



## Review article

# Interests or ideas: Analysing the drivers of Ghana's petroleum revenue expenditure

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## ARTICLE INFO

**Keywords:**

Interests  
Ideas  
Ghana  
Petroleum revenues  
Political settlement

## ABSTRACT

The development of transparency and accountability enhancing institutions has been argued by new institutionalists as a means of engendering prudent petroleum revenue management. Although Ghana's petroleum institutional architecture is hailed as one of the best on the continent, reports of petroleum revenue mismanagement are not uncommon. However, there is little theoretical explanation on how successive governments have managed the country's hydrocarbon revenues. With heuristic insights from the political settlement analysis, the paper finds clientelist politics and coalitional competition as vital underpinnings in the use of the petroleum revenues. Despite the importance of ideas in political settlement analysis, the article posits that the use of petroleum revenues by Ghana's two major political parties, the National Democratic Congress (NDC) and the New Patriotic Party (NPP), does not necessarily reflect their respective ideologies. Thus, I argue that ruling elites use petroleum revenues in a way that contributes to expanding their coalition and sustaining power, even if they had to abandon their ideology to achieve those ends.

## 1. Introduction

Although most African countries are rich in some form of extractive resources (Arthur, 2014; Panford, 2017), these resources, in many cases, have yet to be translated into development (Collier, 2010; Collier et al., 2010; Sala-i-martin and Subramanian, 2008). Given the prevalence of poor infrastructural development, civil wars and dictatorial governance in some resource-rich African countries, the continent is often cited in support of the 'resource curse' thesis (Auty, 1993; Collier, 2010; Collier and Hoeffler, 1998, 2005; Maass, 2010; Sachs and Rodriguez, 1999). Given the differing determinants in how a country's resource revenues are used, there have been varied development outcomes among resource-rich countries, making the resource curse a phenomenon and not a rule (Siakwah, 2017). For instance, while natural resources have spearheaded development in countries such as Norway, Indonesia, the UK, the US, Botswana and Peru (Heum, 2008; Mehlum et al., 2006), the same is yet to be seen in countries such as Angola, Nigeria, DR Congo, Azerbaijan and Afghanistan (Graham et al., 2016; Sala-i-martin and Subramanian, 2008).

Institutional differences have often been cited among the causes of variations in the management of extractives across countries (Abou-noori and Mahbobian, 2015; Mehlum et al., 2006; Perry and Olivera, 2009). However, the failure of similar institutions to produce similar

outcomes in different countries has seen the development of political settlement analysis (PSA) to emphasize how the particularity of a country's politics shapes the emergence and performance of institutions (Khan, 2010). The theory shines a light on how the interests and bargaining power of various actors shape institutional and development outcomes. Recent expansion of the analysis of political settlement places a high premium on the role of ideas in the actions of political elites (Lavers, 2018). This suggests that a group of actors may form a coalition based on shared ideas and it is such ideas that guide their actions.

Despite the internationally hailed institutional mechanisms governing Ghana's petroleum sector (Bauer, 2014), there are reports of mismanagement and abuse in the use of the petroleum revenues (Suleman and Ennin, 2023). However, there is little in the way of theory that explains why ruling elites use petroleum revenues the way they do. With a de facto two-party system, Ghana's political landscape is dominated by the National Democratic Congress (NDC), which touts itself as a social democratic party (NDC, 2016), and the New Patriotic Party (NPP), which proclaims to be liberalist (NPP, 2016). However, as we shall see later in the paper, the use of the petroleum revenues by these two dominant parties is not always consistent with the ideologies they proclaim. But why would ruling elites use resource revenues in a manner that does not necessarily flow from the ideology they purport to hold? This is a question that has little or no answer in the literature. Hence, this

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<https://doi.org/10.1016/j.exis.2023.101283>

Received 26 September 2022; Received in revised form 1 June 2023; Accepted 2 June 2023

Available online 13 June 2023

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article (a) contributes to heuristically explaining the use of Ghana's petroleum revenues, and (b) explains why ruling elites are not necessarily guided by their party's ideology in the use of the hydrocarbon revenues.

Using the theory of political settlements, as espoused by Khan's (2010) and Lavers' (2018) inclusion of ideational analysis, this paper argues that Ghana's competitive clientelism compels ruling elites to use hydrocarbon revenues in a way that will serve their interest of maintaining political power even if they have to abandon the ideology of their political parties. In a world where Ghana is often seen as a good example of democratic practice in Africa (Prempeh and Gyimah-Boadi, 2012), a country that has achieved the threshold of Samuel Huntington's (1991) form of consolidated democracy, Ghana's relatively strong institutions are predicted to engender a prudent management and use of its oil riches (Kopiński et al., 2013). The fourth and longest republic in the country's history has seen political power alternate between the NPP and NDC. Both parties have thus had the legitimacy to determine how these revenues should be used.

This paper is not necessarily aimed at exploring the development models in the use of petroleum revenues but shows how the interests of these political parties shape the management of these revenues. The paper makes two interrelated contributions to the existing literature: first, the management of extractive resource revenues is heavily shaped by the interest and power of political elites; second, as a theoretical implication, the paper argues that in a competitive clientelism setting, ideas are secondary in the management of resource revenues, as the pursuance of the interests of the political elites significantly affects how such revenues are managed and used. The paper, therefore, moves beyond the focus on institutional development as a means of better managing Ghana's petroleum revenues (Akonnor and Ohemeng, 2020; Besada and Golla, 2023; Graham et al., 2016; Suleman and Ennin, 2023) to understand the underpinnings of the functioning of those institutions.

After this introductory section, the paper proceeds in four sections. The next two sections review the conceptual framework underlining the paper and the sources of the data used. The penultimate section presents the empirical aspect of the paper, focusing on how Ghana's petroleum revenues have been used. Emphasis will be placed on how the quest to use the revenues for public investment, education and industrialization has been influenced by the interests of the ruling elites. The final section concludes with a summary of the arguments advanced in the paper and suggestions for future studies.

## 2. Beyond good institutions and governance to political settlement

The purpose of this section is to explain PSA, which is the theoretical strand adopted in this paper. It begins by briefly capturing the institutional approach to solving the resource curse phenomenon and the deficits that come with such postulations. This then serves as a background to explaining PSA and relating it to the context of Ghana.

Deterioration in a country's development resulting from its riches in terms of natural resources is generally referred to as 'resource curse' (see Collier and Hoeffler, 2005, 1998; Danquah, 2009; Sachs and Rodriguez, 1999; Sachs and Warner, 1999). High rates of corruption, rent-seeking activities, civil wars, the Dutch disease and poverty are some of the manifestations of the resource curse thesis (Collier, 2010; Di John, 2011; Ross, 2001, 2012; Sachs and Rodriguez, 1999). Like any other development challenge, institutional anomalies are said to be the cause of such a curse (Abounoori and Mahbobian, 2015; Perry and Olivera, 2009; Sachs, 2007: 180). New institutional economists argue that countries that have strong institutions established before the discovery of natural resources escape the resource curse. Resource-rich countries with weak institutions must therefore address institutional problems by making changes in their laws to uphold transparency, the rule of law and democracy among other things in order to spur growth with their resources (Abounoori and Mahbobian, 2015; Mehlum et al., 2006). These tenets of

the 'good governance' agenda seemed to have worked very well in Norway. Other resource-rich countries, including newly discovered oil countries in sub-Saharan Africa, are therefore expected to follow a similar path (Sala-i-martin and Subramanian, 2008).

This institutional approach is, however, deficient in at least two main ways and therefore it is problematic to regard it as a cause of development. The good governance approach does not take into consideration socio-political differences among countries (Grindle, 2012). The prescriptions are universally applied to all countries without regard to the history, politics and social networks of individual nations. The agenda does not, therefore, achieve the intended purpose in certain countries when applied. For example, the exclusive focus on institutions rendered futile the World Bank's intervention in Chad to translate oil into development as conflicts, environmental degradation and economic mismanagement were exacerbated (Phillips et al., 2016).

Who gets what, how and how much are very relevant questions in resource development. Also, the good governance agenda presents a narrow view of politics and governance as institutions appear to be its sole emphasis (Phillips et al., 2016). Questions of why political and non-political actors do what they do are neglected by the good governance agenda. The interests of political, social and economic actors, both internal and external, play a pivotal role in resource management (Hickey et al., 2015). In fact, the actions of these actors shape how institutions are formed (Grindle, 2012). For instance, the Niger Delta conflict is not focused on the strength of Nigeria's institutions but on the politics of inclusion and exclusion in the use of the country's oil resources.

The narrow view of politics and development as presented by proponents of the good governance agenda makes the explicit understanding of development, especially in the natural resource sector, challenging. The growing body of literature on political settlement has argued and demonstrated how political and social networks shape development outcomes (Behuria et al., 2017; Khan, 2010; Whitfield, 2011). Political settlement refers to 'the distribution of power in a society and how it is imbedded in institutional arrangements that sustain it' (Whitfield, 2011: 9). The negotiating abilities of the relevant actors therefore determine how power and resources are distributed (Asante, 2016). In most developing countries, political settlement is characterized by clientelism (Abdulai, 2017; Hickey et al., 2015). Resource distribution is based on 'whom you know' and 'who knows you' rather than the 'rules' (Kar et al., 2013; Leftwich, 2010). The theory explains what rival coalitions do to cling onto power and how this affects resource distribution. Inevitably, the actions of both political and non-political elites in the quest to sustain their respective coalitions impact on development outcomes (Leftwich, 2010).

Political settlement comes in different forms in different countries. Levy (2014) draws our attention to two main forms of political settlement in developing countries: the dominant party and competitive clientelism. In the event that the ruling coalition is able to suppress or indoctrinate rival groups, then there is a 'dominant party-political settlement' (Hickey et al., 2015). In such a settlement, there is little or no possibility of changing the government through electoral processes. In a competitive clientelism setting, on the other hand, ruling elites are susceptible to losing power via the ballot box (Hickey et al., 2015). The structure of governance and resource distribution correlate with a country's type of political settlement, and institutions as prescribed by the 'good governance' agenda play very little role in this process. For instance, the structure and political dynamics of a country play a significant role in the kind of development pursued (Khan, 2010; Leftwich, 2010). In a dominant party-political settlement, the ruling coalition may pursue long-term development and invest in industrial policies (Khan, 2010), although much also depends on the coalition's leader and their ability to control other actors in the coalition (Kelsall, 2013). Such long-termism is unlikely to happen in a country with competitive clientelism. The threat of losing elections discourages ruling elites from investing in long-term projects; rather, they use the bureaucracy and

institutions of the state to strengthen their coalition through 'discretionary allocation of rents: market privileges; patronage; public employment; single-sourced procurement contracts' (Levy, 2014: 40).

As described by Khan (2010), determining a political settlement type rests on the nature of the relationship, both vertical and horizontal, between relevant actors. Vertical relationships portray the extent to which the ruling elites are able to control lower-level factions who are also part of the ruling coalition. Horizontal relationships, meanwhile, denote the power wielded by the ruling elites over those excluded from their coalition, for example opposition parties. Thus, the more power ruling elites have over both lower-level factions and excluded coalitions, the more dominant the settlement. Conversely, the more vulnerable are the ruling elites, owing to strong lower-level factions and excluded coalitions, the more competitive the settlement (Khan, 2010).

In line with rational choice analysis, the pursuance of interest is a major factor in negotiating a country's settlement (Khan, 2010). The quest to achieve material interests therefore forms the basis upon which political elites take and pursue certain decisions and actions. The role of ideas has in recent studies featured strongly in the formation of a country's political settlement. It is the proposition of, for instance, Lavers (2018) that the negotiation of formal and informal institutions is rooted in some ideational foundation. Consequently, the distribution of resources and power are done in tandem with shared ideas and beliefs. Such ideational analysis makes the pursuance of interests a subsidiary, secondary to the perpetuation of ideas in the negotiations that characterize the emergence and performance of institutions.

In an elaborated version of understanding the theory, Bebbington et al. (2018) argue that the application of PSA is not confined to the interests, ideas and activities of national actors. Transnational actors/factors are crucial in shaping a country's political settlement (Bebbington et al., 2018). Similarly, the governance of extractive resources is influenced by globalized actors and conditions (Bridge, 2008; Siakwah, 2017). PSA has contributed to our understanding of the governance of extractives across countries, emphasizing the importance of interests and ideas (Ayanoore, 2020; Bebbington et al., 2018; Hickey et al., 2015; Hickey and Izama, 2020). PSA has, therefore, been a useful lens in understanding how the actions of political elites are shaped and the differential development outcomes across space. This makes it a fitting prism to be deployed in explaining how hydrocarbon revenues are used in Ghana.

Between Ghana's third and fourth republics (the period from 1981 to 1992), the country's political settlement was one of a dominant party (Asante, 2016). The Provisional National Defence Council (PNDC) had absolute control over the country and all efforts were geared towards sustaining the coalition. Owing to both domestic and international pressures, J.J. Rawlings (the PNDC leader) returned the country to democratic rule in 1992, marking the start of the country's fourth republic (Frempong, 2017). Eight successful presidential and parliamentary elections have since been held. These elections were closely competed by the NPP and NDC, with both parties winning four each. This transformed the country's political settlement from that of 'dominant party' to one of 'competitive clientelism' (Oduro et al., 2014).

Characterizing Ghana's competitive clientelism is the dominance of two opposing coalitions (NDC and NPP) who constantly compete for power (Oduro et al., 2014). It is thus not uncommon for political parties to use public funds for partisan courses (Abdulai and Hickey, 2016). Also, intra-coalitional competition in both political parties is intense, deepening clientelist politics within the parties (Frempong, 2017). Importantly, the excess presidential power is instrumentalized by both parties to strengthen their coalition. Ruling elites distribute rewards to their clientele networks through both formal and informal means (Ayanoore, 2020; Oduro et al., 2014). Competing ideas have also been crucial in Ghana's competitive clientelism. As stated earlier and later detailed in Section 4, the NDC and NPP hold different ideologies intended to guide their actions (Oduro et al., 2014). However, as contended in this paper, the ideologies held by both parties appear to only

be of rhetorical importance as both the NDC and NPP pursue policies that advance their interest but may not align with their ideologies.

Several studies have been conducted on how different aspects of Ghana's governance processes are shaped by competitive clientelism (Abdulai, 2017; Abdulai and Hickey, 2014; Abdulai and Mohan, 2019; Asante, 2016; Ayanoore, 2020; Mohan et al., 2018; Whitfield, 2018). For instance, Abdulai (2017) argues that Ghana's political settlement has inhibited the country from pursuing long-term development. Successive governments have allocated portions of revenue accrued from the mining sector to chiefs for grassroots development. Although these development plans are not usually actualized, governments still allocate the funds: first, because chiefs play an important role in a political party's electoral success; and second, to influence chiefs in releasing lands for national development which will, in the long run, enable the ruling party to score political points (Abdulai, 2017).

Similarly, Ghana's competitive clientelism has also rendered the pursuance of industrial policies unsuccessful (Whitfield, 2018). Ruling elites embark on policies that will yield immediate manifestations in order to be well positioned come the next election. The management of Ghana's oil sector, from the issuing of contracts to the use of the revenues, displays some clientelist tendencies (Ablo, 2019; Mohan et al., 2018; Whitfield, 2018). According to Ablo (2019), more than half of small- and medium-sized enterprises (SMEs) in the oil and gas sector are inactive. This is because a company's success in securing contracts in the sector is dependent on the networks they have within the ruling party (Ablo, 2019). Similarly, Ayanoore (2020) demonstrated how the implementation of local content policies in Ghana's petroleum industry is characterized by inter-elite bargaining and coalitional building undergirded by interests and ideas. Even with the emergence of institutional innovations, like the Extractive Industries Transparency Initiatives, power asymmetry and clientelist politics continue to perpetuate elite dominance in Ghana's petroleum sector (Oppong and Andrews, 2020).

This paper therefore applies the political settlement framework to explain the rationale underpinning the use of Ghana's hydrocarbon revenues. It further tests the nature of the interplay between interests and ideas in the management of the country's petroleum dividends.

### 3. Methodology and sources of data

The paper was mainly driven by desk-based research. The literature was critically reviewed and was complemented with policy documents and the manifestoes of the political parties involved, as well as sectoral and media reports.

To appropriately understand the rationale behind the use of oil revenues and the kind of development projected, it is prudent first to know how the political parties intended to use oil revenues, and second to know how they actually used the revenues. In achieving the former, I examined the campaign messages through the manifestoes of the political parties from 2008 to 2016 and complemented these documents with both newspaper and electronic media reports. The media reports were largely retrieved from Factiva, an online global news database. News items that reported on the promises made by the ruling elites on the use of the oil revenues were selected and analysed to decipher the implicit and explicit development models portrayed.

Data to address the second consideration was ascertained by examining the annual reports of the Public Interest and Accountability Committee (PIAC) from 2011 to 2020. PIAC is an independent body established by the 2011 Petroleum Revenue Management Act (PRMA, Act 815), as amended in 2015, to oversee the management of the oil and gas sector. The committee is mandated to deliver mid-year and annual reports on the management of the sector and give recommendations. I therefore used the data presented by the committee reports from 2011 to 2020 on how the oil revenues were used. Significant attention was placed on the projects and programmes promulgated under the priority areas of the government as reported by PIAC. It is worth noting that the

analysis is based on the Annual Budget Funding Amount (ABFA) component of the petroleum revenues. Focus is placed on the ABFA because it is the component that supports the government budget, accounting for a maximum of 70 per cent of petroleum receipts, whereas the remaining amount is distributed to other bodies such as the Ghana National Petroleum Corporation (GNPC) and PIAC and the various resource funds in accordance with a formula prescribed in the PRMA.

Focus was mainly, though not exclusively, placed on the priority area covering public investment in roads and other critical infrastructure, agriculture and education, as the first two were priority areas for both the NDC and NPP, while the last (education) formed a significant portion of the priorities of the NPP. The paper only covers the period up to 2020 for two main reasons: first, 2020 marked a decade of oil production in Ghana and it was relevant to examine how the revenues have been used; and second, 2020 marked the end of the first term of the NPP government, giving both the NDC and NPP at least one full term to manage the use of the petroleum revenues. In the analysis, a distinction was made between what the political parties promised and what was actually delivered. These were then grouped into different models of development depending on the assumptions underlining the projects and the outcome or impact of each project. This placed me on a good footing to explain the rationale underpinning the use of Ghana's petroleum revenues and why ruling elites are not necessarily guided by their ideologies in the use of these revenues.

#### 4. Explaining the use of Ghana's hydrocarbon revenues

The purpose of this section is to present the nature of the development pursued by Ghana using petroleum revenues. Reference is made to how both the NDC and NPP used these revenues and the rationale underlining how the revenues were used. As we shall see, although the NPP and NDC hold different ideologies, the use of the revenues does not necessarily reflect the ideologies held but rather their quest to sustain power. Although the PRMA requires petroleum revenues to be used in line with a long-term development plan, the Act allows for the ABFA component of the revenues to be directed to four chosen priorities. This section therefore examines the use of the revenues by these two political parties in line with the priorities each chose. Before delving into the use of the revenues, the section begins with a brief background of the NDC and NPP, with emphasis on the ideology each proclaims. This is then followed by a brief overview of Ghana's petroleum industry.

##### 4.1. Background of the NDC and NPP

On 31 December 1981, the Hilla Limann government was overthrown by a military junta led by Jerry John Rawlings. This ended the Ghana's third republic and ushered the country into another period of military rule. Rawlings formed the PNDC, which ruled the country until 1993. By the mid-1980s, Rawlings was compelled to seek assistance from the Bretton Woods Institutions following the acute economic hardship the country was experiencing (Frempong, 2017). Thus, making a U-turn on his statist ideologies, Rawlings implemented Structural Adjustment Programme policies, including privatization, tax increases, and wage and labour cuts, a move that attracted vehement opposition from the working class and some PNDC supporters (Frempong, 2017). These neoliberal policies not only reflected the ideological U-turn by Rawlings and the PNDC regime but also influenced the overall governance structure of the country subsequently. Owing to domestic agitation and, more importantly, pressure from the international community, Rawlings returned Ghana to electoral democracy in 1992 (Frempong, 2017). The PNDC, which was largely a military-constituted coalition, metamorphosed into the NDC, with Rawlings standing as its presidential candidate in the 1992 and 1996 elections (Frempong, 2017). The party believes in social democracy and is aligned with the ideologies of Kwame Nkrumah, the first president of the country. Consequently, the NDC believes the state should be the vanguard of development (NDC,

2008). The centre-left party has contested every single presidential election in the country's fourth republic (1992 to date). The NDC was in power from 1993 to 2001 when they lost to the NPP, its biggest rival. The party returned to government in 2009 but lost the presidential election in 2016 to the NPP. It was the second coming of the party (2009–2017) that afforded the party the opportunity to manage the oil and gas revenues of the country.

The NPP, on the other hand, was formed in July 1992 after the PNDC-led government had returned the country to democratic rule. The origin of the NPP can be traced to the United Party (UP), the strongest opposition party to Nkrumah's rule post-independence, and was led by J. B. Danquah. Members of the UP, led by K.A. Busia, formed the Progress Party, which won the 1969 elections after the overthrow of Nkrumah (Frempong, 2017). In the 1979 presidential election, the party was divided into the Popular Front Party and the United National Convention. Members and descendants of the UP reunited and formed the NPP in 1992 under the leadership of Professor Albert Adu Boahen (Frempong, 2017). The NPP subscribes to neoliberal ideas and believes the private sector should be the engine of the economy (NPP, 2008). Like the NDC, the NPP have contested every presidential election during the fourth republic. The NPP and John Agyekum Kufuor, its presidential candidate, wrested power from the NDC in 2001. This was the first time in the history of the country that there had been a successful transfer of power from one democratically elected government to another democratically elected government (Frempong, 2017). It was in 2007, during the tenure of the NPP, that oil was discovered in commercial quantities. The party, however, lost power to the NDC before commercial production began in 2010. The NPP returned government in 2017 and has held power until the time of writing.

As stated earlier, ideas and ideologies have been argued as important elements of Ghana's competitive clientelism (Asante, 2016; Ayanoore, 2020; Oduro et al., 2014). Particularly important is the expectation that the actions of ruling elites will conform to the ideology of their coalition (Oduro et al., 2014). However, as indicated earlier, both the NDC and NPP have pursued policies that do not necessarily align with their ideologies. For instance, the NDC, having returned to power in 2008, implemented policies to attract the business class, such as the Public Private Partnership initiative (NDC, 2012). Similarly, aiming to attract the support of the average Ghanaian, the NPP introduced the National Health Insurance Scheme, a policy that does not flow from their ideology (Carbone, 2012). Likewise, as we shall see later in the section, the use of the country's petroleum revenues does not necessarily conform to the ideologies of ruling elites but rather their interest in sustaining power.

##### 4.2. Overview of Ghana's hydrocarbon sector: a brief background

Ghana's search for oil and gas did not begin in the twenty-first century. Oil exploration had been conducted as far back as the beginning of colonial rule in the country in the latter years of the nineteenth century. Graham et al. (2016) categorize oil exploration in Ghana into four main stages. The first stage began in the 1880s until the overthrow of Kwame Nkrumah in 1966, during which time oil was discovered in the Tano Basin, though not in commercial quantities. The second began in 1970 when an Amoco-led consortium discovered oil at the town of Saltpond, but continuous decline in production saw the field shut down in 1984 (Panford, 2017).

In 1983 the country established GNPC under PNDC Law 64 to be at the forefront of oil exploration in Ghana. The third stage of the country's oil exploration therefore spanned from 1985 to 2000. Technological advancement and capacity-building saw the revival of oil production from the Saltpond field by GNPC in partnership with Lushann International Energy. The final phase began in 2001, continuing to date, and it was during this stage that commercial quantities of oil and gas were discovered in 2007.

Upon the assumption of power in 2001 by the NPP, a pro-market party, generous deals and incentives were offered to private investors



in the oil and gas industry (Phillips et al., 2016; Whitfield, 2018). This intensified the search for and exploration of oil and gas in the country. In 2007, Kosmos Energy announced the discovery of oil and gas in commercial quantities in the Gulf of Guinea, and commercial production started in December 2010 (Graham et al., 2016). This offshore discovery was named the Jubilee field because the year also marked fifty years of Ghana's independence.

The Jubilee field is located about 60 km off Ghana's coast in the Gulf of Guinea, spread between the Deepwater Tano and the West Cape Three Points blocks, covering a field of about 110 km (Kastning, 2011). Aside from the Jubilee field, there have also been other major discoveries. For instance, the Tweneboa field, 60 km to the east of the Jubilee field, was discovered in 2009. Apart from the major discoveries, more than fifteen wells have been discovered in the country's west sea territory. Some of these discoveries are very close to the Ivorian border such that, in 2010, Côte D'Ivoire claimed that some of the discoveries fall within their territorial jurisdiction. This maritime dispute between these two West African neighbours continued until it was resolved in 2017 by the International Tribunal on the Law of the Sea. There have been varied accounts of the volume of oil expected from the Jubilee field. The 2008 GNPC status report estimated an amount of 800 million barrels of oil with 3 billion barrels as an upside potential (GNPC, 2008). Laboratory analysis proves that Ghana's oil is light and sweet, an indication of high quality and potential to compete with international oil prices (Kastning, 2011).

Ghana set a distinct world record with the Jubilee field. While seven years is the industry average for developing oil fields from the stage of discovery to production (Panford, 2017), it took Ghana just about three years to begin production of oil, making it the world's fastest country in developing its oil fields (Panford, 2017). The speed at which these fields were developed tells us the extent to which ruling elites needed to start accruing revenue from these resources. Ghana derives petroleum revenues from sources such as corporate income tax, gas receipts, surface rentals, royalties from oil and gas, government participation in petroleum activities and the activities of GNPC (Stephens, 2019). Given the relatively strong democratic credentials of the country, Ghana is expected to embark on sustainable development using oil resources by averting the so-called resource curse (Kopiński et al., 2013).

#### 4.3. Public investment in infrastructure

Investment in public infrastructure appears to be one of the main models of development guiding the use of Ghana's oil revenues. The NDC has shown comparatively higher commitment to this model of development than the NPP. The construction and repair of roads have been the major focus as far as this model is concerned and the NPP has also started the construction of railway lines. This model has high annual returns as public goods are improved, making the country more attractive to foreign investors. Some of the new transport systems stretch to the hinterlands and agrarian societies where most people live under the poverty line. They have made it easier and more economical for farmers in rural areas to transport their agricultural produce to the cities for sale. The investment in transportation and other agriculture-related infrastructure has therefore mitigated the rate of poverty in the agricultural sector and has created more employment for the youth. For instance, the Planting for Food and Jobs programme is said to have created hundreds of jobs (Ngenbe, 2018). It is therefore not surprising that both the NDC and NPP chose roads and other infrastructure as priority areas in the allocation of oil revenues. Table 1 shows the amount that has been allocated to this priority area between 2011 and 2020. Note that, whereas there was an NDC-led government from 2011 to 2016, the NPP formed the government between 2017 and 2020.

From Table 1, two main observations are relevant: first, this priority area received more than 25 per cent of the ABFA allocations except in 2017. Given that the revenues are distributed among four priority areas, a simple equal distribution would be 25 per cent to each. The high

**Table 1**  
Budget allocations to roads and critical infrastructure.

Year	Amount (Ghana cedis)	Percentage of ABFA
2011	134,102,367.20	76.50
2012	232,403,269.00	45.00
2013	372,070,000.00	68.40
2014	215,691,357.00	39.26
2015	483,347,384.00	42.99
2016	199,447,492.13	64.11
2017	70,838,132.92	21.32
2018	255,365,118.69	30.85
2019	579,268,115.44	45.58
2020	1958,971,270.23	70.69

Source: Author's construct based on information from PIAC reports (2011–2020).

allocation to this priority area signifies the interest of ruling elites in delivering tangible projects in the short term to convince the populace of their performance. The comparatively lower percentage in 2017 can be explained in the context of the NPP's quest to quickly implement their campaign promise of free senior high school, a point further elaborated in the next subsection.

The second observation is that much more allocation in both monetary and percentage terms was made to this priority area in certain years. The highest percentage allocation was made in 2011 (76.5 per cent), which was the first time the country was making use of its oil revenues. Perhaps, this was a move to reflect the anticipation of fast-track development with oil money, attempting to implement President John Kufuor's prediction of Ghana becoming an 'African Tiger' following the discovery of petroleum (BBC, 2007). As stated earlier and shown in Table 1, the NDC has made comparatively greater allocations to this priority area. Allocations during the tenure of the NPP have always been under 50 per cent, except 2020 when the allocation was 76.69 per cent. This can be understood in the context of the country's competitive clientelism. A general election was held in 2020, amid the hardships partly caused by the COVID-19 pandemic. Thus, such investment in roads, which will have immediate manifestation, was necessary to enhance the NPP's prospects in the December 2020 ballot. This reflects how the desire to be electorally successful prompts ruling elites to pursue short-term projects in a competitive settlement like that of Ghana (Whitfield, 2018).

Although investment in public infrastructure has had some positive impact on the social and economic life of Ghanaians, the full realization of this investment is yet to be manifested. This is largely because the implementation of the projects was shambolic, or they remained on paper and were not started at all. The 2015 Ghana Poverty Mapping Report shows that the Northern, Upper East and Upper West regions have the highest poverty rates in the country (GSS, 2015). In view of that, successive governments have promised and claimed that they will invest in agriculture and other related infrastructure in these regions (Green, 2008), but an inspection report by PIAC in 2017 revealed that about 50 per cent of oil-funded projects in these regions are not in existence. A JoyNews Hotline documentary, titled 'Leaking Oil', also revealed that most of the oil-funded dam construction and repair in the Upper West region for irrigation purposes had not been completed and had been abandoned. However, a project status implementation report by the Ghana Irrigation Development Authority indicates that in some cases these projects have been completed (Nartey, 2019). This has affected agricultural production in the regions concerned and the poverty rate is still high in these parts of the country. Besides, allocations to the agricultural sector by both parties have been limited, as shown in Table 3.

This phenomenon is not only visible in the northern part of the country and the agricultural sector; the case is also true of road investment. The PIAC inspection report again discovered that about half of the oil-funded roads are in a deplorable state after about three years of

construction. These roads were either not completed and have worsened the state of the roads, or were constructed with inferior materials, thereby compromising their durability (GhanaWeb TV, 2018). This has not only stifled the efficacy of social intervention policies and quality of public goods but has also frustrated the quest to industrialize. The poor implementation of these projects can best be explained through the lens of the country's political settlement. Most of these projects were either hastened to score political points or the contracts were issued to political sympathisers without paying much attention to their capacity (Ablo, 2019). Also, as reported by PIAC inspection reports, there is a disconnect between the national and subnational levels in the implementation of these projects (GhanaWeb TV, 2018). Most people in communities are unaware of oil-funded projects in their areas. Hence, there is less monitoring from the people to ensure their quality and completion.

#### 4.4. Public investment in education

The education sector has also seen substantial investment as far as the expenditure of the country's oil and gas revenues is concerned. Although the NDC made some investments in the country's educational infrastructure, the NPP has been the dominant force in using the oil revenues for public investment in education, as education was one of its four priority areas from 2017 to 2019 (PIAC, 2017). It must be noted, however, that most of these investments have taken the form of social intervention. Although education was not a priority area during the tenure of the NDC, the party still invested in social interventions related to education. The NDC had promised to make secondary education progressively free as an alternative to the NPP's total free secondary school policy. The party had also promised to construct 200 secondary schools by the end of 2016 (NDC, 2012). The party therefore invested oil revenues allocated for other priority areas in education, having promised to transform the educational sector using such revenues (Obeng-Atiemo, 2011). In 2015, for instance, 94.74 million Ghana cedis, representing 66.68 per cent of the amount allocated for the priority area of capacity-building, went into funding a multiplicity of social intervention programmes in the education sector, such as capitation grants, examination subsidies, feeding grants and the progressively free secondary school education policy (PIAC, 2015).

The NPP, on the other hand, has investment in education as one of the priority areas in the use of the ABFA. Investing in education has therefore been the main model of development guiding the use of the oil revenues under the NPP-led government. A significant amount of oil and gas revenues go into funding the free secondary school flagship programme, in fulfilment of the party's campaign promise while in opposition (NPP, 2012, 2016). Table 2 shows how much the NPP has allocated to this priority area.

As noted in Table 2, investment in education has received substantial allocation of revenues during the NPP era. The exception is 2020, where this priority area received 25.2 per cent of the allocations, a tendency that stemmed from the party's quest to invest more in roads and infrastructure, as evidenced in Table 1. All the money that year was invested in the free senior high school policy despite the allocation also being earmarked for health investment (PIAC, 2020). As stated earlier, ideologically, the NDC touts itself as social democratic and is expected to be

**Table 2**  
Allocations to educational sector by the NPP in government.

Year	Amount (Ghana cedis)	Percentage
2017	202,379,393.20	60.90
2018	419,871,012.44	50.73
2019	570,865,917.58	44.92
2020	698,243,057.04	25.20

Source: Author's construct with information in PIAC reports (2017–2020).

Note: In 2020 the priority areas were reviewed by consolidating investment in health and education.

more likely to invest in social policies compared to the NPP, which is more liberal in nature. However, while in opposition, the NPP strongly campaigned on the free senior high school policy (NPP, 2012, 2016), which appeared to be more appealing to the average Ghanaian. This promise by the NPP during the election campaign reflects how a political party can express commitment to a policy even if it is not in line with their ideology if they feel it can advance their political interests.

The investment in education, especially making high school education free, has increased secondary school enrolment, particularly in rural areas and among the poorest sections of the population. The PIAC (2017) inspection report on the free senior high school initiative indicates that the increase in enrolment as a result of the policy has been about 41 per cent, especially among girls. This is further expected to boost the country's literacy rates. Also, in the long term, the likelihood of an improvement in the capacity of the country's human resources is high. However, the same report finds the quality of education has been adversely affected (PIAC, 2017), and the poor delivery of these educational programmes has compromised the full realization of the intended development. Most of the schools have poor infrastructure and teacher to student ratio has also increased, affecting performance (PIAC, 2019). The idea of funding free senior high school largely with oil revenues is not sustainable given that oil prices are susceptible to fluctuations: the programme may suffer dire consequences if oil prices drop. Consequently, PIAC has warned of the dangers associated with investing oil money in the free senior high school policy (PIAC, 2017).

#### 4.5. Industrializing for development: still a façade?

Industrialization, although state-led, was the main engine of Ghana's growth in the first decade after independence. The rule of Kwame Nkrumah (from 1960 to 1966) saw the rise of many state-led industrial policies driven by state-owned enterprises (Panford, 2017). Apart from the Volta River Authority, which is in the energy sector and has survived to date, there was the Ghana Industrial Holding Corporation, which was involved in the production of pharmaceutical products. The country also had the Sanyo and Akasoma-Philips joint ventures at Tema. Sanyo manufactured technological devices such as television, fans and refrigerators. Akasoma-Philips produced stereos (Panford, 2017). The overthrow of Nkrumah, coupled with the political instability faced by the country and neoliberal ideas, saw the gradual collapse of these industries. Ghana has since struggled to revive its quest to industrialize. The discovery of oil and gas was therefore expected to once again put the country on the path of industrialization.

Arthur Lewis opined in the mid-twentieth century that building indigenous enterprises through investment in technical knowledge, making capital available for local industries and building managerial capacity was essential for the implementation of industrial policies in the Gold Coast, now Ghana (Lewis, 1953). This is still as vital today as it was in the Gold Coast in Lewis's time. However, not much has been done along these lines to drive the country towards industrialization. Most local industries are disadvantaged in terms of technical know-how and lack adequate capital to boost their respective activities (Panford, 2017). The state therefore has a crucial role to play in building the capacities of domestic capitalists through targeted legislation and policies. However, rather than undertaking such capacity-building in accordance with meritocracy, ruling elites prioritize party supporters and sympathizers by way of reciprocation (Whitfield, 2018). This situation constrains the country's quest to industrialize as local entrepreneurs need to surmount three main phases of competition: first, compete to gain political favour by financing the activities of political parties; second, compete among themselves; and third, compete on the international front. These local entrepreneurs, however, are unable to thrive in the market as support from the state is usually temporary as it is dependent on who is in power. Most industrial policies are state-led and are usually targeted at a few private firms who are usually politically affiliated. For instance, Whitfield (2018) observed that the President's Special Initiatives (PSIs), a

policy by the NPP to boost industrialization especially in the agricultural sector in the early 2000s, did not target existing industry players but created new ones. Although the NPP claims to be a pro-liberal party, the PSIs were largely state-led, and the initiative did not succeed because of excess patronage, as well as internal and external rivalries among other factors (Whitfield, 2018).

Both the NPP and NDC, through their respective manifestoes and campaign rallies, pledged to use oil revenues to promulgate industrial policies. They mainly promised to invest in the establishment of industries that would add value to the country's oil (NDC, 2008, 2012; NPP, 2012, 2016). However, neither party has made substantial effort to pursue these industrial policies. Even in 2020 when the NPP-led government added industrialization as part of the four priority areas of spending, it only received 1.15 per cent of the ABFA allocation (PIAC, 2020). This supports Whitfield's (2018) argument that both the NPP and the NDC are the same in terms of pursuing policies to bring about development. They do not focus on policies that will spur real growth and have a perpetual positive impact on the living standards of the people. The country's competitive clientelism explains the unwillingness on the part of ruling elites to pursue industrial policies: such policies may take time to manifest and that will not help the political survival strategy of the main parties (Whitfield, 2018).

In an attempt to make local industries the vanguard of industrialization in the oil and gas sector, Ghana passed the local content and local participation regulation in 2013 to increase the number of local players in the industry. This was to be attained through education, training and retraining, research and development. Foreign firms, in line with this regulation, are expected to partner with local industries or employ a percentage of local workers. This, however, was not actualized in the time between the passage of the regulation and the end of the study period of this paper. Panford (2017) observed that more than half of local industries in the oil and gas sector are inactive. His fieldwork also revealed that contracts are awarded based on political affiliations. It follows that the success of a particular industry depends on the political party in power. The capacity-building priority area of the ABFA during the tenure of the NDC was supposed to see the building of technical know-how within local industries, especially in the oil and gas sector. However, investment in this area was meagre. Between 2011 and 2013, for instance, only 6.7 per cent of the amount allocated to capacity-building went into developing capacities in the oil and gas sector (PIAC, 2011, 2012, 2013). Also, in 2015, a third of the amount allocated to capacity-building went into direct human capacity-enhancing programmes with none of the participants enrolled in the oil and gas sector (PIAC, 2015). These tendencies weaken the capacity of domestic capitalists as they are unable to acquire the necessary skills and technologies, thereby hampering the process of industrialization. The three main conditions necessary for industrialization (mutual interest, pockets of effectiveness and learning for productivity) as espoused by Whitfield et al. (2015) are therefore still absent in the Ghanaian context.

One will also expect the main parties to invest more to modernize and mechanize the agricultural sector given that it is the source of livelihood for most of the rural populace and use that as a stepping stone for full industrialization. Nobel laureate Arthur Lewis observed that industrialization and agricultural revolution are closely linked and, as such, 'economies in which agriculture is stagnant do not show industrial development' (Lewis, 1954: 433). Ghana's ruling elites could pursue a high-quality agricultural sector as a means to achieve full industrialization, and they will still survive politically given that such policies will have a direct impact on people in rural areas and the party involved will achieve high popularity as a result. However, oil revenues invested in the agricultural sector for industrialization and modernization purposes are usually state-led and are mostly not free from clientelism. Although both the NDC and NPP had agricultural investment as part of their four priority areas, the allocations were meagre, as shown in Table 3.

As explained in Section 4.3, the low allocation to this priority area

**Table 3**

Allocations to agricultural investment.

Year	Amount (Ghana cedis)	Percentage
2011	13,147,652.00	7.40
2012	72,471,824.00	14.00
2013	13,600,000.00	2.50
2014	170,624,180.00	31.06
2015	59,544,174.03	5.30
2016	27,671,280.88	8.89
2017	49,070,181.20	14.77
2018	126,185,336.21	15.25
2019	71,574,886.14	5.63
2020	79,017,787.45	2.85

Source: Author's construct with information from PIAC reports (2011–20).

has partly contributed to the poor implementation of agricultural projects, inhibiting their intended impact.

## 5. Conclusion

Distinguishing the rhetoric from the reality has been at the heart of this paper. Although Ghana's two dominant political parties subscribe to different ideologies, this has been less significant in how they manage the country's petroleum revenues. Both parties switch between different ideas depending on the intended interest they wish to achieve. This makes interest a forceful variable in the use of the country's hydrocarbon revenues. Like previous works seeking to understand Ghana's petroleum agreement negotiations (Hickey et al., 2015) and the implementation of local content policies in the hydrocarbon sector (Ayanore, 2020), this paper found clientelist politics and coalitional competition as vital underpinnings in the use of Ghana's petroleum revenues. This paper in part supports Whitfield's (2018) argument that both the NPP and NDC are the same when it comes to commitment to industrial policies. The longevity in the implementation of these policies affronts the realization of their interests.

The country's competitive clientelism, accompanied by fierce electoral competition, has made the pursuance of interests rather than ideas paramount in the management of petroleum revenues. Capturing and holding on to power are the ultimate goals of the parties and, as such, all activities are geared towards this. The implicit and explicit development models pursued in the use of the revenues are for the purposes of maintaining power. Such projects indeed manifest quickly and give the impression to the beneficiary that the government is being effective. The ultimate quality of these projects appears not to be a major concern as political affiliation is instrumental in the award of contracts (Ablo, 2019).

In contributing to the political settlement literature and the political economy of natural resources, this paper brings to the fore the importance of interests in shaping development outcomes in a competitive clientelism setting. Ideas in such settings are only relevant as long as they serve the ultimate interest of the ruling elites. Thus, although ideas are relevant in understanding a country's political settlement, as argued by Lavers (2018), the power of ideas is dependent on the extent to which those ideas advance the interests of contending groups or individuals.

In competitive clientelism in general and the Ghanaian context in particular, it is not uncommon for the people, through the power they wield, to compel ruling elites to act in a certain way. For example, public resentment forced the NPP government to suspend the Mineral Royalty Investment plan (popularly known as the Agyapa deal) in 2020 (Nyabor, 2022). However, there has been less public interest in monitoring the use of petroleum revenues and demanding accountability, a tendency PIAC argues stems from the lack of awareness among the general population in terms of oil-funded projects. Thus, it will be important for future studies to examine why the interest of the people may vary across different sectors and how it shapes the actions of ruling elites.

The findings of the paper also point to a low number of transnational



actors involved in shaping the use of the petroleum revenues. This does not necessarily downplay the role of transnational actors in the governance of the country's hydrocarbon sector. Indeed, global actors have played diverse roles in the institutional arrangements in Ghana's hydrocarbon industry. For instance, Norwegian industry experts were instrumental in the development of the PRMA and, similarly, Oxfam and other transnational organizations have provided both financial and logistical support to PIAC (Oppong, 2016). It therefore suggests that transnational actors have varying degrees of influence across the resource chain. Studies focusing on the conditions explaining the differing levels of influence of transnational actors across the extractive resource value chain will be useful. It is also important to note that this finding may not be applicable in a country with a dominant party-political settlement. Further studies in such countries may be necessary for the purposes of juxtaposition.

### Declaration of Competing Interest

The author declares no competing interest.

### Acknowledgements

This work was supported by Trinity Hall (Cambridge) through the Philomathia Africa Programme, which funded the author's MPhil studies at the University of Cambridge. However, the author is purely responsible for the views expressed in the paper. It is also important to state that although the earlier draft was extracted from the author's MPhil thesis, the paper has subsequently been reviewed to reflect current trends, both theoretically and empirically. The author is also grateful to Jon Phillips, Pritish Behuria and Godfred Amankwa for providing useful feedback on initial draft of this paper.

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