance of the government and the petroleum companies that are extracting their resources. PIAC serves as an instrumental informant and educator to the people of Ghana, as they make themselves available to people through radio programs and meetings, where questions can be asked and further explanations can be given.

That being said, PIAC has encountered severe challenges in their first years of activities. The most severe problem they have encountered is not receiving the financial support
that they are entitled to according to PRMA. The lack of financial support has threatened their subsistence. The work they have been able to do so far has been thanks to the financial and moral support of NGOs. Furthermore, PIAC struggled with asserting their legitimacy within the bureaucracy, but this has improved after the publishing of the first two reports. Furthermore, the reports are yet to be officially discussed in Parliament and taken into account by the Ministry of Finance & Economic Planning. This issue is standing in the way of PIAC making an actual impact on the public management of petroleum revenues and ensuring accountability. In conclusion, PIAC does have an instrumental role in combating information asymmetries between the population and the government. They are also doing thorough work in monitoring the public management of petroleum resources, although their recommendations have yet to be taken into account. However, this process seems to be slowly starting, as the two first reports have officially been laid in Parliament. Despite experiencing start-up challenges of varying degrees, PIAC has been able to fulfill most of its mandate, missing the deadlines for the Annual Report 2012 being the most serious flaw so far. Being able to inform and include the population in matters related to use of petroleum revenues will enhance the government’s public accountability, is PIAC is able to continue its work for years to come. This is however, dependent on receiving the financial support they are entitled to and also that the reports are being discussed and taken into account by the Parliament and the Government.

As a sub-Saharan African country, the issue of the natural resource curse has been the underlying tone of the debate on Ghana as a newcomer in the international petroleum economy. The natural resource curse has been treated both implicitly and explicitly through legislation, the PIAC reports and public debate. PIAC can easily be linked the larger issue of the natural resource curse, as they consider themselves to be a committee dedicated to combating some of the natural resource curse “symptoms” that are connected to the public management of petroleum resources. Moving beyond the role of PIAC, the issue of prioritizing knowledge sharing and developing a high degree of local content is an issue that focuses on making the Ghanaian population an active part of developing the petroleum industry. The most alarming issue that is very much connected to the natural resource curse is the issue of secrecy concerning the
negotiations of contracts with petroleum companies. Lack of transparency of these procedures has the ability to undermine the benefits of the Ghanaian population for the sake of oil companies. In the worst case this confidentiality could cover up corruption and rent-seeking behavior of elites and international oil companies.

This thesis set out to identify the causal mechanism between the institutional and behavioral variable. The mechanism identified is the establishment of an oversight fire alarm committee and its effect on the transparent and accountable behavior of the public officials in the public management of petroleum revenues. After establishing their legitimacy as an oversight committee, the behavior and attitude towards reporting to PIAC and contributing to making the reports has improved. However, as the reports still have not been discussed in Parliament, taking the reported issues into account and implementing changes is still to be done. In conclusion, establishing an oversight committee like PIAC has changed the behavior of public officials in a more accountable and transparent direction, although PIAC is dependent on the Parliament if full accountability is to be achieved.

As a final remark, it is important to acknowledge the limitations of this study, as well as suggesting further research based on the findings of this thesis. First of all, the focal point of this analysis was the PRMA, a piece of legislation that has been praised internationally for its attention to transparency, accountability and sound management of petroleum revenues. As the petroleum sector's complexity has been discussed at length in this thesis, it follows that it requires a plethora of legislations to govern it. Unfortunately, not all of the developed legislation has had the same attention to accountability and transparency as the PRMA. Particularly the Petroleum Exploration & Production Bill has received some criticism for lack of accountable oversight; especially the issue of the awards of petroleum contracts has been under fire. Consequently, further research on accountability mechanisms present in other pieces of legislations, and perhaps in also the constellation of petroleum-governing legislation, is suggested.
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Appendix:

Interview Recordings enclosed (CD)

- Mr. Dwamena, Public Interest & Accountability Committee Coordinator.
  Interview conducted October 2\textsuperscript{nd} 2013
- Mr. Allan Lassey, Senior Advisor on Extractive Industries & Good Governance GIZ.
  Interview conducted October 1\textsuperscript{st} 2013.