

## **Sovereignty, the 'resource curse' and the limits of good governance: a political economy of oil in Ghana**

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### **Abstract**

The idea of a resource curse has influenced policy makers and led to calls for good governance to avoid the pitfalls of oil sector development. Through discussion of Ghana's recent insertion into the global political economy of oil, this paper describes the limits of the resource curse framing and associated liberal institutional management approaches to the inherently political nature of oil exploration and production. The paper describes ways in which sovereignty has been exercised both in opposition to and in support of foreign capital, and the role of discourses of 'good governance' in structuring the material politics of resource access.

### **Key words**

Ghana; Good Governance; Oil; Political Economy; Resource Curse; Sovereignty

## Introduction

Within African Studies oil has come to be described as perhaps the most captivating and fetishised commodity. An extensive body of work has been devoted to analysing the ways in which the particular properties of oil engender 'failed states' (Karl 1997). Observations of persistent underdevelopment and gross inequality in oil-rich states have evoked accounts in which the very presence of oil is seen as a 'resource curse' leading to the corruption of state institutions and individuals, macro-economic crises, and local and national conflicts (Ross 1999). The curse may manifest differently in varied contexts, but the literature has converged around a similar set of political or economic issues, including: the appreciation of exchange rates that accompanies growth in exports and undermines non-resource sectors such as agriculture and manufacturing (the so-called 'Dutch disease'); the perverse effects of windfall rents and the development of unaccountable, rentier institutions of the state; and assessments of correlations between economic growth and resource dependency (Sachs and Warner 1999).

If the resource curse can be broken, it is suggested, oil production may provide vital capital to propel economic development. Much scholarly and policy attention has laboured over the ways in which oil production may be disciplined via rational and appropriate governance. The objective of this later work is to delineate strategies for managing oil such that often poor, nascent producers may benefit. Metaphors of 'curses' and 'blessings' have been translated into the technocratic language of economics and policy. In these accounts, politics is primarily a technical factor in the management of resources and revenues. Associated policy prescriptions couched in the discourse of 'good governance' focus attention on state institution building, transparency and accountability of revenue management, involvement of civil society, and prudent economic policies (World Bank 1997; 2013).

Oil is so closely associated with corruption and inequality in countries such as Nigeria, Angola and Equatorial Guinea, that the *idea* of the resource curse has become a powerful narrative in a number of new oil producing states in Africa, including Ghana. Through associated policy prescriptions and interventions, the resource curse thesis has power not only as a set of management norms, but as an 'economic device' that shapes how resource development is constructed (Weszkalnys 2011). Oil discoveries bring an influx of not only major oil companies, but also innumerable advisory bodies, donors, consultants and NGOs versed in the international best practice of oil sector management. Through these actors, the resource curse thesis and its

underlying economic theory are not simply applied un-problematically in new oil states, but are adapted into existing political, economic, and socio-cultural environments.

The political currency of the resource curse mobilises a normative institutionalist discourse and spreads liberal norms of economic and environmental governance, whereby the right institutions and structures of management can create the conditions for transparent and accountable resource management (see Williams 2010). Good governance comes to imply a limited role for the state (World Bank 1997; Weiss 2000). Although good governance is understood in various ways by different institutions, a fundamental problem lies in the narrow view of politics and government. Little or no attention is paid to political interests and competition – within or outside the state – which shape who wins and who loses from oil extraction. This managerial approach is exemplified by voluntary good governance initiatives such as the Extractive Industries Transparency Initiative (EITI). Herein lies an analytical problem of the resource curse thesis and its political mobilisation to date: the tendency to address the spectre of resource determinism through a form of techno-managerial solutions and principles of ‘good governance’.

In contrast, analyses of the context-specific political economies of oil have highlighted the complex nature of oil governance in Africa in which local political dynamics, existing class relations, and ‘resource violence’ are re-worked through the transnational business of oil production (e.g. Le Billon 2008; Watts 2007). The more technocratic resource curse thesis has remained focused on a national frame of analysis, and typically failed to offer nuanced analysis of the complex political processes, structural relations of state, capital and class, and the agency through which policies are designed, mediated and implemented (see Rosser 2006). Consequently, what is often missing in policy debates over oil-led development is an appreciation of the politics of production and resource control, which extends beyond territorial borders of the nation-state or centralised governmental bureaucracies to include the global political economy of oil (Bridge 2008). Given the status that Ghana holds as a haven of good governance in Africa, its nascent oil economy provides a particularly relevant context in which to explore forms of consensual ‘post-politics’ (cf. Swyngedouw 2011). That is to say, the formation of a technocratic, managerial and consensus-seeking form of politics, with the foreclosure of politics proper, understood as the opening-up of issues to conflicting views and alternative social relations.

The failure of the World Bank in Chad to lever oil for development through targeted liberal policy interventions is perhaps the most prominent example of an inability to grasp and transform the

inherently political formations of oil (Massey and May 2005). Despite extensive mechanisms to ensure government transparency and direct impositions of state sovereignty with respect to revenue management, the World Bank's interventions in Chad ended with negative social and environmental impacts, conflict, and economic mismanagement that were shaped by pre-existing power relations within and beyond the Chadian government (Carmody, 2009). However, where Chad's postcolonial history is marked by factionalism, instability and violent conflict, and where the intractable oil politics of the Niger delta have rendered the space 'ungovernable' (Watts, 2004), the challenges facing Ghana are typically considered to be different in ways that render oil inherently more manageable.

Based largely on partial accounts of structural adjustment programmes, Ghana has become a poster child of the International Finance Institutions (World Bank 1993) despite continued concerns over budget management. Advocates for the good governance of oil find cause for optimism in Ghana on the basis of its democratic credentials. The suggestion is that Ghana can succeed where others have failed, because unlike Chad, the Ghanaian polity is closer to a Weberian rational-legal ideal, presiding over a formally liberal market economy marked by respect for the rule of law; a history of democratic transitions of power; a stable parliamentary democracy; and a 'functioning' civil society (e.g. Kopyński *et al.* 2013). The experiences of adopting good governance reforms in the mining industry do not give rise to the same confidence, having had a limited effect on the power held by transnational companies, or the poverty experienced by mining communities (Bush 2008). If political economy is acknowledged to influence the prospects of mishandling Ghanaian oil, it is through creating incentives for state mismanagement of oil licensing and revenue collection, weak state capacity to develop and enforce legal frameworks, limited parliamentary oversight, reckless spending, opportunities for corruption and neo-patrimonialism, and a general lack of transparency (STAR-Ghana 2012).

In contrast to this liberal institutional framing, in the following account we build on a body of literature that applies global political economy analysis to resource politics (Obi 2010; Watts 2004; 2007). All too commonly oil politics are reduced to determinant relationships between resources and negative outcomes, and for which state-centric, national scale analysis has proven inadequate in explaining the distribution of the costs and benefits of African oil. Oil discoveries do not trigger the rupture in economic and social affairs that it is commonly attributed to the resource. Rather, oil is typically merely an 'idiom for doing politics...inserted into an already existing political landscape of forces, identities, and forms of power' (Watts 2004: 76).

We adopt a framework for analysis that accounts for the power of ideas embodied in discourses of good governance and the resource curse on the one hand, and the structural, political economic power that shape control over resources, finance and production on the other. It is in the co-existence and co-construction of these discursive and material forms of power that the politics of oil in Ghana are contested. The story of access to Ghana's oil is one of complex political relations and normative ideas of good oil management, manifest in a particular Ghanaian *real politick* that shapes the practice of sovereignty and the formation of transnational alliances between state and international capital.

Our empirical focus is on the negotiation of oil exploration and production rights, encompassing structures of ownership, access to finance, relationships in the oil production network, and the geopolitics of resource access. We describe key events and processes that are shaped by historical processes of uneven development, global divisions of labour, and national development of enclaves of resource development (Smith 1984; Ferguson 2006). Considering the common question of whether Ghana's citizens will benefit from oil, we suggest that this global analysis of value distribution and the (re)formation of sites of political power can be more revealing than the narrow focus on national management of resource rents emphasised in resource curse framings. To the extent that resource curse approaches direct attention away from historical political processes and power relations, they can be considered to de-politicise resource development. We draw on 40 interviews conducted in April 2013 and March – October 2014 with government officials, civil society representatives, oil exploration and production companies, and oil service companies, supplemented by a review of secondary sources such as Ghanaian oil sector legislation; conference proceedings and presentations; policy documents; and domestic and international media coverage.

### **Discovering oil in Ghana: the contested construction of an attractive investment climate**

In Ghana's offshore oil deposits, geology, geography and politics combine in an attractive new prospect for oil importing states. Despite limited proven reserves, Ghana's oil is 'sweet' (containing few impurities) and 'light' (low density) such that refinery costs can be kept relatively low. It is offshore, minimising the risks of political violence and discontent that have disrupted supply in the Niger Delta and elsewhere, and Ghana has been notably responsive to American economic and military interests (McCaskie 2008). The state oil company, Ghana National Petroleum Company (GNPC), and a handful of international oil companies unsuccessfully

pursued oil exploration for decades before its eventual discovery in commercial quantities in 2007. The more recent approach of the Ghanaian government to resource extraction has been typical of many African government turns to 'strategies of extraversion' (Bayart 2000), in which economies are outward-looking not only in the export of natural resources, but in the expatriation of profits as well. To attract foreign investors, and influenced by the lobbying of international oil companies, Ghana has operated a liberal, non-proprietary model of oil concessions, in which revenue capture via ground rent, royalties and taxes are eschewed in favour of attraction of investment and competition between oil producing states.

By the early 2000s GNPC had been downsized following growth in its size and scope without demonstrable signs of success. GNPC had come to be considered by many as a drain on public resources rather than the tool of the developmental state that its founders had envisioned. Through liberalisation of the oil sector under the Kufuor administration and supported by Bretton Woods institutions, GNPC was restructured and its role redefined from oil explorer to facilitator of international investment for oil exploration. In 2004, via the connections of a small, inexperienced Ghanaian oil company – the EO Group – the Government of Ghana signed a significant petroleum exploration agreement with Kosmos Energy, a small Texan oil exploration company. Backed by US\$300 million of US equity finance, Kosmos had a business model and appetite for risk to invest in a country where no significant commercial discovery of oil had yet been made, but which had promising prospects. Kosmos discovered viable oil deposits in the offshore Tano Basin in 2007, illuminating new prospects for the Ghanaian economy. Yet struggles for oil control that followed reflected long-standing historical political relations of resource development and decades of unfulfilled dreams of oil wealth.

From the moment of discovery, oil rapidly became a site of political contestation. Reaction from media and politicians simultaneously drew on narratives of both divine providence for the 'blessing' of oil, and fears of the worst impacts of the 'resource curse' (McCaskie 2008). For the Kufuor administration, Kosmos's success was validation for the New Patriotic Party (NPP) programme to reduce barriers to foreign investment in resource extraction, while the opposition National Democratic Congress (NDC) claimed responsibility for historic exploration efforts by GNPC that made the discovery possible. After a change of government in 2008, the petroleum agreement drawn between Kosmos and the Kufuor administration came under scrutiny by John Atta Mills and his NDC party, with which GNPC had much closer personal connections (Interview with oil company staff).

GNPC and the new NDC administration claimed that Kosmos had used openly acknowledged personal connections between the EO Group and President Kufuor to negotiate a petroleum agreement on what GNPC personnel considered to be 'scandalously generous terms' (interview with Senior GNPC staff). The new, generic Model Petroleum Agreement had been designed to be favourable for international investors, including a significant reduction in both royalties for the government and the participating stake held by GNPC. More significantly though, the specific Petroleum Agreement offered to Kosmos was on considerably more generous terms than those offered to other international oil companies that had explored in the same area. Industry analysts' estimated that the Kosmos contract would lose the government US\$3.8 billion in tax revenues over the life span of the West Cape Three Points block in comparison to Tullow Oil's terms for the adjacent Deepwater Tano block (Wood Mackenzie 2012). NDC officials also suspected that a slice of the success fee paid by Kosmos to the EO Group had been passed on to allies in the Kufuor government (Africa Confidential 2010). The US Justice Department and the Ghanaian Attorney General launched separate investigations into the relationship between Kosmos, EO Group and the Kufuor administration, while Kosmos maintained that favourable terms were a necessary condition to entice investment in a commercially risky environment, and reflected the company's investment in additional seismic data that confirmed the commercial discovery.

The construction of the investment risk-reward profile in Ghana was critical to the distribution of value in these early contracts and those that followed. The political influence wielded by Kosmos and the EO Group was instrumental in this regard. The Ghanaian state, as the instigator of neoliberal reforms, led the process of re-regulation of the oil sector that opened the sector to foreign investment on favourable terms, and formed the centralised structures through which favourable contract negotiations were pursued. GNPC has since lamented the effect of the Kosmos contract on Ghana's negotiating power in subsequent agreements (interview with senior GNPC staff). Financial incentives for foreign oil companies in Ghana are now among the most attractive in the region (Wood Mackenzie 2012). Moreover, several years into production, income tax collection from oil companies remained suppressed by accelerated capital allowances and inter-company interest deductions that are insufficiently addressed by Ghana's Petroleum Income Tax Law (World Bank 2013). For international oil companies, these investment incentives and accounting methods remain necessary, since production capacity has not met initial expectations, subsequent discoveries have not been as significant as those of the Jubilee field, and oil exploration risk remains high regardless of the proximity of proven reserves (World

Bank 2013; interview with oil service company staff). Nevertheless, when Kosmos opted to exit Ghana, an opportunity arose for the government and GNPC to take a more active interventionist approach to oil contracts.

### **Struggles for sovereign resource control**

Kosmos relations with the NDC government deteriorated further when the company moved to sell its 23.5 percent stake in the Jubilee field. Consistent with its high risk, high return business model, Kosmos had entered Ghana with the prior intention of selling its stake at the onset of commercial production. Moreover the on-going effects of financial crisis in the US and Kosmos's majority shareholders – private equity companies Blackstone Group and Warburg Pincus – created pressure for a quick sale. In 2009, Kosmos attempted to make a direct sale of its stake in the Jubilee field to ExxonMobil for a deal worth US\$4.3 billion, without consultation with the government or GNPC. News reached GNPC through personal communication with potential buyers, infuriating senior GNPC officials, who had expressed interest in acquiring the stake. GNPC swiftly signalled that it opposed the sale to ExxonMobil (Africa Confidential 2010).

As tensions escalated between Kosmos and the Ghanaian Ministry of Energy, ExxonMobil attempted to exploit the centralised power of the Ghanaian Executive to secure the sale. In September 2009, the Chairman of ExxonMobil Rex Tillerson arranged a hotel room meeting with Ghanaian President John Atta Mills on the side-lines of the UN General Assembly Meeting in Washington DC, in which the President was informed of the Sales and Purchase Agreement between Kosmos and ExxonMobil (Bergin 2012; interview with senior staff, MoEP). Meanwhile in London, Kosmos had invited GNPC staff to attend a parallel meeting under the auspices of diffusing tensions between the two companies, an act perceived by GNPC staff as a strategy to separate communication between GNPC and the President (interview with Senior GNPC staff).

Tillerson's efforts to secure the deal with Atta Mills in Washington were ultimately unsuccessful. Insiders attributed the rebuff to the arrogance of ExxonMobil's leadership in assuming the supremacy of its negotiating power over the Ghanaian government. Kwabena Donkor, subsequently head of Ghana's new oil regulator, recalls that Tillerson had presented the sale as a '*fait accompli*' (quoted in Bergin 2012), irritating the President and strengthening support for GNPC and the Ministry of Energy in their stance against Kosmos and ExxonMobil (interview with senior staff, MoEP). However, despite the lack of an official agreement with the Ghanaian



government, in the following month ExxonMobil announced that it had signed a binding agreement to acquire the Kosmos stake in Ghana's Jubilee field.

The dispute became a material and symbolic battlefield over sovereignty between state and corporate power, as the government struggled to assert supremacy over the right to award access to Ghanaian resources. Grounds for the conflict partially arose out of interpretation of Kosmos's Petroleum Agreement and Ghana's Exploration and Production law (PNDC 1984). Tillerson's confidence in unilaterally declaring ExxonMobil's acquisition was based on an interpretation in which Kosmos had no obligation to inform the Ministry of Energy or GNPC of its intention to sell its stake to any other party. GNPC's opposition to the deal was motivated by its interest to increase its own stake in the field, yet the Exploration and Production law contained no 'right of first refusal' for the national oil company in any transfer of ownership. Rather, GNPC opposed the sale on the basis that Kosmos had breached the Petroleum Agreement by failing to seek the written consent of GNPC and the Minister of Energy in advance of the sale, undermining the government's right to grant legitimacy to operate in its sovereign territory.

The government and GNPC countered the threat of the sale through legal and commercial means. First, GNPC opted to pursue legal proceedings against Kosmos for unlawfully disseminating seismic data to around twenty prospective buyers, depriving GNPC of data access fees associated with its intellectual property. Second, the government hired Goldman Sachs to identify alternative partners for a rival bid led by GNPC. With tensions escalating further, ExxonMobil lawyers threatened legal action in Texan courts against Goldman Sachs, the Chinese National Offshore Oil Company (CNOOC), and others on the grounds of 'tortious interference' in its contractual relations should an alternative bid materialise.

With the emergence of a counter-offer for the Kosmos stake, US state concerns over Chinese access to Ghanaian oil became apparent. President Atta Mills met the US Assistant Secretary of State for African Affairs in Washington to allay fears that Ghana was favouring Chinese investment through the joint bid between GNPC and CNOOC (Africa Confidential 2010). Kosmos contracted veteran Washington lobbyist Riva Levinson to ensure that the terms of debate were set as a breach of contractual terms by the Ghanaian government. In Ghana, the US Embassy was mobilised to pressure the Ghanaian government into halting GNPC's legal proceedings against Kosmos (interview with senior staff, MoEP). Given the US Democratic Party's long term support for the ruling NDC, rumours circulated in Accra that American

influence could be exercised through shifts in party political backing (interview with senior staff, GNPC and MoEP).

The contradictory position of British interests was highlighted by the lobbying of its High Commissioner in Accra. The British High Commission was initially supportive of US pressure on the Ghanaian government, protecting the Ghanaian interests of Anglo-Irish company Tullow Oil, the operator of the Jubilee field. As recalled by senior GNPC staff, the High Commissioner met with the Minister of Energy to make clear Britain's position on the sanctity of contracts and the importance of international investor confidence. Yet after learning of discussions over BP's involvement as a technical partner in the GNPC-CNOOC counter offer, the High Commissioner returned days later to lobby the Minister of Energy from a seemingly contrary position: that Ghana must protect its sovereign resources and build the capacity of its national oil company through partnerships with international companies such as BP (interview with senior GNPC staff).

At the height of the dispute, the NDC's challenge to Kosmos and ExxonMobil was potentially significant for oil investors and confidence in the continuity of stable and attractive investment environments. Even in the notoriously 'unstable' political environment of Nigeria, the government's courting of international oil companies had remained remarkably consistent through changes of government, providing commercial stability amidst political instability (Frynas 1998; Ferguson 2006). Commodity prices at the time were historically high, enabling an apparent swing of power toward producer states. Yet in Ghana, despite the more assertive role taken by state institutions, the strategic engagements of the GNPC and the Ministry of Energy remained within the confines of an environment structured around conditions conducive to foreign investment, as became apparent in the resolution of the dispute that followed.

### **Towards conciliation – investor confidence and dispute resolution**

In a letter to ExxonMobil in February 2010 the Minister of Energy formally stated the Ghanaian government's position to support "...the strategic intent and efforts of GNPC to acquire Kosmos Ghana's assets at a fair market price" (quoted in Connors 2010). For Kosmos, the legal and strategic actions of GNPC and the Government of Ghana represented classic rent-seeking behaviour: brazen attempts by a powerful GNPC clique to lower the value of the Kosmos stake, force a discounted sale, and profit from a subsequent re-sale. This position garnered

considerable support in the US media and was capitalised on within Ghana by the opposition party, the NPP (*Wall Street Journal* 2010).

To resolve the dispute, President John Atta Mills formed a committee in August 2010 to review the sale. For the Atta Mills government, an alternative would need to generate more government revenue and demonstrate a greater contribution to the development of a vertically integrated oil and gas industry. Loyalists to the Atta Mills NDC government also feared that EO Group proceeds from the sale would help finance the opposition NPP's election campaigns against the financially vulnerable NDC. The committee's final report advised the President to reject the sale to ExxonMobil, and to support GNPC in its efforts to seek technical and financial partners for a counter offer with the CNOOC. Later in August, a matter of months before the first oil was pumped from the Jubilee field, Kosmos and ExxonMobil announced the termination of their deal, giving little in the way of public explanation. The counter-offer from GNPC and the Chinese oil company was officially rejected by Kosmos three months later. Kosmos Energy was to stay in Ghana.

As commercial production approached, the Government of Ghana and Kosmos took a more conciliatory approach to resolving their on-going dispute. Just as the NDC and NPP had fought bitterly to claim responsibility for the discovery of oil (McCaskie 2008), so too was there significant political capital in presiding over 'first oil'. For the government, the Kosmos-ExxonMobil affair had damaged Ghana's reputation as a haven of good governance and an international business friendly environment, notable in Standard & Poor's downgrading of Ghana's credit rating, which cited as a contributing factor a lack of clarity in oil sector governance. For its part, by rejecting the offers of oil majors, Kosmos had modified its business model of high-risk exploration followed by early divestment. Kosmos opted instead to develop its commercial interests in Ghana, preparing a US\$500m Initial Public Offering (IPO) to raise capital from US markets. An IPO would not involve a change of ownership, but would be impossible under the cloud of legal proceedings by the Ghanaian government, and Kosmos had been strengthened by the decision of the US Justice Department to close its investigation into Kosmos, EO Group and the original Jubilee contract, without bringing charges. The efforts of the Ghanaian Attorney General to declare the EO Group contract null and void was also not pursued, since the cancellation of the contract would have only resulted in the EO Group stake being returned to Kosmos, not to the Ghanaian state. The EO Group was later to capitalise on its facilitative role by selling its 3.5 per cent stake to Tullow Oil in a deal worth US\$305m, creating Ghana's first oil multi-millionaires.

In order to meet production targets, each of the Jubilee partners would soon be required to contribute to sizable infrastructure development costs, adding to incentives on both sides to resolve the dispute. In December 2010, as the Jubilee partners and the government met to celebrate first oil, a truce agreement was signed, granting Kosmos immunity from criminal or judicial actions. As part of the agreement Kosmos agreed to pay US\$23 million to settle its various disputes with GNPC, including the ExxonMobil affair and the illegal dissemination of GNPC data. The payment was also intended to atone for the release of oil-based mud containing heavy metals and drilling fluid in Ghanaian waters on three occasions. A ministerial committee had previously found Kosmos to have demonstrated negligence with respect to the spills, and had recommended imposing a fine of GHC40m (US\$28m). Kosmos had successfully rejected the size of the fine as “unlawful, unconstitutional, ultra vires and without basis” (quoted in Yeboah 2011); an embarrassing affair for the government in which the weakness of Ghana’s environmental law and the limited capacity of its Environmental Protection Agency were evident, while ‘stabilisation clauses’ in Petroleum Agreements dictate that any costs of compliance with new regulations may be borne by the state and not oil companies. The Kosmos press release that accompanied the agreement spoke not of corrective action for environmental pollution, but of “support [for] the Ministry’s efforts to build capacity in the environmental sector” (Kosmos Energy 2010).

Over the course of ExxonMobil-Kosmos affair, the stance of the Ghanaian government had shifted from antagonism to cooperation. The importance of point sources of oil requires that transnational companies remain on relatively good terms with the national elites who serve as gatekeepers to Ghanaian waters. For the government, the norms of neoliberal resource management were challenged up to a point. The disciplining effects of investor confidence, financialisation and shareholder value were inseparable from the structural economic power exercised by international oil companies, their state backers in the US and UK, and the Ghanaian state and national oil company. In analysis that follows, we consider this as a state of governance in which sovereignty is exercised not by the state alone, in isolation from and in opposition to capital, but by a form of state-capital. Before doing so, we turn to another key site of transnational contestation: that of donor relations and the diversification of energy finance in Ghana.

### **Oil revenue management, donor relations, and development**

The dispute and the associated strategies of Ghanaian elites, international oil companies and their state partners demonstrate the potential for legislative instruments to be subverted by powerful economic interests. The draft replacement of the 1984 Exploration and Production Bill is widely considered to protect against the repetition of past problems by introducing transparent competitive bidding and legislating for contract transparency, while maintaining significant powers for the Energy Minister to reject the results of bidding processes. While experience from Nigeria and elsewhere suggests that competitive bidding remains subject to political control, this and other legislative developments represent an extension of the transparency agenda beyond the challenges of rent collection and the creation of sovereign wealth funds that protect against oil price volatility and save revenue for future generations (*Petroleum Revenue Management Act (PRMA)* 2011). The PRMA provides legislation against unaccountable government spending of oil revenue, and is widely considered to provide a strong liberal institutional basis with which to hold government and oil companies to account with respect to oil revenue flows, despite the subsequent chronic under-funding of the independent body tasked with holding government to account (PIAC 2012).

Ghanaian civil society groups fought to influence the PRMA, forming a temporary strategic alliance with the World Bank to ensure that a draft Bill was made public by leveraging the influence of the Bank's budget support to the government; described by the Chairman of the Civil Society Platform on Oil and Gas as 'the only time that Ghanaian civil society has agreed with the World Bank on an issue of conditionality' (interview, Civil Society Platform on Oil and Gas). Yet the global challenges and the structural constraints to the oil industry will likely prove more challenging to overcome than the on-going struggle for transparency. Following their successful market entry in Ghana, Tullow Oil and Kosmos Energy have embraced the transparency agenda by disclosing contracts and publishing payments and receipts on a project-by-project basis; a move that has been notably resisted by other oil companies when proposed by US and EU legislators. But to consider the distribution of value, critical attention is required beyond the good governance of oil revenue receipts.

Ghana's macro-economic management in recent years has undermined its status as a donor darling. Many donors consider the government to have squandered the boom years of high cocoa and gold prices and failed to build a diversified economy that would be resilient to subsequent falls in commodity prices, and that could have avoided a balance of payments crisis and the opening of negotiations with the IMF in late 2014. Pressures from investors, credit rating agencies, and international finance institutions are particularly powerful given the Ghanaian

government's hopes for continued access to credit for large-scale infrastructure projects. After becoming a lower middle-income country in late 2010 through a statistical recalculation of GDP, Ghana faced a transition period after which it would lose access to the cheapest concessional loans from the World Bank, while repayments on existing loans would increase (Jerven 2013). As countries like Ghana turn to Asia for infrastructure finance, the World Bank in West Africa is seeking to remain relevant, partly through the provision of partial risk guarantees for capital-intensive projects, a financial product that other institutions are not positioned to provide, but which Bank staff fear 'may not give us a seat at the table' (interview with senior staff, World Bank).

Ghanaian elites find themselves negotiating a delicate balance, as new foreign investment is increasingly required to develop the infrastructure that the government requires to capture greater value from the oil value chain. Access to oil is a potent driving force behind bilateral relationships with China and the United States in particular, and oil bestows Ghana with a source of bargaining power with the potential to disrupt patterns of uni-directional aid and political conditionality. Securing a \$498m grant from the US Millennium Challenge Corporation for electricity sector reform has been hailed as a key achievement of John Mahama's Presidency amid worsening electricity service delivery, but with little scrutiny of associated conditionalities for tax breaks and private sector participation in electricity distribution (Graham 2015). Meanwhile China's petroleum investments in Ghana represent part of global shifts in trade, aid, and energy and mineral demand, but have been no less problematic.

Though not without historical precedent, the growth of Chinese state and Chinese company investments in Ghana is significant. By far the largest Chinese investments in Ghana to date has been through a US\$3 billion loan agreement with the Chinese Development Bank (CDB), backed by future oil revenues. The first project to be approved saw the CDB provide US\$850m for the development of infrastructure to process natural gas from the Jubilee oil field, in return for guaranteed supply of Ghanaian oil at market price. The turn to China trumped several alternative sources of finance. One was a joint venture with the National Gas Company of Trinidad and Tobago (NGC) that would promote technological capabilities of GNPC in gas processing (interview with senior GNPC staff). Another was an IRDB loan offer from the World Bank. The government closed negotiations on the grounds that World Bank conditions such as open tendering and social and environmental safeguards would slow the project considerably (interview with staff, World Bank). Facing an on-going electricity generation crisis, disrupted supplies of natural gas from Nigeria, and looming geophysical limits to the reinjection of

associated gas into its own oil reservoirs, the Ghanaian Executive hastened to use the Chinese CDB loan to finance the gas infrastructure.

The CDB loan demonstrates a certain level of agency for Ghana's elites in their (albeit closed and opaque) negotiations over access to finance from multiple public and private sources. But the loan has been highly problematic for the Ghanaian government, undermining the decision to turn to China on the grounds of urgency. The condition precedents of the loan were not finalised before its public announcement, and since Ghanaian negotiators failed to ensure that the supply of oil to its Chinese buyer was contingent on loan disbursement, the project was seriously delayed with no incentives for Chinese negotiators to disburse the funds. Perhaps more significant than the source of finance are the conditions of funding mechanisms that are employed by different sources of international finance, given the role that good governance interventions and the World Bank have played in the past by actively constructing liberal states such as Ghana (Harrison 2004; Williams 2010). As Tan-Mullins et al. (2010) note, Ghana's turn to Chinese sources of finance is not only an issue of commercial value and competitive choice; it also invokes a choice over different approaches to development itself.

### **State-capital-sovereignty**

Many of the key moments in the struggles for access to Ghana's oil bear the hallmarks of the opaque decision-making processes and financial flows that are targeted by good governance interventions, best practice policies, and voluntary standards, codes and disclosure. Yet the transparency of information is limited as a means to reduce conflict and disagreement. Ghana's attempts to question petroleum agreements through legal channels attest to the blurred lines between corrupt practices and privileged access to resources for international capital in risky economic environments. In the analysis that follows, we discuss the exploration and discovery of oil as a key moment of primitive accumulation presided over by a core set of capitalist actors within and outside the Ghanaian state. We consider the ways that norms of governance have structured sovereignty both in opposition to and in support of capital, to secure resource access and ensure a stable and predictable environment for the orderly export of oil.

On the one hand, many developing countries are undoubtedly unable to exercise control over global market forces. Ghanaian government attempts to compete with international investors over resource access demonstrate the limited material power of the state over international

capital. In this respect, the sovereignty of African states is indeed affected through direct interventionist means that have followed the structural adjustment era: the direct 'good governance' interventions that purposefully reshape core state institutions in particular ways and have seen sovereignty shared on unequal terms between developing countries and transnational institutions such as the World Bank (Keily 1998; Carmody 2009). These include interventions such as those attempted by the World Bank in Chad, where sovereignty was directly infringed by Bank conditionalities that required government revenues to be held by the Bank, and expenditure was to be authorised by domestic non-governmental organisations and governmental institutions (Massey and May 2005).

However, sovereignty in African oil economies is commonly understood to operate only on oppositional terms, in which states compete with investors, or alternatively in which elites form partnerships with oil companies in the creation of 'successful failed states' (Soares de Oliveira 2007), Ghana's engagements with international oil companies demonstrates how perceptions of good economic management, investor confidence, non-proprietary models of resource development, and neoliberal norms of good governance can both constrain state action and redirect its goals. The escalation and resolution of oil disputes in Ghana demonstrate a form of state-capital-sovereignty, constructed by a transnational capitalist class that comprises elements of domestic and international capital, technical professionals, and state bureaucrats operating on the international stage. Here then, 'sovereignty itself is made through a constellation of mutually reinforcing conditions and constraints placed upon the state by capital, and vice versa' (Emel et al. 2011: 77).

The 'extraversion' of Ghana's economy is important in shaping the ways that sovereignty is formulated and practiced (Bayart 2000; Gill 1998). The centralised state provides a notably efficient means for international capital to negotiate control over offshore oil resources. In the case of oil, the territorial basis is critical to this formation of state-capital sovereignty. A national territorial frame of sovereignty over resources has been actively created through colonial and post-colonial concession and mineral extraction legislation (Nii Botchway 1998). The nation-state has become the exclusive owner of minerals 'in, under or above' Ghana's land and waters, ensuring the state's exclusive role in allocating mining rights and collecting associated rent and royalties (Ghanaian Constitution, Art. 257(6), 1992). The inaccessible, uninhabited offshore location of Ghana's oil fields make ownership unproblematic, in contrast to onshore mineral mining or oil exploration, which is perceived by oil company staff as subject to a disruptive political economy of land based on contested claims of ownership over subterranean resources



(interviews with international oil company and GNPC staff). In short, Ghana's offshore oil blocks might be understood as spaces of 'neoliberal exception', enabling particular models of capital accumulation that are secured by state authority (Ong 2006). Chalfin (2015: 109; original emphasis) describes these as '*semi-sovereign* realm[s] where the Republic of Ghana and its various agents and representatives claim ultimate authority even as they rely on private capital to actualize its potential'

The norms of good governance play an active role in constructing this environment for a stable accumulation regime. Discourses of transparency and accountability provide the appearance of an 'ethical capitalism', one in which oil is constructed as simultaneously more justly and more easily secured (Weszkalnys 2011). As analysis of profitable oil ventures in Nigeria or Angola demonstrate, it is problematic to assume that political instability hinders capital accumulation or indeed that good governance enables it (Frynas 1998; Ferguson 2006). Rather, providing oil majors with legal authority has proven to be a more critical sovereign role of these states in the past; a system that is being reshaped through efforts to incrementally 'indigenise' oil production among Nigerian elites (Ovadia 2013). The Ghanaian – an African poster child of good governance – has been able to both oppose and support foreign capital at different times under the national territorial frame, operating within the confines of 'enabling economic environments'. As Emel et al. (2011: 77) state, although resource nationalism can be exercised in opposition to foreign capital, 'it is hard to imagine the notion of "foreign direct investment" existing at all, without the geographical presupposition of national sovereignty'. The state in Ghana then remains a vitally important player in the oil commodity complex, not only as an instigator of neoliberal reform, but in the construction of relational forms of state-capital sovereign control over resources.

### **Opening the enclave?**

Who benefits from this configuration of sovereignty in resource control? The Ghanaian state is making a trade-off with foreign capital that has been made by many African states before: exchanging territorial access for technological access, or the means to extract resources and enable primitive accumulation in technically challenging environments. Yet the capital, technology, and expertise required for offshore oil production means that oil is governed in different ways to Ghana's other transnational extractive industries such as gold mining. This material context shapes the Ghanaian state's strategies to capture more of the benefits of oil

production, beyond the collection of rents from foreign companies that define the mining sector. In contrast to 'post-neoliberal' Latin American oil economies, or threats of resource nationalism, state assets are to be expanded through competitive means, without damaging investor confidence or limiting the opportunities for international capital accumulation, primarily through partnership with GNPC. GNPC is a technically capable and politically powerful state-owned enterprise without parallel in the liberalised mining industry. Following international best practice, the Ghanaian Executive has sought to limit GNPC's governing role, while continuing to utilise its technical expertise in negotiation with international oil companies. GNPC has maintained influence over policy development and the allocation of oil revenue, while ostensibly being stripped of its *de facto* role in regulation and re-positioned in a commercial role as a state-owned company, simultaneously in open competition and partnership with international companies. Likewise, other strategies of 'benefit maximisation' have targeted market-led industrial growth strategies, such as the establishment of a training centre to develop technical capabilities in the Ghanaian labour force, or establishing Ghanaian ownership of natural gas infrastructure to drive domestic industrialisation.

However, the rhetoric of oil-driven industrialisation in Ghana has not been supported by inter-sectoral industrial policy. Rather, the government has legislated for Ghanaian ownership and participation in oil exploration, production and associated service industries. Local Content legislation represents one attempt by the Ghanaian state to open the 'enclave economy' of oil to a set of domestic capitalists that might provide greater forward and backward linkages to the rest of the Ghanaian economy (MoEP 2013). It is also considered by watchdog organisations and donors to be a primary vehicle for patronage in Ghana's new oil economy, which remains unchecked by Local Content legislation that assigns discretionary power in the allocation of contracts to the Minister of Energy and Petroleum. A succession of new exploration contracts were swiftly signed in advance of new transparency legislation, allocating stakes in new oil concessions to well connected individuals, and inexperienced Nigerian oil companies of undisclosed ownership (interview with civil society representative).

Local Content legislation has sought to maximise employment and training for Ghanaian workers, but neither a long-term development plan nor a coherent industrialisation strategy has emerged to manage the relationship with international capital. The development of such policies would require fundamental change in the highly competitive form of patron-client electoral politics that shape the extraversion of the Ghanaian economy and its sub-national roots (Whitfield 2011). These fundamental political incentives for elites in the minerals-based

economy have remained largely unchanged by the advent of oil production, as evident in the account above. Without a shift in political incentives among Ghanaian transnational elites, the development of a long-term industrialisation strategy that is integrative of the different priorities of energy, finance, trade, and industry, appears unlikely. In this context, the prospects appear limited for countering uneven development that has seen the division of Ghana into useless and useful spaces for international capital or – in the case of the low employment, highly skilled upstream oil industry – where useful spaces are occupied by useless people (cf. Murray Li 2010).

Where the trade-offs and political challenges of oil are readily acknowledged, donors and radical critics alike place hope in the role of democratic politics to open the enclave by creating accountable institutions for oil management and fairer distributions of goods and bads of oil development (e.g. Obi 2010; STAR-Ghana 2012). For donors, the role of ‘civil society’ is particularly important to ensure that the transparency of oil receipts and decision-making processes translates into more accountable institutions (STAR-Ghana 2012; Extractive Industries Transparency Initiative 2013). Radical critics are typically more circumspect, highlighting the protection of high value manufacturing capabilities by developed countries, or documenting the political conditions under which civil society constitutes part of the ‘oil complex’ (Ayelazuno 2014; Watts 2007). In this respect, the role of a democratic developmental state in navigating the challenges of resource wealth remains critical. Certainly, Ghana’s oil experience to date raises questions over assumptions that resources held by the state ‘in trust for the people’ (Ghanaian Constitution Art. 257(6), 1992) really serve the interests of citizens (Emel et al. 2011).

Just as elite management of oil blurs the lines between state and capital, Ghanaian political history shows how the state and a formally recognised ‘civil society’ have not been separate but are shaped by one another (Whitfield 2003). The transnational nature of the oil industry in Ghana is not limited to the networks of policy and business elites. Institutionalised representatives of Ghanaian civil society are also inherently transnational in their funding, strategic partnerships, and knowledge. The prospects for democratic resource control lie not only in questioning assumptions of a well-resourced, ‘civil’, unified, and autonomous civil society, but also in analysis of the process by which civil society itself is constructed through various partnerships, policy consultations or programmes of public ‘expectation management’. A considerable challenge for radically alternative oil politics in Ghana is therefore to open political space, in which the politics of participation are openly engaged, in contrast to forums for public

engagement with a narrow set of government and oil industry objectives and priorities, or the 'hydra-headed transnational apparatus of banks, international agencies, and market institutions through which contemporary capitalist domination functions' (Ferguson 2006: 107)

## **Conclusions**

We have described the diverse strategies of governance through which Ghana is differentially incorporated into the global economy of oil. The versatility of 'good governance' is likely to ensure that debates over resource management will be couched in such terms for years to come. There are indeed grounds for some level of optimism in the possibilities of Ghanaian state institutions to avoid the worst of the negative impacts of oil sector development. But the outcomes of Ghana's nascent oil industry will be the product of global political economic factors, historical power relations, and their shaping of the social metabolism of oil. Such processes are neglected by the resource curse framing of oil politics.

If the challenges of oil sector development are ultimately about political control over oil and the interests that are served, then many of the key political battles in Ghana will be between external orientation of the economy and national economic independence, under transnational conditions. The focus on governance in extractive industries largely ignores the power imbalances between African states, citizens and oil companies, and the blurred lines between them. Principles of good governance and the policy prescriptions of the resource curse that they generate provide little guidance on inherently political issues such as ownership, the challenges of escaping persistent primitive accumulation, the development of domestic technological capabilities, or the territorial control of resources, let alone the global environmental impacts of fossil fuel production and consumption that ultimately require fossil fuels to remain underground. Active civil society critics and their allies in government do not uncritically accept the preposition that Ghana's historical underdevelopment should continue to see the country dependent on rent collection from primary commodity exports.

The experiences of oil governance in to date demonstrate continuities and changes in the nature of the Ghanaian state and its politics. Ghana's strategic engagement with the global political economy of oil is marked by both the constraint of 'developmental space', autonomy for the Ghanaian state, and the creation of new allegiances of state and capital around shared norms of neoliberal resource governance (cf. Wade 2003). We suggest that flexible conceptions

of sovereignty can account for the ways in which the Ghanaian state has negotiated the country's insertion into the global political economy of oil, in ways that seek to serve both state and capital (cf. Emel et al. 2011). The state becomes the creator of conditions for market governance: recognising the 'economic realities' of resource extraction and comparative advantage, creating and protecting private property regimes, and stimulating foreign investment. Here then, the material and institutional power of national and international oil companies and their state-backers combine with the less direct disciplining forces of 'good governance', to ease the flow of capital, to aid the extraction of fossil fuel resources, and to formulate relations of globalisation.

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