



CHATHAM HOUSE

ACCOUNTABILITY IN THE MINERAL, OIL AND GAS SECTOR, AND SUSTAINABLE DEVELOPMENT IN WEST AFRICA

Presentation to the Ford Foundation-ACET-IDEF Workshop on Accountability

Dr. Muzong KODI

Associate Fellow

Dakar, Senegal, 4 November 2013

Contents of the presentation

- Context and importance of the issue
- Definitions of key concepts
- Economic growth and sustainable development in West Africa
- Trinidad and Tobago: a success case study
- Lessons from T&T's experience for West African countries
- Suggested policy options



Context and Importance of the Issue

- Sustained high growth rates, especially in MOG producing countries.
- Growth not translated into sustainable development.
- Contrast: economic transformation and sustainable development in resource –rich countries with high degrees of accountability and transparency.
- Key ingredients of success: informed citizenry, committed government leadership with political will and capacity to make and implement technically complex decisions.



Definitions of key concepts

- **Accountability:** individual agencies, and organisations (public, private, and civil society) are held responsible for executing their powers properly.
- **Three forms of accountability:** horizontal, vertical and diagonal.
- **Horizontal accountability:** state agencies (e.g. parliament, judiciary, executive) check and balance each other and have the authority and capacity to sanction improper conduct.
- **Vertical accountability:** citizens (through elections), the media, civil society and other organisations hold public officials accountable.



Definitions of key concepts (continued)

- **Diagonal accountability:** citizens operate through government institutions to better exercise their oversight role over the actions undertaken by the state. Ex: multistakeholder activities, such as state budget monitoring, EITI, APRM, PWYP...
- **Transparency:** characteristic of governments, companies, organisations, and individuals of being open in the clear disclosure of information, rules, processes, and actions. Sine qua non prerequisite for exercising of accountability.
- **Sustainable development:** development that meets the needs of the present generations without compromising the ability of future generations to meet their own needs.
- Sustainable development can only be fostered by **good governance**, i.e. transparency and all forms of accountability.



ECONOMIC GROWTH AND SUSTAINABLE DEVELOPMENT IN WEST AFRICA

- West Africa economic growth: higher than other sub-regions: 6.8% in 2011, 6.6 % in 2012, 6.8% in 2013 (est.), and 7.4% (est.) in 2014.
- Ghana: 7.1% in 2012, 8% (est.) in 2013, 8.7% (est.) in 2014.
- Nigeria: 6.7% in 2012, 8% (est.) in 2013, 8.7% in 2014.
- Generally poor performance in recently published governance indices: Ibrahim Index of African Governance, Revenue Watch Institute's Resource Governance Index.
- Paradox of widespread poverty amidst wealth: poverty rates are high, percentage of people living on less than US\$1.25 per day has increased from 60% in 2009 to 66% in 2011.
- Lack of transparent and accountable management of revenues.



TRINIDAD AND TOBAGO: A SUCCESS CASE STUDY

- Key factor in fostering broad-based sustainable development: comprehensive system of accountability in which all its forms (horizontal, vertical and diagonal) complete and reinforce each other.
- Resources: oil and gas (40% of GDP and 80% of exports).
- One of the 7 largest exporters of LNG in the world and largest supplier of LNG to the USA.
- Dozens of profitable local companies capable of competing with leading international investors in the natural gas value chain.
- Nationals occupy senior positions up to the highest levels of company management, with few expatriates in the oil and gas industry.



TRINIDAD AND TOBAGO: A SUCCESS CASE STUDY (continued)

- Significant improvements in human development: life expectancy at birth (76 years in 2012), literacy rate (98.6% in 2012), unemployment (5.6% in 2012) and people below the poverty line (17% in 2012).
- Contributory factors:
 - National vision and leadership: improvement of welfare of people of T&T at the core of vision.
 - Comprehensive legal, regulatory and institutional framework, with clearly defined roles and oversight provisions.
 - Revenue investment guided by objective of providing for people for long term, even after oil and gas: Heritage and Stabilization Fund.



TRINIDAD AND TOBAGO: A SUCCESS CASE STUDY (continued)

- Oversight and audit mechanisms: Freedom of Information Act makes possible availability of information on management of oil and gas sector and their revenues and oversight and audit by relevant institutions and citizens.
- Fight against corruption and promotion of transparency and accountability in management of revenues (candidate country for EITI in 2011).
- Challenges:
 - Freedom of Information Act applies to the public sector but not to private and state-owned enterprises.
 - Terms of oil and gas contracts are not published.
 - Ad hoc oversight of licensing process by Parliament.



LESSONS FROM T&T'S EXPERIENCE FOR WEST AFRICAN COUNTRIES

- Importance of a long-term vision in guiding policies, regulations and programmes.
- Clear definition of roles of various actors in comprehensive and robust legal, regulatory and institutional frameworks fosters consistency and predictability of regulators.
- Need for competent and dedicated leaders: decision-making and implementation.
- Free access to information promotes transparency and accountability.
- Natural resources Funds can help curb the tendency for governments to increase expenditures during periods of boom and provide for future generations.



SUGGESTED POLICY OPTIONS

- Establish robust legal, regulatory and institutional frameworks that promote transparency and accountability.
- Enact and apply effectively freedom of information laws.
- Create a transparent licensing process and publish contracts.
- Establish Natural Resource Funds.
- Establish by law a financial reporting system.
- Develop and implement capacity development programmes.
- Adequately resource regulatory agencies and oversight institutions.
- Participate in public accountability and transparency initiatives (e.g. EITI, APRM, and PWYP).



**THANK YOU VERY MUCH FOR YOUR
ATTENTION.**

DR. MUZONG KODI
Associate Fellow
Chatham House
London, UK.

E-mail: muzongkodi@gmail.com

