Good Governance and its Linkages to the Extractives Industry

Sustainable Resource Series: Good Governance in the MOG Sector
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Definition

Good governance refers to the legal and institutional environment that operates in a manner that effectively promotes transparency and accountability.

(African Development Bank and the United Nations Economic Commission for Africa)

Good Governance as the set of government actions along the entire life-cycle of a resource activity that are necessary to maximize the welfare (social and economic) of citizens (now and in the future) in a sustainable manner, using the wealth derived from extracting the resource.
Resource Governance Index : Country Scores and Ranking

RWI: Resource Governance Index: Composite Score

Source: Revenue Watch Institute: 2013 Resource Governance Index
Resource Governance Index: Country and Composite Scores

Source: Revenue Watch Institute: 2013 Resource Governance Index
Governance of State-owned Companies

Source: Revenue Watch Institute: 2013 Resource Governance Index
Governance of Natural Resource Funds

Norway (Government Pension Fund)
Chile (Copper Stabilization Fund)
Botswana (Pula Fund)
Angola (Fund for Reserva do Tesouro Nacional)
Nigeria (Sovereign Wealth Fund Crude Oil Account)
Equatorial Guinea (Fund for Future Generations)
Role of various elements in overall petroleum legal regime

- Constitution
- Policy / Legislation
- Regulations / Rules / Model Contract
- Contracts
Extractive Industry Project Cycle

- Project Identification & Initiation
- Exploration
- Appraisal
- Development
- Production
- Closure
Different elements of petroleum governance

Various elements of production chain:
Natural Assets are vested in the State

Invite Government Actions

➤ Vary along the entire project cycle.
Continuum of Government Actions in the life of a project

Stage 1: Resource Control
- Policies
- Legislations
- Institutions
- Fiscal Regime

Stage 2: Revenue Use and Management
- Revenue Assessment
- Revenue Collection
- Revenue Management

Stage 3: Linkages to the rest of the economy
- Backward Linkages
- Lateral Linkages
- Forward Linkages
From Policy to Legislation & Institutions

1) Linking Legislation to Policy

2) Effectiveness of Institutions- Clarity of roles, Assignment of responsibility: Ghana Petroleum Sector:

i. Ministry of Energy,

ii. Energy Commission,

iii. Petroleum Commission,

iv. National Petroleum Authority,

v. Ghana National Gas Company,

vi. Ghana National Petroleum Company,

vii. Bulk Oil Storage Transportation
Revenue Management Institutions (Mining)

1) Assessment – institutional coordination
2) Collection – institutional capacity
3) Management and use – Executive, Parliament, Civic Society
Thank You

• Questions and Comments
Good Governance Indicators

Global Percentile Rank (0-100)
Sub-Saharan Africa

Source: African Development Bank
Governance Initiatives

• African Peer Review Mechanisms
• Equator Principles
• Extractive Industries Transparency Initiatives
• Publish what you pay
• International Council on Mining and Metals (ICMM)
• African Mining Vision