Overview of Accountability Challenges facing Sustainable Development of Minerals, Oil and Gas (MOG)

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Development of Minerals, Oil and Gas in Africa and ECOWAS

- Continental Vision - Africa Mining Vision (AMV)
- Regional Approach - ECOWAS adopted a common Minerals policy, ECOWAS Mineral Development Policy (EMDP)

Objective: to promote the extractive industry as well as to harmonise mineral policies in the region

Need various ‘instruments’ to implement policy

Sustainable development is an area of concern
Minerals, Oil and Gas in ECOWAS (1)

Minerals, Oil and Gas are significant in the economies of ECOWAS in terms of GDP contribution

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senegal</td>
<td>Phosphate, iron ore and gold. Titanium identified. Oil and gas exploration is active, with seismic studies indicating prospective resources of 3.6 billion barrels of oil and at least 13 billion cubic feet of natural gas.</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Oil and gas dominate. Produced 2.9% of crude oil and 1.2% gas worldwide (2011). Africa’s leading crude oil producer, accounted for about 24% of African crude oil production (2010). Holds 2.3% and 2.5% of crude oil and gas worldwide reserves (BP Statistical review, 2011).</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Ranked 10th producer of diamond (2010) and third producer of rutile in the world. Other mineral resources are gold, bauxite, and iron ore known to exist in large quantities. Offshore oil discovered.</td>
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<tr>
<td>Togo</td>
<td>Ranked 14th leading producer of phosphate rock in the world (2010). Other minerals are diamond, gold, and limestone, bauxite, gypsum, iron ore, manganese, marble, rutile, and zinc.</td>
</tr>
</tbody>
</table>

Source: Compiled from Extractive Industries Transparency Initiative
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<tr>
<td>Cote D’Ivoire</td>
<td>Gold, manganese ore, natural gas, crude petroleum, and petroleum products. Produce clay, crushed stone, diamond, sand and gravel, and sulfuric acid.</td>
</tr>
<tr>
<td>Guinea</td>
<td>Ranked fifth leading producer of bauxite (2010), 12th/13th leading producer of rough diamond (by volume/ by value) in the world. Other minerals are gold, and salt, graphite, iron ore, limestone, manganese, nickel, and uranium.</td>
</tr>
<tr>
<td>Liberia</td>
<td>Iron ore, diamonds, gold, timber and rubber. Underdeveloped mineral resources include base metals, such as cobalt, lead, manganese, nickel, and tin, and industrial minerals, such as dolorite, granite, ilmenite, kyanite, phosphate rock, rutile, silica sand and sulphur.</td>
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<tr>
<td>Mali</td>
<td>Third largest gold producer in Africa. Other minerals are bauxite, iron ore, diamond, limestone, manganese, nickel, petroleum, phosphates, tin and uranium. Petroleum potential is promising.</td>
</tr>
<tr>
<td>Niger</td>
<td>Fifth largest producer of uranium in the world (2010). Others are gold and oil (reserves estimated at 480 million barrels), officially an oil producer in 2011.</td>
</tr>
</tbody>
</table>

Source: Compiled from Extractive Industries Transparency Initiative
Minerals, Oil and Gas in ECOWAS (3)

- ECOWAS region is expected to continue its rapid growth of 6.7% in 2013
- About 7.4% predicted in 2014.
- Fastest growing region of the continent.
- Growth is not only driven by **minerals, oil and gas** but also by agriculture and services

Source: African Economic Outlook 2013
Sustainable Development Concept

**Triple Bottom Line Sustainability Model:** MOG activities must strike a balance between protecting the environment, social obligations & economic development.
Air and water pollution from mining are significant concerns e.g. various sources of mining activities including dumps, gas emissions from smelters and mercury in artisanal/small scale gold processing activities.

Land degradation and displacement of helpless and vulnerable inhabitants and communities.

Environmental pollution resulting in negative health impacts.
Sustainable Development in Minerals, Oil & Gas (2)

- “We have lived and worked on this land”
- Now that they have discovered MOG, “we stand to lose our land, heritage & livelihoods” (environmental, social and economic consequences)

1. Displaced and have no power; roads; water; and no access to schools, clinics
2. If not displaced, there will be outflow of wealth and inflow of poverty due to social exclusion, deprivation and civil unrest
MOG investment must indicate a net gain economically, environmentally and socially.

MOG development should benefit all (not a few), including local communities and children.

“Development should meet the needs of the present generation without compromising the ability of future generations to meet their own needs” Bruntland Report
Accountability Challenges facing Sustainable Development in MOG (1)

- Economic, social and environmental regimes for MOG activities are often weak and not transparent”
- Issues of poor ‘design’ of governing structure and lack of enforcement leading to abuse and corruption
- Opaque MOG contracts for infrastructure and other deals (e.g. Chinese Model)
Accountability Challenges facing Sustainable Development in MOG (2)

Discretionary award of MOG contracts to powerful individuals and commercial interests

Africa rising: A hopeful continent, The Economist, March 2nd 2013 | “Copper-rich Zambia and oil-soaked Ghana are using full coffers to pay for new schools and hospitals, even if some of the money is stolen along the way”.
Accountability Challenges facing Sustainable Development in MOG (3)

**Problem:** Need better understanding of Accountability

- Corruption formula $C = M + D - A (-T)$
  
  Where $C$ - Corruption, $M$ - Monopoly, $D$ - Discretion
  
  $A$ – Accountability, and $T$ – Transparency

  *T added in revised formula*

  Do we mean reducing/eliminating corruption?

**Solution**

Reduce $M$ (reduce concentration of power by decision makers and increase competition in MOG activities)

Eliminate/Reduce $D$ (e.g. participatory decision making)

Increase $T$ (e.g. open government, ‘open’ private sector, increase access to information)

Increase $A$ (how?)
Accountability Challenges facing Sustainable Development in MOG (4)

- Increase Accountability = More disclosure, tighter rules & tougher sanctions for abuse
- What are the implications for MOG activities?
- You can’t account for what you can’t count or do not know about (you can’t manage what you can’t measure)

1. Disclosure of what? Need information on the scale of MOG activities (asymmetry of information)
   Availability by types and quantities of minerals, oil and gas (Technical issues) - different units of measure - oil, gas, natural gas liquids, are measured in barrels, million cubic feet (mcf), gallons, and tons – valuation of reserves, availability of data
Accountability Challenges facing Sustainable Development in MOG (5)

Tighter rules and tougher sanctions on what?

(2) How MOG contracts are negotiated and paid for. Who pays and who benefits? (Economic issues – licences, royalties, rents, taxes, other revenue streams)
(3) How MOG activities are evaluated for social impact (Social issues – local livelihoods and heritage)
(4) How MOG activities are evaluated for environmental impact (Environmental issues)

Objective: To improve Accountability of MOG activities to enhance sustainable development (i.e. economic, social and environmental performance)
Building on Existing Initiatives (1): Extractive Industries Transparency Initiative (EITI)

- About 3.5 billion people live in countries rich in MOG, but many suffer from poverty, social exclusion and conflict due to weak governance.
- EITI launched in 2003, promotes and supports improved governance and transparency through full publication and verification of payments and revenues from MOG.
- Voluntary Association of stakeholders with membership from resource-rich developing countries, donors, international and national companies, and civil society
Building on Existing Initiatives (2): ECOWAS Members and their EITI Status

Liberia - Compliant since Oct. 2009
Ghana - Compliant since Oct. 2010
Niger - Compliant since March 2011
Nigeria - Compliant since March 2011
Mali - Compliant since Aug. 2011
Burkina Faso - Compliant since Feb. 2013
Togo - Compliant since May 2013
Ivory Coast - Compliant since May 2013
Guinea - Candidate since 2007
Senegal - Candidate since Oct 2013 (Applied-July 2013)
Sierra Leone - Candidate since Feb 2008- suspended
26th Feb. 2013

Benin, Cape Verde, The Gambia, Guinea-Bissau
Building on Existing Initiatives (3): Developing Knowledge and Empowering Stakeholders

- Stakeholders need knowledge to play any meaningful and productive role
- IDEP Short Course on Mineral Resources Policy and Contract Negotiations for Public Officials
- IDEP Short Course on Mineral Resources Policy and Contract Negotiations for Parliamentarians and Civil Societies (with Open Society Initiative for West Africa - OSIWA)
- IDEP Policy Dialogue Events/Expert Group Meetings on Mineral Resources and Contract Negotiations
Thank you for listening