Rapporteur’s Report

DIALOGUE ON GOOD GOVERNANCE IN THE MINERAL, OIL AND GAS SECTOR IN WEST AFRICA
Dialogue on Good Governance in the Mineral, Oil and Gas Sector in West Africa

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Executive Summary

The African Centre for Economic Transformation (ACET) under its Sustainable Resource Series organised its maiden Dialogue in Accra, Ghana on 8th October, 2013 to discuss ACET’s policy brief on “Good Governance aspects of Sustainable Development – challenges and opportunities in the minerals, oil and gas sector in West Africa”.

This Dialogue was supported by the Ford Foundation and saw participation from countries like Sierra Leone, Ghana, Guinea, Gambia, Senegal, Liberia, Mali and Burkina Faso. Participants were drawn from civil society, think tanks, media, legal, parliament as well as governmental agencies.

The Dialogue was organised in the form of three presentations, an interactive breakout session, group presentations and plenary discussions after each presentation. Plenary presentations were delivered by seasoned resource persons. In the group breakout sessions, participants analysed country experiences using Botswana and Nigeria as case studies. The learning outcomes were shared in plenary.

Key points which emerged from the conference are summarized under thematic areas below.

Sustainable Development in the Mineral, Oil and Gas Sector

• Resource-rich countries must strive to build a good society for both the present and future generations.
• Economies of resource rich countries must be diversified to avoid overdependence on one natural resource for national development.
• Employment creation efforts by resource rich countries should focus on investing resource revenues in areas that will yield optimal results for the citizenry.
• Resource rich countries must analyse the value chain of their resources and determine the revenue streams and employment opportunities along the value chain to determine the actual benefits to its citizens and make appropriate plans.
To promote transparency of revenues, public accountability and diversified investments for long-term growth, new resource economies should adopt both political and economic strategies.

**Natural Resource Governance and Politics**

- Investors and governments should be accountable for the exploitation of the natural resources.
- Resource rich African countries should harmonise their policies and regulations relating to the management and exploitation of natural resources in order to maximise benefits from the sector.
- Countries must exhibit political will in responding to recommendations of accountability institutions.
- African countries should promote regional integration around oil development to boost their energy supply for domestic and industrial utilisation.

**Good Governance and the Extractive Industry**

- Countries must study their histories in order to learn from previous mistakes in their MOG sector.
- Illicit financial flows from minerals in particular must be stemmed to halt the haemorrhage of development funds.
- Long-term country development plans need to be insulated from changes in government to ensure continuity.
- Resource endowed countries should emulate best practices from many countries in the governance of natural resources and learn from failures of others.
- Countries are usually quick to accede to international protocols but greater emphasis should be placed on the readiness and willingness to implement the protocols.
- Regulatory frameworks must be effective and enforced to ensure good governance in the MOG sector.
- Leadership must exhibit modest lifestyles and a culture of leadership of service.
- Long-term development plan and fiscal discipline should be linked to the resource revenues and national budget.
Role of institutions

- Functioning institutions are essential to the management of natural resources.
- Institutions established for the MOG sector must be adequately resourced to successfully execute their mandates.
- The culture of a country and its citizens bears a significant influence on the performance of its institutions. Institutions must therefore be in harmony with the culture of a people if they are to be effective.
- Depersonalisation of institutions is necessary to enhance their effectiveness and longevity.
- There must be realignment of purpose and character of institutions established in the colonial days to reflect the current developmental needs of citizens.
- Citizens must understand the role of revenue institutions to their collective benefit and fulfil their responsibility to pay tax as the price of living in a good society.
- Regulatory institutions for the MOG sector must be effective and independent in their operations.

Traditional Setting and Resource governance

- Traditional institutions play a key role in Africa’s resource governance, particularly in the transfer of resource benefits, and should therefore not be relegated to the background.

Role of Civil Society

- Civil society may engage directly with companies in the extractive sector if dialogue with government fails to yield expected results.

Culture versus Transparency and Accountability

- Proper regulatory frameworks must be instituted to address the influence of culture on transparency and accountability.
- Researchers must investigate the impact of cultural nuances on political systems.
**Local content, Diversification and Value addition**

- African countries can utilise local content to facilitate integration of their oil sector with other sectors of the economy.
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<td>ACET</td>
<td>African Centre for Economic Transformation</td>
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<td>CDD</td>
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<td>IDEP</td>
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<td>IIAG</td>
<td>Mo Ibrahim Index of African Governance</td>
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<td>MOG</td>
<td>Mineral, Oil and Gas</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>OPC</td>
<td>Oil Producing Country</td>
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<td>RGI</td>
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<td>Revenue Watch Institute</td>
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<td>UN</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

The African Centre for Economic Transformation (ACET) is a think-and-do-tank which was established in 2008 to achieve economic transformation in Africa through advocating for prudent policies, facilitating knowledge exchange and supporting governments in planning and implementation.

The centre received a grant from the Ford Foundation in West Africa under its Sustainable Resources Series programme to document policy briefs on challenges linked to sustainable development in the Mineral, Oil and Gas (MOG) sector. The policy briefs would be used to convene Dialogues with civil society groups, policymakers, development partners and industry experts. The goal is to strengthen the capacity of these actors to engage constructively with policymakers, using reliable information about issues that impact upon citizens of resource-rich countries.

The Sustainable Resources Series centres on seven themes – Governance, Accountability, Transparency, Business ethics, Environment (social), Environment (physical) and Conflict minerals. Focus countries are Sierra Leone, Ghana, Guinea, Gambia, Senegal, Liberia, Mali and Burkina Faso.

ACET organized its maiden Dialogue in Accra, Ghana, on 8th October, 2013, to discuss good governance in West Africa’s extractive resource management.

1.2 Objective of Dialogue

The maiden Dialogue in the Sustainable Resource Series sought to assemble various stakeholders to discuss ACET’s policy brief on “Good governance aspects of Sustainable development – challenges and opportunities in the minerals, oil and gas sector in West Africa”.

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1.3 Participation

This Dialogue saw participation from the following countries: Ghana, Sierra Leone, Burkina Faso, Senegal, Mali, Guinea, Gambia and Liberia. Participants also included civil society, think tanks, media, legal, parliament as well as governmental agencies.

1.4 Event format

The Dialogue was organised in the form of three presentations, an interactive breakout session, group presentations and plenary discussions after each presentation.
CHAPTER TWO

2.0 OPENING REMARKS

2.1 Opening Remarks by Prof Joe Amoako-Tuffour, Senior Advisor, ACET

Prof Joe Amoako-Tuffour, moderator for the day’s session, welcomed participants to the programme. He presented four questions for participants to reflect on as a prelude to the day’s discussions:

- What does the extractive industry have to do with good governance?
- How can society’s economic welfare be maximised using wealth derived from extractive resources?
- What are the best practices and the not so best practices?
- What are the lessons for both old and new reforming countries?

2.2 Opening Remarks by Sheila Khama, Director of Extractive Resource Services, ACET

Sheila Khama extended her appreciation to participants for their willingness to contribute their expertise and ideas to the roundtable discussion. She proceeded to give a background and overview of the day’s programme.

She explained that with support from the Ford Foundation, ACET conducted basic analytical studies on sustainable development of oil, gas and other natural resources. The Dialogue formed part of a broader Sustainable Resources Series by ACET with a focus on the theme: Good Governance and its relationship with Sustainable Development. The chosen theme was one of seven policy themes to be deliberated upon in the coming months under the Sustainable Resources Series. The other themes are:

- Accountability
- Social Environment
- Physical environment
- Human rights
- Business ethics
Conflict minerals

The programme will use case studies from various countries to contextualise challenges while eliciting lessons from successes and failures in tackling sustainable development. The outcome of the Dialogues will be the publication of policy briefs on all seven thematic areas, copies of which will be made available to participants through the ACET website.

Sheila Khama disclosed that as a follow up to the roundtable discussion, ACET will host a second conference in Dakar, Senegal, on 4th November, 2013 to discuss Accountability. In 2014, ACET will, in partnership with local NGOs, host two more sessions in Guinea and Sierra Leone.

Sheila Khama further mentioned that ACET partnered CDD for the ongoing conference. In Senegal, ACET will partner UN African Institute for Economic Development and Planning (IDEP) Centre. In Guinea-Conakry, ACET will work with a coalition of NGOs. She added that ACET is yet to find a partner for its conference in Sierra Leone.
CHAPTER THREE

3.0 PRESENTATIONS

In all, three presentations were delivered to set the stage for focused group discussions. Each presentation was followed by a series of questions, comments and discussions. The presentations were on:

- **Sustainable Development Challenges and Economic Transformation through the Extractives Sector**;
- **Natural Resource Governance and Politics in West Africa**; and
- **Good Governance and its Linkages to the Extractive Industry in Ghana**

3.1 Sustainable Development Challenges and Economic Transformation through the Extractives Sector by Sheila Khama, ACET

The presentation touched on the definition and scope of sustainable development and shed light on its principles, drivers and challenges.

The speaker explained that Sustainable Development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” It encompasses social, economic and environmental aspects, and involves striking a balance between the conflicting aspirations of policymakers and industry in exploiting natural resources. On principles underpinning sustainable development, Sheila Khama shed light on economic, environmental, social, governance, and human rights perspectives. She stressed that good governance is important because governments which undertake exploitation of natural resources do so as custodians of the resource for the larger society and are therefore to be held accountable. She noted that in most cases, the drivers of economic transformation are also drivers of sustainable resource exploitation. These drivers include good governance, skilled labour force, innovation and wealth distribution.

Sustainable development of the extractive sector is crucial for several reasons, particularly because of the huge volumes of carbon emissions by the MOG industry. Sheila Khama
added that unless exploitation can leave host communities in a socially, economically and environmentally superior condition than their pre-exploitation state, the moral basis for exploitation is lost. She further noted that sustainable development is important to the MOG sector because of the finite nature of natural resources, resource capacity, greenhouse effect, conflicting requirements for land use and wealth.

Sheila Khama categorized challenges relating to sustainable development in the MOG sector into four parts: public expectations, industry reputation, unique factors, and negative perceptions. She added that governments have responded to these challenges through initiatives such as the Kimberley process, Dodd-Frank Act, Community Mineral Rights, Sustainable Development Act (in Australia) and sustainable development in mining (in South Africa). On the other hand, the MOG industry has responded by adopting voluntary standards, self-regulation, brand protection, responsible investment and corporate responsibility index.

Sheila Khama noted that addressing gaps associated with implementing sustainable development will require constructive dialogue and proactive advocacy, strengthening the capacity of regional NGOs and rewarding responsible stewardship.

### 3.1.1 Discussion

The following issues were raised for discussion after the presentation:

- Who decides whether to exploit natural resources?
- Investors’ concerns about citizens’ benefits from extractives industry
- Efficiency of investment from resource revenues

**Who decides whether to exploit natural resources?**

A question was raised as to who makes the ultimate decision to exploit resources in a country. Sheila Khama explained that in most countries, oil and gas resources are vested in the state on behalf of the citizens. The state therefore acts as the custodian of the resources and the government can take decisions on exploitation, which includes granting or refusing
licences for exploitation. This mandate is discharged within the relevant laws peculiar to each country.

**Investors’ interest versus rights and benefits accruing to citizens**

In answering a question on whether investors are interested in the rights and benefits accruing to the average citizen from natural resource exploitation, the speaker opined that investors’ overriding interest lies with maximizing revenue to pay back loans and shareholder dividends. However, mounting pressure from civil society and the public has made them increasingly concerned about their public image. Sheila Khama added that for most investors, their obligation to the state lies in delivering fair value to the government according to their concession. It then behoves on government to distribute the resource revenues equitably to the citizens.

Sheila Khama raised two key questions for further deliberation:

1. To what extent do citizens hold industry and government accountable?
2. On what set of issues should industry and government be held accountable?

**Efficiency of resource revenue investment**

Mohammed Amin Adam of the Africa Centre for Energy Policy raised a point on the need for efficient investment of resource revenues as a critical factor in sustainable development. Sheila Khama agreed with the point, and explained that investment is embedded within the concept of sustainable development. She added that the gap between the present and future generation is represented by the right investments as driven by the country’s expenditure policies.

3.2 Natural Resource Governance and Politics in West Africa by Mr Victor Brobbey, Research Fellow, CDD-Ghana

The presentation by Victor Brobbey touched on democracy and natural resources in Africa while highlighting theories on the disparity between good governance and natural resource exploitation.
After providing a background to democracy and natural resources exploitation in Africa, the speaker described what he referred to as the seeming incompatibility between natural resource extraction and good governance in Sub-Saharan Africa. Inferring from the Mo Ibrahim Index of African Governance (IIAG), Victor Brobbey stated that the five topmost oil producers in Sub-Saharan Africa were also the poorest performers on the IIAG. Oil Producing Countries (OPCs) particularly appeared to have poor human rights protection and low citizen participation. For example, Equatorial Guinea and Libya scored far below the continental average in sub-cATEGORIES of participation and human rights protection.

Victor Brobbey disclosed that various literature have attributed the observed poor governance record of resource-rich countries to the ‘resource curse’. He explained that resource rents decrease vertical accountability through the elimination of taxes, thereby leading to corruption, patronage and rent seeking. Furthermore, in democratic states, resource rents derived by the ruling elite can create massive incumbency advantages that undermine electoral competitiveness.

He propounded two theories on the relationship between governance and resource exploitation:

- **Theory A**: weak institutions lead to bad governance which in turn leads to poor or inequitable exploitation of natural resources.
- **Theory B**: the presence of natural resources puts in motion a cycle that ultimately gives rise to weak institutions and bad governance.

Victor Brobbey stated that many West African states, including democratic and non-democratic states, exemplify theory A. Using Sierra Leone as a case study, he cited the following governance challenges:

- Weak public finance mechanisms due to the weakness of parliament to play effective oversight role over government
- No effective enforcement mechanisms against corruption and violations of environmental governance standards
- Weak transparency mechanisms
- Poorly enforced and non-existent information access mechanisms
Victor Brobbey explained that according to theory B, the sheer presence of natural resource leads to institutional weaknesses in governance systems which ultimately leads to bad governance. He used Ghana to illustrate theory B. He said Ghana has:

- relatively strong democratic credentials as well as good governance
- had a stable and highly competitive two-party political system since 1993
- regularly scheduled elections, an independent media, rights to freedom of speech and association
- civilian control of its military and a vibrant civil society movement.

The discovery of commercial petroleum introduced some challenges into Ghana’s progressive democratic environment as follows:

- Significant levels of opacity in the country’s oil licensing and contracts regime
- General culture of lack of transparency in governmental activities
- Failure to insulate key natural resource management institutions from partisan politics (i.e. appointments by the president are subject to change with changes in government).

The speaker concluded that perhaps the problem of bad governance was more specifically tied to commercial oil discovery and not extractive resources generally.

3.2.1 Discussion

Mr Victor Brobbey’s presentation drew questions and comments on the following issues:

- **Ensuring effectiveness of accountability institutions**
- **Alternative options to dialogue for civil society**
- **Role of culture in transparency and accountability**
- **Relationship between democracy and the MOG sector**
- **African leaders and sustainable development**

**Ensuring effectiveness of accountability institutions**

A Sierra Leonean participant expressed worry about the ineffectiveness of institutions tasked with ensuring accountability in the natural resource sector. Victor Brobbey stated that these institutions must be adequately resourced with qualified personnel who are motivated to fulfil the mandate of the institution. Additionally, policy dialogues can be
pursued to ensure that institutions work assiduously towards their mandates. Sheila Khama noted that Botswana, which has become a success story for resource management in Africa, was once institutionally weak. Strong institutions, she pointed out, seem to be lacking in many of the countries saddled with resource problems.

Alternative options to dialogue for civil society

Asked what options civil society may resort to when policy dialogues fail, the resource person suggested direct engagement with the extractive companies. According to Victor Brobbey, this will yield more results especially for companies which value transparency. He added that some companies in the extractive industry actually urge governments to uphold standards in contract disclosures.

Role of culture in transparency and accountability

In response to a question on the extent to which culture affects transparency and accountability in the MOG sector, Victor Brobbey used the Ghana situation as a basis for his answer. He explained that the resistance of government officials to asset declaration can be attributed to the suspicion that increased transparency by public office holders will lead to harassment by citizens for patronage and other requests. Victor Brobbey recommended of proper regulatory regimes to address the issue. Sheila Khama called on researchers to examine cultural nuances as factors which impact on political systems.

Democracy and the oil sector

A participant remarked that there was no proven correlation between democracy and the oil industry. Citing Venezuela and China where citizens have benefitted from the resource wealth, regardless of their social standing, he argued that the important issue is what a country seeks to achieve with its natural resources and not the political system it operates. Victor Brobbey however pointed out socio-economic challenges in Venezuela such as the absence of basic commodities. He drove home the point that non-democratic states have peculiar issues. He further revealed that empirical evidence from Afrobarometer and Mo Ibrahim Index shows a correlation between democracy and good governance of natural resources. Victor Brobbey encouraged countries to strive for democracy since democratic
states were better off and more likely to achieve positive outcomes with their resources than non-democratic states.

Sheila Kharma remarked that perhaps the sudden influx of huge resource revenues being channelled through political structures is to blame for the bad governance observed with resource rich countries. She stressed the importance of proper functioning institutions as essential ingredients to the management of natural resources in every country and called for research into the appropriate nature of institutions required by individual countries.

**African leaders and sustainable development**

Mr Victor Brobbey concurred with a participant on the subject of African leaders and sustainable development and the need for proper conceptualisation and democratisation of development on the continent. He also agreed that culture plays a part in conceptualising the challenges regarding the effective running of institutions. Sheila Khama added that in considering suitable compensation for people physically and environmentally affected by resource exploitation; the social value, conflicting land use as well as the economic, social and cultural aspects of compensation must be taken into account.

**3.3 Good Governance and its Linkages to the Extractive Industry in Ghana by Prof Joe Amoako-Tuffour, Senior Advisor, ACET**

Prof Amoako-Tuffour’s presentation touched on the definition of good governance, the Resource Governance Index and the governance of state-owned companies and natural resource funds. It also shed light on the role of various elements in the petroleum regime, the extractive industry project lifecycle and the role of government and government actions in a project life.

Quoting from the African Development Bank (AfDB) and the United Nations Economic Commission on Africa (UNECA), Prof Amoako-Tuffour said good governance is achieved when “the legal and institutional environment operates in a manner that effectively promotes transparency and accountability.” Good governance also refers to the set of government actions along the entire life cycle of a resource activity necessary to maximise
the social and economic welfare of the present and future citizens in a sustainable manner using the resource wealth.

According to Joe Amoako-Tuffour, the Resource Governance Index (RGI) by Revenue Watch Institute (RWI) points to Norway, Chile, Trinidad and Tobago, Indonesia and Ghana as top performers in governance out of fourteen countries. Additionally, Ghana emerged the highest performer out of six African countries in terms of institutional and legal setting and reporting practices. South Africa was the best performer in the areas of safeguarding and quality controls, and enabling environment. Norway, Chile and Morocco were ranked as the three best performers in the governance of state-owned companies while Norway, Chile and Botswana emerged the three top performers in the governance of resource funds.

Prof Amoako-Tuffour used the illustration of a pyramid to illustrate the role of various elements in the petroleum legal regime. He named the following from the base to the apex:

- constitution
- policy and legislation
- regulation, rules and model contracts, and
- contracts.

The ACET Senior Advisor also identified the stages in the extractive industry project cycle as project identification and initiation, exploration, appraisal, development, production and closure. He further described the petroleum production chain which comprises upstream (exploration and production), midstream (transportation and refining) and downstream (distribution and retail).

Prof Amoako-Tuffour spoke on the role of government along the three stages of the extractive project cycle:

- **Stage 1 (Resource Control):** here policies for the sector are formulated, legislations enacted, institutions established and fiscal regimes instituted
- **Stage 2 (Resource use and management):** this involves the assessment, collection and management of the revenue from the resource
Stage 3 (Linkages to the rest of the economy): analyses of the backward, lateral and forward linkages to other sectors of the economy.

For stage 1, the speaker recommended linking legislation in the extractive industry to policies in order to assure good governance. Additionally, he called for institutions to be effective in terms of clarity of roles and assignment of responsibility. His recommendations for stage 2 included institutional coordination in revenue assessment and strengthening institutional capacity in revenue collection. He added that in the management and use of mining revenues, the executive, parliament and civil society must play their roles effectively.

3.3.1 Discussion

Prof Joe Amoako-Tuffour’s presentation on good governance generated discussions on the following issues:

- Culture and its influence on the performance of local institutions
- Ineffectiveness of institutions
- Ideal political setting for natural resources
- Harmonisation of natural resources management policies in Africa
- Examining the failure of African countries to succeed in natural resource management
- Role of Traditional institutions in Africa’s resource governance
- Establishment of fund for future generations
- Illicit financial flows in the extractive sector

**Culture and its influence on the performance of local institutions**

In responding to a question on culture, Prof Amoako-Tuffour explained that institutions are a reflection of the norms and values of society. He called for an examination of culture and how institutions are created. He noted that the performance of institutions depends on the culture of its citizens. In that vein, institutions must be in harmony with the culture of the citizens if they are to achieve their set objectives. He also pointed out that in some instances, institutions are donor agency driven and seek primarily to fulfil a preset agenda.

He noted that Ghana’s high ranking in institutional and legal setting on the RGI is attributed to the country’s swiftness in acceding to international standards. He pointed out that,
accession is not enough if is not complemented by a readiness and willingness to implement the principles to which one has acceded.

**Ineffectiveness of institutions**

Responding to a Sierra Leonean participant’s concerns on ineffectiveness of institutions, Prof Joe Amoako-Tuffour explained that institutions built to govern differ from those meant to develop a nation. Colonial institutions, he added, were primarily meant to govern the people therefore their rules, incentives and local representation were different. These colonial institutions have basically remained unchanged in character as fundamentally they are still institutions to govern. For nations that strive for development, he recommended they rather build institutions of development.

Responding to a participant’s question to differentiate institutions of governance from that of development, Prof Amoako-Tuffour explained that revenue institutions in the colonial era had the primary task of collecting revenues for the Crown. Revenue collection, he added, was essentially a rent gathering exercise for the ruling elite with no benefit principle for the citizenry. The revenue collection exercise itself was undertaken by strong men. The Crown decided how much of revenue stays in the country and what is repatriated. He observed this colonial era logic and philosophy still permeates the current operations of the revenue agencies in Ghana where the commissioner for the revenue agency is either a military or customs officer. He emphasized that a reorientation is needed for citizens to understand that contemporary revenue mobilization efforts are a requisite for societal progress.

**Ideal political setting for natural resources**

Mr Mohammed Amin Adam observed that similar themes of political setting for resource governance and democratisation run through the presentations of Prof Amoako-Tuffour and Mr Victor Brobbey. He pointed out two related issues – the political competition for resources and political settlement for resources. He described the former as the scramble for resources where political parties go to great lengths to corrupt institutions and private sector in order to win power. Mr Amin Adam referred to political settlement as the rubberstamping of oil and mining contracts by parliament because members of a ruling party want appointments to ministries, boards and key committees of government. With
this background he quipped that this was not the ideal political setting for natural resources exploitation to ensure good governance. In response, Prof Amoako-Tuffour called for an analysis of the required parameters to build a good society for the present and future generations with or without oil.

**Harmonisation of natural resources management policies in Africa**

A participant from Senegal recommended that resource rich African countries should harmonise their policies on management and exploitation of natural resources. Prof Amoako-Tuffour buttressed the point, adding that African countries are perhaps too tiny to independently tackle issues of natural resources management efficiently. He wondered if African countries were being inefficient by individually formulating their own petroleum laws and local content policies. He recommended that African countries take advantage of economies of scale by collectively discussing and harmonising policies and laws on local content, environment, industrial safety, etc in the extractive sector.

**Examining the failure of African countries to succeed in natural resource management**

A participant from Liberia expressed worry about the inability of Liberia to achieve a similar level of success chalked by Botswana considering that Liberia commenced exploitation around the same period. Prof Amoako-Tuffour explained that countries need to study their history in an effort to uncover the causes of failures in the sector. He expressed optimism that discussions of this nature signal the willingness to dialogue on these matters at the regional level and ponder their solutions.

**Role of traditional institutions in Africa’s resource governance**

Nana Ama Yirah, a participant, made a case for the role of traditional institutions in resource governance in Africa, stressing that they are significant in determining the transfer of resource benefits to the citizens. Prof Amoako-Tuffour acknowledged the role of traditional authorities, problems with artisanal mining in Ghana for example, could not be addressed without engaging the traditional authorities and traditional land tenure system. He added that enactment of laws without recognition of our culture, land holdings and various levels of authority will not achieve the desired results. Drawing on Ghana’s history, Prof Amoako-Tuffour shared the example of a Kibi chief was the most prominent mining revenue tax.
**Illicit Financial Flows in the extractive sector**

A Sierra Leonean participant wondered if illicit financial flows from resources could be the cause of bad governance of natural resources in Africa. In response, Prof Amoako-Tuffour remarked that perhaps bad governance rather paves the way for illicit financial flows. He recognised that illicit financial flows have become a major source of haemorrhage of development funds.

**Establishment of fund for future generations**

Here, Prof Joe Amoako-Tuffour spoke of the abundant literature on setting up funds for future generations. He added that Ghana’s experience in designing its revenue management law and the establishment of funds (i.e. Stabilisation fund, Heritage fund) can serve as examples to emulate.

**Comments by Sheila Khama following Prof Amoako-Tuffour’s presentation**

Sheila Khama raised three key issues after the presentation by Prof Amoako-Tuffour.

- **Government’s value chain**
  Issues arising in the various development stages of natural resources vary and it is important for civil society and governments not to assume that what is ideal downstream is necessarily ideal upstream.

- **Definition of democracy**
  Sheila Khama was of the view that perhaps democracy is sometimes overstated in its value, and that there are many examples of non-democratic countries which have achieved significant success in the management of their natural resources. She cautioned against the common assumption that all good things reside within democracy.

- **Civil society and accountability**
  Sheila Khama urged civil society to have a robust voice, stay informed and hold governments – democratic or non-democratic – to account. She stressed that the voice of civil society must be so strong that governments will ignore them at the peril of their mandate to govern.
CHAPTER FOUR

4.0 INTERACTIVE BREAKOUT SESSION

Following the presentations, participants were divided into two groups to deliberate on two case studies involving the MOG industries of Nigeria and Botswana. Group representatives presented the summary of their deliberations in plenary as summarised below.

4.1 Presentation on the Nigeria case study

Background to the Nigeria case study
The group concluded that the case study represents a bad case of natural resource management in Nigeria while providing important lessons for other countries. Countries which have recently discovering natural resources, particularly oil, can borrow from Nigeria’s experiences.

The group noted that the discovery of oil in Nigeria shifted its economy from being dominated by agriculture in the 1970s to oil. Reasons attributed to this shift included

- An exciting new opportunity for increased revenues to develop Nigeria.
- Protectionist policies of Europe hindered Nigeria’s attempts to export agricultural products to the region thereby increasing the value of oil exports over that of agriculture.
- Even though Nigeria may have been producing more volumes of agricultural products for exports than oil, the value of oil exports for similar volumes of oil far outweighed that of agriculture.

Attempts at oil governance
Nigeria practises a three-tier regulatory system as follows

- Ministry of Petroleum has oversight responsibility for petroleum policy
- Nigerian National Petroleum company (NNPC) oversees commercial operations
- The Petroleum Directorate is responsible for regulating the industry.
The country embarked on some fiscal reforms in a bid to decentralise and improve fiscal benefits to citizens. The fiscal reforms included:

- Shift from management and operation of excess crude account to a sovereign wealth fund.
- Thirteen per cent of revenue allocated to producing states and ten per cent allocated to communities through which installations run.

Other significant initiatives adopted by Nigeria to boost transparency in the sector include EITI, laws on local content and establishment of local content boards. Though Nigeria is one of two countries to enact local content laws, local content also presents avenues to deepen corruption through fronting and rent seeking behaviour.

**Pitfalls**

Conflicts in some parts of Nigeria have been attributed to imbalances in benefits from revenues and poor environmental management. Other pitfalls identified by the group were market volatility, Dutch disease, imbalanced rent rewards, poor governance relating to weak institutions, imbalanced benefits to the people and government, oil revenues not translated into visible developments, conflict management, issues of environmental management and value addition to commodity.

**Lessons**

The Nigeria case study offers a wealth of lessons for emerging countries in natural resources management. The lessons are as follows:

The critical need for

- establishment of effective institutions
- prudent investments of natural resource proceeds
- strong political will, the rule of law and development of democratic institutions
- to ensure that effective regulatory frameworks are enforced
- new resource economies to adopt political and economic strategies to promote transparency of revenues, public accountability and diversified investments for long-term growth
- utilisation of local content to facilitate integration of oil sector with other sectors of the economy
promotion of regional integration around oil development.

4.2 Presentation on the Botswana case study

Background to Botswana’s case study

The group noted that the Botswana case study presents a success story of a country’s natural resource management being beneficial to its citizens. The group observed that the country has achieved this feat through the following:

- Leadership and economic systems are not extravagant
- Local ownership and management of natural resources and its revenues
- Equity shares (50%) in mining companies like Debswana
- Consideration of socio-economic context in natural resource governance
- Long-term development plan and fiscal discipline are linked to the resource revenues and national budget
- Checks and balances in place to ensure accountability in the institutions of power.
- Culture of service leadership
- Long history of political stability in Botswana has served as the backdrop for sustainable economic development
- Insulating implementation of long-term development plan from changes in government
- Increased revenues - royalties, taxes, dividends - to Botswana as a result of public-private partnership

Challenges

In spite of these positive developments in Botswana’s natural resource sector, the group identified these challenges

- Large percentage of population still live below national poverty threshold (i.e. 47% in 2009)
- Difficulties in making efficient use of resources
- High unemployment (23%) could potentially fuel conflicts

Lessons
Botswana’s successes in managing its mineral resources presents some lessons particularly for resource rich countries in West Africa as follows

- Effective and independent regulatory institutions
- Exhibition of political will in responding to recommendations of accountability institutions
- Diversification of the economy to avoid overdependence on one mineral or resource.

4.2.1 Discussion on case studies

The following issues arose for discussion after the group presentations on Nigeria and Botswana

- Persistence of poverty inspite of resource exploitation
- Value Addition
- Benefits to resource producing regions
- Compensation for communities affected by exploitation

Persistence of poverty inspite of resource exploitation

A participant observed that poverty rates in rural areas still remained high in comparison to urban areas despite exploitation of resources there. Sheila Khama explained that the mineral, oil and gas sector does not typically employ large numbers of the labour force. She advised that employment creation efforts by resource rich countries should therefore focus on investing revenues in strategic areas that will yield the desired results for the citizenry. This, she added, has been a challenge for Botswana.

Sheila Khama mentioned that increased migration to producing regions could result in response to benefits to resource-producing regions. She recommended strategies such as diversification, creation of employment and import substitution.

Value addition
Touching on value addition, Sheila Khama mentioned that Botswana’s economy is driven by diamonds. She explained that though the value chains for minerals and oil are similar, what oil can deliver upstream vastly differs from what iron delivers. Each country should therefore consider the value chain of its resource, revenue streams and employment opportunities along the value chain. She pointed out that margins tend to be higher upstream than downstream due to stiffer competition downstream as seen with petroleum products.

Compensation for communities affected by MOG industry

George Osei-Bimpeh appealed to Botswana to rethink the psychological effects of relocating people from their ancestral homes to different areas. He buttressed this by referring to studies revealing that when people were relocated during the construction of the Akosombo dam, many of the older generations died. Their deaths were attributed to the ancestral world being angry at deserting the ancestral homes and not protecting their legacy.

Discussion on good governance

A participant asked about the most suitable model for resource revenue distribution since current initiatives such as EITI focus on transparency and accountability of revenue generation. Sheila Khama responded that good governance is made up of several components for which a country cannot get it all right. She called for an examination of the particular areas where countries have become successful in the management of their natural resources. Additionally, she raised the point that country contexts differ. Resource rich countries need to exercise caution in the selection of successful countries and/or measures to emulate. She advised countries not to rely on any one country for instructions in the governance of their natural resources. Buttressing the point, Prof Joe Amoako-Tuffour shared that models of revenue management cannot be a one-size fits all. The best instrument, he added, irrespective of the political system in place, is how best countries draw up their national development plans and the effectiveness of their budgetary systems.
CHAPTER FIVE

5.0 CLOSING
Closing remarks were delivered by Sheila Khama and Prof Joe Amoako-Tuffour. The conference ended with a dinner.

5.1 Closing Remarks by Sheila Khama
The Director of ACET’s Extractive Resource services first expressed her gratitude to all for attending and contributing to the day’s discussion. She encouraged them to continue the discussions beyond the confines of programme. Sheila Khama used the opportunity to invite interested participants to submit their names or nominees to ACET for its upcoming events.

She reminded participants that ACET is looking for prospective partners for its 2014 seminars in Guinea-Conakry and Sierra Leone. She called on participants from the two countries to consider becoming ACET’s local partners in hosting the seminars. She urged participants to stay abreast of activities of ACET, remain informed, and form partnerships with the centre within and beyond the ongoing Ford Foundation-sponsored programme.

She acknowledged that the discussion had brought to light the challenges faced by countries, including successful ones, in the MOG sector. She thanked the Ford Foundation, Prof Joe Amoako-Tuffour, Victor Brobbey, ACET staff and service providers for contributing their expertise and energies to make the roundtable discussion a success.

5.2 Closing Remarks by Prof Joe Amoako-Tuffour
Prof Joe Amoako-Tuffour thanked everyone for supporting the programme and expressed his appreciation for the privilege of moderating the discussion. He acknowledged the rich opportunity that the programme had offered for networking. He wished participants a safe journey to their various destinations.