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‘BLACK GOLD’ OR ‘THE EXCREMENT OF THE DEVIL’? EXAMINING THE TRADITIONAL AND EMERGING THEORIES OF OIL GOVERNANCE AND THE CHALLENGES FOR AFRICA.

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A research report submitted in partial fulfilment of the requirements for the degree of Master of Arts in International Relations to the University of the Witwatersrand, Johannesburg.

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DECLARATION

I declare that this research report is my own, unaided work, except where otherwise stated. It is being submitted in partial fulfilment of the requirements for the degree of Master of Arts in International Relations to the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university.

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Date: _____

ABSTRACT

While a vast body of literature exists examining the causal mechanisms behind the negative effects of natural resource abundance on economic growth – the so-called 'natural resource curse' - an emerging body of literature can be seen which provides a more holistic perspective on natural resource governance. This emerging literature is especially relevant for the African continent, where the challenges of poverty, low levels of good governance, and histories of conflict and authoritarianism, make natural resource governance even more complex. Thus this study makes an in-depth examination of both the traditional and emerging literature in order to examine the shift that has occurred in the literature. To provide practical relevance to this literary shift, this study proceeds with two independent case studies of Ghana and Uganda. By practically analysing the existing institutional, legislative and regulatory frameworks in both countries, this study examines the areas of variation in the current practices as opposed to the policy prescriptions of the emerging literature. In this way this study makes recommendations for the future of petroleum governance in both countries.

DEDICATION

This work is dedicated to the following people:

First and foremost, to Jesus Christ, for always leading my path and for always opening the perfect doors along the way. Without God in my life, I would not be where I am today.

To my wonderful parents, Peter and Glenys Bowland, and to my incredible fiancé, Daniel Green. For their constant support and love, for always believing in me and encouraging me to follow my dreams.

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LIST OF ACRONYMS

ADF – Allied Democratic Forces

AG – Attorney General

ATI – Access to Information

CSR – Corporate Social Responsibility

DRC – Democratic Republic of the Congo

EIR – Extractive Industries Review

EITI – Extractive Industries Transparency Initiative

FOI – Freedom of Information Law

GDP – Gross Domestic Product

GNPC – Ghana National Petroleum Company

IFI – International Financial Institution

IMF – International Monetary Fund

IOC – International Oil Company

ISSP - Industrial Sector Support Programme

LRA – Lord's Resistance Army

NDC – National Democratic Congress

NOC – National Oil Company

NOGP – National Oil and Gas Policy

New Patriotic Party (NPP)

NRM – National Resistance Movement

OPEC – Oil Producing and Exporting Countries

PAC – Public Accounts Committee

PETS - Public Expenditure Tracking Surveys

PWYP – Publish What You Pay

PEAP – Poverty Eradication Action Plan

SEC – Securities Exchange Commission

US – United States of America

Chapter 1: Introduction

With the recent surge of interest in Africa's natural resource wealth, particularly with the discovery of significant deposits of oil in the region, traditional theories around what is widely referred to as the 'natural resource curse', need to be revisited and emerging theories considered, in order to understand the reality currently facing many countries on the African continent. In the past 50 years much data has emerged, documenting the paradoxically negative relationship between natural resource abundance and economic growth. With oil deposits having been discovered in several African countries in recent years, ranging from Ghana and Sierra Leone on the west coast, to Uganda and Kenya on the east coast, the issues of the 'natural resource curse', and even more specifically, of oil governance, are becoming ever more pertinent for the African continent. This is especially so in light of the growing global demand for oil, as well as diminishing global oil reserves in other parts of the world.[1] Also, as the experiences of other oil rich African countries like Angola, the Sudan and Nigeria have shown, oil revenues do not always translate into improved socio-economic development[2]. This is often due to the fact that there are unique challenges faced by Africa, such as colonial legacies of poor institutions; histories of violence and civil war; low levels of good governance and education; high levels of poverty; and unstable or poor democracies.[3] Thus, while traditional theories of natural resource governance do still have relevance, they are often too narrowly focused on economic and Political Economy variables, which only explain the resource curse in part. The policy prescriptions which have emanated from them have regularly been found to be inadequate when applied to the African continent. Emerging theories which encompass a broader set of variables arguably provide more robust and effective policy prescriptions for African countries. While some researchers, such as Sala-i-Martin and Subramanian,[4] have analysed oil rich countries in Africa such as Angola and Nigeria, these studies were done on countries whose starting points were undemocratic or authoritarian regimes, where good governance mechanisms were not in place. Rather, this study will focus on two countries - Ghana and Uganda - to examine how the emerging theories of natural resource governance can be applied to upcoming democratic African oil rich countries, where good governance mechanisms are relatively robust.

Ghana discovered offshore oil deposits in the 1970s but it was only in the 1990s that production began, with the involvement of American and Dutch oil companies.[5] More recently, another offshore oil field – Jubilee Field - was discovered, with large commercial quantities of oil being expected. Commercial oil began flowing at the end of 2010, contributing an estimated seven percent to Ghana's growth in 2011.[6] In the case of Uganda, in 2006 a massive oil discovery was made inland, on the border of the Democratic Republic of the Congo (DRC), in the Albertine region. This region runs along the length of Lake Albert, and indeed several of the oil blocks extend into the lake to the border of the DRC. The northern-most block is situated on the border with South Sudan, and the southern-most block reaches almost to the border of Rwanda.[7] Following from this, the construction of an oil refinery in the region is due to begin later in 2012. Several oil contracts have also been signed by government.[8] While much commentary has been made of the situation in these countries,[9] an analysis of each government's policies and regulatory frameworks, as well as other indicators - like corruption, Gross Domestic Produce (GDP), and levels of good governance - is needed in order to assess the current positioning of each country within the emerging literature. This would help provide a possible indication of whether the discovery and production of oil in Ghana and Uganda will enable economic development, or whether more disagreeable consequences, are likely to result.

Chapter Outline

This research thus sought to explore the most recent literature surrounding the challenges of resource governance on the African continent, with particular reference to new resource-rich democratic countries, as well as revisiting the traditional natural resource governance literature to assess the applicability, or lack thereof, for African cases. This is followed by two independent case studies of Ghana and Uganda respectively, both of which only recently discovered oil. While Ghana can be said to be a model of good governance in Africa, in view of its relative democratic stability and stronger democratic institutions, Uganda displays more of the characteristic challenges faced by other African countries, such as a history of conflict, bad neighbours and weaker institutions of good governance. These case studies thus seek to examine how aligned Ghana's and Uganda's current policies are respectively, with the recommendations made in the most recent literature, and where gaps exist in their

institutional, legislative and regulatory frameworks, so as to draw lessons for natural resource governance in Africa.

Rationale

This research is valuable as it speaks to a number of important and emerging research and policy paradigms, including the areas of natural resource governance and good governance, as well as the areas of donor and aid engagement on the African continent. The findings of this research have important implications for policymakers, as it will assist them with the effective management and utilization of the continent's resource abundance. Thus, a greater understanding of the limitations of the traditional theories of natural resource governance, and the policy prescriptions emanating from the emerging literature on the extraction and production of oil, will better enable the conceptualisation of sound and effective oil governance in the African context. Following an analysis and critique of the available resource governance literature – especially in relation to the African continent, as well as the two case studies - the author hopes to be able to contribute to the growing literature on natural resource governance in general and to research on oil governance in particular. This research has both scholarly and practical/policy implications; it will add to the existing knowledge in the fields of natural resource governance, good governance and donor engagement, while also being of practical relevance to practitioners and policymakers.

Further, although some literature has previously focused on Africa, these analyses have tended to focus on countries which discovered oil during undemocratic or authoritarian regimes. Little analysis exists of countries which have recently discovered oil and which have a moderate level of existing democracy and good governance structures. Thus, while several countries across Africa have recently discovered oil, the cases of Ghana and Uganda were chosen as Ghana displays a strong democracy and levels of good governance, whereas Uganda exhibits most of the characteristic challenges which face countries in Africa across the board. While it would be speculative to say whether Ghana or Uganda will succumb to, or avoid the detrimental effects of the natural resource curse, this research will provide good groundwork for future studies into this area. While this is not a comparative case study, two countries were chosen to ensure that this research is more representative and to avoid speculation arising.

Aims and objectives

Following the seminal study done by Sachs and Warner,[10] the paradoxically negative relationship that has been found to exist between natural resource abundance and economic growth, has been widely studied, and is now commonly known as 'the natural resource curse'. While traditional theories have offered valuable insight into understanding the general causes of this phenomenon, they have tended to focus too narrowly on economic and Political Economy related variables as causal mechanisms. The resulting policy prescriptions have thus been insufficient to address the more complex and unique challenges faced by African states. As such, it becomes apparent that contemporary theories which offer a more holistic perspective on natural resource governance in Africa need to be interrogated and used in investigating how countries, like Ghana and Uganda, that are newly resource abundant, are positioned to achieve effective natural resource governance. Thus the aim of this study is to draw on the growing literature on natural resource governance in order to make a fresh and original contribution in relation to the African continent. This research aims to enrich the body of literature by providing a new analysis on the African continent of two countries which are democratic and fairly stable, which also have existing good governance mechanisms in place. Thus by exploring the current good governance mechanisms in Ghana and Uganda, this research aims to enrich the analysis and interpretation of the resource curse theories within the context of Africa's new oil economies and emerging democracies.

Research questions

This research aims to explore a number of questions. The most important of these relates to the alternate views and policy prescriptions offered by the emerging theories of natural resource governance in Africa. It is hoped that several new policy options would become clear from this contemporary literature and that these will offer emerging oil-rich states with greater tools with which to bolster their oil governance architectures.

Primary research question:

- How do the emerging theories of natural resource governance in Africa differ from the traditional theories and what specific policy prescriptions do they entail?

To answer this question I intend to examine the following areas:

- The theories proposed in the traditional natural resource governance literature and the resulting policy prescriptions.
- The record of success for these traditional policies in general, and in Africa specifically.
- The main challenges faced by African countries in natural resource governance, especially the governance of oil.
- What changing prescriptions are given by the emerging literature?

Secondary research questions:

- ❖ How do the current legal and regulatory frameworks in Ghana and Uganda weigh up against the prescriptions of the emerging theories on natural resource governance?

- ❖ What is the current level of governance and democratic institutions in Ghana and Uganda, and how can this be made to align more with the prescriptions of the emerging theories?

Method

This research falls within the tradition of qualitative research design. It seeks to examine and review the literature of natural resource governance, especially as it pertains to the African continent. It also involves two case studies to add practical application to the research, examining the current processes and levels of oil governance in Ghana and Uganda. It would be speculative to analyse whether they will or will not avoid the resource curse so early on in the discovery of oil in both these countries. Rather, this study examines the current policies and regulations in place in Uganda, against the current literature to examine where gaps exist according to the prescriptions of the literature.

Two different methods of data collection were used during this study. First, secondary data analysis was conducted of the scholarly articles available, covering the subject of natural resource governance. Secondly, primary and secondary data were examined, such as government policy documents, regulatory framework documentation, scholarly articles, newspaper articles, statistical data and indices in order to conduct the two independent case studies.

Chapter 2: Literature Review

The paradox of natural resource governance is that despite most logical assumptions, resource abundance does not directly correlate with economic growth or social development. Rather, several empirical studies and cross-country regression analyses have discovered robust evidence to support the theory of the 'resource curse'.[11] One of the foremost studies in this regard was that of Sachs and Warner in 1995[12], which showed evidence of a negative relationship between natural resource intensity and economic growth. In the years that have followed, a vast selection of theoretical studies has arisen, analysing various aspects and causal mechanisms of the resource curse. Several studies have also found differing results to Sachs and Warner's original study. While Sachs and Warner followed a strictly economic analysis, looking at economic growth as the single determinant of welfare, others have questioned whether this is the most appropriate indicator. Researchers have thus turned their focus to other causal mechanisms of the resource curse, including Political Economy explanations, focusing on patronage and rent-seeking, as well as societal explanations, focusing on the role of institutions and the impact of resource abundance on democracy. However, there is still a gap in the literature, especially pertaining to studies on the African continent. While a shift in the literature on natural resource governance is emerging, few studies on the African continent can be seen to reflect this shift entirely. Rather, what can be seen is that studies still remain narrowly focused on issues of the resource curse and rarely do these studies deviate from this line of thought. Where studies exist that do examine countries from a more nuanced perspective, they focus only on one aspect of the emerging literature and do not provide a holistic perspective on natural resource governance. It is this gap in the literature which this study seeks to address.

Review of Literature on Ghana and Uganda

More studies have been conducted on Ghana than on Uganda, possibly because Ghana's oil discoveries were preceded those of Uganda. Examining the existing literature on Ghana, it becomes clear that the abovementioned gap is present. While there are very few studies which have currently been conducted on natural resource governance in Ghana - those that

have focus on the natural resource curse. Duong *et al*[13] focus purely at an economic level in their study of oil abundance in Ghana. Thus they examine the fiscal and monetary implications of oil abundance in Ghana, especially the risk of macroeconomic volatility and destabilisation. Similarly, Adu[14] uses econometric modelling to examine the prevalence of the natural resource curse in Ghana. Aydin[15] writing for the International Monetary Fund (IMF) also examines the risk of the resource curse in Ghana, again focusing on statistical analyses to examine economic growth in the country and the possible effects of the resource curse. Finally, Kapela[16] examined the role of private domestic ownership as a mitigating mechanism of the resource curse in Ghana. These studies show that there is a general lack of literature examining natural resource governance in Ghana, fundamentally due to the backward-looking nature of the natural resource curse literature. More than this shows that studies in this field are still dominated in orientation towards the issue of the natural resource curse as the only prism through which to examine natural resource abundance in African countries. There are also several studies focusing on Ghana which take a more nuanced approach to natural resource governance. However, while this is a positive step, these studies still tend to only examine one factor in the country and thus do not provide a holistic analysis of natural resource governance in the country. For example, Tsekpo and Hudson, as well as Myers and Mohammed[17] all examine the role of Parliament in Ghana as a mechanism through which to strengthen accountability and good governance, to increase the governance structures of the petroleum sector in the country. Stapenhurst and Pelizzo, and Crawford,[18] examine the role of democracy in the governance of natural resources, as well as how democracy can be strengthened in Ghana. There are also several civil society organisations which have examined institutional factor in Ghana and their role in the governance of the petroleum sector.[19] All these studies contribute to a more nuanced analysis; however none of them combine the entirety of the emerging policy prescriptions in their analysis of natural resource governance in Africa. It is this gap which this study aims to fill.

Very little has been written about Uganda at this stage. However, those studies that do exist focus away from the natural resource curse towards more institutional, governance related issues; again however, none of these studies combine all the elements of the emerging literature. For example, Gelb and Majerowicz[20] examine alternative uses for oil rents in Uganda, specifically through institutional development and cash transfers to the citizenry. Zomer and Veit[21] examine the role of the United States (U.S.) new Security Exchange Commission (SEC) regulations on oil governance in Uganda, and in Africa as a whole.

Further, civil society organisations like Revenue Watch and Transparency International have examined the role of increased transparency and legislation over the sector in increasing effective governance over the countries oil reserves.[22] Importantly, many of these studies are forward-looking in nature, examining the current situation in the country and making policy recommendations for the future. It is indeed in this line with this nature of thinking that this study examines the case studies of Ghana and Uganda. However, where the existing literature has focused on either the natural resource curse or on one element of the emerging institutional mechanisms for natural resource governance, this study will aim to combine the literary prescriptions in a forward-looking analysis of both countries.

The aim of this study is thus to examine the various caveats of the extensive literature surrounding natural resource governance, with the focus being placed on the governance of oil as a specific natural resource and to draw conclusions for natural resource governance in Africa. Importantly, a broad understanding of some of the more general theoretical frameworks underpinning this study is crucial in providing the context thereof.

Theories of 'Good Governance'

While a rich body of literature exists examining the theory of 'Good Governance', it is not within the scope of this study to undertake an in-depth analysis thereof. However, a brief understanding of the core elements of this concept is useful in relation to this study. According to the Institute of Governance in Ottawa, "Governance comprises the institutions, processes and conventions in a society which determine how power is exercised, how important decisions affecting society are made and how various interests are accorded a place in such decisions."[23] Then, accordingly to the Commission on Global Governance, "Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest."[24] 'Good governance' is measured by not only economic indicators, but also political and administrative indicators. Higher levels of good governance are typically linked to a stronger rule of law, low levels of corruption, high levels of transparency, and thus generally better levels of institutional capacity.

The characteristics of oil as a natural resource

There is now much agreement within the theory of natural resource governance that not all resources result in rents that have the same detrimental effects on economic growth, and that similarly, not all natural resources create detrimental rents. This is succinctly stated by Kolstad and Wiig (2009):

> while rents from certain natural resources are key to the problems faced by countries suffering a negative impact of resources, not all rents create similar problems, nor do all countries that have resources experience a negative impact of them.[25]

Though rents and resources can mostly be spoken of in very general terms, in order to grasp the full picture of the resource curse, a more nuanced understanding of these concepts is an imperative. Auty (2001), Sala-i-Martin and Subramanian (2003), and Isham *et al.* (2003) all make the distinction between so-called 'point source' resources and diffuse resources.[26] Point source resources are those natural resources which are found in a specific geographical area, whereas diffuse resources are not geographically confined. One of the most prevalent point source resources in Africa is oil, and it is this resource which will receive specific attention in this study. Due to the narrow geographical extraction area that is characteristic of point source resources, like oil, such resources are easily controlled and protected by governments. Empirical research has led some to argue that it is those countries which are abundant in point source resources which suffer most severely from the resource curse, and that the resource curse is thus conditional on the type of resources found in a country.[27] There are also several more specific aspects related to the governance of these resources which are important to understand. Resources of this nature characteristically produce high rents, as the costs involved in extraction and production are less than the market price of these commodities. Further, within point source resources, two categories can be determined, that is, durable and non-durable resources. Durable resources, like oil and gas, rely on existing reserves to determine their price, whereas the price of non-durable resources like gold and diamonds is largely reliant on the availability of such resources on the market.[28]

There are also specific features related to each resource. For example, diamonds have an extremely high market value and are very easy to transport, leading to serious issues over their smuggling and the conflict that can be caused as a result, such as those witnessed in the DRC. In contrast, oil has its own very unique characteristics. The processes involved in the

identification of extractable reserves of oil, followed by its refining and transportation, all require very sophisticated, highly specialised technologies, and associated high levels of investment. While in the case of diamonds, conflicts mostly occur as a result of smuggling activities, with oil, conflicts mainly result from disputes over the oil fields; from societal grievances caused by the impacts of extraction; and from disputes over more equitable distribution of the revenues received. For example, in Sierra Leone, diamonds funded the rebel group the Revolutionary United Front and fuelled the civil war which ravaged the country for over a decade.[29] In the Niger Delta region, oil has been the cause of societal grievances and violent conflict for several years.[30] These characteristics are important to bear in mind when examining case studies on the impact of resource abundance, as each resource will have its own specific societal ramifications, and each will thus require specialised regulation and government control.[31]

The emergence of natural resource governance theories

While the specific literature examining the resource curse only started to emerge in the 1970s, from as early on as the 1950s, development theorists were discussing variations of this question, such as the debates over dependency theories, the New International Economic Order, and structuralist theories. At the start of the 1950s, development theorists such as Arthur Lewis[32] argued that the abundance of resources would aid in the development of Third World states. This thought was grounded in the economic theory of factors of production, basically relating Third World states' lack of economic development to an imbalance in the factors of production. It was thus proposed that an abundance of natural resources would enable states to overcome such imbalances. However, scholars from the structuralist school of thought, such as Raul Prebisch and Hans Singer,[33] objected to these theories based on a terms of trade argument. They claimed that countries specialising in primary commodity exports would succumb to declining terms of trade and the result would be a widening of the gap between them and the rich industrialising countries of the First World. They also pointed to the fact that international commodity markets often witnessed sharp fluctuations in prices, making primary commodity exporting countries more susceptible to external shocks. Finally, they argued that by specialising in primary commodities such as natural resources, countries were unlikely to see growth in other domestic economic sectors.[34]

Since the 1950s, many theorists have sought to empirically test these, and new, theories around the resource curse, with a vast amount of literature emerging from both economists and political scientists. Significantly, much of this literature appears to be converging. In order to make sense of the vast empirical data available, this study will analyse the literature in two sections. The first section will examine the pure economic models explaining the resource curse. The second section will analyse the political economic theories available on the subject, including those that examine the institutional explanations of this phenomenon. Following on from these literary analysis sections, this study will examine Ghana and Uganda as two case studies. To this end it is important to acknowledge that not all oil rich countries have been negatively affected by their resource wealth.

Best practice: the Norwegian model

Norway is hailed as one of the best models of natural resource governance in the world. While several elements of the Norwegian management model can be seen as important, such as its step-by-step approach to passing legislation; the use of its industrial taxation system rather than Production Sharing Agreements; and the development of a petroleum fund to buffer against market volatility, it was crucially the institutional context which made Norway's avoidance of the resource curse possible. When Norway discovered oil it had a strong democratic government and a system of good governance mechanisms in place, as well as a strong economy, with an internationally trusted fiscal system[35]. Further, the Norwegian government enacted focussed and effective public policy of a broad and detailed nature, with much emphasis being placed on resource allocation measures. These policies included a Factor Movement Policy which created a centralised fixed-wage system; a Spending Effect Policy; a Spillover-Loss Policy; an Education, Research and Development Policy; an Active Countercyclical Policy; several Labour Market Policies; and an Industrial Policy[36].

One of Norway's greatest successes was the implementation of an effective petroleum fund. Timor-Leste adopted this approach, and with the help of Norway established a petroleum fund in 2005. Through the saving of revenues, a careful investment strategy and strict management of withdrawals, the fund has assisted the economy of Timor-Leste. Nonetheless, it is important to note that a petroleum fund alone cannot replace solid fiscal management

frameworks or sound mechanisms of good governance in a country. In this regard, Timor-Leste is now ranked third in terms of transparency and governance related to oil revenue management.[37]

However, this institutional context is largely absent in Africa. While recent oil discoveries have been made in now democratic African states, there is a need for democratic consolidation within these states. Further, mechanisms of good governance are mostly not well established in Africa and the fiscal systems within these countries are often very poor. Thus, while the Norwegian expertise have been sought by several African states to assist with their legal and regulatory frameworks, it is crucial that the institutional context within these states receives attention. This is one of the main policy prescriptions emanating from the emerging literature of natural resource governance, which will be explored later in this study.

Chapter 3: Traditional Theories of Natural Resource Governance

The traditional theories of natural resource governance originally focused on purely economic causal mechanisms to identify the causality between the negative economic growth and natural resource abundance. Following this, other traditional theorists broadened the scope of this causal analysis to examine the role of Political Economy variables in perpetuating the natural resource curse. A thorough understanding of these theories is important in order to grasp the context out of which the emerging theories of natural resource governance have emerged. While these traditional theories do hold relevance in explaining elements of the natural resource curse, their policy prescriptions have been found to either be inadequate for the challenges to governance on the African continent, or have been disproved by subsequent research. Further, although some analysis has been done from a traditional theory perspective on the African continent, these studies were of countries that discovered oil during an undemocratic regime. There is thus a gap in terms of research on upcoming, democratic, resource rich states in Africa.

Economic Theories of Natural Resource Governance

One of the first primarily economic theories on the resource curse (following on from the structuralist theories of the 1950s mentioned in the previous chapter) posited a link between the declining terms of trade for primary commodities and the negative economic growth experienced in primary exporting countries. Traditional terms of trade theories suggest that with time, the price of primary commodities such as copper will decrease in relation to manufactured goods, thus having a detrimental effect on countries specialising in primary commodity exports.[38] Substantial analysis of this theory has resulted in mixed evidence, both for and against this theory. Some have argued that the decline in prices between primary and manufactured goods is in fact a reflection of an increase in the quality of those manufactured goods.[39] This bias is, however, very difficult to remove and therefore to account for in time-

series data analyses. Another important aspect of the data which has to be considered, is the relevance of declining terms of trade for developing countries. While the economic rents created from mining may decline with time, the empirical analyses testing this theory do not account for the fact that mining costs may also fall during the period of analysis. Thus, if a country's mining costs decline at a faster rate than the primary commodity price, the overall effect for the country may still be positive, despite the downward price trend. Thus, extensive empirical evidence has appeared in recent years discrediting the theory of declining terms of trade – providing evidence for no causal relationship between terms of trade and the economic growth of primary commodity exporting countries.[40]

A second set of theories emanating out of the economic literature, also relating back to the original work of Prebisch and Singer, are those linking the poor economic growth of primary exporting countries to the role of volatile markets. It is widely known that the international markets for primary commodities are extremely susceptible to external shocks and are notoriously unstable. Specifically related to mineral commodities, market volatility is a result of changes in demand during the business cycle.[41] This instability results in difficulties for developing countries, as they cannot rely on mineral revenues, thus having a negative impact on economic planning and therefore on economic development. While there is little disagreement over the fact that markets are volatile, and that those countries who have primary export-led economies are thus highly susceptible to external shocks, there is disagreement whether such volatility is detrimental to economic development. Davis and Tilton (2005) explain that volatility, while preventing government planning can sometimes induce needed changes in government policy or programmes which would otherwise not have occurred. Further, they highlight that market challenges can induce the development of more efficient mining production methods. Finally, they also draw on the experiences of countries such as Norway and Ghana in the employment of stabilisation funds to protect against external shocks. Thus, the conclusion drawn by the authors, and backed empirically by the work of Sachs and Warner, is that there is no correlation between volatile mineral markets and poor economic growth.[42] An analysis of theories on volatile markets yielded little in terms of policy prescriptions for country's to avoid these effects. Rather the use of stabilisation funds has emerged more recently, largely as a result of emerging theoretical prescriptions.

The third set of economic theories, are those which refer to what is commonly known as the Dutch Disease. These emerged following the experience of the Dutch economy during the

gas boom of the 1960's. It purports that if there is an increase in a commodity price (as occurs during a commodity boom) there will be an associated increase in the real wage rate, as a result of the booming industry trying to attract more labour. This in turn, causes an appreciation of the real exchange rate. Such a boom also requires the economy to restructure, shifting labour to the booming mineral sector, raising wages at the same time to attract this labour. These changes often have a detrimental effect on the traditional domestic sectors, like manufacturing, which suffer from decreased productivity and competitiveness. The result is an overall decrease in economic diversification and an increased dependence on the mineral markets – making the economy more susceptible to external shocks. Further, when the boom dries out, the country is required to return production to its traditional sectors which can be extremely costly for the economy; at times these sectors are completely beyond repair.[43] While this theory does appear to have some applicability and there is empirical evidence to support it, it has also been widely criticised for only explaining the resource curse in part. It is argued that the above-mentioned structural adjustments alone are not to blame for the curse; rather it is the additional assumptions of the Dutch Disease theory which are responsible. These assumptions include that the boom will eventually come to an end and thus that transition back to traditional sectors will be required, as well as the assumption that learning (which results in a decrease in production costs) accompanies the process of manufacturing production but not the process of mineral commodity production. However, the evidence of these assumptions is not robust and thus the applicability of this theory is arguably quite thin. Further actual evidence of these effects in natural resource abundant countries is very scarce, and therefore insignificant.[44] Ross (1999) is also very critical of the Dutch Disease model as he argues that it is inadequate in relation to developing states:

> The model assumes that an economy's capital and labour supplies are fixed and fully employed before a boom begins. Under these conditions, a booming resource sector should draw capital and labour away from agriculture and manufacturing, thus raising their production costs. Yet developing states often have labour surpluses, and their resource booms draw in foreign capital and labour, offsetting any local scarcities.[45]

Thus it becomes clear that this model, while traditionally viewed as a promising explanation for the resource curse, in fact has been found to make questionable assumptions and inadequately explains the situation faced by developing states.[46]

While the purely economic theories of the natural resource curse described in the above three paragraphs do go some way towards explaining the causal mechanisms behind the negative

growth experienced by resource abundant countries, each of them has debatable aspects. The consensus in recent times has thus been that purely economic theories alone cannot fully explain the curse.[47] It has also been seen that these theories provide little towards policy prescriptions in response to their findings – especially for Africa. Therefore, many political scientists have turned their attention to political economy explanations to provide a more complete understanding. It is to these theories which this study now turns:

International Political Economy Theories

Political Economy models examine the use of rents as a causal mechanism in determining the potential outcomes of natural resource abundance. Kolstad and Wiig (2009),[48] provide an in-depth overview of the political economy models of the resource curse, drawing heavily on the similar work done by Caselli and Cunningham (2007).[49] They classify the theories into two main groups: centralised political economy models and decentralised political economy models. The first group of models, "focus on the decisions of the political elite, and how these are affected by natural resources",[50] whereas the second group, "analyze the incentives of private agents and the effect of resources on their allocation of effort between activities."[51] More generally, this first group refers to theories of patronage, and the second group to theories of rent-seeking. Each of these theories will thus be examined:

Patronage occurs when public resources are employed for the appropriation of political power. This model focuses on the decisions of political elites who exploit their positions of authority for their own gain, be that self-enrichment or staying in power. Thus it analyses how politicians misappropriate natural resource rents in the pursuit of these goals rather than for the benefit of society. Robinson *et al.* (2006)[52] show how politicians discount the future in terms of government planning as the future utility of their staying in power increases, resulting in the creation of inefficiencies within the economy. Further, these authors also point out that there is a link between resource rents and public employment, as politicians use public jobs as bargaining power for electoral support. However, the eventual effect of patronage on economic development within natural resource rich states is largely ambiguous, as both productive and unproductive methods can be used by political elites to achieve these goals. Not all forms of patronage are corrupt in nature, and thus not all forms of patronage will result in economic inefficiencies. Thus it becomes apparent that there must be some

underlying variable which is the determining factor in whether a country's experience of a natural resource boom is positive or negative.[53]

Rent-seeking, similar to patronage, is the pursuit of rents at the expense of society, often in the form of corruption. A negative effect on society can result when entrepreneurs use their skills to pursue rent-seeking activities, thus causing a decrease in production, that is, such activities result in a reduction of societal income. The basic problem is thus not the rents themselves, but rather the misappropriation of resources in the pursuit of these rents. Empirical evidence is provided by, amongst others Mehlum *et al*. (2009),[54] for the important role that rent-seeking has in increasing the negative effects of the resource curse. While there is debate as to whether either patronage or rent-seeking models provide more robust explanations of the resource curse, according to both theories, the most essential element in designing policies to reduce the effect of the resource curse is to develop institutions or rules which decrease the incentives involved in the practices of rent-seeking and patronage.[55] While this is a useful prescription in the context of African states, it remains very vague and as such does not provide enough details to have much practical relevance. Nonetheless, the role of institutions has more and more been seen as a fundamental element in the explanation of the resource curse. For example, Bulte et al. (2005)[56] argue that the basic model of rent-seeking, as was discussed above, is 'too blunt' and thus requires additional elements to make it more robust. These additional elements are the governance institutions of countries. It is thus to a discussion of the literature around the role of institutions that this study now turns:

Institutional explanations

From the above discussion of the political economy models of the resource curse, it becomes apparent that the processes of both rent-seeking and patronage are conditional on institutions. Some of the initial research done by Sachs and Warner (1995)[57] - to investigate the role of resource abundance in decreasing institutional quality, and as a result economic growth - found this mechanism to have no empirical importance. However, subsequent research by Mehlum *et al*.[58] found contrasting evidence. They show that the differing economic growth records witnessed among resource abundant countries is primarily as a result of the distribution of resource rents through institutional arrangements. In this they distinguish between 'producer friendly' and 'grabber friendly' institutions, the first of which enable rent-seeking and production to be complementary activities, whereas the latter causes them to be competing institutions. In this sense, grabber friendly institutions (such as a weak rule of law and corruption) have negative effects on economic growth. The authors provide several

examples to validate their findings.[59] For example, Botswana is heavily endowed with diamonds, accounting for 40% of their GDP, yet they have experienced the highest global growth rate since 1965. This is attributed to the country's high institutional quality. A further example, as mentioned above, is Norway. Again, the fact that Norway saw positive economic growth from its natural resource abundance is attributed to the country's low levels of corruption and high levels of institutional quality. On the opposite end of the scale, however, are countries like Nigeria, Venezuela and the DRC, which are all rich in various natural resources, yet have suffered from negative economic growth as a result. This is attributed to the high levels of corruption and dysfunctional institutions present in these countries. The authors link their findings to those of theorists like Robinson et al. (2002), thus showing the empirical significance of institutions in relation to rent-seeking. Similar work was done by Damania and Bulte (2003)[60] which shows the empirical significance of institutions in relation to patronage.

A second strand of theories focusing on the role of institutions, posit that a conditional variable on the negative effects of natural resource abundance is governance. Some have referred to this as the Nigerian Disease theory[61] (as a play on the traditional Dutch Disease hypothesis). This hypothesis argues that revenue receipts from natural resources are squandered by governments who lack the institutional capacity to use these economic gains effectively. Linked to this is the idea that mechanisms of good governance in a country remove the benefits associated with rent-seeking and other forms of corruption and thus enable economic development to occur. Robinson et al. (2006)[62] discuss the role of misaligned political incentives in linking natural resource abundance with economic development. Thus, the overall argument made by this strand of theories is that countries with good institutions for governance are more capable of responding to the challenges associated with natural resource abundance. Therefore, the general conclusion is that in order to mitigate the resource curse, it is imperative to design institutions and regulations to decrease the incentives associated with the mechanisms of rent-seeking and patronage. However, these theories again lack clarity on actual policy responses to be used by countries.

The link to conflict

Several offshoot theories have emerged around the resource curse and institutions. Of significance, have been the many debates which have arisen around the link between resource abundance and conflict. Le Billon[63] examines the role of competition for rents in driving war, whereas Collier and Hoeffler[64] examine the relationship between resource abundance and

civil war in the context of the greed versus grievance debate. They argue that the presence of natural resources provides both the motivation and the means for armed conflicts. Thus they conclude that in resource rich countries, civil war is more likely, due to the abundance of resource rents. Further, this likelihood is more significant in oil-producing countries. However, while the work of these authors provides insight into the link between resource abundance and conflict, it says little about the implications that this has on the governance of those resources, nor of the direct policy prescriptions suggested for resource rich states. Following on from these institutional analyses, several studies have emerged examining the impact of natural resource abundance on democracy.

The impact on democracy

Some of the most influential work on the relationship between oil abundance and authoritarian rule (or a lack of democracy) has been done by Michael Ross. In one of his initial empirical studies, which covered a wide range of countries and regime types, he found that 'oil hinders democracy'. In this he identified three causal mechanisms: the rentier effect, the repression effect and the modernisation effect.[65] However, in one of his later studies, covering a wider time frame,[66] he found that the statistical evidence for the 'modernisation effect' was not significant enough for it to be considered relevant. Thus this study will only take a brief look at his first two causal mechanisms.

The rentier effect first emerged out of Middle Eastern scholarly work on rentier states, and argues that the revenues accrued by governments from oil, are used to decrease the social pressures which would otherwise have called for greater government accountability. Thus governments use resource rents to pay off citizens' concerns - either in the form of patronage or lower taxes.

The repression effect, on the other hand, refers to increased military expenditure by governments with oil abundance in order to increase internal security and to suppress democracy in society. Thus Ross finds that there is a tendency in oil-rich states towards authoritarianism. This element of Ross's argument correlates effectively with the research of Collier and Hoeffler on civil wars, which also shows a link between resource abundance and increased military expenditure by governments. The findings of Ross therefore find oil abundance to have a statistically valid and significant negative effect on democracy. However, he does little to suggest policy options for countries so as to mitigate these effects.

Conclusion

The above examination of the traditional theories of natural resource governance provides insight into the theoretical history of natural resource governance. What becomes clear from this analysis is that many of these theories have either since been shown to lack causality or lack adequate policy prescriptions for recently resource rich African states.

Of the pure economic theories, terms of trade has since been found to have no causality in explaining the resource curse. Volatile markets, while similarly having been found to have no direct causality, are also not always as detrimental to countries as the theory claims. For example, Norway and Ghana introduced stabilisation funds which prevented such negative effects. Finally, the Dutch Disease theory argues in favour of economic diversification as a policy prescription for countries, which has some contemporary validity. However, this theory does not explain the resource curse in its entirety and while this policy prescription has some usefulness, alone it does not offer countries enough advice on natural resource governance to avoid the resource curse. Further, while it assumes that the labour force in countries will be fully employed before a resource boom, this is almost never the case in developing countries and thus this theory is inadequate for Africa.

Of the Political Economy theories, patronage and rent-seeking alone have been found to only explain elements of the resource curse. While these practices do often occur in developing countries, these theories do not provide complete policy prescriptions for such countries. Both these theories would point to the development of institutions to monitor such practices, which is useful, but not enough. This leads to the institutional analyses of the natural resource curse. These analyses point to the need for strengthened mechanisms of good governance, as well as institutional and regulatory frameworks. This policy, of all the traditional policy prescriptions, is the most relevant for developing states in Africa. It is indeed this line of thought which has prompted many of the emerging theories and subsequent, more specific, policy prescriptions on natural resource governance.

Therefore, what becomes clear, is that while the traditional theories of natural resource governance have explanatory value in some respects, the policy prescriptions which emanate from them are largely generic in nature and have increasingly been shown to lack adequacy for the African context. It becomes clear that while the traditional theories have focused on empirical explanations of the natural resource curse, the ‘how’ is still to be answered. Importantly, Africa is almost completely absent from the traditional theoretical studies.

Although the cases of Nigeria and Botswana are regularly cited on either side of the natural resource governance spectrum, in-depth analysis of African case studies are sorely lacking from this body of literature. This is even more so in terms of in-depth studies on democratic states in Africa who are resource abundant. It is largely in this vein that many of the emerging theories have arisen – to fill the gaps in the literature. That is, a lack of focus and applicability for Africa; and a lack of practical policy-driven solutions to the problems of natural resource governance in general. It is important to understand the development of the traditional theories; an understanding of the institutional analyses in particular provides insightful context from which the emerging theories derived. Nonetheless it is necessary in the context of upcoming petro-states in Africa to examine the emerging theories on natural resource governance – in particular their applicability for the African continent.

Chapter 4: Africa and the Emerging Theories of Natural Resource Governance

As a result of the insufficiencies of traditional theories, there is now an emerging body of literature examining the specific challenges of, and policy responses to, natural resource governance on the African continent. A large consensus has emerged, that while the traditional theories do hold some weight in terms of explaining the causes of the resource curse on the continent, African countries face several unique challenges, which require specific policy responses – responses which are not provided in the traditional literature. Most of these arguments revolve around the policy advice stemming from traditional theories and their lack of applicability for African cases. They focus predominantly on targeting poverty, governance and institutional frameworks. Importantly, these theorists recognise the inherent challenge of natural resources for development within the African continent. This focal area is where emerging theories fundamentally add value to the literature on natural resource governance and increase the applicability of this literature for Africa.

Emerging Theories

Jensen and Wantchekon (2004)[67] focus specifically on the African continent. The result of their research shows a significant negative causal relationship between resource abundance and the level of democracy in Africa. More specifically, that it is the executive decision-making surrounding resource rents which decreases the ability for the processes of democratic transition and consolidation to occur in states in Africa. Thus, the authors find that natural resource-rich countries in Africa are more likely to be authoritarian; have increased levels of government spending; exhibit decreased levels of governance; and are more likely to suffer from democratic breakdown. Further, they also show that the level of dependency in states to resources is negatively correlated with change in the level of democracy. This corroborates the work of Bratton (1998) who found that during the third wave of democratisation:

> There was a decline in the rate of leadership alternation (37% to 6.6%), an increase in the rate of opposition boycotts (11% to 73%), and an increase in the mean of winner's vote share (61.4% to 69.1% for presidential elections and 62.7% to 72.0% in parliamentary elections).[68]

The theoretical argument behind these findings is that:

> An abundance of natural resources increases competition for control of the state, which is linked to high levels of political violence and the use of resource rents by ruling parties to maintain their hold on political power. Resource-poor countries like Mali and Benin have less competition for control of the state, which favours elite co-operation and the maintenance of democratic governance.[69]

Further,[70] the authors argue that even in democratic states with strong political competition, dependency on natural resources often leads to lower levels of democracy, as the process of democratic consolidation is negatively affected. The reason for this is that countries, especially in Africa, often exhibit poor rule of law, high levels of corruption, and thus poor levels of good governance mechanisms in general.

Another African study was done by Omgba,[71] who examined the direct causality between oil revenues and the length of tenure of heads of states in Africa. While several studies have examined conflict relating to natural resource abundance; institutional mechanisms of causality; political competition for control of rents; and the effect of revenues on the type of political regime, and while Omgba draws on these studies, the findings of his research reveals new insight for African states. The author shows that there is a positive, significant relationship between oil revenues and the length of tenure of the executive branch of government. Further, Omgba shows that oil revenues have a significant effect on democracy and that this effect is not only present in the Middle Eastern 'rentier states', but also in Africa – through corruption within state apparatuses. Finally, Omgba's research results show:

> That many efforts aiming at a process of democratization in Africa are likely to be unsuccessful if an important preliminary condition is neglected: It is essential to increase transparency in the use of oil revenues and to install a suitable framework that would prevent the public decision makers from absorbing the revenue.[72]

Here the author points to the role of multinational corporations and civil society, alluding to elements of Corporate Social Responsibility (CSR) and the role of civil society in increasing public awareness, in the appropriation of policy decisions.[73]

Nicholas Shaxson (2005) focuses on the traditional theory of market volatility, but applies what are seen as new approaches for the African continent. The author argues that traditional policy prescriptions such as "the use of oil funds...oil risk markets...diversifying away from dependence, and avoiding pro-cyclical spending and borrowing,"[74] have not been effective in Africa. For example, the author shows that while some of these options have been successful in countries like Norway, in Africa this has not been the case.

> Nigeria's development plan of 1975, after the 1973 oil price bonanza, aimed at arrival within the income bracket of developed countries in two decades. But despite $350 billion in oil revenues in 35 years (after deducting payments to foreign oil companies), the number of Nigerians living under the UN poverty threshold of a dollar a day has risen from 19 million in 1970 when the population was 49 million to 90 million in 2000.[75]

Thus, in showing how poor African countries' record is in using these approaches, the author argues that the traditional literature overlooks oil contracts – which he believes is a viable policy prescription for African countries to mitigate the negative effects of market volatility. In explaining the effects of excess volatility, Shaxson[76] explains how those most affected are the poor, and thus that excess volatility is detrimental to development. In line with this, the author also shows how oil contracts tend to make the effects of volatility more severe for the producer than the oil company, due to the distribution of revenues. In explaining the use of oil contracts, Shaxson argues that not only should issues of contract design be considered, but also of more intricate issues, such as "the pace of oil developments, the rate at which international oil companies (IOCs) recoup their investments, the appropriateness of big signature bonuses, and how bank loans secured against oil revenues are disbursed and then repaid over time."[77] Further, the author argues that this is a crucial element within the overarching move towards a greater understanding of the way in which oil interacts with African societies and economies.[78]

In an extensive article, Ian Gary and Terry Karl (2003), examine the results of oil booms on the African continent, highlighting the challenges faced by several countries.[79] While this report was written in 2003 and thus tends to focus more on undemocratic African countries,

theoretically the authors make several important claims. The first players in the resource policy arena which they focus on, are the International Financial Institutions (IFIs), namely the World Bank and the International Monetary Fund (IMF). In explaining the role of the World Bank the authors state that:

> The World Bank Group provides direct finance for oil projects, grants political risk insurance and other guarantees, and promotes changes in the policy and legal environment conducive to investment.[80]

However, these institutions have notoriously neglected to stipulate minimum development, environment or social requirements for the countries to which they provide finance. Importantly, the authors also point out that these institutions play a pivotal role in influencing governments' management, spending and accruement of revenues. While Gary and Karl[81] point out that some efforts have been made in recent times by the IMF and the World Bank to change some of their practices and standard operating procedures, mostly these have been surface efforts which have lacked true depth and effectiveness. The IFIs have attempted to increase transparency in the extractive industries both internally and in producing countries themselves, however, constraints still remain. These institutions still lack clear terms of engagement for their operations in Africa. While they have encouraged policy reform, this has largely been in their favour and has focused minimally on environmental and societal impacts. Similarly, the involvement of the World Bank has not been conditioned on levels of good governance and thus while a rhetoric of increased transparency is being furthered by the Bank, the reality on the ground remains largely unchanged. While these institutions have begun to focus on increasing government capacity in the countries in which they are involved, the outcome of this has been a strengthening of centralisation and concentration of power. For example, the authors illustrate this point in the case of Congo-Brazzaville:

> In Congo-Brazzaville, a World Bank-inspired oil convention clarified what had been a confusing relationship between the government and the national oil company, SNPC, but the reform coincided with President Sassou-Nguesso's strategy of denying institutional refuge to rivals by placing SNPC under the President's wing. This contradicted an IMF recommendation that SNPC be put under the Ministry of Finance. So tight is presidential control that the figures of the national oil company are said to be unknown even to the Ministry of Hydrocarbons or the Ministry of Finance, according to local press reports.[82]

Thus there has been a growing pressure on the World Bank to reform its policies and for this reason the Extractive Industries Review (EIR) was undertaken by the Bank from 2001 to 2003.

The IMF has a distinctly different mandate than the World Bank and thus it has engaged with the extractive industries (especially the oil industry) in distinctly different ways. It has attempted to increase transparency by publishing a "Code of Good Practices in Fiscal Transparency" and a "Code of Good Practices on Transparency in Monetary and Financial Policies". However, these have often tended to be more operational in nature, rather than being based on a principled approach.[83] Two different types of special oil funds have also been encouraged by the IMF. The first are Future Generation Funds, which are used to invest an amount of current oil revenue in preparation for the future decrease in oil reserves. As was mentioned above, this type of fund was effectively used by Norway. However, many argue that such a principle is not viable in Africa, where revenue could rather help decrease poverty. Aside from this, such a mechanism requires sound economic management, and thus, as yet, has not been successful in any African states. The second are stabilisation funds, which are useful in the management of external price volatility. Again, while these are known to be effective, they have not yet had success in Africa due to the technical difficulties involved in managing them. Nonetheless, the IMF still encourages countries to employ such mechanisms despite both types of funds having a 100% failure rate in Africa.[84] Thus the authors question the role which IFIs play in the extractive industries. While these institutions are important, their aims, the way they pursue their business, and their insistence on a 'one-size fits all' model in Africa is often more detrimental than successful.

Gary and Karl[85] also examine the responses of corporate players to the resource curse in Africa. Here they identify several strategies which have been employed by companies to improve their practices in the extractive industries. Firstly, in order to mitigate the claims that their activities harm local communities, companies have sought philanthropic measures such as donations to good works. While at times these are well-designed and effective, at other times they are very poor. While such efforts create widespread media attention, and increase relations with the host government, in most instances they are used by companies as an excuse for unfair contractual agreements. A second way that companies have responded to such claims is by creating 'corporate codes of conduct'. This is largely in response to the growing call for increased corporate social responsibility. However, despite these measures, oil spills continue and the benefits of oil production continue to be predominantly amassed by

government elites, rather than benefiting the local population. The authors conclude that what is needed is a fundamental shift in the policy environment and that there is a crucial role to be played by international financial institutions, corporate players, and civil society in this regard.[86]

Several recent articles have also focused on the link between natural resources and poverty, an issue which is especially pertinent for the African continent. Michael Ross (2001), links extractive industries with poverty by examining seven variables identified in the 'World Development Report 2000-2001'; that is, the rate of economic growth – as this has the most impact on the poor, and resources tend to decrease economic growth; the type of economic growth – focusing on non-extractive and 'downstream' industries to avoid the Dutch Disease; child welfare – ensuring that revenues are allocated to health care; income inequality; vulnerability to economic shocks; government accountability and responsiveness – improving the mechanisms of good governance; and civil war. The author argues that in order to alleviate the detrimental effects of extractive industries on poverty in Africa, exports need to be diversified and transparency promoted; there needs to be more monitoring and control of the revenues; and aid should be conditional on democracy and pro-poor policies.[87]

Then, within the broader framework of the 'good governance' literature, several recent articles have focused on the importance of bolstering the levels of good governance in African countries as a means of addressing the challenges of resource governance. In an article in 2001, Ambassador Daniel António explained how a culture of peace, good governance and people-centred development is crucial if Africa is to overcome the many challenges resulting from its colonial past, which is fundamentally related to the emerging ideas surrounding resource governance in Africa.[88] This move towards increased good governance is intrinsically linked to the emerging literature regarding transparency and accountability, as well as corporate responsibility in the extractive industries.[89] Following on from this, insightful work has recently been done by Williams (2011),[90] focusing on how to create an actual policy response at an institutional level. He argues that the general agreement within the field is that transparency is a crucial element in preventing the resource curse. The author highlights that there are several ways through which a lack of transparency can negatively affect resource abundant states:

> This lack of transparency can: (i) make corruption more attractive, in that it can reduce the probability of discovery; (ii) make it easier to capture rents; (iii) create principle-agent problems... and (iv) can

> undermine democracy via these resource rents by reducing the need for domestic taxation, (and hence reducing demands for accountability), increasing spending on patronage, and/or increasing spending on the direct oppression of dissenting voices.[91]

Here it is noted that several policy initiatives already exist, such as the Extractive Industries Transparency Initiative (EITI) and 'Publish What You Pay' (PWYP) initiative. However, as pointed out by Williams, the empirical relationship between natural resources, transparency and economic growth has never solidly been established in the literature, and thus this is his aim. His empirical findings show that first, resource abundant countries are less transparent, especially when they are rich in point source resources. Second, this lack of transparency is almost directly as a result of resource rents; and third, the role of transparency is significant in explaining the negative relationship between natural resource abundance and economic growth. However, this transparency arises from point source resource export revenues rather than from resources revenues *per se.*

Other recent literature has similarly taken a more policy-oriented approach. Al-Kasim *et al*. (2008), focus on grand corruption in the regulation of the oil industry. The authors investigate the reasons for the distorting effect of corruption on the regulation of oil, providing policy recommendations for decreased corruption; increased and more effective regulation; greater government capacity; more accountable institutions; as well as the role of transparency initiatives, aid, and corporate social responsibility.[92] The authors thus draw attention to the role of regulatory frameworks to:

> Determine the revenues and responsibilities for actors involved in the industry, including the private sector and the government. By defining certain requirements regarding exploration, field development activities, technologies applied, the number of operators, the role of NOCs (National Oil Companies), and monitoring opportunities, this framework sets the scene for the industry's activities. Regulation determines the opportunities for the sector to function efficiently, and whether this works for the benefit of society at large.[93]

However, the optimal functioning of the oil industry is not only determined by the country's regulatory framework, but by its efficiency – which in turn is affected by availability of human resources, competencies, and levels of corruption. Corruption is the most harmful of these factors as it results in the sub-optimal functioning of the oil industry. Indirectly, corruption also distorts the political and social fibres of society. However, due to the nature

of the oil industry, corruption is very hard to identify and thus to prevent. Despite this and other factors which make identifying the true levels of corruption in society difficult, the authors argue that corruption is a key factor in explaining the resource curse.[94] Corruption can occur at several points in the processes of exploration and production, thus effective regulation becomes essential within the oil industry. In this regard, Al-Kasim *et al*.[95], discuss workable solutions for the oil industry:

> An analysis of the broader context of the political economy in a country is needed to explain grand corruption in the oil industry. This includes an understanding of the accountability and competence of political leaderships or power structures, democratisation processes, constitutional conditions, the role of the judiciary, the space for political opposition and free speech, and the quality of the media.[96]

Thus, to increase the efficiency of regulation, governments need to focus on the procedures for regulation, ensuring that a level of legislation exists to provide a framework for exploration and production. Public access to information is also of crucial importance, as is overall transparency, in decreasing the likelihood of corruption. Governments need to increase the accountability of their institutions and decrease the benefits associated with corruption. In this way, the authors provide a very practical policy perspective on oil governance.

There is also emerging literature focusing on donor engagement in resource rich African countries.[97] These emerging theorists argue that donor countries have a much more proactive role to play in oil producing states in helping them to navigate the complexities of natural resource extraction, and in assisting them in bolstering their legal and regulatory frameworks.

A final, but very important, group of emerging literature focuses on the role of conflict in resource rich countries. Ross (2004) discusses the distributional conflicts that most commonly arise from the uneven distribution of resource rents in society. Here the author identifies six structural risk factors for conflict in mineral exporting states, arguing that despite exhibiting risk factors, governments and corporate players can reduce the risk of conflict through the promotion of transparency, multi-stakeholder dialogue, increased human rights, and security issues.[98]

Paul Collier[99], in his book *The Bottom Billion*, identifies what he calls the 'conflict trap' and the 'natural resource trap' – which are shown to be intrinsically linked. Collier examines the relationship between conflict, natural resources and poverty in order to show the reasons

behind the prevalence of conflict in Africa. He argues that both natural resources and conflict are development traps from which African countries struggle to emerge. An important empirical finding made by Collier is that countries which have previously had a civil war are 50 per cent more likely to relapse back into war;[100] and this is even more likely in the presence of natural resource abundance.

Similar to the findings of Collier, several studies have found that there are strong linkages between poverty and inequality to violence in resource rich settings. Obi[101] argues that natural resource wealth is often paradoxically present in many poor and underdeveloped countries, such as Equatorial Guinea. Clover[102] also investigates this relationship, and states that "the strong correlation between conflict and poverty includes issues such as deep inequality (one of the foremost causes of violent conflict) expressed in terms of both growth and the distribution of resources". It has also been found that the location of extractive industries in the country's peripheral regions, as opposed to being in close proximity to the capital, increases the chance of separatist movements and dissenting groups, as was seen in the Niger Delta region of Nigeria[103].

There is also a critical role to be played by political institutions in the emergence of violence in resource rich countries. There is a host of literature[104] illustrating the role that functional and strong democratic institutions have to play in avoiding violence and conflict in contexts of resource abundance. In functioning democracies, more channels exist for dissatisfied groups to air their views and seek change in a peaceful manner. Conversely, where governments have failed to implement policies and legislation, and to sustain good governance and institutions that would allow for growth and development and the avoidance of primary resource dependency, conflict is more likely to occur.

Roderick[105] goes further to analyse the role of weak conflict management institutions in society, as well as high income inequality in fuelling violence. From his analysis it becomes highly apparent that institutions play a fundamental role in enabling countries to manage the windfall gains associated with a resource boom efficiently. Critically, countries need to create and bolster those institutions which play a governing role in the allocation of public resources, as well as those which hold political elites accountable for their use of resource rents. In this regard it becomes clear that no single policy or institution is enough, but rather a range of institutions is required to curb the resource curse.[106]

Finally it is important to note the incredibly complex nature of conflict on the African continent. While the role of governments' internal policies and legal and regulatory frameworks are fundamentally linked to conflict in relation to natural resources, there are also external forces at work. There are various external interests and forces which play an important and often fundamental role in sustaining conflict in Africa. These forces should not be ignored in the analysis of African development and conflict.

Conclusion

What emerges from the foregoing analysis is the picture of a more policy-oriented approach to theory in the realm of natural resource governance. Many of the inadequacies of the traditional theories, especially relating to countries on the African continent, are thus tackled by these emerging theorists. These theorists also take a more holistic approach to natural resource governance, and while at times they draw on the traditional theories, they go beyond this to fill the gaps and to enrich the field by elaborating on the practical policy requirements for countries in Africa. While this move within the theoretical field of natural resource governance is still in its beginning phases, enough literature has already been produced to provide a more nuanced perspective on this field of study.

Chapter 5: Case Studies: Ghana and Uganda – upcoming democratic Petro-States in Africa

This section will present two separate independent case studies of Ghana and Uganda respectively. The aim of these case studies is to map the current institutional, regulatory and legal frameworks present in each country. These will then be compared back to the theories of natural resource governance in terms of international best practice and variations therefrom, so as to assess where each country stands in relation to theory and to identify warning signs that exist for the future of natural resource governance in both countries. As an introductory note, it is important to set out three key theoretical concepts which relate to both case studies.

The first is the importance of petroleum sector governance. It is crucial that a thorough understanding exists of the value of good governance over the petroleum sector. Failures in governance over this sector can have far-reaching societal, economic, political and developmental repercussions.[107] Similarly, a country is most likely to increase development and translate oil revenues into tangible societal gains if there is good governance over the petroleum sector and if this is understood, and practiced, by all of the stakeholders involved:

> Petroleum sector governance refers to the system of making and implementing decisions concerning the exploitation of a nation's oil and gas resources. It includes the policies and objectives for the sector, the processes of decision-making and communication, the structural and hierarchical organisation of the sector and the regulation of activity.[108]

Importantly the true nature of the resource base needs to be understood in order to appreciate the role of the sector in national development.

In this regard it is important that countries have a solid macroeconomic policy framework in place in order to manage revenues, enable macroeconomic stability, encourage investment and thus generate lasting income for the country.[109] There is, however, no ideal model in this regard, although two dominant fiscal regimes can be identified. The first regime relies on taxes and royalties, while the second is based on a system of production sharing. Further from

this, it is important for countries to have a clear and precise legislative framework to manage the petroleum sector. Such a legal framework should enable public investment to be aligned with the overall macroeconomic framework of the country.[110] These country-specific frameworks will be examined in each case study.

The second important theoretical concept is that of parliamentary oversight. Parliamentary oversight is a crucial element of good governance and is an important mechanism through which natural resources are governed. Indeed oversight, which is the monitoring of the activities of the executive for the purpose of accountability, is one of the three primary functions of a parliament.[111] The other two functions are legislation – the passing of laws which constitute a country's legal framework – and representation – being the voice of the citizens in the political process.[112] Further, the link between good governance in respect to a state being capable, accountable and responsive, and parliaments, is intrinsically seen in the table below:

Effective governance	Parliamentary roles
State capability	Legislation
Accountability	Oversight
Responsiveness	Representation

Table 1: Governance and Parliaments - Elements and Roles[113]

Thus parliaments can play a significant role in the delivery of good governance. Indeed, a strong and independent Parliament can prevent against patronage networks in the governance of resources as it is able to monitor the activities of the executive and provide accountability on behalf of the general citizenry.[114]

A final important theoretical concept is transparency. From the literature[115] it becomes clear that transparency is inherently linked to most aspects of natural resource governance, and a lack of transparency can undermine the most well-thought out policy prescriptions. To this end, several international initiatives have been established to attempt to increase revenue transparency around the world. These initiatives have sought to increase transparency in the extractive industries; however, their record of success has not always been so positive. The pioneer transparency initiative was that of the PWYP campaign, which is a coalition campaigning for the mandatory disclosure of payments in the extractive industries, both by governments and corporations.[116] Following on from the success of the PWYP campaign, the

EITI was established as a voluntary system for revenue payment disclosure. However, the voluntary nature of the EITI has been problematic and has received much corporate resistance, making it clear that:

> As the Extractive Industries Transparency Initiative (EITI) is increasingly watered down, the ability of the EITI to deliver on the promise of increased transparency in African countries, where it is of especially great concern, remains seriously in doubt.[117]

There appears to be a lack of international support for the EITI pilots currently underway in Africa. Further, due to the voluntary nature of the initiative, countries have frequently failed to meet the deadlines set for them in terms of increasing transparency.[118] Nonetheless, by accepting the EITI, governments provide a good signal for the future accountability of revenue payments and indicate a willingness to increase transparency in the petroleum sector.

At the level of revenue transparency, a recent development can be seen as a very positive step in terms of regulating corporate revenue payments and receipts. In 2010, the US Dodd-Frank Act was passed. Under the 'Lugar-Cardin' Provision, all US-listed or registered extractive industry companies are required to disclose all payments made to governments.[119] This is an important regulatory development. While this only pertains to United States companies, recent G-8 communiqué's and European Union legislative proposals indicate that such standards could be implemented more broadly among western states.[120]

Case Study 1: Ghana

The post-independence history of Ghana has been, in many ways, stereotypical of the classic African story. Ghana became the first country in sub-Saharan Africa to gain political independence in 1957. The country, however, underwent long periods of military rule with only three periods of civilian government, none of which lasted more than three years before being overthrown in a *coup d'état*. However, in 1992 a liberal constitution was finally adopted in Ghana, and multiparty democracy began in 1993 with the start of Ghana's Fourth Republic.[121] Since then, four multiparty elections have been held, and the most recent Presidential and Parliamentary elections in 2008 saw the second successful alternation of government in Ghana. More specifically, in 2000 Ghana saw the transfer of power from the National Democratic Congress (NDC) to the New Patriotic Party (NPP), while in 2008 that power transferred back to the NDC.[122] Indeed, during the past two decades, Ghana has

become known as one of the few African democratic success stories, where peaceful government alternation is occurring, and where the democratisation process is proceeding at a steady and successful pace.[123] Further, aside from regular multiparty elections under the 1992 Constitution, Ghana has made significant strides towards society-wide entrenchment and institutionalisation of multiparty democratic governance. For instance, Ghanaians enjoy a broad spectrum of civil liberties and rights, and Ghanaian society has witnessed the emergence of a vibrant civil society and free, independent media in recent years.[124] However, the process of democratisation is not yet complete in Ghana, and while the country stands as a model of successful democracy and peace on the continent, several democratic deficits remain. This is clear in the lack of decentralisation in Ghana.

> It highlights significant democratic deficits in decentralised government, in particular a delinkage between local participation and local government accountability, indicating that popular input into local policy-making processes has not meant greater popular control over local government.[125]

Thus in the context of newfound oil reserves, these democratic deficits, as well as the country's history of military rule, may become a cause for concern if action is not taken in the early stages to prevent against the negative effects that can accompany natural resource wealth. This is imperative if true democratic consolidation is to be achieved in the future.[126]

The improvement in Ghana's democracy since 1992 can, however, be observed in several ways. According to Freedom House rankings[127] of political rights and civil liberties, Ghana's rankings rose from a score of 6 ("not free") in 1991 to a current ranking of 1.5 ("free") in 2012. In line with this, in the most recent Afrobarometer survey,[128] close on 80% of Ghanaians prefer democracy to military rule, one-party government or dictatorship, and further, 86% of Ghanaians view elections and the rule of law, as the best vehicles for selecting leaders and maintaining order in society. These statistics indicate that not only has democracy improved in Ghana, but so has the legitimacy of government in society. Thus the indication is that on a democratic level there is a strong, although not flawless, foundation for natural resource governance in Ghana.

However there are other elements to the Ghanaian situation which make the picture for development more complicated. Ghana already has a developed natural resource industry, estimated to be among the top ten exporters of gold globally.[129] It also has a developed mining sector, including diamonds, bauxite and manganese, contributing to 5% of GDP and

33% of the total value of Ghanaian exports[130]. Despite this apparent resource wealth, 30% of Ghanaians still live in poverty, on less than US$ 1.25 per day[131]. While there are several challenges in terms of legislation and regulation relating to its natural resource governance, Ghana has, up until now, avoided the natural resource curse and has largely succeeded in its natural resource governance. At the same time, it is important to realise that as a point source resource, oil presents Ghana with various new challenges and concerns which still could have negative consequences for the country if the petroleum sector is not adequately governed.

While Ghana first discovered offshore oil deposits in the 1970s, production only began in the 1990s, with the involvement of American and Dutch oil companies.[132] However, these oil reserves were of little commercial viability. More recently, another offshore oil field – Jubilee Field - was discovered, with large commercial quantities being expected. Commercial oil began flowing at the end of 2010, contributing an estimated seven percent to Ghana's growth in 2011.[133] Tullow Oil, Andarko and Kosmos are the main companies interested in Ghana's oil field, alongside the state-owned Ghana National Petroleum Company (GNPC), although several other companies also hold licences for exploration.[134] However, it is important to realise that while the Jubilee Field in Ghana's Tano Basin is commercially viable, in relation to the country's population of 24 million, it represents only a relatively modest reserve. For perspective, the area of the Tano Basin is approximately the same size as a single Angolan deep water Block. Angola has six productive blocks of this size, and its population is almost half the size of Ghana's.[135] The reality of this is that while the expectations in Ghana are high for a booming oil sector, the reserves that have thus far been discovered are not enough to transform the economy and reduce poverty in any significant way. Nonetheless, if these reserves are well governed, they could have a positive impact on the development of the country.

Thus it becomes clear that the petroleum endowments in Ghana, while commercially viable, are not enormous. Therefore, while the revenues to be generated will be able to contribute to the country's developmental agenda, the expectations of the population need to be managed if conflict and violence are to be avoided in the future. Indeed, it has been noted[136] that the revenues created are likely to drive corruption in Ghana, and could thus create conflict in the medium to long term. This is an important area for the government of Ghana to manage in the future.

Petroleum Sector Governance

Ghana's petroleum policy environment – towards economic development

As a model of democracy in Africa, Ghana can be seen to be taking several mitigating steps towards avoiding the natural resource curse. Having learnt from the mistakes of other African states like Angola and Nigeria, Ghana is working towards developing an effective economic development strategy. Ghana has thus recently begun an industrial policy aimed at avoiding the traditional mistakes associated with resource wealth. While this policy has been welcomed as the most comprehensive since the time of Nkrumah, critics have argued that more sector specific policies are still necessary.

There are two policy documents which provide the outline for Ghana's new industrial policy entitled the 'Ghana Industrial Policy' and the 'Industrial Sector Support Programme (ISSP)'. These documents provide a five-year industrialisation plan for the Ghanaian economy, including the expansion of the manufacturing sector's productive and technological capacities, and the promotion of agro-based industrial development. While the discovery of oil and its production is an element of this policy framework, the main aim is to diversify the economy's export base so as to avoid the Dutch Disease. Ghana successfully avoided this in its cocoa sector through the Ghana Cocoa Board which provided set prices for cocoa, and thus protected the economy and the exchange rate from cocoa price fluctuations. However, in the oil industry, prices are controlled by Oil Producing and Exporting Countries (OPEC). In light of this, Ghana's new industrial policy was designed towards the creation of a strong internal economic policy to prevent external factors like market volatility from becoming the driving force of the country's economic policy.[137]

While the development of this industrial policy, especially at this early stage in the development of Ghana's oil sector, is a good sign for the future and does appear as a good mitigating factor against the resource curse, concerns remain. Critics[138] have argued that both policy documents do not provide adequate mechanisms to avoid capital flight or transfer pricing – factors which have negatively affected numerous oil exporting countries around the world. However, the significant provisions made to develop a local manufacturing base for Ghana's oil industry, could prevent against some of these effects.

Parliamentary Oversight

While a strong, well-designed constitution can play a significant role in increasing the oversight function of a country's parliament, in practice, the provisions set out in a constitution may not be adhered to in the daily practicalities of Parliament. In Ghana the 1992 constitution was uniquely designed to ensure oversight of government's actions and to increase accountability within the state – two elements which have been sorely lacking in the past.

In reality, Ghana's Parliament faces several constraints in the exercise of its duties. Foremost is the dominance of the Executive - with the Ghanaian Parliament relying on the Executive for institutional resources. Further, the Ghanaian Parliament is less independent due to the fact that most Ministers are selected from Parliament and appointed directly by the President. Thus in terms of its three roles, the Ghanaian Parliament can be seen in practice to have some legislative impact and very little real effectiveness in terms of representation, although it does appear to be increasingly active and effective in terms of its oversight role.[139] Indeed:

> Parliament has fairly extensive oversight powers or capacity: Government is collectively responsible to parliament, which, in turn, can keep government accountable through the use of committees by reviewing ministerial and other appointments and in questioning ministers, including the prime minister, in the chamber.[140]

In general, the Ghanaian Parliament has, in recent years, been more proactive and effective in its oversight role through the use of committees which perform various functions. Indeed Parliament has become a trusted institution in Ghana.[141]

In 2010 Parliament approved the Petroleum Revenue Management legislation.[142] This is a good indication that the government of Ghana is making a significant effort to ensure good governance of its oil revenues at the macro-level; however, this is not seen at the micro level. Although downstream parliamentary oversight is being increased, concerted effort needs to be continually made at the district level if financial misappropriations are to be avoided, and rather that future oil revenues are allocated and utilised as planned towards economic development. Thus the oversight tools currently being used by Parliament will be examined to understand where the gaps in oversight remain.

Committees

As provided for in the constitution[143], the parliamentary committee system was envisioned as a mechanism to enable research and investigation, as well as to allow for increased public participation in the legislative process. Importantly, the research of Stapenhurst and Pelizzo[144] shows how the predominant opinion in Ghana is that committee appointments are not arbitrary, but rather are carefully thought through and are based on a variety of factors. The process of appointment is thus multi-ethnically inclusive and garners the support of the public. An important development in recent times has been the opening up of the Public Accounts Committee (PAC) hearing to the public and the media.[145] These hearings have also successfully been held across the country in a variety of regions, further contributing to the success and effectiveness of the PAC. A good example of this can be seen in the case of the PAC's first public hearing in October 2007. [146] Following a report by the Auditor General exposing financial discrepancies in the Ministry of Tourism accounts since 2003, the PAC held a hearing with the Ministry. Following the outcome of the hearing the PAC ordered the return of 53 million Ghana *cedis* and US $2,500 to the government, with the addition of interest on these amounts. While successful cases like this are becoming more common, the PAC, and other oversight committees are constrained by their lack of prosecutorial powers. To overcome this challenge the committees use several follow-up mechanisms, such as transferring their finding to the Attorney General (AG), the police, or the anticorruption agency for prosecution. However, the AG has been criticised for its lack of independence and apparent politicisation. Further, these committees have also recently engaged on a deeper level with policy think tanks to bolster their resources.[147]

Review of Appointments

An important oversight role of Parliament is its review and confirmation of state appointments - be that chairs of state institutions, heads of independent authorities, ministers, deputy ministers or Supreme Court judges. However, in practice, it appears that this oversight tool is very ineffective in Ghana.[148] This role is carried out by the Appointments Committee, and while it has the authority to reject a nominee's appointment, this is rarely ever done. The reason appears to be that there is an understanding between Parliament and the President's office, to avoid embarrassing the President through the rejection of any of his nominations, except in extreme cases. Thus the overall view is that the process of review of appointments is ceremonial and lacks depth and effectiveness.[149]

While the effectiveness and strength of Parliament's oversight mechanism has thus increased significantly, there are ways in which this function could further be improved. Importantly, Stapenhurst and Pelizzo[150] found that the level of partisanship and the effectiveness of committees are inversely proportional. Thus Parliament could increase the effectiveness of its committees by decreasing the levels of partisanship within them. Further, although Parliament has recently begun to engage with policy think tanks, more avid engagement on this level could provide Parliament with useful resources which at present are lacking.

Transparency in the Petroleum Sector of Ghana

While Ghana already has a well-developed mining sector, which as a whole contributes about 47 % of the country's total exports,[151] Ghana's new oil reserves could represent an important boom for the country's economy. However, a key challenge is the distribution of oil revenues for the public good. As detailed above, Ghana's institutional capacity is relatively strong compared to other resource rich countries, and thus its prospects of avoiding the resource curse are already significantly improved. However, revenue transparency is a crucial piece in the puzzle of effective oil governance.[152]

The Extractive Industries Transparency Initiative

Ghana joined the EITI in 2003,[153] indicating its desire to manage its mining sector growth in a transparent fashion. More recently it was indicated that the government wished to extend the process to its oil sector as well, and this transition is currently underway. In 2010 Ghana was declared EITI compliant – an accomplishment, as many African countries have failed to meet the grade thus far. The first EITI report examining mining revenue from January to June 2004 was published in February 2007.[154] Although the overall report appeared good, concerns were raised in terms of royalty computations, transparency of sub-national disbursements, contract transparency and the use of royalties by authorities. While subsequent reports have noted improvements in these areas, the most significant problem is in fact, the lack of efficiency in reporting on the EITI. If the EITI is to be used effectively to monitor transparency in Ghana's resource sectors, especially with the imminent inclusion of the petroleum sector, Ghana needs to publish EITI reports in a more timely and regular fashion in order to enable increased transparency to become a reality. A further suggestion has been made that the EITI should be made mandatory by legislation in Ghana, as this

would decrease the challenge involved in accessing information, especially from mining companies and certain government departments.[155]

There are three specific areas in which transparency is particularly important in the extractive industries sector, they are: expenditure transparency, contract transparency, and freedom of information. Each of these will thus be discussed in turn as they relate to Ghana.

Expenditure Transparency

Two legislative Acts were introduced in Ghana in recent years, both of which can be seen as an attempt by government to increase expenditure transparency in the country. Both Acts relate to public resource management and are aimed at increasing accountability, transparency and efficiency. The *Financial Management Act* of 2003 is designed to regulate the public sector in such a way as to ensure transparency and efficiency in the management of state revenues and expenditure. The *Public Procurement Act* of 2003 is designed to encourage competition and efficient, transparent and accountable procurements.[156]

Along with these two pieces of legislation, there are several other efforts which show that Ghanaian government is committed to ensuring that high levels of expenditure transparency exist. Firstly, in the area of health and education, in 2007 the Public Expenditure Tracking Surveys (PETS) were launched. Secondly, local level royalty and related spending reports are included in Ghana's EITI framework. Finally, the Ghana PWYP has been working with government to encourage capacity building by training local communities on how to track disbursements.[157] However, despite these strengths, certain weaknesses remain in this area. While there is a solid legal and regulatory foundation in place, an area of concern is that of budget documentation, as well as the transparency of inter-governmental fiscal relations. Thus, critics have suggested that an internal audit system be established to efficiently monitor these areas of expenditure. Further there is also the need for increased public involvement in these auditing and monitoring processes.[158]

In light of the Jubilee field discovery and the subsequent commercial oil production that began in 2010, there is a crucial need for Ghana's strong expenditure framework to be transferred to the petroleum industry. Certain positive signs can already be seen in this regard. For instance, as explained previously, the EITI is in the process of being extended to include the petroleum industry. Further, after much debate, in 2011 the *Petroleum Revenue Management Act* was passed to legislate the use of oil revenues, and this has added to the already existing *Petroleum Exploration and Production Act*. Included in this new legislation

is the creation of oil funds to cushion against market volatility and to provide savings for future generations. Further, the Act also includes the establishment of a Public Interest and Accountability Committee, which was since launched in September 2011, to bolster the management of petroleum revenues with additional elements of public oversight.[159]

Contract Transparency

A common challenge in the oil and mining industries is the high levels of secrecy relating to contracts. This challenge is just as relevant in Ghana. The endorsement of the EITI in 2003 has, however, made a positive contribution towards this challenge. In the first EITI report, it was recommended that all Ghanaian mining contracts, and investment agreements, be made public.[160] Further, in May 2011, the U.S. Securities and Exchange Commission published several companies' oil contracts on their website. Following this, these contracts were also published on the Ghanaian Ministry of Energy website.[161] While these steps are positive and show a level of will on the part of the Ghanaian government to tackle this area of transparency, challenges remain. Most crucially, no specific legislation targeting contract transparency exists. Thus there is no legal obligation for companies to publish their contracts. Further, the GNPC keeps the contracts that it enters into on behalf of the state extremely secret, providing no information on these. [162] Thus, unless laws are produced in the near future, this area of transparency will remain one of serious concern in Ghana.

Freedom of Information

With a score of 32.3% on the International Revenue Watch Index, Ghana is ranked as having scant revenue transparency.[163] One of the main reasons for this incredibly low score is the lack of freedom of information in Ghana. While there have been strong calls made for the government to pass a Freedom of Information (FOI) Law, this issue remains in the realm of public and media debate. With the discovery of the Jubilee Field and with the launch of the EITI, the pressure for such a law to be created has increased. The government has submitted a FOI Bill to Parliament; however, it has not yet been passed, let alone debated at present. With the current parliamentary term ending this year, it appears doubtful that this Bill will be passed. This is a serious area of concern for transparency efforts in Ghana, and especially in light of petroleum revenue management, concerted efforts need to be made by government in this regard.[164]

Variations from International Best Practice

While it appears that in many ways Ghana is making significant progress in developing sound resource management, several concerns remain when compared against international best practice. This section will seek to compare the institutional and regulatory framework in Ghana discussed above, with the emerging theories examined in the previous section of this study.

Importantly the high levels of good governance in Ghana are a very positive sign according to the emerging theories of natural resource governance. For instance, this is highlighted in the writings of Antonio,[165] and is especially witnessed in the high levels of accountability and transparency that are being pursued by the Ghanaian government at present. The importance of good governance is also identified by Jensen and Wantchekon,[166] and by Ross[167]. In this regard it would appear that Ghana is making significant progress towards developing a strong institutional capacity which is in line with international best practice for the efficient management of oil. The depth of entrenchment of democracy in the country is also a very positive sign. Ghana's strong liberal constitution, four successful multi-party elections and the successful alternation of government in 2008, are all encouraging signs that mitigate the findings of Omgba.[168]

At an economic level there are also several encouraging signs in Ghana. Ross[169] argues that the type of economic growth in resource rich countries is likely to become skewed and thus is not always beneficial to the general population. In order to mitigate this he advocates for export diversification and for the promotion of government transparency, as well as pro-poor policies within government. Ghana's Industrial Policy and the ISSP are both constructive in this regard. Both policies are targeted towards export diversification and pro-poor growth and thus are an important step in preventing against skewed economic growth. Likewise, the strong regulatory framework, and supporting institutional mechanisms in Ghana are geared towards increased transparency of the oil industry. This, together with the considerable commitment made by the Ghanaian government to the EITI, as well as the fact that Ghana is one of the few countries on the continent that is EITI compliant, are noteworthy indicators that at the level of transparency, Ghana is working towards achieving international best practice standards.

However, there are several areas of concern. The first is the strong executive dominance shown over Parliament in Ghana. Executive dominance is identified by Jensen and

Wantchekon[170] as a warning sign for the possible decrease in the ability of the processes of democratic transition and consolidation in a country. Further, while Ghana has mostly very high levels of good governance indicators, the growing level of corruption in the country is a possible warning sign. This is mentioned specifically by Al-Kasim *et al.*[171] who argue that despite the presence of a strong regulatory framework, corruption is the single most important factor in influencing the manifestation of the resource curse in a country. A final area of concern is that of oil contracts. These have not received enough attention by government. While there is some government transparency in this regard, the lack of specific legislation covering oil contracts is a concerning factor which is highlighted by Shaxson[172] as a fundamental element in the increased susceptibility of countries to market volatility.

It thus becomes clear that in many ways Ghana has made significant strides towards achieving the standards of international best practice in the management of the country's newfound oil resources. Nonetheless, as the country begins the stage of production and thus as revenues begin to accrue, the warning signs highlighted above will serve to increase the risk of the resource curse for Ghana.

Case Study 2: Uganda

Uganda's post-independence history has been marred by violent conflict and political instability. Idi Amin took power in 1971 through a military coup, and as a result of his rule, the country experienced economic and political instability and strife until Museveni, the leader of the National Resistance Movement (NRM), took power in 1986.[173] Facing a vast array of challenges emanating from the legacy of Amin's rule, in the first decade of power, the NRM largely made significant improvements to the country. At the same time, the northern regions of Uganda were plagued by conflict due to the presence of the Lord's Resistance Army (LRA). Until 1996, Museveni, and the NRM were hailed as having transformed Uganda from a near failed state to one of Africa's success stories.[174] However, in the years since then, the government of Uganda has been classified as 'neo-patrimonial' by several observers.[175] This is aptly described by Global Witness:

> This is a system of government which is dominated by an individual leader whose personal authority is indistinguishable from that of the state and in which political power is maintained through a combination of patronage and the selective use of intimidation and force.[176]

The main reasons for such a classification are threefold: First, while Uganda's Constitution was changed in 2005 to introduce multi-partyism, in that same year a vote by the Parliament of Uganda changed the Constitution to allow for Museveni to stay in power – removing the two five-year presidential term limit.[177] This is a warning sign for the entrenchment of democracy in the country. Second,[178] according to Transparency International's 2011 Corruption Perceptions Index, (this ranks countries out of 10, with 10 being 'very clean' and 0 being 'highly corrupt'), Uganda ranked 146th in the world with a score of 2.4. Further, Global Integrity has stated that the gap between the existence and actual implementation of anti-corruption safeguards in Uganda is "one of the largest in the world".[179] Thirdly, in recent times, Museveni has sought to consolidate the military as an important power-base for the NRM, having announced in 2010 that Uganda's Presidential Guard Brigade would be integrated into the army's Special Forces unit in order to protect the country's strategic assets, some of which are oil fields. Further, the leader of this unit is Lieutenant Colonel Muhoozi Keinerugaba, President Museveni's son.[180] These trends towards neo-patrimonial rule can be seen as a warning sign for the possible deterioration of democratic rule in Uganda. Within the context of the governance of Uganda's oil reserves, this is a worrying development in the governance structures of the country.

While the search for oil in Uganda dates back to the 1920s under British colonial rule, these areas could not be explored more until the 1980s due to two reasons: first the onset of World War I and second, the political instability of post-independence Uganda. Between 1983 and 1992 aeromagnetic surveys conducted in the country exposed five sedimentary basins.[181] The Albertine Graben (the area in and surrounding Lake Albert) was later proven to be the best suited for oil exploitation. The Graben is situated in western Uganda forming part of the East African Rift Valley and running along the Ugandan-Congolese border up to Uganda's northern border with South Sudan.[182] Several agreements for the initial exploration and testing of the Graben have been signed between the Ugandan government and international companies such as Tullow Oil. However, oil is not the only important factor in this region. The Albertine Rift is also one of the richest eco-systems in Africa and is comprised of several protected areas, including parks, forest reserves and wildlife sanctuaries.[183] The estimated oil reserves in this region vary from source to source, mainly due to discrepancies between oil reserves (the actual amount of oil present) and recoverable reserves (the amount of oil that is commercially viable for extraction).[184] Most estimates place the amount of oil reserves in the

Albertine Graben at 6 billion barrels of oil, with a projected production of between 100 000 and 150 000 barrels per day.[185]

Thus, while the prospect of increased government revenues and therefore improved economic growth and development in Uganda are possible if the oil industry is well managed, the detrimental economic prospects of the resource curse are not the only possible negative effect that oil could have. As mentioned above, the area is a vibrant eco-region and with a number of the protected parks being either partly or fully within the oil blocks, the possibility of negative environmental impacts is highly likely.[186] A further point of concern, which several organisations have raised, is the possibility of tensions and conflict if community expectations are not adequately managed, or if communities in the Albertine region become disenfranchised as a result of oil exploration activities.[187]

Petroleum Sector Governance

Uganda's Petroleum policy environment – status of regulations and legislation

Uganda's legal and regulatory frameworks are not up-to-date and exploration activities in the country are continuing before the appropriate policies can be put in place. While in the past year two Bills were passed by government, and while the National Oil and Gas Policy (NOGP) for Uganda does exist, there are several gaps and areas of concern within these documents. In many instances the commitments made in the NOGP are also not being adhered to.

The NOGP sets out governance mechanisms based on international best practice to enable the conversion of oil resources into development in Uganda. This guideline of principles is clear in the NOGP which states that:

> Openness and access to information are fundamental rights in activities that may positively or negatively impact individuals, communities and states. It is important that information that will enable stakeholders to assess how their interests are being affected is disclosed. This policy recognises the important roles different stakeholders have to play in order to achieve transparency and accountability in the oil and gas activities. This policy shall therefore promote high standards of transparency and accountability in licensing, procurement, exploration, development and production operations as well

> as management of revenues from oil and gas. The policy will also support disclosure of payments and revenues from oil and gas using simple and understood principles in line with accepted national and international financial reporting standards.[188]

However, the NOGP is not a legal document and thus while it outlines the principles on which future legislation should be based, and is thus progressive in terms of natural resource management on the continent, it is not enshrined in the country's legislature. As a result, in the years that have followed its completion, many of its guidelines have not been followed in practice.

On 8 February 2012 and on 14 February 2012 respectively, the Petroleum (Exploration, Development and Production) Bill 2012 (the Upstream Bill) and the Petroleum (Refining, Gas Processing and Conversion Transportation and Storage) Bill 2012 (the Mid-stream Bill), were introduced to Parliament. While this is a positive step in the legislative framework for natural resource governance in Uganda, several significant gaps and areas of concern exist within these Bills.

First, neither Bill deals with the issue of revenue management within Uganda's petroleum sector. While the government is stated as introducing a Public Finance Bill in order to deal with this issue, nothing has as yet been formally introduced to Parliament.[189] This is of serious concern as no legislation exists at present to ensure that the revenues obtained by government from the newfound oil reserves will be used for the public good.[190] This is clearly misaligned with the guidelines set by the NOGP.

Second, there are important issues that are not dealt with by either document. The cross-border issues with the DRC, which shares Lake Albert with Uganda and agreements with other neighbours, do not receive any mention.[191] No provisions are made in either Bill for competitive and transparent bidding procedures, nor do they make legal provisions to guarantee that the revenues generated from the oil industry are used for the public good. Further, neither Bill contains enough detail on the process of royalty sharing to be followed by government.[192]

Third, the Bills have been criticised for politicising the management of the oil sector.[193] Provision is made for the establishment of the Petroleum Authority of Uganda, which is tasked with monitoring and regulating exploration, development, production, processing, transportation and storage of petroleum in Uganda. However, the Bill also empowers the

Minister of Petroleum to give policy direction to the Petroleum Authority and for compliance therewith. Thus there is a risk to the independence of the authority as it could easily become undermined by political interference. Of further concern, is the lack of stipulation of the appointment of the Minister of Petroleum by Parliament. Finally in this regard, is the fact that there is insufficient clarity on the relationships between different government institutions.[194]

The fourth and final gap in the Bills relates to the bidding, allocation and licensing of oil rights. While it is positive that the Upstream Bill provides for a competitive bidding process for companies to procure the rights to Uganda's oil, these provisions could be undermined by the broad exemptions made by the Bill for the Minister to avoid this process through the direct acceptance of bids. There is further a lack of clarity on the contractual relationships to be formed between companies and the Government of Uganda.[195]

If not dealt with, these severe legislative gaps could prove to be a significant stumbling black to the efficient management of the resource industry in Uganda. Concern has been raised by several civil society groups that both Petroleum Bills lack adequate checks and balances of government's authority over the oil industry. There is thus a significant risk of corruption and abuse of office by government officials in the future.

Parliamentary Oversight

As was mentioned above, Ugandan politics is still dominated by President Museveni and the NRM. Despite the establishment of multi-party democracy in 2005 and the first elections hereunder in 2006, there remain major concerns about the stability and entrenchment of democracy and multi-partyism in Uganda. These concerns have significant ramifications on the functioning and effectiveness of Parliament and indeed the system of governance in the country.

According to Tsekpo and Hudson, the Parliament of Uganda:

> has an important role to play in considering the national budget, exercising control over the activities of Ministries and Departments, holding the Executive to account for the fulfilment of its assurances, supporting the work of various watchdog institutions, ensuring equitable development and support for equal opportunities, receiving petitions from the electorate on matters of public concern, and considering proposed presidential appointees.[196]

It has largely been established that the efficient and effective functioning of a parliament is significantly influenced by the access of that parliament to the policy process. Importantly, under the leadership of Museveni and the NRM, a close link was made between the Legislature and the Executive, with members of the Executive also being members of the Legislature. Although this placed strict limits on the independence of the Legislature, it also ensured that Parliament was a definite part of the policy process. This would appear to be a positive sign for the efficiency and effectiveness of the Ugandan Parliament. However, in recent times it has been seen that in the practice of policy making in Uganda, the Executive has regarded Parliament more as an advisory body rather than as the highest body of the people, and thus the suggestions made by Parliament tend to regularly be disregarded.[197]

Despite this executive dominance, a positive step towards enhanced parliamentary oversight was made after the 2006 elections in Uganda, with the formation of 'accountability committees'. These are chaired by members of the opposition party and are regularly used as a platform for asking provoking questions of government and for demanding evidence-based answers thereto. However, in 2008 this positive step was somewhat undone by the NRM replacing many of these opposition chairs with Members of Parliament deemed to be more loyal to the government.[198]

One of the most significant oversight mechanisms within the Ugandan Parliament is its involvement in the budgetary process. This is significant as such involvement is a rare occurrence in developing countries – especially in Africa. In 2001 the Budget Act was passed. This Act made provision for the establishment of a Parliamentary Budget Office. This office is responsible for analysing the budget and providing feedback to Parliament's Budget Committee, and indeed to Parliament as a whole, in a timely and efficient manner. The aim is thus to increase the quality of Parliament's engagement in the budgetary and financial processes of government.[199]

Included in the Parliamentary Budget Committee are the chairpersons of all other Parliamentary Committees as *ex officio* members, making it the height of parliamentary oversight. According to Tsekpo and Hudson:

> The Budget Act sets out the role of the Budget Committee as being: to focus on the preliminary estimates and the macroeconomic plan and programs and submit recommendations to the Speaker; to consider the National Budget and compile amendments and refer them to the relevant Committees; and, to carry on such other functions relating to the Budget as may be assigned to it by Parliament under the

> Act or any other law in force. The Budget Act requires that every bill introduced into Parliament be accompanied by an explanation of its financial implications and that such explanations are tabled alongside bills for their first reading and consideration by the relevant Committee. Significantly, Parliament now has the power to defer bills to another financial year so that their potential impact can be properly considered.[200]

Thus it can be seen that despite the fact that the Parliamentary Budget Office operates under significant resource restraints, its existence has indeed strengthened and increased Parliaments oversight role in Uganda. This bodes well for the future management of oil revenues by government.

However, in other respects Parliament has been seen to have a lack of oversight in Ugandan politics. A clear example has been the development of Uganda's Poverty Eradication Action Plan (PEAP). It has been seen that in the development and implementation of the PEAP, Parliament has played only a very limited role. Indeed there was no initial approval required from Parliament for the PEAP; there was no official parliamentary debate of the PEAP nor of its review; and Parliament has had no involvement in the Annual PEAP Implementation Review. While Uganda's PEAP has been hailed by developed countries as a model of its kind, the lack of importance placed on the involvement of Parliament in this process is of concern. [201]

Transparency in the Petroleum Sector of Uganda

In recent years several instances have indicated a decrease in the entrenchment of democracy and good governance in Uganda. Of note is the recentralisation of power in the Presidency as indicated by the lifting of presidential term limits as explained above. Transparency is intrinsically linked to the mechanisms of good governance in a country and is a common feature in strong, functioning democracies. Transparency is also a fundamental cog in the wheel of effective management of natural resources.

Revenue Transparency

While Uganda is not yet a member of the EITI, provision is made in the NOGP for steps to be taken towards commitment to, and implementation of, this initiative. Several other important factors have also recently shown a greater commitment on the part of the Ugandan

government to revenue transparency in the oil industry. The NOGP stipulates provisions for the creation of a Petroleum Authority (a provision which was codified in the Upstream Bill), a petroleum directorate and a national oil company. It also makes certain provisions for the implementation of the EITI in the future, although it does not fully commit to the initiative.[202]

The continued development of the Uganda legislative framework, as detailed above, is also an indication of increased and continued will by the Ugandan government to revenue transparency. A further positive development in this regard has been the involvement of several civil society organisations in transparency campaigns in Uganda. These include the establishment of a PWYP coalition and a Civil Society Coalition on Oil – which has been committed to comprehensive oil industry monitoring.[203]

Expenditure Transparency

Uganda was ranked 55th in the 2010 Open Budget Survey, which is indicative of increased budget transparency in recent years. Despite this positive trend, and while some important documents have recently been made publically available, in-year spending reports remain inaccessible, thus increasing the difficulty of tracking government income receipts, expenditures and borrowings on a yearly basis.[204] Questions were raised about the Ugandan government's expenditure priorities in 2011 after it purchased eight fighter jets and other military equipment from Russia at a cost of USD $744 million. These purchases were made without the approval of Parliament, and Members of Parliament have since challenged President Museveni over the legality of these purchases.[205]

Freedom of Information

The Access to Information (ATI) Act of 2005 allows for the public review of government information. However restrictions are made thereof in cases where such information is seen to be of a commercially sensitive nature, unless it can be shown that this information is to be in the public interest. Thus in practice it can be seen that there is a large amount of continued secrecy within the extractive industry in Uganda. Another concerning element of these regulations is the costs which are stipulated in relation to the release of information. This makes access to information more difficult and is clearly in opposition to the spirit of the Ugandan Constitution which sets the right to information as a fundamental provision.[206]

Community tensions and the risk of conflict in Uganda

The discovery of oil in the Albertine Graben coincides with one of the poorest and most conflict prone regions in Uganda. There are several areas of concern relating to the possible escalation of violence and conflict in this region as a result of oil.

Militarisation of the region

As was mentioned above, in 2010 it was decided that Uganda's Presidential Guard Brigade would be integrated into the Ugandan army's Special Forces unit. Further, these forces have been deployed to the oil regions to increase the security thereof. From the perspective of good governance, the leader of these forces being the President's son is a concerning indicator of increased personalisation of control by President Museveni.[207]

Of additional concern in the Albertine Graben, is its proximity to several conflict risks. The Ugandan rebel group – the Allied Democratic Forces (ADF) – are present in the Eastern DRC on the border with the oil exploration sights. With reported attacks having been made by the ADF in 2007, their proximity to the oil sights could be of future concern for the security and stability of the region.[208]

Within the other border of this region, that of South Sudan, is the LRA. While it has been claimed that the LRA will not return to Uganda, it is worth noting that the Amuru and Atiak regions, both of which are current sights for oil exploration, are the former heartland of the LRA.[209]

Expectations of the locals

With the Ugandan oil discoveries having occurred in one of the poorest and least developed areas of the country, there is a serious risk that tensions and possible violence could result if the expectations of the locals are not sufficiently managed by government. It has been shown that lack of information with regards to the distribution of oil revenues, can fuel tensions and result in conflict. For example, in Sudan the lack of information and transparency about the revenue distribution between the Sudanese and South Sudanese governments, has increased the tensions and mistrust between the two governments and has at times resulted in direct violence and conflict.

In Uganda there are already worrying signs that indicate a lack of transparency regarding royalty sharing. The Upstream Petroleum Bill does make some reference to the distribution of oil revenues. It specifies that 85% will be distributed to Central Government, and 15% to

Regional and Local government. However, further than this, it makes no mention of more specific details regarding royalty sharing. There are several traditional forms of institutions in the region under exploration, such as the Bunyoro Kingdom. Several sources have indicated that if the demands of these local kingdoms are not taken into account and if they are not considered in royalty sharing agreements the result may indeed be conflict.[210]

There are also several expectations which exist in the local communities surrounding Lake Albert. Many people are hopeful that the new oil activities will result in increased jobs for locals in the area. Others have expectations of increased infrastructure, such as roads and electricity. However, the experience of the locals thus far has been disappointing. Tullow Oil is the main commercial oil company operating in the region at present. When roads have been made, these have only been to provide direct access to oil sights and have not improved the wider transport infrastructure in the surrounding communities. Where jobs have been created for locals, these have been of a temporary nature and have thus not met the expectations of the people.[211]

Further, there have already been several concerning developments in the region. There are widespread rumours that several local communities will be relocated to make room for the construction of oil refineries. As such, some local farmers are not planting crops in case they are uprooted and forced to leave their farms behind. Some locals have also already felt the costs of the oil activities in the region. When seismic tests were conducted on Lake Albert local fishermen were prevented from accessing the lake for several days. They were not compensated for the days of fishing lost to them. Some fishermen have since complained of a lack of fish and have blamed the seismic testing for having disrupted the fishes breeding patterns.[212] If these costs continue to be incurred by the local population without compensation, combined with disappointments if expectations are not met, the result could be the creation of severe tensions in the region.

Variations from International Best Practice

Uganda has several significant warning signs in terms of its legal, regulatory and institutional frameworks for effective governance of its petroleum sector. This section will thus seek to examine Uganda's frameworks discussed above, with the emerging theories discussed in the

previous section of this study, so as to expose the country's variations from international best practice.

One of the most concerning factors present in Uganda is the democratic breakdown which has been witnessed in recent years, as described previously. At the start of the country's journey as a future petro-state, this is a severe warning sign. This is echoed in the emerging literature. Jensen and Wantchekon[213] have shown a negative causal relationship between resource abundance and the level of democracy in Africa; with democracy already declining in Uganda there are thus immense risks of complete democratic breakdown in the future. Further, these authors discuss the link between executive control of decision making in the natural resources sector, and indeed executive dominance in general, as another risk factor towards democratic decline. Finally, Bratton examines lack of alternation on country leadership as a further risk factor in this regard. This is also in line with the work of Omgba[214] on lengths of tenure in resource abundant countries. With the executive dominance in Uganda, as well as the change of presidential terms limits and strong signs of neo-patrimonialism, Uganda sits very far from international best practice in this area.

Shaxson[215] argues that traditional theories about market volatility have not sufficiently prevented countries in Africa from suffering from the negative effects thereof. As such, he emphasises the importance of strong and comprehensive oil contracts to protect countries from market volatility. In Uganda, although oil licensing is covered in some of the legislative frameworks, the politicisation and broad exemptions for the Minister thereof are concerning signs according to international best practice. In line with this, Gary and Karl[216] discuss the role of corporate players in the extractive industries. From their arguments it becomes clear that if there is lack of clarity on the relationship between oil companies and government, as is the case in Uganda's legislation, then there can be serious repercussions in terms of abuses by corporate players.

Ross[217] discusses the relationship between natural resources and poverty and argues that in order to mitigate the negative effects of natural resource abundance on poverty, governments need to increase export diversification and transparency. While there appears to be some level of institutional commitment to transparency in Uganda, the lack of commitment to the EITI by government is an area of concern. Similarly, the very high levels of corruption in Uganda are a further risk for the future transparency in the governance of the petroleum sector.

Finally, Ross[218] also discusses the risk of distributional conflicts as a result of uneven revenue distribution. This is an area where the Ugandan government may face serious concern, especially in light of the significant warning signs for the development of conflict already discussed.

It thus becomes clear that in many ways Uganda is far from achieving the standards of international best practice in the management of the country's newfound oil resources. As the country begins its journey towards becoming a petro-state and revenues begin to accrue the warning signs highlighted above, will serve to increase the risk of the resource curse for Uganda.

Chapter 6: Conclusion

What becomes clear from this study is that there is a growing body of emerging literature in the field of natural resource governance. The extensive traditional theories examined in this study have largely been shown to lack relevance or to propose inadequate policy prescriptions for the African continent, when policy prescriptions are made at all. The emerging literature seeks to fill this gap, by focusing on policy relevant studies, making viable prescriptions for tackling the resource curse, which is largely aimed towards African states. This study has in particular exposed an analysed those policy prescriptions which are most relevant for African policy makers.

Having examined the differences between the traditional and emerging theories of natural resource governance, this study analysed two case studies – that of Ghana and Uganda. Ghana is shown to be relatively well positioned in terms of its legislative and regulatory frameworks, and indeed in terms of the strength of its democracy and mechanisms of good governance. Nonetheless, this study exposed several areas of concern within these frameworks, which the government of Ghana should address if the strong resource governance foundation in the country is not to be eroded in the future. Uganda was shown to not have as strong a foundation as Ghana, mainly as a result of the clear neo-patrimonial nature of the state. While several positive elements did appear in the analysis of Uganda's legal and regulatory frameworks, some very concerning elements were also exposed. In the absence of a strong resource governance foundation, these legal and regulatory gaps do not bode well for the future success of the country's extractive industries.

More specifically, this study recommends that several areas be addressed by the government of Ghana. First, government needs to address the process of democratic consolidation in the country through increased decentralisation of power in government. Second, at a societal level the high levels of poverty need to be targeted by government in a more direct way. Third, while the development of Ghana's new industrial policy is a very positive development, sector specific policies still need to be developed, and mechanisms to prevent capital flight and transfer pricing. Fourth, the dominance of the Executive in Ghana needs to

be stopped so as to increase the oversight role and independence of Parliament. Fifth, Ghana needs to increase its revenue transparency so as to ensure that revenues are distributed for the public good. Sixth, in order to increase transparency, the Ghanaian government needs to increase the efficiency of EITI reporting and needs to develop legislation in terms of contract transparency in the petroleum sector. Finally, the Ghanaian government needs to ensure that the FOI Bill is discussed in Parliament and that legislation in this regard is passed as a matter of urgency.

For Uganda this study makes the following recommendations. First, the government of Uganda needs to prevent against the continuation of neo-patrimonial rule in the country. That is, anti-corruption safeguards need to see greater implementation; the linkages between the military and the state need to be decreased; and the term-limit on presidential rule needs to be reinstated. Second, greater protection needs to be provided for the natural eco-systems surrounding the Albertine Graben so as to ensure against environmental degradation. Third, the legislation governing the petroleum sector in Uganda needs to see immediate updating as oil activities begin in the country. Specifically, the NOGP provisions need to be adhered to more closely by government and legislation needs to be passed regarding revenue management, cross-border issues, bidding procedure, the distribution of rent and royalty sharing. Fourth, government needs to avoid the politicisation of the petroleum sector by decreasing the power of the Minister of Petroleum. Fifth, the links between the executive and the legislature need to be decreased in order to mitigate neo-patrimonial tendencies and executive dominance. Sixth, Parliament's role in the policy-making process needs to be increased. Seventh, transparency needs to be prioritised by government through membership to and implementation of the EITI in Uganda. Finally, the expectations of locals in the Albertine region need to be managed so as to decrease the risk of local tensions and grievances.

This study did not aim to conclude whether either country would or would not avoid the natural resource curse. As production of oil becomes more significant in both countries there is much scope for future studies in this area. What is clear from this study is that there are vast differences in the traditional and emerging literature – differences which are significantly more beneficial for the African continent. At the same time, studies which are policy oriented need to continue in the field of natural resource governance need to continue, especially as democratic African states more frequently become resource rich.

Regarding the scope for future studies, this paper has shown the usefulness of practically analysing country-level compliance with the policy prescriptions of the literature on natural resource governance. There is scope for studies such as these to continue across the African continent as more countries discover natural resources. This study focused on the petroleum sector, but similar studies could be conducted on a range of natural resources. More broadly than this, studies need to continue at a theoretical level which provide a more nuanced approach to natural resource governance, moving away from the narrowly focused perspective of the natural resource curse. Indeed, African governments require more practical, forward-looking research to be conducted which identifies policy gaps which presently exist. In this way African policy-makers can attempt to mitigate these gaps, rather than becoming theoretical case studies only after the fact.

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