

An Institutional Analysis of the Resource Curse in Africa: Lessons for Ghana

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Abstract

The experience of oil producing countries in Africa has largely been a negative one, with development indicators suffering as a resource curse takes effect. This article examines the role that institutions will play in preventing Ghana from falling victim to the curse of oil following its discovery of off-shore oil in 2007. It draws upon the experiences of two other African nations with off-shore oil reserves, Angola and Gabon, to highlight the potential dangers that Ghana faces in managing its oil resources. The analysis is based around the role that oil can play in breaking down formal mechanisms for guaranteeing accountability between state and society and promoting instead discretionary forms of governance that operate along neo-patrimonial lines. The leading role that Ghana's highly developed civil society must take in preventing this from happening is stressed. More broadly, the article seeks to understand the internal dynamics of resource management in African states, arguing that this should serve as the departure point for future interactions between resource-rich African countries and external forces. The article will conclude by emphasizing the importance of Ghana's building upon its success as a model for democracy in Africa by also acting as a leader in resource management on the continent.

Author's Note

My interest in this topic follows from my interest in politics and development on the continent generally. This was really born during my trip to Tanzania in 2003 where I spent four months teaching prior to joining university. Since then I have returned to the continent a number of times, including a brief trip to Ghana in 2006 after doing some work in neighbouring Togo. The resource curse is an interesting topic for me because it draws on insights from many different disciplines including politics, economics and development. However it also relies on a firm understanding of contextual factors to account for the divergence in experiences between resource-rich countries and therefore, in the case of Ghana, relies heavily on an understanding of comparative African politics. Ghana's prominence in both academia and the media as a leading light for democracy and good governance in Africa adds weight to this issue and there is a real sense that if Ghana cannot overcome these challenges then no country on the continent will be able to.

Key Words: Resource curse, institutions, neo-patrimonialism, oil, Ghana, Gabon, Angola.

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Introduction

Following the conclusion of its fifth democratic election since the restoration of democracy in 1992, Ghana finds itself at a critical juncture in its development. Recent trends have been overwhelmingly positive and Ghana has become perhaps the most frequently cited model of good governance and economic management on the continent. Nevertheless, the National Democratic Congress (NDC) party and its new President Dr. John Atta Mills continue to face a range of old and new challenges as they establish control over the country and embark on their political agenda. High amongst their priorities will be tempering the effects of the global recession and volatile commodity prices as well as assuaging the ethnic, political and economic divides that remain apparent in Ghanaian society. However, the single challenge that may prove to have the greatest influence on Ghana's future will be avoiding a resource curse once its newly discovered oil starts to flow in 2010.

This article will examine the role that institutions will play in determining whether Ghana falls victim to the malign effects that oil has had on other African countries. It will argue that institutions relating to governance, bureaucracy, civil society and judiciary will be the major determinants of the effects of oil. The article will emphasise the importance of maintaining state-society linkages that determine the incentives under which political leaders act and the role that civil society can play in achieving this. The focus of the article will be on issues related to development rather than macroeconomic outcomes. The next section will show that the examples of Gabon and Angola are relevant to Ghana's situation and the subsequent analysis will draw on the experiences of these two countries to fully understand the nature of the threat that oil poses to Ghana. The issue will be addressed strictly from a domestic standpoint and the external factors that receive a lot of attention in the literature, such as relations between major powers and oil producing states and the role of international oil companies (IOCs) will not be examined. This is because, as the article makes clear, the primary causes of the resource curse lie in the internal dynamics of a country's institutions and these must be understood in isolation before successful external intervention strategies

can be devised. The role of oil in causing or prolonging war (relevant to the case of Angola) will also not be considered directly as this is unlikely to be relevant to Ghana's experience.

The remainder of this article will proceed as follows: In the following section the case studies will be examined in more detail and the outcomes of the resource curse in countries similar to Ghana established through an examination of Angola and Gabon. The subsequent section will analyse the role of institutions, addressing in turn governance, bureaucracy, civil society and judiciary. The final section will conclude and examine the potential policy implications of the analysis made.

Symptoms of the Resource Curse

The concept of a natural resource curse was first articulated in 1995 when Sachs and Warner empirically demonstrated that countries which were heavily reliant on natural resources achieved worse growth outcomes than their counterparts.¹ Early formulations of the resource curse followed the lead set by Sachs and Warner and focused mainly on the links between poor macroeconomic performance and abundance of non-renewable natural resources. However, the concept of the resource curse was later expanded to identify the causal links between resource abundance and other outcomes, such as lack of political freedom, poor development outcomes and even conflict.² Beyond the academic realm, nations, international organizations, and global civil society alike have recognized the existence of a resource curse, as seen in by the creation of initiatives such as the Extractive Industries Transparency Initiative (EITI).³ Although the resource curse literature refers to all forms of natural resources it is considered most potent with regards to point-source natural resources and particularly oil.

Excessive generalisations about the resource curse can, however, be misleading and the general trend for poorer development performance by resource-rich countries can hide considerable divergence of experiences amongst resource rich countries. Thus, just as resource-poor South East Asian countries have been amongst the most successful performers of recent decades, so too have some resource-rich countries such as Norway, Canada and Botswana. Amongst those resource-rich countries that have undergone a curse, the negative effects have ranged in terms of both severity and form depending upon the nature of the natural resources themselves and the internal make-up of the country.

Ghana's post-independence history will be very important in determining the effects of the resource curse there. Despite its recent stability and progress much of this history was turbulent and occasionally violent as the widespread optimism of Nkrumah's early years disappeared and the country descended into political and economic turmoil. This peaked in the early 1980s as Flight Lieutenant Jerry Rawlings seized power. However under his watch the country slowly recovered and reformed culminating in 1992 with its first democratic elections. By January 2009 Ghana had completed its fifth peaceful election, had experienced four consecutive years of above 6 percent GDP growth and had reduced the poverty headcount dramatically (from 40 per cent in 1998 to 29 percent in 2006).⁴

The progress Ghana made in this period meant that upon discovering commercial quantities of oil in 2007, the country was optimistic that it could avoid the pitfalls into which its fellow African oil producers had fallen. This sentiment was summed up by then-President Kufuor who declared that “with oil as a shot in the arm we are going to fly.”⁵ The amount of oil Ghana has in reserves remains unclear, though the government estimates it may be as high as 3 billion barrels. Ghana currently uses between 40,000 and 45,000 barrels of oil a day and has a fuel bill that reached an estimated \$1.6 billion by 2007. With oil production rising from just 2,000 barrels a day currently to an estimated 60,000 barrels in 2010 and up to 200,000 barrels beyond that, the discovery of oil promises to have a profound impact on all aspects of Ghanaian society.⁶ Exploration and development of oil reserves are being carried out by international oil companies, with the Ghana National Petroleum Corporation holding a minority stake in the ventures and the state receiving revenues from a variety of entitlements, such as income tax and royalties.

However, Ghana cannot be complacent about the effects oil will have, as the experiences of Angola and Gabon show. As will become apparent in the analysis, oil had a similar effect on development outcomes and political freedoms in both of these countries, contributing in each case to a breakdown of state-society linkages. This happened despite significant differences in their post-independence histories, with Angola being at war for most of the period from 1976 to 1998, whilst Gabon enjoyed remarkable political stability and continuity in leadership in this period.

The comparison between Ghana and these two nations is valid because of a series of commonly held starting characteristics. Most importantly, oil in each of these countries is almost entirely based off-shore. This is a crucial factor in determining the nature of the resource curse that emerges as the oil industry will become an enclave industry with minimal ties to the rest of the economy (such as employment) and with its massive revenues going directly to the government. This effectively eliminates the sort of scramble for resources that has characterised the resource curse in countries like Nigeria. Another crucial similarity is that the political systems of all three countries are characterised by tensions between institutional, rules-based forms of governance and more traditional neo-patrimonial forms. The latter can be defined as the continued rewarding of supporters and appeasing of political opponents through the allocation of resources within the framework of a modern state structure.⁷ Although the balance between these opposing forces has been different in each of the three countries, this tension is an important prerequisite for understanding the effects of

oil in Africa and will be studied in further detail below. The key difference between the countries will be in their institutional maturity, with Ghana having the advantage of discovering oil 50 years after both Angola and Gabon.⁸

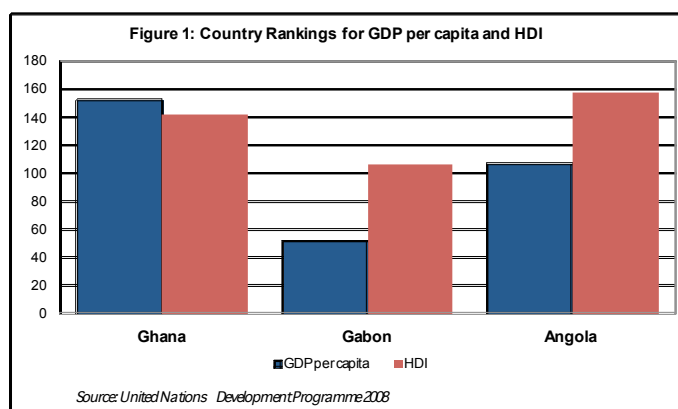
The symptom of the resource curse that has probably received the greatest attention in the literature is Dutch Disease for which Angola and Gabon are particularly good examples. It occurs when the non-resource sectors of a resource-dependent economy become uncompetitive domestically and internationally and fall into stagnation and decline. Typically this is triggered by an appreciation of the real exchange rate following the influx of foreign currency from natural resource sales. This was what occurred in the Netherlands following the discovery of natural gas reserves in 1959, the event that gave this phenomenon its name. However, it can also occur due to political decisions made by elites who choose to concentrate resources in the oil and non-tradables sectors at the expense of other sectors.

Agriculture, a crucial component of Ghana's economy, was ruined by this process in Angola and Gabon. In both countries agriculture represented the only realistic source of mass employment and the oil industry, which employs relatively small numbers of highly skilled workers, could not compensate for this. This was represented by the large volumes of rural unemployed that flooded to the cities in search of work in recent decades in both countries. In Gabon the decline in agriculture was so steep that it went from being a net exporter of agricultural products prior to independence to having to import nearly 90 percent of its food by 2004.⁹ Similarly, Angola continues to be heavily reliant on food aid, though the war also explains the decline of the rural sector in many regions. More significant in Angola was the collapse of the coffee industry which went from exporting 213,000 tonnes in 1973 to just 3,000 tonnes in 1998.¹⁰ This is a crucial point of comparison with Ghana whose economy is currently largely based around cocoa production in much the same way Angola's was on coffee prior to independence.

By being highly dependent on oil, the Angolan and Gabonese economies also opened themselves up to dangerous price fluctuations in the price of oil illustrated so vividly by the shifts in oil prices which have occurred over the last two years. The extent of this dependence is seen in the dominant proportion of oil in exports with 94 percent of exports in Angola in 2005 being from oil,¹¹ compared to 78 percent of earnings for Gabon in 2000 (despite declining production).¹² Volatile prices make economic planning very difficult and in African states have often led to excessive borrowing in times of low prices as political demands make

spending patterns, even those that have little economic rationale, hard to scale back. Unfortunately, oil producing states also have access to more credit as they can use future oil earnings as collateral on loans. In this way, Angola's ruling Popular Movement for the Liberation of Angola (MPLA) was able to finance its war effort, with external debt increasing from less than \$3billion in the early 1980s to over \$11billion in 1995. Meanwhile in Gabon, the government was able to continue to fund the spectacularly wasteful Transgabonese railway during the construction of which external debt rose from \$230million in 1972 to \$1.9billion in 1986.¹³

However, it is the political and social dimensions of the resource curse rather than the economic ones that are the most important for development. As Figure 1 shows, Angola and Gabon, in contrast to contemporary Ghana, rank considerably more strongly with regard to GDP per



capita than for Human Development Index (HDI) indicators.¹⁴ This is one sign of the extent to which both countries have failed to use their resources to improve the quality of lives of their citizens. Thus approximately 70 percent of Angolans continue to live on less than \$2 a day,¹⁵ and 60 percent of the Gabonese population also lives below the poverty line.¹⁶ Health indicators remain especially poor in both countries with the life expectancy being just 54 in Gabon,¹⁷ and 43 in Angola where one in four children die before their fifth birthday.¹⁸

The politically and economically unequal systems that result from oil abundance are a crucial dimension of the resource curse, and do much to explain the disparity in macroeconomic and development indicators. In this system the very rich exist beside the very poor and are able to isolate them from political power. Data to quantify the extent of these inequalities is hard to come by as these systems tend towards being strongly opaque to cover up the extent of corruption and mismanagement within them. Nevertheless, estimates put the Gini coefficient, the standard measure for economic inequality in a country, at 0.62 for Angola in 2000,¹⁹ and 0.44 in Gabon in 2003.²⁰ While these figures put both countries amongst the most unequal in the world, the survey methods contain a strong urban bias that suggests that they are probably underestimations.²¹ Nevertheless, the extent of economic inequality is apparent to any observer in the major cities of both countries where the expensive houses and cars of the rich

exist beside the vast slums of the urban poor. The political inequality between these groups will be examined in the following section as it lies at the core to understanding how the resource curse occurs.

The following section will link these outcomes in Angola and Gabon to the institutional processes that caused them. It will show that in each instance the lessons from these countries are potentially relevant to Ghana as it looks to start production.

Institutions

The role of institutions in determining the effects of natural resources has been widely recognised in the literature. Mehlum, Moene and Torvik for example have demonstrated using regression analysis that the resource curse is strongly present in countries with weak institutions but is barely present in countries with strong institutions.²² Their distinction between strong and weak institutions is determined by the extent to which institutional arrangements encourage production to take place in an economy as against allowing corrupt practices that inhibit economic efficiency. However, in the case of Ghana, institutions cannot be treated in isolation as their role is tied to their relationship to informal neo-patrimonial forms of governance. These more traditional forms of rule have a long history in most colonised African countries but have adapted in recent times to operate within modern state structures. The extent to which institutions continue to operate along the formal rules-based forms as opposed to along neo-patrimonial lines will determine the incentives under which political actors operate and thus ultimately the overall impact of oil on a country.

Governance

This section will argue that oil revenues lead to a strengthening of discretionary, neo-patrimonial forms of governance at the expense of the formal bureaucratic forms thus reducing the accountability of government to the people. As well as altering their incentives for action, the revenues from oil also give these elites additional resources with which to better protect their positions. As such oil leads to a concentration of power in the hands of elites concerned primarily with their own short-term political survival.

In both Angola and Gabon, the elites used the vast oil rents to distribute favours to supporters or potential rivals in important positions. Principally, this involved politicians, military officers, magistrates, businessmen, and senior civil servants. However, during periods of instability for the ruling elites, such as elections, the distribution of patronage would be distributed to lower levels, though still failing to reach the poorest and most politically isolated elements of society. These favours took various forms, including the selective awarding of business licenses, jobs in the civil service, payment of large off-budget 'bonuses', and fuel and water subsidies for select groups. Even the disastrously expensive Transgabonese railway in Gabon was identified by some to be a form of neo-patrimonialism after it was diverted to reach President Bongo's loyal Batéke tribe in the southeast.²³

Having bought the support of key players, the elites were thus able to operate with a large degree of autonomy and there were few within the system that could effectively challenge their position, either electorally or militarily. The huge electoral victory margins of President Bongo's Parti Démocratique Gabonais (PDG) in Gabon and the MPLA in Angola were testament to systems where political opposition was neither tolerated nor productive. Rather, the pattern in both countries was for new parties or opponents that appeared on the political radar to be quickly drawn into the establishment through the careful direction of the state's vast resources. The union between Rassemblement pour le Gabon, the largest opposition party, and the PDG prior to Bongo's convincing electoral victory in 2005 is an example of this.

In most countries, the reliance of the state on taxes has also acted as a form of accountability with the implied threat by the people to stop paying them ensuring that the government continue to provide public services and goods. However, Middle East scholars have shown that in 'rentier' economies where the state can draw on large revenues from oil, the fiscal tax system is either very weak or non-existent. Instead, oil provides them with all the revenue required to hold onto power, and another source of government accountability is thereby compromised.²⁴

In Gabon, the system that emerged allowed for a great deal of stability, with Bongo ruling from 1964 until the present with only infrequent recourse to violent forms of repression. In Angola too, oil allowed the government to hold onto power despite fighting a war and doing little to help its people. This role of oil in contributing to regime continuity can be contrasted to the forms of the resource curse that have affected countries like Nigeria where oil resources are located on-land and direct conflict between groups competing for control of the resources arises. The main threat to this stability therefore comes when oil prices or production drops. This was seen in Gabon following the 1986 collapse in oil prices when government spending had to be scaled back and the neo-patrimonial system used to remove dissent was interrupted.²⁵ The elites only managed to survive due to the previously rare use of violent measures by the government combined with democratic reforms and the return of high oil prices.

Similar reforms also took place in Angola in 1991 following the drop in oil prices. However, the continuity in governance styles in both countries following these reforms goes to show that neo-patrimonial systems of governance can continue to adapt and grow in modern state

systems. It also demonstrates that reforms forced onto governments from external sources are of little use if domestic conditions do not ensure the accountability of government to the people. As the Economist Intelligence Unit notes, it is “better to view the reform effort in Angola less as an attempt to improve transparency and open up markets, and more as an attempt by the Presidency to make the system of political patronage more acceptable, efficient and sophisticated.”²⁶

Although seemingly more advanced in terms of political and institutional development, neo-patrimonial forms of governance continue to exist, albeit on a smaller scale, in Ghana. This was more widespread in the 1980s as from 1992 Ghanaians became increasingly engaged with the democratic processes and the rules-based forms of governance that accompanied it. The continued existence of both forms of governance in Ghana can be seen by the 80 percent of Ghanaians who cite democracy as their preferred form of governance and the 65 percent who say that government should act as a parent to the people (often a sign of neo-patrimonial expectations).²⁷ The danger will be that as oil revenues increase, the new government of Ghana will increasingly look to use its resources to buy support in the politically divided country along neo-patrimonial lines rather than winning it through effective development policies.

Ghana differs markedly from both Angola and Gabon in one important respect: the existence of a strong two party tradition,²⁸ exemplified by the closeness of the recent elections. Conversely in Angola and Gabon, the MPLA and PDG have had no real political opposition, even since the single-party state was abolished in both countries in the early 1990s. This situation stifled genuine political debate and benefitted the executive branch of government due to the Presidents’ dominance of the party in both countries. Nevertheless, important lessons from their experiences remain for Ghana. First, they highlight the dangers to democracy in Ghana if the NDC uses the oil revenues available to them as the incumbents to establish a significant electoral advantage over the New Patriotic Party through neo-patrimonial methods. Secondly, the experience of the legislatures in Angola and Gabon also shows that if neo-patrimonial systems do become more important, then this is likely to lead to a shift in power more generally away from the legislature and towards the executive.

In summary, the presence of vast oil revenues removes accountability between state and society. In this context, the government, lacking the incentive to act in the best interests of society, does not follow sound developmental policies, leading to poor HDI scores, nor does

it worry about the fate of the non-oil sectors, allowing Dutch Disease to develop, increasing the economies' vulnerability to price volatility.

Bureaucracy

Within this unaccountable system, the quality of the bureaucracy declines as elites focus on political stability and treat the civil service as a source of neo-patrimonial rewards rather than a tool for delivering development. In the context of a system that is flush with oil revenues, corruption, opaqueness, capacity constraints and bloating are the natural consequences. As such, the bureaucracy remains unable to deliver effective public policies aimed at reducing poverty.

In Gabon and Angola, even when spending was directed towards public services or development policies, implementation was poor. Efforts have been made in both Angola and Gabon to increase the efficiency of institutions related directly to the oil industry, particularly the state oil companies, the Ministries of Finance and the central banks. The World Bank and international initiatives such as the EITI have focused on the role these institutions play in good revenue management. It is likely that Ghana, under such external instruction, will put in place rigid monitoring programmes to stop vast oil funds from disappearing from them as they did in Angola and Gabon in the early years of oil extraction. However, while these institutions are no doubt important, corruption across the bureaucracy must be addressed as oil revenues will increase incentives to expropriate funds throughout the system, obstructing development policies in other areas. The opaqueness of the system again makes quantifying the poor bureaucracy hard, but the Economist Intelligence Unit's poor rating of Angola (scoring one out of five) for both "Policy Formulation and Execution", and "Quality of Bureaucracy" is a sign of the extent of the problem.²⁹ Capacity constraints are also a serious problem in Angola with a 2004 survey showing that just 29 percent of government workers had completed secondary school.³⁰ Elsewhere, the elites' focus on neo-patrimonial rewards rather than development is also reflected in how revenues are spent. For example, a large proportion of the education budget in Angola goes towards funding scholarships abroad (implicitly for the children of elites) and large chunks of the health budget are dedicated to ensuring emergency evacuation procedures for elites.

The extreme bloating of both Angola's and Gabon's civil services shows the prevalence of neo-patrimonial awarding of jobs there. In Angola's public sector, employment increased by

49 percent between 1990 and 1998 and provided 30 percent more jobs than the formal private sector.³¹ Gabon's civil service was equally inefficient. In the 1980s and 1990s Gabon had one of the highest ratios of public employment to population in the developing world, and its wage bill expanded from 30 percent of GDP in 1970-6 to 69 percent in 1987-94.³²

In Ghana, the large scale embezzlements of funds of the type that occurred in Angola and Gabon have largely disappeared from the bureaucracy for the time being. However, corruption at lower levels remains widespread accounting for the success of Dr. Mills' anti-corruption electoral campaign. Whether corruption will increase once oil revenues filter into the civil service has yet to be seen and will depend on the government's commitment to fighting corruption, even if it means weakening its capacity to use neo-patrimonial forms to shore up its support.

Civil Society

Civil Society is a potential link between state and society. As such, in the context of strengthened neo-patrimonial patterns of governance and a weak tax system, its role becomes absolutely vital. The main limitations on its ability to operate effectively are transparency, interference and capacity.

Civil Society is perhaps the most noteworthy area of difference between Ghana, and Angola and Gabon, and also offers the greatest chance of successfully helping it to tackle the resource curse. In Angola and Gabon the pattern was for the independence of civil society to be totally compromised. Most organisations either relied on the support of the state and were drawn into the neo-patrimonial networks or were reliant on aid from western organisations.³³ Both of these methods of funding themselves compromised their independence and ability to represent the larger population. In fact, prior to the 1991 reforms, much of civil society in Gabon actually operated within a branch of the PDG, the Central Committee, including women and youth groups, and trade unions. Genuine grassroots organisations have been generally overlooked by external and internal forces alike.

Prior to the 1990s reforms, the press in both countries were completely controlled by the state. Following the reforms, which offered nominal independence for the press, these groups have remained largely uncritical of the presidents, preferring to attack lower level ministers or civil servants. In Gabon, press freedom continues to be attacked with crackdowns on media councils, jailing of critical journalists and discrediting of the independent press by the

influential state owned media.³⁴ The opaque nature of both states' political systems also renders the critical role of civil society and the media very difficult as evidence of corruption and malpractice is hard to substantiate.

In Ghana, by contrast, civil society not only enjoys total independence from government, but its role is becoming increasingly supported by the wider population whose engagement with civil society is very important. Capacity constraints too are less of a problem compared to Angola and Gabon, with an educated middle-class fast emerging to improve the quality of monitoring that civil society can perform on the government. This extends to the press whose independence from interference places them at a respectable 34th out of 168 countries in the World Press Freedom Index.³⁵

With the breakdown of state-society linkages in Angola and Gabon, much of the impetus for accountable governance has necessarily come from external forces. The lack of success this pressure has enjoyed, particularly in periods when oil prices are high, is indicative of the extent to which the reform process, when driven from external sources, can be distorted from within by neo-patrimonial forces. Unfortunately, civil society in both countries has been too weak to challenge these malign forms of governance. Ghana could be different. Its capacity and independence are well-established and if these can be maintained in the future, together with transparency in the political system, then Ghanaian civil society may be able to reinforce the crucial state-society linkages. If it can do this then development outcomes will be strengthened as the government will be forced to demonstrate the progress it makes from the oil revenues it receives.

Judiciary

The role of civil society and any attempts to improve governance or efficiency in the bureaucracy are reliant on an independent and effective judiciary. Where political power is based on discretionary neo-patrimonial forms of governance, elites will have an incentive to interfere in the judicial system which, if left unchecked, could disrupt their basis for holding power. However, if interference is prevented, then accountability between government and society can be restored as the executive and bureaucracy are forced to operate according to enforceable rules.

The dangers of a judiciary without independence can be seen clearly in the cases of both Angola and Gabon. In Gabon pre-1990, the judiciary was totally subservient to the executive

both formally, through the president's ability to appoint the head of the Supreme Court, and informally, through the use of political and monetary rewards or the threat of punishment.³⁶ In Angola too, the courts deferred to government, though the war also partly explains this. Attempts to overcome interference in the Angolan judiciary have been half-hearted, as shown by the failure to follow through on the commission for the High Authority Against Corruption in 1996 and the continued absence of an effective constitutional court.³⁷ Capacity constraints also play a role with a lack of well trained lawyers hindering the ability of the system to operate effectively.

The judiciary is more advanced in Ghana and defends its autonomy, though there is a clear precedent for a discretionary and politically compromised system dating back to the early 1990s. Its role is supported by strong support amongst the population for the rule of law with seven in ten people saying that people must always obey the decisions of the courts.³⁸ Particularly important has been the role of the Electoral Commission of Ghana under the stewardship of Dr. Kwadwo Afari-Gyan since 1992, not least in overseeing the knife-edge election of December 2008. Nevertheless, in a tightly divided country and with greater rewards for the victors of any elections, the job of the Electoral Commission of Ghana will only get harder with time and a retreat back to the days of political interference in the judicial system is perfectly plausible.

Conclusion

The examples of Angola and Gabon highlight the effects that oil revenues have on institutions and how these effects lead to poor development outcomes. International organizations and academic sources alike have built up policy recommendations that countries with oil should adopt to tackle many of the symptoms of the resource curse outlined above.³⁹ However, the experiences of Angola and Gabon show the versatility of neo-patrimonial systems of governance in oil-producing countries, even during periods of reform, and as a result the limited impact reforms can have on development outcomes. Therefore, any policies recommended by external groups, such as international organizations and global civil society groups, must have at their centre a deep understanding of the core challenge of maintaining state-society linkages in African countries possessing off-shore oil. Only once this is achieved will the government have the incentive to act in the best interests of their citizens and adopt the most appropriate laws for managing their natural resources. Ghana's vibrant civil society must work towards holding the government accountable for its revenue management by involving itself, as far as possible, in the formulation of resource management policies. Every effort must also be made to maintain the progress in institutional development that Ghana has made in recent years and to continue to improve capacity and efficiency in democratic and bureaucratic procedures. Thus in Ghana, by contrast to Angola and Gabon where external pressure on the government remains a necessity, domestic forces will be the primary determinant of the extent to which problems arise from oil.

Following its tightly fought but peaceful recent elections and in the context of rigged and violent elections in Zimbabwe and Kenya during 2008, Ghana has recently been much hailed amongst the international media as an example for African democracy.⁴⁰ Now, with oil starting to flow in 2010, Ghana must step up and meet its next challenge: to act as an example of good natural resource management for other African countries like Angola and Gabon. It will not be an easy task, but for the people of Ghana, the stakes could not be higher.

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Endnotes

- ¹ Jeffrey Sachs and Andrew Warner are prominent American development economists.
- ² For example Auty has shown that social development and civil liberties are hampered by resource abundance and Robinson et al. have argued that the incentives created by natural resources are the key to understanding their effects. Both of these points are central to the arguments of this article.
- ³ The Extractive Industries Transparency Initiative was announced in 2002 by then Prime Minister of the United Kingdom Tony Blair, following consultations between nations, civil society groups and the World Bank. It is tasked with increasing transparency of payments made between companies and governments of resource-rich countries.
- ⁴ World Bank, Country Overview, Ghana.
- ⁵ BBC, 19/6/2007.
- ⁶ BftGhanaonline.com, 5/3/2008.
- ⁷ Erdmann and Engel, 2006, 18.
- ⁸ Oil was discovered prior to independence in both Gabon and Angola in 1957 and 1955 respectively.
- ⁹ World Bank, 2004, 7.
- ¹⁰ Hodges, 2004, 105.
- ¹¹ World Bank, 2007, 141.
- ¹² Economic Commission for Africa.
- ¹³ World Bank Database, 2008.
- ¹⁴ The Human Development Index is a broad measure of development achievement for countries, constructed by the United Nations Development Programme. It combines measures relating to life expectancy, educational attainment and income.
- ¹⁵ World Bank, 2007, 8.
- ¹⁶ Economic Commission for Africa.
- ¹⁷ Shaxson, 2007, 102.
- ¹⁸ World Health Organization, 2008.
- ¹⁹ World Bank, 2007, 9.
- ²⁰ United Nations Development Programme, 2006, Page 8.
- ²¹ World Bank, 2007, 9.
- ²² Mehlum, Moene and Torvik, 2006. Halvor Mehlum and Karl Moene are economists at the University of Oslo. Ragnar Torvik is a Professor of Economics at the Norwegian University of Science and Technology.
- ²³ Yates, 1996, 183.
- ²⁴ Beblawi and Luciani, 1987.
- ²⁵ Yates, 1996, 142.
- ²⁶ Economist Intelligence Unit, 2006, 35.
- ²⁷ Afrobarometer, 2008, 3. Afrobarometer has carried out a series of four surveys assessing the progress of Ghanaian democratization. The latest, conducted between 4 and 27 March 2008, interviews 1200 Ghanaians face-to-face in a language of their choice. The results have a margin of error of ± 2.5 percent at the 95 percent confidence level.
- ²⁸ Sandbrook, 2000.

²⁹ Economist Intelligence Unit, 2008, 46.

³⁰ Ibid, 7.

³¹ Hodges, 2004, 77.

³² World Bank, 2004, 17.

³³ Chabal, 2008.

³⁴ International Press Institute, 2007

³⁵ Reporters Without Borders, 2006.

³⁶ Nze-Nguema, 1998, 117.

³⁷ Hodges, 2004, 81.

³⁸ Afrobarometer, 2008, 4.

³⁹ See for example Humphreys, Sachs and Stiglitz, 2007.

⁴⁰ See for example BBC, 7/1/2009 for media report of Ghana as an example for democracy in Africa.