Can Ghana’s Institutions Withstand the Resource Curse?

Workshop: Living in an Extractive State
Inge Amundsen, senior researcher, Chr. Michelsen Institute
November 8th, 2013, 10:00 – 10:30

- The Resource Curse
  - Resource curse theory
  - Economic and political explanations
  - Democracy first theory
  - The institutions that matter

- Ghana and Oil
  - Current situation

- The Statistics
  - Comparing Ghana to resource cursed and blessed countries

- Conclusions
  - Democratic enough?

The Resource Curse

- The Dutch Disease
- The Paradox of Plenty
- The Rentier State model

- Oil rich countries can be worse off
  - Rich in natural resources
  - Poor in economic development

- Explanations
  - Economic explanations
  - Political explanations

- Democracy first theory

- Norway
- Australia
- Canada
- China
- Brazil
- Malaysia
- Botswana
- Nigeria
- Angola
- DR Congo
- The Sudan
- Indonesia
- Liberia
- Zimbabwe
- Colombia
- Australia
- Tajikistan
Economic Explanations

- Relative price effect
  - Higher currency value
  - More imports (cheaper)
  - Competition difficult

- The 'Dutch Disease'
  - Over-investment in extractive industries
  - Under-investments in manufacture, agriculture
  - "Crowding out" other sectors
  - De-industrialisation

- Volatility
  - Uncertainty for businesses
  - Government waste and debt
  - Capital flight

Political Explanations

- The prize increases
  - Higher government revenues
  - Large benefits of being the "state elite"
  - Consumption, enrichment, corruption

- State autonomy increases
  - Off-shore, foreign, High-Tech
  - "Un-earned", easy
  - Little taxation domestic economy
  - No "social contract"
  - Little influence business/middle class
  - Little influence of civil society

- State power increases
  - Means to manipulate institutions
  - Means to buy off rivals
  - Means to buy instruments of coercion

- Conflict increases
  - Uneven distribution
  - Increasing inequality
  - Increasing poverty

- Authoritarianism increases
  - Entrenched elite
  - Violent defence of privileges
  - Weak institutions

Democracy First Theory

A country will be cursed when it becomes oil-export dependent before accountable and democratic state institutions are established and consolidated

Exceptions

- Democratic consolidation
  - Two regime shifts through elections
  - Exceptions?
The institutions that matter

- Institutions of resources and rents extraction
  - Presidential powers
  - Ministries of finance, petroleum, etc.
  - Tax authorities
  - NOC, central bank
  - Coercive apparatus
  - Ruling party …

- Institutions of oversight and control
- Institutions of revenue distribution
  - Institutions of horizontal accountability
    - Parliament
    - Judiciary
  - Special institutions of oversight and control
    - Auditors, ACCs, ombudsmen
  - Institutions of vertical accountability
    - Elections and election systems
    - Civil society
    - Media

Ghana and Oil

Jubilee Field

- Offshore
- Production started late 2010
- Ghana production: +/− 100 Mbit/day
  (Iraq 3,400; Nigeria 2,500; Angola 1,940)
- Ghana proven oil reserves: 5,000 MMbbl
  (Iraq 150,000; Nigeria 37,000; Angola 10,000)
- Annual govt revenues: 1 bn USD/year (6%)
  (Iraq 97%, Nigeria 70%, Angola 80%)
- 20 years prospect; other possible offshore finds

The Statistics 1

World Bank Institute Governance Indicators 2010

Voice and Accountability

Rule of Law
The Statistics 2

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The Laws and the Institutions

- The legal framework
  - Exploration and Production Law
  - Petroleum Income Tax Law
  - Petroleum Revenue Management Act, PRMA
  - Model Petroleum Agreements, MPAs
  - Freedom of Information Act (pending)
- The institutional framework
  - Petroleum Funds (Stabilization and Heritage)
    - NOC: Ghana National Petroleum Company, GNPC
    - Petroleum Commission
    - Public Interest and Accountability Commission, PIAC
    - Ghana Revenue Authority, GRA
    - Economic and Organised Crime Office, EOCO
    - Environmental Protection Agency, EPA
    - EITI compliant, secretariat

Conclusion

- Will Ghana Avoid the Resource Curse?
  - Governance indicators: OK
  - Legal framework: OK
  - Institutional framework: OK
- Democratic consolidation?
  - Regular elections every four years since 1992
  - Four fully competitive multiparty elections since 1996
  - Incumbent president has stepped down twice
    - December 2000 Rawlings to John Kufuor
    - December 2008 Kufuor to John Atta Mills
  - Plus constitutional successor Kufuor to John Dramani Mahama

- Competitive bidding
- Environmental impact ass'ts
- GPMs
- Vibrant civil society
- Open media
- + + + …