

“We did not want business-as-usual, where policies are created without considering the research, or where the research is not conducted at all. Funding from **the Think Tank Initiative enabled us to develop a work plan that seeks to address the country’s policy challenges and stick to it.**” – Executive Director, IEA

## THE PROBLEM:

Resource-rich countries are prone to **conflict and corruption**



Natural resources can be both a blessing and a curse for developing countries – including Ghana, which has struggled to benefit from its gold industry. Ghana’s 2007 oil discovery posed similar revenue management challenges for policy-makers

These challenges included **ensuring transparent collection and use of the revenues and allocating them to maximize their development benefits.** The stakes for decision-making were high: over half of Ghana’s population lives on less than two dollars per day.

**How could Ghana avoid the “resource curse” and achieve as much good for its people as possible with its newfound oil?**

## IEA’s CONTRIBUTION: Mandate oversight of oil money with *clear disbursement rules*

The Institute of Economic Affairs (IEA) and its many NGO partners quickly recognized the potential benefits and dangers from oil, and moved to help policymakers draft legislation on managing the revenues. In 2009, IEA sponsored an initiative culminating in a workshop for over 30 policymakers at which it presented analyses of policy options based on TTI-funded research. The communique agreed to by participants included most of IEA’s and its NGO partners’ suggestions.

The resulting **2011 Petroleum Revenue Management Act** enshrines those ideas in law: it requires revenues to go through the public budget, divides use between direct investment with clear priorities (such as infrastructure and agriculture) and long-term savings, and establishes oversight committees. IEA represents think tanks on one of those committees.

This case also shows IEA’s more general role in **building parliamentarians’ policy design capacity** in Ghana, which is crucial because many lack the resources to obtain the needed assistance. As a result, the benefits of IEA’s effort in this case may resonate far beyond the law itself.



IEA  
Ghana

## THE PROJECTED RESULT: More money to benefit the Ghanaian people



**\$0.3-0.7B** MORE TRANSPARENTLY  
MANAGED REVENUES  
THROUGH 2025\*

**\$0.4-0.9B** MORE INVESTMENT IN  
LONG-TERM GROWTH  
OVER THAT TIME

## THE RETURN ON INVESTMENT (ROI)

IEA's contributions were influential throughout the policy change process and required **an investment of only 2.5 person-years and around \$125K**

**\$500M** more revenue  
(using the midpoint)

≈ **\$4k**

In more transparently managed revenue (net present value) per dollar spent by IEA

**\$125K** cost

Understanding the portion IEA contributed toward the projected results helps illustrate its true ROI. Experts suggest a relatively constant set of conditions for policy change that an organization like IEA might influence (see below). Tracking these conditions before and after IEA became involved provides a rough picture of the think tank's contribution – in this case, knowledgeable individuals were asked to rate the degree to which each condition existed before IEA became involved, how much its work contributed, and how much still is needed to achieve full implementation success. **Interviews with IEA and external experts led to the following estimates:**

Necessary condition for policy change	% in place before IEA	% IEA contributed	% still needed
Functioning institutions	20	30	50
Responsive, accessible supporting research	30	40	30
Feasible, specific, and flexible solution	15	50	35
Powerful champions in the key institutions	15	75	10
Well-planned, led, and supported campaign	25	25	50
Clear implementation path	15	30	55
<b>Average</b>	<b>20</b>	<b>42</b>	<b>38</b>

Using a simple average, **IEA's contribution** is roughly 40%, **resulting in an ROI of roughly \$1700 of transparently managed revenue for every dollar spent by IEA.**



## SOURCES AND TECHNICAL DETAILS

Moss, T. and Young, L. (2009). *Saving Ghana from its oil: the case for direct cash distribution*. Center for Global Development.

Ghana EITI (2013). *Final report on the aggregation/reconciliation of mining sector payments and receipts: 2010-2011*.

Articles from the *Daily Graphic*, *Economist*, *Financial Times*, and *Peace FM*. (details available in a separate memo).

The World Bank Group (2012). World Development Indicators.

Interviews with IEA and outside experts.

\*Technical details and photo credits available in a separate memo. The projected results are based on conservative estimates of revenue flows.