Natural resources such as petroleum can be a blessing or a curse for developing countries depending on how they are managed. On the positive side, the discovery of substantial reserves of petroleum in Ghana presents a unique opportunity for the government to use the revenues to fast-track plans to lift the country out of poverty and cement itself amongst the ranks of middle income countries. But on the negative side, failure to adequately manage the revenues could lead to the 'resource curse', which among other things could even result in the worsening of the living conditions of the people. Ghana is fortunate in the sense that, in anticipation of being an oil producer, it has learned lessons from countries that have managed their oil resources well and from those that have not fared so well. The promulgation of the Petroleum Revenue Management Act, 2011 (Act 815) and the Petroleum Commission Act, 2011 (Act 821) are examples of attempts by the country to avoid some of the negatives aspects of oil exploitation.

One of the challenges presented by a significant oil discovery is how to manage the high expectations of the citizenry. Stakeholders' perceptions of what the benefits are or ought to be may be at variance with the actual realities on the ground. Failure to adequately manage the divergence in expectations can lead to conflict and tension between stakeholders.

Transparency in the form of provision of adequate information to the public enables the government to be held accountable for its stewardship of the oil and gas resources.
In view of the crucial role that transparency plays in national development and cohesion, the Institute of Economic Affairs (IEA) initiated the Petroleum Transparency and Accountability (P-TRAC) Index project in 2011 to track progress in the governance of the oil and gas sector. The Index is based on four aspects of the oil and gas value chain, namely, Revenue Transparency, Expenditure Transparency, Contract Transparency and management of the Ghana Petroleum Funds. ‘Transparency’ is defined specifically as the provision of information to the public and the extent to which international best practice is used in the management of the oil and gas resources. The P-TRAC Index is constructed on the basis of questions relating to the four components listed above. The Index is calculated as a simple average of the questions for each of the four components.

The inaugural 2011 P-TRAC report concluded that although some progress had been in the previous year, there were a number of areas that required further improvement in order to raise the level of transparency and accountability. The aim of the 2012 P-TRAC report is thus to analyse what progress if any has been made in efforts to improve the governance of Ghana’s nascent oil and gas resources since the last report. The key findings of the 2012 report are as follows.

The overall score for Revenue Transparency in 2012 was 69.9%, which indicates a 6% improvement over the score of 64.3% recorded in 2011. This result indicates that there has been some improvement in revenue transparency since our last report was published. Clearly, in order to make further improvement in revenue transparency, there is the need for Parliament to pass important pieces of legislation currently before it, as well as those that are still in draft form.

2012 P-TRAC Scores
In the area of Expenditure Transparency, we observed a slight improvement over the previous year. To enhance transparency, we advocate the provision of more information on how the Annual Budget Funding Amount (ABFA) is spent besides what is reported in the annual Budget Statement. We are also of the view that there is a need for more stakeholder consultation on projects for ABFA funding. Currently, the Minister has discretion to identify projects for funding provided they fall within the four priority areas identified in the Petroleum Revenue Management Act (PRMA). Going forward, we are of the view that there is room for more inclusion in how such decisions are made. As the PRMA will soon be up for review, we strongly feel that there is a need to revisit the issue of the priority areas and to spell out more specific projects for funding following consultations with all stakeholders.

On Contract Transparency, we find that some progress has been made with the establishment of an independent authority to regulate the sector and to advise the government on the award of contracts and licenses. However, there is a much room for improvement by establishing a more open and transparent process of awarding contracts and licenses.

Transparency in the management of the Ghana Petroleum Funds (GPFs) is the area where we have observed the greatest improvement since our last assessment exercise. One major area of concern is the lack of any information whatsoever on audited reports of the Ghana Petroleum Funds (GPFs).

Our overall conclusion is that there has been significant progress over the previous reporting period in enhancing transparency and accountability in the management of Ghana's oil and gas resources. However, at the same time, we have identified a number of areas for improvement which form the basis of our recommendations below.

**Policy Recommendations**

The study makes the following recommendations:

1. To enhance transparency and accountability, not just in the oil and gas sector, but also in other extractive industries, there is a need for speedy passage of the following bills: the Ghana Extractive Industries Transparency Initiative Bill, the Right to Information Bill, the Petroleum Exploration and Production Bill, the Local Content and Local Participation Bill, and the Marine Pollution Bill.

2. We also advocate speedy passage of the Budget Act to enhance Parliament's ability to conduct comprehensive analysis of the Budget.

3. We recommend a more inclusive process of selecting projects for funding under the ABFA. In the medium term, the PRMA should be reviewed to identify more specific projects for funding after consultations with all stakeholders.
4. To enhance transparency in the award of contracts and licenses, we recommend a more open and transparent process of awarding contracts and licenses, with more public disclosure of information on the process. In particular, we advocate a points-based system for assessing licenses.

5. There is a need for the Auditor General to publish the audited reports on the GPFs.

6. Oversight bodies such as Parliamentary Committees (e.g., the Public Account Committee (PAC) and the Select Committee on Minerals and Energy) and the Public Interest and Accountability Committee (PIAC) must be adequately resourced to enable them function more effectively in their respective roles.