Why is Accountability Important? What is its context to Economic Transformation?

Sustainable Resource Series: Accountability in the MOG Sector
November 4, 2013
Radison Blu Hotel, Dakar, Senegal

By
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Outline

1. Introduction
2. What is Accountability? Transparency and Accountability
3. Forms of Accountability
4. World Bank Governance Indicators: Voice and Accountability
5. Why is Accountability Important?
6. Extractive Industry Project Cycle & Accountability
7. Accountability in Ghana’s Resource Sector Management
8. Why is Accountability so Difficult to Achieve?
1. Introduction: Our Hidden Wealth and Unaccountability

(Source: Raw Materials Data: World Bank)
Why is Accountability Important? What is its context in Economic Transformation?
The Transparency and Accountability Initiative in Natural Resource Management

- Past decade and a half has seen many initiatives to improve transparency and accountability in natural resource management – Initiatives:
  - Publish What You Pay (PWYP) Coalition,
  - EITI
  - Kimberly Process Certification Scheme
  - Open Government Partnerships (2011)
  - Donors and multilateral institutions
- Need to enhance T & A as part of global governance agenda to tackle development challenges in resource-rich countries
- Goal: Improve social outcomes from natural resource activities
2. Definition

• The concept that individuals, agencies, and organizations (public, private, and civil society) are **held responsible** for executing their duties properly.

• Accountability entails holding elected or appointed officials charged with a **public mandate** responsible and answerable for their actions, activities and decisions.

  *(United Nations Economic and Social Council)*
3. Forms of Accountability

Horizontal Accountability (HA) occurs when state agencies (e.g. parliament and its oversight and investigative committees; the supreme audit institution; the judiciary; the ombudsman; the national anti-corruption agency; the national revenue agency; and the electoral commission) (a) check and balance each other, and (b) have the capacity and authority to sanction improper conduct.

Vertical Accountability (VA) occurs when citizens (through elections), the media, civil society, and other organizations hold public officials accountable.

Diagonal Accountability (DA) occurs when citizens operate through government institutions to better exercise their oversight role over the actions undertaken by the state.

Transparency International (2009)
Forms of Accountability

**Economic Accountability (EA)** has to do with economic efficiency of resource operations. It involves monitoring the cost of resource exploration, development and production activities and matching cost with revenues.

**Social Accountability (SA)** seeks to address the balance between economic efficiency, social fairness and ecological sustainability.
Accountability Links

**Horizontal Accountability** *(State agencies, including parliament check and balance each other)*

**Vertical Accountability** *(Media, CSOs hold public officials accountable)*

**Social Accountability**

- **Economic Accountability** *(Corporate & Gov’t)*
- **Diagonal Accountability** *(Citizens and Public Institutions)*
4. Why is Accountability Important in Resource Activities?

1. Minerals, Oil and Gas (MOG) are owned by all citizens, shared resources,
   - State is custodian on behalf of current and future generations.
   - State employs public institutions and civil servants to perform functions
   - Interest of politicians, civil servants, and general public may differ
2. MOG are depletable (non-renewable) resources.
3. The development of MOG have the potential for economic transformation – additional revenues for development financing, potential base of industrial activities, job creation, and poverty reduction
4. Resource activities have ecological impacts – soil, water, climate change
5. To prevent conflicts between resource companies, communities.
5. Extractive Industry Project Cycle: Activities, Information Flow and Reporting

Why is Accountability Important? What is its context in Economic Transformation?
## Extractive Industry Project Cycle

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<th>Main Activity</th>
<th>Specific Activities</th>
<th>Frameworks</th>
<th>Agents</th>
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<tbody>
<tr>
<td><strong>Project Initiation</strong></td>
<td>i. Determine area to be explored</td>
<td>i. Legislation</td>
<td>i. Community</td>
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<td></td>
<td>ii. Designated Ministry/Government</td>
<td>ii. Industry Regulator</td>
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<td>iii. Contractor</td>
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<tr>
<td><strong>Exploration Appraisal Development</strong></td>
<td>i. Geological mapping, Geochemical, Geophysical and Surveys</td>
<td>i. Legislation</td>
<td>i. Designated Ministry/ Government</td>
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<td>ii. Determine the boundaries of the reserve pool</td>
<td>ii. Fiscal Regime</td>
<td>ii. Industry Regulator</td>
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<td>iii. Confirm the analysis of the seismic data</td>
<td>iii. Contract</td>
<td>iii. Parliament/Legislator</td>
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<td>iv. Determine the quality of the petroleum, and the liquid &amp; gas composition/mix</td>
<td></td>
<td>iv. Contractor</td>
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<td><strong>Production</strong></td>
<td>i. Quantity Assessment</td>
<td>i. Legislation</td>
<td>i. Community</td>
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<td></td>
<td>ii. Revenue Assessment</td>
<td>ii. Fiscal Regime</td>
<td>Finance Ministry/ Government</td>
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<td>iii. Revenue Collection</td>
<td>iii. Agency in charge of collecting resource revenue</td>
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<td>iv. Revenue Management –Spending and Saving</td>
<td>iv. Parliament/legislator</td>
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<td></td>
<td>v. Contractor</td>
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<td>vi. Citizens</td>
<td></td>
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<tr>
<td><strong>Closure</strong></td>
<td>i. Restoration of project sites</td>
<td>i. Legislation</td>
<td>i. Community</td>
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<td></td>
<td>ii. Contract</td>
<td>ii. Government</td>
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<td></td>
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<td>iii. Industry regulator</td>
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<td>iv. Contractor</td>
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Principal Agents in Accountability Network

- **Executive** (Designated Institutions, Regulator, National Resource Company)
  - Resource Sovereignty & Control
  - Revenue Use & Mgmt

- **Community**
  - Citizens Oversight
  - Rights-based accountability
  - Explore, Develop, Profit

- **Contractor**
  - Exploration, Appraisal, Development, Production Data
  - CSR

Why is Accountability Important? What is its context in Economic Transformation?
How Do We Instill Accountability in Resource Activities?

Policies
Legislation
Public Administration Culture
Political Economy

Ghana’s Petroleum Revenue Management Law
Ghana Petroleum Revenue Management Law

Transparency  Accountability  Public Oversight
Define

• **How** revenue is measured (*What constitutes revenue*)
• **Who** collects revenue,
• **When** revenue is collected, and
• **Where** revenue collected goes. (*How, Who, When, Where*)
Ensure Transparency & Accountability

- Define and assign responsibilities to institutions
- Clearly define reporting guidelines
  - When,
  - What,
  - To Whom, and
  - How.
Public Oversight and Safeguards

• Reporting and Publication of all payments into the Ghana Petroleum Account – quarterly, half yearly, annual
• Public access to information, On-line
• Limit confidentiality
• Conform to EITI Principles
• Public Oversight Committee independent of Parliament
Structure of Delegation of Responsibility

- Parliament
- MoFEP
- Bank of Ghana
- Internal and External Managers

DELEGATION OF DUTIES

REPORTING

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<table>
<thead>
<tr>
<th>Section</th>
<th>Subject of Reporting</th>
<th>Reporting Agency/institution</th>
<th>Date of Reporting</th>
<th>Institution/Individual report is to be submitted to</th>
</tr>
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<tbody>
<tr>
<td>Section 8: Transparency and Accountability of Petroleum Receipts</td>
<td>All records of Petroleum receipts and payments</td>
<td>Minister, MoFEP</td>
<td>Quarterly (+30 working days)</td>
<td>Gazetted &amp; publication in 2 National Dailies, Online publication</td>
</tr>
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<td>Section 16: Adjustments &amp; Reconciliations of Petroleum Account</td>
<td>Annual Reports of Petroleum (Reserve) Accounts</td>
<td>Minister, MoFEP</td>
<td>End of 1st Qtr of following year</td>
<td>Parliament after Audit is complete (Gazetted and published no later than April 30th)</td>
</tr>
<tr>
<td>Section 42: Supervision and maintenance of Ghana petroleum Funds a/c’s</td>
<td>Quarterly management Info reports and performance analysis Reports and Annual performance of funds</td>
<td>IAC IAC</td>
<td>+30 days after receipt of quarterly reports from the Central bank</td>
<td>Minister, MOFEP No Publication required Annual Budget/Minister, MoFEP</td>
</tr>
<tr>
<td>Section</td>
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<td><strong>Section 46:</strong> Internal Audits</td>
<td>Internal Audit on the Accounts, records and documents relating to the Ghana Petroleum Funds</td>
<td>Bank of Ghana Internal Audit</td>
<td>Every three (3) Months</td>
<td>IAC</td>
</tr>
<tr>
<td><strong>Section 47:</strong> Annual Reports</td>
<td>Annual report on the Ghana Petroleum Reserve Account</td>
<td>Auditor General</td>
<td>April 30th of following year</td>
<td>Parliament A.G. Publish Audited Annual Report within 30 days of its submission to Parliament</td>
</tr>
<tr>
<td><strong>Section 50:</strong> Annual Reporting on petroleum revenues and Petroleum Funds</td>
<td>Annual Reporting as part of Annual Budget Presentation</td>
<td>MoFEP</td>
<td>Fiscal Year Budget Presentations</td>
<td>Parliament <em>Publication required</em></td>
</tr>
<tr>
<td><strong>Section 57</strong></td>
<td>Account of the use and management of petroleum revenues and compliance with provisions of the law.</td>
<td>Public Interest and Accountability Committee</td>
<td>15th September and 15th March</td>
<td><em>Publish on Committee’s website</em>&lt;br&gt;<em>Public presentation of report</em>&lt;br&gt;<em>Submit copies to President and Parliament</em></td>
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Finally, Do We have a Fundamental Cultural Accountability Problem?

- Elderly and the Young
- Men and Women
- Elderly men (religion or culture) are socially unaccountable.
- Culture and Public Affairs & Public Financial Management - cultural manifestations have serious consequences for good governance
- A Few Big Men – African country leaders (examples......)
- Power in the hands of the Executive over Parliament
- Even in a multi-party democracy too much executive power leads to lack of transparency and corruption.
- Inability to sanction improper conduct undermines accountability
- When accountability is abused, good governance in resource management is diminished
Thank You

• Questions and Comments