Oil Governance in Ghana: Exploring the Politics of Elite Commitment to Local Participation

A thesis submitted to the University of Manchester for the degree of
Doctor of Philosophy in the Faculty of Humanities

2017

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABFA</td>
<td>Annual Budget Funding Amount</td>
</tr>
<tr>
<td>ACET</td>
<td>African Center for Energy Transformation</td>
</tr>
<tr>
<td>AFRC</td>
<td>Armed Forces Revolutionary Council</td>
</tr>
<tr>
<td>AGI</td>
<td>Association of Ghana Industries</td>
</tr>
<tr>
<td>AOMC</td>
<td>Association of Oil Marketing Companies</td>
</tr>
<tr>
<td>ARCO</td>
<td>Atlantic Richfield Company Limited</td>
</tr>
<tr>
<td>ASSI</td>
<td>Association of Small-Scale Industries</td>
</tr>
<tr>
<td>BAEC</td>
<td>Block Application Evaluation Committee</td>
</tr>
<tr>
<td>CCPS</td>
<td>Competitive Clientelist Political Settlement</td>
</tr>
<tr>
<td>CDD</td>
<td>Centre for Democratic and Development</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief executive Officer</td>
</tr>
<tr>
<td>CIBA</td>
<td>Convention People’s Party</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
</tr>
<tr>
<td>CSPOG</td>
<td>Civil Society Platform for Oil and Gas</td>
</tr>
<tr>
<td>DCMC</td>
<td>Domestic Content and Matchmaking Conference</td>
</tr>
<tr>
<td>E&amp;PL</td>
<td>Exploration and Production Law</td>
</tr>
<tr>
<td>E&amp;PF</td>
<td>Exploration and Production Forum</td>
</tr>
<tr>
<td>ERP</td>
<td>Economic Recovery Programme</td>
</tr>
<tr>
<td>GCCI</td>
<td>Ghana Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>GCM</td>
<td>Ghana Chamber of Mines</td>
</tr>
<tr>
<td>GCP</td>
<td>Ghana Congress Party</td>
</tr>
<tr>
<td>GEA</td>
<td>Ghana Employers Association</td>
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<tr>
<td>GETfund</td>
<td>Ghana Education Trust Fund</td>
</tr>
<tr>
<td>GhSMEs</td>
<td>Ghana Small and Medium Scale Enterprises</td>
</tr>
<tr>
<td>GIMPA</td>
<td>Ghana Institute of Management and Public Administration</td>
</tr>
<tr>
<td>GIPC</td>
<td>Ghana Investment Promotion Centre</td>
</tr>
<tr>
<td>GLC</td>
<td>Ghana Labour Commission</td>
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<tr>
<td>GNPC</td>
<td>Ghana National Petroleum Corporation</td>
</tr>
<tr>
<td>GOGSPA</td>
<td>Ghana Oil and Gas Service Providers Association</td>
</tr>
<tr>
<td>GPRAB</td>
<td>Ghana Petroleum Regulatory Authority Bill</td>
</tr>
<tr>
<td>GRA</td>
<td>Ghana Revenue Authority</td>
</tr>
<tr>
<td>GRIDCo</td>
<td>Ghana Grid Company Limited</td>
</tr>
<tr>
<td>GTZ</td>
<td>German Technical Cooperation</td>
</tr>
<tr>
<td>IAS</td>
<td>Institute of African Studies</td>
</tr>
<tr>
<td>IEA</td>
<td>Institute of Economic Affairs</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IOCs</td>
<td>International Oil Companies</td>
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<tr>
<td>IPAC</td>
<td>Inter-Party Advisory Committee</td>
</tr>
<tr>
<td>ISCs</td>
<td>International Service Companies</td>
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<tr>
<td>ISODEC</td>
<td>Integrated Social Development Center</td>
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<tr>
<td>JFM</td>
<td>June Fourth Movement</td>
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<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>KNRG</td>
<td>Kwame Nkrumah Revolutionary Guards</td>
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</table>
LAO: Limited Access Orders
LC: Local Content
LCC: Local Content Committee
LCD: Local Content Directorate
LCPP: Local Content and Participation Policy
LEAP: Livelihood Empowerment against Poverty
NCP: National Convention Party
NDC: National Democratic Congress
NGO: Non-Governmental Organization
NHI: National Health Insurance
NHIF: National Health Insurance Fund
NIE: New Institutional Economists
NLM: National Liberation Movement
NNPC: Nigerian National Petroleum Corporation
NPP: New Patriotic Party
NRGI: Natural Resource Governance Institute
NYEP: National Youth Employment Programme
MD: Managing Director
MELR: Ministry for Employment and Labour Relations
MODEC: Mitsui Ocean Development and Engineering Company
MoEn: Ministry of Energy
MoPet: Ministry of Petroleum
MoU: Memorandum of Understanding
MPLA: People’s Movement for the Liberation of Angola
OAO: Open Access Orders
PC: Petroleum Commission
PCIAC: Petro-Canada International Assistance Corporation
PCSL: Parliamentary Committee for Subsidiary Legislation
PDA: Preventive Detention Act
PDC/WDC: People’s and Workers’ Defence Committees
PDP: People’s Democratic Party
PEF: Private Enterprise Foundation
PIAC: Public Interest and Accountability Committee
PLCLPR: Petroleum Local Content and Local Participation Regulation
PNDC: Provisional National Defence Council
PNP: People’s National Party
PRMA: Petroleum Revenue Management Act
PSC: Project Steering Committee
PSI: Presidential Special Initiative
PSOs: Private Sector Organisation
PSR: Private Sector Roundtable
RGD: Registrar General’s Department
SADA: Savanna Accelerated Development Authority
SAP: Structural Adjustment Programme
SCB: Standard Chartered Bank
SMC: Supreme Military Council
SMEs: Small and Medium Scale Enterprises
SSNIT: Social Security and National Insurance Trust
TEN: Tweneboa, Enyenra, and Ntomme
TGL: Tullow Ghana Limited
TUC  Trades Union Congress
TWN  Third World Network
UGCC  United Gold Coast Convention
UT    Unique Trust
VfM   Volunteers for Mahama
WAOFCO  West Africa Oil and Fuel Company
Ishmael Ayanore, September 2017:

The University of Manchester, Doctor of Philosophy

Oil Governance in Ghana: Exploring the Politics of Elite Commitment to Local Participation

Abstract

This thesis explores the politics of elite commitment to promote local content and participation within Ghana’s oil and gas sector. Since Ghana discovered commercial quantities of oil in 2007, debates over whether it would avoid the ‘resource curse’ have primarily taken place within a neo-institutionalist frame of analysis that emphasises the importance of establishing certain types of institutional arrangements which can help constrain and shape elite commitment to developing petroleum resources in the national interest. This thesis seeks to go beyond this framing by deploying new forms of political analysis which show that elite commitment is shaped not by institutions but by the wider configuration of power. It employs an extended ‘political settlements’ framework (incorporating ideas) that explains how elite interests and ideas shape developmental forms of political commitment to governing oil in the national interest. The analysis is based on three main cases - the politics of formulating and adopting local content legislation, the process through which this legislation was implemented and the effort put into building the capacity of Ghanaian firms to participate in the sector. The thesis argues that the underlying tendencies within Ghana’s competitive clientelist political settlement (electoral incentives, coalition building, patronage politics and ideas) directly shaped the levels of political commitment to secure greater oil rents. Ghana’s competitive political settlement generated incentives for politicians to use local content policy promises as a strategy to bring certain civil society and private sector elites within what would become a ruling coalition. This move, along with the resource nationalist ideology of the coalition in power at the time, in turn helped to generate relatively high levels of elite commitment to developing ambitious targets within the legislation. However, the process of implementation has been shaped more directly by incentives than ideas, particularly in terms of pressures to distribute participation opportunities in line with the clientelist logic of the political settlement, benefitting politically connected firms. In applying an extended political settlements approach, this thesis offers deeper political economy insights into the drivers of elite commitment to governing oil in the national interest, and shows how Ghana’s efforts to avoid the resource curse have and will continue to be closely shaped by ‘power relations’, ‘elite bargaining’ and ‘ideas’.
Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

Ishmael Ayanoore

September 2017
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Acknowledgements and Dedication

To God be the Glory. I am extremely grateful to the Ministry of Petroleum, Ghana for funding this PhD study. My deepest gratitude to my supervisors, Professor Sam Hickey and Dr Tomas Frederiksen - your patience, encouragement and meticulous intellectual guidance at all stages of this long academically challenging PhD journey have been integral to improving my research and writing skills. Thank you for unreservedly sharing with me your enormous experience, knowledge and time. Your tremendous support has made this research possible.

I also thank Professor Phil Woodhouse for his support as my internal independent examiner throughout my mid-year and annual reviews, complementing my strong supervisory team so well with his very important inputs. I am indebted to Professor Thomas Akabzaa, for his continuous mentorship and fatherly love. I wouldn’t have gotten this far without his support and guidance.

In Ghana, I am grateful to all interviewees, especially the politicians and senior bureaucrats who provided me with critical information and insights into local content governance in the oil and gas sector. To my colleagues and friends in GDI and 42 Colliery Street, my sincere thanks to Anthony Kumasey, Franklin Adorsu-Djentu, Mohammed Ibrahim, Edward Ampratwum, Issifu Amadu, Raqeeb Abu Salia, Peter Agamele and Irene Okhade for supporting me in various ways with my research. Special thanks go to my senior colleagues in 42 and GDI: Lamisi Mbilla, Dr Divine Banyubala, Dr Justice Bawole, Dr. Hamza Bukari, and Dr Emmanuel Pumpuni Asante for setting the bar high and inspiring me to this height.

Finally, I dedicate this thesis to my Family both in the United Kingdom and home, for your prayers and support that helped me persevere in my studies. My wife Victoria deserves exceptional thanks for the love, sacrifice and emotional support that helped me to sail through this PhD journey. Special thanks to my Uncle Noah Adintoghe and friend Ernest Amosah for their support anytime I needed it.
1.1 Introduction

Natural resources provide opportunities for economic growth and development. Often however, this prospect is embraced with some scepticism (see Schrank, 2004, Herb, 2005). Countries with substantial incomes from resource exploitation often perform less well than their counterparts with little or no income from natural resources (Weber-Fahr, 2002). The consensus is that ‘poor governance’ underlies this disappointing contribution of natural resources to development (Gary and Karl, 2003, Collier and Hoeffler, 2005, Collier and Venables, 2011). The development trajectories of many resource-rich countries are uneven (Ross, 2012). Botswana (Poteete, 2009), Norway (Thurber et al., 2011) and Australia (Ville and Wicken, 2013), have harnessed their resource wealth to boost economic growth and development. Others such as Angola (Munslow, 1999), Nigeria (Sala-i-Martin and Subramanian, 2013) and Mexico and Venezuela (Lane and Tornell, 1996) have performed less well with natural resources, with their economies characterised by corruption, poor economic diversification, environmental degradation, poverty and violent conflict (Karl, 1997, Auty, 2001). These experiences inform the academic convergence around ‘the idea of the resource curse (Gelb, 1988, Karl, 1997, Auty, 2002, Humphreys et al., 2007).

However, while appealing to a wide following, interpretations of the ‘resource curse’ literature are polarised and have increasingly come under close scrutiny for presenting only a part of the story (e.g. Poteete, 2009, Di John and Putzel, 2009). Within the varied narratives of the ‘resource curse’, what we are yet to better understand are the underlying conditions under which a resource-rich country may be ‘cursed’ and how this can be avoided. Admittedly this quest is not new. Various works (e.g. Ross, 2012, APP-Report, 2013) have contributed to explaining the vicissitudes of resource-led development across different
countries. Nonetheless such works in most cases end up in familiar ‘arguments’ that, whether a country suffers from the curse or not depends on the institutions and governance forms that mediate the relationship between extraction and development (see Humphreys et al., 2007). In particular, New Institutional Economists (NIEs) (e.g. North, 1990, Knight, 1992, Acemoglu et al., 2001b) argue that whether a country can achieve economic development through natural resources depends on the quality of institutions within. NIEs identify the absence of quality institutions prior to discoveries as key to the paradox between resource wealth and economic growth, arguing that ‘accountable and transparent governance’ is the prerequisite for positive resource-driven development (see Hall and Jones, 1999, La Porta et al., 1999, Campbell, 2009, Acemoglu and Robinson, 2013a, Knutsen, 2013). However, the insistence that institutions matter, while a good start, is akin to ‘wanting to build a house but starting from the roof’. The theoretical claims by NIEs give little account about the conditions under which ‘good institutions’ emerge and are enforced, hence fail to identify the particular conditions within which recourse rich countries gain the capacity and elites gain the commitment to deliver development (Poteete, 2009, Khan, 2010). For Karl (2007b) the capacity of institutions to drive resource-led growth lies with the politics that produce them. Bridge and Le Billion (2013:3) agree that “petroleum governance is unavoidably political because the decisions about finding, moving and using oil bring together groups of people with different interests and agendas”. This thesis draws on Leftwich’s (2004: 19) definition of politics - “all the processes of conflict, co-operation and negotiation on taking decisions about how resources are to be owned, used, produced and distributed”, and argues that a focus on the underlying political conditions within which state elites gain commitments to govern natural resources offers richer insights into the relationship between mineral and petroleum wealth and development.
Beyond good institutions, the ‘political settlements’ approach goes further to try to explain the underlying conditions that mediate the emergence and enforcement of institutions. A political settlement here refers to “the balance or distribution of power between contending social groups and social classes, on which any state is based” (Di John and Putzel, 2009:4). Varied accounts on how political factors shape institutions exist (e.g. Boone, 2003, North, 2007, Whitfield and Therkildsen, 2011). However, Khan’s (2010) political settlements framework promises to offer powerful political economy insights into institutional change and development (see Di John and Putzel, 2009). The approach focuses on the role of inter-elite relationships as a causal factor that underpins the consensus around institutional and policy choices, especially in relation to distributional concerns (Parks and Cole, 2010).

Research works (e.g Poteete, 2009, Hickey et al., 2015a, Hickey et al., 2015b, Macuane et al., 2017, Mohan et al., 2017) that employ the political settlements framework under natural resources governance settings claim to have generated deeper analysis (than NIEs) on how politics and power relations mediate institutions. Such works argue that coalitional building approaches shaped the levels of elite commitment (in their respective country contexts) to developing and enforcing certain types of institutions to govern natural resources. This line of argument is particularly revealing in the struggles by governments of most oil-rich African countries to secure greater rents through developing and enforcing resource nationalist local content policies (see Tordo et al., 2011, Ovadia, 2015b). Such commitments are often underlain by the interests of coalitions and the existing political realities faced by the national-level elites of resource-rich African countries and help account for the struggles and bargaining that establish the basis for their local content policies (see Ovadia, 2015a, Hansen et al., 2016).

The political settlements approach however leaves some important issues unaddressed, particularly the question of whether the coalitional dynamics required to stabilise institutions
are similar to those associated with high levels of elite commitment to development, including effective resource management (e.g. Sen, 2013). Apart from arguments that stable political coalitions create conditions for ruling elites with long-term horizons to emerge, the political settlements approach offers incomplete theoretical explanations on how such institutions gain legitimacy and elites commit to certain policy decisions (see Routley, 2012). The political settlements framework tends to privilege the role of elite actors, understood from rational-actor conditions that operate within dormant coalitions (Hickey, 2013: 14).

Emerging critical analyses on politics and resource-led development go further to argue that “an adequate analysis of coalitional emergence must address incentives, issues of identity, ideas…..and a detailed analysis of the diverse actors that make up the coalition” (Bebbington, 2013: 9). This move underpins the institutional making struggles when natural resources are discovered, especially the resistance and claims of social groups to rents. Such struggles often entail complex interactions about fairness, rights, national interest etc., which in most cases influence the policy choices politicians adopt and implement (Ibid). This implies that an adequate analysis of political coalitions must trace the ideational variables that “help establish the norms by which elites operate and to define what is permissible within the broader ‘social contract’ between states and citizens” (Hickey, 2013: 16). This argument on ideas is increasingly recognised in studies of political commitment, particularly in the developmental states literature where factors such as belief systems and resource nationalism strongly influence elite behaviour (see Routley, 2012, Booth and Golooba-Mutebi, 2012).

The attention on ideas here challenges the dominant focus on interests by the NIE and political settlements approach as wielding a more causal role in the shape and enforcement of institutions and suggests new ways within which ideas can interact with interests to mediate natural resource governance. Importantly, this move features prominently within recent resource governance research that mainstream scholars on politics and resource-led
development fail to incorporate into the debate on avoiding the ‘curse’. The understanding that institutions emerge from processes of elite struggles that can refract dominant interests is rooted in much of the research on politics and natural resource led growth (see Bebbington, 2012, Singh and Bourgouin, 2013). This argument is particularly evident within more critical works on politics and resource governance which emphasise the role of broader social struggles in shaping policy decisions (e.g. Poteete, 2009, Di John and Putzel, 2009).

A key question for current research on the politics of oil and minerals governance then, is to develop a coherent framework in exploring the core insights of the political settlements and ideas approaches in ways that enable a richer understanding of the underlying political factors behind elite commitments to institutional choices. Below, I establish the basis for this framework by critically evaluating the influence of politics and power relations in shaping institutions and policies in Ghana’s nascent petroleum sector, tracing the role of interests and ideas in this, before turning to construct key research questions to guide my study. The intention is to develop a more rounded approach to understanding the relationship between institutions and oil-led development in ways that problematise the role of agency.

1.2 The Research Context, Aims and Questions

Aspects of the conceptual approaches highlighted above exist within efforts to govern oil and gas in Ghana, particularly the institutional bargaining (between political and state elites) to develop good institutions to avoid the resource curse. As discussed further in Chapter 4, Ghana settled into a consolidating competitive de-facto two-party political system after the 1992 elections, following the persistent political instability between 1957 and 1981 with interludes of civilian and military governments (Daddieh and Bob-Milliar, 2014). The return to multiparty democracy saw the National Democratic Congress (NDC) and the New Patriotic Party (NPP) dominate all elections, alternating in power with increasingly tightly-
fought elections. This period marked a return to competitive clientelism\(^1\), characterised by intense inter-elite bargaining to agree to the ‘rules of the game’ for the exchange of political power. Within this context, ruling elites often prioritise initiatives that can help build a winning coalition, including delivering short-term visible benefits in order to win elections, with little programmatic reforms capable of driving structural transformation (see Whitfield, 2011a). Specific to natural resource governance, the clientelist character of Ghana’s political settlement largely undermines the prospects for using oil and minerals to catalyse national development (Oduro et al., 2014). Policies in the extractive sector are fragmented along party lines and tied to the short-termist political agenda of the two parties (Gyimah-Boadi and Prempeh, 2012, Abdulai, 2017).

The prevailing political settlement is nonetheless overlain by ideological differences between the NDC and NPP, which have endured over the pre-independence period. As discussed further in Chapter 4, the NPP in line with its post-independence Danquah-Busia tradition professes itself as a liberal democratic party, oriented towards the promotion of private enterprise (Aryeetey and Owoo, 2015). The NDC on the other hand espouses a statist and leftist political image, aligned to the social-democracy ideology of its forebear, the Provisional National Defence Council (PNDC). Detailed further in Chapter 5, this ideological variance between the two parties has influenced differences in their approaches to governing oil. Broadly, the NPP pursued a liberal approach to oil, seeking to attract more foreign investments against increasing royalty rates and national participation, whereas the NDC followed a statist approach, aiming to garner high stakes for the state (Hickey et al., 2015a). Consequently, the debates between the NDC and NPP over policy choices are driven by the persistent interplay of ideas and interests.

\(^1\) This is a condition where contending elites negotiate with one another, and with each elite actor implicitly threatening that in the event that the arrangements are not to their liking they could ‘defect’ from the deal, and potentially disrupt the game as a whole (Levy, 2012:3).
The tendencies (electoral calculations, coalitional building, clientelism and ideas) associated with Ghana’s political settlement strongly influence the decisions ruling elites make and which in turn shape development outcomes in the country (Oduro et al., 2014). Elite relations determine how institutions are negotiated between the state and organized groups (e.g. civil society, private sector, trade unions etc.) such that although the incentives of those in positions of power may be at variance with the national interest, powerful elites resist changes that might not be in line with their interests (DFID, 2010). For example, mineral resources have served as an important economic development bedrock for Ghana (see Awudi, 2002, Aryee and Aboagye, 2008). By 2010, the mineral sector alone constituted about 8 per cent of Ghana’s Gross Domestic Product (GDP) and 25 per cent of government revenue (Ghana Chamber of Mines, 2010). This promise has however not matched the country’s development record, not least with the widening poverty gaps (see Debrah, 2013), and growing budget deficit (see Tuffour, 2013). This is partly explained by the fact that mining operations are fragmented towards party lines, with policies often designed to serve the interests of ruling coalitions and the factions within, including political and business elites owning lucrative mining concessions and Chiefs gaining through royalties in exchange for land (Abdulai, 2017).

These tendencies (inter-and intra-elite competition and patronage) deepened with oil discoveries in 2007. The opportunities generated by oil stimulated a highly politicised policy-making process that saw both the NPP and NDC facilitate ‘sweetheart oil deals’ between International Oil Companies (IOCs) and powerful elites of the respective parities\(^2\) (also see Amin-Adam, 2015). Maiden policy processes to govern oil saw intense competition for control between the two parties, underpinned by elite negotiations and pacts (Gyimah-Boadi and Prempeh, 2012). The role of Ghana’s political settlement in shaping oil governance is

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\(^2\) The contentious EO and Joe Ofori deals facilitated by the NPP and the NDC respectively reveal that while in office, both parties sought to facilitate and benefit improperly from ‘sweetheart oil deals’.
echoed strongly by Mohan et al. (2017) who relate the country’s investor friendly oil agreements to the tendencies within its competitive clientelist political settlement and the role of transnational capital in brokering these favourable deals. Similar work by Hickey et al.,(2015a) reveals how Ghana’s competitive clientelist political settlement undermined the state’s bureaucratic ‘pockets of effectiveness’ that saw politicians negotiate weaker oil deals. Employing an extended political settlement approach, Asante (2016) offers a subnational case study of politics and oil governance in Ghana, emphasising how local political dynamics (interests and ideas) in the Western oil Region shaped resource allocation arrangements.

The findings of these authors underline the conceptual and analytical tools employed in this thesis, as they go beyond the institutionalist perspective to investigate the politics and power relations behind oil governance in Ghana. The works of Mohan et al. and Hickey et al., offer deeper insights into the role of political settlements in shaping oil governance in Ghana, they nonetheless focus on how politics and power relations mediated petroleum negotiations but not institutions and policies per-se. Employing the political settlements approach as adapted by some researchers to include the role of ideas, this thesis extends the works outlined above by critically examining how the tendencies (within Ghana’s political settlement), generated by the configuration of power within, shaped oil governance institutions and policies pertaining to local content. The research seeks to answer the following questions:

- How has the political settlements shaped elite commitment to developing and implementing local content in the national interest? In particular:
  - How have the elite interests generated by the underlying configuration of power within the ruling coalition shaped the promotion of local content in the oil and gas sector?
What role has ideas around securing greater oil rents played in the local content policy development and implementation?

To respond to these questions, I draw on Khan’s political settlements approach, but incorporate Blyth’s (2010) and Bebbington’s (2013) expositions on the mediating role of ideas on institutions to construct a conceptual framework for analysing how Ghana’s political settlements has shaped institutional commitments to local content promotion. Of particular importance (in the framework in Chapter 3) in exploring the prospects for ‘good oil governance’ within Ghana’s competitive clientelist political settlement (CCPS) context is the organisation of power within the ruling coalition (Khan, 2010, Oduro et al., 2014). Within Ghana’s CCPS, ruling coalitions are highly vulnerable due to both the competitive nature of elections and growing strength of high and low level factions (Chapter 4). In this context, the ‘rules-based’ institutions so much cherished by proponents of the ‘good governance agenda’ might be displaced by politically-motivated distribution of oil rents and personalised ‘deals-making’ aimed at courting electoral support (Oduro et al., 2014: 8). Added to this concern that Ghana’s CCPS might set certain structural conditions for oil governance to take shape, the power relations that underpin institutional and policy bargaining are such that the roles played by keys actors (e.g. politicians, elite groups and social organisations) can be critical in determining the path petroleum management takes. These political dimensions can help generate insights into how the underlying configuration of power within Ghana’s political settlement shapes elite commitments when developing and enforcing institutions capable of retaining greater oil rents.

However, and as indicated above, given that the different ideological positions of the two main parties also shape institutional processes and outcomes, it is insufficient to offer only an instrumental-based analysis of elite behaviour within policy processes. Consequently, my conceptual framework in Chapter 3 extends the political settlement approach to incorporate
the role of ideas in framing oil governance institutions. This move aligns with Bebbington’s (2013) argument that institutions in resource-rich settings reflect the interplay between interests and ideas and offers deeper insights into the key relational factors that underlie oil governance in Ghana. This thesis is unable to fully explore how the political settlement is shaping institutional performance in Ghana, not least with the vast but also infant nature of the oil sector. Instead, it examines how elite bargains within Ghana’s CCPS generates incentives and ideas for ruling elites to use oil policy processes to woo political support in order to expand their coalitions and how this, in turn, shapes commitments towards retaining greater oil rents. The aim here is to track the underlying political factors behind the emergence and enforcement of institutions (e.g. Di John and Putzel, 2009, Khan, 2010), including whether ruling elites have dominated policy processes, or co-developed these with factional groups (e.g. private sector elites and civil society) (e.g. Hickey, 2013).

1.3 Thesis Structure

The subsequent chapters are organised as follows:

Chapter 2 starts with a critical look at the alternative debates on the resource curse literature, particularly the marginal calls by the NIE approaches to bring politics back into the resource governance agenda (e.g. Van der Ploeg and Venables, 2011). It explores how this focus on ‘the rules of the game’ offer a limited reading of how politics shape resource-led development (see Di John and Putzel, 2009). It then further reviews more thoroughgoing arguments that place politics at the heart of research on the relationship between natural resource and development, revealing how power relations underpin elite commitments concerning institutional choices (e.g. Poteete, 2009, Khan, 2010). The chapter goes further to explore the literature that argues that ideas matter with regards to natural resource governance.
Chapter 3 develops a conceptual framework that builds on Khan’s (2010) political settlements approach by incorporating ideas as a fundamental and significant element of politics and which helps explore the underlying conditions that shape elite commitments to develop and enforce certain types of institutions. The chapter also outlines the methodological approach to this research, highlighting the methods for data collection and analysis.

Chapter 4 traces the evolution of Ghana’s political settlement before and after independence, focusing on how political events in the late colonial period shaped the main political traditions within, and how elites have coalesced around this overtime. It accounts for the shift from dominant to competitive clientelism, highlighting in particular how electoral competition shaped the nature of power relations between political elites and broader interest groups within ruling coalitions and how these have shaped policy choices over time. This helps reveal the shifting character of Ghana’s political settlement and the power dynamics and ideas herein, and sets the context for understanding the shape and enforcement of policies and institutions.

Following from Chapter 4, chapter 5 explores how power relations, elite coalitions and patronage politics within the prevailing political settlement have shaped the governance of oil in broad terms and the role of oil in reshaping and enabling these tendencies. It does this by exploring how the character of ‘holding power’ and coalitions shaped key aspects of the Exploration and Production Law and Petroleum Revenue Management Act, and the role of elite interests and ideas in this. The aim here is to establish a platform for tracking changes within the political settlement after oil discovery, and how these influenced the levels of elite commitment to oil governance.
Chapter 6 is the first of three empirical chapters in this thesis. Operationalising insights from my extended political settlement framework in Chapter 2, the chapter provides an original analysis on the role state elites played in the development of Ghana’s local content framework, particularly the role of elite interests and ideas in shaping the ambitious targets. This helps reveal how ‘elite relations’ and their ‘holding power’, including the political ideologies of the two main parties shaped the levels of elite commitments to develop strict local content targets against the interests of foreign companies.

Chapter 7 presents the second empirical analysis, involving how the tendencies within Ghana’s CCPS helped drive high local content implementation. As in Chapter 6, chapter 7 looks at how elite commitments, shaped by their interests and ideas, generated ‘institutional fixes’ to force foreign companies to implement high level of local content targets despite the limited technical and financial capabilities of private sector elites.

Chapter 8 presents the last of the three empirical chapters. It offers further insights into the elite interests and ideas that shaped the commitment of political elites to develop the technical capacity of Ghanaian firms to adequately participate in the oil sector. Drawing on the operational challenges of the Enterprise Development Center (EDC), established by the NDC to address local capacity challenges, the chapter explores whether the tendencies within Ghana’s political settlement (detailed further in Chapter 4 and 5) played a role in undermining the capacity of the center to meet its own set targets between 2013 and 2016.

Chapter 9 summarises and draws conclusions on the empirical analysis. It reflects on what the empirical findings of the thesis means for the politics of oil governance in Ghana. More broadly, the chapter examines the implications of the findings for the resource curse, institutionalist approaches and the political settlement framework. It concludes by examining the future implications of the findings for local content governance in Ghana.
Chapter 2: Beyond the Resource Curse; the Role of Politics and Ideas in Resource Governance

2.1 Introduction

This chapter reviews the conceptual literature, critically examining the broader theoretical debates on the politics of natural resource governance, particularly the institutionalist and political settlements understandings of this subject. It begins with a reflection on the resource curse theory, interrogating the adequacy of the focus on rentier politics (particularly by the institutionalist approaches) in explaining the shape and enforcement of institutions in resource-rich settings. It subjects these institutionalist perspectives to critical review, questioning the claim that ‘good institutions’ are the panacea to the ‘resource curse’, particularly under clientelist political contexts where deeper forms of politics and power relations shape the path institutions take (Khan, 2010). The chapter further explores arguments that place politics at the heart of the natural resource governance story (e.g. Poteete, 2009, Bebbington, 2013, Hickey et al., 2015a), focusing on how power dynamics and ideas help illuminate the levels of elite commitment concerning institutional choices.

2.2 The ‘Resource Curse’, a Brief Retrospection

The notion that mineral and oil extraction triggers dysfunctional governance arrangements and undermines economic diversification predates the literature on the resource curse (see Prebisch, 1950). The concept nonetheless emerged strongly in the early 1990s as a key reference point for research on the paradoxical relationship between natural resources and development (Auty, 1993). Early researchers focused primarily on the economic dimensions of the curse, prescribing how commodity booms whet the appetite of politicians to spend in their domestic economy, which in turn triggers an exchange rate appreciation and crowds out other exporting sectors of resource rich countries (see Mehlum et al., 2006b). Economic explanations of the resource curse however begged the question: what accounts for the
variations in resource governance across oil and minerals endowed countries? In the latter parts of the 1990s through to the early 2000s, the resource curse discourse shifted from economic-based accounts to more politically-centered ones, underpinned by the institutionalists and ‘rentier’ states theories. The latter approach mainly focused on explaining how the degree of rent seeking and patronage politics accounted for the different governance trajectories across resource-rich countries (see Tornell and Lane, 1999, Ross, 2001). Ross (2003a) for example argues that Nigeria’s poor management of its oil largely emerged from the illusion of greater development prospects, fuelled by short term populist policies and patronage politics. In the early 2000s, the shift from economic centered explanations became prominent within the good governance campaign, with debates on ‘avoiding the curse’ placing ‘good institutions’ at the heart of the story (e.g. Acemoglu et al., 2001a, Robinson et al., 2006).

2.3 Resource Curse and the Good Governance Agenda
At the turn of the century, most mainstream research aiming to tackle the problems (e.g. corruption, conflicts, poverty and inequality) associated with the ‘resource curse’ were located within the good governance agenda (Mehlum et al., 2006a, Robinson et al., 2006). Inspired mainly by works from the New Institutional Economics (NIE)\(^3\) school, such enquiries focused on policies, institutions and state building as key ingredients for proper oversight of natural resources (Humphreys and Sandbu, 2007, Bebbington et al., 2008). NIE emerged through the works of Ronald Coase (1937, 1960) in an attempt to prescribe social and legal norms and rules to help address economic problems. The discipline developed strongly throughout the 1990s and the early 2000s with the works of various scholars (North, 1990, Knight, 1992, North, 1995, Rodrik, 2000) who saw the “rules of the game” (North,

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\(^3\) New institutional economics (NIE) is an economic perspective that combines a number of disciplines such as economics, law, organization theory, political science, sociology and anthropology to understand the institutions of social, political and commercial life (Klein, 1999).
1990:3-4) as key to avoiding the curse. Moving beyond neoclassical explanations, NIE arguments reflected the widespread understanding that the absence of quality institutions prior to discoveries drove the paradox between oil and mineral booms and development (eg Karl, 2007a). Van der Ploeg (2011), for example, argues that the poor development outcomes in oil and mineral rich countries such as Nigeria, Angola and Congo flowed from ‘weak institutions’ occasioned by civil wars over resource control. In contrast, Acemoglu et al (2001a) attribute Botswana’s relatively ‘good’ management of its mineral wealth to the strong institutions that they argue were established before the discovery of diamonds. Poteete (2009) nonetheless argues that these institutions emerged after diamond discoveries, underpinned by an inclusive ruling coalition with high commitment to govern diamonds in the national interest.

Conceptually, the arguments within NIE rest on the widely proclaimed foundation that good governance is the prerequisite for successful resource-driven development (eg Campbell, 2009, Acemoglu and Robinson, 2013a, Knutsen, 2013). This thinking is self-fulfilling, not least as it necessarily projects ‘good institutions’ as the panacea to the curse. This objectivist inference largely explains why donor agencies such as the International Monetary Fund (IMF) and the World Bank eagerly promote the good governance concept as key to reforming the extractive sectors of developing countries. Admittedly, studies by Acemoglu et al. (2001a) on Botswana and Thurber et al. (2011) on Norway point to how administrative improvements in accountability helped generate good resource governance outcomes in these countries. However, although accountability measures can have transformational effects, the question is whether such ideal-type measures (as prescribed by the good governance agenda) divorced from their political contexts can help promote resource-led development. This is the

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4 The Extractive Industries Review (EIR), Extractive Industries Transparency Initiative (EITI), Natural Resource Charter, Petroleum Governance Initiatives are examples of initiatives aimed at instilling good governance reforms in resource rich developing countries.
core of Rosser’s (2006b: 566) critique that “rentier states theorists typically portray states in resource abundant countries as divorced from the social environments”. It is not clear the underlying conditions countries might be willing to undertake institutional reforms, and whether such changes can help generate high levels of elite commitment to deliver good resources governance (e.g. Hickey, 2013). Even within high levels of political commitment to reform, the form institutions take is constrained by political and vested interests, underpinned by social struggles and other structural conditions (Nanda, 2006, Dunning, 2008).

For critics, the central underpinnings of the good governance campaign only ever offered a limited understanding of the key factors behind the mixed records in resource governance across different countries (Poteete, 2009, Bebbington, 2013). The NIE approach fails to explain the variations in institutions and policies in different resource-rich country contexts and how such cross national disparities explain the differences in development outcomes overtime (Poteete, 2009, Khan, 2010). This underlines Bebbington’s (2013) argument that the centrality of institutions by NIEs fails to address the issue of change in institutional arrangements overtime. Within the now general agreement that state capacity and elite commitment are important drivers of development (see Sandbrook et al., 2007, Leftwich, 2010), the focus on good institutions by the NIE approach fails to explain how politicians in resource-rich countries gain such attributes to deliver development (Hickey et al., 2015c). For Khan (2012), the conceptual focus on ‘the rules of the game’ dwells largely on technocratic blueprints as key to natural resource led development rather than stimulating more thoroughgoing enquiries on the underlying country specific political and social contexts within which such ‘rules’ emerge. As Solli (2011:81) argues in the context of the Norway Oil for Development Programme, the focus on the rules of the game disguises the disagreements behind such rules and that “what constitutes good governance is an inherently contested
political question”. The axiom that ‘good institutions’ is the solution to the ‘curse’ downplays the deep political issues and power effects resource extraction generates. As I elaborate below, it is crucial to expand the frontiers of the good governance concept to take into account how power relations and elite interests constrain institutional processes under natural resource settings (see Di John and Putzel, 2009, Watts, 2012).

2.4 Political Settlements, Institutional Development and Natural Resource Governance

In offering a rounded understanding of the underlying conditions that shape natural resource governance, it is important to deepen the role of politics, particularly power relations at the core of the institutional development discourse (e.g. Di John and Putzel, 2009, Poteete, 2009, Bebbington, 2013). In recent decades, various theoretical insights, particularly by post-institutionalists (e.g. Acemoglu and Robinson, 2013b) and historical political-economy approaches (e.g. North et al., 2009, Khan, 2010) underscore the centrality of politics and power relations in the emergence and enforcement of institutions. North et al. (2009) for example explore the role of politics in institutional development from a historical institutionalist dimension, within their idea of ‘limited access orders’ (LAOs) and the transition to ‘open access orders (OAOs)’. They underscore the important role power relations play in constraining institutional choices and enforcement. In their framework for analysing the emergence and operation of LAOs, North et al. (2009: 13-16) show how dominant coalitions in developing countries often manipulate their economies to create rents as a means of solving the problem of violence5. Dominant coalitions create cooperation and order by limiting access and control to valuable resources and rent seeking activities, such that those outside the coalition are excluded (North et al., 2009). Importantly, the framework

5 North et al. (2009) argue that development is primarily about whether a state has the capacity to control violence. They place emphasis on the state’s control over political, economic and cultural resources as key to containing violence, which in turn provides a ‘social order’ or stability that supports growth and development. This social order is underpinned by elite pacts over control of violence through creating special economic and political privileges for themselves. These agreements help states limit the use or outbreak of violence, but nonetheless undermine broad-based economic and political development.
underlines the critical role of power-relations in containing violence. It nonetheless cautions that power arrangements characterised by patronage and the use of coercive-force risk relapsing into violence, particularly where ‘elite pacts’ do not lead to changes in institutions that are inclusive and generate improved governance outcomes.

The focus on politics has generated a body of research that employ the ‘political settlements’ framework to underpin the critical role of power relations in explaining the sources of elite commitments in natural resource governance (e.g. Di John and Putzel, 2009, Poteete, 2009). In particular, Khan’s (2010) political settlements framework claims to offer deeper explications on the role of politics in shaping natural resource governance, not least because it helps reveal the struggles (between elite groups) that lay the ground rules for institutional arrangements (Routley, 2012). Underpinned by a political economy focus, the political settlements approach goes beyond the institutionalist reading of politics to reveal how institutions are adopted primarily on the basis that they distribute resource rents in line with the ‘holding power’ of factions within (Khan, 2010). Any arrangement short of this goal galvanises factions to “strive through different means including conflict to change institutions till they are satisfied or they give up” (Khan, 2010:4). Khan’s focus on elite incentives in shaping institutions resonates with the struggles over resource control and distribution often associated with extractives governance (see Thorp et al., 2012, Singh and Bourgouin, 2013). His arguments chimes with recent works in Africa (e.g. Poteete, 2009, Guichaoua, 2012, Ovadia, 2015a) and Latin America (e.g. Bebbington, 2012, Thorp et al., 2012) about the role of elite contestations and interests play in defining the path natural resource governance takes.

Khan’s political settlement approach differs from the LAOs frameworks by North et al. The latter emphasises how power-relations mediate the emergence of more competitive and efficient forms of democratic governance or otherwise, focusing on how institutions develop and function over time (Hickey, 2013). North et al. do not give significant focus to clientelist
politics in institutional development. Khan (2010) however places emphasis on the balance of power between contending groups as central to understanding the emergence of elite commitments concerning institutional choices (see Moore and Velásquez, 2012). In relation to clientelist political settlements, Khan places a strong focus on the role of power relations, underpinned by patronage politics as key in shaping institutional processes and outcomes. The political settlements approach thus offer deeper insights (than LAOs) regarding the role of power relations in explaining the variations in extractives governance across resource-rich developing countries (see Hickey, 2013). It offers compelling insights into the centrality of politics and power relations in shaping policy choices to govern natural resources, although as I argue later in this chapter, ideas also play a key role in shaping such decisions. As I detail below, the political settlements approach show how material motivations underpin elite consensus and behaviour and how this in turn shapes political commitments to adopting and enforcing certain institutional forms. This helps reveal how and why institutions and policies are established and enforced differently because of the different incentives of actors involved.

2.4.1 Elite Commitments to Natural Resource Governance

The political settlement literature has become particularly important in explaining the conditions within which states gain the capacity and elites gain the commitment to deliver development through natural resources. This move responds to the emerging consensus that politics and power-relations shape the commitments of political elite to developing and enforcing institutions they deem relevant for both maintaining their coalitions and delivering resource-led development (Poteete, 2009, Bebbington, 2013). The focus on elite commitments is critical for understanding the broader context within which key decision makers operate, particularly in terms of their relationships with other influential elites (Hickey, 2013). This context highlights the important roles both state and non-actors play in shaping institutional paths, with the latter often helping to define the levels of elite
commitment to adopting and enforcing policies with greater developmental promise (see Poteete, 2009, Orihuela, 2012, Grugel and Singh, 2013). Poteete’s (2009) work on diamond governance in Botswana underpins how the political settlement approach shapes high levels of elite commitment to extractives-led development. She argues that Botswana’s success story flows from politicians creating a stable coalition through distributing rent-seeking opportunities to potentially troublesome elites and securing their support for policies that offered developmental outcomes than they could achieve through violent means. This example reveals how competition (between elite groups) for rents shapes the commitments of political coalitions to develop and enforce institutions capable of delivering extractives-led growth, and to sustain these overtime (e.g. Brinkerhoff, 2000; 1996). Competition for rents creates conditions where negotiated institutional arrangements within political coalitions are developed and enforced, since ruling elites conceive that their interest of staying in power will be best served upon adopting such agreements (Khan, 2010).

2.4.2 The Composition of the Ruling Coalition and Elite Commitment to Resource Governance

An important political settlements mechanism which Khan (2010) suggests shapes elite commitment to resource governance is the organisation of power within the ruling coalition (also see Hickey et al., 2015b, Mohan and Asante, 2015, Hickey et al., 2015a). In terms of political will to extractives-led development, political settlements analysis suggests that the levels of elite commitment to adopt and enforce developmental forms of institutions is dependent on the bargains struck by horizontal\(^6\) and vertical\(^7\) distribution of power. For Khan (Khan, 2010: 64) these relational dynamics are “important for understanding the likely time horizon of the ruling coalition and its implementation capacities”: Where “excluded

\(^6\) According to Khan (2010), this describes the power of excluded coalitions relative to the ruling coalition (elites and supporters outside of the ruling coalition).

\(^7\) This describes the relative power of higher compared to lower level factions within the ruling coalition (followers or clients) (Khan, 2010).
coalitions are weak, the ruling coalition is likely to feel secure and act with a longer time horizon” (2010: 65). This means that the interests of the ruling coalition can generate high levels of elite commitment to resource-led development (Hickey et al, 2015). However, where excluded coalitions are strong; their resistance can reduce the time horizons of the ruling coalition, which can incentivise the latter to employ short-term strategies to retain power. Khan also recognises the importance for ruling coalitions to maintain certain vertical commitments to lower level factions (e.g. followers or clients), as this is crucial for consolidating the former’s power and legitimacy. As he puts it: “The greater the relative power of higher (e.g. bigger patrons: business and national elite) over lower levels within the ruling coalition, the greater the implementation and enforcement capacities of the coalition” (2010: 65). However, the stronger lower-level factions are, the weaker the enforcement capacities of the ruling coalition. Enforcement capabilities are undermined because ruling elites focus on dispensing patronage opportunities to buy-off policy resistance by strong lower-level factions.

The second dimension of the configuration of the ruling coalition that underpins elite commitment is the technological capabilities of productive entrepreneurs and their holding power in relation to the ruling coalition (also see Whitfield and Therkildsen, 2011, Whitfield et al., 2015). Where productive entrepreneurs have high technological capabilities, including capacity to finance ruling coalitions, they can draw significant holding power in policy implementation. However, this condition can make productive entrepreneurs difficult to discipline and consequently undermine policy implementation, particularly if they decide to deploy their holding power to block decisions that threaten their interests. On the other hand, productive entrepreneurs are incapable of deploying significant holding power in policy implementation where they have low technological capabilities and are unable to sufficiently finance the ruling coalition (Whitfield and Therkildsen, 2011). This condition breeds a lack
of mutual interest between ruling elites and productive entrepreneurs and can undermine political commitments towards resource-led growth (ibid).

The characteristics of the ruling coalition discussed above resonate with recent research on how politics shape institutions in emerging resource-rich African countries (e.g. Hickey et al., 2015a, Hickey et al., 2015b, Asante, 2016, Abdulai, 2017). An important aspect (particularly in clientelist settlements) concerns how ruling elites in building their coalitions are able to either repress or co-opt powerful groups and how negotiations within such arrangements shape institutional commitments. Khan (2010) suggests that within dominant party settlements where there is relatively little chance of electoral turnover, deal-making within contending groups likely generates longer-term time horizons\(^8\). This may nonetheless be difficult under competitive clientelist settings, where electoral imperatives lead politicians to discretionarily allocate “rents, market privileges, patronage public employment, single-sourced procurement contracts, preferential access to natural resources” in order to retain power, rather than “invest in the long-term task of building bureaucratic capability” (Levy, 2014: 40). As Hickey et al. (2015a) argue in relation to Uganda and Ghana, the former’s relatively good oil deals flowed from the state’s (dominant party) capacity to discipline excluded factions, which helped politicians engage in longer-term negotiations. In Ghana, the state’s negotiation capacity was “strongly undermined by the tendencies towards politicisation that emanate from its competitive clientelist settlement”, which led to the country securing lower deals than Uganda (ibid: 28). The examples reveal that the level of elite commitment to developing and enforcing certain policy types, is largely determined by the character of coalitions, players and pacts made around the contending interests to natural resource rents (see Thorp et al., 2012, Bebbington, 2013). To understand what accounts for

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\(^8\) Khan (2010) suggests this can often be due to the fact that excluded factions are weak either because powerful factions are incorporated into the ruling coalition or because excluded factions are very fragmented.
variations in resource governance, Poteete (2009: 6) suggests a closer look at the logic that “behind policies, institutions and state building lie political coalitions”.

2.4.3 Politics, Power Relations and Institutional Commitments to Resource Governance

The political settlements approach offers deeper insights into the conditions that shape elite commitments to deliver resource-led development. Recent works that have employed the approach to analyse variations in natural resource governance evoke sharper insights into how institutions emerge and perform (e.g. Hickey et al., 2015a, Mohan and Asante, 2015). The notion that elite struggles over rents lay the ground rules for institutions is central to research on developmental forms of elite commitment to natural resource governance (see Orihuela, 2012, Porter and Watts, 2017). This suggests that the proper space for examining institutional change (within oil/minerals settings) lies not with promoting good governance, but how “mobilizations, coalitions and policy networks….articulate with existing institutional arrangements, and how they are translated into the final effects that they ultimately have” (Bebbington, 2013: 10).

Importantly nonetheless, this ‘relational perspective’ is arguably more persuasive (within the resource governance debate) in underlining the key factors behind institutional commitments than suggested by the political settlements approach. It stems from a broader political economy understanding of resource governance rather than the narrower instrumental reading of the political settlement framework, and contributes deeper insights into how coalitions shape institutional commitments. Although Khan’s concept of ‘holding power’ emphasises the role of actors in institutional change, his rational choice approach tends to underplay other important dimensions of politics, particularly the role of ideas in shaping institutional commitments. As Routley (2012) argues, understanding the governance of natural resource and the form it takes requires not only an analysis of elite interests but key ideational factors
that may not necessarily be instrumental (also see Watts, 2004, 2012). It is therefore critical to expand on the analytical scope of the political settlements framework. Deeper insights into the underlining factors behind resource governance reforms must be embedded in a ‘comparative social institutionalist’ theory that accounts for the role of political and social groups in defining the standards by which elites operate in extractives settings (Bebbington et al., 2013). Such insights have to locate the mediatory role of political ideologies in extractives governance, particularly the common tension between neoliberalism and resource nationalism in shaping institutions and policies. The remainder of this chapter draws on this more critical perspective of politics to complement the political settlements approach in accounting for the emergence and sustenance of elite commitment to natural resource governance. The aim is to provide a basis for constructing a comprehensive conceptual approach that offers a more thoroughgoing treatment of politics and natural resource governance in Chapter 3.

2.5 Power Relations, Ideas and Elite Commitments

Incorporating ideas into the current political settlements framework offers a broader understanding on how discursive forms of politics shape institutional development and enforcement (e.g. Hagmann and Péclard, 2010). Particularly in Africa, the literature on resource governance underlines the importance of ‘elite negotiations’ in mediating institutional outcomes (Poteete, 2009, Guichaoua, 2012, Hickey et al., 2015a). The processes for governing natural resource are fuelled by constantly evolving relations of authority, control and pacts, where key policy decisions are constrained and refracted by the configuration of power that form within specific interests and claims to resources (see Thorp et al., 2012, Singh and Bourgouin, 2013). This suggests that struggles over natural resources can be better understood through adopting a relational concept of power, one that encompasses “ideas about fairness, rights, costs and benefits…” (Bebbington, 2013: 9).
Anthony Bebbington (2012a, 2013b) shows how ideas are important in shaping resource governance by illustrating how oil and mineral discoveries present new sets of power relationships between actors at multiple scales (e.g. politicians, multinational oil companies, private sector organizations, oil communities and civil society organisations), and how these reshape elite commitments. Bebbington (2013) reveals how these relationships coalesce around managing flows (e.g. oil/mineral rents, taxes, royalties) within particular networks and pacts that give shape to institutions. These relationships form a basis within which new alliances and coalitions (between donor organisations, IOCs and power relations at national and local levels) emerge and reshape institutional bargaining and ideas around rights, development and national interest (see Orihuela, 2012, Grugel and Singh, 2013). This argument strongly aligns with research on ‘negotiated statehood’ in Africa (Hagmann and Péclard, 2010), where competition for control and rents induce the emergence of actors such as Civil Society Organizations (CSOs), local NGOs, academics and researchers seeking to challenge and influence how extraction is governed. For example Porter and Watts’ (2017) work on resource politics in the Edo state in the oil-rich Niger Delta show how agency (local politics) within the reform space (developing new institutions) helped to deliver expanded road projects and local employment that appealed to a range of constituencies.

2.5.1 Ideological Dimensions of Politics in Natural Resource Governance

The need to incorporate ideas in struggles over extractives resonates strongly with the changing global resource governance discourse, underlain by debates between state-oriented and neoliberal approaches. In the late 1970’s, throughout the 1980s and 1990s, extractive politics globally, shifted from resource nationalist approaches to neoliberal privatisation. For critics of the statist ideas that dominated the post-World War II era, the campaign for sovereign control of resource rents (by producing countries) only ever offered disappointing outcomes such as low profitability, environmental degradation and shortage of capital (see
Jensen and Johnston, 2011, Ross, 2012). Particularly for resource-rich African countries that lack the required financial and technical capabilities to extract their minerals and oil resources, foreign interests push politicians to adopt pro-market institutional mechanisms in order to boost efficiency in extractives governance (see Bourgouin et al., 2013). At the same time however, the adoption of these liberal policies has not produced the sweeping reforms that simply placed authority in the hands of foreign investors. Rather, resource-rich African countries have alternated between statist and market-based policies depending on the changing ideologies of ruling coalitions and the existing political realities faced by their national elites within the global resource economy (Singh and Bourgouin, 2013). For example, one major reason for Nigeria’s recent (from the early 2000s) left political turn from British neoliberal petroleum arrangements of 1979 is local politics, shaped by both concerns over neo-colonial exploitation and a revival of the age-old demand by state elites for national control (Andreasson, 2015). State elites employing resource nationalist demands propelled Obasanjo’s government to nationalise a significant degree of neoliberal neo-colonial petroleum arrangements, increasing the role of the Nigerian National Petroleum Corporation (NNPC) in oil, as well as deepening the participation of domestic capitalists (Ovadia, 2015a). This has remained in place and reinforced by protectionist regulations on exploration and production equities and local participation more broadly, within a wider move by politicians to enhance their legitimacy (Ibid). Nigeria’s case closely reflects the conflict between neoliberalism and resource nationalism in various other producing countries where resurgent ambitions to achieve national development catalyse strong elite support for state control (see Singh and Bourgouin, 2013). For Shaxson (2007: 2), ideological struggles influence resource governance architecture a great deal and form “the best measure of the balance of power (between oil-rich sub-Saharan countries and international oil companies) today”.
Consequently, ideological dimensions of politics need to be central to exploring how institutional commitments emerge within elite struggles to govern natural resources.

2.5.2 The Challenging role of Agency and Ideas in Extractives Politics

Employing this ‘comparative social institutionalist’ approach (e.g. Blyth, 1997) marks an important move within mainstream research on politics and natural resource governance, primarily the strong emphasis on the role of agency and ideas vis-à-vis the instrumental focus of Khan. This emerging perspective is however challenged in some quarters (e.g. Hay, 2010), partly because of the argument (within the political settlements approach) that the power and influence of groups, especially those without access to political authority is not autonomous (see Khan, 2010). Particularly within extractives settings, the inclusion of interest groups as factions in the ruling coalition can often be a ‘symbolic’ move couched by politicians to gain power and control over oil and minerals (see Guichaoua, 2012, Paredes, 2012). As a result, their (elite groups) power and influence within the political settlements appear more instrumental to the prevailing structures of power and not capable of posing genuine challenges to decision making (Khan, 2010). Within these constraints, the challenge is to critically explore the conditions under which agency and ideas can be more influential in pushing ruling elites to adopt and enforce certain policy decisions. I explore this potential in relation to three conditions below:

First, coalitions can draw power to influence decision making if they collectively act to (re)define their relationship with the state in ways that allow for greater organizational autonomy and participation (by elites and social groups) in the policy process (Whitfield, 2003). This largely occurs since elite groups become well-organised and difficult to ignore because they present as a credible political force within the political settlement (Routley, 2012). Although this does not entirely rule them out from the clientelist deal making
associated with institutional bargaining, it does increase their power to exert pressure on ruling elites for policy change (Whitfield, 2003). For Bebbington (2013), developmental forms of elite commitment to resource governance are likely to develop where two interrelated conditions are existent at the policy development stage – a ‘collective elite power’ and an organised counter hegemonic force (of social groups) to the power of the state. Critical here is the role of new configurations of elite power emerging from their consciousness and common cultural frame of reference which is independent from the state (see Bayart, 1986, Whitfield, 2003, Bebbington et al., 2013, Grugel and Singh, 2013).

Second, the relative power and influence of elite coalitions can be theorized within their relationship with the broader constituency they represent. For some scholars (e.g. Hagmann and Péclard, 2010) ‘social groups’ tend to draw their power from their alliances with other coalitions and the sections of society they represent, with Brinkerhoff (1999) seeing this as crucial in creating networks, which provide elite coalitions a strong constituency that is difficult to ignore by politicians. Recent examples from resource-rich states (e.g. Bolivia and Peru) show how civil society actors incorporate the interests of ‘the people’, ‘the poor’ within policy struggles, demanding oil and mineral wealth be redistributed to such vulnerable groups, as well as steering such mobilizations to bolster their legitimacy (see Bebbington, 2012).

Third, strong legitimating ideas⁹ can constitute fundamental and significant driving elements in shaping institutional commitments (Routley, 2012). This is because such ideas provide persuasive roadmaps within policy making struggles and help to diminish uncertainties about the goals of certain policies (Blyth, 2002). This underlines the recent resurgence in resource nationalism within various Africa countries, located in the policy bargains (i.e. the need for

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⁹ Fukuyama (2011) argues that ‘genuine ideas’ (those that attract support from a wide range of actors) are extremely important to political order. Such ideas help to legitimatise the agendas of politicians, which help to make interest groups accept political decisions.
the state as opposed to foreigners to control resources) between state and society, with the former adopting measures to showcase that it is committed to securing the national interest (see Vivoda, 2009, Hancock and Vivoda, 2014). This is core to Hickey et al.’s, (2015b) argument that ideological commitments that support inclusive distribution of rents and create an environment for politicians to build their coalitions are those that policy makers are likely to adopt.

The explicit importance of ideas here strongly suggests that what is required to understand the different forms that resource governance takes is a framework that conceptualises the interplay between interests and ideas within political settlements and critically traces how each shape institutional commitments. Going forward, I draw on research works that show how the interplay between interests and ideas within political settlements underpin power relations and the underlying political factors behind the emergence of elite commitments to oil governance.

2.6 The Interplay of Interests and Ideas in Oil and Gas Governance in Ghana

Recent research works (e.g. Hickey et al., 2015a, Mohan and Asante, 2015, Mohan et al., 2017) that employ the political settlement analysis adopt a more nuanced understanding of power relations and elite behaviour than underpins the rational actor readings with earlier interpretations of this framework (e.g. Di John and Putzel, 2009, Khan, 2010) In particular, this move involves recognising the role of ideas as well as interests in shaping the emergence of elite commitments within oil governance settings. Prime examples come from recent works on the politics of natural resource governance within the Effective States and Inclusive Development Research Center. These include the work of Hickey et al., (2015a) on the politics of oil deal making in Ghana and Uganda, where they argue that the different forms of ‘embedded autonomy’ for the key public agencies responsible for oil negotiations emerged from the dominant interests and ideas that flowed from the respective country-political
settlements. In the case of Ghana, the struggles for oil control prior to the 2007 discoveries reflected the embedded ideologies of the two main political parties (i.e. the NPP and NDC) around the role of the state oil company - Ghana National Oil Corporation (GNPC) in securing deals with international oil companies. The NPP, with its espoused pro-market ideology favoured a fiscal regime that was more generous to investors and reduced the role of GNPC within the sector. However, the NDC on winning political power and with its espoused resource nationalist character deepened state control with GNPC, helping the corporation to build a high degree of technical competence and restoring its power over oil negotiations. The role of ideas notwithstanding, Hickey et al., (2015a), argue that Ghana’s competitive clientelist political settlement, underpinned by its shorter time horizons, also led to a greater level of political interference in oil contract negotiations. Political interests and politicisation of negotiation processes strongly undermined the corporation’s capacity to secure high oil deals with IOCs, resulting in the relatively weaker oil deals (compared to Uganda).

The entwining of ideas and interests in shaping oil governance is also echoed strongly by Mohan et al. (2017) who relate Ghana’s investor friendly oil agreements to the tendencies within its competitive clientelist political settlement and the role of transnational capital in brokering oil deals. The NPP’s approach to attracting investment into the sector directly reflected its liberal ideology. Labelling itself as the party that discovered oil in 2007 through attracting foreign investments, the NPP described the existing fiscal arrangement (PNDC law 84) to obtain a net-oil share of between 65 percent and 55 per cent as ‘stringent’ and sort to reduce this to 45 percent. Mohan et al. (2017) note however that the NPP combined this reduction of the state’s fiscal take with the use of front companies within its desire to control oil, pushing the EO consortium with close ties to President Kuffuor to do “quick and dirty” oil deals (also see Gary 2009: 24). Similar to Hickey et al (2015), Mohan et al. (2017) note a
different governance style by the NDC, where the party after winning the 2008 elections, reversed the restructuring plans of the NPP - a move they argue was strongly embedded in the NDC’s espoused resource nationalist ideology. The NDC reverted to the hybrid fiscal system of the 80s, increasing the state’s take and promoting a higher degree of national participation. The party doubled the royalty rate from 4 to 10 percent for agreements signed between 2008 and 2014 and increased the state’s additional participation interest from an average of 4 per cent to around 13 per cent (Ibid). This also nonetheless opened rent-accumulation opportunities for NDC elites (also see Amin-Adam, 2015). An investigation by the African Center for Energy Policy (2013) for example revealed that the NDC circumvented aspects of the local content law to facilitate the participation interest of companies that financed the party’s political activities.  

The findings of these authors underline the possible interaction between ideas and interests within an integrated political settlements approach and go beyond the institutionalist perspective to investigate how this interplay is shaping oil governance in Ghana. Their works help capture core insights into the relational character of power, particularly the role of ideational as well as instrumental dimensions of politics in natural resource governance. The works of Hickey et al (2015) and Mohan et al. (2017), strongly suggests that what is important in understanding how Ghana’s political settlement is shaping oil governance is not about whether or not material or ideational dimensions of politics matter more, but how these conditions can help trace the causal mechanisms at play in the emergence of elite commitment. These research works, along with others such as Poteete (2009) are starting to establish a new research agenda around natural resource governance from a political

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10 Contrary to the provisions in the local content regulations that pegged the mandatory minimum participating interest for Ghanaians at 5 per cent, the Energy Minister under the NDC discretionarily granted a lower equity of 2.5 per cent for MED Songhai, the Ghanaian company involved in the AGM, GNPC and ExploreCo contract. MED Songhai was owned by Joseph Adjepong, a prominent government contractor and financier of the ruling NDC.
settlements perspective. My thesis closely follows this new turn in order to critically examine how the interplay between interests and ideas, generated by the configuration of power within Ghana’s CCPS is shaping oil governance, although within a different dimension of oil governance (i.e. local content). This move is nonetheless challenging, particularly the divergent debates about which of the two variables (interests and ideas) has a stronger causal role on policy processes. Emerging literature on the relationship between politics and development (e.g. Routley, 2012, Hickey, 2013) reveal three possible ways ideas and interests can interact within policy processes, and which help highlight the political settlement tendencies (interests and ideas) to be explored in my subsequent empirical Chapters.

First, a standard political settlements approach posits one type of relationship between ideas and interests - where the former is seen as instrumental to elites and forms part of the tactics employed by politicians to sustain their coalitions in order to achieve their interests (also see Hay, 2010). As Khan (2010: 20) argues, the ability of political settlements to sustain itself during elite bargaining depends on its capacity to inflict costs on competing groups, absorb costs and “mobilize prevalent ideologies and symbols of legitimacy to consolidate its mobilization and keep its members committed”. What matters for Khan is that ideas are relevant in as far as they serve as conduits to sustaining the political settlement. For Khan (2010) ideas do not possess any independent causal power but rather are used to cohere the interests of coalitions and maintain some ‘informal balance of power’ (also see Parks and Cole, 2010). The political settlements explanation of the interplay between ideas and interests offers powerful insights into the conditions that shape elite commitment under extractives settings, particularly the underlying power relations and struggles over resource control and rents. However, Khan’s notion of ideas as only instrumental to interests underplays the role of ideology in shaping institutional commitments as outlined above, hence lacking an
empirical basis on how ideas influence institutional change in ways that are independent of interests (e.g. Hall, 2010).

A second way to examine the interplay between ideas and interests is through the normative institutionalist school that sees ideas as independent of interests and bears an exclusive causal role in policy decisions and enforcement (March, 1994). This perspective draws on a ‘logic of appropriateness’ embedded in the values, identities and normative conceptions of actors that often influence their behaviour within the institutional building fray (Ibid). As Campbell (2002) suggests, these ‘ideational reflections’ constrain the actions of elites and limit the range of policy alternatives they perceive as acceptable and legitimate rather than useful to achieving their interests. Within emerging natural resource settings, Watts (2004, 2012) shows how these ideational variables trigger new sets of struggles between actors at multiple scales, and which directly reshape the imaginaries of political and popular elite groups, particularly around notions of ‘development’, ‘sovereignty’ and ‘national interest’. This example provides a strong rationale for moving beyond the instrumental focus of Khan (2010) to exploring the role of ideas such as ‘social redistribution’, ‘resource nationalism’, ‘neoliberalism’ etc. on the forms institutions take (e.g. Hall, 2010, Bebbington, 2013). This theoretical overview of the interplay between ideas and interests helps to deepen insights into the ideational dimensions of politics that underpin institutional change. A major criticism nonetheless is the tendency for this approach to overstate the role of normative conditions in policy making, not least as it tends to undermine the role of interests in shaping the path oil and minerals governance take (see Hickey et al., 2015a, Abdulai, 2017).

The constructivist school offers a third approach to examining the interplay between ideas and interests (see Hay, 2010). The perspective employs a discursive approach to institutional change and views interests as essentially the playing out of subjective ideas (Schmidt, 2008). Although proponents of the constructivist school acknowledge the role of interests in driving
elite behaviour, they argue that such interests emerge from the shared beliefs, ideas, and values that are articulated by various actors in policy processes (Schmidt, 2010). This is the core of Routley’s (2012:1) argument that “interests are not objective but rather subjective and thus in essence what matters is the idea, the perception, of these interests from the perspectives of those acting and how these were shaped and how these actors’ actions then reshaped their own and others perceptions of their interests”. The value of this argument is demonstrated by Bebbington (2012) whose research in various South American countries shows that policy decisions to distribute resource rents are not shaped by elite interests alone but by discursive arrangements around fairness, rights, costs and benefits. For Routley (2012), interests do not preclude ideas. Rather, interests are often perceived, constructed and produced through interactions within a framework of the ideas of the actors involved.

The possible interaction between ideas and interests within the forgoing conceptual approaches, strongly suggests that what is important at this stage is not about whether or not material or ideational dimensions of politics matter more, but how these range of approaches can help trace the causal mechanisms at play in the emergence of elite commitments within resource governance settings. This is particularly relevant because where ideas seem only instrumental to interests, the latter will almost appear to bear an absolute causal role in the forms institutions take. As Hudson and Leftwich, (2013) argue, treating ideas as if they were independent of interests ignores the reality that ideas are very much engraved in the structures and institutions that constitute any political context and are an important part of the fabric of the political world. As a result, the rationale for adopting the political settlement approach wholesale within my conceptual approach in Chapter 3 is weakened, particularly in light of the evidence above that ideas can help reveal deeper insight into the ‘struggles’ that underlie natural resource governance. The challenge however is to construct a single ontologically-coherent conceptual framework that can explore these arguably divergent approaches. As
explored above however, there is some evidence, particularly research works in the Effective States and Inclusive Development Research Center that show that the boundaries between ideas and interests are more fluid than previously thought (see Hickey et al., 2015a, Mohan and Asante, 2015, Abdulai, 2017). Within this direction, I mobilise insights from political settlement alongside the ‘normative approach’ in a framework that critically explores the interplay between interests and ideas in shaping elite commitments to governing oil in Ghana.

**Chapter 3 : The Politics of Petroleum Governance in Ghana: A Conceptual Framework**

**3.1 Introduction**

The preceding Chapter introduced the key concepts and theories that underpin debates concerning institutional development and enforcement under natural resource settings. This chapter synthesises these theoretical insights into an integrated conceptual framework, drawing particularly on the political settlement approach but further incorporating ideational aspects of politics (e.g. Hickey et al, 2015, Mohan et al, 2015, Mohan et al, 2017). I explore these dimensions through a critical focus on the extent to which the tendencies within Ghana’s competitive clientelist political settlement (CCPS) shaped local content development and implementation. I seek to achieve this through exploring two broad challenges: The first looks at how Ghana’s CCPS generates incentives and ideas for ruling elites to use local content development processes to woo political support in a bid to expand their coalitions and how this in turn shape the ways policy commitments are negotiated between political elites and organized groups. The second explores how the imperative of building and maintaining an electoral coalition influence the levels of elite commitment to policy implementation. This frame of analysis aims to capture the underlying political factors behind oil governance in Ghana, including how the interplay between interests and ideas shapes this.

**3.2 Political Coalitions and Elite Commitment to Oil Governance in Ghana**
Insights from Khan’s approach fit within Ghana’s oil governance context, particularly the struggles between politicians and elite groups (e.g. civil society and private sector elites) to develop policies that support greater rents retention. ‘Elite relations’ and their ‘holding power’ within the ruling coalition is therefore important in influencing the levels of political commitments to govern oil (Gyimah-Boadi and Prempeh, 2012). Within the political settlement, the organisation of the ruling coalition is critical, particularly how the distribution of power among elite groups determines their ability to withstand conflicts around the rules of the game (Khan, 2010). As shown in Chapter 2, these dynamics are important in defining the national-level incentives that shape policy commitments, whereby ruling elites create rent seeking opportunities for factions in order to maintain order since the level of access to resources determines how groups cooperate or fight the coalition in power (see Khan, 2010). This shows how coalitions emerge through processes of struggle and bargaining between elite groups, which establish the basis for the types of polices politicians adopt and enforce. This relational context of power is useful for examining the interests and ideas of political elites around promoting national participation in oil, where they seek to distribute rents and perpetuate their patronage networks in ways that prevent disgruntled powerful factions from destabilising the political settlement11 (e.g. Di John and Putzel, 2009).

Following this, my analytical framework aims to capture the underlying political conditions (i.e. interplay between interests and ideas) behind the emergence of elite commitment to develop and enforce the ‘necessary’ policies that can help Ghana secure greater oil rents. Critically nonetheless, the links between the political settlements approach and elite commitment is rather too vague to be operationalized in a rigorous social scientific study as this thesis, particularly because of Khan’s argument that politicians largely distribute resources to elite and social groups when the former perceive this to be crucial for regime

11 Khan (2010) argues nonetheless that the incentive of ruling elites to deepen political loyalty by rewarding political supporters with rents can often come into conflict with the maintenance of order.
survival (see Whitfield and Therkildsen, 2011). Consequently, to offer a meso-level theorisation of elite commitment, I employ Brinkerhoff’s approach of conceptualising ‘political will’, defined as the intent and willingness of actors to “undertake actions to achieve a set of objectives…, and to sustain the costs of those actions overtime” (2000: 242).

Elite commitments are shaped by constantly evolving conditions of interests and ideas (Routley, 2012) and can help my interrogation of actual policy processes through a political settlements lens. Brinkerhoff’s approach goes beyond standard institutionalist perspective of political commitment and situates the key decisions politicians make within their broader relationships with elite groups, particularly the rents retention and accumulation pacts that they are able to forge (see Bebbington, 2012, Bebbington, 2013). Elites here refer to organised state bureaucrats with the capacity to impose ‘transition costs’ on institutions, and include those in control of valued assets (e.g. business elites); those with power of adjudication over the distribution, allocation and control of resources (e.g. politicians) and those with authority to bargain on behalf of organised social groupings (e.g. civil society organisations, traditional leaders) (Di John and Putzel, 2009). In line with Brinkerhoff (2000), focusing on the negotiations between elite groups helps reveal the interests and ideas that underlie political commitments and which in turn explain the type of policies that are developed and enforced (e.g. Watts, 2012, Bebbington, 2013).

Brinkerhoff (2000: 242) conceptualises political commitment through five main indicators:

1. **Locus of initiative** - locus of initiative concerns where the impetus for policy reform resides. For Brinkerhoff, political commitment is high when the push for policy change comes from actors espousing that change. Thorp et al. (2012: 1-18) for example place significant weight on political leadership as key to moulding

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12 Some scholars perceive the presence of institutional structures that enable practical response to implementation challenges as commitment (e.g. Putzel, 2004). Others see commitment in how much governments have invested or allocated to ensure policy outcomes (Nattrass, 2008).

13 This refers to the ability of powerful groups to block institutional changes (Khan, 1995).
coalitional politics and driving change in natural resource settings in Latin American countries.

2. *Degree of analytical rigor* - Brinkerhoff argues that political commitment is high when policy choices derive from thorough assessments (costs and benefits) of options and anticipated outcomes. Studies explaining policy success or failure in natural resource governance underline the degree of painstaking assessment of cost and benefits undertaken by politicians (Bridge and Le Billon, 2013). For example, Lewis (2009) partly ascribes the relative success in oil policy implementation in Indonesia to the level at which political elites heeded advice from state technocrats. He however notes the absence of political will to heed technocratic assistance in Nigeria as one key driver to policy failure in its oil and gas industry.

3. *Mobilisation of stakeholders* – mobilisation of stakeholders concerns whether political elites engage with and actively mobilise support from groups such as civil society and the private sector for their (politicians) reform agendas. This is particularly important within natural resource governance; where politicians incorporate the interests and ideas of powerful elites (e.g. business elites) and broadly-based social actors (e.g. civil society groups) to bolster their legitimacy, which is important for establishing the norms by which elites operate (e.g. Poteete (2009) on Botswana).

4. *Application of credible sanctions* - this entails the degree to which politicians provide credible incentives and sanctions to agencies and individuals during policy implementation. This is core to Ovadia’s (2015a) argument that local content reform in Nigeria and Angola partly entailed politicians restructuring principal-agent relationships through a variety of regulatory mechanisms that provided both incentives and sanctions to ensure policy compliance.
5. *Continuity of effort* - In addition, the degree of ongoing elite support for policy reform, including sustaining implementation until results are achieved helps reveal the levels of political commitment. This usefully underpins the need for political elites to ensure stable implementation environments, including adequately monitoring and engaging in long-term planning required for oil-led development (e.g Thurber et al., 2011).

Brinkerhoff’s framework provides an appropriate setting for tracing and understanding how the interplay between interests and ideas shapes the levels of elite commitment to policy choices (Routley, 2012). Following from this, I identify three main forms of power-relations\(^{14}\) that are important for understanding how the interplay between interests and ideas shapes elite commitment to policy development and implementation around oil. First, drawing from the literature on Ghana’s CCPS, oil will tend to be governed according to the short term interests of the ruling coalition. Given that political power is vital to political elites (e.g. Throup et al., 2011), they may have important incentives to appropriate oil rents\(^{15}\) in ways that help to sustain their authority. Consequently the distribution of oil rents may follow arrangements that are pertinent to: (a) appeasing coalitions relevant to the electoral interests of ruling elites (b) delivering forms of participatory (in oil activities) opportunities that can satisfy the expectations of different groups with significant holding power (c) delivering some form of economic and social development to gain electoral favours from the general public. Accounting for how institutional commitments emerge and get enforced thus requires understanding - the exercise of power based on the patron-client tendency of Ghana’s political settlement, with the partisan character of elite bargaining ensuring that institutions

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\(^{14}\) This refers here to the balance and distribution of power between contending elite and social groups located within the ruling coalition and involved in the policy struggles that underlie political commitments to governing oil in the national interest (e.g. Di John and Putzel, 2009).

\(^{15}\) Oil rents here refer to any income derived from the participation in exploration and production activities and the provision of services, such as employment, equity participation in petroleum agreements and the provision of direct and indirect services in all areas of the petroleum value chain (e.g. Bridge and Le Billon 2013).
follow ‘deals’ rather than ‘rules’ (e.g. Khan, 2010). This helps explore a key research question in Chapter 1, concerning how elite interests, generated by the underlying configuration of power within the ruling coalition, shaped elite commitment to developing and implementing the local content policy.

The second condition of power relations relates to the roles played by national level elites within the ruling coalition in forging ‘pacts’, including influencing the key space in which high levels of political commitments emerge to govern oil. Despite the role of clientelism, ruling elites have incentives to adopt specific policy choices in response to the bargains of key constituencies within the coalition. This condition underpins an important character of the political settlement where governing elites incorporate the interests and ideas of powerful groups within policy processes, with the aim to keep the latter committed to the coalition (see Oduro et al., 2014). This strategy matters for political elites because to sustain the ruling coalition, they (politicians) must be seen to meet the demands of powerful factions, without which the regime risks getting undermined. This condition underscores how the ‘holding power’ of factions derives not from their de-jure positions as liberal democratic subjects, but from their de-facto power in relation to the ruling coalition and their independent bargaining power. Consequently, factions within the ruling coalition have differing levels of power and capacity to influence policy decisions and enforcement. For example, the adoption of the largely CSO proposed ideas (e.g. the Public Interest and Accountable Committee (PIAC)\(^\text{16}\) and Extractive Industries Transparency Initiative (EITI)) by politicians could reflect high elite commitments to govern oil in a transparent and accountable manner. Political elites have adopted the PIAC mainly because they need some influential elements of civil society to build a winning coalition (see Oduro et al., 2014). Similarly, politicians have adopted the

\(^{16}\) The Public Interest and Accountability Committee (PIAC) is an independent statutory body (established under Section 51 of the PRMA) mandated to promote transparency and accountability in the management of petroleum revenues in Ghana.
EITI because they need donor support (e.g. grants, foreign direct investments, budgetary support, capacity building) to help strengthen control over natural resources and bolster the coalition’s legitimacy (e.g. Oppong, 2016). The policies ruling elites consequently adopt may not be driven by their interests alone but the ideas articulated or supported by key factions within the ruling coalition, particularly those that can help Ghana retain significant oil rents. However, it is important not to overstate the influence of ideas here, not least because politicians may tend to ignore those that conflict with their interests.

The third power relations condition that can shape institutional commitments is the relative strength and bargaining power of excluded factions vis-à-vis the ruling coalition. While factions within the ruling coalition may have the ‘power’ to influence institutional forms, those outside have less because they may be weak and can be excluded without posing significant electoral threats to political elites (Khan, 2010). However, given the antagonistic dimensions inherent in oil governance, particularly within the struggles of diverse social groups for resources allocations, their mobilizations can often pose significant threats to the ruling coalition, making the former a vital constituency difficult to ignore (see Singh and Bourgouin, 2013). Although the strength of excluded groups is not automatic, it can emerge when they are well organised, particularly within three possible conditions: first is when they have the capacity to mobilise public support for their struggles, second is when they are able to draw on strong ideas that appeal to ruling elites and third is when they are well-connected politically with ruling elites (Chapter 2). These conditions can help excluded groups such as CSOs and social movements gain credibility and support from the constituencies they

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17 For example, both the NPP and NDC have expressed commitments to pass the right to information bill (RTI bill) largely mooted by civil society to promote transparency and accountability, particularly in high rent generating sectors such as petroleum and mining. However since 2003 when the RTI was first drafted, the bill has not been passed into law, with a coalition of CSOs noting that politicians are not interested in passing the bill (General News, 29/7/2016 ).The NPP tabled the maiden draft bill in 2003 but did not pass this despite two terms in office. The NDC exploited this gap for political gains and promised to pass the bill prior to the tense electoral race in 2008. Despite reintroducing the bill in 2009 after winning power, the NDC also failed to pass the bill into law.
represent, thereby increasing their bargaining power to advocate for policy change due to their threats to politicians (e.g. Grugel and Singh, 2013).

3.3 The Interplay between Interests and Ideas

The preceding conditions of power relations underpin how the interplay between interests and ideas within political settlements can help reveal the underlying political factors behind the emergence of elite commitments to oil governance. To operationalise this framework, I employ an integrated political settlements framework - how ideas and interests can interact in order to trace the underlying causal mechanisms at play in the form and enforcement of policies within Ghana’s nascent oil and gas sector (Chapter 2). This move helps explore a key research question in Chapter 1—what role has ideas around securing greater oil rents played in the local content policy development and implementation, particularly within two key ways: First, in relation to political settlements, ruling elites may choose and deploy their coalitional building strategies through certain ideological agendas. This underlines a move within various resource-rich African countries where ruling elites deepen the rents accumulation interests of their domestic capitalists, within a wider move to gain legitimacy and control over resources (e.g. Tilly, 2004, Boix, 2008). Bebbington (2013) argues that packaging policy objectives in ways that address diverse claims to resources helps increase political support for ruling elites. This in turn motivates politicians to exert a great deal of effort to develop and enforce policy initiatives that are inclusive and legitimate in the eyes of powerful actors that can pose threats to the ruling coalition.

Second, normative conceptions of politicians around greater rent retention, can both generate and support the ideologies of ruling elites to frame oil policies. Ruling elites may choose and deploy their strategies for retaining greater oil rents through promoting resource nationalist policies that favour increased local participation in oil, similar to the recent alternations between neo-liberal and statist approaches in various African countries aiming to catalyse
development through extractives (see Shaxson, 2007, Maylie, 2014). This may include developing and enforcing protectionist policy strategies that can help insulate domestic business elites from the inherent domination of foreign investment in the oil and gas industry.

As noted in Chapter 2, operationalising this integrated political settlements framework presents challenges, not least because of the arguably divergent scope of interests and ideas. However, recent influential works on politics of natural resource governance highlight this possibility of the interplay between interests and ideas in shaping elite commitments over their choice of policies and strategies to implement such (Poteete, 2009, Hickey et al., 2015b, Mohan and Asante, 2015). Employing this integrated political settlements approach, I proceed to explore in the remaining Chapters, the multiple and complex ways in which interests and ideas can interact to influence the shape and enforcement of institutions in Ghana’s oil sector. Upon oil discoveries in 2007, the usual struggles over oil rents and control, underpinned by the prevailing configuration of power within the ruling coalition (Di John and Putzel, 2009, Poteete, 2009) will shape policy bargaining processes from which the levels of elite commitment are likely to emerge (Figure 3.1). Within Ghana’s CCPS context where bureaucratic norms have yet to displace personalised elite bargaining as the driver of resource management (see Oduro et al., 2014), the institutions that will emerge to govern oil are likely to be arranged to allocate resources in line with the prevailing balance of power (Khan, 2010). Within this context, ruling elites have the incentive to commit to these arrangements in order to avoid a breakdown of the political settlement and keep factions loyal to the coalition. In line with Levy’s (2014) argument that intense electoral competition under competitive clientelist settings lead politicians to adopt and enforce short-termist initiatives, elite commitment to policy pacts will involve both creating rent-seeking possibilities for powerful factions and securing their support for specific policy decisions that can help Ghana retain greater oil rents than it could through violent means (e.g. North et al., 2009). Playing
into this rents retention expectation may be other important political dimensions, notably the role of ideology, as well as interests in shaping the levels of elite commitment concerning the governance of oil. In line with Watts (2004), the advent of oil can influence the political imaginaries of ruling elites, particularly around renewed possibilities of catalysing oil-led development through increased local investment and participation (e.g. tough fiscal regime, strict local content targets, tough sanctions for non-compliance).

It is important to mention at this stage however that my framework does not rely on institutional performance to identify the political mechanisms at play in oil governance although some evidence of implementation outcomes may be captured for analytical purposes. Rather the framework tries to track the key political factors underlying the shape and enforcement of institutions. This is because of the nascent nature\textsuperscript{18} of policy processes within Ghana’s oil industry, which are still ongoing and may not have garnered much experience as yet to attempt to measure institutional performance.

\textbf{Figure 3-1: Framework for analysing Power Relations, Ideas and the Emergence of Elite Commitment to Govern Local Content}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{framework.png}
\caption{Diagram illustrating the framework for analysing power relations, ideas, and the emergence of elite commitment to govern local content.}
\end{figure}
At this stage however, it is feasible to examine the research questions I set out in Chapter 1. Within the current local content institutional framework, it is possible to trace the political factors underpinning the emergence of elite commitment concerning the policy strategies ruling elites deemed useful for retaining greater rents from oil. In particular, it is feasible to gain deeper insights into how the distribution of power within Ghana’s CCPS generated elite incentives and ideas around developing and implementing particular types of local content strategies.

3.4 Research Design and Methodology

In this section, I outline how the research questions in Chapter 1 were answered; focusing on the choice of research approach, data collection tools and research design. I largely adopted a qualitative approach but with modest use of secondary quantitative data for this study. The qualitative method employed is a case study of 1) how the underlying configuration of power within the ruling coalition has shaped local content promotion in Ghana’s nascent petroleum sector, and how oil has generated shifts within the clientelistic arrangements of the political settlement. 2) the role of interests and ideas in shaping elite commitment concerning the types of policies and institutions that can help Ghana retain greater oil rents in the national interest. I initially sought to track these relationships through three cases; the evolution of the Exploration and Production Law (E&PL), the politics of maximizing oil rents and the politics
of rents distribution. On the field, balancing access to data with my key analytical questions however, I chose to focus on 1) the politics of local content legislation, 2) the politics of local content implementation and 3) the politics of building the technical capacities of local firms to participate in the oil sector. These cases underscore elements of intricate causal relationships that require a qualitative approach to explain (Maxwell, 2004). Enquiry into the elite interests and ideas behind elite commitment to govern oil in the national interest can thoroughly be explained through quantitative data, such as the politics of local content legislation and implementation. The political commitment that shaped and enforced programmes to build the technical capacity of Ghanaians to effectively engage in the oil sector can best be examined through a qualitative inquiry, particularly because of the suitability of the approach in uncovering wide and alternative explanations to institutional contexts (Bryman et al., 1996). Additionally, as this study seeks to unravel the underlying interests and ideas at play in shaping elite commitment to policy choices; it requires the use of qualitative data collection tools such as key informant interviews that can help investigate the deeper forms of politics that underpinned such conditions (e.g. Marshall, 1996).

The main data gathering techniques for this study included key informant interviews, documentary analysis and process tracing. Interviewees were selected purposively but with the intermittent use of the snowball sampling technique to further identify key informants (Silverman, 2013). Interviewees included heads and senior staff of the Petroleum Ministry (MoPet), Ghana National Petroleum Corporation (GNPC), Petroleum Commission (PC) and the Enterprise Development Center (EDC), parliamentarians, heads and staff of civil society groups and private sector elites and owners of Ghanaian local firms. It also included officials of International Oil Companies (IOCs) and International Oil Services Companies (ISCs). I conducted 55 interviews in total (Table 3.1), during a 10-month initial fieldwork and a 2-months follow-up in Ghana (Appendix 1). Semi structured in nature, the interviews had two
interrelated aims: first was to obtain deep insights into how the tendencies within Ghana’s political settlements (electoral competition, patronage politics etc.) shaped oil governance.

Second was to understand how elite interests and ideas generated by the underlying configuration of power within the ruling coalition shaped the levels of political commitments to local content development and enforcement. Respondents were assured strict confidentiality that the information they offered would only be used for this academic research.

Table 3-1: Categories of Respondents

<table>
<thead>
<tr>
<th>No.</th>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Officials of State Institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ministry of Petroleum</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>• Petroleum Commission</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>• Ghana National Petroleum Corporation</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>• Enterprise Development Center</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>• Ghana Labour Commission</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Members of Parliament</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• NPP</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>• NDC</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Officials of Civil Society Organizations</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Officials of Private Sector Organizations</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Officials of International Oil Companies</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Officials of International Oil Services Companies</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>Owners of EDC registered Small and Medium Scale Enterprises</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>55</td>
</tr>
</tbody>
</table>

As I detail further below, interviews were complemented with document analysis, involving a detailed examination of government policies and legislative documents, Parliamentary
Hansards and reports, policy-related speeches by state and non-state actors, journals and reports of CSOs, newspaper reports, political party manifestos and grey secondary literature (e.g. Bowen, 2009). Document analysis particularly helped in triangulating the primary data collected from interviews (ibid). In addition, I used process tracing to identify intervening causal mechanisms – between underlying political factors and policy actors on the one hand and the shape and implementation of institutions and policies on the other (e.g. Collier, 2011). As I detail below, this included categorizing the interests and ideas of policy actors (e.g. politicians, CSOs, private sector elites, local firms) and tracing the role of such interests and ideas (causal factors) in the design and nature of enforcing oil policies and institutions.

3.4.1 The Case Study Research Strategy

I employed the case study strategy to operationalise my conceptual framework above (e.g. Yin, 2014). As highlighted above, the tendencies within Ghana’s competitive clientelist type political settlement are expected to set certain ‘elite pacts’ around which oil governance takes place. The power relations that underpin these arrangements are however dynamic rather than static, suggesting that the roles played by specific actors (e.g. politicians, private sector elites, IOCs and CSOs) can be critical in shaping the levels of elite commitment concerning the types of policies that are developed and enforced. These conceptual scenarios provide a useful basis to examine how politics and power relations around oil play out in shaping institutions. The relational propositions above underline a social setting to develop or test accounts that may be generalisable to other similar events using techniques such as process tracing (e.g. George and Bennett, 2005). Two key reasons guide my use of the case study strategy: First, the integrated political settlements framework above can be persuasively explored through case study research, which is generally considered the most robust tool to both test the reliability of specific theories within different relational cases, and also develop new theoretical insights through examining the interplay of interests and ideas within
Ghana’s oil governance context (Ibid). Particularly around natural resource governance, carefully selecting cases that reveal the role of power relations in shaping elite commitment can generate insights for comparing or contrasting institutional approaches in extractives-rich developing Africa countries\(^\text{19}\) that may be relevant to policy actors working across different contexts (e.g Gerring, 2007). Second, the case study research strategy is important for operationalising the connection between power relations and policy decisions, not least because it helps map-out the broad range of variables and processes that can be traced in order to test their relative traction on the political commitments behind such outcomes (e.g. Yin, 2014).

Ghana presents as a suitable setting to investigate how deeper forms of politics and power relations underpin the commitment of elites to govern oil for broad developmental purposes. After the commercial discoveries of oil, the imperative of avoiding the resource curse saw various policy actors (politicians, state bureaucrats, CSOs, private sector elites) engage in processes to develop the institutional framework for governing oil, including establishing the Petroleum Commission and promulgating a new local content policy and law within a record time of three and five years respectively. These institutional processes have continued to date and strongly shaped by ‘elite bargains’ within Ghana’s competitive clientelism political settlement. My research closely followed these processes through three main cases I outline below.

3.4.1.1 Case One: Local Content Legislation

In order to examine the character of the ruling coalition in shaping oil governance, I collected data on how the configuration of power within shaped the local content development process. The first challenge included a desk-based research and analysis, which drew on secondary

\(^{19}\) As stated earlier, Ghana can be considered a suitable type of competitive clientelist political settlement, which according to Khan is the modal type of settlement among developing countries (2010, p.18).
sources such as newspaper and internet reports of events and actors involved in the policy bargaining process, parliamentary Hansards containing debates on local content development and oil governance more generally, public statements from CSOs and private sector elites involved in the local content policy negotiation process, grey reports and journals from government and non-governmental agencies around oil governance. Another major task here included reviewing the newly developed local content policy and regulation in order to identify the key initiatives developed after the commercial oil discoveries in 2007 and comparing these to those contained in PNDCL 84 of the 1980s. This aimed at tracking the key changes in Ghana’s effort to derive greater rents and control over oil through local employment and participation. Both post and pre-colonial historical materials containing political, economic, social and electoral developments in Ghana were also collected and analysed to understand how the underlying inter-elite power relations within Ghana’s political settlements have shaped institutional and policy choices overtime. Broadly, the extensive review of secondary sources offered deeper insights into the strategic interactions between policy-makers, civil society and private sector groups, where the latter helped to shape political commitments to local content reforms.

The second data collection approach involved the use of face-to-face semi-structured interviews with key actors who participated in the local content policy development process and had deeper insights of the politics around developing both the policy and law (e.g. Kvale, 2008). Supplementing the secondary data with elite interviews proved useful in extracting information on the interests and ideologies that drove the behaviour of policy actors, and which are difficult to access through documentary sources (see Smith, 2006). To begin, I mapped the key policy actors behind Ghana’s new local content framework. I traced these actors through following newspaper and informant leads and journals. This helped to identify Ministers, Parliamentarians, IOC representatives, state bureaucrats, private sector elites and
CSOs who directly engaged in the policy process. Through the purposive and snowball techniques, I sampled 70 respondents for interviews and further profiled and contacted some of them in advance. Profiling respondents largely through their statements reported in newspapers or radio and commentaries documented in both government and non-government reports helped sketch their interests and ideas in the local content policy making fray. This helped to identify and conduct an initial 35 and 10 follow-up semi-structured face-to-face interviews (Appendix 1) with key informants (Appendix 2). The interviews empirically investigated the levels of participation by CSOs, opposition parties and private sector representatives and their policy bargains vis-à-vis ruling NPP elites, during the maiden ‘oil for development forum’ held between 25th and 26th February, 2008. Given that the electoral turnover in 2008 truncated the NPP’s policy plans, I solicited information on the levels of participation and negotiations of the actors above during the local content development processes of the NDC after it won power in 2009. These investigations helped track two main political insights: First, interviews helped to investigate the ‘holding power’ of elite groups vis-à-vis politicians and how this shaped the bargaining within the policy processes of the NPP and the NDC. Second, interviews helped track the differences in the coalitional building tactics and ideologies of the NPP and NDC and the underlying interests and ideas that shaped the elite commitment behind Ghana’s ambitious local content policy and law (e.g Amoako-Tuffour et al., 2015).

3.4.1.2 Case two: Local Content Implementation

The second pillar of my research provided a context to exploring whether and how the tendencies within Ghana’s political settlements shaped local content implementation. I achieved this through three main approaches. The first challenge aimed at obtaining data on the state of local content implementation, particularly around three primary dimensions – local employment, Ghanaian participation in E&P equities and Joint Ventures (JVs) between
local and foreign service companies. Sources of information included the various petroleum agreements ratified after the passing of the local content law in 2013 and existing Petroleum Commission (PC) reports on the state of policy implementation. This initial strategy offered a window for exploring the levels of policy implementation, by both examining whether outcomes around the three main dimensions above were consistent with provisions in the local content law and comparing these variables against similar ones in other oil-rich African countries. I employed Mushemeza and Okiira’s (2016) analysis of the relationship between policy goals and outcomes (national participation, local employment and skills development) in seven African countries (Ghana, Nigeria, Angola, Chad, Equatorial Guinea, Tanzania and Uganda) to help to assess Ghana’s relative achievements in local content vis-à-vis its African counterparts and critically tracing the underlying factors behind these accomplishments.

The second challenge involved understanding the levels of elite commitment in enforcing local content initiatives in line with the law. Through interviewing key informants (same as in case one) and reviewing the various strategies, plans, meeting minutes and reports that contained elite negotiations around the PC’s enforcement tactics, I investigated how implementation commitments emerged from the struggles to devise feasible strategies to implement Ghana’s ambitious local content framework. This involved tracking the conflicts that emerged between foreign interests (e.g. lobbying for a relaxed implementation processes) and greater elite pressures for high local employment and participation (e.g Tordo et al., 2011). This served as a window to learn about the negotiations and compromises that helped address implementation battles and the key players behind these. In addition, I investigated the types of rules and guidelines politicians put in place to ensure compliance with the local content law. With Brinkerhoff’s (2000) framework on elite commitment above as a guide, I

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20 The authors employed a 2x2 matrix approach to help visualise the relationship between policy initiatives and outcomes in the selected African countries.
examined the nature of sanctions and incentives employed by the PC to respectively discipline and motivate both local and foreign companies within the implementation process and how these tactics helped enforce Ghana’s ambitious local content law.

Third, examining the power relations that underpinned implementation struggles and actual enforcement offered a useful window to learn about the interests and ideas that shaped the levels of elite commitments at the implementation stage. The initial challenge here was to analyse and offer insights into the role elite interests and ideas played in shaping implementation ‘bargains’. This strategy particularly flowed from the recognition above that the strong clientelist relations between politicians and powerful elite factions will most likely tilt local content implementation towards satisfying the latter in order to keep them committed to the ruling coalition (e.g. Oduro et al., 2014). To investigate this, I focused on tracking the identity of the local partners behind the E&P and JV deals contained in the post-local content petroleum agreements. However, this turned out to be a challenging task, making it difficult for me to build-up a comprehensive picture about the local beneficiaries of E&P and JV equities. I however managed to get some important insights after persistent inquiries that enabled me to make inferences with a high degree of confidence.

3.4.1.3 Case three: Operational Challenges of the Enterprise Development Center

The third case explores in more specific terms, whether and how the tendencies within Ghana’s political settlement shaped the operational challenges of the Enterprise Development Center (EDC), a flagship local content initiative established to help build the capacity of local firms to participate in the oil sector. The first challenge here was to understand why the EDC largely failed to achieve its targets from the start of the center in May 2013 to May 2016 (e.g. Ablo, 2015). This involved an initial desk-based research to examine the number of registered local firms with the center, the number of firms the center targeted to train in a year, the extent of achieving these targets and the challenges herein. I drew on various
secondary sources in this quest - EDC training strategies, reports of workshops and conferences organised by the EDC, public statements and speeches by politicians and private sector elites on the development and operations of the center, reports of IOCs funding the project and meeting minutes of the EDC Project Steering Committee. These sources usefully corroborated 20 key informant interviews \(^{21}\) I conducted to understand the politics and challenges around the EDC’s enforcement. Understanding the EDC’s operational challenges served as useful background to interrogate the possible causal explanations to the center’s inability to achieve its own set targets within three years in operation. This strategy enabled me make causal inferences by identifying a wide range of alternative explanations that could downplay the viability of the generally upheld reason(s) for the EDC’s operational challenges and offer deeper ‘clues’ on other underpinning cause(s) (e.g. Maxwell, 2004).

The general explanation offered (by government officials in general) for the operational challenges of the EDC, centered on arguments that the project was inappropriately designed in the first place (also see Ablo, 2015). To interrogate this claim, I reviewed: (through interviewing IOCs, CSOs and private sector experts and owners of local firms) 1) the types of training programmes offered by the center, 2) whether these programmes were adequate enough to help develop the technical expertise of local firms to competitively participate in the sector, 3) whether instructors employed to offer training had the required technical expertise to do so and 4) the degree of interests by local firms in enrolling for the EDC programmes and the reasons behind their behaviour. The approach helped in understanding the institutional and technical challenges behind the EDC’s inability to meet its set targets.

To get a rounded picture of the EDC’s problems, I relied on interviews and document analysis to identify and explore alternative explanations. What emerged largely followed the

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\(^{21}\) I conducted a total of 20 (12 initial and 8 follow up) separate interviews for this case although some cut across those (the 45) for policy adoption and implementation.
political settlements argument that best-practice institutions can often be adopted in the formal sense, but have their operations undermined by the low capabilities of productive entrepreneurs and powerful interests within the ruling coalition (e.g. Khan, 2010, Whitfield, 2011a). To verify this claim, I employed aspects of Whitfield and Therkildsen’s (2011) framework on the key drivers of growth in productive sectors to assess the entrepreneurial capabilities of local firms registered with the EDC. Through interviewing some owners of local firms, I examined their levels of technical and financial capacities to engage in the oil and gas sector and how this enabled or undermined their benefiting from the EDC programme (e.g. Damman et al., 2011). I additionally investigated the degree of mutual engagements between local firms and ruling elites more broadly, focusing in particular on the levels of funding support enterprises offered to politicians and how this incentivized political elite to help promote their business endeavours. This quest also proved extremely difficult, not least because many local firm owners did not want to disclose their political identities less talk about their relations with politicians. During my second field trip however, I was fortunate to get some local firm owners to not only disclose their political affiliations, but indicate their levels of engagement with ruling elites. This was largely possible because of the rapport I established with some of them through regular communication (on phone) even after my initial interviews with them. Investigating the relationships between local firms and political elites helped to examine the former’s ‘holding power’ within the ruling coalition and how this played a role in the implementation challenges of the EDC.

Examining the holding power of local firms also helped to investigate the political motivations that shaped the actions of ruling elites around the EDC. This strategy centered on the notion that in the absence of significant holding power due to local firms insufficiently funding the activities of politicians, the latter will implement the EDC to favour politically connected enterprises in exchange for funds to maintain their coalition (e.g. Whitfield and
Combining interviews with process tracing, I tracked the underpinning political motivations for contracting Enablis Ghana Limited to operate the EDC and how such a decision undermined the center’s capacity to achieve its set targets. Similarly, I investigated the main reasons why the NDC sited the EDC in the Western Region (a swing electoral area) in particular. This approach was guided by Whitfield’s (2011a) argument that, the intense electoral competition within Ghana’s presidential system significantly constrains the patronage tendencies of ruling elites as they are often minded not to target resources to only their core supporters but ‘swing’ voting areas.

3.5 Ethical Considerations and Positionality of the Researcher

This research was conducted in line with the appropriate ethical considerations for PhD dissertations in the University of Manchester; particularly the procedural, situational relational and existing guidelines that are key to ensuring quality data collection and analysis (Tracy, 2010). I appropriately informed all respondents about why they were selected for interviews and offered sufficient information about the research, including the aim and objectives. I sought informed consent and subsequently obtained this before interviewing each respondent. Respondents were assured full confidentiality and anonymity and informed of their right to withdraw from interview sessions at any time including requesting for the information they provide to be destroyed.

It is important to emphasise that my position as staff of the Petroleum Ministry may have generated some biases in both the collection and analyses of data, not least as many of the respondents' (particularly official of the Petroleum Ministry, GNPC and Petroleum Commission) knowledge of me may have influenced their level of confidence and trust during interview sessions and consequently affected the quality and objectivity of data (e.g. Berger, 2015). I managed this by unreservedly providing each respondent with details about my professional background, status and relationship with the research. I usually started
interviews on a friendly and relaxed note; although this on many occasions became more formal as the interaction progressed. This helped build some bond of trust between the respondents and I, which served as an important channel for collecting deep and confidential information (e.g. Carey et al., 2001). In terms of analysis, I critically self-evaluated my level of subjectivity, adopting a constructive approach to interpreting the data I collected. This included being constantly conscious of my beliefs and understandings of how politics operates within Ghana’s oil and gas sector and employing these to guide my behaviour towards the respondents and interpretation of data.
Chapter 4 : The Political Settlement of Ghana

4.1 Introduction

This chapter explores the character of Ghana’s political settlement, tracing its evolution from independence to present day. It offers a historical account of the inter-elite power relations that underlie institutional and policy choices in Ghana. In doing so, it draws on the analytical framework set out in Chapter 3 to provide a context for understanding the role of Ghana’s political settlement in shaping oil governance in the Chapters that follow. Particular attention is paid to the competitive clientelist political settlement (CCPS) that emerged after Ghana’s return to democratic rule in 1992 (Levy, 2014), and how this shaped the incentive structure of ruling coalitions in their policy choices to deliver development. A major interest here is to identify the key actors within the ruling coalition that (re)produce the political settlement. The chapter draws much of its information from the extant literature on the relationship between politics and development in Ghana, and complements this with archival materials based on government reports.

The chapter begins with a brief discussion on the evolution of Ghana’s political settlement before and after independence, focusing on how political events in the late colonial period shaped the main political traditions within, and how elites have coalesced around these parties overtime. The political settlement within this period (1946-1992) was predominantly a vulnerable authoritarian clientelist one, where ruling coalitions mainly employed coercive strategies to govern. By the early 1950s, the growing strength of excluded groups meant that the authoritarian ruling coalition under colonial rule could not be sustained and Ghana began a process of evolution towards a structure of competitive clientelism following the agitations for self-rule and independence in 1957. The political settlements between 1957 and 1981 saw the power of excluded and lower-level factions increase, with both groups operating through
the competitive clientelism that emerged with the struggles for independence. Ghana, between 1982 and 1992 continued as a vulnerable authoritarian coalition albeit with brief episodes of competitive clientelism under Rawlings’ quasi-military rule. The chapter next explores the shift from authoritarianism to competitive clientelism following the return to multiparty democratic rule in 1992. Ghana settled into a stable, competitive clientelist political settlement within this period, with much civic engagements, including increased political competition, state-society relations and role of the media. In the end, the chapter discusses how competitive politics between the NDC (1992-2000) and NPP (2000-2008) shaped Ghana’s prevailing CCPS in the sections that follow. In particular, it explores the nature of power relations between political elites and broader interest groups within the ruling coalitions and how these have shaped policy choices over time, setting the context for understanding the design and shape of policies and institutions to govern oil in the empirical Chapters that follow.

4.2 Ghana (1946 to 1992): Authoritarian Political Settlements with Periods of Competitive Clientelism

In this section, I trace the evolution of Ghana’s political settlement, outlining how elites coalesced around the major political traditions immediately before and after independence. I start the discussion from 1947, as this year marked the beginning of sustained processes for decolonisation following the power shift (from the colonialist to the intelligentsia\(^\text{22}\), precipitated by events in the immediate post Second World War period\(^\text{23}\) (Austin, 1970)).

Much of the remaining discussion focuses on the post-independence era (1957-1992) during which a number of structural shifts prompted politicians to adopt certain decisions that continue to influence Ghanaian politics today. I begin with Kwame Nkrumah’s rule. Outside

\(^{22}\) These comprised a class of educated Ghanaians mobilised by the UGCC to challenge the colonial authority.

\(^{23}\) According to Austin (1970), this period saw alarming increases in the prices of local foodstuffs which triggered protests by the hard hit unskilled, semi-skilled and average Ghanaian workers.
of Nkrumah, I focus more on the administrations of Busia (1969-1972) and Rawlings (1981-1992), whose regimes saw notable changes (particularly around political ideologies) in the political settlement. All other administrations in between these periods were generally short-lived (some lasting only four months) and therefore not given much focus in the discussion here. This is because the nature of elite (dis)agreement over the rules of the game within these periods had less impact in shaping the prevailing political settlement.

4.2.1 Authoritarian Colonial Rule and the transition to Independence

By 1946, Ghana’s (Gold Coast at the time) political settlement was transitioning from what Khan (2010) terms a largely authoritarian coalition to a clientelistic authoritarian one, involving power shifting from the colonial authority to the national intelligentsia (Austin, 1970). This shift precipitated the processes towards independence, beginning with the protest led by J. B. Danquah in 1946 against a new constitution by the Alan Burns regime (1942-1947). Series of protests against colonial policies followed this and created grounds for J. B. Danquah, (with the support of Paa Grant) to form the United Gold Coast Convention (UGCC) to spearhead social agitations for independence (Shaw, 1945). The UGCC later incorporated Kwame Nkrumah as organising secretary, largely on the basis that his radical and socialist ideas could help the party mobilise support across the country (Ibid). However, it was this radical approach of Nkrumah that later created conflicts over the UGCC’s approach to independence and undermined relationships between the former and the party’s core. The UGCC leadership accused Nkrumah of pursuing his personal agenda rather than mobilizing support for the party. The struggles within the UGCC led Nkrumah to exit the party and formed the Convention People’s Party (CPP) in 1949, establishing a political coalition with radical youth groups and educated commoners (Buah, 1998).

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24 This new constitution sought to ‘Africanise’ the governing structures of the colonial administration by granting greater political powers to Chiefs.

25 While the UGCC preferred a gradual approach to independence Nkrumah wanted immediate self-rule.
Nkrumah’s socialist character and radical activism for ‘immediate self-rule’ endeared the CPP to minority groups (e.g. teachers, drivers, petty traders, lower level civil servants, railway workers, local contractors, youth groups etc.) who hitherto participated in the UGCC led protests against the authoritarian rule of Chiefs and the Colonial Authority (Austin, 1970). These groups coalesced behind the CPP because Nkrumah demonstrated greater commitments to both advancing their interests and securing immediate independence rather than in the shortest possible time as proposed by the UGCC (Buah, 1998). The formation of the CPP generated intense competition between the two parties, with Nkrumah courting and subsequently winning over the support of youth groups he mobilised for the UGCC. Following the promulgation of a new constitution and two plebiscites in 1951 and 1954, the CPP secured a majority in the Executive Council and a substantial minority in the Legislative Council, with Nkrumah as Leader of Government Business (a position similar to Prime Minister). These electoral victories consolidated the CPP’s popularity, and in turn diminished the power of the triple-ruling elites (colonial authority, chiefs, and the intelligentsia).

The expanded ruling CPP coalition nonetheless found it difficult to effectively address the socio economic challenges faced by its core supporters. To maintain the CPP coalition, Nkrumah relied on the clientelist distribution of resources to protect the interests of key factions (e.g. educated commoners and youth groups), including increasing the wages of civil servants and embarking on an extensive social welfare programme (Austin, 1970). Meanwhile, this commitment to sustain the CPP coalition also required dealing with relatively strong excluded factions, mobilised under the Ghana Congress Party (GCP)26. In the 1954 plebiscite, although the CPP won 18 out of 21 seats in Ashanti, the region’s links with the UGCC and GCP posed significant threats to the ruling coalition, not least as it lost over 41% of the popular voters there. Among various moves to weaken this threat, Nkrumah

26 The party was an alliance of anti-CPP forces, UGCC members and Chiefs mainly from the Ashanti Region of Ghana.
vetoed the selection of CPP candidates from the region, including dismissing several party members with Ashanti roots. Moreover, although the CPP generally protected the interests of farmers, it pegged the loading price of cocoa at 72 shillings per load relative to the market price of £12.10, aiming to weaken the economic holding power of cocoa farmers who mostly hailed from the Ashanti region.

Nkrumah’s exclusionary tactics deepened opposition to the CPP. In 1954, opposition UGCC and GCP forces, CPP rebels and Chiefs mobilised under the leadership of Baffour Akoto, a wealthy cocoa farmer and a senior linguist to the Asantehene (Ashanti King) to form the National Liberation Movement (NLM)\(^{27}\). The party was essentially Ashanti based, drawing much of its support from the region and the Asantehene, including K. A. Busia, (leader of the GCP) and J. B. Danquah (leader of the UGCC). The NLM however struggled to mobilise the popular support and horizontal alliance (with other excluded parties) required to generate a coalition capable of challenging the CPP. This was partly because its call for a federal constitution threatened to ruin the independence struggles most Ghanaians longed for (Austin, 1970). The NLM’s continuous resistance and threats of secession nonetheless influenced the strategies of the ruling CPP coalition. Nkrumah fearing that the NLM’s agitation for a federal constitution might undermine pressures for independence, yielded to a deal under the 1957 constitution, to grant delegated powers over budgets, education, health etc. to five regional assemblies. As discussed in the next subsection, although this settlement paved way for Ghana’s independence, it did not significantly change the centralised rule of the CPP, as Nkrumah retained absolute powers over the executive and legislature.

\(^{27}\) Mosley (2017), citing Frimpong-Ansah, (1991) argues that the NLM was essentially an Ashanti-based party established to resist the exclusionary tactics of Nkrumah; particularly the latter’s restrictive cocoa pricing policies – the decision to peg cocoa prices at their pre-existing level for five years in 1954.
4.2.2 Vulnerable Authoritarian Settlement, 1957-1981

Ghana gained independence from Britain in March 1957 under the leadership of Kwame Nkrumah. Independence did not however quell the growing tensions between the CPP and excluded factions. It rather reinforced Nkrumah’s authoritarian rule. The CPP saw itself as a party for the ordinary Ghanaian, consolidating its power around farmer groups, ex-servicemen, the Trades Union Congress (TUC) and youth groups. This statist label endeared the party to the average working class and minority groups and helped the CPP gain significant popular support to win the 1960 elections (Austin, 1970). Despite this support at independence through to the 1960 elections, other political groups with varying strengths emerged within the period, and posed significant challenges to the CPP. In particular, the Ga Shifimo Kpee (Ga steadfast party), under the leadership of Attoh Quarshie was formed in Accra in 1954 in reaction to the growing state of landlessness among the Ga people, occasioned by social and economic developments in the capital city (Accra). Although the party was a faction of the CPP, its violent approach to securing Ga lands brought it into direct conflict with ruling CPP elites. The party eventually broke away from the CPP to join the Ashanti based United Party and posed further threats to the CPP coalition. Moreover mobilizations by the Ga party whipped up sentiments of secession from groups within the Northern Territory, Trans-Volta and Ashanti Region, often fuelling violent ethno-regional clashes (Apter, 2008).

In line with Khan, concerned that these agitations would divide the country along ethno-regional and religious lines, Nkrumah resorted to authoritarian strategies, aimed at securing dominance and reinforcing these tactics through constitutional instruments to control the mobilizations of excluded groups. At separate periods in 1957, Nkrumah ratified the Avoidance of Discrimination Act, Deportation Act and the Emergency Powers Act to counter the threats excluded factions posed to the country’s sovereignty (see Austin, 1970). These
together, with the Preventive Detention Act (PDA) in 1958 sought to weaken the foundations of opposition forces, including prohibiting the formation of regional and tribal based parties, blocking funding sources to dissenting groups and punishing political activists who threatened the country’s security. The PDA became the chief weapon for targeting opposition groups. It allowed for the detention of persons deemed threats to the state for up to five years (later extended to ten years) without trial or right of appeal. By 1961, Nkrumah through the PDA had detained 400 to 2,000 opposition members, including J. B. Danquah, who later died in prison (McLaughlin and Owusu-Ansah, 1994). Nkrumah’s authoritarian rule deepened after the 1960 elections as ploys to overthrow the CPP became manifest. A new republican constitution bequeathed extensive powers to Nkrumah, including authority to discretionarily revoke the appointment of a Chief Justice, remove and appoint judges. In 1964, Nkrumah inaugurated a one-party state, banning all parties except the CPP and declaring himself the life President of Ghana. By the mid-60s, Nkrumah's rigid rule had generated increased resentment both within the CPP and from excluded groups. Nkrumah’s ill-fated life presidential ambition and one-party experiment barely took off. His authoritarian tactics were short-lived when factions within the ruling CPP coalition colluded with excluded groups to overthrow Nkrumah in a military coup led by Lieutenant General Emmanuel Kotoka in February 1966, marking the beginning of vulnerable authoritarianism in Ghana.

Following this coup, Ghana struggled under a succession of short-lived unstable military and civilian regimes, each caught up in inter/intra elite conflicts, characterised by partisan ambitions to expand their political coalitions (see McLaughlin and Owusu-Ansah, 1994). Particularly under the Progress Party (PP)28, Busia sought to deepen political support through instituting various reforms to create rent seeking opportunities for the educated class and

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28 Three years after Nkrumah’s overthrow, the National Liberation Council led by Kotoka organised elections in 1969 in which Progress Party led by Kofi Abrefa Busia won, drawing much support from old opponents of Nkrumah, the educated middle class and chiefs and opinion leaders from the Ashanti Region (see Miller et al 2009).
business elites. For example, the PP developed the Ghana Business Act in 1969 to restrict foreign nationals from engaging in small and medium scale businesses. This move reflected the party’s pro-market ideology, as it aimed to promote business opportunities for the capitalist class (Miller et al., 2009). Busia’s market reforms helped revive the hitherto politically weak business class under Nkrumah. The reforms precipitated the emergence of various private sector unions including the Crusade for the Protection of Ghanaian Enterprises, Association of Ghanaian Businessmen and the Indigenous Ghana Manufacturers’ Association who also emerged as key factions of the PP.

By 1971 however, Busia’s failure to address the country’s economic problems generated significant resistance from excluded factions such as the middle class, salaried workers and the military (Ibid). Coupled with his devaluation of the national currency, his implementation of an IMF- backed stabilisation programme significantly hurt the average Ghanaian worker through increased taxes and wage cuts. These austerity strategies led to a series of protests led by the TUC against the deteriorating economic conditions inflicted by the Busia administration (Ibid). In addition, Busia’s dismissal of 568 civil servants (predominantly Ewes who hailed from the Volta region) upon assuming office was seen as a direct attack on Ewes (Brown, 1980). In addition to the limited revenue allocation and infrastructural projects distributed to the Volta region by the PP, the party significantly excluded the Ewes (Kwaku, 1975). Feeling marginalised, various Ewe groups, with the support of other excluded ones (e.g. Gas and Dangmes) embarked on a series of demonstrations against Busia’s exclusionary tactics. Meanwhile, Busia’s exclusion of the military from the PP coalition generated significant levels of discontent within, combining with the wide civil unrests to precipitate his overthrow in January 1972 by Colonel Acheampong (Miller et al., 2009). Similar coups impelled by continuous macroeconomic crises precipitated five regime changes (one civilian and four military) after Busia’s administration. Constant power struggles and inter/intra elite
conflicts characterised these regimes, with politicians, the military and civilian groups, all competing for control over state resources (Whitfield, 2017). With the exception of Rawlings’ PNDC/NDC regimes, the ruling coalitions (both military and civilian) that emerged from such power struggles, found it difficult to rule for long, largely because mounting resistance from excluded factions made it difficult for political elites to consolidate their regimes (Whitfield et al., 2015).

4.2.3 Dominant Political Settlement under the PNDC, 1982-1992

By 1979, the Ghanaian economy had virtually come to a standstill, struggling to survive the severe economic problems inherited from the Acheampong era. Midway through Acheampong’s rule, significant levels of corruption and favouritism within the ruling coalition and deteriorating economic conditions (the decline in food production, low cocoa production, high oil prices and failing industry and transportation sectors) combined to generate strong public disaffection for the National Redemption Council (NRC). This precipitated a crisis of political legitimacy for both ruling civilian and military elites and propelled an overthrow of the Supreme Military Council (SMC) in 1979 by a group of junior army officers led by Jerry John Rawlings under the banner of the Armed Forces Revolutionary Council (AFRC). The AFRC upon assuming political power promised and subsequently returned Ghana to democratic rule under the People's National Party (PNP) led by Hilla Limann. The Limann administration however lasted for only 27 months. Rawlings, leading a ‘people’s revolution’, this time under the banner of the Provisional National Defence Council (PNDC) mobilised junior ranks in the military to overthrow the PNP.

29 In the days after the 1972 coup that toppled the Busia regime, Acheampong was mindful to incorporate civilian groups into his coalition, within a move to prevent mobilizations from excluded groups. The NRC formed a new bureaucratic system with civilians occupying various roles in advisory committees, including restructuring the NRC into the Supreme Military Council (SMC) in 1975, aiming in part to consolidate the support of the military and also to give the party a democratic face (see McLaughlin and Owusu-Ansah, 1994).

30 Barely three months in power, Rawlings allowed for elections in June 1979 with Dr Hilla Limann of the People's National Party (PNP) emerging victorious.
Notwithstanding the revolutionary zeal at the time, Rawlings conscious of how the political realities at the time could fuel opposition to his regime, adopted populist strategies to build and maintain a secure coalition. The ruling PNDC coalition constructed its coalition around the overt support of the military hierarchy, junior army officers, students, left-wing intellectuals, trade unionists, anti-establishment professionals and traditional authorities who also provided crucial support for the coup (Gyimah-Boadi, 1993). The early days in power saw the PNDC attempt to form a cohesive political coalition that operated and sustained itself through protecting the interests of these groups. Gyimah-Boadi (1990: 330), for example, observes that despite overthrowing a constitutionally elected government, the quasi PNDC military regime “was able to withstand subversion from within and without” and enjoyed “relative political bliss as it pursued populist policies, backed by a coalition of popular forces”.

Despite this support, the PNDC struggled to acquire a cohesive political coalition, not least because the party was split between two broad factions (conservative and progressive), each fighting to gain control over the revolutionary government (Gyimah-Boadi, 1993). Intense competition for control between these groups generated increased tensions within the party, including violent murders and two counter coup attempts. Moreover, the PNDC’s populist character excluded the middle, professional, managerial and business classes who were denounced by Rawlings as imperialist emissaries and the cause of the economic challenges the country faced at the time (see Opoku, 2010). Tangri (1992) argues that the insecure relationship between Rawlings and the private sector arose out of the former’s fear that a thriving community of business elites could create a new power bloc and pose significant threats to the PNDC. Although the PNDC’s implementation of neo-liberal austerity policies from 1983 drove some economic growth, it also deepened the bad relationship between the party and the educated and business elites and alienated some populist revolutionary groups
By the mid-1983, difficult economic conditions\(^\text{31}\) led the PNDC to shift from its initial populist position of self-reliance to implementing an IMF/World Bank driven Economic Recovery Programme (ERP) and a Structural Adjustment Programme (SAP) from 1986 to 1991. Broadly, the ERP and SAP drove modest economic growth rates in the 1980s, as huge foreign inflows from both international donors and foreign capitalists helped the PNDC finance its economic recovery agenda\(^\text{32}\) (Whitfield, 2011b). This success notwithstanding, the wide-ranging liberal and austerity reforms generated significant resentment among the business and working class as ERP/SAP policies promoted labour cutbacks, currency devaluation, subsidy withdrawal and wage cuts (Ninsin, 1987). Moreover, austerity policies such as subsidy withdrawal, tax increases, high interest rates, price deregulation, increase in utility user fees, unfair foreign competition in trade etc. generated significant resistance from the working and business classes (Baffoe, 1989). Meanwhile, populist factions (particularly the radical intelligentsia and students) within the PNDC coalition saw the ERP/SAP as betraying the revolutionary spirit and favouring imperialist interests. Grassroots factions such as the June Fourth Movement (JFM), the Kwame Nkrumah Revolutionary Guards (KNRG), and the People’s and Workers’ Defence Committees (PDC/WDCs) felt politically alienated by the PNDC and resorted to violent protests to make their case (Hutchful, 2002).

The growing alienation of populist factions and isolation of the middle and business class combined to fuel insecurity and public dissent against the PNDC regime and strengthened excluded factions (Kraus, 1991). Rawlings’ weakened control over excluded factions,

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\(^{31}\) By 1983, Ghana faced serious economic challenges propelled by both domestic and external factors such as drought and bush fires, famine and dwindling foreign exchange receipts.

\(^{32}\) The recovery programme helped the PNDC rebuild state finances through reviving Ghana’s export sector. By 1988, cocoa production increased to 300,000 tonnes from 150,000 tonnes in 1983. A new Mining Law in 1986 liberalised the sector and strengthened the state’s control over (through a new Minerals Commission) natural resource governance (see Hutchful, 2002).
particularly the military in the late 1980s combined with pressures from the IMF and World Bank, CSO groups, labour unions etc. to push the PNDC to return to democracy (Ninsin, 1998). This concession saw the PNDC appoint a Committee of Experts to draw up constitutional proposals for consideration by a newly established Consultative Assembly. The Assembly deliberated on the proposals and developed a draft constitution which was unanimously approved by Ghanaians in a referendum in April 1992, paving the way for multiparty elections. In the section that follows, I show how the 1992 elections transitioned Ghana from a quasi-authoritarian political settlement to a competitive clientelist one. I examine the key political factors that underlie the prevailing political settlement, particularly the visible coalitional building strategies by the Rawlings-led NDC regime (1992-2000) and the Kufour-led NPP regime (2000-2008) in response to post-elections shifting power relations.

4.3 The Political Settlement under NDC (1992-2000)

The NDC won the 1992 elections through building a broad political coalition despite its emergence from a quasi-military political settlement coalition (Whitfield, 2011a). The party capitalized on Rawlings’ popularity in the rural areas and northern parts of the country to bolster its support (Ayee, 2014). The local government reforms in the PNDC era emerged as an important coalitional building machine for the NDC as the party tapped into the rural patron-client network of the Nkrumah era (Ibid). Rawlings’ strategic appointment of traditional leaders, retired public servants, farmers, religious leaders etc. to the assemblies and financing of loyal revolutionary groups (e.g. the 31st December Women's Movement formed by his wife) helped the NDC mobilise a strong rural support base, including reviving the backing of youth groups and populist forces of the PNDC era (Gyimah-Boadi, 2008).

Youth groups and rural populations stayed with the NDC because the PNDC delivered some

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33 Part of the PNDC’s strategy to improve local governance was to establish assemblies as the highest political and administrative authority in each district with executive and legislative powers.
modest levels of infrastructure and social amenities that addressed the appeals of these constituencies (Ayee, 2014). In the advent of the 1992 elections, Rawlings capitalised on the CPP’s divisions and co-opted key Nkrumahist wings to strengthen his coalition. The NDC formed an alliance with one of the Nkrumahist parties, the National Convention Party (NCP) and incorporated key supporters of Nkrumah (e.g. Kojo Tsikata and Obed Asamoah) into leadership positions. Rawlings’ historical affinity to the ‘ordinary Ghanaian’ (as with Nkrumah) reinforced the importance of pro-Nkrumah groups coalescing behind the NDC (Nugent, 1995).

The post 1992 political settlement did not however change significantly after the restoration of democratic rule. Despite multiparty democracy generating some political competition, the political settlements was still personalised and uncompetitive as Rawlings remained very powerful (Whitfield, 2011a). The NPP’s decision to boycott the 1992 parliamentary elections also made the polls a ‘one way’ contest with only the NDC and its cohorts (the NCP and EGLE Party) winning 198 of the 200 parliamentary seats, virtually making Ghana a one party state. The boycott however generated tensions after the elections, with the NPP alleging abuse of incumbency and irregularities prior to and during the polls (Oquaye, 1995). This had the potential to undermine the NDC’s rule, not least because as noted above, Rawlings sought to use the 1992 elections to increase his legitimacy. Moreover, the ruling NDC saw the NPP’s agitations as threatening its survival. The NDC feared that the post-election stalemate could weaken its relationship with donor organizations such as the IMF and World Bank, who may withdraw their support (Jeffries, 1998). The ruling NDC after a few months in power agreed to enter into various negotiations with the NPP in an attempt to calm the post-election tensions, particularly with both parties consenting to play by the rules of the electoral game (Debrah, 2011). The formation of the Inter-Party Advisory Committee (IPAC) by Ghana’s Electoral Commission (EC) in 1994 epitomised this agreement to the rules of the game as it
served as the main forum for political parties to address electoral concerns. The IPAC comprised the EC, representatives of all political parties and officials from key donor organisations who often observed the political dialogue within the committee. IPAC’s forum helped the EC to improve electoral rules, including introducing transparent ballot boxes and shifting from the thumb print vote to a photo identification system (see Mosley, 2012).

Electoral reforms did not however address the issue of clientelist politics, particularly the distribution of resources by incumbent politicians for votes. The inter-elite bargaining within the IPAC rather moved the political settlement towards a more competitive direction. The redesigning of electoral instruments opened up the civic engagement space, deepening political competition and intensifying clientelist politics (Lindberg, 2003). However, the liberalised political environment created a fertile ground for NPP supporters to augment their dissent against unpopular policies and activities of the Rawlings administration (Whitfield, 2011a). This new space for challenging the power of the ruling coalition both generated and shaped NDC’s strategies in response to the deepening competitive politics. The threats posed by the growing strength of the NPP led the ruling NDC to develop new mobilizational structures and funding sources as a way of sustaining, expanding and legitimatizing its coalition (Ibid). For example, by the end of 1994, in seeking to construct a bridge between the party and the private sector it hitherto marginalised, the NDC through an act of Parliament (Act 478) established the Ghana Investment Promotion Centre (GIPC) to facilitate dialogue and collaboration with the private sector as way of boosting economic investments (Aryeetey and Owoo, 2015). This move saw organizations such as the Private Sector Roundtable (PSR), Indigenous Business Associations (CIBA) and the Private Enterprise Foundation (PEF) emerge to participate in the opening economy. In addition, the NDC liberalised political activities, reawakening the hitherto suppressed civil society activism by the PNDC regime (Hutchful, 2002). This strategy fostered more channels for dialogue.
between political elites and organised social groups, with CSOs such as the Centre for Democratic and Development (CDD), the Institute of Economic Affairs (IEA) and Third World Network (TWN) increasingly engaging politicians on issues related to development planning (Gyimah-Boadi, 2004).

However, this political tactics by the NDC to increase its political legitimacy but also to undermine the NPP’s support by capturing its base within the business community fuelled the growth of provincial interests on issues of politics and development. This in turn nurtured growing factionalism along the balance of power between NDC elites and moderate to lower level factions that emerged as party-agents in charge of running and financing the ruling coalition (Hutchful, 2002:219-22). This strengthened the holding power of lower level factions and correspondingly diminished the control of political elites on such groups. The changing power relations shaped policymaking and resource allocation decisions. The threat posed by the growing strength of lower level factions generated incentives for political elites to distribute rent seeking opportunities for party members as a way of lubricating the electoral fortunes of the NDC coalition (Whitfield, 2011a). The award of state contracts to party cronies and the expectation of kickbacks from such awards was an important source of financing the activities of the ruling coalition (Sandbrook, 2000). Under the guise of economic restructuring, top NDC elites exploited the divestiture of small and medium state-owned enterprises for their personal business interests and created an independent economic base out of this nepotism (Hutchful, 2002). Opoku (2010), for example, argues that a major ‘basket of funds’ for the ruling coalition came from lucrative contracts controlled by NDC elites, including politicians bending corporate rules to favour the business interests of NDC supporting firms.

Although the transition to constitutional rule seems to have improved the relations between state and non-state actors, this was limited and less institutionalized. State- business relations
more favoured elites aligned to the NDC coalition (Whitfield, 2011a). As noted earlier,
constitutional rule did not significantly change the dominant leadership style of Rawlings. It
rather reinforced his powers and helped him create a personalised party coalition although
this was in many respects more inclusive than that of the PNDC. The new NDC coalition
remained personalised as one could only access the distributional benevolence of government
through one’s direct relationships with ruling elites (Ibid). This personalised system of
resource allocation undermined the interests of established business elites who had to operate
under the unfriendly rule of Rawlings. However, with the liberalised political landscape
emerged new democratic institutions such as private media and CSOs which served as
important channels within which excluded factions amplified their dissent by politicizing the
actions and policies of the NDC government. Bob-Milliar (2012a) suggests that such
opposition threatened the NDC’s power and reduced its time horizon. NDC elites focused
more on delivering economic opportunities for party members but also delivering some form
of development especially in rural areas (e.g. providing electricity in parts of northern Ghana
in the early 1990s) as a way of increasing political support. Meanwhile, the expansion of the
NDC coalition to incorporate lower level factions drifted control from the top PNDC elites to
the emerging power brokers of the new NDC (Ibid). This increased competition for power
within the party and forced some PNDC Gurus to leave the NDC and formed different
political parties (Hutchful, 2002). Continuous tensions within the NDC coalition increased
factionalization on issues of policy and rent distribution. The height of this division was the
polarised positions NDC elites took with respect to selecting the party’s Presidential
candidate for the December 2000 elections, as Rawlings’ tenure was coming to an end. This
division played a pivotal role in the NDC’s defeat to the NPP in the 2000 elections under the
leadership of J.E.A. Mills (Whitfield, 2011a).
4.4 The Political Settlement under NPP (2000-2008)

The NPP came to power mainly through its labelling of the NDC as corrupt and failing to deliver development to Ghanaians, but also through leveraging the support of excluded factions, including business elites to expand its political coalition (Whitfield, 2011a). As with the preceding section, this section examines the character of the political settlement under the Kufuor-NPP regime, focusing on how shifting power relations shaped the coalitional building strategies of political elites and how this has in turn influenced Ghana’s contemporary competitive clientelist political settlement.

Having emerged victorious from a competitive election in 2000, the incentive to consolidate and expand its electoral support saw the NPP seeking to improve its relations with electorates, especially in the rural areas where the NDC was electorally dominant. The NPP had come to the realization that to win elections, it needed to diffuse its tag as pro-urban and widen its rural support base. To do this, the NPP as part of a constitutional requirement established party offices in each of the 230 constituencies (at the time), aiming to decentralise power to lower level factions and make them feel a part of the party’s decision-making processes. Political activities increased with the creation of these constituency offices and helped the party harness its electoral support in rural areas. Lower level factions excluded from the NDC coalition joined the NPP with the hope of securing some rewards (Lindberg, 2010b). The inclusion of lower level factions improved their ability to mobilize electoral support for the NPP at the constituency level and thereby increased their holding power (Ibid). This in turn increased their bargaining power where they demanded that the government uses its access to state resources to provide them with economic rewards in return for their continuous support (Whitfield, 2011a). Such contestations around the distribution of benefits generated incentives for political elites to provide job opportunities and rents to party supporters (Bob-Milliar, 2012b). For example, Seidu and Braimah (2015) note that although the National
Youth Employment Programme (NYEP) was developed to partly address the problem of youth unemployment, the programme was highly politicized and largely used to reward youth groups that supported the NPP.

In power, the NPP capitalised on the hitherto poor relations between the PNDC/NDC and business elites and proclaimed itself as a government committed to private sector development (NPP Manifesto, 2004). The NPP professed its tenure as a golden age of business and set up a Ministry for Private Sector Development, including implementing various liberal market reforms as a way of enhancing its relationship with business elites (Aryeetey and Owoo, 2015). The NPP, for example, decreased the cost of credit to enable business elites access loans at reduced interest rates (Osei et al., 2015: 22). It also established the Presidential Special Initiatives (PSIs) with the objective of mobilizing the initiatives of the private sector and expanding the industrial and export economy in order to promote their business interests (Aryeetey and Owoo, 2015: 11). In doing these, the NPP created rent seeking opportunities as a way of wooing business elites into its coalition. As Asem et al. (2013: 26) suggest, the NPP government was considered by business elites as more business-friendly as it created a relatively conducive environment to support business development in the country.

However, similar to the Rawlings regime, the Kufuor administration focused more on enhancing its legitimacy for electoral purposes than providing genuine opportunities for the private sector. Whitfield’s (2011a) suggests that the NPP’s commitment to governance was largely driven by the imperative of winning elections. She argues that “the NPP political elite did not behave significantly differently in government or pursue significantly different policies than the NDC” (ibid: 32). Indeed, while the NDC remained a strong opposition, the ruling NPP was increasingly characterised by a high degree of vulnerability in power, which
in turn led it to pursue politically-motivated public spending for electoral gains (Ibid).

Although the NPP professed a pro-market political ideology, the incentive of electoral success generated political interests for the NPP to develop and implement arguably higher levels of social protection programmes (e.g. National Health Insurance, Livelihood Empowerment against Poverty Program, NYEP etc.) than the socialist oriented NDC (Grebe, 2015:12-13). As with the NDC, the NPP against warnings of the negative effects of Ghana’s increasing fiscal deficits, failed to reduce the huge expenditure on public sector wages and remove subsidies on public utilities (e.g. petroleum products, electricity, water etc.) as doing these had the mutual effect of high cost of living and low votes in elections (Gyimah-Boadi, 2009b). The policies and behaviour of NPP elites thus had strong continuities with those of the NDC as both parties focused on pursuing particularistic, personalistic, and partisan strategies aimed at winning elections (Whitfield, 2011a). However, whereas power relations within the NDC revolved more around the charismatic personality of Rawlings, power struggles within the NPP were underpinned by overt divisions along ethnic lines (Osei, 2016:48).

This fragmented character of the NPP played a crucial role in deepening factionalism and elite contestation for power and control of the rents within the ruling coalition (Gyimah-Boadi, 2009b). It is important to point out here that factionalism in the NPP has its roots in the historical relations of the Asante and Akyem ethnic groups and characterised by the rivalry between the Danquah and Busia factions in the run-up to the 1979 elections where the two factions broke-up to compete in the same election (Bob-Milliar, 2012a). This political rivalry resurfaced around struggles to nominate a presidential candidate to contest the 2000 elections where the two prominent candidates, J.A. Kufuor and Nana Akufo-Addo contested the position along this embedded factionalism (Bob-Milliar and Bob-Milliar, 2010). The Busia faction triumphed with the nomination of Kufuor and his subsequent election as
President in 2000. However, this electoral success did little to address the divisions in the party although President, Kufuor was mindful to include members of the Akyem bloc in his government (Elischer, 2013: 156). Nonetheless, his strategic appointment of affiliates of the Busia faction to key government positions (Bob-Milliar, 2012a: 581) and monopoly over control of party finances further deepened factionalism within the NPP (Whitfield, 2011a: 32). Growing divisions within the party undermined Kufour’s support among lower level factions who did not necessarily align with any of the NPP blocs. This presented Akufo-Addo the opportunity to expand and consolidate his support. Apart from capitalizing on the growing dissent to Kufuor, Akufo-Addo leveraged his longstanding commitment to the party and mobilized the support of lower level factions who felt side-lined by the Kufuor administration (Bob-Milliar, 2012a: 581).

The shifting support from the Kufuor bloc to the Akufo-Addo faction reflected in the 2008 primaries where the latter prevailed. The primaries were necessary because Kufuor had served two terms as President and could no longer contest. Against expectations that Akufo-Addo’s experience in the NPP’s presidential candidate contest would unify party members in his support, the contest to nominate a new NPP presidential candidate followed factional lines. The Kufuor faction implicitly supported one of their own, Alan Kyerematen, but who lost to Akufo-Addo. This drift in power was also seen in the 2005 delegates’ congress of the NPP where the Kufuor faction lost control of the party’s top hierarchy to the Akufo-Addo faction (Author, 2009: 6). The party emerged from these and other rancorous battles more fractured and divided with the resignation of Kyerematen (Bob-Milliar and Bob-Milliar, 2010: 66) and the polarization of NPP parliamentary candidates along the Akufo-Addo and Kyerematen factions (Author, 2009: 7). Although in the interest of party cohesion Kyerematen was forced to rescind his decision, his return to the party did little to hold the party together and largely contributed to the NPP’s defeat in the third round of the 2008 elections (Author, 2009,
Gyimah-Boadi, 2009a). In the section that follows, I show how the NDC’s return deepened competitive politics and the prevailing clientelist political settlement.

4.5 The Contemporary Political Settlement in Ghana

On the 7th January 2009, the NDC returned to power after winning the closest elections in Ghana’s history. After a third round of voting, Atta Mills of the NDC won the elections by 50.23% to Akufo-Addo’s 49.77%. President Mills died on July 12, 2012, five months to the 2012 elections. In accordance with the constitution, the Vice President, John Mahama was sworn-in as President to finish NDC’s tenure. The NDC later nominated Mahama to contest the 2012 elections. After a close contest, Mahama emerged victorious, beating Akufo-Addo by 50.70% to 47.74% of the votes. The return of the NDC showcased the dominance of the two parties in Ghana’s political system since the return to multiparty politics in 1992 (Daddieh and Bob-Milliar, 2014). The fact that both parties have each won and lost power within the Fourth Republic reinforces Ghana as one of Africa’s stable democracies, underpinned by a de-facto two-party state (Ibid), increased oversight functions of CSOs and the media, effective checks and balances between the arms of government and a relatively transparent electoral process (Oduro et al., 2014). Notwithstanding these democratic successes, critics argue that Ghana’s competitive two-party system undermines the it’s already weak institutions and policies (Throup et al., 2011), which prevents the country from turning growth into structural transformation (Whitfield, 2011a, Mosley, 2017). Coupled with the growing incidence of intense electoral competition, patronage politics and excessive presidentialism, Ghana’s democratic system has been described as a competitive clientelist political settlement (Whitfield, 2011a).

This section discusses the main factors that underpin Ghana’s prevailing clientelist political settlement. The objective is to underline how clientelist politics within the political settlement shape the decisions politicians deem relevant to deliver development. In doing so, the section
sets the stage for examining the key factors that underlie Ghana’s institutional framework to govern oil in the Chapters that follow. In broad terms, the clientelist character of Ghana’s political settlement is underpinned by a variety of tendencies. These include explanations that emphasize the ‘structural origins’ of neo-patrimonialism in many African countries as well as those that underscore the vulnerability of ruling elites within the context of multiparty democracy in developing countries more broadly (Chapter 2). In this section, five main tendencies; namely intense electoral competition, excessive executive powers, building and rebuilding of coalitions, patron-client politics and ideas are discussed.

4.5.1 Intense Electoral Competition

Elections in Ghana’s Fourth Republic are highly competitive, a feature that has helped to further embed clientelist politics in Ghana (Booth et al., 2004, Fox et al., 2011). As discussed above, the fact that the two main parties have each won and lost elections makes electoral competition increasingly intense, such that the margin of votes between the winner and loser has consistently shrunk in successive presidential polls since the return to multiparty democracy (Figure 4.1).

Figure 4-1: Margins (%) between NDC and NPP presidential candidates, 1992-2012

Source: Author, based on data from the official website of the Ghana Electoral Commission
In line with Khan’s (2010: 68) argument about how elections “provide a mechanism for testing the organizational power of competing coalitions”, Ghana’s competitive multiparty politics, reinforced by its ‘winner-takes-all’ norm, horizontally excludes losing parties from decision making, with the potential to undermine political stability (Oduro et al., 2014: 6). This fear is echoed by the growing incidences of ‘ethnic block voting’ and factionalism that has characterised elections in Ghana (Jockers et al., 2010) and the tendency for this to fuel political polarisation and deprive some groups’ access to state resources (Abdulai and Hickey, 2016). Up to a point, this seems a normal practice within Ghana’s competitive democracy although it is difficult to predict at what point the ‘losers’ of this ‘winner takes all’ system can prove unwilling to accept their excluded status. Drawing from Khan (2010), where an excluded coalition is weak, dominant coalitions can govern in a stable political environment. In the case of Ghana however, both the NDC and NPP draw significant political support even in opposition and therefore tend to pose significant threats to the ruling party. The ruling coalition consequently tends to be unstable and highly vulnerable in power, which in turn can lead to the pursuit of politically-motivated public spending aimed at winning elections (Oduro et al., 2014: 8).

The vulnerability of ruling elites and the associated clientelist politics in Ghana further generates intense inter-and intra-elite competition as well as increasing elite-follower fragmentation. As a result of the intense intra-party competition within leadership contests of both the NDC and NPP, each has experienced episodes of intra-elite conflict which have led to intense factionalism and the coalescing of elites, grassroots interests and actors behind certain individual politicians (see Bob-Milliar, 2012a: 574). This resonates with Khan’s (2010: 65) notion of “vertical distribution of power” within a political settlement where lower level factions with significant holding power “can effectively block or limit implementation if their demands are not met”. Khan however seems to focus here on the power of social groups
to disrupt government policies that are inconsistent with their interests as with the cases of Thailand and Bangladesh (2010: 77, 106). Whitfield, (2015) nonetheless argues that the holding power of lower-level factions (e.g. party foot soldiers and constituency and polling station executives) draws from their capacity to influence the selection of presidential or parliamentary candidates and not in their power to disrupt government policies. In Ghana, the intense electoral competition is further deepened by the presence of these strong lower level factions within ruling coalitions. Their importance in winning elections endears them to political elites who strive to appease their ‘foot soldiers’ through the clientelist distribution of state resources (Bob-Milliar, 2012b: 2).

Another important future of electoral competition in Ghana is how it generates particular patterns of resource allocation to ‘party strongholds’ aimed at expanding electoral support rather than on the basis of need. Ethnic voting behaviour and partisanship has increased in Ghana’s democracy since 1992, underpinned by politicians disproportionately distributing public resources to areas with high electoral support, both as a reward for existing and previous voting loyalty and as a pact to consolidate this political backing (Jockers et al., 2010). Although the Ghanaian constitution contains clear provisions aimed at fostering the inclusion of all the ten regions, both in the distribution of state resources and political appointments, this statutory obligation is at best rhetorically relied on by politicians for electoral gains. In reality, ethnic politics remain significant in Ghana’s multiparty democracy, with the two main political parties clearly differentiated along ethno-regional lines (Ibid). In their study of the patterns of resource allocation within Ghana’s education sector, Abdulai and Hickey (2016: 11) found that despite the rhetorical commitment of politicians to

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34 Foot soldiers are party supporters at the constituency level who engage in crucial vote-mobilization efforts for their parties.
35 Ghana’s Constitution enjoins the Government to ‘ensure a regional balance in the recruitment and appointment of public offices as well as a fair and balanced development of all the regions (See Articles 34 (6b) 36 (2d) of the 1992 Constitution).
enhancing equitable access to education in Ghana, this was belied by strong evidence of “political targeting in terms of basic education expenditures”. They reveal that while “Volta region benefited most under the NDC government in the 1990s, it experienced the worst form of marginalisation under the NPP regime in the 2000s during which the Ashanti, Eastern and Greater Accra regions became the highest beneficiaries of per capita educational expenditures” (p. 12). The NDC is known to have its strongholds in the Volta and three Northern regions who have consistently voted for the party since 1992. The NPP on the other hand has its strongholds in the Ashanti and Eastern regions and secures high electoral support here (Jockers et al., 2010). The remaining regions (i.e. Greater Accra, Western, Central and Brong-Ahafo) are generally considered swing regions. Despite a strong Ghanaian culture frowning on ethnic appeals during electoral contests, both the NDC and NPP continue to perpetuate this ethnic politics in their electoral endeavours which further deepens ethnicity in popular Ghanaian politics (Ibid). Ethnic block voting thus remains a challenge to Ghana’s multiparty political system, not least that it is seen to produce ‘census elections’ (at least in the stronghold of the two major parties) that are unfavourable to the consolidation of democracy (Ibid).

Incidence of ethnic politics notwithstanding, the fact that no ethnic group or region in Ghana has attempted to secede from the Republic underscores the country’s fairly united political system since independence. Lindberg (2010a) for example notes the growth of programmatic politics within Ghana’s two-party system, with successive governments channelling ethnic differences in a largely conflict-free way, including instituting checks to prevent ethno-regional politics becoming too dominant. Pursuant to Article 55 (4)\textsuperscript{36} of the constitution, the major political parties in Ghana have set up national, regional and constituency offices across the country. The two major parties in particular pay serious attention to regional balance in

\textsuperscript{36} The Act requires political parties have a national character, where membership shall not be based on ethnic, religious, regional or other sectional division.
the appointment of Ministers and state bureaucrats. Broadly, political analysts agree that the composition of governments and leadership in the country represent most segments and diverse ethnic interests (see Gyimah-Boadi, 2003). This leads some to argue that, although ethnic divisions and tribal politics remain entrenched in Ghana’s multi-party politics, such ethnic antecedents do not seem likely to pose serious threats to the country’s democratic consolidation (Fox et al., 2011: 8). Ghanaians continue to deepen this sense of national identity, underpinned more by supporting a government that can deliver broad-based development in a peaceful political environment (Ibid). The fact that, to date, every electoral outcome has been accepted and implemented in a democratic fashion is a strong indicator of Ghana’s democratic consolidation. This somewhat reflects an emerging shift from the personal electoral processes that characterised the 1992 elections to some form of impersonal democratic practices in recent times (Levy, 2014). A shift underpinned by the consensus (by Ghanaians) to operate and resolve issues through the dictates of the 1992 constitution (Gyimah-Boadi, 2010). The broad elite consensus to seek power only through competitive multi-party elections and the popular citizens’ support for this process reflect Ghana’s democratic consolidation (Oduro et al., 2014) not least because these conditions tend to reinforce some degree of compromise, tolerance, moderation, conciliation, and restraint among elites and the wider Ghanaian populace (Ayee, 2014: 9).

4.5.2 Dominant Presidential System, Excessive Executive Powers and Institutional Bargaining

As noted above, the 1992 Constitution concentrates political power in the Presidency. It gives the President absolute powers to appoint a cabinet to assist in general policy development (see Article 76 (1-2) of the 1992 Constitution of Ghana). The cabinet consists of the President, the Vice-President and not less than ten and no more than nineteen Ministers of State. Together with the power to appoint all Ministers of State (Article 78 (1)), the President’s
oversight of government policy gives him enormous powers and control over other state institutions, with potentially negative effects for policy implementation (Fox et al., 2011). Particularly within the patron-client relations between politicians and their constituents, cabinet decisions around the distribution of state resource can often be subjected to partisan and clientelist interests rather than broad based. Fox et al. (2011: 26) suggest that the strong executive control of state institutions can create a parallel patronage political system where ruling elites appropriate state resources to appease members and loyalists of their political parties. They openly relate the uneven development across the regions of Ghana to the concentration of power in the executive, and how this shaped the disproportionate distribution of state resources. Oduro et al. (2014: 4) emphasise the role of Ghana’s excessive presidentialism as undermining the country’s already weak institutions, characterised by weak checks and balances and ineffective devolution of power to local authorities. These arguments echo Bratton and van de Walle’s (1997: 63) assertion that “the concentration of political power in the hands of one individual” under Presidential democracy is a driver of neo-patrimonial regimes in Africa.

However, Whitfield (2011a) argues that the prevailing competitive political settlement constrains the patronage tendencies of Ghana’s presidentialism. Ruling elites are minded not to target resources to only their core supporters as this can generate resentments from excluded sections of the population who may ‘swing’ their votes to the opposition during elections. In line with Khan’s (2010: 6) concept of ‘holding power’ (Chapter 2), despite strong formal executive control in Ghana, power is dispersed in the informal sense as lower level factions within the ruling coalition wield varying degrees of influence. A better understanding of Ghana’s political settlement and the power of factions therein must hence take into account the relationship between both formal and informal processes of exercising power, and how this in turn affect the decisions ruling elites adopt (Oduro et al., 2014: 10-18).
As noted above, winning elections and maintaining control over state institutions are fundamental concerns of political elites under Ghana’s ‘winner takes all’ democracy. To achieve these however, and in line with Khan (2010), the two main parties have often sought to cope with individuals and groups that retain threatening bases of power by building coalitions capable of winning elections (Oduro et al., 2014: 17).

However, given that the benefits from formal institutions are often not adequate enough to meet the demands of individuals and groups critical for winning elections, political elites rely on structured patron-client networks to motivate and reward factions with the aim of sustaining winning coalitions (Mohan and Asante, 2015: 6). So despite the excessive concentration of formal political power in the executive, there are important boundaries to this since decision-making is also shaped by informal distribution of power within and outside of the ruling coalition. Holding power within Ghana’s political settlement is thus both formal and informal, shaped in part by the income and wealth of factions, but also by the historically rooted capacities of different groups within the political settlement (e.g. Khan, 2010: 1). Power is thus dispersed around the key actors and groups that constitute the ruling coalition (Figure 4.2) and who have differing levels of influence in policy development and implementation in Ghana depending on which party is in power (Oduro et al., 2014).
In line with Hassan (2013), the figure above maps the key actors within Ghana’s prevailing political settlement and their ‘holding power’ (not in order of influence) in decision making processes. In broad terms, actors on the left hand side of the figure constitute the ruling coalition, with the ruling elites at the top and the remaining actors constituting the factions upon which the coalition rests. Both ruling elites and their factions have strong incentives to maintain the existing political settlement largely because it inures to their benefit. Of particular reference here is the interdependency between business elites and politicians, where political support is often exchanged for material redistribution of resources (e.g. CDD-Ghana, 2005). Within this condition, the two main parties strive to woo business elites by adopting policies that favour the latter’s interests. As noted above, the NPP has since Ghana’s...
democratic transition positioned itself as ‘pro-business’, with domestic enterprise development integral to its development strategy (Hutchful, 2002: 247). Consequently, a recurring policy commitment in its successive manifestoes has been to provide a supportive environment for private sector investments. The NDC on its part has attempted to counter this rhetoric of the NPP by also adopting business friendly policies. For example, the 2008 manifesto of the NDC sought to pursue an “activist and enabling state” in order to boost credit access to both small and large informal businesses, including providing tax breaks to financial institutions to enable them support business growth in the country (see Cook, 2009: 5). Despite their low holding power, actors in the bottom left quadrant also have strong incentives to maintain the existing political settlement but little power to do so. These groups however largely support ruling elites in decision making processes, helping the latter to deepen their power and control over state resources (see Oduro et al., 2014).

Notwithstanding the strong relationship between political and business elites, not all business associations have strong incentives to maintain the existing political settlement. The top right quadrant consists of business associations who although wield considerable power in decision making, have low incentives to maintain the status-quo. The Association of Ghana Industries (AGI), Ghana Employers Association (GEA), Ghana Chamber of Mines (GCM), Ghana Chamber of Commerce and Industry (GCCI) etc. have high power but often strive to change the existing political settlement, aiming to help address issues of inefficiencies and rent seeking (Ibid). Contributing to this ‘change incentive’ is the challenge CSOs pose to the strength of ruling elites. The ability of CSOs to influence their constituencies has historically increased their holding power, which in turn gives them leverage to advocate for policy change (Oppong et al., 2013). Coupled with their ability to mobilise citizens in opposition to unpopular government policies, CSOs influence electoral outcomes in Ghana (Ibid). As a result, politicians become vulnerable to their pressures and demands for institutional change,
especially during elections for fear of losing votes. Within this context, both the NDC and NPP strive to align with and sometimes incorporate influential civil society groups into their coalitions as a source of electoral security. Actors in the bottom right quadrant also have low incentives to maintain the prevailing political settlement but have less holding power to influence changes within.

In board terms, the dynamics associated with the relationships outlined above have important effects on the decisions ruling elites adopt and enforce. Elite relations determine how policies are negotiated between the state and organized groups, such that although the incentives of those in positions of power may be at variance with the interests of the wider public, powerful elites resist changes that might not be in line with their interests (DFID, 2010). Of particular example here is the perennial problem of illegal mining (known as galamsey) in Ghana that continues to ‘pose serious harm to the environment and other land users (Bansah et al., 2016). Abdulai (2017: 36) argues that illegal mining continues to flourish because “it serves the interests of a wide range of actors, including chiefs who gain through the royalties they receive in exchange for land; the government middlemen whose incomes depend on the unfinished products of galamsey work; and the political, business and local elite who own the concessions that operate outside the legal mining framework”. This feeds into what Fox et al. (2011: 25) consider the existence of some form of consensus among politicians towards the maintenance of the current clientelist conditions that underlie Ghana’s democracy regardless of the increasingly negative impact this has on delivering broad based development. Oduro et al (2014) argue that policy development in Ghana since independence is strongly controlled by a coalition of elite factions who compete amongst themselves for access to resources and political power. As a result, decisions pertaining to government spending mostly reflect the incentive structure available to the ruling coalition (ibid: 8). So despite recent improvement in the country’s economic performance, due in part to the commitments of political elites to
policy reforms (IMF, 2016), the vulnerability of ruling coalitions to threats from excluded factions with significant holding power has meant that such improvements are largely implemented by ruling elites to help sustain their coalitions and retain power (Laws, 2012). This, as detailed further in the next section breeds a short-termist outlook of ruling elites across the political divide, where they mainly develop and implement policies with partisan calculations (Whitfield, 2011a). Under this arrangement, policy reforms become sources of patronage rather than commitment to a longer-term vision in the national interest (Kelsall, 2012).

4.5.3 Patronage Politics

In Ghana, political competition and the building of coalitions to prevail in elections, are both explained and sustained by clientelist politics (Booth et al., 2004, Fox et al., 2011). Combined with the constitutionally mandated four year term limit, the imperative of political survival generates strong pressures for ruling coalitions to answer to the short-term demands of voters and their supporters (Whitfield, 2011a, Carbone, 2012). Lindberg’s (2010b) study on voters’ expectations of their elected representatives and the latter’s response within the prevailing clientelist politics in Ghana underscores this claim. Lindberg (2010b: 128) reveals that voters’ expectations of development projects from their representatives put enormous pressure on MPs to “go out of their way and use every possible means to provide community development benefits to their constituents”. He (2010b: 136) suggests that this clientelist relationship between MPs and their constituents is important to understanding the factors that influence the behaviour of political elites in Ghana, not least that representatives who fail to meet the expectations of their constituents are often likely to lose their seats in Parliament. Consequently, the imperative of political survival lead MPs to use their political offices as well as lobbying Ministers and top-level bureaucrats to bring development projects to their constituencies (Ibid). Echoes of these political explanations of patron-client politics in Ghana
reflect Bratton et al.’s (2012) findings about voter intentions in Africa, where they argue are often based on rational calculations underpinned by material welfare, which in turn shape the service delivery strategies of politicians seeking re-election.

The enduring political pressure on political elites in Ghana thus help explain the relationship between formal institutions (multi-party elections, bureaucratic resource allocation processes) and the ‘informal’ logic of clientelist politics, and how this underlie elite commitment to adopting and enforcing certain policy types. The underlying logic of Ghana’s CCPS is an organised mutual patron-client relationship where the two dominant political parties sustain their power by distributing socio-economic rewards to their supporters (Oduro et al., 2014). Ghana’s competitive democracy has consequently developed into a source of patronage where political parties provide jobs and rent seeking opportunities as rewards to their supporters in their bid to win elections (Bob-Milliar, 2012b, CDD-Ghana, 2013). This in turn contributes to the disproportionate distribution of state resources, as demands for socioeconomic rewards by party loyalists often require that ruling elites set aside meritocratic considerations in favour of more partisan allocative decisions (Coffey-International-Development, 2011: 35).

Despite the growing incidence of clientelist politics, competitive elections in Ghana also generate incentives for politicians to focus on broad based development (e.g. macroeconomic stability, poverty alleviation, control of inflation and public sector institutional reform) rather than exclusively pursuing patronage based politics (CDD-Ghana, 2011). Indeed, there is strong recognition among Ghanaians that both the NDC and NPP contribute to improving Ghana’s economic performance and political stability through the pursuance of important institutional reforms and consolidation of democracy (Gyimah-Boadi, 2009b). This reflects what Oduro et al (2014: 24) suggest is a “growing sense of the need to provide public goods
as a right rather than on the basis of patronage, with political parties increasingly acting in programmatic ways”. However, although democratic pressures help drive policy adoption and budgetary allocations, clientelism undermines distribution and implementation processes. As noted earlier, patron-client politics in Ghana predates independence. It however became more ingrained with the return to multiparty democracy and further deepened after the electoral turnover in 2000 (CDD-Ghana, 2013). Consequently, competition for rent through patronage networks became more pervasive in the last decade and deepened corruption in Ghana’s public sector (Oduro et al., 2014). Increasingly, rent seeking in the public sector seem to be gaining some form of acceptance as it has become a key feature of Ghana’s democracy (Gyimah-Boadi, 2009b). These tendencies deepened with the advent of oil. The contentious EO$^{37}$ and Joe Ofori$^{38}$ deals facilitated by the NPP and the NDC respectively reveal that while in office, both parties sought to facilitate and benefit improperly from ‘sweetheart oil pacts’. Prempeh and Kroon (2012) underscore the extent to which patronage-driven politics remain significant in Ghana’s democratic governance efforts, and how this underlies skewed patterns of resource distribution and government spending in favour of powerful individuals and groups with short-term electoral pay-offs as opposed to long-term investments. Some observers see clientelism as a major challenge to Ghana’s development, not least because the public sector as a driver of economic growth and development has not led to meaningful reform (Ohemeng, 2011).

4.5.4 Ideas and Ideology

In broad terms, Ghana’s political settlement is clientelist in character. However, ideas and ideology also emerge as significant elements of Ghana’s competitive politics, particularly how these shape elite commitments in adopting and deploying certain strategies for achieving

$^{37}$ The NPP was accused of facilitating the acquisition of a 3.5% stake in Kosmos Energy held in the name of Bawuah Adusei and George Owusu under circumstances that provoked investigations by the NDC upon assuming office.

$^{38}$ NDC has also allegedly facilitated a 2% interest in AFREN’s 70% stake, held in the name of Joe Ofori.
their political and developmental objectives. The political competition between the NDC and NPP also reflects their ideological differences (Ayee, 2011: 372). As noted above, the NPP professes itself as a liberal democratic party, oriented towards the promotion of private enterprise. It has thus endeared itself more to business elites and the middle classes (Oduro et al., 2014: 11). In line with its post-independence tradition, the NPP has since the 1992 constitution professed the idea of catalysing the private sector as the engine of growth and development (Aryeetey and Owoo, 2015: 13). Hence, during its tenure (2000 to 2008), the party implemented a number of liberal market reforms including the setting up of a Ministry for Private Sector Development and Presidential Special Initiatives (PSIs) in order to oversee and promote private enterprise development (Arthur, 2006).

On the other hand, the NDC with its espoused social-democracy ideological label distinguishes its coalition as statist. As noted above, the NDC as part of its coalitional building strategy co-opted various Nkrumahist groups and powerful elites and has sometimes formed various alliances with these parties (e.g. PNC and CPP in the 2008 elections) to expand its votes. This strategy has hence endeared the party to the strongholds of the Nkrumahist tradition (the three northern regions). Spatially, this statist positioning has endeared the NDC to the average working class and minority groups who constitute primary clients of the party (Asante and Gyimah-Boadi, 2004: 59). Coupled with its revolutionary ideas of representing the common Ghanaian, the party appeals more to lower income groups and rural dwellers (Fridy, 2007: 299). For example, the NDC implemented the Savanna Accelerated Development Authority (SADA) as part of its strategy to close the development gap between the richer-south and the underdeveloped poor-north (SADA, 2016). Underlain by its statist ideology, the NDC sees the increased role of state in political and economic governance as key to national development. The party has thus in both its PNDC and NDC
days promoted state-led capitalism with a major political agenda to govern in the interests of the ordinary Ghanaian (Hutchful, 2002).

However, despite these ideological differences, both parties tend to pursue policies that cut-across their embedded ideologies depending on their political calculations. For example, the NDC upon its return to power in 2008 adopted business friendly policies (e.g. the Private Sector Development Strategy II and the Public-Private Partnership Initiative) aimed at providing a profitable business environment for private-sector elites (NDC 2012 Manifesto: 38), but within a broader aim to woo private sector elites into its coalition (see Ayee, 2011: 373-374). In a similar vein, Carbone (2012: 168-169) notes that, as a strategy to appeal to ordinary Ghanaian voters prior to the 2000 elections, the opposition NPP exploited public health concerns and promised to develop a National Health Insurance Scheme despite this being inconsistent with its espoused ideology. These examples lend credence to arguments that the distinguishing beliefs, ideas and values of the two parties about how politics shape development is driven more by electoral incentives and clientelistic interests rather than ideology philosophies (see Gyimah-Boadi and Debrah, 2008). This notwithstanding, the policies both parties adopt and implement also reflect the old-age idea of Ghana as a unitary state (see Austin, 1970). Since independence, political elites and citizens have articulated and reinforced national unity as key to socio economic growth and development (Oduro et al., 2014: 24). This idea endured the post-independence political upheavals and has largely enabled the hegemony and legitimacy of Ghana’s democracy to date. Broadly, there is strong elite and popular support for national unity particularly around the provision of public goods and governance of natural resource (Ibid). This is reinforced by the consensus (by Ghanaians) that the state is best placed to govern national resources in the interest of the entire citizenry.

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39 According to Gyimah-Boadi and Debrah (2008) the rhetorical distinctions in ideological positions of the NPP and NDC are largely driven by domestic political dynamics and the manoeuvring of political competitors to dislodge the incumbents.
Ghana’s political landscape thus reflects a conflict between ideas and more instrumental interests, not least that although both the NDC and NPP continuously seek to distinguish themselves in ideological terms, the incentive of political survival strongly shapes the levels of elite commitment to policy choices and their enforcement.

4.6 Conclusion

The chapter explored the nature of Ghana’s political settlement, tracing its character from the colonial periods and examining its contemporary role in shaping policy choices. It illustrates how a number of factors combined to produce Ghana’s prevailing CCPS that is underpinned by various tendencies (electoral competition, presidentialism, patronage-politics and ideas), and which in turn makes access to political power central in shaping elite commitments to the choice of policies and enforcement strategies. First, it shows how a competitive two-party political system emerged through the process of democratic elections, with the NDC and NPP divided along the Nkrumahists and Danquah-Busia political traditions respectively (Fridy, 2007). After the return to multiparty democracy in 1992, both parties faced threats to the survival of their coalitions, underpinned by a high degree of intra-elite fragmentation and factionalism (Whitfield, 2011a). The conflict between Rawlings and key figures of NDC around issues of succession and control of the party deepened factionalism within the NDC and contributed to the NDC’s electoral defeat in the 2000 elections. In a similar vein, leadership contests in NPP deepened the historically rooted factional cleavage between the Danquah and Busia factions in the party and as with the NDC, contributed to its defeat in the 2008 elections (Gyimah-Boadi, 2009a).

Second, the peaceful electoral turnovers in Ghana’s competitive democracy put the country in the spotlight as one of Africa’s stable political systems, reinforced by a de-facto two-party state, increased oversight functions of CSOs and the media, a high degree of checks and balances between the arms of government and a relatively transparent electoral process (see
These democratic credentials are however underlain and sustained by a competitive clientelist political settlement (Levy, 2014) characterised by intense electoral competition, excessive executive powers and its associated elite-follower fragmentation and a growing sense of patronage politics. As shown above, given that ruling elites have become highly vulnerable in power due both to the competitive nature of elections and growing strength of lower level factions, political elites rely on patronage networks and targeted distribution of state resources to court electoral support. As a result, policy choices are more tailored towards what is deemed desirable for maintaining political power (Whitfield, 2011a: 12).

Third, the structural features of Ghana’s CCPS constitute a major challenge to the productivity of institutions as policy choices and enforcement tend to follow more short to medium-term goals rather than long-term investments in sectors critical to economic transformation and development (Whitfield, 2011b, Whitfield et al., 2015). So parliament and other key state institutions remain weak, largely because the dominance of the executive has rendered the legislature an appendage of the former (Oduro et al., 2014). Patron-client relations remain entrenched as politicians seek to expand and maintain their coalitions in order to secure political power. Although power is dispersed around the key actors that constitute the ruling coalition and who have differing levels of influence in decision making, such actors have strong incentives to maintain the status quo (ibid). Depending on their relationship with the ruling coalition and holding power, groups such as CSOs and private sector organisations (PSOs) are either often keen to change or maintain the existing political settlement. This deployment of holding power is both enabled by and helps to reproduce the personalised and informal ways in which formal institutions operate within Ghana’s political settlement (Levy, 2014) and also helps explain the disproportionate levels of development across the country (CDD-Ghana, 2013).
Fourth, despite clientelism, ideas and ideology also emerge as significant elements of Ghana’s competitive political settlement. The NPP professes itself as a liberal democratic party, oriented towards the promotion of private enterprise and tends to woo business elites and the middle classes into its coalition (Arthur, 2006). The NDC, on the other hand, professes a socialist political image and endears itself more to the average working class and minority groups (Asante and Gyimah-Boadi, 2004). Increasingly, these ideological differences are seen to shape the commitments of political elites in both parties, particularly the policies and strategies they adopt and deploy to achieve their political and developmental objectives.
Chapter 5 : The Oil Sector in Ghana

5.1 Introduction

Chapter 4 provided an account of Ghana’s political settlement, highlighting the key roles inter-elitie power relations played in shaping institutional and policy choices. As noted in Chapter 2, given the importance of power relations to institutional development (e.g. Khan, 2010), scholarship on oil governance in Ghana (e.g. Hickey et al., 2015a, Asante, 2016, Mohan et al., 2017), is increasingly moving away from standard institutionalist analysis towards taking politics seriously. My thesis closely follows this recent turn to understand the underlying political conditions behind the emergence of elite commitments to govern oil. This chapter explores how the tendencies that underpin Ghana’s political settlement have shaped oil governance more broadly and the role of oil in reshaping and enabling these tendencies. It does so by exploring (1) how the character of ‘holding power’ and coalitions have shaped oil politics and institutional commitments and (2) the relationship, if any, between ideas and elite commitments concerning policy choices to govern oil effectively. Doing this provides the platform for tracking any changes to the character of the political settlement (after oil discoveries) and how these influenced key aspects of oil governance in Ghana. This helps offer a foundation for examining in more specific terms, how the interplay between interests and ideas shaped elite commitments to local content development and enforcement in the empirical Chapters that follow.

The chapter begins with a brief background of Ghana’s petroleum sector, tracing Ghana’s experience in oil exploration and briefly mining. It next explores how politics and power relations helped to accelerate the pace of oil production and argues that political commitments to developing institutions somewhat followed ‘good oil governance’ principles, but were nonetheless rooted in elite struggles via a linked array of interests and ideas, which
in turn shaped how these institutions functioned in practice. In particular, it examines the nature of elite bargains behind key aspects of the Petroleum Revenue Management Act (PRMA) and the Exploration and Production Law (E&PL), revealing how these reflected the interests-based politics within Ghana’s political settlement. The incentive driven nature of the PRMA and E&P law notwithstanding, the concluding part of this chapter discusses how the ideological orientations of NPP and NDC shaped their varying approaches to securing high oil deals for Ghana.

5.2 History of Oil Discovery in Ghana

Ghana has a long history of hydrocarbon exploration, dating back to colonial rule. This maiden section provides a synopsis of this history, tracing the country’s pre-colonial experience in oil exploration to its recent position as an oil producer. Stimulated by evidence of onshore hydrocarbon seepages in the Tano basin, now Western Region, national and multinational oil prospecting in Ghanaian waters date back to the 1890’s (Khan, 1970). Early finds were meagre, as the first wells drilled by the West Africa Oil and Fuel Company (WAOFCO) between 1896 and 1897 produced only 5 barrels per day (bpd) of oil. Successive attempts by Société Française de Petrole (1909 and 1913) and the African and Eastern Trade Corporation (1923 and 1925) produced 7bpd and 8bpd's respectively. Although exploration activities continued in the 1950’s, particularly by the Gulf Oil Company, there is very little information on this as drilling for oil was done without any seismic data (PC, 2014).

Oil exploration continued after independence in 1957 under a Soviet Union deal with the Nkrumah regime, where Russian and Roman Geoscientists conducted exploration activities in the Accra-Keta and Voltarian basins (Khan, 1970). However, apart from evidence of calcic water associated with petroleum and some traces of oil in dug wells, hydrocarbon prospects at the time remained bleak (Ibid). Although the overthrow of Nkrumah in the 1966 coup
dismantled the Ghana/Soviet Union partnership around oil exploration, the new Busia regime (1966 – 1972) continued with the quest for oil, including licensing various private oil companies to undertake exploration activities in Ghana’s offshore sedimentary basins (Tano Cape Three Points, Saltpond and Accra- Keta). This era marked the beginning of offshore exploration in the country (PC, 2014). The new focus spurred the drilling of 16 wells: 2 onshore and 14 offshore, with two promising discoveries in the Saltpond oil field and Tano basin although these were not commercially viable. In general however, this promise of oil encouraged the search even after the overthrow of the Busia government by the Military in 1972. Like its predecessor, the Acheampong regime granted exploration license to private oil companies, intensifying the search for oil and gas (Ibid). This led to the drilling of 17 wells (onshore and offshore) with some success. The offshore discovery in the Saltpond basin looked particularly promising as it was deemed viable enough to come on stream. The Saltpond field started producing oil in 1978 with Agri-Petco as the operator but later shut-down due to uneconomic production rates, leading to the suspension of exploration activities in the mid-1980s by the new PNDC government (Panford, 2014).

5.2.1 The PNDC/NDC Years: Increased Commitments in the Oil Search

The PNDC government in 1984 decided to establish a dedicated institutional framework in order to accelerate exploration activities. Subsequently, the development and promulgation of an E&P Law (PNDCL 84), the Petroleum Income Tax Law (PNDCL 188) and PNDCL 64 that established the Ghana National Petroleum Corporation (GNPC) in 1983 were strategic national commitments in the search for oil (PC, 2014). GNPC was practically a ‘one-stop’ state institution with both commercial and regulatory mandates, somewhat similar to Petrobras of Brazil, from which the Corporation initially sought technical assistance (Heller and Marcel, 2012). Tsatsu Tsikata, a close ally of the then President Rawlings led the GNPC and deployed his political connections to negotiate for various funding means to operate the
Corporation (Daily Graphic 16/9/2009). The Canadian government was one major funding source for GNPC, through the Petro-Canada International Assistance Corporation (PCIAC). Tsatsu lobbied the PCIAC to help equip the Corporation’s research laboratory with seismic data collection instruments and train GNPC personnel in exploration related activities. These developments were underpinned by Tsatsu’s socialist determination to deepen the role of the state in exploration activities (Hickey et al., 2015a).

Acquiring considerable capacity and funds, GNPC in 1989 conducted its maiden exploratory activities in the South Tano field as previous prospecting activities here showed promising deposits of oil and gas (PC, 2014). These investments did not however yield good result as finds were limited and production meager (Ibid). Similar to GNPC, exploration activities undertaken by various other private oil companies (e.g. Atlantic Richfield Company Limited, Hunt Oil, Dana Petroleum Plc, Nuevo Energy Resources etc.) operating in Ghana at various times within the period were disappointing. Although a number of these companies made discoveries, finds were declared non-commercial, forcing most of the companies to pull out in the oil search. This disappointing pursuit of oil, some argue, pushed Tsatsu to diversify GNPC’s operations to include non-core oil and gas activities such as agriculture and telecommunications, aiming to mobilize additional funds to continue with the oil search (see Hickey et al., 2015a: 16). These investments did not however materialize before the NDC government lost power to the NPP in the 2000 elections. Opoku (2010: 149) claims these investments failed because Tsatsu effectively used GNPC as a “personal vehicle” to accumulate wealth. Using his close connection with Rawlings, Tsatsu personally controlled the Corporation’s 20 percent share in Westel telecommunications and was the de-facto owner of Vacuum Salt Products Limited controlled by GNPC.
5.2.2 The NPP and Renewed Investments in the Search for Oil

The NPP’s tenure (2000 to 2008) saw a refocusing of GNPC to its core mandate of facilitating the search for oil. This included building the capacity of GNPC officials to upgrade them in relevant exploratory processes (seismic data acquisition, interpretation and processing, and field evaluation and development) to relate effectively with IOCs (PC, 2014). In addition, the NPP significantly restructured the Corporation, including closing down its drilling, marketing, marine, corporate affairs and aviation departments (Kobbie, 2012). The party also radically downsized GNPC, as the Corporation’s near monopoly over exploration activities at the time was seen by the ruling NPP as unfriendly to foreign investors (Hickey et al., 2015a: 18). The NPP government therefore favoured a more liberal pursuit of oil, in which rent retention (through royalties, taxes, ground rents etc.) was lowered in favour of attracting foreign investments in Ghana’s oil quest (Phillips et al., 2015: 4). In 2004, through the brokerage of a small Ghanaian oil company (EO Group), the NPP government entered into an agreement with Kosmos Energy under arguably generous terms in a bid to harness exploratory activities in an unproven field (Ibid). Mohan and Asante (2015: 19) argue that beyond limiting GNPC’s participating interests, the NPP granted relatively low royalty rates to Kosmos when compared to earlier petroleum agreements and those signed after the Kosmos deal. Some critics allege the role of partisan interests in mediating this weaker deal, particularly that a part of the consultancy fees paid by Kosmos to the EO Group ended up in the pockets of key members of Kufuor’s government (Africa-Confidential, 2010). The NDC challenged this deal in court upon taking office, arguing that E.O. used its connections to Kufuor to dubiously obtain the petroleum license (Public-Agenda, 2011).

The favourable terms granted to Kosmos nonetheless helped the company acquire a $300 million US equity finance which aided in its discovery of viable oil deposits in the offshore Tano Basin in 2007. This was followed by the Tullow discoveries in an adjacent block.
constituting the Jubilee field (Figure 5.1). The Jubilee field began oil production in October 2010 under the NDC after it defeated the NPP in the 2008 elections. Reserves are estimated at 3 billion barrels (GNPC, 2008) with daily oil production ranging from 66,000 to 100,000 b/d (Table 5.1). Since Jubilee, 24 new discoveries had been made by 2015. In addition to the Jubilee field, Tullow started production from the Tweneboa, Enyenra, and Ntomme (TEN) offshore fields in August 2016. Production levels are expected to peak at 76,000 b/d for oil and 30MMSCf/d of gas by the end of 2017\(^\text{40}\). Another major discovery is the Sankofa-Gye Nyame field expected to start production by the third quarter of 2017. Developed by ENI, reserves are estimated at 131.3 million barrels of crude oil and 1.07 trillion cf. of gas. Added to the Jubilee and TEN fields, oil production is expected to average 135,536 b/d and ramp up to 166,993 bd by 2017 when the Sankofa Gye-Nyame field comes on stream (Figure 5.2). The remaining of the 24 discoveries, including the onshore Voltarian basin, are at various stages of appraisal. With this pace of development, oil has overtaken gold as a major contributor to the country’s gross domestic product (GDP)\(^\text{41}\), illuminating new prospects for economic growth and development in Ghana. This imperative of oil and the rents associated with its exploitation ignited discussions on the need for Ghana to put in place the appropriate institutional framework to govern oil in order to reverse the disappointing nexus between other non-renewable natural resource sectors (i.e. mining) and development.

5.3 Mining Sector Challenges: Lessons for the Oil and Gas Governance

Ghana’s emergence as an oil producer in 2007 reignited concerns that the country may struggle to obtain sufficient developmental benefits from its oil, as with its minerals (see Van Gyampo, 2014, Hilson and Hilson, 2017). Ghana is endowed with substantial mineral resources such as gold, diamonds, manganese and bauxite, with mining experience dating

\(^{40}\) 2015 Reconciliation report on the petroleum holding fund, March 2016.

\(^{41}\) Mineral rents as a percentage of GDP) in Ghana was 6.48 in 2014 while oil contributed 7.28 % of GDP in the same year. Source: [http://www.indexmundi.com/facts/ghana/natural-resources-contribution-to-gdp](http://www.indexmundi.com/facts/ghana/natural-resources-contribution-to-gdp). Accessed: 20/1/17.
back to the 19th century. Between 1493 and 1600, Ghana emerged as the world’s leading producer of gold, accounting for about 35.5 percent of total gold output (Republic-of-Ghana, 2014). The country ranks as Africa’s second largest producer of gold after South Africa and tenth within the global league of gold producers (Kapstein and Kim, 2011). Mining thus plays a crucial role in Ghana’s development efforts. The sector contributes about 27 percent of government domestic tax revenue (Republic-of-Ghana, 2014) and in 2012, contributed about 43 percent of total merchandise exports (Ghana-Chamber-of-Mines, 2013).

Despite this potential, the mining sector has largely failed to contribute to lasting development (Hilson and Hilson, 2017). Industry pundits attribute this poor relationship between mining and broad-based development to the absence of a long-term plan for the prudent utilisation of mineral rents characterised by an exclusive focus on revenue generation from mining, ‘without any effective long-term investment policy’ (Ayee et al., 2011, Akabzaa, 2009). Meanwhile returns accruing from the mining sector to the state have been very marginal and declining (Akabzaa, 2013). The share of mining revenue (from corporate income taxes, royalties’ payroll taxes and national reconstruction levy) to total revenue reduced from 13.7%, in 2004 to 9.6% in 2006. For some scholars (e.g. Abdulai, 2017, Hilson and Hilson, 2017), core to Ghana’s disappointing mining experience is the nature of politics and power relations within its political settlement that shape elite commitments and capacity concerning the types of policies that can deliver mineral-led development. The commitment of political elites to invest mineral wealth in long-term development is undermined by their short term political calculations shaped by the degree of vulnerability of ruling coalitions (Abdulai, 2017). This combined with the discretionary powers of the executive in mining licence enables politicians to abuse incumbency for personal and partisan electoral interests, with little regards for transparency and accountability in the management of the extractives sector (Ayee et al., 2011). Such discretionary powers enabled the Minister for Lands and
Natural Resources under the NPP (in the 2000s) to enter into highly questionable fiscal stability agreements with Newmont and Anglogold Ashanti\textsuperscript{42}, granting the two companies some tax benefits (Abdulai, 2017)\textsuperscript{43}. These political contexts for some scholars (e.g. Ayee et al., 2011, Hilson and Hilson, 2017, Abdulai, 2017) explain the overly generous tax concessions granted to some mining companies by politicians, in their bid to gain some political support and financial kickbacks’. In 2006 for example, pressures \textsuperscript{44} from multinational mining companies and financial institutions pushed the NPP to review what the World Bank described as ‘unfriendly’ mining codes under PNDC law \textsuperscript{84}, reducing the corporate income tax rate from 35\% to 25\% and scrapping the existing 35\% windfall tax altogether. Akabzaa (2009) reveals that the NPP took these decisions against the technical recommendations of key actors within the mining industry (i.e. Chamber of Mines, National Coalition of NGOs in Mining, traditional rulers and representatives of small-scale miners) who were part of the consultative processes to draft the new law\textsuperscript{45}.

The NDC on the other hand, between 2009 and 2016 appeared more committed to retaining earnings from mining through promoting fiscal initiatives that secured greater rents for the country. Among other resource nationalist reforms, the party proposed to revert to the 35\% corporate tax and introduce a new windfall tax of 10\%. In 2012, the NDC government established a seven-member committee to help review, renegotiate and redesign the stability pacts between mining companies and the NPP government to ensure greater returns for the

\textsuperscript{42} The two mining companies account for close to half (two-fifths) of total gold output in Ghana (see Boakye et al., 2012)

\textsuperscript{43} Ghana’s mining law pegs royalty payments on a sliding scale of 3 to 6 percent. However the stability agreement granted to Newmont Ghana fixed the gross royalty payment as low as 3.0 percent, including exempting the company from the payment of value added tax on all imported items and all foreign and locally purchased services and supplies (see Abdulai, 2017).

\textsuperscript{44} As part of its strategy to influence Ghana liberalise its 1986 mining codes, the World Bank expressed concerns that the country was losing significant foreign investments to countries such as Mali, and Tanzania, that had a more liberal mining systems (see Abdulai, 2017).

\textsuperscript{45} Akabzaa, (2009) reveals that the draft Act submitted to parliament contained strong rent retention provisions proposed by various civic actors. These provisions were however changed by ‘behind the scenes collisions between politicians and mining companies.
country. The committee’s work was however undermined by the clientelist relationship between political elites and mining companies, with the former bypassing formal negotiation processes to secure politically desirable deals with mining companies (Abdulai, 2017). Clientelist pressures from mining companies and party lobbyists led to a sporadic implementation of the proposed reforms, including the NDC completely abandoning the enforcement of the windfall tax as the NPP did (Mosley, 2017). The character of both the NPP and NDC in relation to mining reveals that beyond Ghana’s weak institutional capacity to regulate mining activities (see Ayee et al., 2011, Akabzaa, 2013), the patronage relationships between politicians and mining companies undermine the developmental prospects of mineral resources (Abdulai, 2007, Hilson and Hilson, 2017).

On the back of this disappointing mining experience, the opportunities offered by oil discoveries saw growing interests by non-government actors (e.g. NGOs and CSOs) to engage in the policy making processes, hoping to help reverse Ghana’s past approaches to deriving substantial benefits from its natural resources sector (Gyimah-Boadi and Prempeh, 2012). This incentive saw the transitioning of some key NGOs and CSOs groups within the mining sector into the Civil Society Oil Platform on Oil and Gas (CSPOG), which became the principal focus of civil society engagement within the oil and gas institutional development process. A key leverage for the CSPOG was its success in linking the rather disappointing performance of the mining sector to the limited involvement of the public in mineral governance, a move that among other things enabled the platform push for the adoption of the Public Interest and Accountability Committee within the Petroleum Revenue Management Bill (Mohan et al, 2015). Lessons from the mining sector, together with the opportunities associated with oil rents thus emphasised the need for Ghana to develop strong

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46 At the 2014 World Economic Forum in Davos, the then President Mahama formerly abandoned the implementation of the windfall tax. This decision flowed from threats by mining companies to lay off workers and shift their production investments to other countries if the tax was implemented (also see Abdulai, 2017).
policies and institutions that could help Ghana capture greater gains from its oil. However, the struggles for oil control that followed the 2007 discoveries reflected the embedded power relations within Ghana’s political settlement. The result as I detail below has been an oil complex sustained by some level of political commitment to building ‘good institutions’, yet fundamentally rooted in political struggles via a linked array of elite interests and ideas.

Figure 5-1: Offshore Activity Map of Ghana

Table 5-1: Jubilee Production (2011 – 2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget Bopd</th>
<th>Total Bopd</th>
<th>Actual Bopd</th>
<th>Total Bopd</th>
<th>Variance of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>84,737</td>
<td>30,929,005</td>
<td>66,290</td>
<td>24,195,895</td>
<td>6,733,110</td>
</tr>
<tr>
<td>2012</td>
<td>90,000</td>
<td>32,850,000</td>
<td>71,997</td>
<td>26,351,278</td>
<td>4,498,722</td>
</tr>
<tr>
<td>2014</td>
<td>93,029</td>
<td>33,955,644</td>
<td>101,976</td>
<td>37,201,691</td>
<td>3,246,047</td>
</tr>
<tr>
<td>2015</td>
<td>102,033</td>
<td>37,242,186</td>
<td>102,498</td>
<td>37,411,661</td>
<td>169,475</td>
</tr>
</tbody>
</table>


Figure 5-2: Ghana’s oil production landscape (2010 - 2023)

Source: 2016 Due Diligence Report of the PC for the Ministry of Petroleum

5.4 Electoral Imperatives and the Pacing of Oil Production

Ghana fast-tracked oil production within a record time of three years, apparently against cautions of the need to put in place the appropriate institutional framework before doing so (see Gary et al., 2009). Although one senior Director at the Petroleum Ministry argued that the E&P law (PNDC 84) and the GNPC were ‘sufficient arrangements’ to drive oil production (Interview, 8th April, 2016), Dartey-Baah et al (2014: 374) suggest that the law in question was “deficient in content and unable to address the new challenges of the current
oil and gas industry”. The haste in production reflected the imperatives created by the highly competitive nature of elections in Ghana, which saw both the NPP and NDC emphasising the process of securing deals with IOCs and moving to production before putting in place the required legal and regulatory framework (Hickey et al., 2015a: 9). At the start of oil production, existing state institutions lacked the required regulatory capacity and a critical degree of “shortage of technical skills at all levels” of the value chain (World-Bank, 2010: 1). Although the NPP made initial attempts to update the institutional framework for the sector with the convening of the National Forum on Oil and Gas Development in February 2008 (Van Gyampo, 2011: 3), the Forum was ‘rushed through’, with little space available for stakeholder consultations (Civil society communiqué, February, 2008). The NPP, “eager for cash, was pushing the Jubilee consortium to do a ‘quick and dirty’ plan that would cut corners to exploit the field as quickly as possible” (Gary et al., 2009: 24). This urge to quicken oil production continued under the NDC upon winning the 2008 elections. Like the NPP, the NDC was “determined to ensure that oil revenues were flowing in time to help secure a second term” in the 2012 elections and reduce Ghana’s growing fiscal deficit at the time (Hickey et al., 2015a: 9).

The rush to oil production had two main consequences; first, it weakened Ghana’s ability to negotiate a ‘favourable take’47, managing to secure (38-50%) relative to Nigeria’s (64-70%), Angola’s (64%) and Cameroon’s (74-78%) (Amoako-Tuffour and Owusu-Ayim, 2010: 23). Comparing Ghana to Uganda, Hickey et al. (2015a: 27) argue that “political collusion and interference” in the case of the former undermined elite commitments to negotiate ‘good’ deals than the latter. Second, the absence of an appropriate legal and regulatory framework at the time of production meant that oil exploitation took place in an unregulated environment. Despite various calls to review and develop new institutions to regulate the sector (see Gary

47 This is defined as revenues that accrue to government from all sources as a percentage of total gross or net revenues of a project (Amoako-Tuffour and Owusu-Ayim, 2010: 23).
The PRMA (Act 815) and the Public Interest and Accountability Committee (PIAC), a citizens-led statutory body established under Section 51 of the PRMA to provide independent oversight of oil revenues both came into force in 2011. The Petroleum Commission (PC), responsible for regulating and managing the utilisation of oil resources was also established in 2011. Contrary to public expectations that Parliament would develop a new E&P law before the PRMA, the former was promulgated in August 2016 (Ghana-Business-News, 2016). Rushing to produce oil under an unregulated environment showed a real danger of deepening the patronage politics within Ghana’s clientelist political settlement, including negotiating deals under highly personalised terms aimed at maintaining power (Hickey et al., 2015). There is also the risk that the speedy and contentious nature within which the PIAC was established renders it ineffective. The Committee’s oversight responsibility looks more symbolic than genuine, not least that Parliament’s opposition at the outset of its establishment has weakened PIAC’s operations and rendered it “an advisory body to Parliament, rather than a true oversight body” (Mohan and Asante, 2015: 14). In addition, the enduring sense of under-funding the Committee “seriously limits the … execution of its core mandate” (PIAC, 2014: 66), leading some observers to question the commitments of political elites in ensuring that the PIAC functions effectively (Hickey et al., 2015a, Mohan and Asante, 2015). This condition highlights a typical feature of natural resource management under neo-patrimonial settings where best-practice policies and institutions are often adopted in the formal sense, but then have their functioning undermined by powerful interests within the ruling coalition (eg. Guichaoua, 2012). The next section further explores this issue of political interests around the development of the PRMA, focusing on the incentives of ruling elites to collateralise oil revenues and to maintain executive discretion in allocative decisions.
5.5 Developing ‘Good Institutions’ to Govern Petroleum Revenues

The onset of oil production brought into focus the importance of developing a legislative framework to govern oil revenues in a ‘transparent and accountable’ manner. Perceived as a major good governance accomplishment, Heller and Heuty (2010: 51) argue that the consultative nature of the PRMA “enshrined well-established norms of good governance and rules to promote sound oversight…. and to enhance long-term economic accountability and insulate spending from oil price volatility and capricious political cycles”. This assessment however overlooks the partisan grounds within which the PRMA was developed. It ignores how the imperative of political power shaped the ‘thin’ distribution of oil supported projects, underpinned clearly by the logic of pork barrel politics that enables politicians to claim that they have secured a share of oil-led development to their various constituencies (Hickey et al., 2015a: 12). Clause 5 of the initial bill approved by Cabinet\(^{48}\) prohibited the use of the Petroleum Holding Fund\(^{49}\) as collateral for debts, guarantees, commitments or other liabilities of any other entities. This restriction sought to prevent politicians from gaining “easy access to loans” and utilizing such credits for “frivolous projects” (Hansard, 9/12/2010: 2803). However, at the consideration stage of the bill in December 2010, NDC MPs had a change of heart around this initial agreement not to collateralise oil revenues. One NDC MP proposed an amendment to allow for collateralisation of the Annual Budget Funding Amount (ABFA)\(^{50}\) in particular. This proposal was met with disquiets from the opposition NPP MPs who did not only question the sudden U-turn of the Majority side but also fiercely contested.

\(^{48}\) Per (para. 7(1) of the administrative instructions on the preparation of legislation in Ghana, new legislations or amendments by an Act of Parliament must first be approved by Cabinet.

\(^{49}\) The Petroleum Holding Fund gives an account of revenue inflows and outflows to the various allowable destinations (i.e. Heritage Fund, Stabilisation Fund and the Annual Budget Funding Amount).

\(^{50}\) The Annual Budget Funding Amount is the share of oil revenues disbursed to the consolidated funds (the national account) to support the budget of government and consists of 70% of all estimated oil revenue accruals for a particular year, after deductions for the operations of GNPC. The initial rendition of the Petroleum Revenue Management Bill prohibited the use of petroleum revenue as collateral for debt, guarantee or other liabilities of any other entity. This plan was heavily influenced by the Civil Society Platform on Oil and Gas who argued that Ghana needed to save oil revenues for future generations, avoid overreliance on oil and have mechanisms that prevent the government going on a spending spree. This arrangement was however fiercely debated in parliament in December 2010, with the majority NDC voting in favour of the collateralization.
the amendment, labelling this interest to collateralise oil revenues as “nothing more than eating your lunch and dinner at breakfast time” (Ibid: 2819). The immediate suspicion for this turnaround revolved around the incentive by the NDC to secure a $3 billion loan from the China Development Bank to develop oil and gas infrastructure (Mohan and Asante, 2015: 20). Based on this misgiving, the minority NPP cautioned that collateralising oil revenues was not a judicious instrument for attracting funds for development, not least that with oil; Ghana looked to have a favourable credit rating and was hence in a stronger position to secure loans (Hansard, 9/12/2010: 2803).

The position of NPP MPs was consistent with the findings of a nationwide survey (in 2010 to solicit public opinion in the development of the PRMA) led by the Ministry of Finance and Economic Planning with the support of the Civil Society Platform for Oil and Gas (CSPOG) where between 70 and 80 percent of Ghanaians did not want the government to borrow against future oil revenues (also see Amoako-Tuffour, 2011). Based on this, the CSPOG became very active in the campaign against collateralisation, noting that: “…Ghana will certainly join the ‘oil curse’ countries if it adopts this proposal (collateralization). The curse will manifest in high indebtedness, high fiscal deficits, high costs of investment and intergenerational burden…” (Amin-Adam, 2010: 10)

The majority NDC however disregarded these warnings in favour of borrowing against future oil revenues. A major reason for supporting collateralisation centred on the need to mobilise resources to address the perennial infrastructural deficits and poor access to basic social services across the country. As one NDC MP argued:

Countries in the Middle East have collateralised theirs (oil revenues)...and you can see massive developments going on in this kind of (sic) the world. Why is Ghana an exception? ....this amendment is the way of developing (sic) this country and anybody who does not support this amendment is an anti-development agent” (Hansard, 9/12/2010: 2816).
The debates that ensued followed strict party-lines as the proposed amendment received overwhelming support from the ruling NDC MPs who argued strongly for, and subsequently voted in favour of the collateralisation of oil revenues. Going back (Chapter 4), this vote in favour of collateralisation reflects a key character of Ghana’s competitive clientelist political settlement where elite interests override ‘best-practice’ institutional arrangements in a bid by politicians to secure resources to fund their political agendas (also see Oduro et al., 2014).

The green light to collateralise oil revenues, made it difficult for Parliament to securitize the government’s borrowing appetite because the PRMA did not provide limits within which the Minister for Finance can borrow against future petroleum revenues. This gap potentially increased politicians’ “temptation to spend revenues outside the transparent and accountable framework defined in the law” (Mohan and Asante, 2015: 22).

Another fundamental partisan consideration around the PRMA was the strong opposition (by NDC MPs) to a proposed amendment (by one NPP MP) to clause 17 to create a Petroleum Development Fund within the Consolidated Fund where oil revenues will be lodged. The main reason for this amendment was to enable Parliament provide effective oversight of oil-revenues related expenditures (Hansard, 9/12/2010: 2839), within the spirit of establishing a more accountable, transparent and traceable revenue distribution framework. The argument by the Minority MPs was that co-mingling oil revenues with the general revenue pool of government handed a ‘blank cheque’ to the Finance Minister to discretionarily and erratically allocate oil revenues. As one NPP MP commented “…we all know that if monies are put in the general Consolidated Fund, tracking their use for projects is very difficult” (Ibid: 2853). So like the Ghana Education Trust Fund (GETfund) and National Health Insurance Fund

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51 The original rendition of clause 17 of the Bill was to lodge petroleum receipts in the Consolidate Fund to support the Government’s Budget

52 GETFund is a public trust set up by an Act of Parliament in 2000 to provide funding to supplement government effort for the provision of educational infrastructure.
the idea of the Minority camp was to ring-fence oil revenues in the Consolidated Fund in order to ensure close monitoring of the exact projects that would be funded with oil revenues. However, as with the issue of collateralisation, the Majority NDC strongly opposed this amendment pointing to the fact that:

The rigidities that these statutory and contractual payments (GETfund, NHIF, etc.) introduce in the budget are such that virtually very little revenue is left to fund other critical expenditures (Budget Statement, 2010: 229).

The Majority essentially saw the proposed amendment as seeking to tie the hands of government in relation to areas it could expend oil revenues. As a result, the debate over this amendment was hard fought with NDC MPs rejecting the proposal54. This partisan approach to managing oil revenues reflected the short-termist interests of the ruling elites in using the ABFA to fund projects for political favours. Between 2011 and 2013, the NDC distributed oil revenues to opposition strongholds in a bid to increase its votes in such areas (Asante, 2016: 222 - 230). Oil revenues have largely been used to fund non-productive projects. In 2012, the year of a closely fought election in Ghana, the NDC allocated 50 percent more funding to a vague ‘capacity-building’ project than it did to agricultural modernisation (ACEP, 2013: 8).

Meanwhile, as reported by the PIAC (2014), just about 6.7 percent of this budget was actually used to fund capacity-building activities between 2011 and 2013, leading some critics to allege that the NDC government used the capacity building budget as an informal campaign fund (Hickey et al., 2015a: 12). So despite the wide acknowledgement that the PRMA is a “richer reflection of national and international perspectives on economic accountability” (Heller and Heuty, 2010: 52), the political incentives to collateralize oil revenues and the highly discretionary power of the Finance Minister in determining which sectors benefit from petroleum cash weakens the capacity of Parliament and the PIAC to monitor the utilization of such revenues (also see PIAC, 2014).

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53 This fund is used to finance access to basic healthcare services to all residents of Ghana.
54 The majority NDC obtained 97 votes whiles the minority NPP, after stiff opposition, got 87 (see Hansard, 9/12/2010: 2816).
5.6 Developing the Exploration and Production law: the Politics of Resource Control

As with the PRMA, the development of Ghana’s new E&P law reflected the personalised and partisan policy-making character of its political settlement, particularly the ways in which the contracting process is subject to the broad discretion of the Petroleum Minister. When first presented to Parliament in 2011, clause 19 gave the Minister the discretion to award contracts with no requirement for competition, disclosure of other interests or giving reasons for the award or refusal of oil contracts. Although article 49(3) (n) subsequently required the Minister to make regulations in respect of “competitive bidding procedures for petroleum agreements”, this process was again subject to the Minister’s discretion (Heller and Heuty, 2010: 58). This arrangement was similar to provisions in PNDCL 84, where despite requirements to develop regulations for the application of competitive bidding (section 32(m)), politicians deliberately failed to do so, exposing the contracting process to corruption (Ibid). The discretionary power of the Minister in the award of petroleum contracts was thus highly contested in the initial effort at developing a new E&P Law. However, during the consideration stages of the maiden bill, debates were less partisan as with subsequent versions. MPs from both sides joined forces to reject the proposed bill within a wider move to ensure that oil and gas resources were governed in a transparent and accountable manner.55

Following the withdrawal of the initial bill, a revised version was presented to Parliament in 2014 after undergoing various stakeholder reviews (ACEP, 2014: 4). The 2014 draft was in many respects a major improvement of the former as it incorporated various good governance principles (Ibid), including requiring an open and competitive public tender process for the acquisition of oil blocks (s.10 (1)). Heavily influenced by the CSPOG, MPs from both sides were pushed to promote various transparency mechanisms, particularly the adoption of an open and competitive public tender process in the award of contracts, with the aim to limit

the discretionary powers of the Minister in petroleum license (Ibid). However, despite such improvements, the draft bill introduced other clauses that threatened to undermine transparency in awarding PAs. Under section 10(2), the Minister had the power to ignore the outcome of an open and competitive tender process without any justification\(^\text{56}\) and to use direct negotiations to award petroleum licence where the Minister deemed this to be the most efficient way of attracting greater rents for the country (s. 10(4)). Unlike the collaborative process within which MPs on both sides rejected the 2011 bill, the debates around the 2014 bill ensued along party lines, with one NDC MP arguing that:

… in the situation where the Minister did not find any of the competing companies suitable, what happens? … We thought that given the Minister the flexibility to enter into direct negotiations with a company he thought had the technical and financial capacity to undertake exploration was the best way to ensure that we derived maximum gains from our oil and gas resources (Interview, 6\(^{th}\) November, 2014).

The question, however, is why these companies with supposed technical and financial capacity would not partake in the initial competitive process and only wait to enter into direct negotiations with the Minister. The danger with this level of Ministerial discretion was that it predisposed processes for granting oil blocks to the broader malaise of ‘clientelism’ associated with Ghana’s public bureaucratic system (e.g. Gyimah-Boadi and Yakah, 2012), particularly in terms of the Minister using his discretion to protect companies that do not want to participate in the competitive process, and turning around to negotiate directly with such companies. Contesting this proposal under the spirit of transparency and accountability, NPP MPs joined forces with CSOs under the CSPOG to eventually persuade ruling party MPs to withdraw the bill (Hansard, 14/7/2016: 3450). However, although this issue of Ministerial discretion in the award of contracts was revised (in the 2016 E&P bill) in

\(^{56}\) This contrasted with Sierra Leone and Angola where reasons must be published when a competitive tender process is cancelled (see Amin-Adam, 2015).
favour of a competitive public tender process\textsuperscript{57}, this ostensibly transparent practise was infused with an ‘incentive driven’ clause that gave the Minister the power “not to enter into a petroleum agreement after the tender process” (Clause 10 (4)). In essence, although the Minister did not have the power to enter into direct negotiations with IOCs, he could unilaterally cancel a competitive tender process if he disliked the eventual winner of the process and start the process all-over until he got an IOC he liked. This clause drew fierce resistance from the minority NPP MPs. Opposing the view that the clause in question be adopted; NPP MPs argued that this discretion of the Minister negated all the gains at developing a transparent and accountable E&P Law as adopting this clause exposed the licensing process to the rent seeking behaviour of politicians\textsuperscript{58}. Despite NPP MPs aligning with the CSPOG to oppose this proposal, the coalition failed to influence ruling NDC MPs who argued strongly that the Minister must be given some flexibility to negotiate ‘good’ deals for Ghana.\textsuperscript{59}

As the debates ensued without any possibility of an inter-party consensus, the minority MPs began to soften their stance by not arguing against the Minister’s discretion to cancel a tender process \textit{per se}, but that the Minister be required to exercise this discretion “with the approval of Parliament”\textsuperscript{60} as a way of monitoring these discretionary powers of the Minister. However, this argument could not persuade the NDC MPs who argued that this discretion was to be exercised in accordance with article 296\textsuperscript{61} of the Constitution and in consultation with the PC. However, to the extent that the Minister retains some powers over the PCs operations\textsuperscript{62}, the

\textsuperscript{57} Under Clause 10 (3) of the revised Bill (2016): “A petroleum agreement shall only be entered into after an open, transparent and competitive public tender process”.

\textsuperscript{58} Parliamentary Debates Official Report, Fourth Series, Vol. 94, No. 42, 26\textsuperscript{th} July, 2016, Col. 4374.

\textsuperscript{59} Parliamentary Debates Official Report, Fourth Series, Vol. 94, No. 34, 14\textsuperscript{th} July, 2016, Col. 3477.

\textsuperscript{60} Parliamentary Debates Official Report, Fourth Series, Vol. 94, No. 42, 26\textsuperscript{th} July, 2016, Col. 4383.

\textsuperscript{61} Article 296 of the 1992 Constitution requires any person or authority vested with discretionary powers to exercise such powers in fair and candid manner.

\textsuperscript{62} Despite the PC’s mandate in (clause 3) of the PC Act (Act 821) to recommend and advice the Minister on technical issues, field development plans, processing and treatment facilities, petroleum infrastructure etc.,
role of the latter in checking this Ministerial discretion does not guarantee a transparent and accountable licencing process. The majority NDC MPs subsequently voted overwhelmingly in favour of the amendment, with the approved bill maintaining executive power to not enter into a petroleum agreement even after a competitive tender process. As noted above, although a new tender process is to commence with the cancellation of a previous tender process, the provision essentially gives the Minister the power to determine which company is eventually awarded an oil block.

5.7 The Ideational Underpinnings of Institutional and Policy Development in the Oil and Gas Sector

Following from my framework in Chapter 3, ideas are conceptualised in this thesis as mutually constitutive of the ways in which elite negotiations closely shape the development of institutions and policies to govern oil. Ideas clearly played a role in shaping oil exploration and production efforts in Ghana. Watts (2004) for example underscores how the advent of oil can trigger the political imaginings of political elites at various levels of the political system to use oil as a catalyst for national development. Playing into this dream of ‘oil led-development’ was not just the material incentives of elites (as discussed above) but other factors; notably the role of ideology in driving elite commitment around the type of policies that could help Ghana generate greater rents from oil. This section explores the role of ideas, particularly the ways in which both the NPP and NDC imagined oil as a catalyst for development. It examines how both parties sought to distinguish themselves within their ‘embedded’ political ideologies in framing policies and laws to attract greater gains from oil. The aim is to lay a foundation for examining the interplay between interests and ideas in shaping elite commitments around local content adoption and enforcement in the empirical Chapters that follow.

clause (10) of the same Act gives the Minister power to direct the Commission where necessary and the PC shall comply.
The process of developing the right kinds of institution to secure greater rents from oil can be further understood within the different ideological orientations of the two main political parties. Under the NPP (2000 to 2008), and branding itself as the party that found oil through attracting foreign investments (NPP Manifesto, 2008: 260), the approach of the party to govern oil directly reflected its liberal ideology. The party’s maiden policy process saw keen attempts to restructure the existing ‘stringent’ institutional framework for the sector to make it more business friendly (Hickey et al., 2015a: 23). Following from this idea, the NPP developed a ‘one-stop’ Ghana Petroleum Regulatory Authority Bill (GPRAB)\(^{63}\), aspects of which offered more generous fiscal terms to foreign oil companies. Although the NPP increased the royalty rate from the 5 to 12.5% range under PNDCL 84 to a minimum of 10% under the GPRAB, the bill provided no amount for additional oil entitlements as pertained in PNDCL 84 and also left surface rental fees to the discretion of oil companies (Gary et al., 2009: 41). In the preamble to the GPRAB, the NPP contended that the existing E&P Law (PNDCL 84) and Income Tax law (PNDCL 188) were not suitable for attracting "companies with the requisite financial and technical capabilities into the petroleum sector" (GPRAB, 2008: iv). It therefore targeted the ‘hybrid fiscal system’\(^{64}\) of the PNDC/NDC E&P Law and sought to replace this with a ‘concessionary system’ that limited national participation but attracted private sector investments into the oil sector (Gary et al., 2009). In addition to this, the NPP’s determination to attract foreign investments informed its decision to convert GNPC into a company limited by shares (GPRAB c. 25 (1)), essentially seeking to downgrade the Corporation’s monopoly and control over oil in favour of providing “an enabling environment for increased private sector participation and investment in the … sector” (GPRAB, 2008:10).

\(^{63}\) The bill covered various aspects (Exploration and Production, Revenue management, Regulation and Local Content) of petroleum activities.

\(^{64}\) This fiscal system empathised partnerships between GNPC and IOCs where state resources, foreign capital and technical expertise were joined together to meet the investment need of the country.
The NDC government upon returning to power in 2009 reversed the restructuring plans of the NPP and truncated the process of ratifying the GPRAB, with one NDC MP suggesting that: “...they essentially wanted to sell our oil to foreigners” (Interview, 3rd May 2016). The NDC with its espoused resource nationalist ideology reverted to the hybrid fiscal system in the new E&P Law, maintaining that this system assured a higher degree of national participation and retention of oil rents. Seeking a greater stake for government vis-à-vis oil companies, the NDC not only restored GNPC to its operational role, but increased the minimum carried interest of the Corporation in all PAs from 10% under PNDCL 84 to 15% in the current E&P law. The NDC’s return to power also saw a reinvestment in the capacity of GNPC to play its leading role in negotiations with IOCs (Hickey et al., 2015a) within the broader goal of “increasing the state’s participation in the oil and gas sector” (Interview GNPC official, 12 July, 2016). This also nonetheless re-opened rent-accumulation opportunities for NDC elites as key members of the party have so far benefited from lucrative oil contracts (Chapter 6) (also see Amin-Adam, 2015). In addition, the commitments of the two parties in establishing an independent regulatory agency differed in the sense that whereas in the case of the NPP, the power to grant oil license rested with the proposed Regulatory Authority, this power rested with the Petroleum Minister under the NDC, in a bid to “ensure increased state control of oil” (Interview, MoPet official, 20th August 2015). It is important to mention however that the NDC’s return to resource nationalism was influenced by the changing landscape of the oil sector, particularly that the de-risked nature of the main oil fields made deepening local participation and control a viable option.

In addition, the national idea around preserving Ghana as a unitary state (Chapter 4) influenced the institutional development process, particularly the distribution of oil revenues.

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66 Ibid
Broadly, this idea manifested strongly in the Parliamentary debates around the PRMA in 2011, with both NDC and NPP MPs unanimously supporting the centralisation of oil revenues through the Consolidated Fund (see Section 22 of the PRMA). More specifically, this idea around national unity influenced Parliament to reject the recent demands by Chiefs from the oil-rich Western region that 10 percent of oil revenues be earmarked for developmental projects in their region. Although political elites made some concessions to acknowledge this grievance, politicians across the political divide were concerned that yielding to this demand would trigger counter-claims from other resource endowed regions and undermine Ghana’s unitary state (Asante, 2016). As noted above, this strong support for ‘state control’ of oil rents emerged from the long standing proposition that allocating disproportionate shares of rents to resource endowed regions could potentially foster disunity and undermine national political stability (see Aryee, 2001).

5.8 Conclusion

The chapter explored the politics in developing ‘good institutions’ to govern oil, particularly the role of inter elite power relations in negotiating the PRMA and E&P Law. The character of the prevailing political settlement and the key players within, established the incentives and ideas that shaped elite commitments in framing these laws. Notably, and underpinned by the partisan character of policy development in Ghana (Chapter 4), the haste in oil production and the development of the PRMA reflected the imperatives created by the highly competitive nature of elections in Ghana. Although, the PRMA enjoyed “extensive public consultations” (Heller and Heuty, 2010: 51), the consideration of the Act ensued along party lines, with ruling MPs adopting an amendment to collateralise oil revenues against the resistance of opposition MPs, the CSO coalition and the wider Ghanaian public. This partisan tendency reflected in the strong opposition by ruling NDC MPs to the creation of a petroleum development fund which although would have enabled transparent oversight of oil revenues,
would have effectively tied the hands of government in its discretionary use of oil revenues. While the E&P Law tended to benefit more from the scrutiny of CSO actors and opposition MPs, the imperative of maintaining executive control over oil saw ruling NDC MPs vote overwhelmingly in favour of the provision to give discretionary powers to the Petroleum Minister to not enter into a petroleum agreement even after a competitive tender process.

The incentive driven nature of the PRMA and E&P law notwithstanding, the differences in the approaches of NPP and NDC to maiden policy processes reflected their ideological differences, particularly their strategies to maximise oil gains. Broadly speaking, the character of the NPP in relation to ‘increased oil rents’ hinged on developing market-led approaches to attract foreign investment, even if this meant limiting state control and granting ‘lower fiscal terms’ to investors. The NDC on the other hand pursued a statist approach to policy development, seeking to maximise oil rents through increased national participation.

Importantly, both the interests of political elites and the different ideologies of the two leading parties help explain the shape of Ghana’s oil governance institutional framework more broadly and aspects of the PRMA and E&P law in particular. In the three empirical Chapters that follow, I explore whether and how the underlying tendencies within the political settlement – electoral incentives, elite coalitions, patronage politics and ideas – shaped the levels of elite commitment to developing and enforcing Ghana’s ambitious local content targets.
Chapter 6: Achieving Greater Benefits from Oil: The Politics of Local Content

Legislation in Ghana

6.1 Introduction

In this chapter, I operationalise insights from the political settlement framework to explore the politics of local content development in Ghana. The main aim is to provide critical insights into the key political factors that shaped Ghana’s upstream local content framework. I do so by specifically exploring how the interplay between interests and ideas shaped elite commitment concerning the choices of policy initiatives useful for promoting local content. The chapter is informed by the core claim of the political settlements approach that incentives generated by the balance of power between competing groups within the ruling coalition lay the foundation for institutional arrangements in ways that ensure the distribution of rents to politicians and their supporters (Khan, 2010). As noted in Chapter 2, the general literature on natural resources governance point to rentier politics as central to understanding the disappointing contribution of natural resources to tangible development (e.g. Collier and Hoeffler, 2005, Collier and Venables, 2011). Beyond this claim however, the emerging political settlements approach suggests that because political power is vital to political elites (Throup et al., 2011), such politicians are often motivated by the need to maintain control over natural resources and appropriate these resources in ways that help sustain their power. The political settlement approach emphasises the importance of power relations in framing the incentive structures of the ruling coalition, and the tendency for political elites to shape policy decisions in ways that advance their interests, including delivering forms of ‘rent accumulation’ opportunities that can satisfy the expectations of different groups across the distribution of political power (Khan, 2010).

Building on this important theoretical precedent, this chapter explores how electoral and rent accumulation interests of political and business elites shaped Ghana’s ambitious local content
framework, but one which situates the analysis beyond the ‘instrumental’ motive of elites to explore the role of ideas in shaping elite commitments to local content promotion. This is because although local content policies create rent seeking opportunities for elites (Ovadia, 2013), such strategies also offer insights into ideas around securing greater rents for host countries (see Tordo et al., 2011). This focus on ideas is particularly evident in Tordo and Anouti’s (2013) argument that local content development in Brazil fuelled ideological debates along resource nationalist and neoliberal lines, underpinned by the political realities faced by national level elites. In part, Ovadia’s (2015a) work on Nigeria and Angola reveal how these ideological debates shaped the levels of elite commitment in both countries to negotiate for greater rents retention initiatives, including developing the capacities of domestic capitalists to competitively participate in the oil and gas sector.

The chapter explores whether and how interests and ideas of political and business elites played a role in shaping Ghana’s local content framework. Through an analysis of the Ghana’s political settlement (Chapter 4), this chapter aims to understand how ‘elite relations’ and their ‘holding power’ within the local content development process shaped the behaviour of politicians regarding policy choices. The aim here is to provide a context for understanding the levels of elite commitment that influenced Ghana’s adoption of high employment and participation initiatives in its upstream local content framework. Drawing on three indicators (locus of initiative, degree of analytical rigor and mobilization of support) of Brinkerhoff’s (2000) framework for analysing elite commitment (Chapter 3), I establish an intermediate conceptual basis for understanding the underlying commitment of political elites around developing ‘ambitious’ initiatives to promote local content.

This chapter argues that the interplay between interests and ideas, underpinned by the configuration of power within the ruling coalition, shaped the high levels of elite commitment to developing Ghana’s ambitious local content targets. It begins with a brief overview of the
7 types of local content initiatives in Ghana’s upstream oil sector, detailing how the political settlement shaped these policy outcomes. I draw on Brinkerhoff’s framework to examine the levels of elite commitment that shaped Ghana’s high local content initiatives as my research found. Following this, I analyse the political settlement tendencies that shaped the levels of elite commitment, focusing on how the NDC used the local content policy development process to woo and build a winning coalition with CSOs and private sector elites. In the end, I show how the embedded ideologies of the NPP and NDC shaped the different approaches to local content development before concluding the chapter.

6.2 Local Content Initiatives in Ghana’s Upstream Petroleum Sector

Focusing on the processes through which Ghana’s new upstream local content framework (policy and law) was developed and the nature of its content and stipulations, this section explores the key local content initiatives developed after the 2007 oil discoveries. The objective here is to compare the current initiatives to those under PNDCL 84 and those the NPP proposed under the Ghana Petroleum Regulatory Authority Bill (GPRAB), aiming to track the major changes in political commitments to securing greater oil rents (similar to local content policies elsewhere in Africa\(^\text{67}\)). Early local content provisions in PNDCL 84 aimed at increasing the use of local goods and services, employment and developing local capabilities to participate in oil activities. The law however required oil and service companies to meet these if there was the opportunity to do so\(^\text{68}\). After the oil discoveries in 2007 however, and as detailed further in the next section, politicians saw local content initiatives under PNDCL 84 as deficient in driving local employment and participation. This led the NPP to develop stronger secondary local content initiatives under the GPRAB (Table 6.1).

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\(^{67}\) See Ovadia, J. S. (2015a)

\(^{68}\) See sections Section 2.2.b, c and d of PNDCL 84
Table 6-1: Key Local Content Provisions under the NPP

<table>
<thead>
<tr>
<th>Ghanaian Interests</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and Production</td>
<td>• No requirements except for the participation of the Ghana National Petroleum Company.</td>
</tr>
<tr>
<td>Employment and Training</td>
<td>• A Licensee must develop a clearly defined training programme for local employees which may be carried out in or outside the country.</td>
</tr>
<tr>
<td></td>
<td>• A Licensee shall where practicable, commit to maximising knowledge transfer to Ghanaians and establish any necessary facility for technical work in the country.</td>
</tr>
<tr>
<td>Provision of goods and Services</td>
<td>• Ghanaian participation shall be at least ten percent by value in the provision of goods and services in the first year of the Act and increase to at least twenty percent in the second year and shall increase by at least ten percent each year after that.</td>
</tr>
<tr>
<td></td>
<td>• Where Ghanaians are competitive in terms of price and quality, they shall have priority in the purchase of local products and services.</td>
</tr>
</tbody>
</table>

Source: Ghana Petroleum Regulatory Authority Bill, 2008

However, after the NPP lost the 2008 elections, the new NDC government truncated the process of ratifying the GPRAB and developed the prevailing Local Content and Participation Policy (LCPP) in 2010 and a primary Petroleum Local Content and Local Participation Regulation (PLCLPR) in 2013. Local content and participation under Ghana’s current local content policy refers to “the level of use of Ghanaian local expertise, goods and services, people, businesses and financing in oil and gas activities” (LCP, 2010 p. 2). Under the local content framework, Ghana follows multiple routes to maximise the national share of oil rents. A major policy goal is to ensure Ghanaian participation in the entire petroleum value chain (Table 6.2). Unlike PNDCL 84 and the NPP’s GPRAB, the NDC’s PLCLPR mandates both oil and service companies to incorporate local partners in exploration and production (E&P) and services activities respectively. With respect to employment and training, the current law contains more elaborate provisions beyond the fair and rudimentary ones under the GPRAB and PNDCL 84 respectively. Both the GPRAB and PLCLPR required oil and service companies to employ Ghanaians and provide them with the necessary technical-professional training.
Table 6-2: Key Local Content Provisions under the NDC

<table>
<thead>
<tr>
<th>Areas</th>
<th>Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghanaian Interests</td>
<td>• Ghanaian companies to be given first preference in Petroleum Agreements&lt;br&gt;• Ghanaians to have a minimum 5% equity participation in a petroleum agreement (the Minister for Petroleum determines Ghanaians qualified).</td>
</tr>
<tr>
<td>Employment and Training</td>
<td>• Licensees must develop and submit employment and training plans for approval by the Petroleum Commission.&lt;br&gt;• Where Ghanaians are not employed because of lack of expertise, the licensee must ensure effort is made to provide training to Ghanaians in that field locally or elsewhere.&lt;br&gt;• Licensees must employ only Ghanaians in junior level or middle level positions (where junior or middle level positions include the position of foreman, supervisor or any corresponding position).</td>
</tr>
<tr>
<td>Procurement</td>
<td>• Service companies must establish joint ventures (minimum 10%) with Ghanaian companies.&lt;br&gt;• Preference must be given to Ghanaian companies in bidding for contracts to provide goods and services.&lt;br&gt;• Contracts must not be awarded solely on the principle of the lowest bidder.&lt;br&gt;• Ghanaian companies with capacity to execute a job must not be disqualified exclusively on not being the lowest financial bidder.&lt;br&gt;• Where the total value of the bid of a Ghanaian company does not exceed the lowest bid by more than ten percent, the contract must be awarded to the Ghanaian company.</td>
</tr>
</tbody>
</table>

Source: Local Content and Local Participation Regulation, 2013

These requirements are however more elaborate under the PLCLPR as provisions are further reinforced by specific employment targets that oil and service companies must meet: (a) at least (50%) Ghanaians as management staff of service companies from the start of petroleum activities and scaling this up to (80%) within five years, (b) at least (30%) Ghanaians as technical staff from the commencement of petroleum activities and increasing this to at least (80%) within five years and (90%) within ten years, (c) apart from managerial and technical staff, all other staff of oil and service companies must be Ghanaians. Both laws however allow oil and services companies to employ foreigners only in cases where there is a shortage of qualified Ghanaian workers.

Under the PLCLPR, Ghana is committing to increasing oil gains beyond Ghanaian employment. Unlike the basic requirement for companies to ‘as far as practicable’ use goods and services produced in Ghana under the PNDCL 84, the current law sets mandatory targets in the provision of goods and services to be achieved within specific time periods (see Table
The new law requires service companies to ensure that beyond the provision for joint ventures (JVs), they incorporate Ghanaians at varied levels (ranging from 10% to 100% depending on the local capacity available) in the provision of goods and services. The NPP’s GPRAB had similar provisions (albeit less elaborate), mandating service companies to offer Ghanaians a minimum 10% equity participation in the provision of goods and services in the first year, 20% in the second year and 10% each year after that. Both laws also mandated all companies engaged in petroleum activities to publicly tender their contracts and subcontracts in the provision of goods and services, aiming to enable many Ghanaians tender for contracts (Interview, MoPet official 3rd July, 2015). The NDC’s PLCLPR however goes further to grant Ghanaians preferential treatment where their proposal is ten percent (10%) higher than what is proposed by other companies. The rationale here is to reduce the potential inequalities that local companies might face when competing with foreign companies for contracts (Ibid). Ghana’s local content framework has been described by various observers as ambitious (Amoako-Tuffour et al., 2015, Senoo and Armah, 2015). Local content targets look ambitious when compared to those of other African countries (Table 6.4). Compared to Nigeria, Uganda and Zambia, Ghana’s local content provisions are fixed with percentages and timelines and require participation in all petroleum activities (see table 6.1 and 6.2). Although Nigeria’s law looks equally strong, especially as it reserves specific goods and services for domestic service companies, it does not mandate IOCs to grant equity partnerships in exploration activities to Nigerian companies as Ghana’s. This one official of the LCD casually noted in relation to Ghana’s local content framework was: “….a full bouquet….capturing benefits from all petroleum activities, whether exploration or service provision” (Interview, 24th July 2015).
Table 6-3: Minimum Local Content in Goods and Services

| Goods and Services *There are various other subservices under each service category | Minimum local content levels |
| --- | --- | --- | --- |
| | Start | 5 years | 10 years |
| 1 Feed, detailed engineering and other engineering services | 10 - 20% | 30 - 50% | 60 - 80% |
| 2 Fabrication and construction | 10 - 20% | 30 - 50% | 50 -100% |
| 3 Materials and procurement | 20 - 60% | 40 - 80% | 60 -100% |
| 4 Well drilling services | 10 - 40% | 20 - 70% | 70 - 95% |
| 5 Research and development relating to in-country services | 20 - 40% | 30 - 70% | 60 -90% |
| 6 Exploration, subsurface, petroleum engineering & seismic services | 10 - 40% | 30 - 70% | 55 -90% |
| 7 Transportation, supply and disposal services | 30 - 80% | 60 - 90% | 80 - 100% |
| 8 Health, safety and environment services | 20 - 100% | 30 -100% | 45 - 100% |
| 9 Information systems, information technology and communication Services | 20 - 80% | 50 - 90% | 70 - 100% |
| 10 Marine operations and logistics services | 10 - 80% | 30 - 90% | 45 - 100% |

Source: Local Content and Local Participation Regulation, 2013

In explaining the thinking that went into the decision to develop these high levels of local content, one senior official at MoPet explained that:

Foreign capital knows no fairness, it is not patriotic, on the contrary its zealou...s is not a secret...thank God we were well informed and used this knowledge to our benefit...yes we provided the environment to attract foreign investments but we also provided the environment for a great deal of local participation (Interview, 12th April 2016).

However, Ghana’s high local content targets set against its generally limited technological capacity and skilled labour to provide core upstream services can limit the job creation and participation potentials of its oil sector (Obafemi, 2014). Observers argue that given the local capacity challenges inherent in the sector, it would be difficult for Ghanaians to take full advantage of the high opportunities for participation and may rather facilitate fronting and corrupt deals with foreign companies. However, Ovadia (2015b:40) comparing Ghana’s local content framework to that of Nigeria suggests that the former’s appear “watered down” in favour of foreign investments.

69 Examples are seismic operations, exploration and drilling appraisals and construction of installations
As he argues, “the Ghanaian law is weaker in that it has fewer provisions to avoid locals acting as fronts for foreign companies and fewer regulations that promote job creation over indigenous ownership”. The next section interrogates these claims further, focusing on the political processes that shaped both the local content policy and law.

Table 6-4: A Summary of Ghana’s Local Content Expectations against that of other African Countries

<table>
<thead>
<tr>
<th>Item</th>
<th>Start</th>
<th>5 Years</th>
<th>10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ghana</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Participation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>Mandatory 5% Minimum equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil services</td>
<td>Mandatory 10% Minimum Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and Services</td>
<td>10%</td>
<td>50%</td>
<td>60%-90%</td>
</tr>
<tr>
<td>Recruitment and Training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management staff</td>
<td>30%</td>
<td>50%- 60%</td>
<td>70% - 80%</td>
</tr>
<tr>
<td>Technical core staff</td>
<td>20%</td>
<td>50%- 60%</td>
<td>70% - 80%</td>
</tr>
<tr>
<td>Other staff</td>
<td>80%</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Nigeria</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Participation</td>
<td>No mandatory targets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>No mandatory requirement although the Act requires that Nigerian companies be given first consideration in the award of oil blocks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil Services</td>
<td>Exclusive consideration to Nigerian Indigenous service companies which demonstrate capacity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and services</td>
<td>Minimum levels for each activity ranges from 45% to 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitment and Training</td>
<td>First consideration to Nigerians for employment and training A maximum 5% of management positions to be held by expatriates</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Participation</td>
<td>No mandatory targets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>No local equity participation requirement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil Services</td>
<td>Preference to “goods and services produced or available in Uganda</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and Services</td>
<td>Preference to goods and services which are produced or available in Uganda</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitment and Training</td>
<td>Acts provide for training and employment in the sector during application for licences</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Zambia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Participation</td>
<td>No mandatory targets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>No mandatory requirement. The Government may however veto this in favour of a local company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and Services</td>
<td>Maximum preference to goods and service available in Zambia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitment and Training</td>
<td>Acts provide for training and employment in the sector to the extent possible</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors Construct, based on the local content laws of the respective countries
6.3 The Local Content Policy and Legislation Development Process

In this section, I explore the political processes that shaped Ghana’s local content framework, focusing on how power relations within the political settlement shaped policy outcomes. The objective is to map the key actors within the policy and legislation development process in order to understand their interests and ideas herein. Based on available data, I examine the maiden policy processes of both the NPP and NDC, focusing on the nature of elite bargaining between politicians, civil society organisations (CSOs) and private sector organisations (PSOs) in relation to the choice of initiatives these groups deemed relevant for retaining greater oil rents.

6.3.1 Local Content Development under the NPP

After the oil discovery in 2007, the NPP convened a National Forum on Oil and Gas Development in February 2008\textsuperscript{70} to solicit stakeholder input in developing the institutional framework for the oil sector. Highly politicised (Gary et al., 2009:11) with a handful of representatives from civil-society (Manteaw, 2009), the forum culminated in a ‘one stop’ regulatory framework - the Ghana Petroleum Regulatory Authority Bill (GPRAB), under which the NPP set requirements for local employment and sourcing of goods and services (Gary et al., 2009). As a common feature of Ghana’s ‘winner takes all’ democratic practise (Chapter 4, also see Gyimah-Boadi, 2004a), the ruling NPP did not invite any representative(s) of the opposition NDC (Van Gyampo, 2011). The closed nature of the forum defeated the initial expectations civil society activists had about how the forum would serve as a platform to contribute their inputs. In a civil society communiqué presented to the Forum, the discontent of CSOs around the closed nature of the forum was made clear:

…we are deeply disappointed at the amount of space ceded to organized citizens groups in this initial consultation……the forum should have been opened to the general public (Civil society communiqué, February, 2008).

\textsuperscript{70} National Forum on Oil and Gas Development, GIMPA, Accra, Ghana, Feb. 25-26, 2008.
The NPPs closed approach to policy development reinforced what Brinkerhoff (2000) suggests, indicates a lack of political commitment to policy reform (Chapter 3). As he argues, one of the key indicators of commitment is the extent to which political elites develop “a credible vision of success and strategy” that is participative and incorporates the interests of important stakeholders. This is the core of Van Gyampo’s (2011:6) observation that “the exclusive manner in which the national consultative forum was organized raised questions about the commitment of the NPP Government to a genuine, broad and deep consultation process”. As a result, although the local content requirements under the GPRAB looked stronger than those in PNDCL 84, these were criticised as not adequate enough to secure greater rents from oil. As one official at the Ministry of Petroleum (MoPet) noted:

I will be honest with you, the NPP’s handling of issues of local content did not show that they were serious in making Ghanaians participate and benefit from the sector….for me what they did was not significantly different from the local content drive under PNDC law 84….you have seen the way this Government (i.e. NDC) has handled the local content issue,….developing a primary legislation to promote local content and local participation….which of the two Governments will you say has enough commitments to local content development? (Interview, 1st July 2015).

The NPP’s partisan approach to policy development revealed that oil discovery did not significantly change the political settlement. As Whitfield (2017) argues, it rather intensified existing tendencies and reinforced previous patterns of the political settlement. The historical dominance of the NDC and NPP within Ghana’s competitive clientelist political settlement (Chapter 4) and the attendant short-termism and personalised policy-making generated by the high tendency of change in elections (Killick, 2004) persisted after the oil discoveries. As argued in Chapter 4, these tendencies deepened with the advent of oil, with both parties facilitating and benefiting improperly from ‘sweetheart oil deals’. The opportunities generated by oil deepened the highly politicised and personalised policy-making process that saw the NPP alienate the opposition NDC in the maiden institutional making process (Van Gyampo, 2011). This partisan approach in the initial policy development process increased
inter/intra-political competition and fragmentation between the NPP and NDC, especially as
the 2008 elections drew closer (Gyimah-Boadi and Prempeh, 2012).

6.3.2 The NDC in the 2008 Elections, Building a winning Coalition

The competition between the two parties around oil manifested in a closely fought elections
in 2008 between the ruling NPP and the opposition NDC where both parties pandered to
populist rhetoric of using oil revenues to implement major development projects in the hope
of swinging votes in their favour (Gyimah-Boadi and Prempeh, 2012). In order to secure the
electoral prize, the NDC capitalised on the ‘poor’ consultation record of the NPP in the
maiden policy process to promise more inclusive consultations around oil and gas. As argued
in Chapter 4, the central-local dynamics of Ghana’s political settlement sets certain structural
conditions within which policies emerge. Such conditions are significant because they create
a space for politicians to mobilize votes during elections. As such political elites take these
dynamics seriously when constructing their coalitions. The NDC, operating within the high
electoral stakes generated by oil used the local content policy process to woo and build an
electoral coalition with CSOs and private sector elites in order to enhance its fortunes in the
2008 elections. Prior to the 2008 elections, the party promised in its Manifesto to develop
stronger local content initiatives, capitalising on the NPP’s limited commitment to local
participation under the GPRAB. In its 2008 manifesto, the NDC promised to restore:

…transparency and end corruption in the petroleum sector if Ghana is to benefit
from our oil and gas and is to use our natural resources to grow our economy
and invest in future generations…. The NDC government will use its technical
expertise and experience to ensure Ghana benefits greatly from its oil and gas
resources by enforcing local participant provisions in the petroleum laws and
agreements. (NDC Manifesto, 2008, p. 8)

Although the NPP also promised a “transparent process in policy making” and the
“promotion of maximum local content and local participation in the petroleum sector” (NPP
2008 Manifesto, p 16), the party’s initial poor record of fostering an inclusive policy making
process put it in a less credible position. On the other hand, the NDC’s positioning as the party with a high level of commitment to addressing the interests of pro-local content elites helped it win over CSOs and PSOs that were marginalised in the NPP’s maiden policy process. Packaging the NDC in this light presented it as the more credible party with the commitment to meet the expectations of CSOs and PSOs who took particular interest in local content development.

Two main explanations underpin the NDCs incentive to incorporate CSOs and private sector elites into its pre 2008 election coalition: First, and as Gyimah-Boadi et al, (2000) argue, CSOs have become electorally important in Ghana since the promulgation of the 1992 constitution and draw their power and influence from their relationship with the broader constituency they represent. Debrah (2014) argues that the ability of CSOs to influence their constituencies has historically increased the efficacy of their bargaining and offered them leverage to initiate certain bills and advocate for policy change (also see Oppong et al., 2013). Given this electoral importance of CSOs, politicians become vulnerable to their pressures and demands, especially during elections for fear of losing votes (Chapter 4). It was within this context the NDC aligned itself with CSO activisms as a source of electoral security.

Second, and as argued in Chapter 4, the private sector plays an increasingly important role in Ghanaian politics by virtue of their funding of political elites who rely on such funds to provide public services, economic development and fund political activities (Whitfield, 2011a). As a result, and especially in relation to the NPP’s “business friendly” character (Chapters 4 &5, also see Hutchful, 2002:247), the NDC had incentives to align with private sector elites in order to counter the business friendly rhetoric of the former, undermine their coalition, whilst directly strengthening its own. As noted by one NDC MP in response to what factors accounted for the NDC’s slim victory in the closely fought 2008 elections: “…I believe one of the major factors that did the trick was our promise to develop a substantive
local content law to create the environment for businesses to take advantage of opportunities in the oil and gas sector” (Interview, 8th April, 2016).

Private sector elites and CSO groups coalesced behind the NDC, hoping it would fulfil its promise of adopting a more resource nationalist local content framework. For example, in a colloquium organised by the Institute of African Studies on Elections, Democracy and Development attended by a cross section of CSOs and PSOs, the Dean of the Institute opined that:

If the NPP wins the election, there will not be any substantial change in policies and programmes. It will be business as usual. If there will be changes at all, they may be cosmetic….On the other hand, an NDC win is likely to result in significant change and direction in the content of some policies and programmes and the way they are implemented (Daily Guide, 27 May 2008).

Expectations such as this drove much of the relationship between the NDC and pro-local content elites and were instrumental to the party’s victory in the 2008 elections. Corroborating the sentiment above, one senior official at ISODEC argued that the second round victory of the NDC was “significantly” decided by “the silent but influential minority” who thought that the NDC was a better alternative to govern oil. The same source noted that although there were no fundamental difference between the NDC and NPP in engaging the public in policy processes, the CDD and other CSOs thought that “the NDC was the lesser of the two evils…not necessarily because they promised to widen consultations but simply because the NPP failed to do so upon the discovery of oil” (Interview, 13th April 2016). In a similar vein, explaining the claim that business elites were more supportive of the NPP because of its pro-business character, one member of the Association of Ghana Industries (AGI) admitted that while in general private sector elites recognise the NPP as pro-business, this “seemed to be changing”. As he suggested: “…these days you can't tell which is which….although the nature of our business cautions against showing open support for any political party, I can confidently tell you that most of us supported Atta Mills (the NDC
presidential candidate) in the 2008 elections because we thought he could best manage our oil resources” (Interview, 1st April, 2016).

The NDC’s victory thus fostered considerable elite support, high elite-expectations and competition for rewards by various elite groups and further presented the NDC with the opportunity to expand its coalition after the 2008 elections. While in government, the NDC forged alliance with potentially disparate groups with interests in oil by creating opportunities for inclusion. For example, the NDC adopted a ‘regional balance’ approach to political appointments by ensuring that each of the ten regions of Ghana had at least a ministerial appointment. Minority political parties that supported the NDC in the second round of elections were rewarded with some political appointments (e.g. Kwabena Duffour of the Convention People's Party (CPP) as Minister for Finance). Although the NDC government rejected a demand by Chiefs from the Western Region for government to permanently invest 10 percent of oil revenues in the region (Mohan and Asante, 2015), it compensated the ‘oil region’ with political appointments within institutions with oil governance mandates by appointing natives of the region as Deputy Minister for Petroleum (who later became Minister for Petroleum) and the CEO of Ghana Gas. Once established, the breadth of the NDC coalition created a relatively inclusive and stable political environment that encouraged a more engaging post-election 2008 policy process. As detailed below, the expansion of the NDC coalition and the opportunity for elite engagement offered considerable power to CSOs and private sector elites to negotiate for initiatives they deemed useful for deepening local participation in oil.

6.3.3 Local Content Development under the NDC

After the 2008 elections that saw a change in government, the NDC truncated most of the maiden processes at developing the necessary policies and legislative framework for the oil
sector (Gyimah-Boadi and Prempeh, 2012: 7) and started new ones. Specific to local content, the newly appointed Energy Minister (at the time) in 2009 established the Local Content Directorate (LCD) based at the Ministry of Energy (MoEn). The new initiative aimed to give greater focus to promoting local content in oil by coordinating policy formulation, implementation, and monitoring (Interview, Director MoPet, 25th June 2015). The newly created LCD nonetheless suffered from capacity challenges. This partly emerged from the strong presidential control over policy processes in Ghana (Chapter 4), and which underpinned the NPP’s close-door approach as outlined above - a condition which according to Van Gyampo (2011:8) led to “little or no retention of institutional memory”. Against this challenge, the NDC in the first quarter of 2009 sent MoEn personnel to Norway, Brazil, Malaysia and Trinidad and Tobago to learn from their local content experiences, aiming to develop the LCD’s capacity to effectively play its policy roles. According to one senior LCD official, these countries were chosen “because of their relative success in promoting local content (Interview, 25th June, 2015).

However, despite ongoing capacity building commitments, the Petroleum Minister decided to employ a consultant to undertake stakeholder consultations in order to fast-track policy development, arguing that “waiting to build capacity before developing a local content policy would have delayed Ghanaian participation in oil activities” (Interview, MoPet Senior Official, 31st March 2016). MoEn initially considered the Integrated Social Development Center (ISODEC) to undertake country-wide consultations to kick-start the policy process. MoEn considered ISODEC because the latter had “very good relations” with the Energy Minister (Interview, AGI official, 1st April 2016)71. It is not clear why ISODEC did not undertake the planned stakeholder consultations as MoEn subsequently conducted the

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71 Another major reason for considering ISODEC flowed from its prior capacity in mobilizing around the EITI and also through the civil society platform on oil and gas, which also helped it galvanise strong networks in the civil society and private sector to engage in the local content policy process.
national consultations unilaterally, consisting of a series of nationwide forums in all the ten regions of Ghana. Although revealing some political commitment to policy development (e.g. Brinkerhoff, 2000), CSOs and private sector elites criticised the national consultations as ending with “little information to assess the wider thinking of Ghanaians in relation to local content” (Interview, ACET official, 23rd July, 2015).

Meanwhile, as the national consultations were ongoing, ISODEC in collaboration with other CSOs organised a series of parallel consultative processes on local content, with one source noting that “we got alarmed by the Ministry’s lackadaisical attitude towards the process…..our version of consultation on local content was very useful although it was not national in character” (Interview, ISODEC official, 20th April, 2016). The same source suggested that “the consultative processes engaged the private sector, educational institutions, labour unions, the media, traditional leaders and ordinary citizens to collate their views on local content issues”. In response to whether the ISODEC/CSO led consultations did not amount to usurping the authority of MoEn in developing the local content policy, the same ISODEC official argued that:

….we have seen this before where there is often inconsistencies between consultative outcomes and policy choices…we didn’t want this to happen this time round (Interview, 20th April, 2016).

Further investigations revealed nonetheless that, the actions of the ISODEC/CSO coalition flowed from leaks within MoEn that IOC and ISC representatives were engaged in closed-door negotiations with the Energy Minister in an apparent move to influence an “investor friendly” local content policy (Interview, CSPOG member, 13th July 2015). Detailed below, these IOC/ISC bargains became manifest in the legislative development stage. The information from the parallel consultative process shaped CSO/PSO resistance against a draft local content policy developed by MoEn in 2009. The same ISODEC official revealed that a leaked version of the local content draft policy showed a “not too different” approach from
the NPP. The same source noted that “although stronger (than local content provision under the NPP’s GPRAB) the draft policy lacked specific percentages and timelines”. ISODEC by virtue of the ‘holding power’ of CSOs within the NDC coalition and using its links with MoEn, engaged (through meetings) directly with the Energy Minister, pushing the latter to publish the draft policy and demanding a closer collaboration between MoEn and CSOs in developing the local content policy (Interview, ISODEC official 19th April, 2016). The ISODEC/CSO negotiations paid-off as the Petroleum Ministry (MoPet) 72 officially incorporated the latter to help develop the local content policy (Ibid). Consequently, the ISODED/CSOs alliance, in collaboration with PSO elites who according to one senior ISODEC official formed a core part of the stakeholders consulted, pushed MoPet to strengthen local content targets with specific percentages and timelines (see table 6.1 and 6.2 above). Such engagements also helped shape the decision and subsequent development of an independent government agency (Petroleum Commission) and Local Content Committee (LCC) to help promote local content (Interview, ISODEC official, 20th April, 2016).

After the promulgation of the local content policy in 2010, however, legislative processes to develop the primary law promised by the NDC were slow, with some CSOs alleging a “lack of political will on the part of our Government as industry and diplomatic lobbyist have pressurized the Government into a ‘withdrawal syndrome’”(Amin-Adam, 2013: 1). The CSO/PSO coalition believed that powerful foreign interests, using capacity building and budget support grants as leverage, were keen on diluting the legislative process and watering-down local content initiatives (Interview, CSPOG member, 13th July 2015). This partly flowed from a statement the United States Ambassador to Ghana is reported to have made: “Ghana’s local content law in the oil and gas sector would make it difficult for the country to attract the needed foreign capital, technology and expertise” (see GBN, 2013). A close MoPet

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72 The NDC divided the Ministry of Energy into the Ministry of Petroleum and Power after it won the 2012 elections.
source disclosed that fears that foreign interests could undermine commitments to secure greater oil rents generated strong resistance by the CSO/PSO coalition who deployed their ‘holding power’ (through criticising the government in meetings and conferences) to help sustain the NDC’s promise to develop a primary local content law (Interview, 3rd August, 2015).

During the legislative process however, the NDC for apparent political reasons decided not to go on with its electoral promise to develop a primary local content law. The party’s strategy was to instead develop strong local content provisions under a new Exploration and Production Law (E&PL) to replace the existing PNDCL 84 (ibid). Responding to whether this ‘U-turn’ did not repeat the NPPs approach to promoting local content, one MoPet Director argued that “the NDC’s approach would have been much stronger as pertains in the current law” but that “the ministry’s decision to incorporate local content under the E&P law was to prevent potential conflict between a primary local content law and the main E&P Law” (Interview, 1st April 2016). However, the evidence suggests the NDC had this change of mind primarily because the party feared it would lose control over local content implementation. In retrospect, developing a primary law meant limiting the powers of the Petroleum Minister (with greater authority under the E&PL), since the proposed independent agency and the LCC would have had greater control over local content under a primary law. According to one senior Petroleum Commission (PC) official who previously worked at MoEn, it took “powerful insiders” from the Petroleum Ministry and the Attorney General’s Department to intervene and subsequently influenced the Petroleum Minister to revert to the NDC’s initial decision for a primary local content law (Interview, 26th April 2016). The same source disclosed that these powerful insiders had to ‘broker a deal’ with top NDC elites for some form of executive control in local content implementation (interview, 26th April 2016), which, as will show below, partly explains why the Petroleum Minister maintains control
over key aspects local content implementation (i.e. determining local partners in E&P equities). According to the same source, these ‘powerful insiders’ were once members of an ISODEC led caucus with interests in oil, who later got political appointments under the Atta Mills administration. It was this arrangement to incorporate some form of executive control in local content implementation that paved the way for developing a primary PLCLPR in 2013.

The section offers an understanding of how ‘elite bargaining’, underpinned by power relations within the political settlement generated incentives and ideas that shaped high levels of political commitment to developing ambitious local content targets. Yet our understanding of why ruling NDC elites framed and adopted these high-initiatives is still quite limited. Why did the NDC adopt high local content as compared to the NPP? A plausible answer as the preceding analysis shows encompasses the ‘interests’ of ruling elites in response to the configuration of power around local content. However, how can these interests be conceptualised, seen and assessed? And how did these interests shape the adoption of Ghana’s ambitious local content? The remaining sections explore these questions, further analysing the relationship between elite interests and ideas and political commitments concerning local content.

6.4 The Commitments of Ruling Elites in Local Content Development

Drawing from three (locus of initiative, degree of analytical rigour and mobilization of support) of the five indicators of political commitments in Brinkerhoff’s (2000) intermediate framework I set-out in Chapter 3, this section conceptualises the levels of elite commitment and how these shaped the ambitious framing of local content targets (Table 6.1)

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73 The evidence in both this chapter and Chapters seven strongly suggests that this arrangement was partly underpinned by the incentive of ruling NDC elite to gain control over local content implementation in order to distribute rents in line with the interests of the pro-local content CSO/PSO coalition that was pertinent to the NDC’s victory in the 2008 elections.

74 I focus on these ‘three’ indicators of commitment here because they best explain the commitments of political elites in the policy and legislative processes.
and 6.2). Doing this helps provide an empirical grounding to the important role of power relations in shaping the commitments of political elites to develop and adopt strict and protectionist strategies to promote local content.

6.4.1 Locus of Initiative

This indicator underscores where the impetus for policy reform resides. Brinkerhoff (2000) suggests that if the initiative for reform comes from the actor spearheading the change, it indicates high political commitment. Hence, was the need for developing a new local content framework foisted on political elites, and/or politicians themselves saw this as an important issue to address? Put another way; was the need for a new policy initiated by the government that was espousing this reform? Brinkerhoff’s framework suggests that if political elites advocated for the development of new policy approaches to promote local content, it signalled high commitment to policy reform and the vice-versa.

Operationalising part of this framework in the context of the local content policy processes that followed the 2007 discoveries indicates high levels of commitment across the political elite in both the NPP and NDC. After oil discovery, both parties demonstrated commitment to reviewing Ghana’s past local content approaches under PNDCL 84. The maiden policy process to govern oil saw the NPP develop strong local content initiatives under the draft GPRAB to replace the rudimentary provisions in PNDCL 84 (see Gary et al., 2009). The NPP’s commitment flowed from its 2008 manifesto pledges to:

…set up committees to draw a comprehensive oil sector policy starting from exploration to downstream activities with attention on ensuring maximum local content and local participation and the development of other sectors of the economy (NPP Manifesto 2008, pp11).

This commitment to develop new local content initiatives continued after the NPP lost power in 2008. To give greater focus to local content development, the new NDC government established the LCD that paved the way for consultations leading up to the development of
both policy and law. On the occasion of the ‘First Domestic Content and Matchmaking Exhibition Conference in the Oil and Gas Industry’ organised by the AGI in 2010 for example, a speech read on behalf of the Energy Minister reiterated that:

Government is committed to developing a new local content regulation to give effect to the local content policy…the regulations will prioritise Ghanaians in the maximisation of value-addition and job-creation through the use of local expertise, goods and services (Minister’s Speech, May, 2010).

The Minister’s reassurance of developing a dedicated law beyond the local content provisions in PNDC Law 84 reflected the NDC’s commitment to deepening local participation in oil. Complementing the Minister’s position, one Association of Oil Marketing Companies (AOMC) official noted that the Minister’s commitment marked “a shift towards the reversal of past approaches to secure greater benefits from the exploitation of Ghana’s natural resources” (Interview, 27th August 2015).

6.4.2 Degree of Analytical Rigor

Political commitment can also be conceptualised and evaluated, in part, in terms of ‘analytical rigour’ (Brinkerhoff, 2000). That is, the extent to which political elites undertake in-depth assessments of an issue, and effectively generate and use such analysis to devise technically applicable and politically feasible policy interventions (Brinkerhoff, 2000). In the context of local content development in Ghana, key questions to explore here include whether political elites took analytical steps to understand the complexities associated with local content development (Tordo, 2011) and how this knowledge informed an adequate framing of local content initiatives. If political elites did not advocate and develop mechanisms to adequately address these complexities, it demonstrates low political commitment to pursue change in relation to local content whereas if they did, it indicates high commitment. I further draw on an aspect of Tordo’s (2011) indicators of commitments to local content (setting measurable targets) to trace the analytical steps political elites took in developing Ghana’s
ambitious local content framework. Tordo argues that an ‘effective’ local content framework needs to be clearly defined and within the reach and capabilities of the producing country. Against this characterisation, there is some evidence to attribute Ghana’s high local content targets to the short-termist incentive (winning elections) of political elites rather than ‘setting measurable targets’. As Amoako-Tuffour et al. (2015) argue, despite Ghana’s capacity challenges, strong political incentives played a role in shaping Ghana’s high and protectionist local content framework. Corroborating this, one African Center for Energy Transformation official revealed that there seemed to have been a mutual agreement between politicians and private sector elites (within the policy negotiation space) that:

…local participation in the sector must be guaranteed whether by fair or foul means….with disregard for local capacity constraints (interview, 18th August 2015).

This claim reflects the argument that Ghana’s high and strict local content framework appears divorced from existing capabilities within its services sector (see Obafemi, 2014) and therefore looked more like a political arrangement to grant rent seeking opportunities to party cronies (Amin-Adam, 2015, Amoako-Tuffour et al., 2015). However, there is also some evidence to attribute Ghana’s ambitious local content targets to the incentive of developing ‘high and strict’ initiatives that sheltered business elites from the domination of foreign investments in the sector. As one MoPet Director noted:

We acknowledge the ambitious nature of the local content framework, we however thought that given the fact that Ghana’s oil and gas sector is still growing, there was need to push for these ambitious targets to ensure that Ghanaians competitively take part in the sector (Interview, 28th August 2015).

This response arguably demonstrates a low commitment by MoPet to developing targets that were consistent with the country’s underlying technical and financial capabilities. Arguably however, the protectionist framing of Ghana’s local content targets could also reveal a high degree of commitment to getting high oil deals for Ghanaians. This is the core of one PC official’s argument:
We didn’t develop these strict targets out of the blue….as a matter of fact the policy went through a number of scrutiny in policy fairs prior to developing the regulation….the Ministry embarked on a number of study tours to learn from the experiences of countries with good records of promoting local content (interview, 29th April 2016).

Indeed, the NDC in April 2010 included local content in a five-day policy fair at the Accra International Conference Center to engage the public on various policies including local content. This exercise helped scrutinise the local content proposals of the ruling NDC, with the Chairman of the National Development Planning Commission (NDPC) noting that the exercise was key to “the development planning programme of the country” (Daily Graphic, 29th April 2010). The statement also corroborates the evidence above around the then Energy Minister sending MoEn officials to Norway, Brazil, Malaysia and Trinidad and Tobago to learn from their local content experiences in order to develop the policy making capacity of the LCD. This evidence suggests some degree of evaluating the feasibility of the ambitious local content targets, revealing a considerably high degree of elite commitment to assessing the types of local content initiatives that could help Ghana secure greater rents from its oil in line with the expectations of CSOs and private sector elites.

Usefully, the preceding argument that political incentives to create rent seeking opportunities for party cronies closely shaped policy and legislative outcomes is well acknowledged. However this proposition that high local content mimicked a ‘quick policy fix’ to appease elite factions does not only overlook how strong local content framings elsewhere (see Esteves et al., 2013) have supported economic diversification and strong backward linkages, but also obstruct the strategic challenges and opportunities politicians face while “institutionalising cooperation” around how resource rents should be distributed (Poteete, 2009: 548). Indeed, creating the enabling environment for local content development was implicit in the stability and breadth of the political support local elites gave to both the policy and law.
6.4.3 Mobilization of Support

A further indicator of commitment is whether political elites actively “mobilise support” to build consensus and thereby enhancing their legitimacy in policy reform processes (Brinkerhoff, 2000). This may include developing a strategy that is participative and incorporates the interests of important stakeholders, which is crucial to diffusing the disagreements of those threatened by the reform. Conversely, in cases where political elites anticipate significant contentions over policy change but do nothing to limit these, undermine the reform process. Ovadia (2015b) argues that local content policies are known to attract strong elite interests because of the opportunities to accumulate rent. Consequently, an important component of commitment would include examining how political elites mobilized support through establishing mechanisms to incorporate the divergent interests in local content.

From the outset\textsuperscript{75} and in line with Brinkerhoff’s notion of developing a “credible vision of success” (p 4), the establishment of the LCD created an institutionalised platform for policy deliberations between MoEn and the pro-local content CSO/PSO coalition (Interview, Director MoEn, 25th June 2015). As discussed above, this offered CSOs such as ISODEC, including private sector elites to engage MoEn and later MoPet in the policy development process, with one CSPOG member noting that: “the creation of the local content directorate was a promising indicator of the NDC government’s commitment to open up the policy space for wider consultations” (Interview, 13\textsuperscript{th} July 2015). As noted earlier, although the intention to develop a new local content law was initially threatened by political interference, the subsequent agreement by MoPet to develop a primary regulation underscored the recognition political elites gave to the interests of the CSO/PSO coalition. This recognition was even

\textsuperscript{75} During NDC’s regime
more evident in the institutionalization of LCC\textsuperscript{76} with the mandate to “oversee and ensure the full implementation of the local content and local participation policy” (LCPP, 2011 p18).

To sum up, through applying Brinkerhoff’s framework to local content development, this section offered an empirical understanding of the characteristics of political commitment concerning Ghana’s ambitious policy targets (Table 6.3). This helps explain the levels of elite commitment within the key stages of the policy and legislative development process, linking these to how elite incentives played out in shaping the high levels of local content. I trace this relationship further below in my analysis of some features of the local content framework that reveal how key tendencies within Ghana’s competitive clientelist political settlement shaped the high levels of elite commitment to securing high oil deals for Ghana.

Table 6-5: Ranking of Elite Commitment

<table>
<thead>
<tr>
<th>Characteristic of Commitment</th>
<th>Indicators of Commitment</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locus of Initiative</td>
<td>Recognition of weak local content initiatives in previous laws.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Development of new local content policy and legislative framework.</td>
<td>High</td>
</tr>
<tr>
<td>Degree of analytical rigour</td>
<td>Setting measurable targets.</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td>Creating an enabling environment.</td>
<td>High</td>
</tr>
<tr>
<td>Mobilisation of support</td>
<td>Opportunity for participation in policy development.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Incorporation of proposals of non-government actors.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Inclusion in policy implementation framework.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Endorsement of both local content policy and regulation.</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Author’s construction based on analysis above

6.5 Getting Good Deals: The Role of Elite Incentives in Local Content Negotiations

This section undertakes an analysis of two key features (ambitious and protectionist nature of the local content law and the strong ministerial control in implementing certain aspects of the law) of Ghana’s local content framework that underpins elite incentives in local content development. I argue that these strategies reflected the high levels of political commitments

\textsuperscript{76} Members of the local content committee include both government and non-government actors
above, shaped by the underlying configuration of power and elite bargaining within Ghana’s
competitive clientelist political settlement.

6.5.1 Ambitious Local Content Targets and the Role of Elite Incentives

The elite led nature of Ghana’s local content development and the very conscious and
traceable efforts the CSO/PSO coalition took in negotiating policy and legislative outcomes
that reflected their interests are important in understanding the ambitious framing of Ghana’s
local content framework. Describing how the new local content law provides opportunities
for Ghanaians to enter the oil and gas business, one AOMC official believed that:

….developing a strong local content framework was the only way Ghana could
benefit from its oil resources….when we were pushing for maximum
participation some people were complaining that we were too ambitious, now
see….is it not these ambitious targets that are given us all these opportunities in
the sector? (Interview, 25th May, 2016).

Many people I interviewed directly related the high local content levels to the bargaining
power of CSOs and PSOs who took particular interest in pushing for greater opportunities for
participation in all oil related activities. One official from the Natural Resource Governance
Institute (NRGI), who also facilitated some capacity building programmes for Members of
Parliament (MPs) and the CSPOG, noted that: “there is no doubt that the private sector with
the support of civil society influenced the shape of the local content law….I think they used
their power and gave government and international companies little room to manoeuvre”
(Interview, 15 April 2016). Corroborating this, an IOC source conceded that: “…you may not
have seen us engage directly in the local content development process but I can tell you that
not much of the proposals we made were incorporated in the final law….obviously the
Ghanaian business community had a hand in this” (Interview, 5 May 2016).

Prior to developing the new local content law, PSOs decided against their alienation from the
initial NPP policy process to collaborate with CSOs under the CSPOG, with the objective to
present a “strong collective front” to lobby MoPet to develop provisions that not only gave
them greater opportunities to participate in oil activities but develop a “protectionist framework” that insulated Ghanaians from the inherent dominant foreign interests in the oil sector (Interview, AGI official, 2nd September 2015). This decision flowed from the initial leverage the ISODEC led team secured during the policy development process, and a move another AGI member noted “was instrumental to getting representatives of the private sector on the same table with the Petroleum Minister and officials of GNPC to discuss ways to promote local content” (Interview, 12th April 2016). These engagements fostered closer collaborations between CSOs and PSOs under the CSPOG and helped to create an influential collective force that gave the coalition some political leverage in directly lobbying and influencing ruling elites to adopt certain institutional forms (Rundquist, 2014). The CSO/PSO negotiations with MoPet advocated for strong regulations including: strengthening local content regulations with specific percentages to be achieved by oil and service companies, incorporating a ‘protectionist framework’ that guaranteed local participation in all oil related activities, requiring some capital intensive services (e.g. fabrication and welding) to be left for only Ghanaians and requiring for a minimum start of 50% participation in the provision of goods and services (regardless of the specific types and measurements for goods or service that were to be provided) (Interview, member CSPOG, 21st April, 2016). However, according to the same source, MoPet took an initial decision against the proposal for a 50% minimum participation in all oil services and reserving some capital intensive services for Ghanaians, citing capacity challenges to justify this position. A deeper interrogation of this position however revealed that MoPet sought to balance local participation with attracting foreign investors. Instructively, the decision against the 50% minimum participation and reserving some services for Ghanaians flowed from the NDC wanting to recognise the various sector support programmes that were funded by IOC; including ongoing negotiations for the
Jubilee Partners\textsuperscript{77} to fund a five year capacity building programme in the sector (I discuss this in detail in Chapter 8). In the thinking of one AOMC member: “the government had tied its hands with the many foreign loans and capacity support programmes that followed the 2007 discoveries….I believe the government wanted to pay these back in kind that was why some of our initial proposals were not considered” (Interview, 25th May, 2016).

In 2012, when MoPet in collaboration with the Parliamentary Committee for Subsidiary Legislation (PCSL) decided to create a ‘feedback loop’ by publishing a draft PLCLPR, the Exploration and Production Forum (E&PF)\textsuperscript{78} used this opportunity to criticise the maiden draft bill as upholding “strict, ambitious and unrealistic requirements”, while citing capacity challenges (e.g. shortage of skilled workers and qualified local suppliers) to lobby for a relaxation of the ‘strict requirements’ (Feedback to PCSL, November 2012). As noted by one member of forum:

It was not as if we were against the promotion of local content, in fact we embrace the fundamental premise of local content. What we were only saying was that given the capacity challenges the country faced and added to the fact that the Jubilee Field is currently the only actively producing field, Ghana did not have the capacity and size to mandate such strict local content requirements…. It seemed to me the government did not have much room to consider the various set of options in its bid to promote local content.....especially within the face of strong pressures to adopt these unrealistic targets.... We hate to say this but we can't really help it. As appeasing as the current local content regulation may look, it has the potential to do more harm than good since the lack of capacity can threaten the viability of the operations of local companies and a disincentive to foreign direct investments in the sector (Interview, Member, E&PF, 21\textsuperscript{st} August 2015).

However, in line with Khan’s (2010: 54) argument about how the holding power of the ‘intermediate class’ elites in developing countries can often mobilise clients to influence policy outcomes, there is some evidence to attribute the eventual decision by MoPet to vary minimum local content percentages to the strong incentives of business elites for greater

\textsuperscript{77} Equity partners of the Deepwater Tano block (Tullow, Kosmos, Anadarko, Sabre Oil & Gas and GNPC)

\textsuperscript{78} The E&P Forum is an association of upstream oil and gas companies operating in Ghana
participation (whether legitimate or illegitimate). As one Ghanaian Joint Venture (JV) partner confided:

….let me tell you the truth, these noises about the tendency for the inconsistency between our local content targets and local capacity to facilitate corruption and fronting shows how short-sighted we are as a people….my point is that whether we participate legitimately or illegitimately, in the end we achieve something for Ghana..... and this is why we pushed so hard for these targets so that as many Ghanaians as possible could benefit from the sector….rather than folding our arms under the pretext that we have not got the capacity to participate effectively (Interview, 27th April 2016).

Clearly, political incentives to generate rents for private sector elites underpinned the incorporation of the minimum local content schedules under the PLCLPR above, requiring oil service companies to ensure that beyond the joint venture provision, they incorporate Ghanaians at varied levels in all activities related to the provision of goods and services (see table 6.3 above).

However, although Ghana’s ambitious targets reflected elite incentives, close observers argue that strong foreign interests played a role in ‘watering down’ the local content framework (e.g. Ovadia, 2015b, Amoako-Tuffour et al., 2015). Drawing on what Ovadia (2015b: 40) perceives was a “watered down” Ghanaian content when compared to Nigeria’s, a reliable source at MoPet disclosed that as resilient as the government was in adopting high levels of local participation, “Ghana’s infant oil sector” needed foreign investments to make it work in the first place and so as he noted “we had to agree to some of their proposals which for me made sense especially within our capacity constraints” (Interview, 1st April 2016). This partly explains why MoPet decided against the demands by the pro-local content CSO/PSO coalition to reserve some capital intensive services such as fabrication for Ghanaians. It also explains why MoPet rejected the CSO/PSO proposal to peg the minimum local content requirements for goods and service provision at 50%. This is the core of Ovadia’s (2015b: 40) argument that foreign companies succeeded in lobbying for weaker (than Nigeria) local content provisions. This argument suggest that the incentives generated by oil and the
imperative of political survival combined to put pressures on ruling elites to incorporate the short-term rent accumulation interests of business elites, with little focus on longer term initiatives. As Ovadia (2015b: 40) argues in relation to Nigeria:

…the Ghanaian law is weaker in that it has fewer provisions to avoid locals acting as fronts for foreign companies and fewer regulations that promote job creation over indigenous ownership...does little to stop local companies subcontracting services from foreign companies, does not require local companies in joint ventures to own any of the capital equipment.

Against this argument however, one PC official insisted that: “….it did not make economic sense for Ghana to start with being strict on indigenous ownership as in Nigeria,…our oil concessions are nowhere near that of Nigeria to have begun with such demands,… besides Nigeria didn't just start with indigenization, as far as I know this originated from the local capacity they built overtime” (Interview, 29th April 2016). The question remains whether Ghana’s ‘ambitious’ local content drive would not entrench the existing elite struggles over oil rents and further make ruling elites vulnerable to clientelist interests (e.g. Oduro et al., 2014)

6.6 Ministerial Discretion over Local Content Implementation

Ghana’s ambitious local content policy reflects the partisan policy-making character of its political settlement, particularly the Petroleum Minister’s control over which local persons qualify to partner IOCs in the acquisition of exploration licences. As noted above, the push by CSOs for MoPet to speedily establish the PC and LCC was for among other reasons to ensure an independent mandate in local content implementation. However, MoPet diluted this ostensibly ‘good governance’ principle, favouring a more ‘incentive driven’ arrangement, where the Petroleum Minister has strong control over E&P equity enforcement. Although this arrangement subsequently paved the way for the local content law, it underpinned the predictions that oil would significantly entrench the patron-client political relations that characterizes Ghana’s political settlement (see Van Gyampo, 2011,
Gyimah-Boadi and Prempeh, 2012, Oduro et al., 2014, Amin-Adam, 2015, Amoako-Tuffour et al., 2015). It also revealed that the ‘good governance campaigns’ these same scholars published on, had little influence on initiatives to promote local content. Rather, the ministerial discretion in local content broadly underscored the elite incentive (within the political settlement) in controlling sectors with substantial rents (e.g. Oduro et al., 2014, Dartey-Baah et al., 2014). For some observers, although incorporating executive control can help enforce the local content law, it remains “one of the loopholes politicians could exploit for their selfish interests” (Interview, Senior Official CDD Ghana, 14th April 2016). One senior ACET official bemoaned that although the “generality of Ghanaians” were satisfied with the strong local content provision, the challenge remained whether politicians would not exploit this for their political interests. This concern flowed from the tendency for the political elites to entrench the embedded patron client-client relationships within the political settlement where they could deploy local content opportunities for party apparatchiks in a bid to secure electoral favours for the NDC (e.g. CDD-Ghana, 2005).

Critically nonetheless, the ministerial control over local content underlines Kelsall’s (2013) argument that centralising oil rents can be developmental as long as it is aligned to the long-term interests of the country (Chapter 2). This may however be difficult in Ghana CCPS context as Kelsall suggests, not least because the competitive nature of elections and the high possibility of losing power may incentivise politicians to discretionary use oil rents as a means of maintaining their coalition in power rather invest in the long-term projects (e.g. Gyimah-Boadi and Prempeh, 2012, Oduro et al., 2014).

The interests of politicians in local content was even more manifest in the way MoPet and Parliament addressed the E&PF feedback on this issue of ministerial discretion. Taking advantage of the ‘feedback loop’ on the draft PLCLPR in 2012, the E&PF with the support of some CSO groups petitioned MoPet and Parliament to review the regulations that offered
excessive discretionary powers to the Petroleum Minister to determine local companies qualified to partner IOCs in E&P equities. These concerns were however dismissed by the PCSL that the discretionary powers of the Minister would be addressed by Article 296 of the 1992 Constitution which required any state institution vested with such authority to be fair and candid (PCSL Report, 2012). Although CSOs such as ACEP lobbied some NPP MPs to put pressure on Parliament and MoPet to review the regulation in question, the urge to maintain this arrangement was equally strong within the NPP. As one official of ACET disclosed:

I was shocked when an NPP Member of Parliament told me they could not do anything about the discretionary powers of the Minister in determining Ghanaian companies qualified to enter into a Petroleum Agreement because they did not want to tie their hands when they came into power (Interview, 5th August, 2015).

Contrary to expectations that NPP MPs would contest the discretionary powers assigned to the Minister under the PLCLPR, especially within their ‘checks and balance’ role, the opposition MPs supported the PCSL’s position. During the third meeting of Ghana’s Parliament on the 19th of November 2013, one NPP MP argued that although the Minister’s power in local content created some concerns, Ghana stood to benefit if:

The discretionary powers of the Minister are exercised with the view to ensuring that the people of this country benefit from the regulations that are being passed (Hansard, fourth Series, Vol. 8419, 2013).

Clearly, both the NDC and NPP saw advantages in this ministerial control, particularly when they got into power. The consensus by both parties to uphold ‘executive’ discretion over local content implementation reflected a wider move to maintain the current political status quo (strong ministerial control over oil), regardless of how this had the potential to deepen the patron-client based politics within Ghana’s political settlement (also see Amin-Adam, 2015).

This concern notwithstanding, available evidence shows that incorporating Ministerial control in local content was: “…perhaps the most important locally controlled mechanism to
derive maximum value from oil and gas resources” (Interview, Senior MoPet Official, 31st March 2016). The same source argued that: “…given that oil companies can often be reluctant to implement the local content policies of host countries….it was important to consolidate the regulation for equity participation with some executive power”. Detailed in Chapter 7, executive control over local content helped Ghana promote a reasonably high degree of E&P equity partnerships between IOCs and local companies, reflecting high elite commitment to securing greater oil rents for Ghana. In the next section, I argue that this high level of elite commitment partly flowed from the ‘embedded’ resource nationalist ideology of the ruling NDC in relation to creating opportunities for securing high oil deals for Ghana.

6.7 The Mediating Role of Ideas in Local Content: Beyond the Political Settlement Framework

The preceding section analysed key aspects of Ghana’s local content framework that underscored the role of elite bargaining, generated by their interests to accumulate oil rents. The section thus offered insights into the elite negotiations that closely shaped Ghana’s ambitious local content framework and the role of executive power in controlling aspects of this. However, and without dismissing the critical linking factor between elite interests and political commitment over the ambitious targets, dwelling solely on elite materiality as what shaped local content development offers a reductionist account of the underlying political factors behind Ghana’s ambitious targets. I argue here that the high levels of elite commitment to local content adoption also flowed from the different ideological approaches (of the NPP and NDC) to secure greater oil rents.

The embedded ideological character of the two main parties (Chapter 4 and 5) persisted in their framing of initiatives to promote local content. As noted above, the NPP under the draft GPRAB, sought to promote local content through secondary initiatives. Beyond requiring oil

79 Material interests of elite factions within the ruling coalition to accumulate oil rents.
and service companies to employ and train Ghanaians, the NPP developed strong provisions for local sourcing of goods and services with percentages increasing overtime (see table 6.1 above) (also see Gary et al., 2009: 40). Although stronger than the rudimentary provisions in PNDCL 84, the NPP’s local content commitments drew criticism (from the opposition NDC, CSOs and private sector elites) as lacking depth in incorporating initiatives that deepened local participation at all levels of the oil value chain and timelines to achieve these (Interview, MoPet Official, 1st July 2015). Seeking to justify the NPP’s approach, one NPP MP argued that:

Local content can only be achieved with local capacity...we didn't have this.... we needed to meticulously build local capacity over time....enforcing ambitious and strict regulations like what the NDC has done is only a side-track to the needed foreign investments to create forward and backward linkages and help restore our ailing economy (Interview, 10th June 2016).

The NPP essentially advocated for starting with modest levels of participation and only increase this as local capacity improved. A way to increase this capacity another NPP MP noted: “…make the sector attractive to foreign investors…they come in, employ Ghanaians and engage some in the provision of goods and services….we build capacity as a result of such engagements and take over the sector when we have built enough capacity (Interview, 6th May 2016). Clearly, the NPP’s liberal ideological approach closely shaped its commitments to local content. The party sought to develop local content through a gradual approach, aiming to achieve the twin benefit of a ‘good degree of local participation’ and ‘greater foreign investment’ (Ibid). This commitment did not however materialise until the NPP lost the 2008 elections.

The NDC upon returning to power truncated the process of ratifying the GPRAB and developed stronger local content initiatives (than the NPP), underpinned by its espoused resource nationalist ideology (Chapter 4 and 5). The NDC decided to give greater focus to local content by establishing the LDC and adopting a primary law to deepen national control
over oil. This included expanding local participation in both E&P activities and good and service provision and further strengthening these with high percentages and timelines (see table 6.2 and 6.3 above). As one PCSL member suggested, “…our (Ghana) local content law is a nationalist strategy to derive maximum value from our oil and gas resources” (Interview, 3rd May 2016). Responding to whether the ambitious local content targets did not risk scaring away foreign investors, one senior GNPC official argued “…yes foreign investments matters but Ghana first” (Interview, 12 July, 2016), reflecting the NDC’s ideological standpoint vis-à-vis the NPP’s.

In addition, as part of their strategies for building a winning electoral coalition, both parties sought to forge alliances with civil society and the private sector though this again differed. As discussed above, the NPP’s 2008 National Forum on Oil and Gas Development aimed to broaden public participation in the policy process, within a move to facilitate its legitimacy and hegemony over oil resources (see Gary et al., 2009). The NDC, however, capitalised on the ‘exclusive nature’ of the NPP forum to woo and build a broad coalition by promising greater national control over oil and further broadening public consultations with CSOs and private sector elites around this commitment. In part, the NPP’s ‘market friendly’ character informed the party’s ‘tokenistic’ tactics to the policy process, seeking to limit potential conflicts to its ideological interests of developing provisions that favoured foreign investments. On the other hand, the NDC with its resource nationalistic ideology and partly for political reasons went deeper in consulting the key interests around securing greater oil rents for Ghana through promoting local content, revealing higher levels of political commitment in this regard.

6.8 Conclusion

The chapter explored the critical role state elites played in developing Ghana’s local content framework, particularly the role of elite interests and ideas in shaping the ambitious targets.
Ghana’s local content development reflected an inclusive approach adopted by the NDC, which underpinned the party’s commitment to securing greater oil rents. Within the lack of consensus around the specific types and levels of commitment necessary for effective oil policy reform, the chapter drew extensively on Brinkerhoff’s (2000) three of five indicators of political will to conceptualise the levels of elite commitment around developing new and ambitious initiatives to promote local content. As argued above, political will to policy reform was considerably high (table 5.3), indicating strong elite commitments to developing high local content targets to secure the national interest.

Three broad findings emerged from the above analysis. First, the incentives generated by the underlying distribution of power within Ghana’s CCS explain the ambitious framing of Ghana’s local content. After the 2008 elections, the NDC capitalised on the limited consultations by the NPP to woo and build a broad electoral coalition with pro-local content CSOs and PSOs, which in turn gave shape to the local content framework. The NDC strategically incorporated these groups as factions within its coalition largely because of their ‘holding power’ in influencing finely balanced elections (Chapter 4). This political strategy empowered CSOs and private sector elites in the policy process who deployed this power to sustain the NDC’s promise of developing a primary local content law, including bargaining strict provisions necessary for securing greater oil rents for Ghana.

Second, Ghana’s ambitious local content reflected the partisan policy-making character of its political settlement. Political elites incorporated the CSO bargain to develop an independent government agency (the PC) and local content committee to implement the policy. However, given the tendency for this arrangement to limit the control of political elites over local content, politicians incorporated provisions that offered discretionary powers to the Petroleum Minister in determining Ghanaians qualified to enter into equity partnerships with IOCs. This incentive can help NDC to both enforce local content and centralise oil rents to
promote long term national development (e.g. Kelsall et al., 2010, Kelsall, 2013). This may however be difficult in Ghana’s competitive electoral settings which may lead politicians to entrench the exiting patron-client relations within the political settlement.

Third, despite the role of interests, elite commitment to high local content levels partly flowed from the NDC’s resource nationalist ideology. The NPP, with its pro-market ideology, sought to promote modest levels of Ghanaian participation and only increasing this as local capacity increased, aiming to achieve the twin objective of promoting a ‘good degree of local participation’ and ‘greater foreign investment’. In contrast, the NDC with its resource nationalist character developed initiatives that offered Ghanaians greater participation opportunities in all areas of the petroleum value chain and strengthened these with relatively high percentage ranges and timelines to protect Ghanaians from foreign domination.

Ghana’s local content development experience thus provides evidence of the role of elite interests and ideas in shaping high levels of political commitments to developing initiatives politicians deemed useful for securing greater oil rents. The findings in this chapter consequently challenge post-discovery arguments that Ghana can only ‘best manage’ its oil resources through developing transparent and accountable institutions (e.g. Dartey-Baah et al., 2014, Amin-Adam, 2015). Although the rhetoric around ‘good institutions’ to promote local content (e.g. Senoo and Armah, 2015, Amoako-Tuffour et al., 2015) made broad sense, this chapter found little evidence that these ‘rules based’ campaigns were either realistic or had a profound impact in shaping elite commitments to local content development. Rather, strong elite incentives to participate and accumulate oil rent influenced the initiatives that fostered high local participation even within clear local capacity constraints. This condition has the tendency to facilitate fronting and corrupt dealings between Ghanaians and foreigners, with the potential to undermine Ghana’s interest in securing greater oil rents through its ambitious local content framework (Amoako-Tuffour et al., 2015).
Chapter 7 : The Politics of Local Content Implementation

….we have no choice but to rely on GNPC’s industrial competence in upstream oil and gas activities if we really want to promote local content….look at Norway, the high share of local content there can largely be explained by the intervention of Statoil at the initial stages of oil production….through its contribution in developing a domestically based industrial competence, it has nurtured a capable chain of local suppliers and service providers…yes, let’s build good institutions but let us also ensure that we derive maximum benefits from our oil resources (Interview, GNPC official, 12 July, 2016).

7.1 Introduction

The development of Ghana’s local content framework was highly contested and shaped by the political settlement. It is equally important to look at how enforcing this framework was shaped by the interplay between interests and ideas, which Whitfield et al (2015) argue will tilt towards the former when it comes to actual processes of implementation. Additionally, Khan’s (2010) political settlements framework insists we move beyond institutional arrangements and policies as expressed on paper to examining how they actual function in practice. As noted in Chapter 2, the distribution of power among elite groups both within and outside the ruling coalition is important for understanding its time horizon and implementation capacities (Khan, 2010:64). This context has influenced the analyses of researchers on Ghana’s oil (e.g. Gyimah-Boadi and Prempeh, 2012, Oduro et al., 2014, Hickey et al., 2015a) who emphasise the role of inter and intra elite relations within Ghana’s political settlement as critical in shaping the commitment of state elites towards oil led development.

Local content implementation is closely associated with politics (Tordo et al., 2011, Ovadia, 2013, Ovadia, 2015a). Using national interest as a foundation (Tordo and Anouti, 2013) and in line with the demands of domestic capitalists, many oil-rich African counties are adopting and implementing local content in order to maximize the contribution of oil to their development efforts through local participation, tax instruments and employment (see Ovadia,
This desire to increase the state’s share of oil rents however generates contestations by foreign companies around the misalignment between policy initiatives and implementation capabilities in host countries (Tordo et al., 2013), including inefficiencies in equity partnerships between foreign and local companies (Tordo et al., 2011). However, given that the incentive (by political elites) to attract foreign investments can significantly misalign the local content ‘bargains’ and ‘holding power’ of domestic capitalists, the latter are likely to (strongly) resist the enforcement of policies that are against their interests (e.g. Khan, 2010). Since political power is vital to political elites (ibid), they may have important political reasons to implement local content in ways that sustain their hold on power, including distributing rents and access to resources among powerful factions that threaten their power (see Thorp et al., 2012).

In Tanzania, Uganda and Mozambique, researchers (Hansen et al., 2016) argue that local content was largely adopted and implemented because it played an important role in sustaining the political settlement. Similarly, Ovadia (2013) underscores how despite local capacity challenges, Nigerian politicians have implemented local content policies in ways that have helped build a domestic capitalist class over time. Instructively, although both cases underscore the role of elite interests and ideas in local content implementation, the former sees this in more instrumental terms regarding elite rent accumulation interests and regime stability, whereas the latter incorporates the role of ideas – resource nationalist commitment to building a domestic bourgeoisie.

To what extent have political elites in the Ghanaian context been driven by narrow self-interests as opposed to broader ideals of securing high levels of oil-led development through local content implementation? This chapter aims to understand how the political settlement in Ghana has shaped local content implementation. As noted in Chapter 4, within Ghana’s
competitive clientelist political settlement (CCPS), oil has become a foundation for doing politics. In this context, to understand elite commitments to the effective local content implementation, it is important to explore the character of the prevailing political settlement and the interests and ideas of key players therein.

The chapter argues that political commitment to implement local content was shaped by the interests and ideas of elite groups within the ruling coalition. It begins by setting out the implementation process and outlining the key strategies adopted by political elites to implement local content despite the limited technical and financial capabilities of private sector elites. Given the implementation of moderately high levels of local participation and employment, the next section examines the degree of elite commitment that shaped these (using elements of Brinkerhoff’s framework outlined in Chapter three). The remaining sections evaluate the political strategies that shaped the reasonably high levels of local content implementation and argue that the levels of elite commitment at the policy enforcement stage was lower relative to the adoption stage, mainly because there was a tilting towards interests becoming more influential (than ideas) at the implementation stage.

7.2 Local Content Implementation Strategy

This initial section examines the institutional strategies adopted by the NDC government to enforce local content and actual implementation of the policy. Limited local capacity\(^8^0\) of the Petroleum Commission (PC)\(^8^1\) was seen as the main obstacle to the effective implementation of the local content policy. In response, the PC and MoPet implemented a range of institutional fixes; unbundled petroleum activities to identify areas Ghanaians could easily participate and reserved specific goods and services for Ghanaian companies. These

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80 In line with Amoako-Tuffour, et al (2015), Chapter 6 revealed that a major challenge to Ghana’s local content aspirations was low capacity in relation to specific skills, human resources and institutional capabilities.

81 As noted in Chapter five, in July 2011, Government established the Petroleum Commission to provide a wide range of regulatory functions, including promoting local content.
implementation strategies emerged out of and were deeply embedded in the mix of formal and informal strategies that characterize Ghana’s CCPS. In subsequent sections, I take this further and explore how elite commitments generated significant enforcement capabilities mainly through incorporating GNPC into the PC and maintaining strong executive control over key aspects of local content implementation.

7.2.1 Divergent Interests in Local Content Implementation

The Petroleum Commission (PC) invited International Oil Companies (IOCs) and International Service Companies (ISCs) to a local content workshop in February 2013 to present their plans for implementing the petroleum local content and local participation regulation (PLCLPR). Presentations at the workshop showed the high financial and technical requirements for participation in exploration and production (E&P) activities and direct services, effectively restraining Ghanaian participation (Figure 7.1). The presentation revealed that among the three sub-sectors in the petroleum sector, the greatest opportunities for local participation were in the area of indirect services. These services included basic services (e.g. catering, security and transportation) that were less capital intensive when compared to the direct services. The ease of entry and the minimal capital required to participate in indirect services meant lower levels of rents available to Ghanaians as compared to the direct and specialists’ services. The presentation showed that at the initial stages of oil production, it would be difficult for Ghanaians to participate in direct petroleum activities because of the huge capital and skills required. A major recommendation by Tullow Ghana Limited (TGL) was the need for Ghana to be circumspect in its drive to promote local participation while building capacity over time.

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82 The commitment of political elites to implement local content in accordance with the local content law
83 These are services that are critical to the execution of an E&P activity (PLCLPR, 2013).
84 As contained in PLCLPR, indirect services refer to services that support the operations of an oil company and include both petroleum and non-petroleum related actives.
The presentation warned that any rush by Ghana to increase initial participation in oil activities without the required local capacity could limit the gains Ghana could derive from its oil (Minutes of Workshop, February 2013). In the meantime, the Exploration and Production Forum (E&PF)\(^{85}\), keen to influence a flexible implementation of local content, was lobbying MoPet to relax the rules for implementation. In a meeting with MoPet officials on November 25, 2013, although the E&PF broadly supported Ghana’s local content aspirations, it noted the “gap between local capacity and the high financial and technological demands of the oil and gas sector” would pose a major challenge to the effective implementation of the PLCLPR (Minutes of meeting, 2013)\(^{86}\). The Forum proposed three main strategies the PC could adopt to minimise the effect of limited local technical and financial capacity on local content implementation:

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\(^{85}\) As noted earlier, the E&PF is an association of upstream oil and gas companies operating in Ghana.

\(^{86}\) Although this meeting occurred a week after the passing of the PLCLPR, the E&PF capitalised on the 90-days transitional period of legislation development to try to negotiate a flexible local implementation process as the Petroleum Commission was required by the law to immediately develop a roadmap for implementation.
First, it proposed the need for the PC to harmonise the requirements for joint ventures (JVs) with the ownership structure of International Service Companies (ISCs). This required the PC to ignore the mandatory 10% local equity partnerships with ISC’s in accordance with section 4(6) of the PLCLPR and rather allow ISC’s to enter into an ‘alliance’ or ‘project based partnerships’ with Ghanaian companies who would have at least a 10% share of the work to be done. Second, the Forum suggested that the PC reconsiders applying the mandatory 10% price preference for Ghanaian companies in contract bids, arguing that this requirement could lead to contracting companies that did not have the right skills for the job. Third, with respect to requirements for employing Ghanaians in senior level positions, it contended that Ghana did not have the requisite manpower to occupy such positions and that this requirement could
better be implemented on an ‘availability basis’ (Ibid). It was apparent from this lobbying that IOCs and ISCs wanted a flexible implementation of the PLCLPR.

However, the negotiations by the E&PF threatened to limit the local participation interests and ideas of the CSO/PSO alliance and undermine the stability of the NDC coalition. Khan (2010:6) argues that the holding power of factions can often influence the implementation capabilities of political elites under a competitive clientelist political settlement. Within the context of the ‘elite bargain’ that shaped the PLCLPR (Chapter 6), the Ghana Oil and Gas Service Providers Association (GOGSPA) issued a statement three days after the E&PF/MoPet meeting, threatening to resist attempts by the Forum to lobby for a flexible implementation of the local content law (GNA, 2013). GOGSPA benefited from information leaked by CSO/PSO representatives of the PC’s board and the newly created Local Content Committee (LCC) who were present at the meeting (Interview, LCD official, 26th June 2015), some of whom threatened to resign from the LCC if the PC attempted to implement local content in ways that differed from the PLCLPR (Ibid). As the same source revealed, “the concerns of foreign companies were always going to be difficult to enforce because of the watchful eyes of civil society and the private sector who were a key part of the institutional framework to implement local content”. Indeed, the vigilance and threats of CSOs and PSOs according to a close MoPet source gave the Petroleum Minister little room to consider the proposals of the E&PF (Interview, 27th October 2016). The threats from the CSO/PSO coalition ultimately pushed him to reassure Ghanaians in a press statement that “….under the watchful eye of a vibrant civil society and media that understandably show a vested interests in the country’s future…Government is determined to ensure the country gets value for its resource at all levels of the value chain”(Ghana-News-Agency, 2014).

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87 This incentive was shaped in part by the E&PF’s failure to negotiate for a relaxation of the ‘strict local content requirements’ during the regulation development stage (Chapter 6).

88 As noted in Chapter 6, the LCC was charged with monitoring local content implementation from the outset oil discoveries campaigned for high levels of local content.
To help devise strategies to mitigate the impact of local capacity challenges on local participation, the PC in collaboration with the LCC in August 2014 established multi-disciplinary subcommittees (table 7.1) to help (in the short to medium term) deepen local participation in all levels of petroleum activities (Interview, LCC member, 7th August, 2015). The 2014 PC’s annual performance review stated that the establishment of these multi-disciplinary subcommittees was important to disaggregate the petroleum value chain into various parts according to the technical and financial capacities required.

### Table 7-1: Local Content Implementation Strategy Committees

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<thead>
<tr>
<th>Committees</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td>Local Content Strategy</td>
<td>Develop short to medium-term implementation strategy</td>
</tr>
<tr>
<td>Value Chain</td>
<td>Segment the value chain and reserve some goods and services for Ghanaians</td>
</tr>
<tr>
<td>Human Resource Development</td>
<td>Assess skills gap and provide direction for the labour market</td>
</tr>
<tr>
<td>Plan Project</td>
<td></td>
</tr>
<tr>
<td>Cluster Mapping</td>
<td>Identify geographical concentration of oil and gas and develop strategies for creating allied industries</td>
</tr>
<tr>
<td>Procurement</td>
<td>Keep stock of registered companies and review of procurement plans</td>
</tr>
</tbody>
</table>

Source Petroleum Commission, Due Diligence Report to MoPet, December 2013

The creation of these subcommittees enabled the PC to identify and focus on areas where Ghanaians had greater opportunities to participate. The subsequent unbundling of petroleum activities (table 7.2) by the strategy subcommittee in 2014 identified areas of easy Ghanaian entry, as a way of increasing local participation.

### Table 7-2: Levels of Participation in the Upstream Value Chain

<table>
<thead>
<tr>
<th>Category</th>
<th>Scope of work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary contractor</td>
<td>Engage in exploration and production activities</td>
</tr>
<tr>
<td>Tier 1 subcontractor</td>
<td>Provides direct oil service exploration and production companies</td>
</tr>
<tr>
<td>Tier 2 subcontractor</td>
<td>Renders services to tier 1 subcontractors or directly to the primary contractor</td>
</tr>
<tr>
<td>Tier 3 subcontractors</td>
<td>renders indirect or support services to oil companies</td>
</tr>
</tbody>
</table>

Source: Petroleum Commission, Presentation to the Parliamentary Sub-Committee on Mines and Energy, 2014
7.3 Local Content Implementation

Formal implementation of the local content law started in July 2014. The unbundling strategy by the PC helped it implement considerably high levels of key aspects of the PLCLPR. Under the unbundled arrangement, primary contractors should be oil companies who undertake E&P activities. Companies that could participate here were required to have the capacity to finance contracts greater than $5 million. This restriction did not favour local companies as “it was going to be difficult for Ghanaians to get that kind of money” (Interview, GOGSPA member, 19th July, 2016). This challenge notwithstanding, the PC with the support of MoPet adopted two main institutional fixes to help promote Ghanaian participation in E&P activities. First, similar to Nigeria’s Marginal Fields Programme\textsuperscript{89}, the PC prioritised Ghanaian companies in the granting of licenses for small oil blocks. Due to this prioritising strategy as one senior official at MoPet indicated, the PC pushed for the participation of three Ghanaian companies (Cola Natural Resources, Swiss Africa and Springfield), with each acquiring licences to participate under the primary contractor category (Interview, 27th October 2016). Second, through the innovation of the Block Application Evaluation Committee (BAEC), much of Ghanaian participation in E&P activities has occurred under the requirement for a 5% minimum local equity in petroleum licenses. So far, 10 local companies have partnered with IOCs to engage in E&P activities (Table 7.3). As will show subsequently however, despite these arguably high levels of local participation in E&P activities, the fact that some of these deals have flowed to companies with NDC roots suggests that the BAEC also acted as a conduit through which political elite preferences were expressed.

The second unbundled level of petroleum activities (Tier 1 subcontractors) offered greater opportunities for local participation although this area is also dominated by ‘big’ International Service Companies (ISCs). Despite the equally high criterion for entry ($1-5 million), the

\textsuperscript{89}The Marginal Field Programme was introduced in 2001 to encourage increased indigenous participation in the Nigerian petroleum sector (see Ovadia, 2015a).
PC’s implementation of regulation 4 (6)\(^\text{90}\) of the PLCLPR between 2014 and 2016 facilitated the establishment of 87 JVs to provide goods and services to IOCs. As discussed subsequently, this achievement was again shaped by the implementation of an institutional fix by the PC that allowed ISCs to create subsidiary JVs with local companies. Although this arrangement engendered high local participation in service delivery, it was inconsistent with the original intention of regulation 4 (6).

Table 7-3: Petroleum Agreements as at July 2016

<table>
<thead>
<tr>
<th>No.</th>
<th>Contract Area</th>
<th>Contractor Parties &amp; Equity</th>
<th>Local Partner</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Expanded Shallow Water Tano Block</td>
<td>Camac: 60%, Base Energy:15%, GNPC: 25%</td>
<td>Base Energy</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Central Tano Block</td>
<td>AMNI:90%, GNPC: 10%</td>
<td>N/A</td>
<td>27-Mar-14</td>
</tr>
<tr>
<td>3</td>
<td>Offshore West Cape Three Point</td>
<td>Kosmos:30.87%, Tullow:26.4%, Anardarko:30.87%, Petro SA:1.85%, GNPC: 10%</td>
<td>N/A</td>
<td>13-Jul-04</td>
</tr>
<tr>
<td>4</td>
<td>Deepwater Tano</td>
<td>Tullow:47%, Kosmos Energy:17%, Anardarko: 17%, Petro SA: 3.80%, GNPC: 10%</td>
<td>N/A</td>
<td>15-Mar-06</td>
</tr>
<tr>
<td>5</td>
<td>Offshore Cape Three Point</td>
<td>Emt: 47.22%, Vitol Upstream: 37.77%, GNPC: 15%</td>
<td>N/A</td>
<td>15-Mar-06</td>
</tr>
<tr>
<td>6</td>
<td>Deepwater Tano-CTP Block</td>
<td>Hess: 85, Fueltrade 5%, GNPC: 10</td>
<td>Fueltrade</td>
<td>19-Jul-06</td>
</tr>
<tr>
<td>7</td>
<td>South Deepwater Tano</td>
<td>AGM:51%, EXPLORCO:24%, GNPC: 10% Carried +15% Additional</td>
<td>N/A</td>
<td>12-Apr-13</td>
</tr>
<tr>
<td>8</td>
<td>Shallow Water Cape Three Points Block</td>
<td>Sahara:85%, Saltpond Ventures Ghana Ltd. 5%, GNPC: 10%</td>
<td>Saltpond Ventures Gh Limited</td>
<td>18-Jul-14</td>
</tr>
<tr>
<td>9</td>
<td>East Cape Three Point</td>
<td>Medea: 36%, Cola Natural Resources: 54%, GNPC: 10%</td>
<td>Cola Natural Resources</td>
<td>12-Apr-13</td>
</tr>
<tr>
<td>10</td>
<td>South West Saltpond Block</td>
<td>Britannian U: 85%, Hills Oil Marketing: 5%, GNPC: 10%</td>
<td>Hills Oil Marketing</td>
<td>17-Jul-14</td>
</tr>
<tr>
<td>11</td>
<td>Offshore Saltpond</td>
<td>Oranto: 85%, Stone Energy: 5%, GNPC: 10%</td>
<td>Stone Energy</td>
<td>07-Mar-08</td>
</tr>
<tr>
<td>12</td>
<td>Offshore Cape Three Points South Block</td>
<td>UB Resources:70.47%, Royal gate Gh Ltd: 4.35% Houston Drilling Management: 12.18%, GNPC: 13%</td>
<td>Royal Gate Gh Ltd</td>
<td>18-Jul-14</td>
</tr>
<tr>
<td>14</td>
<td>South-West Tano Block</td>
<td>Heritage: 39.6%, Blue Star: 39.6%, Exlorco: 8.8%, GNPC: 10%</td>
<td>Blue Star</td>
<td>17-Jul-14</td>
</tr>
<tr>
<td>15</td>
<td>Ultra-Deepwater East Keta Block</td>
<td>Heritage: 38.7%, Blue Star: 38.7%, Exlorco: 11.6%, GNPC: 12%</td>
<td>Blue Star</td>
<td>17-Jul-14</td>
</tr>
</tbody>
</table>

Source: Ministry of Petroleum (2014), based on compilation of ratified Petroleum Agreements, updated by the author

The regulation in question required partnerships between local companies and the mother ISCs in JVs and not subsidiary JVs. Although by allowing ISCs to create subsidiary JVs the

\(^{90}\) Regulation 4 (6) requires service companies to incorporate a minimum 10% joint venture company with a Ghanaian company in the provision of goods and services to IOCs (Chapter 6).
PC appeared to have conceded to the proposal (by E&PF) for a flexible local content implementation process, the Commission was able to implement regulation 4 (6) mainly through adopting this more benign tactic. As at July 2016, all the Ghanaian companies in the 87 JVs held a minimum equity interest of 10% in their respective mother or subsidiary companies. As detailed further below, the establishment of these JVs together with other solely owned Ghanaian companies enabled the PC to implement key aspects of the minimum local content requirements outlined in Chapter six. This largely flowed from the fact that most solely owned Ghanaian companies had the financial capacity to engage within the third unbundled level of petroleum activities (Tier 2 subcontractors), that required an amount of $500,000 to $1 million to participate. Coupled with the ease of local entry into Tier 3 contracts (with values less than $500,000), many Ghanaians currently engage in both tier 2 and 3 contracts (Table 7.4).

Table 7-4: Summary of Issuance of Permits

<table>
<thead>
<tr>
<th>Year</th>
<th>Initial Applications received</th>
<th>Initial Permits Issued</th>
<th>Renewal applications received</th>
<th>Renewal Permits Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
<td>Foreign</td>
<td>Total</td>
<td>Local</td>
</tr>
<tr>
<td>2013</td>
<td>168</td>
<td>74</td>
<td>55</td>
<td>129</td>
</tr>
<tr>
<td>2014</td>
<td>162</td>
<td>95</td>
<td>34</td>
<td>129</td>
</tr>
<tr>
<td>2015</td>
<td>310</td>
<td>130</td>
<td>45</td>
<td>175</td>
</tr>
<tr>
<td>2016 (1st Q)</td>
<td>59</td>
<td>42</td>
<td>7</td>
<td>49</td>
</tr>
<tr>
<td>2nd Q</td>
<td>68</td>
<td>53</td>
<td>15</td>
<td>68</td>
</tr>
<tr>
<td>Total</td>
<td>767</td>
<td>394</td>
<td>156</td>
<td>550</td>
</tr>
</tbody>
</table>


Between 2013 and 2015, permits issued to Ghanaian companies increased by 43% compared to 18% by foreign companies. In 2013 the total number of permits issued to Ghanaian companies was 25.7% more than foreign companies. Upon the implementation of the PLCLPR in 2014, this figure significantly increased to 64.2% and 65.4 in 2015. Together with the Ghanaian partners in the JVs, the growing number of solely owned Ghanaian
companies enabled the PC to implement considerably high levels of key aspects of the minimum local content schedules outlined in table 6.3 in Chapter 6.

One key focus in local content enforcement is to achieve a target of 30-80% local participation in the area of transportation, supply and disposal services within 5 years after implementation starts (see table 6.3). This initiative is nonetheless vaguely defined as it is not clear whether this range of 30-80% local participation relates to the number of Ghanaians employed within these services or the number of local companies offering these services. As contained in the PC’s handing-over report (2016) however, the PC has achieved a high degree of implementing these services, with over 90% Ghanaian participation. This estimation flowed largely from the calculation that employment within the transportation and supply services is restricted to Ghanaians. In addition to employment, three fully owned Ghanaian companies (i.e. Zoil, Zeal and Amy) are part of the six major companies offering these services to IOCs. Another area of considerable local participation is in fabrication, feeds and engineering services in line with the minimum local content range of 10-20% within 5 years (see table 6.3). Here again, it is not clear whether this target is in respect of local employment or the participation of local companies. In terms of man-hours/employment, the PC estimates that about 20% of workers within these services are Ghanaians (PC Board handing over report, 2016). The same report indicates that close to 30% of such services are executed by Ghanaian companies, with five key Ghanaian companies consisting of two solely owned Ghanaian companies (Josren Ventures Company and Osam Energy) and three local companies under the Seaworld, Belmet and Harleqin JVs executing close to half of this percentage\(^\text{91}\) within the Jubilee and TEN fields.

\(^{91}\) Works include general feed and engineering and in-country fabrication of module, stool, mud-mats, sleepers, jumpers, suction piles, riser base and riser protection frames.
Similar to the above, it is unclear whether the target of 20-60% local participation in the area of materials and procurement within 5 years relates to the quantum of goods procured locally or the number of local companies engaged in these services (see table 6.3). This challenge notwithstanding, the PC with the support of the Ghana Customs Excise and Preventive Services made significant progress in the area of procurement between 2014 and 2016, exerting considerable influence on IOCs and ISCs operating in both the Jubilee and TEN fields to outsource some of their services to over 150 Ghanaian companies (PC Board handing over report, 2016). This further generated a total of 2,156 contracts and purchase orders awarded to local companies between 2013 and 2015, amounting to $370.9 million worth of contracts out of a total of $700 million. In 2013, total contracts awarded to Ghanaian companies amounted to $76.8 million. With the passing of the PLCLPR, this increased to $252.3 million in 2014 and $370.9 million in 2015 (Figure 7.2).

**Figure 7-2: Value of Contracts awarded to Ghanaian Companies (2013 – 2015)**

Source: Authors construct based on figures in the handing-over report of the old board of the PC to the Petroleum Minister, 2016
Despite the marginal increase of 17% between 2014 and 2015, Ghanaian companies were awarded more than 50% of the value of procurement contracts, far within the 20 - 60% target range in the minimum local content schedules in Chapter 6. According to one PC official, the marginal increase in 2015 was precipitated by an overload in local participation under tier 2 and 3 contracts (interview, 26th April 2016).

Data on local participation in services such as well drilling, exploration, health, safety and environment services is limited, in part because of the early stages of implementation but also because the PC and oil companies have not collated such data in ways that easy to interpret (PC Board handing over report, 2016). In the meantime however, the PC measures Ghanaian participation in these services in terms of employment. Coupled with the local employment generated from reserving specific goods and services for Ghanaians92 (Table 7.5), close to 7,000 Ghanaians gained employment in both oil and non-oil related activities as at July 2016 (Figure 7.3), with these numbers expected to increase vis-à-vis expatriate employment when production starts in the Sankofa and other new fields.

**Table 7-5: Reserved Goods and Services for Ghanaians**

<table>
<thead>
<tr>
<th>Catering Services</th>
<th>Man power supply</th>
<th>Low voltage cable</th>
<th>Financial services</th>
<th>Legal services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight forwarding and logistics</td>
<td>Vehicle rental and leasing</td>
<td>Community relations and social investments</td>
<td>Marine operations and logistics</td>
<td>Industrial and drinking water</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>Waste management</td>
<td>Construction and civil works</td>
<td>Insurance and reinsurance</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Handing-over report of the old board of the PC to the Minister for Petroleum, 2016

92 This segmentation strategy by the Petroleum Commission is in line with regulation 17 and the first schedule of PLCLPR, both of which create opportunities for high local employment in the sector.
The evidence on local content implementation above indicates that Ghana has made substantial achievements in two main areas (i.e. local participation and employment). As noted in Chapter 6, Ghana’s local content framework has two main benchmarks of achieving 90% levels of local employment and participation for Ghanaians in both E&P and service activities within a decade. However, given the infant nature of local content implementation (two years), it is not possible to critically evaluate the levels of policy enforcement outlined above using this benchmark. This challenge notwithstanding, in relation to Mushemeza and Okiira’s (2016) assessment of local content performance in seven African countries, Ghana performs averagely (Figure: 7.4).

93 In the context, local participation means value of contracts awarded to local companies. Local employment means nationals directly employed in the sector and skills development means investment in skills development per employee.
94 The countries include Ghana, Nigeria, Angola, Chad, Equatorial Guinea, Tanzania and Uganda.
The figure above indicates the levels of performance (0.5 = low)\textsuperscript{95}, (1 = medium)\textsuperscript{96}, (1.5 = high)\textsuperscript{97} in local content implementation in the respective countries. In terms of local participation, Ghana performs as well as Tanzania and ‘veteran’ oil producing nations such as Angola and Nigeria. Although oil production in Chad and Equatorial Guinea predate Ghana’s, the latter performs better in local participation. Ghana however under performs Nigeria, Angola and Chad in relation to employment and skills development. A major reason for Ghana’s low performance in employment, according to Mushemeza and Okiira (2016: 29), centered on the country’s relatively infant oil and gas sector, particularly the general lack of

\textsuperscript{95} This score denotes less than 80\% of national participation or employment and USD\$500 or less investment in skills development.

\textsuperscript{96} This score represents 80 to 90\% of national participation or employment and USD\$500-1,500 worth of investment in skills development.

\textsuperscript{97} Denotes at least 90\% of national participation or employment and USD\$1,500 or higher worth of investment in skills development.
skilled labour and capacity to provide core upstream services in Ghana (also see Obafemi, 2014).

Based on both the data on local content implementation above and Mushemeza and Okiira’s (2016) assessment, it is reasonable to argue that Ghana has so far performed creditably in local participation and employment. This argument reinforces the assertion that the “watchful eye” of the coalition of CSO/PSO with significant holding power (Chapter 6) shaped the commitments of the PC and MoPet to implement local content in accordance with the PLCLPR (MoPet Press release, 2013). This claim however begs the question: How can the relationship between elite commitments and the high levels of local content implementation outlined above be conceptualised, identified and assessed? This question is explored in the next section.

**7.3 Conceptualising Elite Commitment in Local Content Implementation**

This section explores the levels of elite commitment that characterised the implementation of the arguably high levels of local participation and employment in Ghana’s petroleum sector. As with Chapter 6, doing this helps examine the extent of political commitment in shaping the capacity of institutions to effectively implement local content. The section employs the remaining two indicators of commitment from Brinkerhoff’s framework laid out in chapter two, namely the application of credible incentives and sanctions and continuity of efforts. These relate directly to the process of policy implementation examined in this chapter.

**7.3.1 Application of Credible Incentives and Sanctions**

A key indicator of commitment is the extent to which political elites provide “credible incentives and sanctions” to agencies and individuals responsible for policy implementation (Brinkerhoff, 2000: 243). This indicator of commitment concerns whether politicians restructure principal-agent relationships and provide incentives for compliance with policy
reforms. The rating continuum within this indicator could be - 1) whether sanctions exist and if so how strong and enforceable these are, and 2) whether they are implemented. In terms of local content implementation, a key sanction enforced by the PC includes the refusal to grant operational licences to proxy partnerships between local and international service companies. The evidence shows that elite commitment to applying this sanction has been moderate. Although the PC still faces technical and human resource challenges (Amoako-Tuffour et al., 2015), it has significantly improved its ability to detect and punish fronting arrangements 98. Against the challenge of adequate human, technical and financial capacity, the PC in the last quarter of 2015 worked with the Registrar General’s Department (RGD) in a move to detect and punish fronting arrangements between local and foreign companies in line with s.45 (2a) 99 of the PLCLPR. Largely initiated by the CEO of the PC, this strategy comprised an informal joint LCC/RGD team tasked to routinely assess the point of convergence (common business interests) between local and foreign partners. As one LCC member indicated, the objective with this approach is to “often ascertain from the outset, the credibility of joint venture partnerships” (interview, 7th August, 2015). This essentially enterprising strategy to detect fronting reflects what one senior MoPet official suggested is a “vigilant strategy promoted by the board and CEO of the Petroleum Commission to address the challenge of fronting” (Interview, 27th October 2016). As a former staff of GNPC, the CEO, Theophilus Ahwireng doubles as a member of the PC board and a key member of the Ministerial Advisory Board for Petroleum in Ghana. He is well known to have utilised his close connections with MoPet, GNPC and ruling NDC elites to influence the unbundling strategies above that helped the PC to implement the considerably high levels of local content (Ibid).

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98 Regulation 49 of PLCLPR defines fronting as “to deceive or behave in a particular manner to conceal the fact that a company is not an indigenous Ghanaian company.”

99 For the purposes of enforcing the requirements for JVs, the Commission under PLCLPR was required to investigate and ensure that partnerships between local and foreign companies were diluted by the operation of a front.
Some observers have suggested that his appointment as CEO of the PC was partly based on his strong affiliation with the ruling NDC but also his commitment to local content during his GNPC days (Interview, PC official, 25th October 2015). Since his appointment in 2013, he has in collaboration with one of the key members of the PC board (the Executive Director of ISODEC) developed the unbundling strategies aimed at promoting local content (Ibid). On hindsight (Chapter 6), this same ISODEC Director played a key role in the development of both the local content policy and law. By virtue of his interest in local content but also the holding power of the pro-local content coalition within the NDC (Chapter 6), he together with the CEO of the PC influenced the establishment of this “anti-fronting taskforce” within the broader objective of implementing the policy in accordance with the nationalist ideology of the NDC (Interview, MoPet official, 27th October 2016). The conduit between the NDC coalition and the PC was clear in the form of these two (the PC CEO and ISODEC Director) who represented both the party’s interests in local content and its embeddedness with technocratic agencies like GNPC and the broader civil society (see Chapter 6).

The LCC/RGD team has since its establishment contributed to detecting and denying operational license to a number of questionable partnerships. Between July 2014 (when implementation begun) and December 2014, the PC did not detect any stimulated JV partnerships. However, based on the assessment of all JV applications100 between 2015 and July 2016 for example, the LCC/RGD taskforce helped the PC to identify and punish 9 proxy partnerships (Interview, LCC member, 5th July 2016). One key example was between a foreign service company and the landlord from whom the company rented its office, who had no knowledge or expertise in the oil and gas business. Another was between a foreign company and the lawyer of the company in question (Ibid). As one PC senior official disclosed, although the Commission still has challenges in uncovering proxy partnerships,

100 Despite multiple efforts over a prolonged time period, it was difficult to get the exact number of JV applications within this period.
especially for those currently operational in the sector, the LCC/RGD taskforce has improved the PC’s ability to detect fronting arrangements from the outset before the granting of operational licenses (Interview PC official, 29th April, 2016).

7.3.2 Continuity of Efforts

A further indicator of commitment is ongoing efforts by political elites to sustain the implementation of policy reforms, including bearing the costs associated with the process until results are achieved (Brinkerhoff, 2000). As such, politicians who engage in “one shot or symbolic endeavours” at addressing implementation bottlenecks or show initial commitment to policy enforcement but subsequently fail to sustain this, demonstrate low commitment (p. 243). It is arguably premature to make a thorough assessment of continuing efforts by the PC to implement local content. However, examining the initial efforts of both political and bureaucratic elites in resolving disputes around employment and service conditions can give us some insights into their levels of commitment. The available evidence indicates moderate to high levels of elite commitment to sustain local content implementation.

A major approach by the PC to improve local content compliance has to do with the resolution of disputes. As noted above, the implementation of the PLCLPR has so far focused on local participation and employment, aiming to increase Ghanaian participation at all levels of the petroleum value chain. However, these achievements have also brought disputes between Ghanaian workers and foreign companies; - conditions Tordo and Anouti (2013) suggests can compromise effective local content implementation. Since the passing of the PLCLPR, the PC has collaborated with various state institutions to limit the effect of ‘disagreements’ on local content implementation. Between 2013 and 2015, the PC recorded 21 disputes ranging from salary disparities, interpretation of aspects of the PLCLPR,
dismissal of local employees and resistance by some ISCs to the unionisation of local workers (Table 7.8). Through collaborating with MoPet, the Ghana Labour Commission (GLC) and the Ministry for Employment and Labour Relations (MELR), 14 of the 21 cases were resolved within the period. This, one GLC official suggested, was a remarkably ‘good’ rate of dispute resolution within Ghana’s public sector. As the respondent added: “…it is impressive how well-timed the petroleum commission was able to resolve these disputes despite it being a relatively new public sector agency” (Interview, 31st October, 2016).

Corroborating this assessment, one senior official at the PC asserted that:

…these disputes had the potential to disrupt continuing efforts in local content implementation…. we are committed to resolving all disputes in a fair manner before they degenerate into more serious forms of conflict (Interview, 29th April 2016).

This assertion illustrates some commitment by PC and the Petroleum Minister to ensure a sustainable implementation of local content, particularly their zeal in addressing the case of the dismissal of the 27 Ghanaian workers on 29th October 2014 by MODEC\(^\text{101}\). The Ghanaian workers were sacked after a sit down strike against alleged differences in wages\(^\text{102}\) between themselves and expatriate workers, whom they claimed earned up to three times more. Although the PC intervened in the case at an early stage, it took the Petroleum Minister, through a joint meeting with MODEC, the PC and Minister for MELR, to resolve this impasse and forced MODEC to reinstate the dismissed workers in November 2014 (Interview, MoPet official, 27th October, 2016). As the same source revealed, the Petroleum Minister and the PC directly invoked section 17 of the LCLPR on the promotion and maximisation of local employment. Despite this achievement in dispute resolution, it is curious that many of the remaining unresolved disputes concerned those around the salary of local workers. The evidence here points to a political bargain between political elites and

\(^{101}\) MODEC is one of the key international service companies contracted by Tullow under the Jubilee Project.

\(^{102}\) The salary difference between Ghanaians and foreign workers performing the same duties with same responsibilities is almost 400% (www.hays.co.uk/site).
foreign companies to increase and sustain Ghanaian employment in the sector as long as the associated conditions of service are good enough. This assessment is reflected in the delay with which the PC has yet to implement the proposal for restructuring the salaries of local workers. Following a 2011 meeting to address the issue of salary disparity between local and foreign workers, the Deputy Energy Minister established a salary restructuring committee and tasked it to develop a proposal for a realistic and fair salary structure for Ghanaian workers in the sector. In 2012 the committee developed and submitted the proposal to the PC, MoEn and MELR for subsequent action. To date, the proposal has yet to be considered. In response to this delay one senior PC official suggested that:

…salary negotiations take time….you should understand that foreign companies also train the workers and they have other administrative and operational costs to bear…when we put pressure on them and they decide to lay off workers who suffers?...In fact these same people complaining about increase in salary would claim that we are not effectively implementing the requirements for employment (Interview, 28th October, 2016).

Table 7-6: State of Resolution of Local Content related Disputes

<table>
<thead>
<tr>
<th>No</th>
<th>DATE</th>
<th>DISPUTANTS</th>
<th>DISPUTE</th>
<th>REMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>24TH Jan. 2013</td>
<td>Rig Workers Association of Ghana (RWAG)</td>
<td>Discovery Bonus</td>
<td>Settled</td>
</tr>
<tr>
<td>2</td>
<td>9TH May, 2013</td>
<td>RWA vs Rig Saipem Scarabeo</td>
<td>Disregard of local Content Law</td>
<td>Settled</td>
</tr>
<tr>
<td>3</td>
<td>9TH Sep. 2013</td>
<td>RWAG vs PC</td>
<td>Implementation of RWAG Salary schedule for MOUs for 2013</td>
<td>Pending</td>
</tr>
<tr>
<td>4</td>
<td>10TH Oct. 2014</td>
<td>General Transport, Petroleum and Chemical Workers Union of Ghana(GTPCWU) vs Trans-Ocean, Menergy International, Rig World International and Ocean Platform</td>
<td>MoU for the payment of an additional 8% of the 17% offered by Trans-Ocean to the contract workers.</td>
<td>Settled</td>
</tr>
<tr>
<td>5</td>
<td>30TH Oct. 2014</td>
<td>Tullow Ghana vs MODEC</td>
<td>Employees strike on FPSO Kwame Nkrumah</td>
<td>Settled</td>
</tr>
<tr>
<td>6</td>
<td>10TH Nov. 2016</td>
<td>GTPCWU vs MODEC</td>
<td>Disciplinary policy contention</td>
<td>Settled</td>
</tr>
<tr>
<td>7</td>
<td>12TH Nov. 2016</td>
<td>MODEC vs Local Workers</td>
<td>Formal Request for intervention</td>
<td>Settled</td>
</tr>
<tr>
<td>8</td>
<td>18TH Nov. 2014</td>
<td>MODEC Vs Local Workers</td>
<td>Dismissals of participation worker of illegal strike on FPSO Kwame Nkrumah</td>
<td>Settled</td>
</tr>
<tr>
<td>9</td>
<td>18TH Nov. 2014</td>
<td>RWAG vs MODEC</td>
<td>Unconditional reinstatement of 27 Dismissed Modec workers</td>
<td>Settled</td>
</tr>
<tr>
<td>10</td>
<td>1ST Dec. 2014</td>
<td>GTPCWU vs MODEC</td>
<td>Access to lockers</td>
<td>Settled</td>
</tr>
<tr>
<td>11</td>
<td>1ST Dec. 2014</td>
<td>GTPCWU vs MODEC</td>
<td>Issuance of reinstatement letters</td>
<td>Settled</td>
</tr>
</tbody>
</table>

The meeting consisted of the then Deputy Minister of Energy, (now the Minister for Petroleum), officials of the PC and GNPC, IOCs, ISCs, RWAG and Rig owners.
This response supports the claim by one member of the RWAG that the PC and MoPet do not seem interested in implementing the salary proposal for fear of triggering the laying off of Ghanaian workers. As he argued “…we have gone back and forth on this matter but nothing has been done so far…although the commission tells us it is looking into it, I suspect there has been some gentleman’s agreement to ignore our complaints and keep us in work (Interview, 28th October, 2016). Indeed, prior to the passing of the PLCLPR, the RWAG attempted on various occasions to lobby the PC and MoPet to streamline the salary structure in the sector, where both Ghanaian and foreign workers are paid equal salaries for the same amount of work done. However, in response to these demands, IOCs and ISCs threatened to downsize their local staff if the pressures to create a system of ‘salary parity’ between local and expatriate workers persist. This threat was particularly invoked in 2015, where Tullow announced its intention to lay off Ghanaian workers under claims of dwindling oil prices (Daily Guide Newspaper, 18/3/15). A close source at MoPet disclosed that this plan was
stopped because of negotiations between the Petroleum Minister and Tullow to maintain the workers under a ‘reasonable’ salary condition (Interview, 27th October, 2016).

Together, the delay in implementing the salary proposal and the claim of the existence of some gentleman’s agreement, suggest that the outstanding disputes in relation to salary were based on a politically-motivated strategy to sustain local employment as long as the associated conditions of service were good enough. From the perspective of Amoako-Tuffour et al.,(2015) and Senoo and Armah (2015), the lack of initiatives to bridge the salary gap between local and foreign workers demonstrate low political commitments to continuity of efforts. My insider accounts above, however, help to clarify the priorities and trade-offs around the salary disputes, and enable a more nuanced reading of elite commitment than that offered by researchers on the same subject. Indeed, the political calculations to maintain a high degree of local employment within a good enough salary condition could also reveal some moderate degree of commitment to ensuring increased local employment. As one senior PC official observed:

…the salaries of Ghanaian workers (in the oil sector) are way higher than the salaries of other Ghanaians doing similar jobs in the country…our priority now is to make sure many Ghanaians are employed in the sector…. Salary parity can follow once this first step is achieved (Interview, 4th November, 2016).

In sum, through applying Brinkerhoff’s framework, this section offered an empirical understanding of the characteristics of elite commitments, demonstrating moderate to high levels of elite commitment in local content implementation (Table 7.9). As with Chapter 6, doing this helped conceptualise the levels of elite commitment in ensuring compliance with the PLCLPR and relating this to the incentives of political elites to promote high levels of local participation and employment in the oil and gas sector. In the sections that follow, I trace this relationship further in my analysis of key features of local content implementation that show how elite commitment was shaped by the prevailing political settlement.
Table 7-7: Ranking of Elite Commitment

<table>
<thead>
<tr>
<th>Characteristic of Commitment</th>
<th>Indicators of Commitment</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application of Credible Incentives and</td>
<td>Strategies for detecting fronting</td>
<td>Moderate</td>
</tr>
<tr>
<td>Sanctions</td>
<td>arrangements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Punishing fronting arrangements</td>
<td>Moderate</td>
</tr>
<tr>
<td>Continuity of Effort</td>
<td>Institutional collaboration to resolve</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>local content related disputes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>General dispute resolution</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Resolution of salary related disputes</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Source: Author’s construction, based on analysis on elite commitment above

7.4 State-Control and the Promotion of Local Content

Strengthening the PC’s capacity to implement local content was a politically contentious process. This section examines the elite interests and ideas that shaped high local content implementation (as outlined above) by analysing the conscious efforts of political elites to incorporate GNPC into the enforcement process.

7.4.1 Local Content Implementation and the role of GNPC

The PC’s strategies to implement local content reflected both the ideological orientation of ruling NDC and the incentives generated by Ghana’s competitive clientelist political settlement. Clear political interests to strengthen the PC’s capacity influenced the nature of its establishment in 2011, with ruling elites strategically incorporating GNPC officials. Political elites used GNPC’s technical capacity in the oil and gas sector to justify this institutional marriage (Banful, 2010), arguing that “incorporating GNPC into the Commission was necessary if we wanted to benefit from our local content policy” (Interview, NDC MP, 8th April, 2016). This arrangement reflects the nature of resistance by NDC MPs against a proposed amendment by one NPP MP to delete the clause that sought to incorporate GNPC into the PC board (citing conflict of interest as the main reason). At the consideration stages of the PC bill, one NDC MP argued that:

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104 As contained in clause 3 of the draft PC bill: The governing board of the Petroleum Commission was to consist of (a) a Chairperson (b) The Chief Executive Officer of the Commission (c) the Chief Executive Officer GNPC.
GNPC is clothed with enough and adequate technical information about our hydrocarbon potential, so what is this difficulty of them being represented on a governing board which will play a particular role of regulation? I think that we should not support the deletion of the GNPC from it (the PC bill) and I would rather persuade my colleague to withdraw it or we stand opposed to it (official reports of Parliamentary Debates, 9, March 2011, Fourth Series, Vol. 72, No 30, p. 2304).

This argument around incorporating GNPC’s expertise into the PC to enhance its capacity, underlines similar arguments about how high regulatory capacities can help maximise a country’s share of oil benefits (see Thurber et al., 2011). Deep interests in controlling local content implementation underpinned the opposition (by ruling elites) to the removal of GNPC officials from the PC board. Given the links between GNPC and the NDC (Chapter 5), ruling elites knew that incorporating GNPC into the PC could strengthen the party’s control over local content implementation, not least as the Corporation’s interest in local content predated the 2007 discoveries. This interest is often credited to Tsatsu Tsikata, former President Rawlings’ close ally, who utilised his political connections to develop not only the petroleum sector laws, but to recruit and promote local participation (Daily Graphic 16/9/2009). Tsikata’s nationalistic character, it is argued, shaped the GNPC’s current keen interest in local content (Ibid).

The corporation reignited this interest by reviewing its thematic foci in 2010 (Interview, senior official GNPC, 12 July, 2016). Declaring its renewed local content interests at the 5th Ghana Oil and Gas Summit in 2013, GNPC saw “catalysing local content development” as a key strategy to maximise oil rents. It emphasised achieving high local content through ensuring that “Ghanaian goods and services are deployed across the entire value chain of the industry…” and positioning GNPC to “lead in the national effort to bridge the national skills gap in the oil and gas industry and ensure greater employment of Ghanaians in the sector”

105 GNPC’s new thematic strategies were anchored on four pillars: Capacity and expanding activities, replacing and growing reserves, efficient capitalization and optimum participation and catalysing local content development (GNPC, 2013).
These were controversial strategies, as at the time, the mandate to lead local content implementation rested with the PC. The corporation’s tactics were nonetheless crucial to helping in both protecting and implementing the ‘high local content bargains’ of the PSO/CSO coalition (Chapter 6) who, as discussed above, had a “watchful eye” on the implementation process (Ghana News Agency, 2014). For NDC elites, GNPC’s control over local content remained necessary to influence the implementation process in order to meet the demands of CSO/PSO elites who constituted a key faction of the ruling coalition. As argued by one senior MoPet official, “…there was no way we could do this (promote local content in line with the demands of CSO/PSO elites) without GNPC being part of the implementation process” (Interview, 27th October, 2016).

The opposition NPP, backed mainly by the World Bank, GTZ, NRI and some perceived anti-NDC CSO groups, strongly resisted the GNPC/PC ‘marriage’ and subsequently forced the withdrawal of the bill. In reality however, the CEO and other key figures of the PC are former staff of GNPC. Most were pressured by top NDC officials to resign from the GNPC in order to take up appointments in the PC (Interview, ISODEC official 19th April, 2016). Justifying this ‘institutional marriage’, one senior GNPC official argued that:

…for now, we have no choice but to rely on GNPC’s industrial competence in upstream oil and gas activities if we really want to promote local content….look at Norway, the high share of local content there can largely be explained by the intervention of Statoil at the initial stages of oil production….through its contribution in developing a domestically based industrial competence, it has nurtured a capable chain of local suppliers and service providers…yes, let’s build good institutions but let us also ensure that we derive maximum benefits from our oil resources (Interview, 12 July, 2016).

106 My interview with one member of CSPOG (2nd September, 2015) revealed that while the debate around the inclusion of GNPC in the PC was ongoing, CSOs such as ACET and NRGI, with the support of the World Bank and GTZ took the opportunity of the intermittent adjournments to leverage MPs on both sides to reject the inclusion of GNPC in regulatory activities in conformity with international best practises.
Detailed further below, incorporating GNPC into local content implementation not only reinforced the Petroleum Minister’s power to implement E&P equities, but also helped boost the PC’s capacity to implement JV requirements.

7.4.2 Elite Strategies and Implementation Capacities in Exploration and Production Equities

Reflecting one of Brinkerhoff’s (Brinkerhoff, 2000) key indicators of commitment - continuity of efforts - the role of the Block Application Evaluation Committee (BAEC) in promoting E&P equity partnerships between foreign and local companies reflects strong elite commitment to both securing greater oil rents for Ghana and meeting the demands of the CSO/PSO faction with the NDC coalition. Upon promulgating the PLCLPR, the Petroleum Minister in collaboration with GNPC and the CEO of the PC adopted belligerent strategies, including creating the BAEC in 2012 to negotiate the effective implementation of E&P equities. The BAEC has no permanent membership. It however often consists of top GNPC, PC and MoPet officials, including the CEO of the PC (Interview, PC official, 25th October 2015). Heavily influenced by the Petroleum Minister, the BAEC strongly relies on the inclusion of local companies in Petroleum Agreements (PAs) to recommend IOCs for oil blocks (Interview, MoPet Senior Official, 31st March 2016). As one senior GNPC official asserted:

…with the coming into force of the local content law, the decision is to enforce this requirement [reg. 4(2)] to the letter. Excuses about the challenge of partnering with capable Ghanaian companies will no longer be considered…..We are determined to protect our national interest (Interview, 28th August, 2015).

So far, the BAEC has significantly contributed in negotiating local equity stakes in E&P activities (Interview, senior official of MoPet, 8th July, 2016). Against limited local technical and financial capacity, the BAEC’s heavy reliance on local participation as another senior MoPet official disclosed “….has so far facilitated the incorporation of a considerable number
of Ghanaian companies (10, as outlined above) in equity partnerships with IOCs in accordance with section 4(2) of the law” (Interview, 31st March 2016). The same source revealed that contrary to Tullow Ghana’s claims above that Ghanaians on their own cannot undertake E&P activities at the initial stages of oil production, prioritising Ghanaian companies (by the BAEC) in small oil blocks helped the Minister grant petroleum license to two Ghanaian owned companies (Springfield in the Deepwater Tano Block 2 and Swiss Africa in the Keta Delta Block) in 2016. A reliable MoPet source revealed that “….the Springfield deal enjoyed direct support from the Minister and the Committee (BAEC)….., the company did not have the requisite technical and financial capacity to operate in exploration and production activities and yet managed to secure operational license”. The same source disclosed that Springfield is owned by one powerful business elite with strong NDC ties and that “although he did not have the requisite technical capacity, the Minister’s drive to deepen national participation facilitated this deal” (Interview, 21st July, 2016).

Notwithstanding the Minister and BAEC’s interest in deepening local equity participation, not all PAs signed after the passing of the PLCLPR incorporated Ghanaians. One senior MoPet source disclosed that this was largely due to the “limited and questionable financial capacity” of some Ghanaian companies (Interview, 31st March 2016). The same source revealed that although the Minister was committed to increased local participation in E&P activities, he rejected some companies on suspicion of their being fronts. In line with Brinkerhoff (2000), the Minister’s decision to scrutinize local companies that sought to partner IOCs demonstrated commitment to approving genuine partnerships rather than fronts. However, this commitment to applying de jure rules challenged the ‘prevailing’ elite interests to increased local participation in E&P activities. A close MoPet source disclosed that rejecting local companies on suspicion of fronting generated strong resistance by pro-local
content elites \(^{107}\) who deployed their ‘holding power’ to extract commitments from the Minister to negotiate equity participation in all PAs (Interview, 3rd August, 2015). This case closely underlines Khan’s (2010:19) argument that powerful groups within a political settlements are “likely to (strongly) resist the enforcement of an institution that is against their interests”. Pressures by pro-local content elites pushed the Minister and BAEC to adopt a contentious ‘institutional fix’ within the block application review process where it “strongly encourages” IOCs to finance the 5% minimum equity and draw up a plan for repayment over time (Interview, MoPet Official, 20th August 2015). This strategy reflects Khan’s (2010:18) explanation of how informal institutions become established in order to ensure that dominant interests and ideas can be met in circumstances where formal institutions cannot offer this.

Implementation of this strategy is quite limited, understandably because of its nascent nature but also some initial resistance by some IOCs (Interview, MoPet official, 3\(^{rd}\) August, 2015). However, a reliable MoPet source disclosed that the equity stakes of two local companies are currently financed by their foreign partners (Interview, 21st July, 2016). The suspicion is that the 5% stake in the Britanian U and GNPC South West Saltpond contract acquired by Hills Oil Marketing Company is one such example (Interview, ACET official, 23rd July, 2015). The company in question is owned by the wife of the Accra NDC regional chairman who is believed to have leveraged her husband’s position in the party to broker this deal (Ibid).

Further, the Minister in 2016, and in a contentious manner\(^{108}\) extended the implementation of this informal strategy to PAs that predate the PLCLPR, aiming to ensure that all PAs incorporate some degree of local participation by the year 2020 (Interview, MoPet official 31st March 2016). Although not mandatory, the Minister through the BAEC “strongly

\(^{107}\) A MoPet source disclosed that the resistance of the PSOs in question was triggered by PSO/CSO representatives in the LCC, who divulged critical information relating to the Minister’s decision to reject some Ghanaians companies in E&P activities (Interview, 27th October, 2016).

\(^{108}\) Given the non-retrospective effect of Ghanaian laws, IOCs with contracts signed before the passing of the PLCLPR were not obliged to implement the law.
encourages” IOCs to retrospectively implement section 4(2) of the PLCLPR by incorporating suitable local partners in their operations (Interview, MoPet official, 26th July, 2016). The recent incorporation of Fueltrade Ghana with a 5% equity in the Hess PA in the Deepwater Tano-CTP Block is an example here. According to the same MoPet official, although the Hess PA was signed in July 2006, the Minister facilitated this 2016 Fueltrade/Hess deal through his “rights assignment” power, leveraging Hess to incorporate a local company in exchange for future additional oil acreages. The same source disclosed that five other similar negotiations are being carried out by the BAEC, pending ministerial approval.

Importantly, the BAEC provides an efficient means within which ruling elites negotiate increased local participation towards fulfilling the NDC’s resource nationalist agenda. The committee thus emerges as an interim institutional fix, acting as an informal bridge between the old GNPC-led days and the PC-led world of best-practice. As shown in the next section, this marriage between the PC and GNPC generated another institutional fix to force ISCs to implement JV provisions in the PLCLPR.

7.5 State-intervention and Local Participation in the Provision of Goods and Services

Echoing how the ‘strategic’ incorporation of GNPC into the PC help to facilitate increased local participation in petroleum activities, one senior official at an influential CSO (CDD) that has played a leading role in Ghana’s oil and gas sector observed that:

…the ‘gurus’ of the Commission are in disguise key figures of the GNPC….but I can’t say I am not impressed with the ‘tactics’ employed by the Ministry to promote local content… I think the injection of some GNPC expertise into this whole drive of promoting local participation is in line with securing our national interest….I am particularly impressed about how the Commission has engineered local participation in the JVs and provision of goods and services in general….let’s pray this only gets better rather than lead to political patronage (Interview, 13th April 2016).

This is in line with Booth and Unsworth’s (2014: 4) study of seven country cases of aid-funded interventions where they argue that the brokering of common interests (between donors, politicians and state elites) were key to success, allowing actors to identify their development challenges and which enabled them implement ‘good fit’ solutions that were “technically sound” and “politically feasible”.

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Indeed, although the PC is officially autonomous, its local content mandate appears embedded in the ‘NDC/GNPC’ national project of securing greater local participation and control of oil. Beyond the commendable local engagements in E&P activities, the increased Ghanaian participation in the provision of goods and service (as outlined above) can be attributed to the negotiations of a relatively strong and efficient PC, run by Ex-GNPC staffers. As argued by one CSO official, who is also a member of the PC board, the expertise and negotiation skills of former GNPC stalwarts who hold key positions in the Petroleum Commission helped broker a deal with ISCs to implement the JV provision in ways that “did not necessarily follow the law…but enabled ‘smooth partnerships’ between service and local companies” (Interview, 29th April 2016). The achievements in JV equities all happened under the constraint of limited local capacity and initial contestations by ISCs in relation to incorporating local companies as co-owners. Following the PLCLPR, ISCs largely resisted the requirements for mergers with Ghanaian companies under JVs, arguing that the minimum 10% local equity participation in the provision of goods and services “would have imposed a forced marriage” between foreign and local companies and “contravened the spirit of free enterprise” (Interview, Schlumberger Seaco International official, 8th August, 2015). Another ISCs source argued “most service companies are based on a global ownership arrangement with international equity shareholders who will not be comfortable with such changes in the ownership structure of their companies” (Interview, 5th August, 2015).

Without pushing these concerns aside, not least because it risked damaging investor confidence, the PC negotiated a trade-off with foreign capital, relaxing JV rules in exchange for local participation in the provision of goods and services. This deal included allowing ISCs to create subsidiary JVs where they can incorporate Ghanaian companies. As noted earlier, this arrangement partly fostered the creation of 87 JVs providing a range of services to IOCs. As one MoPet official noted, “I think this arrangement was important in order not to
destabilise the organizational structure of ‘unwilling’ international service companies, and yet force them to comply with the law” (Interview, 20th August 2015). The question is whether this strategy, although seems to generate high levels of JV partnerships, is not a space for deepening the patron-client based politics within Ghana’s CCPS. In line with Khan (2010), promoting JV deals through ‘institutional fixes’ can undermine effective control and formal implementation of local participation provisions. Interviews with MoPet (27th October, 2016) and PC (25th October, 2016) officials suggest that the local partners in the 87 JVs were selected based on merit (adequate technical and financial capacity and non-political). However, the politically-connected nature of key local JV consortia weakens this claim.

Subsequent to the passing of the PLCLPR, a notable feature of JV deals has been the emergence of new business consortia with strong NDC connections. Sri-EMAS (local partner for EMAS Offshore) is owned by a cousin of the President (now former) who is believed to have utilised his political connections to secure a US$ 100 million ENI contract to provide transportation and installations services in the Offshore Cape Three Points integrated oil and gas project (Interview, MoPet official, 26th July, 2016). Hills Oil Marketing Company is the local partner to WBHO Ghana. As noted above, the company in question is owned by the wife of one of the regional chairmen of the NDC. The company’s engagement in both E&P activities and service provision was largely influenced by its close links with the NDC (Interview, MoPet official, 21st July, 2016). Similar to the above deals, UOS (local partner to Cross Energy) is owned by the husband of a local content consultant to the PC and who is known to have strong ties with the ruling NDC (Interview, PC official, 4th November). Known perhaps as one of Ghana’s strongest JVs, Belmet 7 has a 51% local equity interest with Subsea 7. Belmet 7 is owned by the elder brother of the GNPC CEO. Since its establishment in August 2015, the company has undertaking major works (worth about

\[110\] At the time of writing as this changed when the NDC lost the 2016 elections.
US$730 million) in the recent TEN project (Interview, GNPC official, 12 July, 2016). Another important JV is that between Rigworld (local) and Maersk (foreign). The CEO of GNPC and the Deputy CEO of the exploration and production unit of Corporation are believed to be behind the over close to US$1 billion worth of oil contracts won by Rigworld and its partner. The JV is one of the few service companies contracted by ENI to offer drilling services in the Sankofa and Gye Nyame fields scheduled to commence production by August 2017 (ibid). Generally, these examples fuel widespread suspicion that most beneficiaries of local content largess are politically connected individuals. It may well be that the JVs above are merit based as argued by the MoPet and PC officials. However, the examples of the JV deals outlined above give credence to the argument that beneficiaries of local content equities are often influenced by one’s relationship with an oil company, a public official or a politician (Amin-Adam, 2015). Moreover, JV ownership details are shrouded in secrecy with critics predicting local content deals have so far benefited mainly politically well-connected individuals (ibid).

In general, the NDC has promoted local content through creating supportive conditions (institutional fixes) to implement requirements for E&P and JV equities in line with its nationalist goal of securing the national interest. The ostensible inclusion of GNPC into the PC reinforced this nationalist idea, which in turn fostered strong state activism (through the BAEC and subsidiary JVs) in promoting local participation. As one senior GNPC official argued “the strategic role of strong state control in catalysing partnerships between Ghanaian entities and foreign companies was to help Ghana achieve its nationalistic agenda of 90% local participation within a decade” (Interview, senior GNPC official, 12 July, 2016). However, once nationalist tactics were used to justify the ‘institutional fixes’ in implementation, there was a tilting towards interests becoming important at this stage, largely because of the strong pressures from private sector elites which led to E&P and JV equities
flowing to companies with NDC roots. It is by no means conclusive from the available data that only NDC supporting companies benefited from E&P and JV opportunities. Evidently, however, the fact that equity partnerships (both E&P and JVs) largely flowed to NDC supporting firms, reveal a tilting towards interests becoming more influential at the implementation stage. The imperative of maintaining a winning coalition led ruling NDC elites to implement the policy in ways that met the expectations of the pro-local content CSO/PSO coalition. The BAEC emerges as a ‘quasi oil governance institution’ within the ruling NDC coalition, which means that it has the power to distribute local content favours to party cronies (in line with the patron-client politics within Ghana’s executive dominated democratic system). A good example (as shown above) is the BAEC’s recommending Springfield (owned by an NDC member) in the Deepwater Tano Block 2 despite the company’s limited technical capacity. Another example is the 5% stake in the Britanian U South West Saltpond contract granted to Hills Oil Marketing Company (owned by one NDC regional chairman’s wife). In addition, the fact that lucrative JV opportunities have flowed to politically-connected companies, feeds concerns that oil deals can entrench the persistent elite consensus towards the maintenance of the patron-client based politics within Ghana’s political settlement (Gyimah-Boadi and Prempeh, 2012).

7.6 Conclusion

This chapter explored the important roles ruling elites played in local content implementation, particularly how elite commitments, shaped by their interests and ideas, generated ‘institutional fixes’ to promote high local equities in E&P and JVs. Borrowing from Brinkerhoff (2000), the chapter conceptualised the levels of elite commitment to implementing high local content despite limited local financial and technical capacity. Through applying some forms of sanctions and partially resolving disputes (to create an enabling enforcement environment), elite commitments to local content implementation
ranged from moderate to high (Table 6.8), reflecting strong political will to ensuring compliance with the PLCLPR. Two major findings support this argument.

First, the clandestine inclusion of GNPC in local content implementation through appointing former officials into key PC positions revealed strong political interests to enforce the policy in line with the demands of key factions (business elites and CSOs) in the NDC coalition. This together with the strong Ministerial control over key aspects of the implementation process forced IOCs and ISCs to implement E&P and JV equities despite the latter’s resistance. As argued above, the Minister (in collaboration with GNPC and the PC board) deployed politically calculated belligerent tactics under the BAEC and subsidiary JVs to implement equity provisions, with lucrative local content largesse flowing to NDC connected companies. The generation of institutional fixes helped to mitigate the effect of limited local capacity on the implementation process, which in turn fostered commendable degrees of local participation in oil.

Second, the evidence suggests that ideas around promoting national interest in oil mattered as well. Implementation strategies deployed by MoPet, GNPC and the PC reflected the incentives of NDC ruling elites to gain control over oil, within the broader resource nationalist objective of deepening local participation. Political elites tapped into the NDC’s resource nationalist ideology during the Parliamentary debates on the creation of the PC to justify the inclusion of GNPC officials. Although this was blocked, the NDC’s strong statist character helped incorporate former GNPC officials into the PC, aiming to strengthen implementation capacities towards securing the national interest. However, this resource nationalist agenda around deepening local participation also meant that ruling elites had the power to distribute oil largesse to NDC affiliated companies. In line with the rent seeking tendency associated with policy implementation within Ghana’s political settlement (Chapter
4), the evidence reveals a growing role of interests at the implementing stage, as lucrative local content largess benefitted politically-connected elites.

Both findings reveal that the capacity of state institutions to implement local content was shaped directly by the character of the prevailing political settlement. Negotiations between politicians and the CSO/PSO coalition established the interests and ideas that shaped elite commitments to adopt institutional fixes to force IOCs and ISCs to incorporate Ghanaian companies despite their technical and financial capacity challenges. The chapter found little evidence that the creation and mandate of the PC to implement local content reflected ‘good governance’, where the immediate challenge around deepening national participation concerned creating an independent institutional framework in a context of adopting ‘best-practice’ reforms. In line with Thurber et al (2011), the findings in this chapter caution against a keen focus on ‘good institutions’ as what matters more for Ghana in relation to local content implementation. Such a focus has the tendency to relegate the core role elite interests and ideas play in policy implementation, which as argued above, shaped the NDC’s strategies to secure greater oil rents through increased local participation in E&P and JV equities. The evidence suggests that a stronger focus on elite incentives, including their ideological orientations promises a more realistic agenda for ‘good oil governance’ in Ghana than campaigns to develop transparent and accountable institutions.
Chapter 8: Local Participation in Oil and the Politics of Capacity Building: The Case of the Enterprise Development Center

The EDC represents a significant milestone towards achieving the country’s local-content objectives. With the centre providing business development and incubation services to SMEs, oil companies will no more have the excuse of saying that they want to give jobs to Ghanaians but the standards are so low (Petroleum Minister’s speech, Business News 15/4/13).

8.1 Introduction

Ghana’s competitive clientelist political settlement has tended to generate certain tendencies with regards the governance of public policy and resources (Chapter 4). These include short-term policy making engendered by intense electoral competition, patronage politics and targeted distribution of resources to court electoral support and the role of ideas in policy development. Some of these tendencies have been evident in the oil sector, as with the NDC’s use of local content policy promises as a strategy to build a ruling coalition with CSOs and PSOs (Chapter 6). These tendencies also generated incentives for ruling elites to implement the local content in line with the clientelist logic of Ghana’s political settlement that saw NDC connected firms benefit from lucrative deals. Drawing on the extent of achieving its own set targets, this chapter explores whether the tendencies above had a similar impact on the operational challenges of a specific local content initiative - the Enterprise Development Center (EDC), established by the NDC government to help address the capacity challenges of Small and Medium Scale Enterprises (SMEs). Particularly, I examine how power relations within Ghana’s political settlement shaped the commitments of political elites to develop the capacity of Ghanaian firms to adequately participate in the oil sector. This offers further insights into the interplay of interests and ideas in the operation of the EDC.

First, the chapter provides further insights into how the distribution of power that characterises Ghana’s political settlement is relevant for understanding the emergence and
enforcement of the EDC. Khan (2010:75) argues that “the enforcement of a specific institution and the political costs of enforcement depend not only on the characteristics of the ruling coalition but also on the organization and capabilities of the productive sectors that are affected”. Despite the cordial relationship between local firms and politicians in Ghana (Ackah et al., 2010), the former’s low productive capabilities partly undermined the ability of the EDC to meet its targets. In this case, and as Khan (2010) suggests, the building of their (local firms) capacity to support the EDC’s implementation rested with the character of the ruling coalition. However, the reliance on certain business interests to maintain political power led to EDC benefits flowing to a few local firms aligned to the NDC. This left a majority (over 80%) of registered SMEs untrained three years after the EDC was established. This reflects a key argument in the political settlement framework that “the relative power of productive interests and their technological and entrepreneurial capabilities can determine the incentives and opportunities of ruling coalitions to pursue particular institutional paths” (Khan, 2010: 64).

Second, the chapter examines how Ghana’s clientelist political settlement created incentives that influenced elite behaviour in the enforcement of the EDC. Khan (2010: 68-69) argues that the imperative of winning elections generates incentives that shape the likely time horizon of the ruling coalition and its implementation capacities. I examine whether and how this tendency (electoral incentives) shaped the decision of politicians to locate the EDC in the Western Region.

The chapter starts with a brief overview of the operations of the EDC, focusing on interests and ideas that underpinned its establishment and highlighting its operational challenges, particularly why the center failed to train the expected number of SMEs as agreed by the Petroleum Ministry and Tullow Ghana Limited (funders of the project). Following this, I explore the commitment of political elites to addressing the operational challenges of the
EDC, focusing on how the Petroleum Minister and GNPC lobbied Tullow Ghana Limited to continue to fund the center after the latter threatened to stop its support. The final sections evaluate the underlying factors behind why the EDC failed to meet its set targets three years within its operations. As with Chapter 7, elite incentives (than ideas) shaped elite behaviour around the EDC’s implementation.

8.2 The Enterprise Development Center, a Political Legacy of the NDC

The EDC is a flagship project of the Ministry of Petroleum (MoPet) in line with the local content policy objective of “providing the enabling environment and opportunities for Ghanaians to benefit from the economic wealth that emanates from the activities in the oil and gas industry through participation of Ghanaians in the ownership, operations, control and management” (LCLPP, 2010: 4). This section explores the scope and operations of the EDC, focusing on the interests and ideas that shaped its establishment and the various strategies adopted by the center to enhance the technical capacity of local firms. The objective here is to highlight the levels of elite commitment to developing and sustaining the EDC project in order to help build the technical capacity of Ghanaian enterprises to effectively participate in the oil and gas business and create a domestic capitalist class.

8.2.1 Developing the EDC

It is not clear whether politicians, CSOs or PSOs mooted the idea of the EDC. What is evident nonetheless is that, as with the development of local content policy/regulation in Chapter 5, the CSO/PSO coalition led various demands\(^{111}\) for MoPet to develop local capacity building programmes to support local content implementation. In one meeting in 2010 to finalise the local content policy for ratification, the CSO/PSO coalition stressed the need for MoPet to put greater focus on building local capacity to bring effect to the

\(^{111}\) Such demands included lobbying in conferences, workshops and meetings with the Petroleum Minister and top officials of MoPet and GNPC (Interview, AGI member, 1st April, 2016).
impending local content policy (Interview, AGI member, 1st April, 2016). Subsequent advocacy efforts such as the Domestic Content and Matchmaking Conference (DCMC) organised by the Association of Ghana Industries (AGI) followed the initial campaign of the CSO/PSO coalition. Designed as a platform to discuss issues relating to oil governance, the DCMC periodically (two years interval so far) mobilised a cross-section of PSOs and CSOs to debate key issues affecting the petroleum sector. In the first DCMC in 2010, attended by various PSOs and CSOs, including MoPet and GNPC officials, private sector elites stressed the need for government to put greater focus on building the capacity of SMEs to take advantage of opportunities in the oil and gas sector. On the occasion, the President of the AGI reiterated that:

A key element in the local content policy is to maximise the use of local expertise, goods and services, job creation for people, businesses and financing in all aspects of the oil and gas value chain. Laudable as it may sound, the question remains as to whether local companies are ready to take up this challenge and maximise the benefits of the oil find…As a matter of fact, the objectives of the local content policy would remain a mirage if local companies do not prepare themselves to meet the strict standard requirements in the oil and gas sector….on this note I urge government to see this as a challenge and support local companies to match their international competitors in terms of quality and standards by instituting capacity building projects in the short to medium term (see Business-News, 2010).

One SME owner recounted that: “…we had to put pressure on them to help us prepare to do business….we told them that they can’t take us into the middle of the sea and leave us there to drown” (Interview, 13 July 2016). In the observation of another SME owner: “…we appreciated the numerous opportunities the government had provided for us….we were essentially asking the government to watch our back like we do to theirs…by helping us to take advantage of such opportunities” (Interview, 1st August 2016). As one MoPet official noted, however, “promoting local content included supporting local capacity building”, arguing that the pressure by private sector elites only empathised the “Ministry’s longstanding plan to develop the EDC” (Interview, 20th August 2015). For the same source it
was within this context that MoPet sped-up the establishment of the EDC “to mitigate the impact of local capacity constraints in order to enable Ghanaians take advantage of opportunities in the oil and gas sector”.

In May 2013, MoPet established the EDC in the Western Region of Ghana amidst various euphoric media coverage to publicize the center as a fulfilment of an electoral promise\(^\text{112}\) (also see Ablo, 2015) and in line with the NDC’s resource nationalist ideology to retain greater oil rents through increased local participation (Interview, MoPet official, 20th August 2015). The Petroleum Minister signed a Memorandum of Understanding (MoU) with Tullow Ghana Limited (TGL), who represented the Jubilee Partners in funding the project at a cost of US$5 million over a five-year period. Designed as part of the NDC’s commitment towards supporting the implementation of local content, the EDC has a long-term goal of enhancing the capacity of indigenous Ghanaian firms in order to promote their participation in oil and ensure that they play leading roles in the industry (EDC-Report, 2013). It is envisaged that through identifying, reviewing and training Ghanaians on the required standards necessary to engage in petroleum activities, the EDC can support Ghanaian Small and Medium Enterprises (GhSMEs) to improve upon their technical capacities in order to compete with foreign companies in the oil sector (Ibid).

\subsection{Operational Challenges of the EDC}

Upon the creation of the EDC, MoPet contracted Enablis Entrepreneurial Network Ghana to run the centre for a maximum period of five years, comprising two years fixed and three extension options of one year each. Enablis’ initial strategy to operate the center included undertaking a GhSMEs gap analysis in 2013 to identify their capacity challenges in relation to providing goods and services for IOCs and ISCs. A major purpose for this also included

\footnote{112 The NDC promised in its 2012 manifesto to support local content implementation through “capacity building initiatives to ensure that local teams are reliable and ready to take part in the on-going participation arrangements” (NDC 2012 Manifesto: 39).}
categorizing local enterprises into levels (based on their existing technical capacity) and train them to meet industry standards (EDC-Report, 2013). The gap analysis revealed major deficiencies in the technical capacity of GhSMEs to meet the requirements of the oil and gas sector (Ibid), resonating with earlier assessments that most Ghanaian businesses lack the technical and financial competitiveness to engage effectively in the oil and gas sector (e.g., Damman et al., 2011). Based on the gap analysis, the EDC categorised GhSMEs registered with the Center into three tiers, in accordance with their satisfying seven key requirements set by the center in collaboration with the PC (Table 8.1). The objective was to “develop a sustainable capacity building strategy to address the deficiencies of local firms and boost their entry into the oil and gas business (Interview, EDC official, 18th August, 2015).

Table 8-1: Requirements for accessing EDC Training

<table>
<thead>
<tr>
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<th>Requirement</th>
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<tbody>
<tr>
<td>1</td>
<td>A business registered with the Registrar Generals Department (RGD)</td>
</tr>
<tr>
<td>2</td>
<td>A business with audited accounts from a certified auditor</td>
</tr>
<tr>
<td>3</td>
<td>A business with employee(s) with pension contribution with the Social Security and National Insurance Trust (SSNIT)</td>
</tr>
<tr>
<td>4</td>
<td>A business with a comprehensive business plan</td>
</tr>
<tr>
<td>5</td>
<td>A business with a valid value-added tax (VAT) certificate from the Ghana Revenue Authority (GRA)</td>
</tr>
<tr>
<td>6</td>
<td>A business registered with the Petroleum Commission (PC)</td>
</tr>
<tr>
<td>7</td>
<td>A business with previous related business training</td>
</tr>
</tbody>
</table>

Source: Based on Interviews with EDC Official, 21st August, 2015

Ghanaian enterprises that met all requirements in table 8.1 were grouped under Tier 1 and could directly access training run by the EDC. Businesses that met at least four of the requirements were placed under Tier 2. Similar to those in tier 1, tier 2 businesses could directly participate in training although they were required to have met all the requirements at the time of completion. Businesses categorised under tier 3 were those that met three or less of the requirements. Such enterprises were required to undergo a business incubation programme before undergoing training. As disclosed in the 2014 training evaluation report of the EDC, at the start of the capacity building project in 2013, 247 GhSMEs registered with the center to undergo training. However, more than 200 of such business could not meet more
than four of the requirements above, requiring them to take the incubation module. As at 31st December 2015, an additional 112 GhSMEs had registered with the center, bringing the total number of registered business to 386 by the end of 2015, with this number increasing to 400 by July 2016. However, within this period (May 2013 to July 2016), the center trained only 40 GhSMEs\(^\text{113}\), essentially failing to meet its target of training not less than 100 GhSMEs every year as contained in the EDC MoU.

According to one senior official of the EDC, two main reasons accounted for this. First, most of the registered GhSMEs fell under Tier 3 and were yet to meet the requirements that would enable them transition to either Tier 1 or 2 at which stage they could start their training programmes. Second, delays in the release of funds by TGL for the operation of the Center (Interview 21st August, 2015) undermined the EDC’s capacity to train the expected number of GhSMEs. Although these reasons were corroborated by one MoPet official who also worked with the EDC, he added that part of the reason for training only 40 GhSMEs within three years was because the management of “the EDC did not do enough” to facilitate the pace of training GhSMEs (Interview 19th August, 2015). Further investigations around this claim revealed that the EDC was to collaborate with state agencies such as SSNIT, GRA, RGD and the PC to facilitate “the bringing up of GhSMEs into good business standing” so as to enrol them to undertake the training programmes (Interview, MoPet Official, 20th August 2015). These claims suggest that beyond the official mandate of the EDC, the center was expected to intervene at the initial stages of registration in order to accelerate the pace of training GhSMEs, a move officials of the EDC were slow at implementing (this is discussed further below). The expectation that EDC would competitively position many GhSMEs to engage in oil activities was therefore not achieved within the first three years of the Center’s

\(^{113}\) This information was contained in a memorandum from the MoPet GhSMEs Project Coordinator at the EDC to the Chief Director of MoPet in 2016.
establishment. This condition threatened the sustenance of the EDC project and as will show in the next section generated political interventions to protect it from collapse.

**8.3 Protecting the Enterprise Development Center: the Role of Elite Incentives**

Unsatisfied with the operations of the EDC, Tullow Ghana Ltd. (TGL), funders of the EDC project decided to put a hold on funds that were due to be distributed to the center at the beginning of 2015. This was to enable TGL to conduct an audit into the operations of the center in order to get an update of the challenges therein (Interview, TGL official, 12th August, 2015). At the time however, Enablis’ two year fixed contract period had expired pending an extension per the agreements in the MoU. Although Enablis and the head of the EDC Project Steering Committee (PSC) notified TGL about this, the latter appeared hesitant to renew Enablis’ contract to run the EDC. As disclosed by the same TGL official, although TGL was committed to Ghana’s local content aspirations, its support for the EDC project was guided by a “value for money” rationale. However, pushed by the Petroleum Minister, who relied heavily on GNPC’s intercession, TGL’s plan to halt the funding of the EDC pending the audit report was swiftly renegotiated and led to the extension of Enablis’ contract to run the center for the period of 7th January to 30th April 2015 (Interview, MoPet Official, 20th August 2015) instead of the agreed one year after the fixed two years had elapsed. The speed of the negotiations flowed from two main conditions: First, in reaction to the inactivity of the EDC as a result of lack of funds, representatives of registered GhSMEs marched to MoPet apparently to petition the Petroleum Minister about their disappointment on the sudden inactivity of the center. However, what was initially scheduled to be ‘confrontational’ became a more ‘covert’ and ‘mutual’ discussion, with the Minister who promised to get the EDC back in operation as soon as possible (Interview, MoPet Official, 20th August 2015). This partly explains why the issue of the inactivity of the center remained closed to the public as no media organization published any story relating to the ongoing conflict around the EDC.
Second, MoPet and GNPC had prior knowledge of TGL’s plans to audit and possibly stop the latter’s support for the EDC project. It is believed this knowledge was leaked by the Managing Director (MD) of TGL (Ibid). The MD of TGL is a former CEO of the Ghana Grid Company Limited who is widely credited in Ghana’s energy sector for utilising his socialist ideas to attract new investments in the power sector (Ghanaian Chronicle, 26/10/2011). His statist character and association with the NDC some argue facilitated his appointment as MD of TGL in 2014, a process the President and GNPC are believed to have heavily influenced (Interview, ISODEC official, 3rd November, 2016). The MD has since his appointment utilised his position to influence local employment in TGL and worked closely with MoPet, GNPC and the PC to promote local content in the company (Interview, Ghanaian official at TGL, 11th July, 2016). His institutional links consequently boosted the NDC’s access to information about TGL’s plans around the EDC project (Interview, MoPet Official, 20th August 2015), which in turn underpinned MoPet’s preparedness and swift move to protect the EDC from collapse.

Benefiting from this prior information about TGL’s plans, MoPet relied heavily on GNPC to map out strategies in apparent response to Tullow’s imminent tactics in relation to both the EDC and Enablis as managers of the project. Consistent with GNPC’s interests in local content (Chapter 7), one senior MoPet official revealed that “…the EDC is actually the brainchild of GNPC….” (Interview, 27th October, 2016). It was clear from the EDC negotiations that beyond utilising GNPC’s expertise, MoPet sought to deploy the power of the Corporation as custodians of the project. Critically, this incentive is inextricably linked to the enduring resource nationalist character of GNPC in relation to fostering high local participation in Ghana’s oil and gas sector (Chapter 5). One GhSME owner stressed how “GNPC’s involvement in the EDC gives us a lot of confidence that it will not collapse” (Interview, 1st August 2016). This confidence may have flowed in part from the intermediate
role GNPC played in granting state contracts to NDC party loyalists in the initial years of the fourth republic (see Opoku, 2010). Indeed, given the lack of transparency in the operations of EDC (Amoako-Tuffour et al., 2015), critics of GNPC could argue that it was acting to help NDC-affiliated businesses in return for kickbacks as it did in the first NDC regime (Chapter 5). There is no concrete evidence on the leverage GNPC and MoPet deployed to influence TGL’s change of mind on extending Enablis’ contract and releasing funds for the EDC. However, some observers suspect GNPC and MoPet leveraged Tullow’s interest in additional blocks (e.g. the Enyenra-3A well in the Deepwater Tano area) in the TEN project to negotiate for the continuous funding of EDC (Interview, ACEP official, 19th June, 2015). Although TGL agreed to extend Enablis’ contract and release funds for the operation of the EDC, it required Enablis to address three main concerns:

First, TGL required the EDC to open a separate bank account with Standard Chartered Bank (SCB) into which funds covering the period will be disbursed. Second, TGL mandated Enablis to replace the Director and Finance Manager of the centre (Interview, TGL official, 12th August, 2015). Third, Enablis was required to furnish TGL with a list of registered GhSMEs and provide an up to date report on their progress. Officials of TGL declined to give reasons why the signing of this new contract was partly contingent on these conditions. However, a reliable source at MoPet indicated that for the first condition, TGL’s request for a change of EDC’s account from Unique Trust (UT) Bank to SCB was because the CEO of the UT Bank was also the Board Chairman of Enablis, which to TGL created room for conflict of interest. For the second condition, TGL suggested that the two officers “performed questionably”. The third request was to enable TGL track and help address complaints by some registered GhSMEs that the EDC mainly favoured local firms that were “politically-connected” to the NDC (Interview, MoPet Official, 20th August 2015). However, although Enablis’ contract was extended, the center did not run any programme between January and
April 2015. According to one EDC official, the center had not received funding from TGL for the period as agreed, preventing it from running any training programmes (Interview, 21st August, 2015). On TGL’s part, the delay in the transfer of funds emerged from Enablis’ refusal to address the three requests by TGL (as at April 2015) prior to the extension of the contract and therefore could not “justify the transfer of funds” (Interview, TGL official, 12th August, 2015).

The preceding account highlights an open dispute between an impatient IOC that appeared committed to supporting Ghana’s capacity building efforts and a state institution that lacked the capacity to utilise this support. Clearly, although political elites seemed committed to the EDC project, institutional capacity to effectively implement the project was limited. This point, however, begs the question: What factors explain the enforcement challenges of the EDC? In other words, was the limited enforcement of the project based on technical or political factors? Institutional based explanations argue that complex registration systems and inappropriate project design accounted for the limited training and integration of local firms into the oil and gas sector (e.g. Ablo, 2015). Political settlements explanations argue that electoral incentives generate particular patterns of institutional enforcement in favour of ‘party cronies’ and/or ‘party strongholds’, and which in turn undermine the enforcement of institutions (e.g. Oduro et al., 2014). In the sections that follow, I explore the usefulness of these explanations for understanding the operational challenges of the EDC. In terms of technical arguments, I examine the adequacy of training programmes offered, the competence of the EDC resource personnel to effectively train GhSMEs as well as the entrepreneurial capabilities of registered GhSMEs. Although I find evidence that inadequate training modules and staff and low entrepreneurial capabilities of GhSMEs shaped the EDC’s enforcement challenges, this logic is weakened by political reasons. At the same time, I find evidence to
attribute the EDC’s problems to both the partisan interests of ruling elites and the logic of core swing voter targeting.

8.4. Limited Institutional Capacity to Implement the EDC

The EDC’s inability to meet its targets can partly be explained by the rudimentary nature of the training programmes run by the center which generated a general lack of interest (by GhSMEs). As noted above the EDC in 2013 conducted a gap analysis to identify key areas GhSMEs needed training in. Among others, the center identified waste management, rental and servicing of cranes/lifting equipment, supply of fuel and lubricants, operation of lifting and rigging equipment, freight services; rigid spools & jumpers services, supply vessels etc. as key areas of focus (Baako, 2014). However, none of these critical areas were included in the training programmes run by the EDC (see table 8.2).

Table 8-2: List of Training Programmes run by the EDC

| 1. | Managing small business enterprises |
| 2. | Business ethics and compliance including anti-bribery |
| 3. | Budgeting and financial management |
| 4. | Business spreadsheet applications |
| 5. | Planning |
| 6. | Information management system using databases |
| 7. | Responding to bidding enquiries and writing proposals |
| 8. | Introduction to oil and gas industry |
| 9. | Introduction to oil and gas accounting |
| 10. | Introduction to oil and gas contracting processes, terms and conditions |
| 11. | Contract management |
| 12. | Fundamentals of offshore environment, health and safety policy and requirements |
| 13. | Overview of onshore and offshore oil and gas production facilities |


This led to a general lack of interest by GhSMEs in undertaking the EDC training, not least as “developing our skill in logistics and marketing instead of the technical expertise needed in the sector cannot help us to compete with foreigners (Interview, GhSME owner, 29th July, 2016). Some industry observers argue that the EDC training was not adequate enough to help Ghanaians utilise the opportunities created by the local content law. As lamented by the Chairman of PIAC in 2015:
It is about time the government redefined capacity building. If there is actual drilling and we need the technical expertise to do that and you are focusing on logistics and marketing, then we are not doing the right thing….most of the institutions are training people for oil and gas marketing and logistics, but we do not need that….if we are looking at the actual expertise needed to bring out the oil, we are lacking in that direction (see Acheampong, 2016: 1).

The PIAC and ACEP often highlighted these concerns about the inadequacy of the EDC programmes and on different occasions criticised the government over its inability to clearly define its capacity building priorities in the oil and gas sector (Ibid). Acknowledging this challenge, one MoPet official noted that “it was difficult to get the required Ghanaian professionals with knowledge in these technical programmes” (Interview, 31st March 2016). The same source disclosed that MoPet initially sought to “contract foreign experts in these areas but did not go on with this because of the huge cost involved” (Ibid). Hence, although the EDC in general terms is helping to link up local firms to the oil and gas sector (Ablo, 2015, Ablo and Overà, 2015), this is more “symbolic” as the center “does not enhance the economic capital of local firms” (Ablo, 2015: 326). I go further to argue that the basic nature of training programmes was important but insufficient, and that the entrepreneurial capabilities of GhSMEs were equally crucial in the enforcement challenges of the EDC.

### 8.4.1 Low Capabilities of Local Firms as a Constraint to EDC Enforcement

Khan argues that beyond the holding power of productive entrepreneurs in relation to the ruling coalition, their technological and entrepreneurial capabilities can impact on the implementation and outcomes of growth-enhancing institutions. Due mainly to challenges in accessing capital, technology and adequate marketing opportunities, GhSMEs lack the entrepreneurial capabilities to benefit from formal productive rights (Abor and Quartey, 2010). Although GhSMEs formed the Association of Small-Scale Industries (ASSI) in 1986 to help address these challenges, weak leadership and financial capacity weakened its ability to improve upon the productive capabilities of its members (Aryeetey, 1994). The policy on
trade liberalization under the Economic Recovery Programme (Chapter 4) not only led to the indebtedness or collapse of most SMEs (because of the largely unrestricted importation of consumer goods), but also downgraded the Association as it could no longer provide direct benefits for members (Sowa et al., 1992).

Upon oil discovery in 2007, GhSMEs found it difficult to shift to this new sector; not least as they lacked the technical and financial competitiveness to effectively engage (see Damman et al., 2011). As noted above, out of the initial 247 local firms registered with the EDC, only 40 met the basic requirements for training (also see Ablo, 2015: 324). This was partly due to the limited education levels of some GhSMEs. A reliable MoPet source and a member of the EDC Project Steering Committee disclosed that close to 40% of the 400 registered GhSMEs as at July 2016 were elementary school graduates and about 5% did not go through any formal education (Interview, MoPet official, 19th August, 2015). In addition, the basic nature of most GhSMEs did not incentivise them to register their business with the Registrar Generals Department. This explains the inability of most local firms to give “proof of their business standing” when the time came and undermined their capacity to effectively utilise the EDC project (Ibid). There were some local firms who were denied registration because they could neither provide basic information about their businesses nor afford the training fees (Interview, EDC official, 21st August, 2015). Generally, the entrepreneurial capabilities of local firms were low as exemplified by their reliance on simple or traditional technologies to conduct their business. As a result, only a few “well established businesses with expertise from other sectors” benefited from the EDC while the majority of relatively new and small businesses could not (Ablo, 2015: 325). However, a closer look at the operation of the EDC in the context of helping prepare GhSMEs for training suggests that these more technical factors explored above do not give a complete account of the underlying causes of the center’s enforcement challenges. In the next section, I argue that in line with how Ghana’s
political settlement works, the EDC’s problems largely emerged from the political calculus of ruling NDC elites to court political support.

8.5 Tracing the Political Determinants of the EDC’s Enforcement Challenges

Research on the enforcement of policies and institutions that support rent accumulation in Ghana clearly identifies political factors at play (e.g. Ackah et al., 2010, Opoku, 2010). In this section, I explore whether political factors played a role in undermining the EDC’s operations. First, I argue that to understand the enforcement challenges of the EDC, attention must be given to the incentives of political elites to use the project as a source of rents seeking for party supporters in a bid to consolidate their political support. Second, and in relation to the first, I contend that a major motivation by political elites to situate the EDC in the Western Region requires that we go beyond arguments about its proximity to oil and gas concessions to examine the incentives of the NDC to expand its electoral coalition.

8.5.1 The Partisan Implementation of the EDC

Oduro et al’s (2014: 8) argue that the NDC and NPP “have not only become election winning machines but have also strived to become sources of economic empowerment for their followers” (Chapter 4). Consistent with this argument, there is evidence to attribute the EDC’s inability to meet its targets to the partisan implementation of policy that underlie Ghana’s political settlement. As noted above, a key explanation for the EDC’s challenges included the fact that TGL delayed in releasing funds for the operations of the center. However, the difficulty with this excuse is that there was no relationship between the release of funds by TGL and the number of GhSMEs to be trained. If there were, we would expect that since the EDC received funds covering the period between 2013 and 2014, the center would have trained the minimum 100 GhSMEs a year target as agreed in the EDC MoU and not 25 local firms (see Whitfield, forthcoming). As noted above, it is possible the general lack
of interest (by GhSMEs) in the EDC programmes also played a role here. However, the fact that the number of registered GhSMEs increased from 247 in 2014 to 386 in 2015 and to 400 by July 2016 showed that there were some GhSMEs who had interest in the EDC programmes. These blurred clarifications suggest that there were other dynamics at play in the low number of GhSMEs that were trained.

I found evidence to argue that politicians tactically used the EDC project to court political support. My field interviews revealed that, although training was offered to firms at a fee, eventual considerations for training were underpinned by which political party a GhSMEs owner supported. Several registered GhSMEs I interviewed complained about the lack of transparency in transitioning them from the business incubation stage (Tier 3) through to Tier 2 and Tier 1. One for example disclosed that his difficulty in transitioning from the incubation stage to the training phase “for close to a year now” flowed from his “known NPP” membership (Interview, 4th September, 2015). The 25 GhSMEs who successfully completed their training programmes in 2014 were believed to be mainly supporters of the ruling NDC (Interview, GhSMEs owner, 11th July, 2016). By the last quarter of 2015, the additional 15 GhSMEs who completed their training were also believed to be cohorts of the NDC purportedly supported by the EDC to meet the requirements for training (Ibid).

Supporting these claims, one EDC registrant alleged that: “it’s true my brother, I am from the Ashanti region and a proud NPP….I am telling you that if you are not an NDC member you will stay there and dry….I know all of them, most of them are NDC supporters” (Interview, 28th March 2016).

These claims are consistent with recent findings that the capacity building efforts of the NDC government have been less transparent and unsatisfactory. In their research to examine the progress in implementing Ghana local content strategies Amoako-Tuffour et al (2015: 18) observed that local firms are generally not impressed with the EDC because it lacks
“transparency and fairness”. In this context, the EDC appeared to have suffered from the wider patron-client malaise of Ghana’s public bureaucracy (Bob-Milliar, 2012b, CDD-Ghana, 2013), with the center emerging as a source of patronage, exploited by political elites to facilitate the participation of party followers in a bid to consolidate their support. Boldly defending these allegations of favouritism, one GhSME owner who had successfully completed his training argued that:

….even if that is true, what is wrong with it?…we were in this country where you only got a contract if you supported the NPP, we were in this country when if you wanted your business to succeed you had to be holding an NPP party card….now it is our turn and they are complaining (Interview, 15th July 2016).

This comment has fundamental linkages to another important feature of the patron-client politics around the enforcement of the EDC project, namely the contracting of Enablis to operate the center. There is evidence to further argue that the inability of the EDC to meet its annual training targets was partly due to a ‘carrot and stick’ move by Enablis to identify and offer training to GhSMEs that supported the NDC. My investigations revealed that a major reason why MoPet contracted Enablis to manage the EDC was because the company had strong NDC connections (Interview, GhSME owner, 24th October, 2016). The rationale was perhaps that since key NDC figures worked and owned shares in Enablis, the company could identify and train more GhSMEs with NDC roots. The CEO of Enablis is believed to have strong political ties with the NDC, who has a number of her family members occupying influential positions within the party. One of the board members of the company is a close relative of the current CEO of the Petroleum Commission who is broadly known to have utilised her political connections to attract a number of government contracts to her private company (Interview, Ghana Integrity Initiative Official, 28th October, 2016). Another important NDC elite in the Enablis board is the current Board Chairman of the Ghana Investment Promotion Centre (GIPC) and a member the President’s Economic Advisory
Council who is well known for using his position to facilitate the NDC’s interests. He is reported to have approved of an amount of GH¢4,000 from a GIPC fund to facilitate the campaign activities of the Volunteers for Mahama (VfM) group\textsuperscript{114} (New Crusading Guide Newspaper 28/11/2012). This claim that Enablis mainly served the interests of GhSMEs with ties to the NDC probably explains why MoPet was initially hesitant to cancel Enablis’ contract as managers of the EDC. Similar to using GIPC coffers to fund party loyalist, the preceding evidence suggest that EDC served as a conduit to target GhSMEs that aligned with the NDC.

\textit{8.5.2 Establishing and Protecting the EDC; an Electoral Calculus of the NDC}

Another important way in which elite incentives shaped the EDC’s enforcement challenges is brought into still sharper focus by exploring the decision to locate the center in the Western Region of Ghana. A major explanation for the decision to site the EDC in the Western Region was to ensure closeness to the offshore oil fields (Interview, MoPet Official, 20\textsuperscript{th} August 2015). This emphasis on proximity was also evident in the argument that GhSMEs would benefit learning from hands-on oil related activities (Interview, EDC official, 21st August, 2015). A related argument was that situating the EDC in the region brought training to the doorstep of many GhSMEs who had moved to the region to engage in oil and gas related businesses (Ibid). All these explanations emphasised the point that a major objective of the EDC was not only to equip GhSMEs with the required knowledge and skills in sector, but also to help them gain practical insights into how the sector works. However, the evidence does not show that GhSMEs benefitted from these conditions. If the benefit of practical experience was a key motivation for siting the EDC in the Western Region, we would expect a scenario where GhSMEs visited areas of core oil activities. However, no such

\textsuperscript{114} The VfM group was created prior to the 2012 elections to undertake campaigns for NDC’s victory in elections.
events occurred within the period in question. Inquiries from the EDC revealed there has never been any plan to take GhSMEs on such tours (Interview, EDC official, 21st August, 2015). Moreover, although there were certainly a number of EDC registered GhSMEs located in the region, most of the GhSMEs were based in Accra and often commuted to the Western Region to undertake training\textsuperscript{115}. This therefore questions the claim that the large presence of GhSMEs with interests in oil in the region shaped the siting of the EDC, adding to the weakness in the explanations above and directing attention to alternative explanations.

The evidence suggests that the decision to situate the EDC in the region was partly driven by the political incentive of the NDC to consolidate its electoral support in the region (a swing electoral area) who gave their votes to the NDC in the 2008 election (Interview, Member CSPOG, 9\textsuperscript{th} July, 2015). The Western Region is one of the key swing regions in Ghana’s elections since the return to electoral democracy (Table 8.3). Shown in the table below, the two major parties have each won elections in the region. Electoral competition in the region is increasingly intense, with the margin of votes between the two main parties consistently shrinking between successive elections since 1992. The fact that the region has consistently voted for the eventual winner of presidential elections in Ghana makes the contest between the two main parties highly competitive there. As a result both the NDC and NPP go all-out to gain the region’s support in order to enhance their chances of electoral victory.

Table 8-3: Voting Pattern (Presidential) of Western Region since 1992

<table>
<thead>
<tr>
<th>Year</th>
<th>NDC</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Votes</td>
<td>Percentage</td>
</tr>
<tr>
<td>1992</td>
<td>239,477</td>
<td>60.7</td>
</tr>
<tr>
<td>1996</td>
<td>405,992</td>
<td>57.3</td>
</tr>
<tr>
<td>2000 (2nd Round)</td>
<td>229,978</td>
<td>39.10%</td>
</tr>
<tr>
<td>2004</td>
<td>334,992</td>
<td>40.89%</td>
</tr>
<tr>
<td>2008 (2nd Round)</td>
<td>415,248</td>
<td>51.92%</td>
</tr>
<tr>
<td>2012</td>
<td>582,193</td>
<td>54.42%</td>
</tr>
</tbody>
</table>

\textsuperscript{115} This information was gathered from interviews with GhSMEs registered with the EDC.
This electoral incentive in turn leads ruling elites to pursue politically-motivated public investments in the region for electoral gains. Having won the support of the region in the 2008 and 2012 elections, the NDC sought to tactically use oil (investments, infrastructure development, and political appointments) to consolidate its electoral support. As noted in Chapter 6, the NDC’s decision to allocate lucrative Ministerial positions and board appointments (Deputy Minister for Petroleum (now Minister for Petroleum) and the CEO of Ghana Gas) to the region emerged from its swing status (also see Mohan and Asante, 2015). Under the rhetoric of using oil revenues to tackle some of the region’s developmental problems, the NDC has since 2010 targeted major infrastructure development projects in the area, including the construction of a new western railway project. In 2015 for example, the NDC government announced the construction of a US$15 billion flagship modern city in the region to support the oil and gas industry and provide affordable housing for the populace. These examples support the argument that the NDC targeted the region with considerable oil investments after the 2008 elections in order to broaden its electoral support (see Mohan and Asante, 2015).

In line with these examples of political targeting, the imperative of maintaining power and the role of the region in achieving this shaped the NDC’s decision to situate the EDC there (Interview, Member CSPOG, 9th July, 2015). When the NDC government announced its decision in 2012 to establish the EDC in the Western Region, some critics (members of the AGI and ASSI, opposition NPP, and some CSO groups) had issues with the choice of location116. A major issue concerned the challenge 117 (by GhSMEs) of commuting about

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116 This information was gathered from interviews with members of the groups in question.
117 Risks and cost involved in the regular travels.
227.9 km on a weekly basis to access training in the Western Region, particularly given that most of the target beneficiaries of the project (local firms) were located in Accra. Moreover, since most of the resource persons to provide training were to come from technical tertiary institutions located in Accra, it was reasonable to situate the EDC there to enable effective teaching and learning. Interviews with some members of the AGI and ASSI suggested they raised these concerns a number of times during meetings with officials of MoPet, PC and GNPC prior to establishing the center. The NDC government was thus aware of these concerns and the potential challenges associated with its decision to site the EDC in the Western Region. In failing to consider these factors therefore, it is reasonable to argue that the NDC sought to use the center as a tool for stimulating its electoral image mainly by adding the EDC to the list of politically-motivated investments in the region. As one CSPOG member noted:

Most of the industry related investments in the region are politically motivated…..in fact they are compensation strategies for the region after the government declined to meet the region’s demand for 10% of oil revenues….for me this has worked for the NDC because these compensations have contributed to the change in the voter pattern of the region in favour of the NDC (Interview, 9th July, 2015).

Looking back, the siting of the EDC and the targeting oil related investments in the Western region flowed from the NDC’s incentive to deepen its political support after Parliament rejected the demand by the Chiefs of the area for 10% of oil revenues (see Mohan and Asante, 2015).

In conclusion, the preceding evidence shows that political factors help to explain why the EDC largely failed to meet its target of training GhSMEs to participate in the oil sector, three years after its establishment. Technical challenges notwithstanding, the evidence on political factors goes further in relating the EDC’s problems to the underlying political settlement, which established the incentives and ideas that shaped elite behaviour in the enforcement of
the project. Khan (2010: 75) argues that within a clientelist political settlement, institutional outcomes are partly shaped by the vertical and horizontal relationship between the ruling elite and lower level factions on the one hand and the ruling elite and excluded factions on the other. On one hand, vertical pressures (factional demands from within the ruling NDC coalition) help explain why EDC training largely benefited NDC aligned firms. This reflects what Prempeh and Kroon (2012) argue is the patronage-driven politics embedded in Ghana’s competitive clientelist political settlement, which generates rent seeking opportunities in favour of politically well-connected interest groups underpinned by short-term electoral pay-offs as opposed to long-term investments. On the other hand, horizontal pressures (tight electoral competition) help explain the siting of the EDC in the Western Region. This finding reflect the argument that because ruling elites are motivated primarily by retaining political power, they target swing electoral areas, depending on their political calculations (André and Mesplé-Somps, 2011).

8.6 Establishing the Enterprise Development Center, Ideas and Ideology?

Ideas are conceptualised in this thesis as mutually constitutive in shaping elite commitments concerning the path institutions take (Chapter 3). To promote their political projects (e.g. development, resource nationalism) political elites succumb to popular expectations and demands in order to build trust and legitimacy for their strategies (see Bebbington, 2013, Porter and Watts, 2017). This section argues that the NDC’s resource nationalist ideology shaped political commitments to establish the EDC, including elite strategies to sustain the EDC’s operations. Notwithstanding electoral incentives, the NDC government was willing to incur political costs (losing the loyalty of NDC supporting firms) in pursuit of its wider resource nationalist goal of enabling greater Ghanaian participation in the oil sector. As argued below, the willingness of political elites to retender the EDC meant breaking bonds
with Enablis and pro-NDC GhSMEs within the broader commitment of building the technical capacity of local firms to give effect to the local content policy.

As noted in Chapter 6, the outset of oil production triggered political imaginings of catalysing oil for Ghana’s economic transformation agenda\textsuperscript{118} (e.g. Watts, 2004). To accomplish this goal, political elites tapped into the NDC’s ‘embedded’ resource nationalism to create opportunities for high local participation in oil and a move to persuade more business elites into the NDC coalition (Chapter 6). Local capacity constraints nonetheless challenged this ideological endeavour, leading ruling NDC elites to develop the EDC to help mitigate this effect of limited Ghanaian capabilities on implementing the party’s resource nationalist aims.

As one senior MoPet official disclosed:

\ldots it would have been mediocre on our part to develop such ambitious local content targets and do nothing about building the capacity of Ghanaians to take advantage of such\ldots . the EDC has been established to partly address this and we will do all we can to sustain its operation (Interview, 31st March 2016).

Upon establishing the EDC however, the expanded ruling NDC coalition found it difficult to effectively enforce its nationalist agenda of building a domestic capitalist class to participate in oil activities. This partly emerged from the greater pressures of local firms aligned to the ruling coalition, which led to benefits flowing largely to NDC-supporting firms, reflecting Khan’s (2010) conception of the ‘vertical balance of power, and the sense in which lower-level factions tend to hold considerable holding power in competitive clientelist settlements. In addition, the EDC’s problems partly arose from the fact that politicians (shaped by electoral incentives) sited the center in a politically rather than technically optimal location to operate well, a decision that reflected the horizontal distribution of power regarding Western Region being a swing region.

\textsuperscript{118} The NDC’s 2008 and 2012 manifestos captured this commitment as key to oil-led development.
As noted above, however, despite the truce between MoPet and TGL that the latter continues to release fund to Enablis to run the center, it declined to do so. TGL argued that the EDC audit report discovered “significant financial improprieties” which influenced its decision not to transfer funds to Enablis despite its initial agreement to do so (Interview, TGL official, 12th August, 2015). Subsequently, TGL decided to withhold funding to the EDC project while MoPet and the Jubilee Partners jointly assess and contract a “reliable company” to manage the center (Ibid). This call for a pause in the EDC project played into the interests of some GhSMEs who argued from the outset that much of the proposed training modules were less specific to the industry and could not adequately develop their technical capacities to competitively engage in the oil sector (Interview, GhSME owner, 24th October, 2016). TGL’s idea of restructuring the project was thus seen (by such GhSMEs) as an opportunity to lobby for the inclusion of more technical and industry related modules in the EDC curricula.

Challenged by the pressure from both TGL and GhSMEs, ruling NDC elites decided to sacrifice their short-term political incentives (facilitating the interests of firms aligned to the NDC and consolidating the party’s support in the Western Region) by removing Enablis as managers of the EDC and retendering the project. In May 2015 the EDC Project Steering Committee (PSC) convened an emergency meeting to address the center’s problems. Directly influenced by the Petroleum Minister, the meeting included an inter-ministerial team who offered support to the PSC in negotiating the restructuring of the project. In the meeting, although the team accepted TGL’s proposal to retender the EDC, it rejected the suggestion to put the project on hold. One PSC member noted that the team rejected TGL’s proposal to pause the EDC’s operations because it did not want local firms to lose interest in the project (Interview, 31st March 2016). The evidence, however, suggests that, the interests of the PSC

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119 This team consisted of Government officials from the two Ministries including the Chief Director of MoPet who represented the Minister, the Local Content Co-ordinator at MoPet, members of the Project Steering Committee and officials of the EDC.
and inter-ministerial team in keeping the EDC operational largely flowed from the horizontal pressures with regards the political capital that NPP would have made if the center stopped functioning for long. As one senior MoPet official disclosed:

The EDC is a baby of the Ministry…there was no way the Minister would have agreed to that proposal….in fact it would have been disastrous to the NDC and the Minister himself as an MP in the region….the NPP would have capitalised on it to do propaganda that the NDC is not genuinely committed to developing the western region as it claims (Interview, 27th October, 2016).

This comment reflects the speed (within one month) with which MoPet contracted three auditing firms (KPMG, Ernst & Young and PricewaterhouseCoopers) to do a fresh audit of the EDC. The new audit led the Petroleum Minister to immediately contract the Ghana Institute of Management and Public Administration (GIMPA) as the interim managers of the EDC for a six months duration pending the retendering process. Nonetheless, although the resource nationalist character of the NDC shaped the political commitments to sustain the EDC and help train Ghanaians to competitively participate in oil, ruling elites considered the risk that acceding to TGL’s proposal of pausing and retendering the project would have played into the political propaganda of the NPP and perhaps diminish the electoral support of the NDC in the Western Region and among GhSMEs who supported the party.

8.7 Conclusion

This chapter set out to examine how the EDC, established to train GhSMEs to compete effectively in the oil and gas sector failed to deliver its operationally set targets three years after its inception. It did this through exploring how technical and political drivers undermined EDC’s operations, arguing that although political elites seemed committed to the project, the state lacked the capacity to effectively implement the center. Four main concluding points are worth highlighting: first, the basic nature of the EDC programmes generated a general lack of interest (by GhSMEs) in the project. In 2013 the EDC conducted a gap analysis to identify key technical areas GhSMEs needed training in. However, the lack
of adequate local resource persons and the huge cost in employing foreign experts to teach in such areas influenced the basic nature of programmes offered by the EDC. This led to a general lack of interest by GhSMEs in undertaking training as the EDC modules could not offer the technical expertise required for local firms to competitively engage in the oil sector and exacerbated by the EDC being too far from the operational areas of most local firms.

Second, and in line with Khan (2010), the weak entrepreneurial capabilities of local firms partly shaped the operational challenges of the EDC. Broadly, GhSMEs lack the capital, technology and marketing capabilities to benefit from formal productive rights (Abor and Quartey, 2010). Local firms therefore found it difficult to shift to the new oil sector as they lacked the technical and financial competitiveness to participate effectively (Dammaan et al., 2011). The general low education levels of GhSMEs that registered with EDC and the basic nature of their businesses combined to make transitioning them from the business incubation stage to the training phase difficult. Local firms were therefore unable to effectively utilise the opportunities offered by the EDC when the time came.

Third, and in line with how Ghana’s political settlement works, the poor enforcement of the EDC was shaped by the vertical and horizontal relationship between 1) the ruling elite and pro-NDC GhSMEs and 2) the ruling elite and Western Region respectively (e.g. Khan, 2010). Vertical pressures (factional demands from within the ruling NDC coalition) led to EDC training largely flowing to NDC aligned firms, whereas horizontal pressures (tight electoral competition) incentivised politicians to site the EDC in the Western Region.

Fourth, despite the strong role of political incentives, the NDC’s ideological-bias towards deepening national control over oil shaped elite commitments to protect the EDC from collapse. Challenged by pressures from both Tullow Ghana and local firms, political elites subsequently retendered the EDC and contracted GIMPA to operate the center. In retendering
the EDC, ruling elites were essentially willing to incur political losses in pursuit of the
NDC’s resource nationalist goal of enabling greater Ghanaian participation in oil, not least as
retendering the project meant breaking bonds between Enablis and pro NDC GhSMEs and
the EDC.

Overall, although the EDC was meant to build the capacity of Ghanaians to take advantage of
local content opportunities in the oil sector, it emerged as a conduit to perpetuate NDC’s
electioneering incentive, a condition that also posed significant challenges to the project’s
enforcement. The findings in this chapter strongly support the argument that institutional
outcomes are not shaped by the formal logic of good governance *per se*, but rather by the
incentives of powerful elites in their bid to generate and protect benefits associated with such
institutions (Khan, 2010). The poor enforcement of the EDC therefore needs to be understood
through a political settlement plus ideas approach, particularly the multiple and sometime
conflicting interests and ideas that drives how institutions actually function in practice within
Ghana’s political system.
Chapter 9: Exploring the Political Dynamics in Local Content Promotion; Conclusions

9.1 Introduction

Ghana’s recent struggle to govern its oil and gas sector has generally been dominated by the ‘good institutions’ mantra as key to avoiding the ‘resource curse’ (see Dartey-Baah et al., 2014, Gyimah-Boadi and Prempeh, 2012, Gary et al., 2009). Nonetheless, such debates do not provide us with sufficient political economy insights on how to avoid the ‘curse’. The findings of this thesis suggest that it is useful to go beyond this standard recipe of adopting best-type institutions to focus on the deeper forms of politics and power relations that underpin institutional development and performance. As we have seen, the tendencies within Ghana’s competitive clientelist political settlement, namely coalition building, patronage politics and ideas shaped the development and implementation of one critical aspect of oil sector governance (local content). These findings lie at the heart of Khan’s political settlements framework, particularly how the distribution of power among political elites, civil society organizations (CSOs) and private sector organizations (PSOs) both within and outside the ruling coalition influenced Ghana’s ambitious local content. In line with Khan (2010), local content governance reflected the intense inter-elite bargaining and partisan deal making within Ghana’s competitive clientelist political settlement (CCPS), characterised by elite incentives to generate increased political loyalty through rent distribution. Khan’s focus on elite incentives however tends to underplay the important role of ideas in shaping elite behaviour in the local content governance process (e.g. Bebbington, 2013). The political ideologies of both the NPP and NDC also influenced local content, particularly the ‘resource nationalist leanings of the NDC, which shaped it’s apparently high-levels of commitment to adopting and enforcing ambitious targets.
Adopting this extended political settlement approach generated findings from which I make three main arguments: First, Ghana’s increasingly competitive political settlement generated incentives for the NDC to use local content policy promises as a strategy to build a ruling coalition with CSOs and PSOs. This approach helped generate high levels of elite commitment to developing ambitious local content targets. Second, the levels of elite commitment at the policy implementation stage were lower relative to the adoption stage, arguably because interests trumped ideas in this process. The imperative of maintaining a winning coalition led ruling elites to implement the policy in line with the clientelist logic within Ghana’s political settlement that saw NDC connected firms benefit from local content deals. Third, the resource nationalist ideology of the ruling NDC helped to shape high levels of elite commitments at the policy development stage. Electoral incentives however trumped the commitments of political elites at the implementation stage. The role of ideas in both instances indicate that policy adoption and implementation cannot be reduced entirely to interests (rent-seeking). In section 9.2, I detail these three arguments before relating them to the literature on the resource curse, new institutional economics, political settlements and the role of ideas in section 9.3. The chapter concludes with some future implications, highlighting the potential impact that coalitional politics, clientelism, competing ideologies and Ghanaian entrepreneurial capabilities could have in the next phase of local content governance.

9.2 Elite Commitment to Local Content Governance in Ghana’s Oil Sector

Ghana’s local content strategy reflects high levels of elite commitment (relative to other African countries) to securing greater rents for private sector elites and the Ghanaian economy as a whole (Chapter 6). Particularly with regards to policy development, successive governments over the past decade sought to review earlier local content approaches under PNDCL 84 in order to maximise gains from oil. The NDC in particular went furthest to
deepen local content in oil albeit with some concessions. It developed a primary law with strong initiatives that supported higher local participation and employment than the NPP had been willing to, demonstrating greater commitment to policy reform aimed at generating value for the local economy (e.g. Brinkerhoff, 2000). Nonetheless, and in line with Tordo et al. (2011), given the inconsistency between Ghana’s ambitious initiatives and its limited local capabilities, some observers argue that the NDC sought to create rent seeking opportunities for its supporters rather than secure greater value for the country (e.g. Amin-Adam, 2015). Broadly, however, despite this discrepancy between policy ambitions and local capabilities, the protectionist framing of Ghana’s local content initiatives reveal a high degree of elite commitment to getting good deals for the state. These high levels of elite commitment have enabled Ghana develop a stronger local content framework than other oil producing African countries (e.g. Equatorial Guinea and Uganda) (see Mushemeza and Okiira, 2016).

At the implementation stage, however, the levels of elite commitment to enforce the policy effectively and fairly seemed to be somewhat lower. This partly emerged from political calculations to relax implementation rules in order to ensure increased Ghanaian participation in a context where many local firms lacked the required capacities to engage. Commitment was generally higher with regards aspects of implementation where the Petroleum Commission (PC) had fairly good enforcement capacities (e.g. resolving sector related disputes except those related to salary). Elite commitment was however weaker in aspects where the PC lacked enforcement capabilities, particularly areas with heavy rents and subject to discretion (e.g. decisions around which firms benefit from E&P and JV equities). I argue below that the key tendencies within Ghana’s CCPS (electoral incentives, coalition building, elite bargains, clientelism and ideas) shaped the relative high levels of elite commitment to local content governance.
9.2.1 Local Content Development, the role of Ghana’s Political Settlement

Ghana’s local content policy and legislative development processes reflect Khan’s (2010) argument that the shape of institutions emerges from the types of domestic capitalists and their relationship with the ruling coalition. Broadly, Khan suggests that in competitive clientelist settings such as Ghana, the imperative of winning elections will lead politicians to adopt policy initiatives that distribute rents to influential factions that either threaten or help sustain their power. As argued in Chapter 4, the central-local dynamics of Ghana’s political settlement are significant within this context in that in managing these relationships, politicians mobilize votes to win elections. As such political elites take these dynamics seriously when constructing their coalitions. First, NDC elites, operating within an increasingly competitive political settlement context used the local content policy processes to woo and build a winning coalition with CSO and PSO groups. Prior to the 2008 elections, the party promised in its Manifesto to develop stronger local content initiatives, capitalising on the NPP’s decision (under the Ghana Petroleum Regulatory Authority Bill (GPRAB) to limit local participation (Chapter 6). Fulfilling its promise after winning the 2008 elections, the NDC in 2009 established the Local Content Directorate (LCD) which served as a consultative platform for politicians and pro-local content elites to engage in policy deliberations.

Second, the NDC’s more inclusive strategy (than the NPP) to local content promotion catalysed much of the policy and legislative development processes, particularly around the coalescing of the pro-local content political settlement (e.g. Watts, 2012), which in turn gave shape to the decisions political elites adopted. The key actors within Ghana’s local content policy process comprised the Petroleum Minister and top officials of GNPC, international oil companies (IOCs) and oil-service companies (ISCs), Parliament and a coalition of pro-local content elites from CSOs and PSOs. The holding power of these actors vis-a-vis the ruling
coalition determined key aspects of Ghana’s local content framework. With considerable ‘holding power’, CSO groups and private sector elites helped deepen the NDC’s local content commitment by pushing the Petroleum Minister to adopt high initiatives with specific percentages (from 20% to 100%) against the lobbying of the Exploration and Production Forum (E&PF) for moderate targets (Chapter 6). Mindful not to lose the support of the CSO/PSO coalition, the Petroleum Minister had a direct role in policy development, mediating between these conflicting interests and subsequently adopting strict local content targets in line with the interests of pro-local content elites. Ghana’s local content development thus reflects the predictions of the political settlements analysis that powerful actors within the ruling coalition can often pressure politicians to distribute resources in their interest in exchange for political support.

However, this thesis also finds compelling evidence that the resource nationalist character of the ruling NDC strongly shaped the high levels of elite commitment to deepen local participation in the national interest. This is particularly apparent with the party establishing the LCD to systematically mobilise information (on policy types globally) and public support to develop a primary local content law, and above all securing greater deals than many other African countries (Chapter 6). A key strategy employed by the Petroleum Minister involved strengthening policy provision with fixed percentages to be achieved by IOCs and ISCs overtime and an apparent reluctance to limit Ghanaian participation in exchange for increased foreign investment in the Ghanaian economy. These findings suggest ruling elites were not only influenced by their interests, as Khan predicts, but also by their idea of adopting policy approaches that protected the national interest (e.g. Vivoda, 2009, Andreasson, 2015). As I argue further below, the shape of Ghana’s local content policy and law reflects a strong entwining of ideas and interests, particularly the NDC’s resource nationalist character serving

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120 As noted in Chapter 6, the power of CSO and PSO groups derived from both their organisational and economic holding power respectively and their location within the ruling NDC coalition.
as a conduit through which pro-local content elites lobbied for strict targets that guaranteed high Ghanaian participation. Nonetheless, it is important not to overstate these positive findings around ideas and high local content commitment, which were more evident in the policy adoption stage than the implementation phase. As discussed in the next subsection, the interplay between ideas and interests in shaping high local content flowed into the enforcement stage, with the NDC deploying the GNPC as a technically capable state institution to help win implementation battles with IOCs and ISCs. Nonetheless, the challenge of maintaining a winning coalition led to a tilting towards interests becoming more influential than ideological commitments at the implementation stage, not least as ruling elites distributed lucrative local content opportunities to NDC connected firms.

4.2.2 The Political Settlement and Local Content Implementation

The ruling NDC’s approach to enforcing the local content policy and law to date reveals some level of elite commitment to protecting and promoting Ghana’s interest. Implementation battles between the state and foreign companies centered on the latter resisting the enforcement of exploration and production (E&P) equities and joint venture (JV) requirements on grounds that Ghanaians had limited financial and technical capacity. Mindful that these battles had the tendency to both limit the high local interests of the CSO/PSO coalition and NDC’s aspirations to attract greater oil rents, the Petroleum Minister directly intervened in the implementation process, aiming to help address enforcement challenges (Chapter 7). Despite granting some concessions (e.g. subsidiary JVs, maintaining the salary gap between expatriates and Ghanaians) to IOCs and ISCs in recognition of their motivations, the Minister operated through an inner-core\footnote{The inner core comprises top MoPet and GNPC bureaucrats and the PC’s board which include former GNPC officials, top NDC technocrats and powerful CSO/PSO executives.} and the wider PC apparatus to implement high local content. Deploying GNPC into the implementation struggles helped the PC to devise
strategies that limited local capacity challenges and forced foreign companies to implement local content largely in accordance with the law (Chapter 7). By the end of 2014, the corporation through the Block Application Evaluation Committee (BAEC) and its former officials in the PC forced IOCs and ISCs to establish 10 E&P and 87 JV equities respectively with Ghanaian companies (Chapter 7). For ruling elites, incorporating GNPC into the implementation process was necessary as its embedded technical competence helped to force IOCs and ISCs to implement the ambitious local content targets.

However, the emerging evidence that equity partnerships (both E&P and JVs) largely flowed to NDC supporting firms revealed a tilting towards interests becoming more influential at the implementation stage. This finding underlines a core argument of the political settlement framework that the imperative of maintaining winning coalitions lead ruling elites to disproportionately target rent seeking opportunities to their core supporters (Khan, 2010). Operating within an increasingly competitive political context, the Petroleum Minister with the support of GNPC officials implemented local content in line with the clientelist logic within Ghana’s political settlement, devising ‘institutional fixes’ that helped NDC-connected firms benefit from very lucrative deals. The Minister places a high degree of trust in GNPC officials within the BAEC and the PC board, often deferring to their recommendations on which local company to grant equity partnership (Chapter 7).

The strong role of interests at the implementation stage is also evidenced in the biased (targeting NDC supporting firms) implementation of the Enterprise Development Center (EDC). Although the NDC’s resource nationalist approach\(^\text{122}\) influenced the creation of the EDC, pressures from NDC supporting firms led ruling elites to implement the center in line with the former’s interests, seeking to deepen party loyalty. As argued in Chapter 8, aside

\(^{122}\) As noted in Chapter 8, the NDC established the EDC to help build local capacity in order to achieve its ‘statist’ greater local participation drive in the oil sector.
elite interests, the low entrepreneurial capabilities of Ghanaian firms partly explains the clientelist implementation of the EDC in that local enterprises lacked the holding power\textsuperscript{123} to influence the implementation process (e.g. Khan, 2010: 9).

The findings on the role of Ghana’s political settlements in shaping local content policy adoption and implementation illustrate how the interests and ideas located within the ruling coalition and entrepreneurial capabilities of business elites within resource settings have important implications for how and in whose interests such resources are governed (e.g. Poteete, 2009, De Oliveira, 2007, Whitfield, 2011a). The findings underpin the core argument of the political settlements framework that the primary driver of development under clientelist settings is not ‘good institutions’ \textit{per se}, but rather those shaped by the inter-elite power relationships, underpinned by their interests (Khan, 2010) and as I argue below, also by their ideas (e.g. Bebbington, 2013).

\textbf{9.2.3 The Interplay between Ideas and Interests in Local Content Governance}

Applying the political settlements approach within Ghana’s local content governance context has generated knowledge for deepening key arguments of the framework, particularly the interplay between interests and ideas in shaping the different policy processes. The empirical analyses so far support the initial argument in Chapter 2 that it is insufficient to see institutions as largely emerging from the material interests at stake in the negotiations of political settlements, as suggested by Whitfield (2011a) in the context of Ghana. The statist framing of Ghana’s local content policy supports Bebbington’s (2013) argument that the shape of institutions in resource-rich countries reflects not only interests, but also key ideational factors that may not necessarily be instrumental to elite groups. Beyond Khan’s (2010) ‘instrumental’ focus, employing the extended political settlement framework helped

\textsuperscript{123} Whitfield (2011) argues that Ghanaian firms are incapable of deploying significant holding power in policy implementation because of their low technological capabilities and inability to sufficiently finance ruling coalitions.
reveal how the political ideologies of the NPP and NDC coalitions shaped local content. It thus offers richer insights into the key factors that underlie Ghana local content governance, particularly how the NDC’s resource nationalist character shaped elite commitment to protect the national interest.

As has occurred elsewhere in Africa with the promise of petroleum resources (Ovadia, 2015a, Hickey et al., 2015b), the resurgent ambitions to achieve national development through oil catalysed Ghanaian elite support for national control, with the NDC promoting strong local content reforms alongside the neoliberal policies that have largely prevailed in the natural resource sector since the early 1980s. In line with Watts (2004), the advent of oil also reignited the NDC’s resource nationalist character, which had been apparent in the early years of oil exploration (Hickey et al., 2015a), with the party deepening Ghanaian participation in order to secure greater oil gains. The value of this argument is demonstrated by the significant difference in the levels of commitment to local content reform by the two parties. As argued in Chapter 6, the post-discovery days saw the NPP undertake a review of policies to govern oil, with local content squeezed under the one-stop GPRAB. This strategy partly flowed from the party’s ‘pro-market’ ideology, which sought to attract greater foreign investment in order to help address Ghana’s macroeconomic problems at the time, particularly the prolonged real exchange rate depreciation and a weak Ghanaian currency vis-à-vis the major currencies (NPP Manifesto, 2008). This idea to use oil as a major catalyst to restore Ghana’s macroeconomic challenges worked against the high local interests of pro-local content elites. The NPP decided to develop local content gradually, aiming to achieve a ‘modest degree of local participation’ and ‘greater foreign investment’ (Chapter 6). This strategy however generated dissatisfaction among pro-local content elites who decided against their alienation by the NPP to align with the NDC as the latter promised and subsequently developed a more resource nationalist policy and law. As noted above, the
NDC’s strategy may have been a tactical political element; in that the party’s promise to deepen local participation in oil helped it build a broad electoral coalition (with CSOs and PSOs) to help win the 2008 and 2012 elections. However, the fact the NDC was willing to sacrifice (through negotiating tougher local content deals) the much needed foreign capital to help address the macroeconomic challenges that plagued the country at the time of oil discovery reveal the party’s ideological position vis-à-vis the NPP’s. This could be read as an ideological rather than a purely instrumental strategy, in that it involved the NDC returning to its long-standing ideological commitment, distinguishing itself from the NPP’s more market driven approach (Chapter 4).

However, the ideas that helped to shape Ghana’s high local content are not free floating: Ruling elites knew that the expanded NDC coalition could hardly be sustained without the clientelist distribution of local content favours, not least in the context of strong competition from the opposition NPP in the 2016 elections. As we have seen, ideas mattered strongly in policy development. However, at the implementation stage that counted more, greater pressures from private sector elites saw a tilting towards interests becoming influential. In line with Khan (2010) about how policy implementation is more open to political interference, coalitional pressures led the Petroleum Minister and GNPC to adopt institutional fixes in order to bypass the challenge of local capacity and implement E&P and JV requirements in accordance with the demands of pro-local content elites (Chapter 7). Similar pressures led to EDC training flowing largely to NDC supporting firms (Chapter 8). These findings suggest that the capacity of the NDC coalition to resist both vertical and horizontal demands from within is weakened when it comes to securing the rent seeking interests of pro-local content elites who were central to the NDC’s hold on power. Such pressures are likely to increase when many businesses eventually build their capacities in the oil sector, and may challenge the argument here that the NDC’s statist local content drive can help catalyse a
form of ‘developmental patrimonialism’ (e.g. Kelsall, 2013) in Ghana (Chapter 2). There is truth in this, not least as the intense electoral competition between the two main parties may further entrench the patronage politics within Ghana’s political settlement in ways that undermine the country’s local content ambitions.

9.3 Theoretical Implications

This section discusses how the findings above relate to the broader theoretical literature on the politics of natural resource governance, including the move beyond the institutionalist approach and deepening the political settlements understanding of this subject through the incorporation of ideas. It begins with a reflection on the resource curse theory, questioning the adequacy of rentier politics in explaining the form and performance of institutions in resource-rich settings. Further, it questions the new institutionalist thinking that developing ‘good institutions’ is the prerequisite for avoiding the ‘curse’, particularly under clientelist political contexts where deeper forms of politics and power relations shape how institutions actually get developed and implemented (Khan, 2010, Poteete, 2009, Di John and Putzel, 2009). The section explores the usefulness of the political settlements framework in unpacking the political underpinnings of resource governance, but goes further to underline the important role of ideas in the form and function of institutions.

9.3.1 Implications for the Resource Curse Thesis

Resource-rich countries aspire to develop through their natural resources but many fall short of this goal (Bridge and Le Billon, 2013). The general agreement is that rentier politics underlie this resource abundance and poor development nexus (Gary and Karl, 2003, Collier and Venables, 2011). Based on variations in the experiences of resource-rich economies such as Botswana (Poteete, 2009), Nigeria (Ross, 2003b) and Angola (Le Billon, 2001), mainstream governance thinking maintain that the quality of institutions within resource-rich
countries is key to avoiding the ‘resource curse’ (Humphreys et al., 2007, Acemoglu and Robinson, 2013a, Knutsen, 2013). The arguments around good institutions go further to explain the vicissitudes in resource governance across endowed countries. I contend however that such arguments only tell a part of the story, in that the new institutionalist inspired approaches focus more on institutions rather than the politics and power relations that drive them. The findings of this thesis underlines this challenge and questions the adequacy of the ‘good institutions’ approach in accounting for the relationship between natural resources and development (e.g. Poteete, 2009, Hickey et al., 2015b, Hickey et al., 2015a). This raises two key questions: first, if good institutions can help resource rich countries evade the resource curse, how do such institutions emerge in the first place? Second, why do similar institutions function differently in different contexts? As the findings of this thesis suggest, the answers to these questions lie in the ‘power relations and elite interests that the promise of natural resource wealth generates’. For Karl (2007b) the forms institutions take and how they perform in resource-rich countries lies with the politics that produce them. The findings of this thesis underscore this argument that it is the political struggles between elite groups that underlie the emergence of institutions and how such institutions perform. As argued in Chapter 4, policy choices in Ghana are shaped by dominant coalitions who manipulate the economy to create rents and distribute resources to their supporters as a means of addressing development issues (Gyimah-Boadi and Prempeh, 2012, Oduro et al., 2014). Thus, beyond the rentier and institutionalist arguments, this thesis reveal how oil rents and the incentives they generate, are appropriated by ruling elites (as part of building coalitions) and as part of doing politics. The findings of this thesis thus reflect an important political settlements argument that emphasises the struggles between elite groups as key to the shape institutions take, how they are organized and also how the distribution of resources flows from these arrangements (e.g. Routley, 2012, Bebbington, 2013).
As argued in Chapter 5, the elite struggles that shaped the Petroleum Revenue Management Act and Exploration and Production Law illustrate how political elites adopted relatively ‘good institutions’, but in practice promoted politically motivated institutional fixes in ways that undermined the ‘good oil governance’ (e.g. Amin-Adam, 2015). Local content did not follow ‘good governance’ principles. In part, elite interests to generate party loyalty through rent distribution shaped both policy development and implementation (Chapters 6, 7 and 8). Strategies to promote local content and how these were enforced depended on the coalitional politics and ideas operating within the political settlement. In particular, Ghana’s incentive-driven ambitious local content targets vis-a-vis its limited local technical and financial capacity, demonstrates weak political commitment to ‘good oil governance’ (Amoako-Tuffour et al., 2015, Arthur and Arthur, 2014). Moreover, the pressures by private sector elites and the eventual adoption of ‘institutional fixes’ although helped promote high levels of local participation, predisposed the distribution of local content largess to the rent seeking behaviours of ruling elites (e.g. Amin-Adam, 2015, Amoako-Tuffour et al., 2015). This means that it is not simply the rentier character of elites that shape institutions, but also, and perhaps more importantly, the manner in which elites with ‘holding power’ negotiate the distribution of resources by such institutions.

The relationship between institutions and good resource governance is therefore strongly mediated by deeper forms of politics and power relations within the political settlement (e.g. Poteete, 2009, Bebbington, 2013, Hickey et al., 2015a, Mohan and Asante, 2015). Consequently, ‘good institutions’ can be undermined if the expected distribution of benefits from such institutions is incompatible with the distribution of power (Khan, 2010). The findings reinforce the caution that current debates around good institutions as prerequisite for effective oil governance are incomplete and hinged in the wrong place, and that other forms of politics are also and perhaps more deserving of attention (e.g. Hickey et al., 2015a, Mohan
and Asante, 2015). Consistent with recent political economy analysis of the variations in natural resource governance (e.g. Thorp et al., 2012, Singh and Bourgouin, 2013, Bebbington, 2013), a stronger focus on the intricate world of politics and power relations, underpinned by elite bargaining, offers a more realistic agenda for good oil governance in Ghana than campaigns to develop transparent and accountable institutions.

**9.3.2 Implications for the Political Settlement Framework**

The political settlement approach offers a better understanding of how institutions emerge and perform than that by ‘good institutions’ (see Khan, 2010). Applying the perspective in natural resource governance contexts has however generated knowledge for deepening key arguments of the framework (see Hickey et al., 2015a, Hickey et al., 2015b, Mohan and Asante, 2015). Although the approach remains useful in explaining the struggles that underlie institutional development, its instrumental reading of elite behaviour limits our understanding of how their ideas also shape institutional choices. The works of Bebbington (2013) and Hickey et al (2015b) suggest that the governance of natural resource requires not only an analysis of elite interests but also key ideational factors that may not necessarily be instrumental to elites. These works draw attention to the interplay of ideas and interests in relation to defining the standards by which elites operate and prescribe what is permissible within the broader ‘social contract’ between states and citizens (Hickey, 2013).

The evidence provided in this thesis underscores the interplay of ideas and interests in relation to different policy processes. Clearly, strong elite incentives to court party loyalty through distributing rent accumulation opportunities influenced Ghana’s local content governance (Chapters 6 and 7). The empirical evidence however goes further in relating Ghana’s high local content to the underlying resource nationalist ideology of the NDC vis-à-vis the more liberal NPP. The NDC’s negotiation for strict local content deals underpins the
party’s commitment towards protecting the national interest over foreign investments although the country’s macroeconomic problems within the period created strong appetite for foreign capital. This finding directly reflects Quirk’s (1990) argument that beyond elite instrumentality, ideas can stimulate normative considerations that can override the self-interests of political elites (Chapter 2). It strongly aligns with Oduro et al.’s (2014) argument that the relationship between Ghana’s competitive political landscape and elite commitments reflects an interaction between ideas and interests. This interplay of ideas and interests throws up at least two challenges for the political settlement approach.

First, the incorporation of ideas helps to address the absence of the theoretical element(s) (in the political settlements framework) that drove elite commitment to secure greater oil rents despite the danger of the resource curse (e.g. Bebbington, 2013). The findings on ideas above underscore this gap that a straight incentive-based political settlements approach cannot adequately explain elite behaviour. Khan (2010) recognises the role contentious politics play in institutional change and building state capacity. In no instance however, is this condition automatic. Given that there is no necessary relationship between the composition of coalitions and institutional change (Hall, 2010), a focus on the elite commitments that engendered Ghana’s relative success in local content governance is crucial here. The NDC’s relative high commitment towards deepening national participation in oil created a foundation within which political elites not only dedicated themselves to developing new policy approaches, but undertook modest assessments of the best policy to adopt, including mobilising the support of key stakeholders for this (Chapter 6). It is important to emphasise however that the NDC in power pursued a similar trajectory of adopting policies that did not scare away foreign investors, working closely with the E&PF to achieve this (Chapters 6 and 7). However, although attracting foreign investment equally mattered for the NDC, the party’s idea of deepening national control became a ‘conduit’ through which pro-local
content elites lobbied politicians to adopt high targets against the resistance of foreign companies. The findings here underline Routley’s (2012) argument that high elite commitment especially in developing countries emerge when ideas and interests converge.

Second, the evidence around the role of pro-local content elites in negotiating the ambitious local content targets underscores the significant influence of contingency and agency in driving change (Hickey, 2013), particularly at the coalitional level (e.g. Hudson and Leftwich, 2014). In Ghana’s context, an examination of coalitions whilst being a good start, emphasises more of the structural than agential conditions that shaped the local content framework (e.g. Leftwich, 2010). The political settlements literature sees the emergence and inclusion of factions within the ruling coalition as ‘instrumental’ (Chapter 2). Indeed, it could be argued that the decision include local content oversight under the PC’s mandate was largely instrumental in expanding the NDC coalition rather than a genuine commitment to independently implement local content. This is particularly evident with the ministerial control over key aspects of local content enforcement despite the ‘world of good practise’ the PC operates (Chapter 7). However, the fact that the CSO/PSO coalition pushed political elites to institutionalise an independent local content committee (LCC) within the PC to monitor implementation processes suggest the former were more ‘active’ rather than instrumental to the ruling coalition. Under the LCC, the role of pro-local content elites in helping politicians devise strategies to implement the high policy targets underlines their broad influence in moving forward the NDC’s resource nationalist agenda (Chapter 7). Beyond the underlying elite interests in local content therefore, a focus on the negotiations and support CSOs and PSOs offered to politicians helps track the relationship between their interests and ideas and commitments to local content.

In summary, the political settlements approach proves useful in explaining the elite struggles that lay the ground rules for local content governance in Ghana. In addition to helping
explore the bargains struck by elites and the clientelist distribution of local content favours, the framework highlights the political and social relationships that underpinned political commitments to policy development and implementation. The evidence around local content governance however draws attention to the multiple and complex ways in which ideas and interests can interact to influence the shape and performance of institutions. It is thus important to avoid reducing these two concepts into an unfertile ‘chicken and egg’ debate as if they are necessarily independent rather than potentially reliant on each other. As argued by Hudson and Leftwich (2013: 138), interests are essentially ideational.“…ideas are not independent of institutions, structures, and interests. Ideas of a variety of kinds are embedded and implicated in the structures and institutions that constitute any political context”. A multifaceted approach is therefore more useful in revealing how elite incentives to generate increased political loyalty through rent distribution and ideas around protecting the national interest underpin local content governance in Ghana. This approach helps move further the interests of dominant actors as more influential in the shape and performance of institutions, to explore the different levels within which interests and ideas bear a causal role in institutional development.

9.4 Future Implications for Local Content Governance

This final section examines the future implications the findings of this thesis have for effective local content governance in Ghana. Rooted in political settlements analysis, the empirical findings point to new ways of understanding how deeper forms of politics and power relations can explain elite commitment to local content towards a path of rentier politics or development. The findings suggest that even within competitive clientelist contexts, the ambitious local content targets and strong executive control in implementing such can help Ghana derive greater gains from its oil (Chapters 6 and 7). Unfortunately however, the patronage-driven implementation of local content in other resource-rich African
countries limits this possibility (see Hansen et al., 2016). For sceptics, the prospect of Ghana’s oil is threatened by the often clientelist turn the management of rent seeking sectors takes (Gyimah-Boadi and Prempeh, 2012, Dartey-Baah et al., 2014). The findings of this research underline this susceptibility to the deepening role of partisan and personalised deal making around oil, which is likely to tilt towards patronage in ways that undermine Ghana’s local content ambitions (e.g. Phillips et al., 2015, Hickey et al., 2015a, Mohan and Asante, 2015). However, with increased political competition and the high levels of elite commitment in promoting local content as seen above, oil may create the incentive structure for ruling elites to implement policy towards broad-based development. In the subsections that follow, I explore these arguments further through four main future implications.

9.4.1 Coalitional Politics and Elite Commitment to Local Content

The extent to which political elites are able to effectively govern local content will depend on the inclusive nature of the ruling coalition and whether pro-local content elites will continue to wield the necessary ‘holding power’ to sustain policy implementation in line with the law. Emerging research situates the conditions within which elites gain the commitment to manage natural resources in an analysis of political coalitions (e.g. Hickey et al., 2015a, Mohan and Asante, 2015, Hickey et al., 2015b). The dynamics of coalitions can however be complicated by the fact that in some instances, the result of pursuing the interests of certain elites groups within the ruling coalition can impose structural inequality and destitution on some marginal groups (e.g. Guichaoua, 2012). This argument underlines the character of the respective ruling coalitions in Angola and Nigeria. Political connections enabled domestic capitalists to gain audience with politicians in the local content reform processes of the two countries, where they extracted various commitment to adopt high levels of local participation (Ovadia, 2015a). Although these relationships have produced a capitalist social stratum around oil in both countries, the alignment of capitalist and political interests has
largely entrenched persistent rentierism and social inequality in Nigeria (Guichaoua, 2012) and Angola (Amundsen, 2014). In Ghana, legislative changes in local content derived from the broader NDC coalition through institutionalized mechanism for consultation and participation (Chapters 6, 7 and 8). Yet as we have seen, these inclusive strategies led to the relative exclusion of other interests (e.g. perceived pro-NPP local firms). This reflects the argument that the forms of commitments that may be sufficient for enhancing political stability may not necessarily be sufficient for implementing policy towards broad-based development (e.g. Sen, 2012).

9.4.2 Clientelism and Local Content Governance

Local content implementation in Ghana will be undermined by short-term and partisan interests unless clientelist-driven enforcement processes are tied to a long-term vision of retaining greater oil gains for the national benefit. The incentive driven strategies adopted by the NDC to implement the policy point to the risk of unrestricted executive control including the difficulty in untangling local content commitments from the highly partisan projects of politicians in distributing contracts to maintain power (e.g. Oduro et al., 2014). There is also a real risk that the close relationship between the PC on the one hand and politicians and pro-local content elites on the other may personalise policy implementation. For example, the Petroleum Minister’s (now ex) deployment of former GNPC officials and CSO and PSO elites in implementing local content can limit the PC’s autonomy from the interests of political and business elites. Similar to Angola, the PC is likely to face difficulties in both promoting the interests of and remaining autonomous from pro-local content elites (e.g. Ovadia, 2012). Ghana’s case shows this tendency if ruling elites stress their partisan and short-term interests over inclusive and long-term local content implementation.
However, incentive motivated-strategies and effective enforcement do not necessarily work against each other. Within Ghana’s CCPS, such strategies, tied to a long term vision of broad-based development, could generate effective enforcement. The point therefore, as emphasised by others (e.g. Kelsall et al., 2010), is to understand Ghana’s local content strategies from a political economy perspective that moves beyond institutionalist readings of clientelism, to focus on how incentive driven approaches (including patron-client networks) can help secure credible elite commitment to implement the policy in a developmental way. For example, the relative high levels of policy implementation were exemplified in the incorporation of Ex-GNPC staffers into the PC, who represented both the CSO/PSO coalition’s local content interests and its embeddedness with the NDC (Chapter 7). However, where local content implementation leans towards short-term exigencies, institutions are likely to be predatory and unproductive, whereas clientelist forms of enforcement in pursuit of a long-term vision can help Ghana retain greater gains from its oil. For effective policy implementation to be maintained overtime would require that local content deals are more open and well-organized, and that ruling elites are committed to investing in projects that promote both forward and backward linkages that matter for oil-led growth (Amoako-Tuffour et al., 2015, Nchor and Konderla, 2016). These have important implications for oil governance more broadly and strongly suggest that the efforts to enforce ‘good institutions’ in Ghana is not realistic – where the more immediate policy challenge concerns how to implement local content in accordance with the ambitious local content law.

9.4.3 Competing Ideologies and the Challenge to Effective Local Content Implementation

Competitive politics and the likelihood of political change in Ghana can undermine ideological ‘hegemony’ in local content implementation, not least with the strong role of the competing ideologies of the two main parties. In the past decade, resource rich African countries have shifted at various scales between statist and liberal policies depending on the
changing ideologies of political coalitions and the existing political realities faced by their national elites within the global resource economy (Singh and Bourgouin, 2013, Mosley, 2017). In some of such countries, changing ideologies have undermined ‘hegemony’ in implementation strategies and by effect weakened political commitments to effectively govern local content. In Tanzania, Uganda and Mozambique, for example, researchers argue that changes in ruling coalitions, and associated ideological shifts (alterations between state led and neoliberal strategies) in local content “have proved ineffective and have at best produced shallow linkages with little industrial development impact” (Hansen et al., 2016: 219). In his synthesis report of the African power and politics programme, Booth (2012) argues that switching between neoliberal and statist approaches introduces a degree of policy incoherence to the productive sectors of most African countries and in turn impedes effective policy implementation.

Ghana’s local content drive could suffer from a similar effect, not least because of the strong role of the competing ideologies of the two main parties. Since the passage of the local content law, the debate as to whether Ghana should promote a liberal or statist approach to local content rages on. Underpinned mainly by local capacity constraints, some researchers support the need for increased foreign investments in the oil sector, arguing that initial Ghanaian participation should focus on “low technology industry tasks, such as transportation logistics, warehousing, equipment repair shops, catering…etc.” (e.g. Amoako-Tuffour et al., 2015: 19). Apparently, even with the general support for the NDC’s statist tactics in local content (Chapters 6 and 7), critics argue that such strategies serve as conduits for ruling elites to reward their clients with oil largesse than a genuine commitment to maximise oil gains (e.g. Dartey-Baah et al., 2014). This lack of ‘ideological hegemony’ in local content is likely to drive different permutations within Ghana’s CCPS. With its more liberal orientation, the NPP government that was returned to power in 2016 is likely to vary the implementation of
the strict local content targets in favour of its initial pro-investor friendly position. However, this might depend on the extent to which pro-local content elites are able to generate enough ‘holding power’ to prevent such changes and whether a new NPP coalition can absorb the costs incurred by engaging in conflict with such factions.

9.4.4 Low Capabilities of Productive Entrepreneurs and Implementation Challenges

The poor ‘state-business’ relations in Ghana can undermine political efforts to enhance the capabilities of productive entrepreneurs to take advantage of the ambitious local content targets. For Ghana, implementing ‘high’ levels of local content requires promoting linkages through local employment and participation, in-country spending and procurement of local goods and services, and technology and skills transfer (Senoo and Armah, 2015, Amoako-Tuffour et al., 2015). This in turn requires a close relation between the ruling elite and the relevant productive entrepreneurs based on mutual interests (e.g. Whitfield, 2011a, Whitfield et al., 2015). Most countries that have high levels of local content achieved this through state interventions that generated incentives for accumulating technological capabilities (see Tordo et al., 2013).

However, the historically poor state-business relations in Ghana can undermine efforts to enhance the capabilities of productive entrepreneurs and by effect local content implementation. As argued in Chapter 8, the low technological capabilities of domestic capitalists and their inability to sufficiently finance ruling coalitions have rendered them incapable of deploying significant holding power in policy implementation (also see Whitfield, 2011a). This has bred a lack of mutual interest between ruling elites and productive entrepreneurs, and in turn undermined political commitments to addressing the obstacles confronting local firms (particularly increasing their capacities and competitiveness in the oil and gas sector) (e.g. Whitfield and Therkildsen, 2011). Given the exigency of
maintaining political power, however, ruling elites are likely to support the development of productive entrepreneurs on condition this will help them to remain in power. As in Nigeria and Angola (Ovadia, 2015a), this can create what Geddes (1994) calls the politician’s dilemma: where politicians face a conflict between their short term need of maintaining power and longer-term goals of creating productive capabilities to promote oil-led development. In the absence of sufficient funding support from business elites, politicians will seek to build their coalitions by distributing local content favours to politically connected firms in exchange for funds to maintain their coalition.

9.5 Concluding Remarks and Suggestions for Future Research

The thesis has argued that the possibilities of developing ‘good’ resource governance institutions depend on the intricate field of politics and power relations, underpinned by elite interests and ideas. In developing country contexts where patron-client politics remain pervasive, effective local content governance can be particularly difficult if policy development and implementation are exclusive to dominant elite groups (see Ovadia, 2015a, Hansen et al., 2016). In Ghana’s context, political coalitions, elite interests and bargains strongly shaped the nature and enforcement of the local content policy. This suggestion strongly underlines Ovadia’s (2015a: 198) argument that the recent restructuring of local content in Nigeria and Angola can achieve good results because of the “alignment of interests” between domestic capitalists and politicians. The findings of this thesis however go further to emphasise that beyond elite incentives; the interplay of interests and ideas within the ruling coalition enabled it to develop a more inclusive local content framework in the nation’s interest. The suggestions below offer opportunities to revisit this extended political settlements framework (Chapter 3) within other relational contexts as well as emerging resource-rich developing countries. This can help to further elaborate, revise or refute the
findings of this study and improve understanding of the role of elite interests and ideas in natural resource governance.

First, given that local content implementation is characterised by various claims (Tordo and Anouti, 2013), one important avenue for further research is to examine the influence of subnational and multinational actors in order to track whether their holding power also mediates local content implementation. The literature (Chapter 2) suggests that power and control in resource governance is quite subtle, not least because more complex patterns of negotiations between national, multinational and subnational actors underlie the shape and performance of institutions in resource rich countries (see Thorp et al., 2012, Singh and Bourgouin, 2013). In this regard, an extended investigation of the power struggles between multinational, national and subnational actors is important to further understand the agential dynamics at the heart of local content governance.

Second, the insights generated by the extended political settlements framework could be further tested within Ghana’s mineral sector, where recent reforms seek to increase national participation. The restructuring of the mineral sector compares well with the local content reform that followed the discovery of oil. Both seek to optimise resource extraction in ways that maximise national gains through employment, local participation and technology transfer. Moreover, the disappointing outcomes of Ghana’s mining are a reflection of poor management and limited local control of the sector (Akabzaa, 2009). As such, ongoing mining reforms are expected to generate a lot of capitalists interests and contentions between the state and international mining companies, especially around the proposal by civil society and private sector elites to reserve small scale concessions for Ghanaians (Ghana-News-Agency, 2016). With the growing ‘holding power’ of CSOs and PSOs in political coalitions, mining reforms are likely to be subjected to elite bargaining, similar to the processes that underlay the ambitious local content framework in the petroleum sector.
Third, insights of the extended political settlements framework employed in this thesis could be tested in other petroleum-rich African countries, especially those undertaking legislative reforms to deepen local content. Future research could initially focus on exploring how elite struggles within their prevailing political settlement are shaping local content reforms. This could subsequently take a comparative form. For example, Nigeria and Kenya fit a competitive clientelist political settlement framing; hence their local content reforms offer a good comparison to Ghana’s experience. Further, a comparative research effort could explore Ghana’s competitive clientelist driven local content campaign to that of Uganda’s dominant leader and Tanzania’s dominant party settlements.
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Appendices

Appendix 1: Interview Guide

Exploring the Politics of Elite Commitment to Local Participation in Oil

Introductory statements and guidelines

1. Introduction
2. Indicated to respondents the estimated duration (45mins to 1hour) of the interview session
3. Provided statement of confidentiality
4. Got informed consent before starting each interview session
5. Checked if the interviewee was happy to be recorded
6. Inquired after the end of each interview session if respondents had any questions for me
7. Asked respondents after interviews if they knew other knowledgeable people (in my area of research) they could recommend to me
8. Thanked respondents after each interview session and checked if I could contact them again on any issues I needed clarity on.

The nature of elite bargaining around local content

1. Can we talk a little about the key local content initiatives under the current local content framework and how these differ from those in the Ghana Petroleum regulatory Authority bill and PNDC law 84?
   a. What key factors do you think accounted for these differences?
   b. Would you say politics played a role and how?
2. Let’s talk specifically about the local content policy processes of the NPP and the NDC after the discovery of oil in 2007.
   a. To what extent were you involved in these policy processes and how did you become involved?
   b. What specific role did you play in each policy process?
   c. What key issues or proposals did you make and why?
   d. Who else was involved in each of the processes and what proposals did they make?
   e. What power do you think these individuals or groups had in both policy processes?
   f. Who did you work with and/or did your proposals attract any support from other individuals or groups?
   g. How did this partnership help advance your cause and why?
   h. Were there any differences between the two policy processes, and if so what key mechanisms do you think informed these difference?
   i. Would you say the interests and ideas of politicians in either parties played a role it framing their respective local content approaches? Please give reasons for this
3. Ghana’s local content framework has been described by industry pundits as strict and ambitious, can you identify the specific interests and ideas behind this and how you supported or resisted these interests and ideas?
   a. To what extent did good practices and experiences influence local content decisions?
b. What do you have to say about arguments Ghana’s ambitious local content framework can undermine implementation processes, particularly because of the general lack of technical and financial capacities of Ghanaians?

c. What do you consider would be the key challenges to enforcing these ambitious local content targets and what mechanism have been put in place to address these?

The politics of local content implementation

4. We have talked a lot of about the networks and relationships behind Ghana’s local content framework. Let’s talk a little about the state and processes of implementing the local content policy.

a. What were the key implementation challenges to the local content policy?

b. What have been the interests and ideas driving or inhibiting local content implementation?

c. What negotiations and compromises helped address implementation battles and who were the key players behind these?

d. What specific role did you play in these battles?

e. To what extent did your engagements and negotiations inform the strategies of the Petroleum Commission to enforce local content?

f. Were there any other forms of political and institutional support to help drive the Petroleum Commission’s implementation capacities, and if so what were these?

g. How did these strategies help the Petroleum Commission implement the local content policy?

5. Would you say local content implementation has generally followed the law, and what factors account for this?

a. What would you consider are the key achievements and challenges of Ghana’s local content implementation so far?

b. Can you quantify these achievements by giving me an idea of how many and which Ghanaians have benefited from key local content initiatives such as employment, E&P and JV deals?

The political settlements and the implementation of the EDC

1. Can we talk a little about the current state of the EDC- what ideas and interests informed the project and what is the state of implementation?

a. What types of training does the Center offer and what factors informed these?

b. Do you think these training modules are adequate enough to build the technical capacities of Ghanaians firms to engage in the sector and why?

c. What have been the EDC’s main achievements and challenges since its inception?

d. What mechanisms are in place to address such challenges?

e. Who is involved and what role(s) have they played in addressing such challenges?

f. What do you think informed the choice of location for the EDC?

g. What do you think informed the choice of Enablis Ghana as managers of the EDC?
2. Can we talk a little bit about your political, business and professional career?
   a. What business do you engage in?
   b. Where is your business located?
   c. What informed your interest in participating in the EDC training?
   d. What programme(s) are you undertaking in the EDC?
   e. What forms of training have you undergone so far and if not why haven’t you?
   f. Do you think the government is doing enough to support your training in the EDC and why?
   g. Do you support any of the political parties in Ghana, and if yes which party do you support?
   h. What is the nature of your relationship with politicians in your party?
   i. Do they help you grow your business?
   j. Do you sometimes support them in the political activities and if you do how?
   k. Do you think that the government is bias in the implementation of the EDC and why?
   l. Do you think you have power to influence the implementation of the EDC and why?

   Thank you
### Appendix 2: List of Interviewees

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Institution</th>
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<tbody>
<tr>
<td>1.</td>
<td>Afua Amissah</td>
<td>Ministry of Petroleum</td>
</tr>
<tr>
<td>2.</td>
<td>Anonymous</td>
<td>ENI oil services company, Ghana</td>
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<td>3.</td>
<td>Anonymous</td>
<td>Halliburton Ghana Limited</td>
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<td>4.</td>
<td>Anonymous</td>
<td>Anonymous Rigworld International Services</td>
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<td>5.</td>
<td>Anonymous</td>
<td>Tullow Ghana Official</td>
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<td>6.</td>
<td>Anonymous</td>
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<td>7.</td>
<td>Anonymous</td>
<td>Ghana Small and Medium Scale enterprise (GhSME) Owner</td>
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<td>8.</td>
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<td>13.</td>
<td>Ashun</td>
<td>Schlumberger Seaco Inc.</td>
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<td>14.</td>
<td>Benjamin Boakye</td>
<td>Africa Center for Energy Policy (ACEP)</td>
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<td>15.</td>
<td>Bernard Anaba</td>
<td>Integrated Social Development Centre (ISODEC)</td>
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<td>16.</td>
<td>Bishop Akolgo</td>
<td>ISODEC/Petroleum Commission</td>
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<td>17.</td>
<td>Charles Abbey</td>
<td>Association of Small Scale Industries (ASSI)</td>
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<td>18.</td>
<td>Dr. Dominic Ayine</td>
<td>Member of Parliament (MP) Bolgatanga East Constituency</td>
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<td>19.</td>
<td>Dr. Franklin Oduru</td>
<td>Center for Democratic Development (CDD)</td>
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<td>20.</td>
<td>Dr Juliette Twumasi-Anokye</td>
<td>Petroleum Commission</td>
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<td>21.</td>
<td>Dr. Mohammed Amin-Adam</td>
<td>Africa Centre for Energy Policy (ACEP)</td>
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<td>22.</td>
<td>Dr. Bernice Anowa Welbeck</td>
<td>Ghana Labour Commission</td>
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<td>23.</td>
<td>Dr Kwabena Donkor</td>
<td>Member of Parliament, Pru East constituency</td>
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<td>24.</td>
<td>Dr Paul Frempong</td>
<td>Ministry of Petroleum</td>
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<td>25.</td>
<td>Dr. Prince Kofi Kludjeson</td>
<td>Association of Ghana Industries (AGI)</td>
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<td>26.</td>
<td>Dr. Steve Manteaw</td>
<td>Integrated Social Development Center</td>
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<td>27.</td>
<td>Edward Bawa</td>
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<td>28.</td>
<td>Eric Pwadura</td>
<td>Ghana National Petroleum Corporation (GNPC)</td>
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<td>29.</td>
<td>George Oakley</td>
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<td>Georgina Aboah</td>
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<td>Hamis Ussif</td>
<td>Ghana National Petroleum Corporation (GNPC)</td>
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<td>32.</td>
<td>Henry Akwaboah</td>
<td>Association of Oil Marketing Companies (AOMC)</td>
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<td>33.</td>
<td>Hon. Adam Muntawakilu</td>
<td>Member of Parliament, Damango Constituency</td>
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<td>34.</td>
<td>Hon. Alhaji Inusah Fuseni</td>
<td>Member of Parliament, Tamale Central Constituency</td>
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<td>35.</td>
<td>Hon. Kwaku Agyeman-Manu</td>
<td>Member of Parliament, Dorma Central Constituency</td>
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<td>36.</td>
<td>Hon. Asiawiah Isaac Kwame</td>
<td>Member of Parliament, Atwima Mponua Constituency</td>
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<td>37.</td>
<td>Hon. Hammond Kobina Tahir</td>
<td>Member of Parliament, Adansi-Asokwa Constituency</td>
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<td>38.</td>
<td>Isaac Amihere</td>
<td>Enterprise Development Center (EDC)</td>
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<td>40.</td>
<td>Ken Owusu</td>
<td>National Development Planning Commission/Petroleum Commission</td>
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<td>41.</td>
<td>Kwaku Addo Darko</td>
<td>Ghana National Petroleum Corporation (GNPC)</td>
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<td>42.</td>
<td>Kwaku Agyeman-Duah</td>
<td>Association of Oil Marketing Companies (AOMC)</td>
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<td>Kwaku Boateng</td>
<td>Petroleum Commission</td>
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<td>Kyei Alex</td>
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<td>Michael Tawiah</td>
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<td>47.</td>
<td>Nuetey Adzeman</td>
<td>Ghana Oil &amp; Gas Service Providers Association (GOGSPA)</td>
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<td>48.</td>
<td>Okai, Joseph</td>
<td>Ministry of Petroleum</td>
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<td>49.</td>
<td>Patrick Eshun</td>
<td>Enterprise Development Centre (EDC)</td>
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<td>50.</td>
<td>Professor E. Gyimah-Boadi</td>
<td>Center for Democratic Development (CDD)</td>
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<td>51.</td>
<td>Professor Joe Amoako-Tuffour</td>
<td>African Centre for Economic Transformation (ACET)</td>
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<td>Professor Thomas Akabzaa</td>
<td>Ministry of Petroleum</td>
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<td>53.</td>
<td>Priscilla Antwi-Boasiako</td>
<td>Petroleum Commission</td>
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<td>Seth Twum-Akwaboah</td>
<td>Association of Ghana Industries</td>
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<td>55.</td>
<td>Willie Shamo</td>
<td>Ministry of Petroleum</td>
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