



Ghana, an Emergent Oil Producer: Background and U.S. Relations

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Summary

This report provides information on current developments in Ghana and Ghanaian-U.S. relations, which are close. Warm bilateral relations were signaled by President Barack Obama's July 2009 trip to Ghana. Ghana was chosen for his first travel as president to Africa because of its democratic and economic development successes. In Ghana, President Obama made the last of a four-part thematic series of major overseas speeches on key foreign policy issues. The speech in Ghana, to the national parliament, centered on the integral relationship between democracy, good governance, and development in Africa and in the wider developing world. Close ties were also signaled by a trip to Ghana by former President George W. Bush in 2008. While Ghana has not been the focal subject of recent U.S. legislation, hearings, or other major Congressional actions it regularly hosts travel by Members and is widely seen as a key U.S. partner in sub-Saharan Africa.

Ghana's national elections in late 2008 drew international attention because they marked Ghana's fifth consecutive democratic national election, preceded its second democratic transfer of power from one political party to another and, at the presidential level, were reportedly among the closest ever in post-colonial Africa. They signified Ghana's further maturation as a democracy following a transition from "no-party" rule that began in 1992, and were seen as a benchmark for democratic consolidation in Africa following a series of highly contested, volatile elections and other democratic setbacks on the sub-continent.

Ghana is also a stable country in an often volatile sub-region and, along with the United States, has helped to mediate several political and/or military conflicts in West Africa over the last quarter century. These conflicts have caused widespread displacement and humanitarian suffering, which the United States has helped to mitigate through the provision of large amounts of humanitarian assistance. Ghana is also praised for its steady contribution of troops to international peacekeeping operations in Africa and elsewhere and is a recipient of U.S. training aimed at supporting such deployments.

Ghana is often seen as a model for many of the outcomes that U.S. development assistance programs in Africa have long sought to achieve, and hosts bilateral and regional U.S. Agency for International Development (USAID) missions. It is a recipient of U.S. assistance under the Obama Administration's new Global Hunger and Food Security Initiative (GHFSI) as well as a President's Malaria Initiative (PMI) country. In 2006, Ghana signed a \$547 million U.S. Millennium Challenge Corporation (MCC) Compact.

Ghana is currently drawing attention because of its recent discovery of sizable reserves of crude oil, and its possible role in contributing to global and U.S. energy security. Oil promises to boost national income and development prospects, but, based on the experience of other oil-rich developing countries, may also pose substantial good governance and resource management challenges, which Ghana is taking measures to address. Oil sector development has caused bilateral commercial friction, principally regarding an attempt by a U.S. oil firm, Kosmos Energy, to sell its stakes in two Ghanaian oil fields. Oil sector issues are discussed at length in this report.

Ghana, like the United States, faces an illicit drugs trafficking threat, notably relating to a rise in cocaine being transported from South America to Europe via West Africa. Shared interest in countering such trafficking is a growing area of U.S.-Ghanaian cooperation. The U.S. embassy in Accra hosts a DEA regional cooperation office, and has established a vetted counternarcotics unit, the first in sub-Saharan Africa, in cooperation with the DEA.

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Recent Developments

In mid-November 2010, during parliamentary consideration of a proposed petroleum revenue management bill being considered by parliament just prior to Ghana's expected initiation of large-scale oil production, traditional chiefs in Ghana's western region presented a petition calling for 10% of national oil revenues to be placed into a development fund for the west.¹

In early October 2010, Ghana's president, John Atta Mills appointed a National Gas Development Task Force "to manage and help expedite the ongoing gas commercialization project," which is a Ghanaian government priority closely linked to the country's commencement of large-scale oil and natural gas production in late 2010. The initiation of gas production is a keystone of ongoing government efforts to boost electrical power generation.²

In late 2010, the Ghanaian parliament was considering passage of two oil sector bills, entitled the *Petroleum Revenue Management Act, 2010*, and the *Petroleum (Exploration and Production) Act, 2010*, both drafted by the executive branch after public and private sector consultations. The government has fast-tracked passage of the bills, which are designed to govern the development of Ghana's new and rapidly growing oil and gas sector, and ensure public benefit, transparency, and efficacy regarding the receipt and use of what is expected to be a large influx of energy revenues. The revenue management bill, however, is the subject of internal parliamentary disagreement, and may not pass as quickly as the government had projected.

In October 2010, former Ghanaian president Jerry Rawlings was appointed as the African Union (AU) envoy for Somalia.

In early August 2010, President Obama hosted a group of over 115 civil society leaders, activists and entrepreneurs from 40 sub-Saharan Africa countries in an event dubbed the "President's Forum with Young African Leaders," including several Ghanaian participants. It echoed policy themes that President Obama had emphasized during his trip to Ghana in July 2009.³

In June 2010, United Airlines (UAL) became the second U.S. airline, after Delta Airlines, to provide direct flight service from the United States to Ghana.⁴

¹ Kwasi Kpodo, "Ghana Chiefs in Oil Region Demand 10% of Revenues," Reuters, November 18, 2010.

² Infos Plus Gabon, "Mills Names Gas Development Task Force," via All Africa.com, October 7, 2010.

³ The Forum commemorated 50 years of independence in 17 African countries, acknowledged "the extraordinarily young demographic profile of the region," and highlighted the role of youth empowerment, good governance, and economic opportunity in ensuring that President Obama's contention that "the future of Africa is up to Africans" results in socio-economic success. It included dialogue on such issues as "transparency and accountability, job creation and entrepreneurship, rights advocacy, and the use of technology to empower individuals and communities" and U.S.-African dialogue on these and related issues. White House, "Statement on the President's Forum with Young African Leaders," July 21, 2010; and White House, "Remarks by the President at Town Hall with Young African Leaders," August 3, 2010, among others.

⁴ UAL, "United Airlines Launches Inaugural Flight into Africa," June 18, 2010; UAL, "United to Introduce Three New Countries to Global Network," November 5, 2009; and Charles W. Corey, "Delta Air Lines Responding to Increased U.S.-Africa Demand," America.Gov, October 5, 2010.

Overview: Ghana and the United States

U.S.-Ghanaian relations are warm, as signaled by President Barack Obama travel to Ghana from July 10 to 11, 2009 (see “President Obama’s Trip to Ghana”). His trip followed an early 2008 trip by former President George W. Bush to Ghana, which in 2006 signed a \$547 million U.S. Millennium Challenge Corporation (MCC) Compact.⁵

Apart from development cooperation, Ghana is widely seen as a key U.S. partner in the region and as an African “success story” in light of its successful transition to democracy and attainment of substantial economic gains in recent years, albeit in the face of continuing widespread poverty rates. It is seen as a model for many of the outcomes that U.S. development assistance programs in Africa have sought to achieve over multiple Congresses and presidential administrations. It is also a stable country in an often volatile sub-region and, along with the United States, has helped to mediate several political and/or military conflicts in West Africa over the last quarter century. These conflicts have caused widespread displacement and humanitarian suffering, which the United States has repeatedly sought to mitigate through the provision of often large amounts of humanitarian assistance.

Ghana is also praised for its steady contribution of troops to international peacekeeping operations in Africa and elsewhere and is a recipient of U.S. training aimed at supporting such deployments.⁶ Ghana has also drawn attention because of its recent discovery of sizable reserves of crude oil, and its possible role in contributing to global and U.S. energy security. Its reserves promises to boost Ghana’s national income and development prospects, but — based on the experience of many other oil-rich developing countries—may also pose substantial good governance and resource management challenges. Ghana, like the United States, also faces challenges with respect to illicit narcotics trafficking, notably with respect to a rise in recent years of cocaine being transported from South America to Europe via West Africa. Shared interest in countering such trafficking is a growing area of U.S.-Ghanaian cooperation.⁷

⁵ The goal of President Bush’s 2008 trip was to personally review MCC and other U.S. aid programs in Africa. He held talks with former Ghanaian President John Agyekum Kufuor and other African leaders on prospective continued U.S.-African partnership to sustain “democratic reform, respect for human rights, free trade, open investment regimes, and economic opportunity” across Africa. His visit to Ghana focused on improved health prospects for Ghana resulting from its designation in 2008 as a President’s Malaria Initiative focus country; prospective education improvements resulting from Ghana’s participation in the President’s Expanded Education Initiative; and trade growth efforts under a U.S. regional trade support center, the African Global Competitiveness Initiative (AGCI).

⁶ Ghanaian troops have received training under the U.S. Global Peace Operations Initiative (GPOI). GPOI is a key program underpinning the U.S. policy goal of ensuring adequate military manpower to ensure that international peace and security objectives, most notably in the form of United Nations and regional organization peacekeeping operations. GPOI trains and equips foreign military forces to participate in such operations. A key training component of GPOI is a program called the African Contingency Operations Training and Assistance (ACOTA) program. See CRS Report RL32773, *The Global Peace Operations Initiative: Background and Issues for Congress*, by Nina M. Serafino.

⁷ White House, *Readout of the President’s Call...*; and U.S. Congress, Senate Committee on Foreign Relations, *Confronting Drug Trafficking in West Africa*, 111th Cong., 1st sess., June 23, 2009.

President Obama's Trip to Ghana

President Barack Obama traveled to Ghana from July 10 to 11, 2009 following the president's attendance at the G-8 Summit in L'Aquila, Italy, in what the White House reported was "the earliest visit to sub-Saharan Africa by any President in his first year in office."⁸ Key purposes of the trip were to:

- highlight Ghana as one of the United States' "most trusted partners in sub-Saharan Africa" and as "a shining example" in Africa "of the importance of free and fair elections";
- underscore "the critical role that sound governance and civil society play in promoting lasting development" in Africa;
- stress the continuing commitment of the United States to invest in such development; and
- highlight "Africa as a fundamental part of our interconnected world" while simultaneously recognizing the "that Africa's future is up to Africans."⁹

President Obama stated that the trip signaled that "we have a continuing interest in Africa's security, in Africa's economy, in Africa's social and political development because we live in an interrelated world and what happens here has an impact everywhere."¹⁰ He also stated that the trip was meant to highlight Ghana's successes relative to much of Africa, asserting

there are a set of institutions here that are sustaining democracy and openness and participation. You have an economy that has been well managed. [...and] there's been a greater level of transparency and openness, the growth strategy here in Ghana have been ones that are actually delivering improved standards of living for the people. So we think that Ghana can be an extraordinary model for success throughout the continent and we are very much looking forward to strengthening what is already a strong friendship between the United States and Ghana for many years to come.¹¹

President Obama also used the trip to highlight U.S. investments in maternal health in Africa, and to highlight the personal connection of himself and his family to Africa. He touched upon his own personal family heritage and familial roots in Africa while addressing Ghana's parliament and, along with his family, toured Cape Coast Castle, a major former hub trans-Atlantic slave trade. Of the latter experience, in the first commentary in Africa on the effects of the trans-Atlantic slave trade by a sitting U.S. president of African descent, he stated:

It is reminiscent of the trip I took to Buchenwald because it reminds us of the capacity of human beings to commit great evil. [...] I think, as Americans, and as African Americans,

⁸ White House, "Fact Sheet: The President's Engagement in Africa," August 3, 2010

⁹ White House, *Statement by the Press Secretary on Upcoming Travel by the President*, May 16, 2009 and *Press Briefing by Press Secretary Robert Gibbs*, June 22, 2009

¹⁰ White House, "Remarks by President Obama and President Mills of Ghana After Bilateral Meeting," July 11, 2009.

¹¹ White House, "Remarks by President Obama and President Mills of Ghana After Bilateral Meeting," July 11, 2009; and White House, "Remarks by the President to the Ghanaian Parliament," July 11, 2009.

obviously there's a special sense that on the one hand this place [Cape Coast Castle] was a place of profound sadness; on the other hand, it is here where the journey of much of the African American experience began. And symbolically, to be able to come back with my family, with Michelle and our children, and see the portal through which the diaspora began, but also to be able to come back here in celebration with the people of Ghana of the extraordinary progress that we've made because of the courage of so many, black and white, to abolish slavery and ultimately win civil rights for all people, I think is a source of hope. It reminds us that as bad as history can be, it's also possible to overcome.¹²

Policy Motivations for Trip

President Obama's trip to Ghana came almost exactly six months after the inauguration of President Mills, following presidential and parliamentary elections in December 2008. President Obama characterized these elections—which he had previously praised—as demonstrating “the Ghanaian people's commitment to democratic governance” and as an exemplar of Ghana's “democratic leadership in Africa, particularly in light of the troubling coups in Mauritania, Guinea, and Madagascar.”¹³ The elections had drawn widespread international attention because they marked Ghana's fifth consecutive democratic national election, preceded its second democratic transfer of power from one political party to another and, at the presidential level, were reportedly among the closest ever in post-colonial Africa. The resulting transfer of state power from one political party to another, a historically uncommon occurrence in post-independence sub-Saharan Africa, signified Ghana's further maturation as a democracy following a transition from “no-party” rule that began in 1992, and provided a sharp contrast to recent counter-democratic developments in Africa. Ghana was chosen for the trip, presidential African affairs aide Michelle Gavin stated, because the election had demonstrated that “Ghana is a truly admirable example of a place where governance is getting stronger, a thriving democracy,” in contrast to multiple other African countries.¹⁴

The keystone of the president's trip to Ghana was a speech to the Ghanaian parliament. It was cast as the last of a four-part thematic series of major overseas speeches laying out some of President Obama's key foreign policy views. The speech centered on the integral relationship between democracy, good governance, and development in Africa and in the wider developing world.¹⁵ The overarching theme of the speech was on the need, in Africa particularly, for “strong institutions and a strong will” in order to ensure “democracy, opportunity, health, and the peaceful resolution of conflict.”

The speech focused, in particular, on the importance of good governance and the need to institutionalize of a vibrant and collaborative interplay between elected officials, the three main

¹² White House, “Remarks by the President at Cape Coast Castle,” July 11, 2009.

¹³ White House, *Readout of the President's Call...*

¹⁴ White House, “Press Briefing on the President's trip to Russia, Italy, and Africa,” July 1, 2009.

¹⁵ According to the briefers, the first speech, in Prague, the Czech Republic, expressed President Obama's views on proliferation and the role of small states in the international system and in the context of U.S. national security goals. The second, in Cairo, Egypt, set out a vision for U.S. relations with communities in the Muslim world and associated issues faced jointly with those communities, e.g., terrorism, extremism, and lasting peace in the Middle East. A third speech, in Moscow, focused on U.S.-Russia relations and the role of great powers in the current century.

branches of government, voters, the press, civil society and private sector businesses in achieving such ends. The speech also highlighted the importance of anti-corruption efforts and transparency, and focused on the key role played by national self determination and achievement in attaining socio-economic and political development, in contrast to donor-led development. President Obama also referred to the need for careful management of Ghana's energy revenues, and the "undeniable peril and extraordinary promise" of oil and other energy resources for development. He also highlighted his Administration's emphasis on U.S. assistance to Africa in such areas as education, healthcare, and trade capacity-building, and its commitment to "public-private partnerships that invest in better roads and electricity; capacity-building that trains people to grow a business; financial services that reach not just the cities but also the poor and rural areas."¹⁶

In contextualizing the Africa portion of President Obama's trip in relation to his preceding visit to Russia and Italy, Ms. Gavin characterized the Ghana visit as "quite intentional." She said it was meant to underscore "the point that Africa is integrated broadly into" the Administration's foreign policy strategy and that "African voices are an important part of global discussions on key global issues." She and other briefers highlighted African governments' participation in a number of meetings at the G8 summit that immediately preceded the President's trip to Ghana. Gavin also drew a correlation between the issue themes discussed at the summit and policy challenges faced by African countries, such as a need for economic resilience, a capacity to weather the current economic downturn, achieve socio-economic development goals, as well as global issues, such as climate change—and what she characterized as the underlying importance of good governance in successfully addressing them.¹⁷

Mills Administration

President Mills took office on January 7, 2009, succeeding former President Kufuor at the end of his second term in office. The new government's first priority reportedly centered on gaining control over economic policy administration and the government's administrative apparatus from the departing New Patriotic Party (NPP) government. In particular, it reportedly sought to stabilize the declining exchange rate of the national currency, the *cedi*; halt a rapid rise in fiscal spending, leading to a rising current account deficit; and check inflation. These challenges were compounded by the subsequent global recession, a slowing economy, due in part to weakening commodity prices, and a contraction of access to international and local credit, but were aided by a simultaneous decline in imports and growth in exports.¹⁸

¹⁶ White House, "Remarks by the President to the Ghanaian Parliament," July 11, 2009.

¹⁷ White House, "Press Briefing on the President's trip to Russia, Italy, and Africa," July 1, 2009.

¹⁸ AC, "Lining up the Mills team," February 6, 2009; and Economist Intelligence Unit (EIU), Ghana Country Report, June 2009.

Policy Agenda

Mills, in his first state of the nation address to parliament, in 2009, pledged to fulfill the goals outlined in the party election platform of his party, the National Democratic Congress (NDC).¹⁹ Key policy goals set out in the manifesto and in his parliamentary address include:

- good governance and anti-corruption efforts, including passage of a Right to Information Bill—which the national parliament was considering in late 2010, security force capacity building, the appointment of a greater percentage of females in key government posts, and efforts to increase representative and decentralized governance and accountability at the local level;
- economic growth and investment, notably through policies to be pursued by an “activist and enabling state” focused on boosting business growth by increasing credit access, enact business-friendly regulatory reform, reducing selected taxes, and by promoting Ghanaian exports and local industrial and agricultural production;
- investment in people, especially in the health and education sectors, and in poverty reduction programs; and
- investments in infrastructure for growth, including through publicly funded housing construction, water and sanitation improvements, transport regulation reforms and road investments, and electricity reforms and investment.²⁰

He re-emphasized many of these themes in his 2010 state of the nation address to the parliament.²¹

¹⁹ NDC, *A Better Ghana: Investing in People, Jobs and the Economy*, 2008; and President Mills, *State of the Nation Address*, February 19, 2009

²⁰ All direct quotations from the manifesto. NDC, *A Better Ghana...*

²¹ President Mills, *State of the Nation Address 2010/Partners in Vision*, February 25, 2010.

Profile: President John Mills

Ghana's current president, Dr. John Evans Fiifi Mills, popularly known as the "The Prof," was born in July 1944 at Tarkwa in Ghana's Western Region. Prior to being elected in 2008, he had twice—in 2000 and in 2004—unsuccessfully competed for the presidency as the candidate of the National Democratic Congress (NDC) against former President Kufuor of the New Patriotic Party (NPP). Mills had previously served as Ghana's national Vice President from 1997 to 2001 in the administration of former president Jerry Rawlings. A former national tax commissioner and professor of law at the University of Ghana, Legon, Mills holds a BA in law from the University of Ghana, Legon and a PhD in Law from the School of Oriental and African Studies in London, the United Kingdom, where he wrote a dissertation focusing on taxation and economic development. He also attended Stanford Law School as a Fulbright scholar and has taught and lectured at several foreign institutions of higher learning. He has served as a board or executive member or examiner at multiple high-level Ghanaian national financial, economic, and business institutions. President Mills is married to Ernestina Naadu Mills, an educator, and has a son, Sam Kofi Mills. The relationship between Mills and Rawlings is a delicate one for Mills. Rawlings, the founder of the NDC, is a charismatic former president who, despite having no reported further aspirations for public office, is viewed as maintaining a popular base of support within the NDC. He regularly comments on current events and national political personalities, often in a no-holds-barred manner that often provokes controversy. He is viewed as having brought Mills to national political prominence by selecting Mills as his vice presidential NDC party running mate in the 1996 election. There has long been speculation in the Ghanaian press over whether Rawlings wields influence over Mills, who once provoked controversy by stating that he would consult with Rawlings if elected. While there is some concordance between some policy actions advocated by Rawlings and those taken by Mills, it is not clear that these reflect Rawlings's influence, and not simply shared policy views. There are also some signs of differences between the two men. Rawlings has criticized Mills's selection of nominees for government leadership posts, and accused him of failing to more forcefully push for probes or prosecution of allegedly corrupt Kufuor Administration figures. In addition, while some former Rawlings administration officials occupy posts in the Mills Administration, Mills has reportedly sidelined other Rawlings associates, suggesting that Mills is his own man.

Sources: NDC, "The Candidate," n.d., <http://www.attamills2008.com> ; Ghana Review International, "Professor John Evans Mills (NDC)," n.d., <http://www.ghanareview.com>; Africa Confidential (AC hereafter), "Is Rawlings the Back-Seat Driver?," February 6, 2009 and "The Mills Grind Slowly," April 17, 2009; and BBC News, "Profile: Ghana President John Mills," January 3, 2009.

2008 Election

Ghana held presidential and parliamentary elections on December 7, 2008, which resulted in a slight parliamentary majority for the NDC, and a presidential runoff election on December 28, which resulted in a narrow runoff presidential victory for the opposition presidential candidate, John Atta Mills of the NDC party. Mills's election was viewed by some as a test of the depth of democratization in Africa, following highly contested, volatile elections in Kenya, Zimbabwe, and Nigeria, and a range of other democratic challenges elsewhere on the continent.²² The election signified Ghana's further maturation as a democracy following a transition from "no-party" rule, beginning in 1992, by a government that initially came to power in a coup d'état. Mills, who took office on January 7, 2009, succeeded President Kufuor of the New Patriotic Party (NPP), who stepped down after having served his second term in office and was ineligible to run

²² Presidential African affairs aide Michelle Gavin cited as examples of undemocratic changes of government in Africa coups d'état in Mauritania, Madagascar, and Guinea. She also cited as "problematic" elections in Nigeria, Kenya, Zimbabwe, and pointed to challenges to democratic governance in Niger. Earlier in 2009, prior to her comments, Niger's President Mamadou Tandja, who was later ousted in a coup d'état, had asserted a right to rule by emergency decree after failing to secure a constitutional change overturning term limits that would have allowed him to extend his tenure. White House, "Press Briefing on the President's trip to Russia, Italy, and Africa," July 1, 2009.

for the presidency in 2008 due to constitutional term limits. Kufuor first won the presidency in 2000, having bested Atta Mills in a poll that led to Ghana's widely praised, first-ever democratic presidential and political party succession. In 2004, he again triumphed over Atta Mills, winning 52% of votes in a poll that was generally calm, peaceful, and transparent, though marred by limited violence.

The 2008 election campaign was contested vigorously but was reportedly largely peaceful, with a few highly localized exceptions. While ethnic tensions occur in Ghana,²³ regional rivalries and disparities are sometimes viewed in ethnic terms, and voting tends to occur in ethnic blocs, Ghana generally enjoys inter-ethnic harmony, and overt ethnic antagonism does not appear to have played a key role in the election.²⁴

Focal electoral issues included public dissatisfaction over electricity and water shortages, rising food, fuel, and utility prices, and reports of corruption.²⁵ Recent economic expansion and prospective oil revenue-fueled growth, however, were seen as benefitting the NPP, as were divisions in the NDC, from which a dissenting faction broke away to form a new splinter party. While Mills was selected as the NDC presidential candidate without facing opposition—despite his two earlier losses as NDC flag bearer—18 NPP candidates fiercely vied for the NPP nomination prior to the NPP party congress in late 2007. Former Foreign Affairs Minister Nana Addo Dankwa Akufo-Addo won the NPP nomination in the first round of voting, surprising some observers, given that President Kufuor had reportedly favored another candidate. The NPP nomination process drew some criticism because the \$25,000 party nomination fee, in a country with an average income of about \$520, was seen as barring contenders who lacked wealth or could not raise large amounts of cash to rally support.²⁶

With some minor, mostly technical exceptions, voting on December 7 was free, open, and transparent, according to reports by national and international observers who monitored the vote, along with a large number of national political party observers, and the election elicited

²³ The most notable have been sometimes long-running, sometimes violent inter- and intra-ethnic group tensions—some involving fatalities—in the north of Ghana arising out of contestation over local chieftainships, control of land, other politically allocated resources, trade, ancestry claims, socio-economic status and access to education, and other factors. Another source of ethnic tension involves trans-international boundary ethnic Fulani herder clashes with sedentary agriculturalist groups in northern Ghana. See Christian Lund, “Bawku is Still Volatile: Ethno-Political Conflict and State Recognition in Northern Ghana,” *Journal of Modern African Studies*, 41:4, 2003; Wyatt MacGaffey, “Death of a King, Death of a Kingdom? Social Pluralism and Succession to High Office in Dagbon, Northern Ghana,” *Journal of Modern African Studies*, 44: 1, 2006; Julie Kaye and Daniel Béland, “The Politics of Ethnicity and Post-conflict Reconstruction: The Case of Northern Ghana,” *Journal of Contemporary African Studies*, April 2009; Isaac Olawale Albert, “From 'Owo Crisis' to 'Dagbon Dispute': Lessons in the Politicization of Chieftaincy Disputes in Modern Nigeria and Ghana,” *The Round Table*, February 2008; and U.N. IRIN, “Ghana: Police Crackdown On Migrant Fulani Herdsmen,” April 29, 2010.

²⁴ The NPP has always fielded an ethnic Akan presidential and a vice-presidential candidate from the north since the reinstatement of multiparty politics in 1992, and is viewed as predominating in the Akan south and southeast. The NDC's traditional base of support, by contrast, is in the multi-ethnic, largely Islamic north and among Ewes in the south. AC, “Ghana: ‘Who spends, wins’,” November 30, 2007, *inter alia*.

²⁵ United Nations Integrated Regional Information Networks (U.N. IRIN), “Ghana: Critical Issues in 7 December Elections,” December 4, 2008.

²⁶ Several leading contenders, dubbed the “monetocracy,” reportedly funded costly campaigns to court NPP delegates. Press reports raised questions over the funding sources of some NPP contenders. AC, “Ghana: ‘Who spends, wins’,” November 30, 2007 and “Ghana, Race to the top,” December 14, 2007, among others.

widespread praise internationally.²⁷ Key problems highlighted at the time of the vote reportedly included temporary shortages of voting materials at some polling places, along with limited, minor allegations of irregularities, mainly in two constituencies, Asutifi South and Akwatia.²⁸ Some observers analyzing the election over the longer term, however, have contended that there were also other, potentially more serious, problems. These included lack of sufficient investigation of possible anomalies, such as an alleged “inflated voters’ register” linked to “implausibly high turnout” in some areas, among other possible indications of limited but “serious malpractices and electoral fraud,” and some reports of intimidation of party poll observers in constituencies dominated by their rival party.²⁹ There was also a possibly politically motivated effort to disenfranchise selected voters as a result of a selective closure of Ghana’s borders.³⁰ Despite such problems, many observers attribute the election’s overall success to adherence to the rule of law regarding the electoral process, in large part as a result of widespread public support for that end, which politicians by and large appear to have heeded, albeit sometimes under pressure from party or national leaders. Efforts to legally challenge selected polling processes or results after the first round, which could have prompted a drawn out, potentially volatile contestation of the vote, were ultimately abandoned—reportedly, in part, in response to a call by then-incumbent President Kufuor for all candidates to respect the results of the voting process.³¹

In the initial presidential vote, John Mills of the opposition National Democratic Congress (NDC) party won almost 48% of votes. His main rival, former Foreign Affairs Minister Nana Addo Dankwa Akufo-Addo of the NPP, President Kufuor’s party and the then-majority party, won just over 49% of votes. Since neither leading candidate attained a 50% vote share, a requirement for electoral victory, a runoff vote was held on December 28.

The runoff, between Mills and Akufo-Addo, was held on December 28, resulting in a 50.1% initial vote share for Mills, with Akufo-Addo winning 49.9% of the vote, with 23,050 votes fewer than Mills.³² These results failed to decide the election, however, because incorrect allocations of voting materials were delivered to one constituency, Tain District, potentially disenfranchising voters.³³ This discrepancy prompted the Electoral Commission to order a repeat of runoff

²⁷ Coalition of Domestic Election Observers (CODEO), “Press Release (Close of Day),” December 7, 2008; European Union Election Observation Mission, Ghana 2008 [EUEOM-Ghana], “A Competitive Campaign and a High Degree of Transparency on Election Day Reflect Ghana’s Democratic Culture,” December 9, 2008; Electoral Commission of Ghana, “AU observer team call on Minister,” December 11, 2008; and Scott Stearns, “World Leaders Congratulate Ghana on Democratic Election,” Voice of America (VOA), January 5, 2009, *inter alia*.

²⁸ *Ibid.* Also see Ghana News Today via PeaceFMOnline.com, “5th Parliament to be Ushered in on Jan. 7th,” January 3, 2009; Ghana News Agency (GNA) via Myjoyonline.Com, “Electoral offenders before court,” January 6, 2009; and GNA via Myjoyonline.Com, “EC suspends Akwatia constituency parliamentary election,” December 27, 2008.

²⁹ Heinz Jockers, Dirk Kohnert, and Paul Nugent, “The Successful Ghana Election of 2008: A Convenient Myth?,” *Journal of Modern African Studies*, 48:1, 2010; see also AC, “Ghana The winner has to wait,” December 12, 2008.

³⁰ Michael Amoah, “The Most Difficult Decision Yet: Ghana’s 2008 Presidential Elections,” *African Journal of Political Science and International Relations*, (3: 4), 2009

³¹ Amoah, “The Most Difficult Decision Yet...”; David Zounmenou, “Ghana’s 2008 Election: Towards a Consolidated Democracy?,” *Situation Report*, Institute for Security Studies, July 2009; and Lindsay Whitfield, “Change for a Better Ghana’: Party Competition, Institutionalization and Alternation in Ghana’s 2008 Elections,” *African Affairs*, 108: 433, 2009.

³² Kwasi Kpodo, “Ghana Presidential Hopefuls in Last-Ditch Vote Race,” Reuters, December 31, 2008.

³³ Carter Center, “Carter Center Deploys Observers to Ghana’s Brong-Ahafo Region to Observe Tain Constituency’s (continued...)”

balloting in Tain, an outcome that conferred on the district's 53,000 or so voters the potential power to decide the outcome of the race. The Tain vote garnered international attention, given the closeness of the election and because it prolonged the vote and the potential that the outcome would be contested and potentially lead to political volatility.³⁴ After Tain was added to the national runoff totals, Mills garnered a winning 50.23% share of votes cast against a 49.77% vote share for Akufo-Addo.³⁵

U.S. Elections Assistance

U.S. assistance helped ensure that the 2008 election was transparent and successful. Separate U.S. Agency for International Development (USAID) and National Endowment for Democracy (NED)-funded projects implemented by the Ghana Center for Democratic Development, partly in partnership with the National Democratic Institute (NDI), helped train election observers prior to the 2008 elections. These monitors, grouped as the Coalition of Domestic Election Observers (CODEO) played a key role in ensuring transparency and public confidence in the 2008 pre-election and election polling processes. CODEO issued a series of assessments of the pre-election environment, conditions during polling, and carried out statistically significant parallel vote tabulations (PVT) based on actual polling data. The PVTs very accurately predicted the election outcome and helped to assure the public that the polling results were legitimate and accurate. In November 2009, NDI, IFES and other U.S. and international non-profit elections organizations held a Colloquium on African Elections focusing on models of best practice from the African continent - drawing, in particular, on lessons from Ghana's 2008 experience - which other African countries might apply to improve their own election processes. U.S. elections organizations also report having drawn from Ghana's success in 2008 by employing Ghanaians to help train other African elections workers.

Sources: Information provided to CRS by NDI and IFES, various dates.

Kufuor Record

Kufuor, a former veteran opposition figure and Oxford-trained lawyer, businessman, and former deputy foreign minister and parliamentarian, was ineligible to run for the presidency in 2008 due to constitutional term limits. He first won the presidency in 2000, having bested Mills in a poll that led to Ghana's widely praised, first-ever democratic presidential and political party succession. In 2004, he again triumphed over Mills, winning 52% of votes in a poll that was generally calm, peaceful, and transparent, though marred by limited violence.³⁶ In simultaneous parliamentary elections, Kufuor's New Patriotic Party (NPP) increased its legislative margin by 26%, winning 128 seats, while the NDC won 94. Two smaller parties and an independent won all other seats.³⁷ Kufuor used the slogan "So far, so good" to claim a solid record of economic stability, market-based reforms and growth, and broad quality of life improvements after a period of economic stagnation under the NDC.

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Elections," December 31, 2008.

³⁴ Although the NPP considered a legal challenge to and later a political boycott of the Tain vote, which was controversial and spurred some very minor, isolated post-election violence, it ultimately accepted the outcome Joy FM, "Ghanaian ruling party withdraws legal concerns relating to runoff polls," via OSC, January 2, 2009; Agence France Presse (AFP), "Violent protest over Ghana poll results," December 31, 2008; and Ghanaian TV3, "Ghanaian ruling party presidential hopeful concedes defeat," via OSC January 3, 2009, among others.

³⁵ Electoral Commission, "Latest News" and "Final Figures of the Presidential Runoff Elections," January 6, 2009.

³⁶ CIA 2008 *World Factbook*, among other sources.

³⁷ Interparliamentary Union data.

Kufuor's reelection in 2004 marked Ghana's fourth consecutive democratic election. Ghana appeared to have durably consolidated a transition to democratic rule that began in 1992, when the then-military leader, Jerry Rawlings, retired from the military to run as a civilian presidential candidate in multiparty elections. Rawlings had first come to power in a 1979 military coup, after which elections were held. He led a second military coup in 1981, establishing a populist, reform-oriented ruling civil-military entity, the Provisional National Defense Council (PNDC). The PNDC coup followed 15 years of coups d'état and a string of military-dominated, often corrupt governments that ruled after the military ousted Kwame Nkrumah, Ghana's first elected Prime Minister, in 1966. He was toppled shortly after he transformed Ghana into a one-party state. Nkrumah, famous advocate of African unity and socialism, led Ghana to independence from Britain in 1957. Ghana celebrated its 50th year of independence in 2007.³⁸

Kufuor's first-term agenda emphasized efforts to bolster national unity and social equity after the 2000 election; to fight reportedly widespread corruption; to reassert the rule of law; and to revive a flagging economy. Upon taking office, he faced diverse poor economic indicators: flat growth; currency deflation; poor or declining prices for key commodity exports (gold and cocoa); high inflation, interest, and unemployment; and dependence on foreign aid. Kufuor vowed to tackle these problems aggressively, but faced a roughly evenly party-divided legislature and a NDC-dominated bureaucracy. He met these challenges by taking steps to privatize state firms, diversify the economy, increase Ghana's world market access, and pursue politically difficult fiscal austerity policies, measures which he pursued in his second term in office. Ghana continued to face multiple economic challenges at the end of President Kufuor's tenure, but his administration achieved many of its initial goals, including substantial utility deregulation, an increase in hard currency reserves, and increased private sector-led economic growth rates.

Economy and Development Prospects

Ghana's economy has grown steadily in recent years, albeit with a global recession-linked dip in 2009; gross domestic product (GDP) totaled \$16.65 billion in 2008, \$15.62 billion in 2009, and is projected to rise to \$17.88 billion in 2010 and \$22.77 billion in 2011.³⁹ Export earnings have also grown in recent years; they stood at \$5.3 billion in 2008, are estimated at \$7.3 billion in 2010, and are projected to rise to \$10.5 billion in 2011.⁴⁰ Rising commodity prices, notably for key exports like cocoa and gold, as well as growth in tourism, have played key roles in spurring economic

³⁸ For background, see *Ghana@50 - Official Website for the 50th Independence Anniversary Celebration of Ghana*, <http://www.ghana50.gov.gh/>; BBC News, "Ghana Celebrates First 50 Years," March 6, 2007, and "Ghana 50 UK: Celebrating 50 Years of Arts And Culture After Independence," July 2007; and "U.S.-Ghana: More than 50 Years of Partnership" [captioned photo montage], America.Gov, n.d., http://photos.america.gov/galleries/amgov/4110/ghana_us/

³⁹ Economist Intelligence Unit [EIU], *Ghana Country Report*, October 2010; and World Bank, *World Development Indicators* database. Future GDP earnings estimates are likely to change. In early November 2010, Ghana's Statistical Service, altered the calculation method it uses to estimate GDP to take account of growth in sectors including banking and telecommunications that were not captured in a circa 1993 model of the economy that had previously been used. Ghanaian GDP figures had previously estimated 2009 GDP at roughly \$15.7 billion. Using the new methodology, the estimate has risen to \$25.6 billion, or a reported \$1,318 GDP per capita, as opposed to \$976 per capita under the former system. Kwasi Kpodo, "Data Overhaul Shows Ghana's Economy 60 pct Bigger," Reuters, November 5, 2010; and Agence France Presse, "Ghana Joins World's Middle-Income Nations with Re-Evaluation," November 5, 2010

⁴⁰ Economist Intelligence Unit [EIU], *Ghana Country Report*, October 2010.

growth. The discovery of a significant offshore light crude oil reserves—most notably the Jubilee field, in 2007 and several other discoveries, along with positive prospects for additional ones—have boosted future export earning and state revenue prospects. The large anticipated rise in exports and national product in 2011 are attributable to the initiation of oil production, earnings from which are currently projected to be highest from 2011 to 2016.⁴¹

The economy grew at an estimated annual rate of 7.3% in 2008 but fell to 4.1% in 2009, according to the Economist Intelligence Unit, which forecasts a slightly higher rate of growth of 4.7% in 2010 and a sharp rise, to 14%, in 2011, spurred by investment in the oil sector and the initiation of large-scale oil production.⁴² Domestic savings rates are rising, and a large influx of expatriate remittances has boosted growth, notably in construction. The small Ghana Stock Exchange has boomed in recent years, and in 2003 Ghana received its first sovereign credit rating. It was subsequently upgraded, but was recently downgraded moderately by at least one major sovereign credit rating agency, Standard & Poor's Ratings Services—although days later another credit rating agency, Fitches, raised it slightly.⁴³ In September 2007, Ghana successfully and for the first time raised \$750 million in international Eurobond issues.

Agriculture remains important, especially for the domestic economy—even though about 51% of the population is urban, a demographically high rate by regional standards—although services and extractive industries (mining, and, prospectively, the oil and gas sector) are rapidly growing. Agriculture employs somewhat under 60% of workers, and contributes about 33% of annual gross domestic product (GDP), although its contribution to GDP has been dropping marginally in recent years. Services, notably the information technology and financial sectors, have expanded rapidly and have eclipsed agriculture; services contributed 42% of GDP in 2009, according to World Bank estimates. Ghana has established a small offshore call and information processing industry, and several new banks have been created. Industry, notably the gold mining sector, has also grown substantially; it provides around 25% of GDP. Gold exports contributed nearly 45% of annual GDP in 2008; high global gold prices spurred by the global economic downturn and financial system weaknesses in recent years have made it an important source of hard currency during the downturn.⁴⁴ The government supports the extensive small-scale and informal sectors through the use of micro-loans and small business-friendly policies.

Ghana cooperates closely with the international financial institutions. It fulfilled its World Bank and International Monetary Fund (IMF)-backed Ghana Poverty Reduction Strategy (GPRS, 2003 - 2005). In part due to this, Ghana received debt relief under the Heavily Indebted Poor Countries Initiative (\$3.5 billion) and the Multilateral Debt Relief Initiative (\$3.86 billion).⁴⁵ This has led to

⁴¹ World Bank, *Economy-Wide Impact of Oil Discovery in Ghana*, Report No. 47321-GH, November 30, 2009.

⁴² Inflation, which had jumped to 19.3% in 2009 from 16.5% in 2008, is projected to drop to 10.9% in 2010 and 10.3% in 2011. EIU, *Ghana Country Report*, October 2010; and past EIU data.

⁴³ Some analysts have linked the Standard & Poor's downgrade to controversies in the oil sector. Standard & Poor's, "Republic of Ghana Sovereign Ratings Lowered To 'B' On Unrealistic Medium-Term Fiscal Targets; Outlook Stable," August 27, 2010; and Dow Jones Newswires, "Fitch Raises Outlook On Ghana To Stable As Economy Stabilizes," September 24, 2010.

⁴⁴ International Trade Centre (ITC), *Exports of Ghana (2008, in USD thousands)*, 2010 (via ITC website, <http://www.intracen.org>).

⁴⁵ International Development Association (IDA) and International Monetary Fund (IMF), *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)-Status of Implementation*, September 14, (continued...)

additional international financial institution assistance, and has resulted in a series of actual or planned debt write-offs by bilateral creditors totaling about \$3.5 billion. The World Bank currently supports Ghana's Growth and Poverty Reduction Strategy (GPRS II) under its *Country Assistance Strategy (CAS) for Ghana*, 2008-2011.

The World Bank's 2006/07 *Doing Business* report ranked Ghana third among 10 global "Top Reformers" based on gains in public service provision, contract mediation, import operations, and reductions in red tape for property and business start-ups, and while Ghana faces many economic and private sector growth challenges, its *Doing Business* scores continue to improve. It jumped from being ranked in the bank's *Doing Business 2010* report as the 77th easiest place to do business world-wide to the 67th-ranked country in the *Doing Business 2011* assessment.

Economic Challenges

Despite much economic success, poverty remains widespread, notably among the rural majority and compared to the global population, although Ghanaians have better access to public goods and services than citizens of many surrounding countries. In 2006, according to the World Bank, 39.2% of rural Ghanaians lived below the national poverty line, compared to 10.8% of urbanites, and in the same year, nearly 54% of Ghanaians lived on \$2 or less a day.⁴⁶ Poverty rates are slowly declining, however, and the average annual income of \$700 in 2009 has grown markedly from the 2003 level of \$310. Social indicators have steadily improved, although there are mixed assessments regarding the extent to which Ghana may attain its U.N. Millennium Development Goal (MDGs) commitments.⁴⁷

Electricity Supplies

Electricity is widely viewed as a necessary for Ghana's future economic development and growth, and for its aspiration to attain middle income country status. Insufficient electricity supplies and periodic outages have been a recurrent problem during the past decade. This was notably the case in 2007, as a result of low water levels in the Lake Volta reservoir, which supplies hydroelectric

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2010.

⁴⁶ 2006, is the latest year for which World Bank data was available as of October 22, 2010. The \$2 dollar figure is expressed at 2005 international prices using a purchasing power parity (PPP) conversion. In theory, an international PPP-weighted dollar has the same purchasing power as U.S. dollar has in the United States; PPP figures reflect the value of the U.S. dollar weighted to take into account currency exchange rate fluctuations and relative local purchasing power. World Bank Data World Development Indicators and Global Development Finance database, accessed October 22, 2010.

⁴⁷ While an International Development Association (IDA) and International Monetary Fund (IMF) study found that Ghana is on track to end poverty and hunger; ensure education for all; attain gender equality; and protect the environment (except for with respect to sanitation), the U.N. MDG Monitor country entry for Ghana indicates that it is "possible to achieve if some changes are made" only with respect to its education, environmental, and development/trade MDG goals. See IDA and IMF, *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)-Status of Implementation*, September 14, 2010; and U.N. *MDG Monitor* country entry for Ghana at http://www.mdgmonitor.org/country_progress.cfm?c=GHA&cd=288. For background on the MDGs, see CRS Report R41410, *The Millennium Development Goals: The September 2010 U.N. High-level Meeting*, by Luisa Blanchfield and Marian Leonardo Lawson.

generation power to the large Akosombo Hydroelectric Project. The Kufuor government, however, pursued several national and international regional power generation or distribution projects, along with efforts to liberalize the electricity sector, and the Mills government has followed suit. Several new electrical generation projects, involving hydroelectric, gas-fired, and wind-generated technologies, are underway or planned. While demand continues to rise sharply, with estimates ranging from 7% to 12% a year, Ghana produces more power than it consumes.⁴⁸ Construction of six additional thermal projects was expected to begin by late 2010, adding an additional 1,225 MW by 2015.

Ghana's increasing power generation capacity and exports are slated to enable it to increase domestic supplies and make it a major regional electricity exporter. There are several power distribution projects under way, including the construction of a major transmission line to Burkina Faso and a Chinese-backed project to extend power to under-served areas in northern Ghana.⁴⁹ One regional public-private energy effort, the U.S.-backed West African Gas Pipeline (WAGP), designed to bring natural gas from Nigeria to Ghana and its eastern neighbors, had faced repeated delays and slower than projected progress.⁵⁰ The first gas reached Ghana in late 2008, and some gas had subsequently been exported, but regular, large volume commercial gas deliveries did not begin until August 2010.⁵¹ Efforts to increase electrical production capacity have been accompanied by periodic sectoral reforms. In late May 2010, public electrical and water rate pricing structures were sharply increased, by an average of 89% and 36%, respectively, although different types of consumers faced different rates hikes, with the highest increases on industrial consumers. This action prompted public protest, and a government committee later reduced the level of increase by 10% across the board.⁵²

Refined Oil Supplies

In addition to facing electricity sector challenges, Ghana has also faced difficulties in refining adequate amounts of oil for domestic use, primarily due to chronic and large debt of the Tema Oil Refinery (TOR) Ltd, which is often unable to marshal adequate credit to ensure uninterrupted

⁴⁸ While Ghana's maximum electrical demand in 2009 was for 1,423 megawatts (MW) of power, Ghana had an installed power capacity of about 1,860 megawatts (MW) as of January 2010. An additional 400 MW of thermally generated capacity was expected to be available by the end of 2010 and an additional 400 MW from the new \$620 Chinese-backed Bui hydroelectric dam project was slated to be added by 2013.

⁴⁹ Ghana Energy Commission, *2010 Energy (Supply and Demand) Outlook for Ghana*, April, 2010; *Africa Energy Intelligence*, "Ouagadougou Turns to Accra," September 1, 2010; *Daily Graphic*, "China Supports Northern Ghana Rural Power with 300m Dollar Grant," August 21, 2010 via BBC Monitoring Africa; and Helena Selby, "Frequent Power Outages to Be Saved By the Bui Hydropower Dam Project," *Ghanaian Chronicle*, August 26, 2010.

⁵⁰ The WAGP, owned by the West African Gas Pipeline Company limited (WAPCo), received USAID and World Bank start-up assistance. WAPCo owners include Chevron West African Gas Pipeline Ltd (36.7%); Nigerian National Petroleum Corporation (25%); Shell Overseas Holdings Limited (18%); and Takoradi Power Company Limited (16.3%), Societe Togolaise de Gaz (2%) and Societe BenGaz S.A. (2%).

⁵¹ *Accra Mail*, "Gas - West African Project on Stream," August 19, 2010; West African Gas Pipeline Company (WAPCO), "First Gas Reaches Ghana" (December 11, 2008), "West African Gas Pipeline Resumes Gas Flow" (April 6, 2010), and "WAPCo Commences Gas Delivery to Tema," (August 17, 2010); and Bank Information Center, "Update: West African Gas Pipeline Comes Online At Last," December 18, 2008.

⁵² Nana Adu Ampofo, "Thousands Protest Against Utility Price Hike in Ghana," *IHS Global Insight Daily Analysis*, June 11, 2010; Kwasi Kpodo, "Ghana Regulator Hikes Water, Electricity Prices," Reuters, May 31, 2010; and *Accra Mail*, "AGI Unhappy With Tariff Adjustments," August 19, 2010.

crude supplies. To deal with such challenges, Ghana has reportedly entered into short term oil credit supply arrangements with Libya, Nigeria, and Equatorial Guinea. Problematic refinery operations have prompted worker protests, as well as the firing of the former head of TOR in 2009. Ghana is currently negotiating the possible construction of a new refinery; see “Production,”below).⁵³

Comparative Socio-Economic Policy Orientations

In addition to factors discussed above, the Kufuor administration attributed Ghana’s economic success under President Kufuor’s tenure to fiscal discipline, improved revenue collection, and to the government’s policy agenda, although its critics labeled it wasteful, notably during the last two or so years of President Kufuor’s tenure, when growing electoral pressure reportedly spurred rises in public spending. The Kufuor Administration also emphasized liberal, private sector-focused economic reform goals and efforts to promote good governance and improve living standards. The Kufuor government also reportedly boosted investment in education, healthcare delivery, communications, and infrastructure. The latter is fairly developed by regional standards but in many cases is aging or inadequate to meet future demands. The Kufuor government also sought to address possible socio-economic and regulatory challenges arising from a forecast rise in oil earnings, although it was criticized for not committing more strongly to public transparency commitments regarding oil revenues, and failed to enact certain proposed energy sector legal reforms. The Kufuor Administration established a state task force to study ways to ensure that such funds are used for socially equitable economic diversification projects and to develop the nascent oil sector. The Kufuor Administration also planned to create a national stabilization fund to minimize economic growth shocks and revenue volatility associated with its dependence on cocoa, gold, timber and oil exports.

The Mills Administration has supported many economic and policy goals that are similar to many of the objectives sought by its predecessor. Compared to former President Kufuor, however, he has espoused a more state-centric growth strategy revolving around an energy sector-funded industrial policy focused on investments in “human resource development, in key infrastructure, in the development of the oil and gas sectors, and above all, in the modernisation of agriculture and related processing activities.” In addition to a range of social-economic investments being proposed under emergent petroleum revenue management legislation, fast-tracked “flagship” investments include “a Deep Sea Port with a dedicated oil services facility and the rehabilitation of the Western railway corridor,” roads, and new gas-fired turbine capacities.⁵⁴ The Mills administration also plans to use oil and gas revenues and supplies to build:

- an integrated aluminum industry based on bauxite;
- a petrol-chemical industry based on salt and natural gas;
- a fertilizer industry to give impetus to agro development;

⁵³ Jacinta Moran, “Ghana’s Sole Refinery Closed on Lack of Crude Supply,” *Platts Oilgram News*, August 13, 2010; and Reuters, “Equatorial Guinea to Provide Crude to Ghana Oil Refinery,” May 7, 2010.

⁵⁴ President Mills, *State of the Nation Address 2010/Partners in Vision*, February 25, 2010; see also AC, “Oil and Optimism,” March 3, 2010.

- a salt-based industrial chemical industry for caustic soda; and
- allied consumer products and exports based on oil and gas.

Establishment of “an integrated iron and steel industry” using domestic iron ore deposits is also planned. Part of the impetus for such plans is a desire by President Mills to diversify the economy by 2016, so that Ghana’s “dependence on traditional raw material exports of cocoa, gold and timber will be a thing of the past.” Measures to increase food security and technical assistance to fishermen are also key policy goals, among other agricultural goals, which also include a proposed Agricultural Development and Investment Fund (ADIF), which would fund businesses in the agricultural sector.⁵⁵ His strategy seeks to establish “a solid foundation for accelerated job creation,” provide Ghanaians access to “better incomes and a much higher standard of living, and attain middle-income status.⁵⁶ Education, health, water, and housing investments—the latter through a decentralized system of investments by local governments—are other key current policy goals of the Mills government.⁵⁷

Ghana: Oil

Ghana has significant oil and gas reserves, and production from one field alone is projected to place Ghana among the top 50 oil producing countries worldwide once full production of 120,000 barrels per day is attained. Production, which is expected to commence in late 2010, will initially start at less than full production, but output could eventually flow at significantly higher rates, depending on how and when additional known oil fields are developed.⁵⁸

Reserves

Ghana’s total oil and gas reserves (i.e., identified deposits for which production is technically feasible and economically viable) are difficult to estimate, because most of its oil and gas deposits have been discovered relatively recently. While size and other quality estimates have been calculated for some fields, additional drilling, seismic and other surveys are regularly changing these assessments, and new discoveries continue to be made.

Ghana’s largest oil reserve is contained in the Jubilee field, which straddles two key offshore oil licensing blocks known as Deepwater Tano and West Cape Three Points. Discovered in 2007, it has “certified proven reserves” of 278 million barrels of oil (MMBO), but is widely believed contain significantly larger amounts of oil. A Ghana National Petroleum Corporation (GNPC) mid-point (P50) estimate set the Jubilee reserve at 490 MMBO.⁵⁹ A more recent, July 2010

⁵⁵ Richard Boafo, “Mills@One,” Ghanaweb.com, January 9, 2010; and Commonwealth Women’s Network, “WiLDAF Ghana Marks World Rural Women’s Day: Oct 15,” November 17, 2009

⁵⁶ *Ibid.*

⁵⁷ President Mills, *State of the Nation Address 2010/Partners in Vision*, February 25, 2010; see also AC, “Oil and Optimism,” March 3, 2010.

⁵⁸ Eduard Gismatullin and Louisa Nesbitt, “Tullow to Make Ghana Top 50 Oil Producer With Jubilee,” Bloomberg, July 15, 2009; and Marné Beukes, “First Oil from Ghana Expected on 20 December 2010, Says Deputy Minister,” *IHS Global Insight Daily Analysis*, November 9, 2010.

⁵⁹ A P50 designation indicates that there is a probability that 50% of cumulative estimates indicate that a given reserve (continued...)

statement by Tullow Oil — the operator of and a 49.5% /partner in Deepwater Tano and a 22.9% partner in the West Cape Three Points portion, to be operated by Kosmos Energy — indicated with a greater degree of certainty that the Jubilee reserve is larger than these prior estimates. Tullow estimated — at a high, P90 level of confidence — that Jubilee holds 600 MMBO, with significant “upside” (larger-sized) potential, while at a lower, P10 level of probability, it estimated that the field would contain 1,500 MMBO.⁶⁰ On probability estimates and methods of assessing oil reserves, see “Estimating Oil Reserves” (text box).

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level will be attained or exceeded; for background on such probability estimates, see text box. Kosmos Energy, “Our Assets/Ghana,” <http://www.kosmosenergy.com/ghana.html>; and World Bank, *Economy-Wide Impact of Oil Discovery in Ghana*, Report No. 47321-GH, November 30, 2009.

⁶⁰ The 600 MMBO and 1,500 MMBO figures reflect totals calculated by CRS based on Tullow data. The original Tullow data breaks out the data by zone: the Jubilee Unit Area, a rich portion of the Jubilee field that is the first part of the field to be tapped (500 MMBO at P90 and 1,000 MMBO at P10), and the southeast Jubilee area, which is slated to be developed in the future (100 MMBO at P90 and 500 MMBO at P10). Tullow Oil, “Trading Statement and Operational Update,” July 6, 2010. Initial modeling had suggested that total resources in the Jubilee field, including oil and gas that might not be viably recovered, could contain as much as 1.8 billion barrels which, if recovered at a rate of 30% to 50% would produce 544 to 907 MMBO. GNPC, *GNPC Jubilee Gas Infrastructure Development Project Concept*, April 2009; and Ian Garrett, Brian Teggart, and Alan Dowokpor (all of Tullow Oil), “S-Well Profile, Batch Drilling, Lwd Systems Push Performance on Tullow’s Fast-Tracked Jubilee,” *Drilling Contractor*, October 28, 2010.

Estimating Oil Reserves

Oil resources are classified in myriad ways, notably with respect to size, quality, and recoverability. The size of an oil find is among the most important factors in assessing the value of a field, but size is difficult to estimate because the oil and geographical elements that contain it and affect its recoverability cannot be observed directly. Estimates of the size of an oil field are therefore often expressed as a range of estimates, often in a range of three, each indicating the level of confidence in the probable accuracy of the estimate. These cumulative probability numbers, often given in a range labeled P90, P50, and P10, reflect a level of confidence or certainty that the size of a field will equal or exceed a given level.⁶¹

Each cumulative probability is based on an aggregate of multiple estimates that may take into account varying data, scenarios, models, and statistical assumptions and methods. A P90 probability means that 90% of estimates equal or exceed a given level (e.g., 10 million barrels of oil), while P50 and P10, respectively, mean that 50% and 10% of estimates will exceed given levels (e.g., 60 million and 120 million barrels of oil). A P90 estimate is regarded as reflecting a high degree of certainty but as being conservative with respect to volume; it describes the lowest estimated size of a field at a high level of probability, while a P10 figure reflects a low degree of certainty and describes the upper end of the possible size range of a field.

Probability estimates are often fluid, as they are typically updated to reflect new data, as production or further exploration and assessments proceed. Factors that are used to calculate a given estimate may include such characteristics as depth and pressure; volume, porosity, and other physical characteristics of rock, sand, or other geological elements that contain a reservoir; oil, water, or other types of saturation; and age of sub-sea sediments, among other factors. Data on such elements is obtained from drilling tests, core sampling, and seismic, magnetic, and electrical and other readings of sub-surface elements, among other sources. While cumulative probability estimates are important assessment tools, there many other ways of measuring and characterizing the size and quality of oil deposits. Oil finds are often, for instance, classified by types of reserves (e.g., proved, probable, and possible); contingent resources (deposits that are not currently commercially viable); prospective reservoirs (estimated but unverified, not drilled, or otherwise untested deposits); ranges of recoverability; and other descriptive and definitional variables.⁶²

Another field in the Deepwater Tano block, Tweneboa, could contain between 100 MMBO (P90) and 1,400 (P10) MMBO, while several others in the two fields could contain an additional 1,400 MMBO (P10). Multiple other blocks are currently under exploration by a variety of operators and partners, and there have been some potentially large discoveries.⁶³

According to Tullow, Ghana's gross resource potential could total 4.5 billion barrels, while according to a press report, estimates to date suggest that there exist at least 3 billion barrels of reserves.⁶⁴ Kosmos Energy, one of the main partners in Jubilee, has published even more optimistic claims, stating that its finds "in the vicinity of Jubilee" show a "field P50 estimate" of one billion barrels of recoverable oil and potential, though unconfirmed additional prospects that may exceed 10 billion barrels.⁶⁵

⁶¹ Such numbers do not indicate that there is a percent chance of a certain size occurring.

⁶² On cumulative probability, see Cooper Energy, "Cumulative Probability – P90, P50, P10," *Cooper Energy Investor Series*, n.d.; and World Petroleum Council, Petroleum Resources Management System, 2007. The latter source and Society of Petroleum Engineers (SPE)/Oil and Gas Reserves Committee/Mapping Subcommittee, "Comparison of Selected Reserves and Resource Classifications and Associated Definitions, Final Report—December 2005" discuss a wide range of descriptive terms and processes. For these documents and other SPE documents, see SPE, *Petroleum Reserves & Resources*, available online: <http://www.spe.org/industry/reserves> .

⁶³ Tullow Oil, *Capital Markets Event—Ghana*, July 1, 2010 and *Tullow Oil plc—2010 Half-yearly Results*, August 25, 2010; and Alan Petzet, "Ghana Discovery List Grows with Vanco-Lukoil Find," *Oil and Gas Journal*, March 15, 2010.

⁶⁴ Tullow Oil, *Tullow Oil plc—2010...* "; and Africa Confidential (AC), "Oil Joy, Debt Worry," October 22, 2010.

⁶⁵ W. Greg Dunlevy, "Private Equity Funding Empowers Kosmos Energy," *Oil and Gas Financial Journal*, September (continued...)

Most of Ghana's oil fields contain natural gas condensate as well as oil, and there have been several predominantly gas finds as well. Jubilee has an estimated gas-to-oil ratio of 1,100 to 1,200 standard cubic feet per barrel of oil.

Production

Production at Jubilee—initially under a \$3.3-3.4 billion “Phase 1 Development Plan” focusing on extraction from a core area where reserves are best documented—is slated to commence in late 2010. The Phase plan covers a special cross-block production zone called the Jubilee Unit Area, the first portion of the Jubilee field to be commercially tapped.⁶⁶ A dedicated Floating Production Storage and Offtake (FPSO) vessel, which will technically control and process the output of multiple wells, has been constructed and, according to a GNPC official, 92% of field production infrastructure is in place.⁶⁷ About 120,000 barrels of oil per day is projected to be produced once full rates of oil production are attained during Phase 1. This amount could rise, as oil production could double to 240,000 barrels per day once Phase 2 production commences in 2014, and could even reach 500,000 barrels of oil a day.⁶⁸

Between 120 and 140 million standard cubic feet per day (MMSCFD) of gas is expected to be produced during peak production at the Jubilee field. Plans for how gas from Jubilee will be used initially will depend on oil extraction from the field. Some gas is slated to be reinjected into the field to boost oil pressure and production, and for retention pending the construction of gas pipelines and market structures. The GNPC intends to produce liquid natural gas for international and domestic sale and deliver “dry” gas to domestic electricity plants for purposes including commercial gain, achievement of at least partial national energy self-sufficiency, and in order to avoid gas flaring, which is a source of pollution and lost revenue potential. The GNPC plans the phased construction gas pipe and processing infrastructure capable of transporting and delivering an eventual 300 MMSCFD of gas.⁶⁹ In October 2010, the Ghanaian government was also negotiating a memorandum of understanding with China Tianchen Chemical Engineering Corporation (known as TCC) to construct a \$1.8 billion oil refinery with a daily processing capacity of 120,000 barrels a day. This capacity would allow Ghana to produce nearly twice the

(...continued)

1, 2008. There are other indications of higher reserve potential; see, e.g., Marné Beukes, “Study by Tap Oil Indicates Further Reserve Potential in Ghana's Offshore Accra Block,” *IHS Global Insight Daily Analysis*, November 11, 2010.

⁶⁶ Production rights to the Unit Area are held by partners of the two exploration blocks that Jubilee spans under a special Unitization Agreement. It designates Tullow, with a 34.70% share, as the area operator, in partnership with Anadarko Petroleum (23.49%), Kosmos (23.49%), Sabre Oil & Gas (2.81%), the EO Group (1.75%), and the GNPC (13.75%, 10% of which in the form of carried interest). Thomas Pearmain, “ExxonMobil to Acquire Kosmos Energy's Stake in Ghana's Jubilee Oilfield,” *IHS Global Insight Daily Analysis*, October 7, 2009. On the start-date, see Marné Beukes, “First Oil from Ghana ...”.

⁶⁷ Daily Graphic, “Ghana's Jubilee Field Is 92% Ready,” October 25, 2010; and Tullow Oil, “Phase 1 Development,” “Key Facts,” and “FPSO Progress,” August 25, 2010.

⁶⁸ Daily Graphic, “Ghana's Jubilee Field Is 92% Ready,” October 25, 2010; and Eduard Gismatullin and Louisa Nesbitt, “Tullow to Make Ghana Top 50 Oil Producer With Jubilee,” Bloomberg, July 15, 2009.

⁶⁹ World Bank, *Economy-Wide Impact of Oil Discovery in Ghana*, Report No. 47321-GH, November 30, 2009; GNPC, *GNPC Jubilee Gas Infrastructure Development Project Concept*, April 2009; and Tullow, “FPSO Progress,” August 25, 2010.

65,000 barrels that it reportedly consumes each day, and increase its current 45,000 barrels per day refining capacity by about 265%.⁷⁰

Oil Sector Issues and Controversies

Development of Jubilee has been controversial and has at times threatened to become an impediment in U.S.-Ghanaian relations, primarily in relation to the nature of Kosmos Energy's entry into the Ghanaian oil sector, and in relation to efforts by the U.S.-owned firm to sell its stake in Jubilee.⁷¹ Attention to these issues, along with various investigations into aspects of them and the activities of the E.O. Group, which reportedly helped Kosmos enter Ghana, have been driven, in part, by alleged political fears by the current NDC government regarding the earnings, role, and motivations of the E.O. Group. The principals of the E.O. Group, which moved to the Cayman Islands and registered under a new name shortly before Ghana's 2008 election, are viewed by some as being close to the NPP. The NDC is said to fear that the E.O. Group might channel the proceeds from its oil assets to the NPP for use in the next election in 2012. These various issues have engendered sometimes acrimonious relations between Kosmos and various elements of the Ghanaian government, notably the GNPC.⁷²

Kosmos Energy LLC, a Dallas, Texas-based company, is the mother company of Kosmos Energy Holdings, a holding company based in the Cayman Islands, which owns a Ghana-based affiliate, Kosmos Energy Ghana HC. Most equity in Kosmos Energy is owned by two large U.S.-based private equity companies, Warburg Pincus and Blackstone Capital Partners, a private equity fund affiliate of the Blackstone Group, although Kosmos Energy's activities in Ghana are also backed by loans from the International Finance Corporation and the Africa Finance Corporation.⁷³ Although an attempt by Kosmos Energy LLC ("Kosmos" hereafter) to sell its Ghanaian oil rights failed in August 2010 and Kosmos may yet sell its stake to another buyer, shortly after the termination of the agreement the firm announced that it planned to remain active in Ghana, both in as a developer of the Jubilee field and regarding further exploration and field appraisal activities. It announced that it had received an additional \$350 million in debt from an international bank consortium to fund these activities.⁷⁴

Controversy over the development of Jubilee has revolved around several issues. There have been allegations that E.O. Group, a small Ghanaian partner in the West Cape Three Points block,

⁷⁰ Ben Holland, "Ghana, China's TCC Plan \$1.8 Billion Refinery, Ghanaian Times Reports," Bloomberg News, October 19, 2010.

⁷¹ AC, "Ghana/United States: Storm in an Oil Barrel," July 23, 2010; and AC, "The Politics of No" and "A Government Team in the Oil Battle," August 27, 2010.

⁷² One of the factors that has spurred tense Kosmos-GNPC relations is prospect of the EO Group earning its revenue relatively soon after any sale of Kosmos's assets. AC, "The Politics of No," August 27, 2010 and "Storm in an Oil Barrel" July 23, 2010; William Wallis and Martin Arnold, "Sweat Equity' Probe Tests Ghana's Oil Jackpot," *Financial Times*, January 7, 2010; and EO Group Limited, "Statement of EO Group Limited," January 27, 2010.

⁷³ Africa Energy Intelligence, "Crackdown on Tax Havens," December 16, 2009; International Finance Corporation (IFC), *Kosmos Energy - Environmental & Social Review Summary*, 2009; Kosmos Energy, *Financial Strength*, n.d., <http://www.kosmosenergy.com/finstrength.html>; and IFC, *Ghana Oil & Gas Project - Kosmos/Tullow*, n.d.,

⁷⁴ Kosmos Energy, "Kosmos Energy Increases Loan Facilities by US\$350 Million," August 24, 2010, and "Kosmos Energy Agreement to Sell Ghana Business Terminated," August 18, 2010."

beginning in 2004, “used its political connections to top officials in the former [NPP] government” to facilitate Kosmos’s entry into the Ghanaian oil sector and interactions with Ghanaian oil officials and to “win more favourable terms both for themselves and Kosmos,” after entering into an agreement with Kosmos. Under a reported E.O. Group-Kosmos deal, Kosmos would finance some of the E.O. Group’s “share of exploration and development costs up to the [initiation of] production of first oil” on a reimbursable basis, thus allowing the E.O. Group to secure a 3.5% share of the block that is estimated to be worth \$200 million or more. The two principals of the E.O. Group are George Yaw Owusu, an oil sector businessman with NPP ties who served as the Kosmos representative in Ghana for a time, and Dr. Kwame Bawuah-Edusei, a medical doctor. Bawuah-Edusei reportedly maintained close ties to former President Kufuor. He was appointed ambassador to Switzerland 2004 and later served as Ghana’s ambassador to the United States.⁷⁵

How the E.O. Group gained its block share and its relationship with Kosmos have been the focus of several probes.⁷⁶ One, by Ghana’s the Attorney-General and Minister of Justice relates to possible violations by the E.O. Group of corporate and anti-corruption laws relating to “financial loss to the state, money laundering, and making false declarations to public agencies.”⁷⁷ One of the questions reportedly at issue is “why Kosmos was able to secure fiscal terms that were \$3.8 bn. better on its West Cape Three Points field in 2004 than the terms secured a year later by its counterpart, Ireland’s Tullow Oil, on Deepwater Tano, an adjacent field of similar prospectivity.”⁷⁸ Members of the current GNPC board are reportedly “concerned at the way in which Kosmos and ... the] EO Group... secured what they regard as preferential terms.”⁷⁹

Another probe reportedly involved a 1,200-page due diligence report by the UK-based Risk Advisory Group, an “intelligence, investigations and security company,” commissioned by U.S.-based Anadarko Petroleum Corporation into Kosmos’s operations in Ghana and the E.O. Group in order to determine whether relations between a U.S. firm and the E.O. Group would violate the U.S. Foreign Corrupt Practices Act (FCPA). Anadarko is a partner, along with Kosmos in the West Cape Three Points and Deepwater Tano blocks and the Jubilee Unit Area consortium. The due diligence report was reportedly forwarded by a Washington-based law firm to the U.S.

⁷⁵ William Wallis and Martin Arnold, “Sweat Equity’ Probe Tests Ghana’s Oil Jackpot,” *Financial Times*, January 7, 2010, among other sources.

⁷⁶ Wallis and Arnold, “Sweat Equity’ Probe ...”. Owusu, who reportedly received as much as \$2 million in employment payments from Kosmos as its country representative, was also the subject of an earlier, separate probe pertaining to \$250,000 in false Kosmos invoices; he was fired from his post after an investigation initiated by Kosmos’s partner firms in the Jubilee field.; AC, “The Politics of No,” August 27, 2010; EO Group Limited, “Statement of EO Group Limited,” January 27, 2010; J. Ato Kobbie, “Kufuor Blows Cover of Kosmos, E.O. Group,” Business Analyst; *Financial Times*, “Interview Transcript: John Kufuor,” October 25 2010; and *The Enquirer* [Ghana], “Kosmos On Begging Knees,” March 23, 2010, among others.

⁷⁷ In early 2010 there were reports that charges in the case were imminent, and although none were subsequently leveled, the case reportedly remains open and active. AC, “Ghana/United States: Storm in an Oil Barrel,” July 23, 2010; William Wallis, Martin Arnold and Brooke Masters, “Corruption Probe into Sale of Ghana Oil Block,” *Financial Times*, January 7, 2010; Daniel Nonor, “Government Swoops on Kosmos Energy,” *The Chronicle*, January 11, 2010; see also Bismark Bebli and Daniel Nonor, “Ghana: Missing Charge Sheet Against Kosmos, EO Group,” *The Chronicle*, January 21, 2010; *Financial Times*, “Interview Transcript: John Kufuor,” October 25, 2010; and *The Enquirer* (Ghana), “Investigators Close in on E.O. Group,” September 14, 2010.

⁷⁸ AC, “The Politics of No,” August 27, 2010.

⁷⁹ AC, “The 3.8 Billion Dollar Question,” July 23, 2010.

Department of Justice, which reportedly then undertook its own investigation, and in mid-2010 is said to have “concluded there was no evidence of breaches” of the FCPA.⁸⁰ Both Kosmos and the E.O. Group’s principals contend their activities in Ghana have always strictly complied with all laws, the E.O. Group has contended that its principals are “innocent men” and that the firm has been the object of “an incomprehensible campaign of character assassination, false allegations of misconduct, and abuse.”⁸¹

Several smaller controversies have also dogged the development of the Jubilee field. A fine has been imposed on Kosmos for its alleged responsibility in three oil drilling-related pollution incidents, but has contested the legal basis for the fine and is fighting the case.⁸² Another issue revolves around the contracting for the Floating Production Storage and Offtake vessel being used in Jubilee field production operations.⁸³

The Kosmos Stake

Perhaps the most notable controversy between the Ghanaian government and Kosmos was an effort by Kosmos to sell its stake in Ghana to Exxon Mobil for a reported \$4.2-\$4.3 billion.⁸⁴ The deal, which Kosmos had contended was sealed under an “exclusive binding agreement” reportedly signed between Kosmos and Exxon Mobil in September 2009, expired in August 2010 following the GNPC’s refusal to recognize the sale agreement, which was necessary for the sale to go forward.⁸⁵

⁸⁰ AC, “The Politics of No,” August 27, 2010. See also Africa Energy Intelligence, “Ghana Fight Narrows Down for Giant Jubilee Field,” September 1, 2010; *New Crusading Guide*, “EO-Kosmos Probe Heading For An Anti-climax!,” January 16, 2010; David Wethe and Jason McLure, “U.S. Ends Inquiry as Ghana Probes Alleged Bribery at Its Jubilee Oil Field,” Bloomberg News, September 2, 2010; and Risk Advisory Group, “About Us.”

⁸¹ EO Group Limited, “Statement of EO Group Limited,” January 27, 2010; AC, “The Politics of No,” August 27, 2010; and AC, “The 3.8 Billion Dollar Question,” July 23, 2010.

⁸² GNA, “Kosmos Energy to pay a fine for spillage,” July 29, 2010; Xinhua, “U.S. Oil Company Refuses to Pay Fine for Oil Spill Off Ghana,” September 21, 2010; *The Enquirer* (Ghana), “Kosmos Bullies Govt Over €400bn Fine,” September 21, 2010.

⁸³ The contract for the vessel was the subject of a “routine” IFC due diligence probe pertaining to up to \$5 million in consultancy fees paid to a firm partly owned by Tsatsu Tsikata, a key NDC loyalist and the former GNPC official between 1988 to 2000. The consultancy was undertaken prior to award of the FPSO in 2008, during a period when Tsikata did not hold a public office. William Wallis, “Review of Ghana Oil Contract Holds Up Funding,” *Financial Times*, August 5, 2010.

⁸⁴ The deal would reportedly have been “Exxon’s first major purchase in a decade” and have given it “a major foothold in the region.” Jeffrey McCracken, Russell Gold and Will Connors, “WSJ: CNOOC Plans Rival Bid For Ghana Oil-Field Stake - Sources,” *Dow Jones News*, October 11, 2009.

⁸⁵ According to one analysis, the deal could have netted Kosmos’s major investors Blackstone and Warburg Pincus “a fivefold return on their investment” and would likely have brought Exxon Mobil’s advanced technological assets to bear on the development of Phase 2 and other future development in the two blocks in which Jubilee is situated, thus speeding production and earnings rates. See Thomas Pearmain, “ExxonMobil to Acquire Kosmos Energy’s Stake in Ghana’s Jubilee Oilfield,” *IHS Global Insight Daily Analysis*, October 7, 2009. A more recent failed \$5 billion rival offer by China’s CNOOC would presumably have earned Kosmos’s investors an even higher return, but might not have brought the same level of technical expertise to bear, thus possibly slowing potential rates of production. Such an outcome might not have been attractive to investors, but could have prevented the dangers to Ghana that might be associated with a large influx of earnings; by prolonging the period during which Ghana would receive earnings, such an outcome might allow Ghana to more effectively absorb its oil revenues.

Ghana's Reactions to the Kosmos-Exxon Mobil Sale Proposal

In addition to concerns relating to the E.O. Group, discussed above, the Kosmos-Exxon Mobil reportedly raised the ire of GNPC officials because the Ghanaian government was not party to its negotiation; President Mills reportedly learned of the deal from Exxon Mobil officials after it had been signed. The GNPC reacted negatively to the deal and accused Kosmos of having entered into the agreement without the GNPC's consent after having putatively—and illegally, from the perspective of GNPC—shared confidential geological oil exploration data as many as 20 firms without consulting or getting approval from the GNPC.⁸⁶ The GNPC reaction in 2009 set off months of drama over whether the Exxon Mobil deal would be finalized or not, and intense pressure on and lobbying of the Ghanaian government to accept it. These efforts reportedly soured relations between Kosmos and Ghanaian government, as did U.S. press criticisms of the GNPC's opposition to the Kosmos-Exxon Mobil deal. Such criticisms suggested that in its effort to buy the Kosmos stake, the Ghanaian government was trying to force Kosmos to sell its rights to the GNPC at a sub-market price and subverting the sanctity of business contracts. Such views, along with other negative characterizations of the Ghanaian government's interactions with foreign investors, were reportedly advanced by promoters of the Kosmos-Exxon Mobil deal. Some observers also see such criticisms, as well as misinformation about Ghanaian financial data and policy, as also having potentially contributed to a late August 2010 downgrading of Ghana's sovereign credit ratings by Standard & Poor's Ratings Services. Some analyses view such criticisms as unfounded, and as having been controverted by the unproblematic experience of multiple U.S. and other foreign investors in Ghana, including energy firms. A recent third party offer for Kosmos's Ghanaian assets that, at a reported \$5 billion in cash, was larger than that under the terminated Kosmos-Exxon Mobil deal might also suggest that the GNPC is prepared to pay more than the sale price planned under the failed deal. Such a position might undermine claims that the GNPC was pushing to buy Kosmos's assets at a sub-market price.⁸⁷

Chinese and Other Foreign Interest in Ghana's Oil Sector

While the dynamics of the Kosmos-Exxon Mobil deal and implications for parties financially affected by its success or failure attracted much attention, the deal also drew notice because of the role of Chinese investors—among other international firms—as possible alternative partner, with GNPC, in the purchase of the Kosmos's Ghanaian assets. Chinese firms have shown increasing interest in Ghana's oil resources as estimates of their value and size have grown, as have other major oil firms, including Chevron, Total SA, British Petroleum (BP), Shell Oil, Eni of Italy, and India's Oil and Natural Gas Corporation Limited (ONGC), and the China National Offshore Oil Corporation (CNOOC). As among as many as 50 firms in total may be interested in buying stakes in Ghana's oil sector.⁸⁸

⁸⁶ Will Connors and Russell Gold, "Ghana Officials Split Over Exxon Oil-Field Bid Versus Chinese Deal," *Wall Street Journal*, October 12, 2009; Jeffrey McCracken, Russell Gold and Will Connors, "WSJ: CNOOC Plans Rival Bid For Ghana Oil-Field Stake - Sources," Dow Jones News, October 11, 2009; AC, "The Politics of No," August 27, 2010; AC, "Oil Spill," April 2, 2010; and Kosmos Energy, "Kosmos Energy Agreement To Sell Ghana Business Terminated," August 18, 2010.

⁸⁷ Kwasi Kpodo, "Kosmos's Ghana Sale Bid 'Illegal' -GNPC source," Reuters, October 12, 2009; Steve Manteaw, "China, U.S. Clash Over Ghana's Oil," Public Agenda via AllAfrica, October 27, 2009; *Wall Street Journal*, "Why Africa Is Poor" (opinion), February 18, 2010 (see also reader comments accompanying online version of article); Standard & Poor's, "Republic of Ghana Sovereign Ratings Lowered To 'B' On Unrealistic Medium-Term Fiscal Targets; Outlook Stable," August 27, 2010; *Financial Times*, "Ghana: Newcomer on the Oil Block Anxious To Avoid Mistakes," June 17, 2010; and J. Ato Kobbie, "Analysts Expose Standard & Poor's," September 1, 2010, and "CEPA Pooh-Poohs Standard & Poor's," September 9, 2010, both in *The Business Analyst* (Ghana).

⁸⁸ SinoCast, "CNOOC Fails to Acquire Ghanaian Oilfield Equity," October 9, 2009; Reuters, "Ghana says 50 firms interested in Jubilee," November 13, 2009; and Dow Jones, "Sinopec Makes Offer for Ghana Offshore Oil Stake - Source," October 26, 2009.

Prior to the termination of the Kosmos-Exxon Mobil deal, some other bidders were reportedly dissuaded from openly offering rival bids “by ExxonMobil’s lawyers, who sent letters threatening action against them in the Texas courts for ‘tortious interference’ (unlawful interference with trade)” should they make such offers.⁸⁹ Despite such warnings, several firms did enter bid talks with the GNPC. In early October 2009, CNOOC was reported to have been “in advanced talks with the Ghana National Petroleum Corp. to make a rival bid challenging ExxonMobil Corp.’s \$4 billion offer” for the Kosmos stake, albeit on undisclosed terms that at least one report suggests involved amounts “between U.S. \$3 and \$5 billion in addition to granting the government a concessionary loan of U.S. \$2 billion.”⁹⁰ The CNOOC talks, of which news leaked in August 2009, were preceded by an agreement under which CNOOC agreed to provide the GNPC with financial and technical assistance.⁹¹

In late October 2009, China Petroleum & Chemical Corp (commonly known as Sinopec, a publicly listed affiliate mostly owned by China Petrochemical Corporation, i.e., the Sinopec Group, a Chinese state-owned enterprise) also reportedly made an offer to jointly bid with GNPC for Kosmos’s oil stake under undisclosed terms. The bid, undertaken for Sinopec by Neil Bush, the brother of former President George W. Bush, was not accepted by GNPC.⁹² The Sinopec bid was followed, in December 2009, by a financing agreement between the GNPC and the state-owned China Development Bank (CDB) under which the latter agreed to lend the GNPC an initially undisclosed sum—later reported to be \$3 billion—to finance its share of Jubilee field development costs.⁹³

Chinese interest in Ghana’s oil sector remains strong; in October 2010, CNOOC joined with the GNPC to submit a \$5 billion, all-cash bid to purchase Kosmos’s Ghanaian assets.⁹⁴ While initial press reports suggested that the bid was a strong one, it was rebuffed by Kosmos, which reiterated that it was committed to staying on as an oil producing firm in Ghana, rather than selling its

⁸⁹ AC, “The Politics of No,” August 27, 2010.

⁹⁰ The fate of that CNOOC bid is not clear; press reports suggest that it may have been abandoned after the U.S. investment bank Goldman Sachs, which had been advising CNOOC, reportedly began to advise BP regarding a possible bid for the same assets; another report suggests that the GNPC refused to accept a CNOOC bid. Jeffrey McCracken, Russell Gold and Will Connors, “WSJ: CNOOC Plans Rival Bid For Ghana Oil-Field Stake - Sources,” Dow Jones News, October 11, 2009; Russell Gold and Will Connors, “Ghanaians Are Split On Choices For Oil Bid,” Wall Street Journal, October 13, 2009; Mohammed Amin Adam, “Investment Challenges in the Oil and Gas Industry - Can Country Endure the Competition? [opinion],” Ghanaian Chronicle via All Africa, October 16, 2009; Samuel Ciszuk, “BP to Join Bidding for Kosmos’s Jubilee Stake Offshore Ghana,” *IHS Global Insight Daily Analysis*, October 23, 2009; and Wang Ying, “Cnooc Not Allowed by Ghana to Bid for Jubilee Stake, Fu Says,” Bloomberg News, November 13, 2009.

⁹¹ Barry Morgan, “Ghana Signs Up To Support Protocol,” *Upstream*, September 25, 2009; and Thomas Pearmain, “Ghana to Boost Oil Sector with CNOOC Collaboration,” *IHS Global Insight Daily Analysis*, September 23, 2009.

⁹² Will Connors, “Sinopec Makes Offer for Ghana Offshore Oil Stake,” *Wall Street Journal*, October 26, 2009; Thomas Pearmain, “GNPC Rejects Initial Joint Bid with Sinopec for Ghana’s Jubilee Oilfield,” *IHS Global Insight Daily Analysis*, October 27, 2009; and Shai Oster, “The Bush Connection in a Chinese Oil Deal,” China Real Time Report via *Wall Street Journal*, October 27, 2009.

⁹³ Reuters, “Chinese Bank Says Will Finance Ghana Oil Projects,” December 8, 2009; and Will Connors, “China Extends Africa Push With Loans, Deal in Ghana,” *Wall Street Journal*, September 24, 2010.

⁹⁴ Under an arrangement between CNOOC and GNPC, CNOOC would reportedly guarantee a \$5 billion bridging loan for Ghana, and in return CNOOC would take 10.1% of the total Kosmos asset, while the GNPC would retain 3% and the outstanding 10.4% would be sold to a proficient technical partner. AC, “The Politics of No,” August 27, 2010.

stakes.⁹⁵ It is not clear why the offer was refused, given that it was significantly higher than the Exxon Mobil deal that Kosmos had recently so strongly supported. One possibility has been suggested by press accounts that report that the value of Kosmos's assets may be significantly higher than \$5 billion. A September 2010 recent research opinion report regarding Anadarko Petroleum's stake in Jubilee, which is equal to that of Kosmos, is said to indicate that the Anadarko asset—and, by implication, Kosmos's holdings—is worth an estimated \$6.75 billion. In addition, ongoing discovery evaluations and finds by Tullow and other firms suggest that the estimated value of Kosmos's assets may rise. Kosmos, which reportedly faces capital gains tax losses if it does not sell its assets before Jubilee production begins and could face a changed earnings environment if Ghanaian laws are altered, may also be attempting to elicit a higher bidding price by negotiating a possible initial public offering with Credit Suisse Group AG and Citigroup.⁹⁶ Such a strategy may also be intended “to placate [Kosmos] private equity backers Blackstone and Warburg Pincus, both of which are keen to recover their investments.”⁹⁷ The GNPC, by contrast, has incentives to see a lower price, both because the “higher the price the new entrant pays [...] the more the new owner can claim in costs and so reduce its liabilities for the additional petroleum tax” and because a lower price would make a GNPC buyout less costly to Ghana and/or its financial backers.⁹⁸

Other Energy Sector Issues

Economic Impact and Revenue Over-Commitment

The advent of oil revenue appears to be spurring a growth in Ghanaian public spending. This year, ahead of anticipated oil revenues, the Ghanaian government committed to a large public sector wage hike, and in October 2010, members of parliament awarded themselves a 17% pay raise, retroactive to 2008.⁹⁹ In late 2010, the Ghanaian parliament was also considering a reported \$1.12 billion in loan deals, some with little-known entities.¹⁰⁰ Foreign debt borrowing by the government has also risen, and following an International Monetary Fund (IMF) lowering of its projection for anticipated future oil earnings, has raised the concern of some in Ghana.¹⁰¹ In

⁹⁵ The CNOOC-GNPC deal reportedly arose as a result of a recommendation by a Ghanaian government panel of experts—which reviewed the Kosmos-Exxon Mobil/government impasse, consulted with possible Kosmos asset buyers, and reported back to President Mills—which reportedly advised him not to approve the Kosmos-Exxon Mobil deal, and instead seek financing from CNOOC or western banks to fund a GNPC buyout of Kosmos. AC, “The Politics of No,” August 27, 2010.

⁹⁶ Upon the initiation of commercial production, all partners will have to pay their share of production costs. A new oil tax system is also slated to be initiated, which could reduce profits for all partners. AC, “The Politics of No,” August 27, 2010.

⁹⁷ Barry Morgan, “GNPC Rejects Latest China Kosmos Claim,” *Upstream*, October 29, 2010; see also Rakesh Sharma and Isabel Ordóñez, “Bid for Ghana Oil Field Rebuffed; Kosmos Energy of U.S. Rejects \$5 Billion Offer From Cnooc and GNPC,” *Wall Street Journal*, November 2, 2010; and Jeffrey McCracken, Jacqueline Simmons and Brett Foley, “Cnooc Said to Bid \$5 Billion With GNPC for Kosmos Jubilee Stake,” *Bloomberg News*, October 21, 2010.

⁹⁸ AC, “The 3.8 Billion Dollar Question,” July 23, 2010.

⁹⁹ Reuters, “Ghana’s MPs Secure Pay Hike Despite Budget Concerns,” October 20, 2010.

¹⁰⁰ Danquah Institute, “DI Raises Red Flag on Another \$1bn Loan,” November 9, 2010.

¹⁰¹ AC, “Ghana/Oil Joy, Debt Worry,” October 22, 2010; and Mark John, “IMF Cuts Ghana Oil Revenue Forecast,” Reuters, October 19, 2010.

late 2009, Ghana reportedly provisionally agreed to a \$10 billion deal with the South Korean government and STX Group of South Korea to build housing, and in September initialed a \$15 billion package of loans from Chinese public and private sector enterprises.¹⁰²

Some warn that Ghanaian decision makers and the public should not overestimate the value that oil and gas revenues may produce, nor over-commit on credit or spending that is dependent on currently unrealized oil revenue. As the U.S.-based Revenue Watch Institute noted:

Revenues from oil are expected to be sizable, being estimated to average US\$1 billion per year from 2011 to 2029, or about 5 percent of GDP. Although significant, the impact should not be exaggerated. The oil windfall represents less than the current annual budget deficit and less than US\$50 per capita. Even if there are further discoveries, Government revenue from oil and gas cannot be the sole or indeed even the major source of financing for Ghana's public investment strategy.¹⁰³

Energy Sector Governance

Governance of the energy sector, and in particular transparency, accountability, and efficacy regarding public benefits relating to the receipt and expenditure revenue streams generated, is a key issue facing Ghanaians.¹⁰⁴ Ghana is a signatory of the Extractive Industries Transparency Initiative (EITI), an international effort to foster transparent and accountable governance in resource-rich countries through the public release of verified government revenues from extractive industry company payments.¹⁰⁵ In October 2009, Ghana became the second African EITI signatory—and one of five countries worldwide—to be judged EITI Compliant.¹⁰⁶

¹⁰² The Chinese loans include a \$10.4 billion concessionary-loan from the China Export Import Bank, with a 20-year repayment period, for diverse infrastructure projects, a China Development Bank (CDB) \$3 billion loan for financing of Ghana's oil-and-gas sector, and a \$400 million CDB financing guarantee for water and e-governance projects in Ghana. A \$1.2 billion equity-for-credit deal was also penned in which China's Bosai Minerals Group would buy an 80% stake in the Ghana Bauxite Co. and build a bauxite and aluminum refinery in Ghana within four years. Repayment capital for these deals — some of which will need parliamentary approval, likely in early 2011 — is expected to come from unspecified export earnings. About \$9 billion worth of these projects are expected to begin in 2011. Emmanuel K. Dogbevi, "Ghana, STX Group of South Korea agree on \$10b Housing Deal," *ghanabusinessnews.com*, December 8, 2009; GNA, "STX has the Capacity to Deliver Ghana's Housing Needs - CEO," June 9, 2010; Will Connors, "China Extends Africa Push With Loans, Deal in Ghana," *Wall Street Journal*, September 24, 2010; and Bloomberg News, "Ghana to Start Projects With \$9 Billion Chinese Loans in 2011, Tetteh Says," October 25, 2010. Ghana's Danquah Institute has published many documents related to the STX deal; see <http://www.danquahinstitute.org>.

¹⁰³ Joseph C. Bell, Patrick R.P. Heller and Antoine Heuty, *Comments on Ghana's Petroleum Revenue Management Bill*, August 2010; see also World Bank, *Economy-Wide Impact of Oil Discovery in Ghana*, Report No. 47321-GH, November 30, 2009.

¹⁰⁴ A detailed 2009 report and subsequent work by Oxfam America and the Integrated Social Development Center (ISODEC-Ghana), have focused substantial attention on issues of energy, transparency, and development. See *Ghana's Big Test: Oil's Challenge to Democratic Development*, February 2009. See also commentary published by the Center for Global Development (CGD) Todd Moss, "Obama Right to Highlight Ghana's Success, But Will Oil Be the Spoiler?," CGD, July 6, 2009, among other contributions to a growing literature on these topics.

¹⁰⁵ For background on EITI, see the initiative website, <http://eiti.org>.

¹⁰⁶ A "compliant" designation means that a country has undergone EITI "validation," a formal assessment process that verifies implementation of the EITI transparency standards, goals, and processes to which a signatory agrees to adhere. It must revalidate its EITI compliance status by mid-October 2015. EITI, *Ghana Achieves EITI Compliant Status*, October 19, 2010, and other EITI documents.

Ghana's institutional framework for implementing EITI is called the Ghana Extractive Industries Transparency Initiative (GHEITI). It is overseen by an 11-member National Steering Committee (NSC) comprised of government, private sector firms, and civil society representatives. Initially, Ghana's EITI program, which it pursued beginning in 2003, was limited to the mining sector. Critics questioned this arrangement, however, since the term 'extractive industries' most commonly refers to the oil/gas and mining sectors—although some countries include other natural resource sectors, such as forestry, within their EITI implementing frameworks. Some positive reforms in the mining sector had also reportedly resulted from the implementation of EITI. Advocates of expanding the initiative to cover the oil and gas sectors used the achievement of such reforms as a rationale for pursuing their goal, which the Mills administration vowed to implement. As a result of consultations between multiple stakeholders in 2009 and 2010, in August 2010 the GHEITI NSC was restructured to include representatives of the oil and gas sectors—in addition to the mining sector—and the new NSC was inaugurated in September 2010.¹⁰⁷

Legal Reforms

The Ghanaian parliament is currently considering passage of two oil sector bills, entitled the *Petroleum Revenue Management Act, 2010* and the *Petroleum (Exploration and Production) Act, 2010*, both drafted by the executive branch after public and private sector consultations. The government has fast-tracked passage of the bills, but they may not pass as quickly as the government had anticipated. The Majority Leader in Parliament had stated that the laws would be passed before the 2011 budget is considered.¹⁰⁸ This roadmap, however, has raised concerns that the laws may not receive adequate consideration and scrutiny, and an amendment of the revenue management may delay passage of that bill.¹⁰⁹

Environmental Capacity

There are concerns that Ghana does not have an adequate environmental oversight and oil sector spill or pollution response capacity in place to deal with the advent of oil production, and will not have them in place prior to 2012, well after the projected start of large-scale oil production.¹¹⁰ The government denies such contentions, and asserts that it has such capabilities in place.¹¹¹ Concern

¹⁰⁷ GHEITI Secretariat of the Ministry of Finance and Economic Planning (MoFEP), *The Revised Institutional Framework for the Ghana Extractive Industries Transparency Initiative (GHEITI)*, April 2010; and EITI, *Ghana Compliant Country*, October 19, 2010.

¹⁰⁸ Ghana Business News, "Ghana to Get Petroleum Law Before Budget Is Read," October 17, 2010; and GNA, "Ghana to Get Petroleum Law Ahead of 2011 Budget," October 18, 2010. The Kufuor government had introduced its own oil sector reform legislation, but its proposals were not enacted prior to the Mills administration accession to power.

¹⁰⁹ Marné Beukes, "Parliament Fails to Agree on Forthcoming Oil Bill in Ghana," *IHS Global Insight Daily Analysis*, November 12, 2010

¹¹⁰ Jason McLure, "Ghana Lacks 'Capacity' to Tackle Oil Spills, Report Shows," Bloomberg News, October 8, 2010; Marné Beukes, "Government Report Shows Ghana Unprepared for Risks Associated with Oil Production," *IHS Global Insight Daily Analysis*, October 11, 2010; and Emmanuel K. Dogbevi, "Ghana Asked To Set Up Oil Spillage Response Fund," *Ghana Business News*, September 5, 2010.

¹¹¹ GNA, "Minister says Ghana is Environmentally Prepared for Oil and Gas Drilling," September 3, 2010; and Caroline Boateng and Emmanuel Bonney, "We're Ready to Manage Oil Exploration - Ministry," *Daily Graphic*, (continued...)

over oil-related environmental threats was underlined by the recent massive BP spill in the United States and by alleged violations of Ghanaian regulations by Ghana's Environmental Protection Agency and Kosmos, charges that the firm denies.¹¹² Other concerns have included allegedly technically inappropriate or weak regulatory behavior by authorities.¹¹³

Corruption

Public sector bribery in Ghana is reportedly common, and there have been several high profile corruption cases involving top officials.¹¹⁴ Some critics contend that anti-corruption law enforcement is often weak. Transparency International's (TI) *Global Corruption Barometer 2009*, 38% of Ghanaian respondents reported that public or civil servants were corrupt, and 42% reported that they or someone in their household had paid a bribe in the last year, although 58% viewed their government's anti-corruption efforts as effective. Another 34% reported them as ineffective. According to the TI *2010 Corruption Perceptions Index*, Ghana was the 62nd most corrupt country among 178 surveyed, and the 7th least corrupt of 47 countries in sub-Saharan Africa. According to the U.S. State Department, "petty corruption in the police force is widespread. A 2005 study by the Commonwealth Human Rights Initiative found that over 90 percent of Ghanaians reported being asked to pay a bribe to a police officer, sometimes to receive police services, such as to submit an accident report."¹¹⁵

President Mills has pledged to reduce corruption "to the barest minimum and make the penalty for corruption so high that it will become something to avoid at all cost." His primary tactics for doing so include efforts to improve the capabilities of anti-corruption government agencies, to "rigorously" enforce Ghana's Whistleblower's Act, and to "vigorously" prosecute official corruption. The government also plans "a massive education campaign against corruption" involving state anti-corruption institutions and civil society anti-corruption agencies and organizations (e.g., the Ghana Anti-Corruption Coalition and the Ghana Integrity Initiative).¹¹⁶

(...continued)

September 3, 2010.

¹¹² *The Enquirer* (Ghana), "Kosmos in Dirty Cover Up," September 22, 2010; ISODEC, "Mud Spillage: Prelude to Potential Dangers in Jubilee Field," May 25, 2010; *The Enquirer* (Ghana), "EPA Boss Flees From Kosmos 'Wahala'," November 9, 2010.

¹¹³ *The Enquirer* (Ghana), "EPA Boss Flees from Kosmos 'Wahala'," November 9, 2010; *The Chronicle*, "Ghana: Govt Must Check EPA," April 7, 2010; ISODEC, "Fine for Excessive Gas Flaring Preposterous - PWYP," May 14, 2010, among others.

¹¹⁴ As discussed elsewhere, the EO Group probe (see section on oil, above) has drawn widespread attention in Ghana, as have several cocaine cases involving police officials. Another politically sensitive case - a UK-related corruption case dating back to the previous NDC government of Jerry Rawlings - also drew notice in Ghana in late 2009. In late September 2009, a UK court case revealed that a UK firm, Mabey and Johnson, had paid about \$.82 million in bribes, drawn from an in-house account euphemistically called the Ghana Development Fund, to top Ghanaian officials in order to secure \$41 million in bridge-building contracts, in part backed by Britain's Export Credit Guarantee Department. In the wake of the revelation, the Ghanaian Health Minister and a Minister of State at the Presidency resigned. AC, "Corruption Claims and Rows Tarnish Accra's Record" and "Britain and Bribes in Ghana," October 23, 2009, among other sources.

¹¹⁵ *2010 International Narcotics Control Strategy Report (INCSR)*, March 1, 2010.

¹¹⁶ President Mills, *State of the Nation Address 2010/Partners in Vision*, February 25, 2010; see also AC, "Oil and (continued...)"

Transparency and accountability were also key goals of the Kufuor administration. The Kufuor administration backed passage of several anti-corruption and public sector transparency laws, made Ghana a participant in the Extractive Industries Transparency Initiative, and signed and ratified the African Union convention on corruption, among other actions. Corruption, nevertheless, has remained a problem. Notwithstanding the Kufuor government's private sector orientation and diverse achievements, the State Department's FY2008 Congressional Budget Justification, mirroring the views of some other observers, noted that Ghana remained "a difficult place to do business; contract sanctity, clear land title, and expeditious licensing regimes present daunting challenges. Schools are inadequate, and quality health care is unavailable for many, particularly, for the poor and the disenfranchised."

Illicit Drugs

Ghana, among multiple other West African countries, has faced a growing drug threat over the past decade, primarily as a result of its use as a transshipment point for the trafficking of cocaine from Latin America to Europe.¹¹⁷ When he traveled to Ghana in mid-2009, President Barack Obama highlighted the challenge posed by drug trafficking in Africa, which a White House release stated "threatens stability throughout West Africa."¹¹⁸

Several large cocaine shipments have been intercepted in Ghana since 2003, most in the mid years of the past decade, although there was at least one large seizure in 2009 and there continue to be periodic small-scale smuggling cases (e.g., via airline flights).¹¹⁹ A decline in seizures in Ghana in recent years, as in several other coastal West African countries, may indicate a possible reduction of the threat of drug trafficking, although whether there has in fact been a decline—and, if so, what may explain it—is not clear. Some postulate that cocaine shipments are now being

(...continued)

Optimism," March 3, 2010.

¹¹⁷ For background, see CRS Report R40838, *Illegal Drug Trade in Africa: Trends and U.S. Policy*, by Liana Sun Wyler and Nicolas Cook. The threat is not new; rather it has grown; on earlier Ghanaian involvement in trafficking, see Emmanuel Akyeampong, "Diaspora and Drug Trafficking in West Africa: A Case Study of Ghana," *African Affairs*, July 2005.

¹¹⁸ See White House, *Remarks by the President to the Ghanaian Parliament*, (Accra, Ghana), July 11, 2009; and White House, *Readout of the President's Call with President Mills of Ghana*, April 10, 2009. Senator Russell D. Feingold sent a letter commending the trip and its objectives and calling attention to the increase in cocaine trafficking through West Africa, which he called "deeply alarming, because of the potential impact on the many weak states in West Africa. [...] Ghana is one major hub through which cocaine increasingly enters the region, so it is very relevant to your trip. We need to scale up our attention and resources in order to help address this problem before it becomes entrenched." Senator Russell D. Feingold, "Feingold Letter To President Obama Regarding His Upcoming Visit To Ghana," July 7, 2009.

¹¹⁹ At least four large seizures, ranging between 30 kilograms and 674 kilograms, were made between 2003 and 2006; see CRS Report R40838, *Illegal Drug Trade in Africa: Trends and U.S. Policy*. A 72 kilogram package worth an estimated \$7 million in Europe was seized at a port on a ship from Ecuador in May 2009 by Ghanaian police and customs officials "working together in a Joint Port Control Unit" established with the aid of a 2008 United Nations Office on Drugs and Crime (UNODC) assistance program. At least 62 kilograms of cocaine were seized from 30 travelers at Accra's international airport in 2009. Much smaller amounts of heroin were intercepted from multiple U.S.-bound couriers. UNODC, "UNODC Training Leads to Drugs Seizure at Ghanaian Port," May 22, 2009; and *International Narcotics Control Strategy Report (INCSR)*, March 1, 2010.

trafficked by long-haul aircraft from Latin America to the Sahel for onward shipment to Europe, bypassing coastal West Africa. Other possibilities are that traffickers have formed networks that allow them to transship undetected, or have been deterred by stepped-up law enforcement efforts.¹²⁰

Apart from cocaine seizures in Ghana, there have been other indications of Ghanaian ties to international drug trafficking, as indicated by periodic arrests of Ghanaians in other countries, including in the United States, West Africa, and Europe.¹²¹ Another incident indicative of Ghanaian involvement in cocaine smuggling internationally involved the death of two suspected Ghanaian smugglers in Benin prior to an August 2007 seizure of 350 kilograms of cocaine. In the mid-2000s there were other possible indications of international cocaine smuggling, such as anecdotal reports of an increasing influx into Ghana of apparently wealthy Latin Americans suspected to have drug ties. According to the State Department, “Ghana’s interest in attracting investment provides good cover for foreign drug barons to enter the country under the guise of doing legitimate business. However, South American traffickers limit their personal involvement in Ghana by relying on local partners, thus insulating themselves from possible arrest by local authorities.”¹²² Several years ago, there were also several high-profile cocaine-corruption cases involving government officials. There were several cases in which suspected large-scale cocaine shipments that were seized or targeted in drug operations disappeared prior to or after being confiscated, with alleged with official connivance.¹²³

Ghana has also served as a departure point for human drug couriers, known as mules, who either swallow their shipments (a procedure known as “body packing”) or transport them on their persons or in their luggage while traveling on commercial air passenger flights. While Ghana may continue to serve as a courier transit point, there have been fewer reports of drug arrests, and airport screening has reportedly improved, in part as a result of U.S. and United Kingdom (UK) technical assistance.¹²⁴ In February 2010, President Mills acknowledged both the threat posed by drug trafficking and an apparent decline in the phenomenon.¹²⁵

¹²⁰ See CRS Report R40838, *Illegal Drug Trade in Africa: Trends and U.S. Policy*.

¹²¹ See, for instance, Evan Perez, “U.S. Charges Nine in Africa Drug Traffic,” *Wall Street Journal*, June 2, 2010; Joy FM, “Ghanaian Drug Trafficker Arrested in UK,” via BBC Monitoring Africa, July 23 2009; and Reuters, “Togo Says Extradites Colombian Drugs Suspect to US,” January 16, 2009.

¹²² *2010 International Narcotics Control Strategy Report (INCSR)*, March 1, 2010.

¹²³ Alistair Thomson, “Drugs Trade Threatens to Corrode Ghana’s Image,” *Reuters*, December 23, 2008; AC, “Ghana: Snow White,” July 21, 2006, and “Ghana: Show Time for the Spooks,” January 16, 2008; Bismark Bebli, “The Drug Menace, Country Sits on Time Bomb,” *Ghanaian Chronicle*, May 7, 2008; Dan McDougall, “Ghana to UK: The New Trail of Misery,” *The Observer* (UK), November 11, 2007.

¹²⁴ Most notable is Operation Westbridge, a multi-year UK-Ghanaian joint customs surveillance operation that has reportedly netted over £60 million worth of cocaine. UK Foreign and Commonwealth Office, “Case Study: The Impact of Operation Westbridge in Ghana, Funded by The Foreign and Commonwealth Office (Fco) Drugs and Crime Programme Fund,” July 28, 2010; Stephen Wright, “The Plunderbra - the Bra Used to Smuggle £100,000 of Cocaine into Britain,” *Daily Mail* (UK), January 3, 2008; and Smiths Detection, “Smiths Detection Helps HM Revenue and Customs Tackle Drug Couriers from Ghana,” November 24, 2006.

¹²⁵ He stated that “Ghana is no longer an attractive destination for the illicit drug trade and I make no apologies for that. [...] It is true that we are still having a hangover effect from the drug boom of the immediate past, but [...] I assure you that we shall chase the drug barons and their mules and other couriers out of the town. [...] We owe this to our youth who have become unwitting targets of the activities of these evil creatures. It is a case of ‘no retreat; no surrender’.” President Mills, *State of the Nation Address 2010/Partners in Vision*, February 25, 2010.

Cooperation

Ghana engages in counternarcotics cooperation with multiple members of the international community,¹²⁶ including the United States.¹²⁷ However, according to the State Department,

corruption and a lack of resources continue to seriously impede interdiction efforts. While law enforcement authorities arrested low level narcotics traffickers, Ghana has had less success pursuing the so-called drug barons. Ghana-U.S. law enforcement cooperation was strong in 2009, and the Drug Enforcement Administration (DEA) opened an office in Accra in January. Interagency coordination among Ghanaian law enforcement entities remains a challenge.¹²⁸

The United States has supplied airport scanners aimed particularly at intercepting air courier smugglers, trace itemizers (trace narcotic and explosive substance identifying machines), and other surveillance equipment. The U.S. military's Africa Command has funded the construction of small physical facilities, such as a police drugs evidence storage and training facility and a dedicated airport scanner room. The State Department assistance is used to train law enforcement officers and prosecutors, and to provide customs technical assistance and training.

In January 2009, the U.S. Drug Enforcement Administration (DEA) opened a permanent regional cooperation office in Ghana. In August 2010, a DEA-backed, U.S.-vetted Ghanaian police unit, the first such unit on the sub-continent, was put into operation. Under the program, selected Ghanaian personnel were vetted by DEA officers to undergo extra training, as well as background checks, including polygraphs. The unit consists of 20 counter-narcotics police personnel. The program has reportedly received strong support from the Mills government, and DEA is said to enjoy an excellent working relationship with Ghana's Narcotics Control Board (NACOB). Vetted units are designed to improve U.S. capacity to coordinate with host nations regarding counternarcotics matters and to minimize the risk of joint law enforcement operations from being compromised through official corruption.¹²⁹

U.S.-Ghanaian cooperation also resulted in the December 2009 the extradition from Ghana and by the U.S. Drug Enforcement Administration (DEA) of three West Africans on narco-terrorism charges. The indictees, reportedly self-described associates of Al Qaeda, allegedly agreed to transport cocaine from Mali through North Africa into Spain on behalf of purported representatives of the Colombian drug trafficking and terrorist organization, the Revolutionary Armed Forces of Colombia (FARC) with the assistance and protection of Al Qaeda. A key charge in the indictment is the allegation that the indictees' actions would have provided pecuniary benefits to Al Qaeda and AQIM, which, like the FARC, are designated as foreign terrorist

¹²⁶ See *Statement by Ghana's Delegation Led by Hon. Cletus Avoka(MP) and Minister of Interior to the 52nd Session of the Commission on Narcotic Drug; Held in Vienna, Austria on 11th and 12th March 2009.*

¹²⁷ State Department, "Counternarcotics and Law Enforcement Country Program: Ghana," (Fact Sheet), January 20, 2009, and "Counternarcotics and Law Enforcement Country Program: Ghana," (Fact Sheet), May 10, 2010.

¹²⁸ *2010 International Narcotics Control Strategy Report (INCSR)*, March 1, 2010.

¹²⁹ Testimony by Thomas Harrigan, DEA, before the Senate Foreign Relations Committee, Subcommittee on Africa Affairs: *Confronting Drug Trafficking in West Africa*, June 23, 2009; and CRS communications with the State Department, various dates.

organizations (FTOs) by the State Department.¹³⁰ The indictment is believed to be the first publicly known use of U.S. Statute 21 U.S.C. 960a to prosecute crimes related to drug trafficking in support of terrorism alleged to have been committed in sub-Saharan Africa. It also marks the first prosecution of associates of Al Qaeda for narco-terrorism offenses.¹³¹

According to the State Department, Nigerian and Ghanaian trafficking organizations are involved in smuggling heroin from Afghanistan and Pakistan to several parts of the United States, including Ohio and the New York area.¹³² In 2006 and 2007, a DEA investigation also disrupted an Afghanistan-based drug trafficking organization's heroin smuggling route through West Africa en route to the United States, which resulted in the expulsion from Ghana and subsequent conviction in the United States on the drug trafficking charges of two of the targets of the investigation.¹³³ Ghana also assisted in the June 2009 extradition from neighboring Togo of a DEA cocaine trafficking suspect who was part of a large, internationally dispersed criminal organization. At least one Ghanaian, who was allegedly part of the organization, was arrested in relation to the case.¹³⁴

International Relations

Ghana's government is an active participant in continental affairs (e.g., activities of the African Union), and sub-regional affairs, notably the activities of the Economic Community of West African States (ECOWAS), a regional multilateral group of governments. In October 2010, former Ghanaian president Jerry Rawlings was appointed as the African Union (AU) envoy for Somalia. His mandate, laid out by the 15th Ordinary Session of the AU Assembly held in late July 2010, is to "mobilize increased support for efforts to promote peace and reconciliation in Somalia

¹³⁰ The defendants' case will be tried in the Southern District of New York. The indictment implies that the defendants claimed to have linkages with Al Qaeda in the Islamic Maghreb (AQIM), a regional affiliate of Al Qaeda. See U.S. Drug Enforcement Administration (DEA), "Three Al Qaeda Associated Arrested on Drug and Terrorism Charges," Press Release, December 18, 2009 and *United States of America Vs. Oumar Issa, Harouna Toure, and Idriss Abelahman, Defendants, indictment laid in the Southern District of New York. On Al Qaeda and its regional affiliates*, see CRS Report R41070, *Al Qaeda and Affiliates: Historical Perspective, Global Presence, and Implications for U.S. Policy*, coordinated by John Rollins.

¹³¹ 21 U.S.C. 960a, authorized under the USA PATRIOT Improvement and Reauthorization Act of 2005 (Public Law No: 109-177, enacted in 2006), outlaws "narco-terrorism," or drug trafficking in support of terrorism, including in jurisdictions outside the United States. CRS Report R40838, *Illegal Drug Trade in Africa: Trends and U.S. Policy*, and Drug Enforcement Administration, U.S. Department of Justice, *FY2011 Performance Budget*, Congressional Budget Submission

¹³² In November 2004, two alleged drug traffickers from Ghana were indicted in Columbus, Ohio, for shipping heroin for distribution across central Ohio. A Ghanaian parliamentarian arrested in November 2005 revealed a similar trafficking network operating in New York. In 2006 several Ghanaians were arrested in the United States for trafficking heroin. In 2007, two Afghan nationals were arrested by Ghanaian police and extradited to the United States for conspiring to distribute heroin in the United States. See *2008 INCSR*, "Ghana" and "Nigeria."

¹³³ Drug Enforcement Administration, U.S. Department of Justice, *FY2011 Performance Budget*, Congressional Budget Submission.

¹³⁴ *Daily Graphic*, "Ghana, US, Togo Make Major Breakthrough in Fight Against Drug Trafficking," June 26, 2009; DEA, "Manhattan U.S. Attorney Announces Extradition of Leader of International Drug-Trafficking and Money Laundering Organization," September 3, 2009.

and generate greater attention from the international community.”¹³⁵ A retired Ghanaian diplomat and politician, James Victor Gbeho, assumed the post of Economic Community of West African States (ECOWAS) Commission President after the former incumbent of that post, Dr. Mohamed Ibn Chambas, also a Ghanaian, was appointed General Secretary of the African, Caribbean and Pacific Group of States (ACP).¹³⁶ Ghana was elected to chair the African Union in 2007 and hosted the ninth African Union Summit in July 2007. It also served as a U.N. Security Council member, 2006-2007. Like many African countries, Ghana is pursuing greater economic cooperation and trade ties with China, and has increased its exports to China, notably manganese and cocoa. Ghana also maintains close bilateral cooperation and trade ties with a number of European countries, and is also building ties to Korea and Brazil. Ghana is reportedly securing three naval vessels from China, Germany and Korea.¹³⁷

Ghana has actively mediated in crises in Liberia, Cote d’Ivoire, and Togo, and periodically contributed regional peacekeeping and intervention military missions. Strained relations between Ghana and Gambia eased after Gambia agreed in mid-2010 to pay compensation the families of Ghanaian victims allegedly killed in 2005 by rogue Gambian security force elements involved in an illegal migration scheme.¹³⁸ Some observers believe that its close relations with the late Gnassingbe Eyadema, former president of Togo, may have caused it to take a moderate stance vis-à-vis Togo’s 2005 leadership succession and electoral crisis, which led about 12,000 Togolese to enter Ghana as refugees. Some human rights advocates also criticized Ghana’s decision to facilitate the return of Charles Taylor, former president of Liberia, to his country from peace talks in 2003 in Ghana after he was indicted for war crimes by the U.S.-backed Special Court for Sierra Leone.¹³⁹

Ghana contributes a considerable number of troops to U.N. peacekeeping operations, notably within Africa. It is seen as having an increasingly professional military, following repeated military interventions in state politics during the twenty-five years following independence in 1957. Ghana is also active in helping to develop African peacekeeping capacities; it hosts the Kofi Annan International Peacekeeping Training Centre, an internationally supported regional peacekeeping capacity-building institution. The United States has provided training and equipment to the center.

¹³⁵ James Butty, “Former Ghanaian President Rawlings Reportedly New AU Somalia Envoy,” VOA, October 11, 2010; and African Union, “Somalia: AU Appoints Jerry Rawlings as High Representative,” October 11, 2010.

¹³⁶ The ACP is an organization of countries that cooperate with the European Community under a trade and development accord called the ACP-EC Partnership Agreement, also known as the Cotonou Agreement. *Africa Research Bulletin*, “ECOWAS: James Victor Gbeho from Ghana,” March 1, 2010, to March 31, 2010.

¹³⁷ Joy News, “Ghana Navy to Get Three New Vessels,” Myjoyonline.com, March 29, 2010.

¹³⁸ The Ghanaians were among a reported 44 or so West African immigrants, initially all believed to be Ghanaian, killed in the incident. Some press outlets had reported on an unreleased Ghanaian police report that was said to allege that President Jammeh was complicit in the killings because he suspected that the victims were linked to a coup attempt against his government. Nana Adu Ampofo, “Gambian President Accused of Ordering Massacre of Ghanaian Immigrants,” *Global Insight Daily Analysis*; GNA, “CHRI demands action on 44 Ghanaians killed in the Gambia,” *Ghanaian Times*, Aug. 15, 2007; and *Africa Research Bulletin, Political Social and Cultural Series*, “The Gambia-Ghana,” July 2010, among other sources.

¹³⁹ Human Rights Watch, “Liberian President Must Be Arrested,” June 4, 2003.

U.S. Relations

U.S.-Ghanaian relations are close, and a small population of Americans, many of African-American descent, has settled permanently in Ghana. The Obama Administration has characterized Ghana as “a model for good governance and development in Africa”¹⁴⁰ and as among the “most trusted partners” of the United States in Africa,” sentiments that reflect broad continuity with the Bush Administration’s view of Ghana.¹⁴¹ In part, this strong partnership is due to the Obama Administration’s view of Ghana’s status as “a leader in promoting peaceful conflict resolution in Africa” and as a major troop contributor to international peacekeeping missions.¹⁴² In its FY2011 Congressional Budget Justification, the Obama Administration stated that Ghana “benefits from stable democracy, an active civil society, an apolitical military, and a good human rights record.” The United States and Ghana have signed three bilateral trade and investment agreements, which include an Overseas Private Investment Corporation (OPIC) Investment Incentive Agreement, a Trade and Investment Framework Agreement (TIFA), and an Open Skies aviation agreement.

Ghana is a leading African buyer of U.S. goods, but bilateral trade, while growing, is relatively small in comparative global terms.¹⁴³ Ghana is eligible for all trade benefits under the U.S. African Growth and Opportunity Act (AGOA) and in mid-2007 hosted the 6th AGOA Forum. AGOA exports, however, have made up a declining portion of Ghana’s exports to the United States; the value of such exports declined from nearly 32% of the total in 2005 to just 1% in 2010, as of early November. Furthermore, the bulk of the value of these exports was made up of fuel or oil and ores; absent these products, the AGOA portion has declined from 3.3% to 0.4% in 2010 (to date).

Major U.S. investors in Ghana include Chevron West Africa Gas Ltd. (the West Africa Gas Pipeline); Kosmos Energy, Anadarko, Hess, and Vanco (oil and gas sector); Newmont Mining (gold mining); Archer Daniels Midland, Cargill (cocoa processing sector); and Affiliated Computer Services (data processing).¹⁴⁴

¹⁴⁰ *Congressional Budget Justification for Foreign Operations* [CBJ], FY2011.

¹⁴¹ State Department, *CBJ*, FY2010; and White House, *Statement by the Press Secretary on Upcoming Travel...* In its FY2008 CBJ, for instance, the Bush Administration labeled Ghana “a key African partner” due to its role in promoting international security; its development of a “vibrant and stable” democracy; and its role as a key African market-oriented U.S. trading partner.

¹⁴² CBJ, FY2010.

¹⁴³ In 2008, U.S. exports to Ghana totaled \$609 million, up from \$416 million in 2007 and a \$314 million average in 2005 and 2006, but jumped to \$634 million in 2009 and \$701.8 million to date (as of November 1, 2010) in 2010. The bulk of the 2010 increase appears to relate to inputs for the oil sector, as well as oil products. U.S. imports from Ghana stood at \$222 million in 2008, up from \$199 million in 2007 and an average of \$175 million in 2005 and 2006. While they have grown steadily, from \$115 million in 2002, they declined to \$134.8 million in 2009, but in 2010 had risen to \$202.2 million by early November 2010. U.S. International Trade Commission, *Interactive Tariff and Trade DataWeb*.

¹⁴⁴ State Department, *2010 Investment Climate Statement - Ghana*, March 2010

Bilateral Assistance¹⁴⁵

While the Obama Administration views Ghana as an important regional ally, it also sees it as facing a number of substantial development and other challenges. According to the State Department's FY2010 *Congressional Budget Justification for Foreign Operations*, Ghana

faces numerous challenges, including weak institutions, over-centralization of authority, corruption, and a growing narcotics trafficking problem. In addition, the Ghanaian health system is struggling, while Ghanaians suffer from a heavy burden of disease, especially malaria. In the past decade, there has been no improvement in maternal and infant mortality rates. HIV infects almost 20,000 people each year. Access to education has improved, but quality remains poor and only about a quarter of primary school students can read at grade level.¹⁴⁶

U.S. assistance is targeted at helping Ghana to address these challenges.

Governance

U.S. assistance helped ensure that the 2008 election was transparent and successful, as discussed preciously; see "U.S. Elections Assistance" text box under "2008 Election" section, above. Other recent U.S. Agency for International Development (USAID)-administered democratization assistance to Ghana has supported decentralization efforts and greater citizen participation in governance, notably at the local and regional level; improved parliamentary law-making and oversight skills; better local government service capacity; and efforts to build civil society capacities to influence government policy making. It has also supported anti-corruption reform, in particular efforts to strengthen public official assets declaration requirements, bolster public support for the creation of public official conflict of interest guidelines, and to expand information sharing among accountability institutions.¹⁴⁷

Although Ghana's has achieved many good governance outcomes, according to an August 2009 USAID policy analysis

significant governance challenges remain, including weak central and local level governance institutions, power that is centralized and excessively concentrated in the executive, and corruption. On the local level, three interlocking governance challenges are likely to dominate Ghana's immediate future: improving service delivery to citizens; expanding public participation in governance; and managing Ghana's natural resources accountably and transparently. That the regional and local government officials are appointed by the president exacerbates accountability challenges. Although these are nationwide challenges, they play

¹⁴⁵ The following bilateral assistance section draws from the FY2011 and recent prior year annual Congressional Budget Justifications (CBJs) for Foreign Operations and current and past USAID sectoral assistance fact sheets, among other sources. References to the Obama Administration's plans refer to and are drawn from the FY2010 CBJ entry for Ghana. Unless otherwise noted, all direct quotations within the assistance section are from the FY2010 CBJ.

¹⁴⁶ The FY2011 CBJ makes very similar points, albeit less succinctly.

¹⁴⁷ USAID, *Governing Justly and Democratically, Activity Brief*, May 2009; and FY2011 and recent prior year CBJs.

out most starkly in the villages, towns and urban areas where Ghana's people continue to earn an average of just \$2 a day.¹⁴⁸

U.S. assistance planned by the Obama Administration in FY2011 calls for USAID to continue to support goals broadly akin to those it has pursued in recent years:

[to] advance the decentralization process, strengthen social service delivery at the local government level, combat corruption through fiscal decentralization, and build the capacity of civil society organizations and parliamentary committees in oversight functions, in particular with respect to extractive industries.

Investing in People

Recent U.S. USAID-administered health sector assistance to Ghana focuses on preventing HIV/AIDS, malaria, and tuberculosis (TB); increasing health services delivery, particularly focused on maternal health and child survival and malnutrition; and improving state healthcare planning, management, and accountability capabilities. Ghana became a President's Malaria Initiative (PMI) country in FY2008. The Obama Administration's FY2011 CBJ assistance plan for Ghana calls for continued USAID support in these areas, particularly with respect to TB, for which it notes "fatality remains disturbingly high at 9 percent"; prevention and improved quality health services, including increased access to voluntary family planning services; and Ghana Ministry of Health efforts to promote results-based management and performance-based financing in the health sector.

Despite a recently reported large (28%) decrease in reducing infant and child mortality, attributed in large part to maternal and child health donors, including the United States,¹⁴⁹ FY2011 USAID assistance will continue to target "technical and direct project support" toward improved "maternal and child health care through provider training and supportive supervision, while building local management capacity and accountability among the health authorities in the most underserved areas." Maternal health was highlighted by President Obama during his July 2009 visit.¹⁵⁰

Other key health-related assistance focuses on capacity building support for financial, pharmaceutical, and human resource health systems management; public health education, especially focusing on preventative measures, home-based care and building knowledge about and demand for "quality health services." Parental child nutrition training and other efforts to fight malnourishment are other key program foci, as are efforts to ensure access by about a third of Ghana's population to family planning information and services and subsidized contraceptives. PMI assistance is slated to focus on scaling up "proven preventive and treatment interventions toward achievement of 85 percent coverage among vulnerable groups to support the PMI goal of reducing malaria-related morbidity by 50 percent" particularly centering on increasing access to insecticide-treated bed-nets. The Obama Administration also plans to provide Ghana with

¹⁴⁸ USAID, *USAID/Ghana Democracy and Governance Strategy Update*, August 2009.

¹⁴⁹ Ghana Statistical Service/Ghana Health Service/MEASURE DHS, *2008 Ghana Demographic and Health Survey*, April 2009.

¹⁵⁰ White House, "Remarks by the President at Maternal Health Event," July 11, 2009.

“significant support to build partnerships” in coordination with the President’s Emergency Plan for AIDS Relief (PEPFAR) focused on strengthening integrated prevention, care and treatment programs across Ghana and supporting orphans and vulnerable children.

U.S. basic education assistance is slated to boost junior secondary school enrollment and retention; increase English language instruction; literacy education; and improve education system management through a system of district incentive grants. Health and education investments in water and sanitation are planned as an activity that cross-cuts U.S. health and education program support; FY2011 plans call for the targeting of assistance to improve access to “safe and adequate water supply and basic sanitation facilities for schools, clinics, and households,” to be accompanied by behavior change efforts and “complementary hygiene practices to maximize the health impact of improved infrastructure.”

Economic Growth

According to a USAID analysis, key challenges to economic growth in Ghana include:

- limited access to agricultural markets, inefficient and low rates of farm production, and limited availability of credit for farming and agribusiness;
- inadequate physical infrastructure, notably regarding the road network;
- lack of agro-processing industry competitiveness of agro-processing due to “deficient infrastructure, small-scale, fragmented production, lack of technology and erratic supplies of farm products”;
- insecurity to land tenure and property rights due to extensive control over land allocations by local chiefs and in the executive branch, along with restrictions on property sales or transfers;
- lack of technical and management graduates, notably in the agro-industrial sector; and
- over-exploitation of fishery resources.¹⁵¹

In recent years, USAID Development Assistance programs have focused on boosting agricultural marketing and export potential, small business capacity building, and market liberalization reforms, in general in order to strengthen private sector performance and link small producers with markets, including international ones. It has also supported policy reforms aimed at supporting macro-economic stability, liberalizing agricultural input markets, and supporting policy-making capacities related to finance, labor and land regulation, energy, natural resource management, and information and communication technology.

FY2011 Development Assistance plans call for a major emphasis on increasing agricultural productivity and utility, in large part under a new development effort called the Global Hunger and Food Security Initiative (GHFSI). Key methods for achieving this goal include efforts to improve trade and transport networks, notably through farm feeder road investments; promote

¹⁵¹ USAID, *2009-2013 Economic Growth Strategy Extension*.

market-based agricultural practices and markets, especially for staple foods; increase the participation of the very poor in rural growth; and improve nutrition. USAID will also support efforts to enhance the “enabling environment for the financial sector” in order to boost access to credit by agro-enterprises. GHFSI activities are projected to be intensely collaborative. The initiative is designed to ensure close coordination between Ghana’s implementation of the African Union’s Comprehensive Africa Agriculture Development Program, a continent-wide food security and agricultural growth scheme, and U.S. government planning and analysis, and is slated to involve

African and international private companies, along with local and international non-governmental organizations, foundations, farmer organizations, and national and regional agricultural research and trade organizations to increase agricultural productivity and production. It is aimed both at ensuring domestic food security and even domestic food access and supplying markets in nearby food insecure countries in the region.

Other foci of support include assistance for “integrated coastal and fisheries resource management [to] protect coastal ecosystems and biodiversity resources” and freshwater fish aquaculture development, as well as resources to aid Ghana’s global climate-change adaptation efforts and access to alternative energy. USAID is also involved in joint projects with other major donors to build business association and trade unions advocacy capabilities; build the capacity of the Food and Agriculture Ministry; expand the Ghanaian horticultural export industry; and aid land tenure reform. Ghanaians also benefit from trade and export-related technical assistance under the regional USAID African Global Competitiveness Initiative (AGCI). A sub-regional AGCI Trade Hub is located in Ghana. It provides trade, investment, and business information and technical assistance to African and U.S. public and private sector business, trade, and policy entities.

Peace, Security, and Counternarcotics

Limited Foreign Military Financing (FMF), International Military Education and Training (IMET), International Narcotics Control and Law Enforcement (INCLE) funds support peace and security and law enforcement capacity-building. Military and police assistance centers on helping Ghana to counter its growing use as a key cocaine transshipment point in the region, in large part by increasing its ability to control its borders and key entry and trade points, in part to ensure that, as the FY2010 CBJ stated, “Ghana does not serve as a base or transit point for illicit shipments of people, goods, and narcotics to the United States.”

In addition to capacity building assistance administered by the State Department’s Bureau of International Narcotics and Law Enforcement Affairs (INL), U.S. counternarcotics assistance to Ghana is being pursued by the Drug Enforcement Administration (DEA). In FY2011, INCLE assistance is slated to support “expanded counternarcotics efforts and judicial cooperation between the United States and Ghana,” to include the assignment of a State Department Bureau of International Narcotics and Law Enforcement Affairs (INL) regional officer to the U.S. embassy in Accra. FY2010 funds sought to support skills-building, mentoring advice, and training focused on evidence collection and case presentation in order to facilitate successful

prosecutions in complex criminal cases, such as drug trafficking and money laundering cases.¹⁵² On the DEA's role and other U.S. efforts to help counter drug trafficking in Ghana, see *Illicit Drugs* section, above.

An International Military Education and Training (IMET) program supports military professionalism, particularly with respect to maritime security and peacekeeping operations, and in FY2011 is also slated to aid “the continued development of efficient defense resource management.” Ghana was among the first recipients of peacekeeper training under the African Contingency Operations Training and Assistance program, a component of the State Department's Global Peace Operations Initiative (GPOI), and has received GPOI training assistance in recent years. In FY2010, FMF assistance is slated to provide continued support to “Ghana's efforts to support regional stability and expand its peacekeeping role in the region” through the purchase of equipment, spare parts, and maintenance assistance.

The FY2011 CBJ calls for FMF funds to be used to aid “Ghana's ongoing effort to consolidate and modernize its individual rifles, moving away from the Soviet-era AK47 to the U.S. M16A4” so that all members of Ghana's military “will train and deploy to peacekeeping missions with the same weapon, thereby standardizing training maintenance and reducing the need to maintain several different types of ammunition and repair parts.” In recent years, the Department of Defense (DoD) has also provided Automated Identification System (AIS, a ship identifying system) equipment and fast patrol boats to Ghana.¹⁵³ DoD has also engaged the Ghanaian military and civilian groups through its Africa Partnership Station, a DOD-sponsored effort to improve maritime security in West Africa that includes participation from U.S. civilian agencies and non-governmental actors. Ghana also acts as a base for periodic regional U.S. military activities, such as crisis response actions or exercises. It also participates in the National Guard State Partnership Program, which links U.S. states (North Dakota in the case of Ghana) with partner nations in support of U.S. security cooperation and broad bilateral goals. In August 2010, it hosted *Africa Endeavor*, a two-week communications exercise during which multiple African, U.S., and European participants jointly worked on standard tactics, techniques and procedures for use in humanitarian assistance, disaster relief, and peace support missions in Africa.¹⁵⁴

Other Bilateral Assistance and Cooperation

A roughly 150-person member U.S. Peace Corps volunteer program pursues diverse projects, mostly in education, small business development, environment, and public health. The country program is funded at \$3.57 million in FY2010 and at a requested level of \$3.50 million in FY2011. In addition to USAID bilateral development support, Ghana has received small amounts of emergency humanitarian aid or related preparatory support from USAID's Office of U.S.

¹⁵² State Department/INL, *Program and Budget Guide*, FY2010 Budget.

¹⁵³ J. D. Hood, “Enhancing Maritime Safety and Security in Africa,” *Naval Forces Africa*, November 2009; AFRICOM, “Ambassador Yates Roundtable with Ghanaian Journalists,” March 2, 2009; and Volpe Center, *Maritime Safety and Security Information System/Enabling Global Maritime Situational Awareness*, 2008, and other information from Volpe Center/MSSIS an AIS and related system support program), <https://mssis.volpe.dot.gov/Main/home>), among others.

¹⁵⁴ Jess Raasch/North Dakota Army National Guard, “Africa Endeavor 2010 Comes to Close in Accra,” August 23, 2010.

Foreign Disaster Assistance in recent years. The Treasury Department has also provided technical assistance to Ghana to help it issue Eurobonds, which were issued in 2007.

Millennium Challenge Corporation

In August 2006, Ghana signed a \$547 million, five-year MCC Compact, which “was modified to better respond to farmer demand for services and increased project costs” in early 2009.¹⁵⁵ It supports investments in agriculture, production, business, and income growth (e.g., increasing exports and value-added business capacity, and improving irrigation and land tenure systems); in transportation; and programs to support rural government, social, and financial services. The MCC-Ghana partnership is intended to support the role of sound and institutionalized good governance and strong civil society engagement in sustainable development. Examples of current and recently completed achievements include the opening of a Land Registry Office in February 2010 and registration of selected land parcels; ongoing efforts to leverage Compact funds to obtain commercial bank credit for use in extending agricultural credit to farmer organizations, agribusinesses and individuals; and the construction of 30 schools in the Northern region; contracts for the construction of multiple more schools, boreholes, and local water systems in selected areas have also been signed. Work on upgrading of the key N-1 Highway, which connects a key port to farm production areas, is also ongoing, and a rural bank payment clearing network system, which is aimed at reducing bank transaction times, is operational.¹⁵⁶ In Ghana, the MCC programs are closely coordinated with those of USAID.¹⁵⁷

¹⁵⁵ MCC, “Ghana Compact/Overview.”

¹⁵⁶ Ghana Compact documents online at <http://www.mcc.gov>; MCC, *Ghana and MCC: An Innovative Partnership Delivering on America’s Promise to Africa*, June 5, 2009; MCC, *Compact Implementation Status Report*, April-June 2009; and MCC, *Compact Implementation Status Report*, April-June 2010; see also Charles Corey, “The United States and Ghana: A Partnership of Tangible Results,” *America.Gov*, June 23, 2009, *inter alia*.

¹⁵⁷ USAID, *2009-2013 Economic Growth Strategy Extension*.

State Department and USAID Assistance Summary

Table I. Bilateral State Department and USAID Assistance to Ghana, FY2009 to FY2011

(\$ millions)

	FY2009 Actual	FY2010 Estimate	FY2011 Request
Development Assistance	59.5	71.122	87.786
Economic Support Fund	32	0	0
Foreign Military Financing	0.3	0.35	0.45
Global Health and Child Survival-State	11.5	7	7
Global Health and Child Survival-USAID	38.495	59.1	77
International Military Education and Training	0.721	0.8	0.825
International Narcotics Control and Law Enforcement	0.5	0.5	1.7
Public Law 480 (Food Aid)	4.5	0	0
Total	147.516	138.872	174.761

Source: State Department, *Congressional Budget Justification for Foreign Operations*, FY2011. The amount of funding for malaria may rise. The CBJ states: "This FY2011 request level for Ghana does not include the total projected funding for the PMI. Decisions on allocations of centrally managed funds will be made at the time that the FY2011 operating year budget is set." The FY2011 CBJ indicates no food aid was provided in FY2010, and the Administration did not request food aid specifically for Ghana in FY2010. Food aid may be allocated to Ghana in FY2011, however, and may rise in FY2010, as food aid is allocated from central accounts in response to need throughout the year.

Appendix A.

Ghana: Proposed Energy Bills

Two key energy sector regulatory bills, the *Petroleum Revenue Management Act, 2010* and the *Petroleum (Exploration and Production) Act, 2010*, both drafted by the executive branch after public and private sector consultations, were under consideration by the Ghanaian parliament in late 2010. References to the entire text of each of the bills—as submitted by the government to parliament—are provided below, along with a discussion of views of the texts by analysts and critics.

Petroleum Revenue Management Act¹⁵⁸

The Mills government won plaudits from some civil society actors when, following criticism, it released a draft of the revenue management proposal prior to public consultations on it.¹⁵⁹ In part as a result of such consultations, the Petroleum Revenue Management bill was subsequently amended.¹⁶⁰ It currently incorporates:

- a detailed and robust system of oil revenue controls covering their receipt, allocation to the budget and to a revenue stabilization/market volatility fund and a future generations savings fund;
- a dispersed and detailed system of authorities and controls over revenue management and investments thereof; and
- strong measures regarding oversight, public information disclosures regarding revenue, and other transparency measures.

These provisions have won praise from civil society observers, but some maintain that the bill could be strengthened in several ways, such as by including measures to:

- Require “certain additional disclosures, including of the [stabilization and future generations saving] funds’ holdings at a fully disaggregated level [to] further enhance the transparency of Ghana’s revenue management strategy.

¹⁵⁸ The text of the bill as submitted to parliament is available online. See: http://www.mofep.gov.gh/documents/Petroleum_Revenue_Management_Act%20_2010.pdf

¹⁵⁹ The proposal was known as the *Ghana Petroleum Revenue Management Proposal*, and was issued by the Ministry of Finance and Economic Planning on May 10, 2010. Publish What You Pay—Ghana, “CSOs Welcome Gov’t Disclosure of Petroleum Revenue Management Bill,” April 7, 2010; and Integrated Social Development Centre (ISODEC), “Revenue Management Consultations Lack Transparency,” March 26, 2010.

¹⁶⁰ For examples of concerns raised, see ISODEC, “Red Flags on Transparency Provisions in the Draft Petroleum Revenue Management Bill” (March 18, 2010), “Citizens Concerns at CSOs Oil and Gas Forum in Western Region” (April 15, 2010), and “Ongoing Consultations on the Proposed Ghana Petroleum Revenue Management Bill” (March 18, 2010).]

- Mandate public dissemination of oil and gas agreements.
- Establish a detailed and long-term development plan “aligned with a medium term fiscal framework and annual budgets to ensure that oil proceeds are in fact channeled towards productive domestic investment.”¹⁶¹

Ghana’s Petroleum Revenue Management Act Bill

Ghana’s Petroleum Revenue Management Act bill sets up a Petroleum Account; a Ghana Stabilization Fund, designed to “to cushion the impact on or sustain public expenditure capacity” during periods of revenue shortfalls caused by market volatility; and a Ghana Heritage Fund, designed “to provide an endowment to support the welfare of future generations after the underground petroleum has been depleted.” The Petroleum Account can only be used, under highly detailed procedures and at specific levels, to fund the national budget or the two funds, referred to jointly as the Ghana Petroleum Funds, which can receive “excess revenue” under a specified set of circumstances.

It requires data on oil and gas “receipts in whatever form” to be published and publicly released quarterly in multiple media forum, and an annual report on the petroleum account and the petroleum funds to be submitted “as part of the annual presentation of the budget statement and economic policies to Parliament,” and that annual “adjustments and reconciliations to the Petroleum Reserves Accounts” be published annually. It sets up a seven-member Investment Advisory Committee made up of “persons of proven competence in finance, investment, economics, business management or law,” including at least one woman, and senior petroleum revenue management experts from the Bank of Ghana and the Finance Ministry, and requires that it be consulted on all decisions “in relation to the investment strategy or management of the Ghana Petroleum Funds.”

It also specifies that petroleum receipts can only be used to “maximize the rate of economic development” and “promote an equitable distribution of the national wealth and equality among citizens,” and must be “guided by a long-term national development strategy aligned with a medium-term expenditure framework.” Key uses of the revenue include spending to “to accelerate growth and job creation, human development and the provision of basic services and to enhance good governance, public safety and civic responsibility,” and the bill lays out a list of specific types of investment under these categories. It also establishes an 11-member Public Interest and Accountability Committee made up of civil society, professional associations, and traditional leader representatives. It is charged with monitoring and evaluating compliance with the Act by government and other actors regarding the use and management of petroleum revenues; providing “a formal active voice [and...] platform” for the public to debate such issues; and providing “independent assessments on the use and management of petroleum revenues [...] to assist Parliament and the executive” in oversight and performance; and “ensure that petroleum revenue is used for the benefit of current and future generations...”¹⁶²

A Ghanaian civil society coalition also has concerns about the bill’s accountability management framework, notably “proposed amendments to and deletion of some sections of the provisions” of the Act, during parliamentary consideration, that are “critical for effective public oversight” by the Public Interest and Accountability Committee (PIAC).¹⁶³

¹⁶¹ See Joseph C. Bell, Patrick R.P. Heller and Antoine Heuty, *Comments on Ghana’s Petroleum Revenue Management Bill*, Revenue Watch Institute (RWI), August 2010. Despite the inclusion of a development plan provision in the bill, critics have asserted that the government’s alleged failure to date to establish a “detailed national strategy for spending an estimated \$1 billion a year” in oil revenues shows that the country is unprepared to effectively absorb this large revenue windfall. Chuck Neubauer, “Oil Revenues to Gush in Ghana, But No Spending Plan in Place,” *Washington Times*, July 9, 2010.

¹⁶² Finance and Economic Planning Ministry, *Bill Entitled Petroleum Revenue Management Act, 2010*.

¹⁶³ The PIAC is an entity that, under the draft submitted to parliament, would be made up of civil society representatives. It would have a formal role in management of and accountability regarding petroleum revenues for the public and provide a venue for public input into such issues. Civil Society Platform on Oil and Gas, “Press Statement on the Need for Transparency and Accountability in Ghana’s Petroleum Laws,” November 5, 2010. See also: Nico Colombant, “Activists Press Ghana’s Parliament on New Oil Law,” VOA, November 4, 2010.

A Ghana's public policy-focused Danquah Institute also reports that an amendment to the bill has been offered that would allow the government to use "proven petroleum reserves" to guarantee loans for infrastructure development.¹⁶⁴ That proposed amendment has proven controversial; the parliament's Joint Committee of Energy and Finance has not reached consensus on whether to agree to the amendment, which would allow 70% of energy revenue to be used as national loan collateral.¹⁶⁵

Petroleum (Exploration and Production) Act¹⁶⁶

In contrast to the Petroleum Revenue Management bill, the Petroleum (Exploration and Production) Act, 2010 has received substantial negative criticism. Civil society groups have criticized an alleged:

- "absence of transparency provisions" in the bill
- lack of "open and competitive bidding process for oil blocks
- lack of mandatory disclosure of petroleum agreements
- a delegation of strong powers to the Minister of Energy "at the expense of" a proposed independent Petroleum Regulatory Authority
- a failure to designate "no exploration zones to protect livelihoods of fishermen and farmers"; and
- the absence in the bill of provisions for an oil spill response fund.¹⁶⁷

The Civil Society Platform on Oil and Gas has also called for a moratorium new oil exploration licenses prior to enactment of the new petroleum exploration act, asserting that "if we find PNDC Law 84 [the existing 1984 oil law] problematic" it should not be used as the basis for signing new license agreements prior to enactment of the new law.¹⁶⁸

¹⁶⁴ A World Bank study, *Economy-Wide Impact of Oil Discovery in Ghana* (Report No. 47321-GH, November 30, 2009) discusses many of these and other issues related to managing the economic impact of oil production. Danquah Institute, "DI Raises Red Flag on Another \$1bn Loan," November 9, 2010; and CRS correspondence with Danquah Institute policy analyst, November 9, 2010.

¹⁶⁵ Marné Beukes, "Parliament Fails to Agree on Forthcoming Oil Bill in Ghana," *IHS Global Insight Daily Analysis*, November 12, 2010

¹⁶⁶ The text of the bill as submitted to parliament is available online. See: <http://www.parliament.gh/files/Petroleum%20%28Exploration%20and%20Production%29%20Bill%202010.pdf>

¹⁶⁷ Civil Society Platform on Oil and Gas, "Press Statement on the Need for Transparency and Accountability in Ghana's Petroleum Laws," November 5, 2010; Emmanuel K. Dogbevi, "Ghana Asked To Set Up Oil Spillage Response Fund," *Ghana Business News*, September 5, 2010; and Radio Ghana, "NGO Urges Ghana to Ensure Transparency, Sustainability in Oil Find," via BBC Monitoring Africa, September 30, 2010.

¹⁶⁸ Daily Mail (Ghana), "Ghana: Civil Society On Oil And Gas Want Moratorium On Granting of Oil Exploration Licenses," October 20, 2010.

The U.S.-based Revenue Watch Institute (RWI),¹⁶⁹ which along with Oxfam USA is offering technical advice to Ghanaian natural resource NGOs, has also authored an analysis, which includes a set of recommendations, that finds that the exploration and production bill “deviates from international practice in several crucial ways that threaten to undermine the management of the sector, limit the long-term benefits from petroleum, and hinder good governance and accountability.”¹⁷⁰ In particular, it “does not establish clear rules governing the relationship between” governmental institutions regarding policy-making, “managing the Government’s commercial operations,” and “regulating/monitoring enforcement.” It “gives the Ministry of Energy broad regulatory powers” and “does not provide any clear guidance on the relationship between the Ministry” and the GNPC, key functions of which would shift to the Ministry, or the Petroleum Regulatory Authority. This, RWI states, “would expose Ghana to several risks,” such as

- Weak oversight of the activities of private companies;
- Confusion in reporting;
- Delays in approvals and inefficient sector development; and
- Opacity and corruption.

RWI also found problematic a delegation to the Minister of Energy of “broad discretion in the award of contracts.” Under the law, RWI states, the Minister “may make an award based on a simple application, with no requirement for competition, disclosure of bids, any standard for company qualification, or any showing on why a particular award was made”—although there is a provision for the Minister to voluntarily “make regulations in respect of 'competitive bidding procedures for petroleum agreements'.” RWI calls for a “a system that requires competition in all awards of petroleum contracts” and “at a minimum, a requirement that clear criteria be announced publicly before the bid rounds and that winning and losing bids, and the justification, be disclosed once an award is made.”

RWI also criticizes the bill for doing “virtually nothing to enhance transparency in the petroleum sector” and by in some instances hindering it by “granting broad discretion to the Ministry without any required reporting to Parliament or the public.” It asserts that Ghana’s emergent “strong international reputation for transparency and good governance” may be undermined if such provisions are not amended. It suggests that the bill be altered to require

- Public release and publication of extractive industry contracts, as is required in multiple other developing countries for the purpose of advancing transparency, stemming corruption, public distrust of government or business, and economic efficacy

¹⁶⁹ RWI is funded by the Bill and Melinda Gates Foundation, the William and Flora Hewlett Foundation, and the Open Society Institute, along with several other donors, which have included the governments of Norway, the Netherlands, and Canada. See RWI, “About RWI / Financial Summary,” online at <http://www.revenuewatch.org>.

¹⁷⁰ RWI, *Comments to Parliament on Ghana Petroleum (Exploration and Production) Bill*, October 2010. All references to RWI and associated quotations in the following coverage of exploration and production bill are drawn from this document.

- Publication of revenue flows, in line with Ghana’s EITI commitments; it states that “in the absence of enshrinement in law, EITI remains subservient to political cycles and lacks guarantees of reliability, predictability, and regularity. Future regimes with weaker commitments to transparency of public revenues could retrench on the commitment to revenue reporting in the absence of a firm legal requirement.”
- “Reporting to parliament on activities of the ministry, GNPC, and regulatory bodies” to enable “strong Parliamentary oversight.” The analysis notes that “besides reaffirming the Constitutional requirement that agreements are subject to legislative approval, the word ‘Parliament’ does not appear once in the Bill.”¹⁷¹

The RWI assessment also contends that the bill allows “key fiscal terms [e.g., royalties, acreage fees, additional oil entitlements, income taxes, and other taxes, to vary...] from one contract to the next.” This, it contends, may decrease prospects for stability for and uniform treatment of investors and increase “opportunities for gaming and side-dealing” and the risk of weak “enforcement of fiscal obligations” and “of having company negotiators drive the agenda, which often results in sub-optimal long-term deals for the state.” It suggests that such payments be specified in law, and that the number and types of payment and contract variables that may be negotiated be minimized.¹⁷²

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¹⁷¹ *Ibid.*

¹⁷² *Ibid.*