

Introduction: Challenges and Pressures

Inge Amundsen, senior researcher, Chr. Michelsen Institute, Norway
Thursday, November 8th , 2012, 08:30 – 10:00
Elmina, Ghana



Challenges and Pressures

Ghana's Petroleum Resources

- Relative size
- Impact on the economy



Resource Curse Theory

- A curse or a blessing?
- Economic and political explanations
- *Democracy first* theory



Corruption pressures Governance challenges



The institutions that matter

- Horizontal accountability
- Vertical accountability

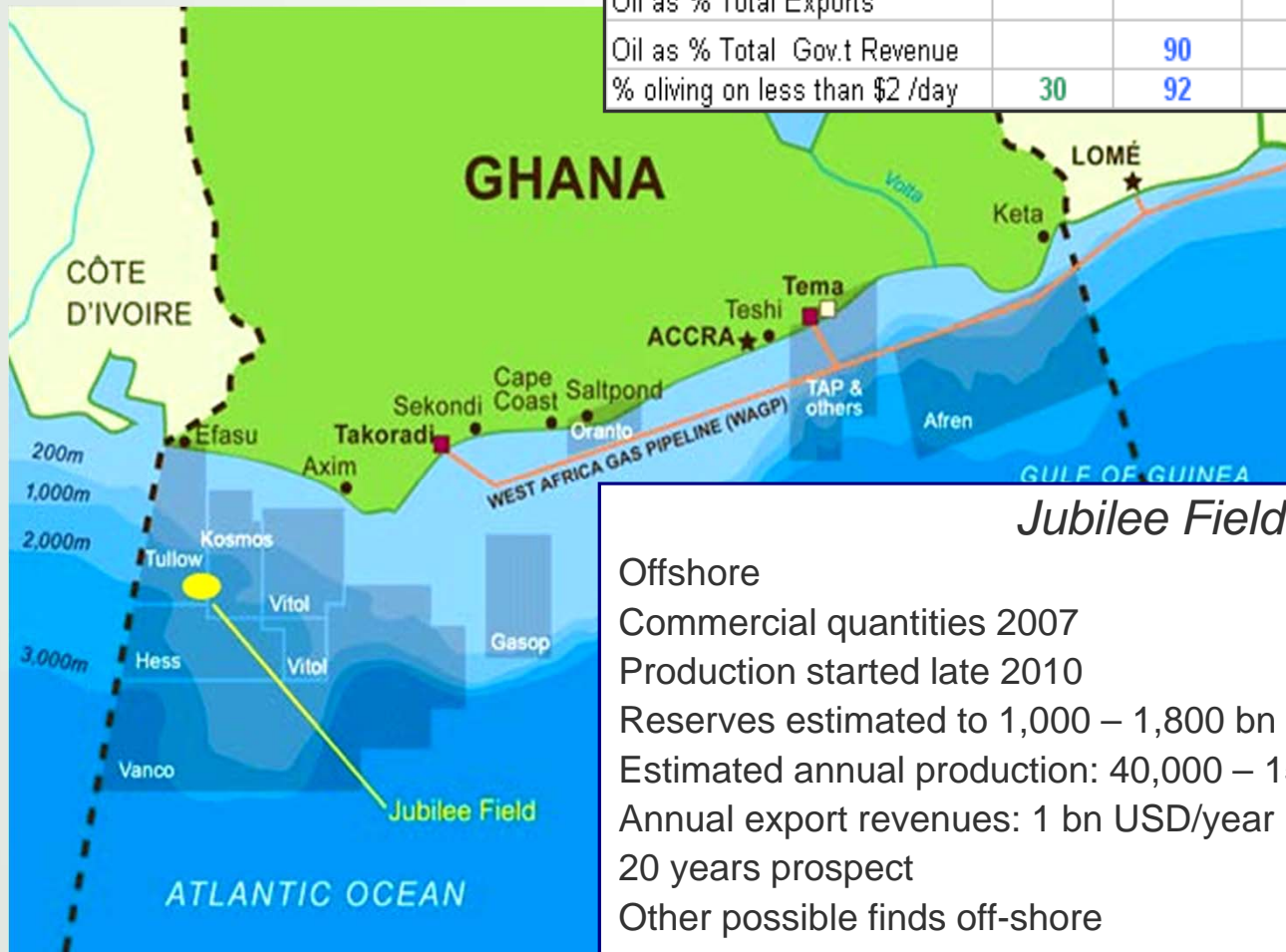


Next:

- *Corruption pressures*
- *Political challenges*

Ghana's Oil Resources

	Ghana	Nigeria	Angola	Cam	DRC	Iraq
Proven Oil Reserves (Mbbbl)	800	36000	9000	400	187	115000
Oil Production (Tbbl/day)	78	2450	1700	63	20	2400
Oil as % Total Exports			60		20	
Oil as % Total Gov.t Revenue		90	95	22		90
% living on less than \$2 /day	30	92	70	30		25



Jubilee Field

Offshore
 Commercial quantities 2007
 Production started late 2010
 Reserves estimated to 1,000 – 1,800 bn barrels
 Estimated annual production: 40,000 – 150,000 barrels/day
 Annual export revenues: 1 bn USD/year
 20 years prospect
 Other possible finds off-shore

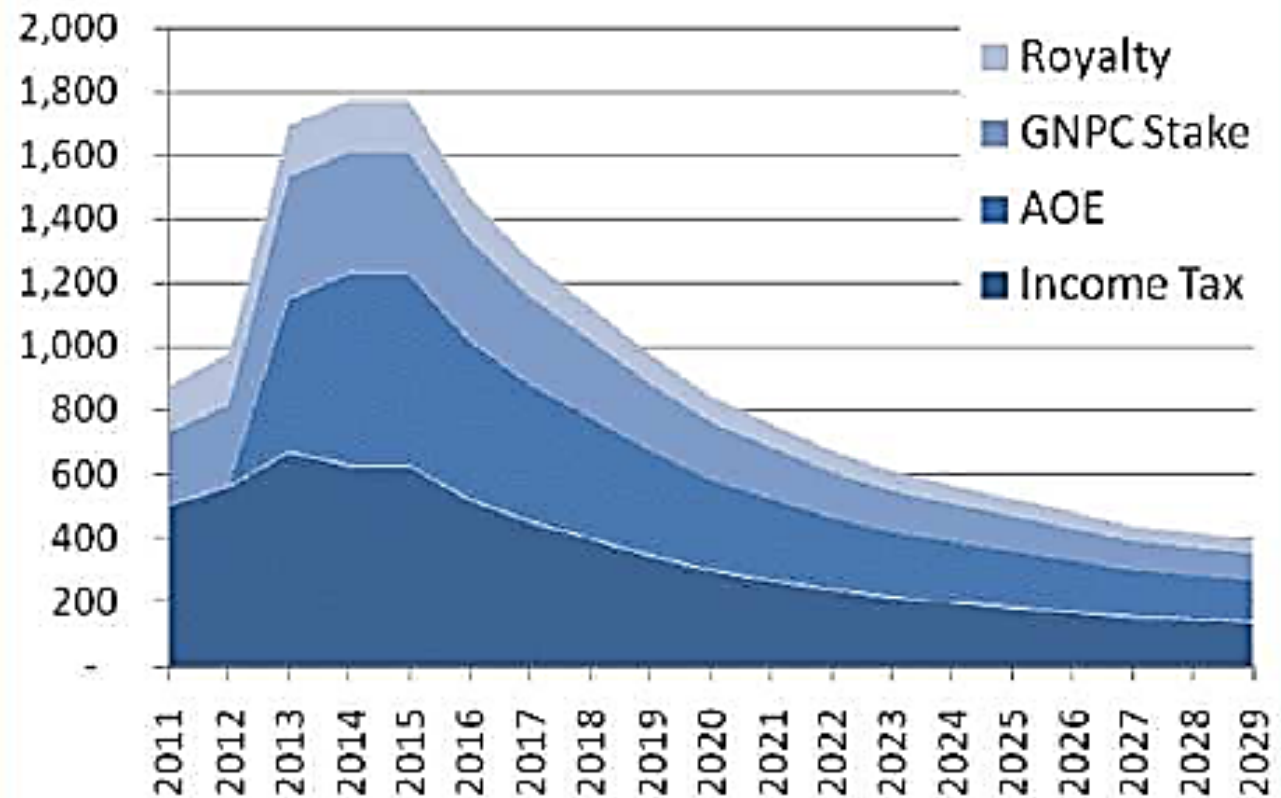
Ghana's Oil Revenues

Ghana's oil revenue has four components

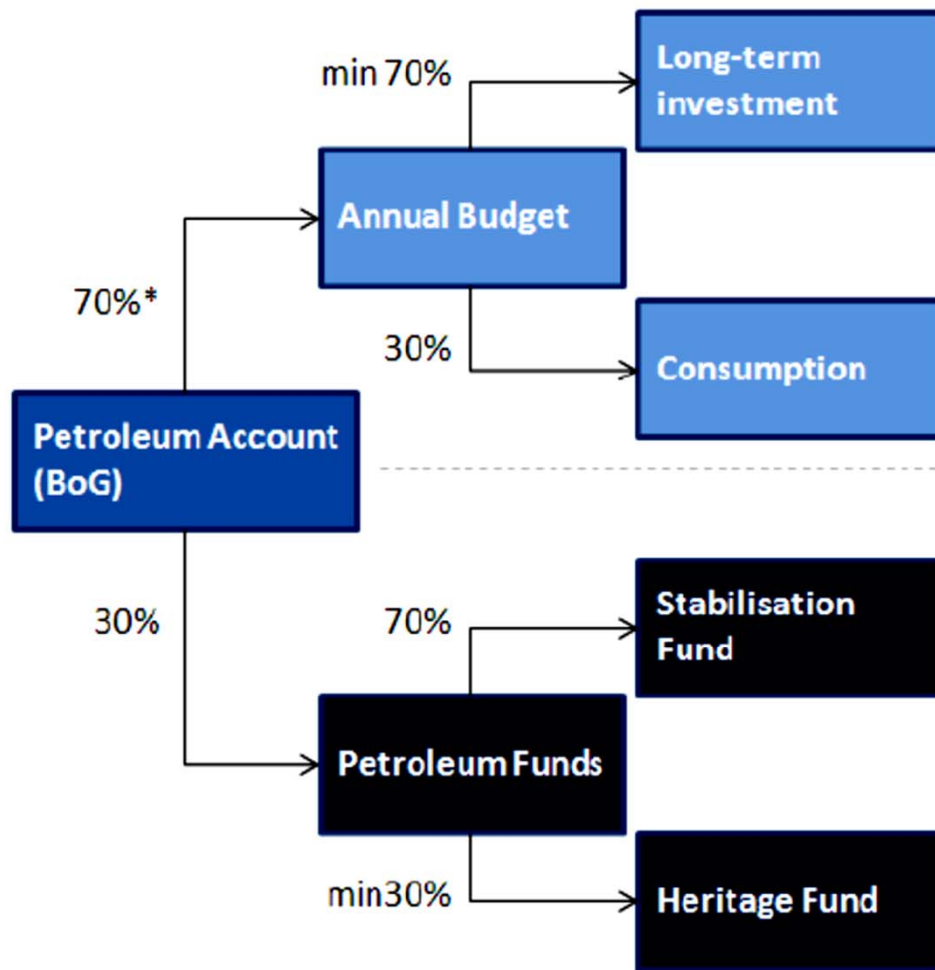
Name	Size
Royalty	5% gross
GNPC commercial profits	13.75% net profit
Additional Oil Entitlement	10-25% if rate of return 18-33%
Income Tax	35% net profit

These combine to give the Ghanaian government's total oil income

Cumulative oil revenue when oil price=\$75/barrel, \$ m (2010)



Petroleum Revenue Management Act (PREMA) 2011



Spending

• Unless otherwise directed by the national development plan, allocated to 11 priorities:

- human resources
- education /health
- water/sanitation
- institutions/governance
- alternative energy
- agriculture
- transport
- rural
- security
- environment
- welfare

• Unallocated

Saving

- Built up quickly to capped level, which is reviewed regularly
- Used to cushion the impact of adverse price/production changes
- After production ends, combined with Heritage fund for permanent income

- Built up slowly initially, then receives all contributions once stabilization fund established
- Used to support welfare of future generations once resources exhausted

The Resource Curse

- *The Dutch Disease*
- *The Paradox of Plenty*
- *The Rentier State model*



Oil rich countries can be worse off

- Rich in natural resources
- Poor in economic development

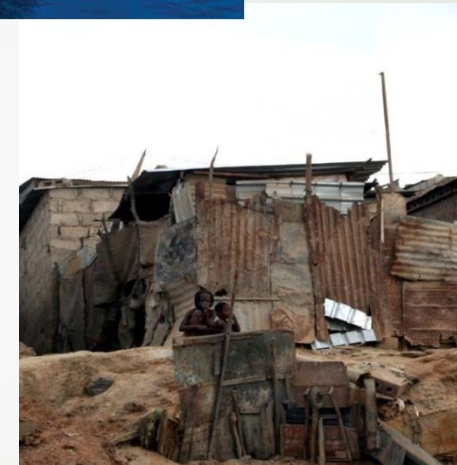
Explanations

- Economic explanations
- Political explanations

Democracy first theory



- **Nigeria**
- **Angola**
- **DR Congo**
- **The Sudan**
- **Sierra Leone**
- **Liberia**
- **Zambia**
- **Colombia**
- **Azerbaijan**
- **Tajikistan**
- **Chad**
- ...



- **Norway**
- **Australia**
- **Canada**
- **Chile**
- **Brazil**
- **Malaysia**
- **Botswana**
- ...

Economic Explanations

Relative price effect

- Higher currency value
- More imports (cheaper)
- Competition difficult

The 'Dutch Disease'

- Over-investment in extractive industries
- Under-investments in manufacture, agriculture
- "Crowding out" (decline of competitiveness)
- De-industrialisation
- Limited economic diversification
- Reform fatigue

Volatility

- Uncertainty for businesses
- Government waste and debt
- Government borrowing
- Capital flight



First Law of Petropolitics

The price of oil and the pace of freedom always move in opposite directions in oil-rich petrolist states.

Thomas Friedman 2006

Political Explanations

The prize increases

- Higher government revenues
- Large benefits of being the “state elite”
- Consumption, enrichment, corruption

State autonomy increases

- Off-shore, foreign, High-Tech
- “Un-earned”, easy
- Little taxation domestic economy
- No “social contract”
- Little influence business/middle class
- Little influence of civil society

State power increases

- Means to manipulate institutions
- Means to buy (off) rivals
- Means to buy instruments of coercion



Conflict increases

- Uneven distribution
- Increasing inequality
- Increasing poverty

Authoritarianism increases

- Entrenched elites
- Violent defence of privileges
- Weak institutions

Two country examples



Malaysia

- 1973** Emerging from devastating inter-ethnic riots
Natural resources giving high revenues
- 1983** Broad-based prosperity
Ethnic groups sharing gains from revenues
- 1993** Spectacular progress
High investment inflows
- 2003** Malaysia a world-class economy
(Kuala Lumpur tallest building in the world)
HDI rank 66 (0,829 high ▲)
President handling over power in a smooth transition

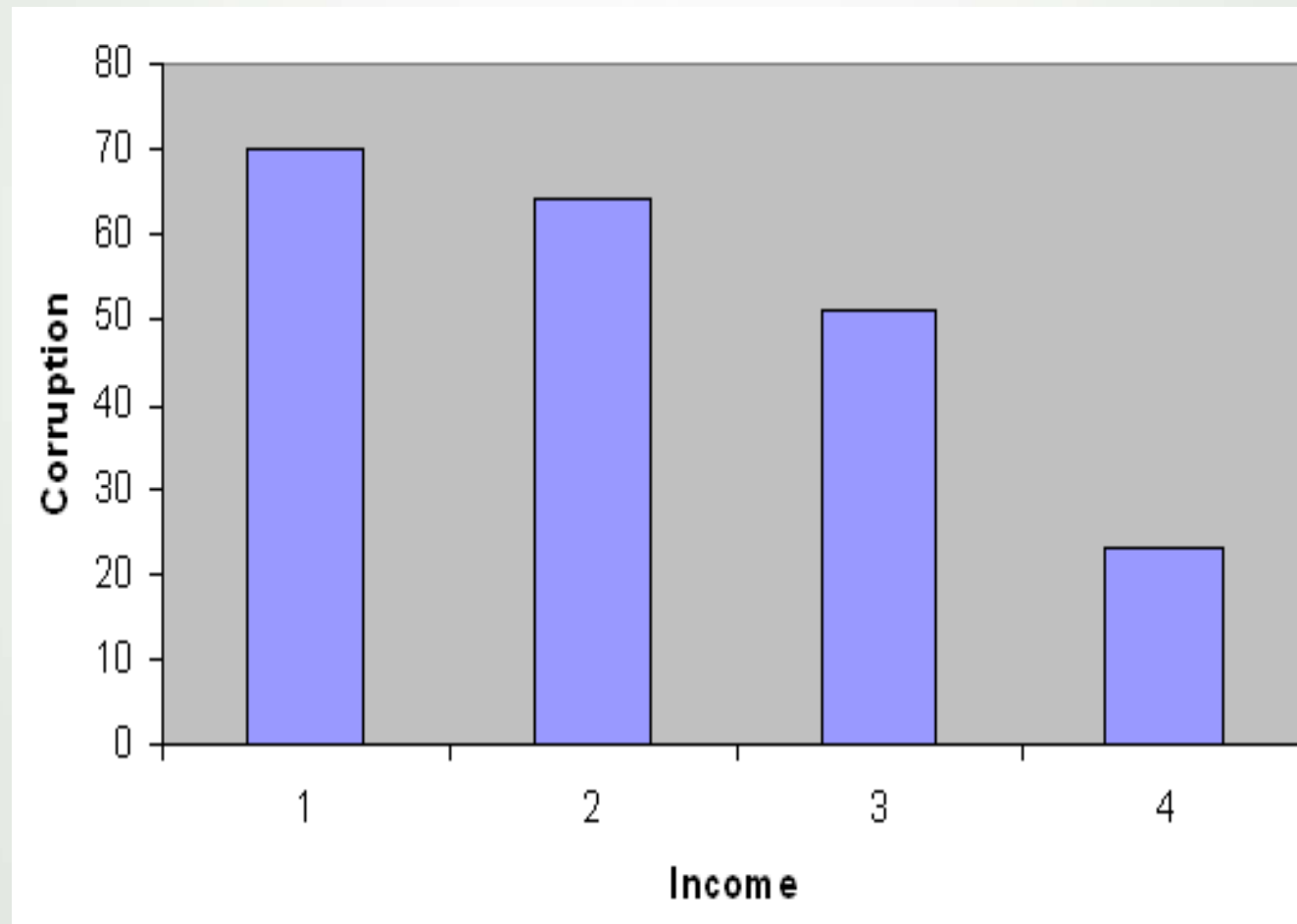


Nigeria

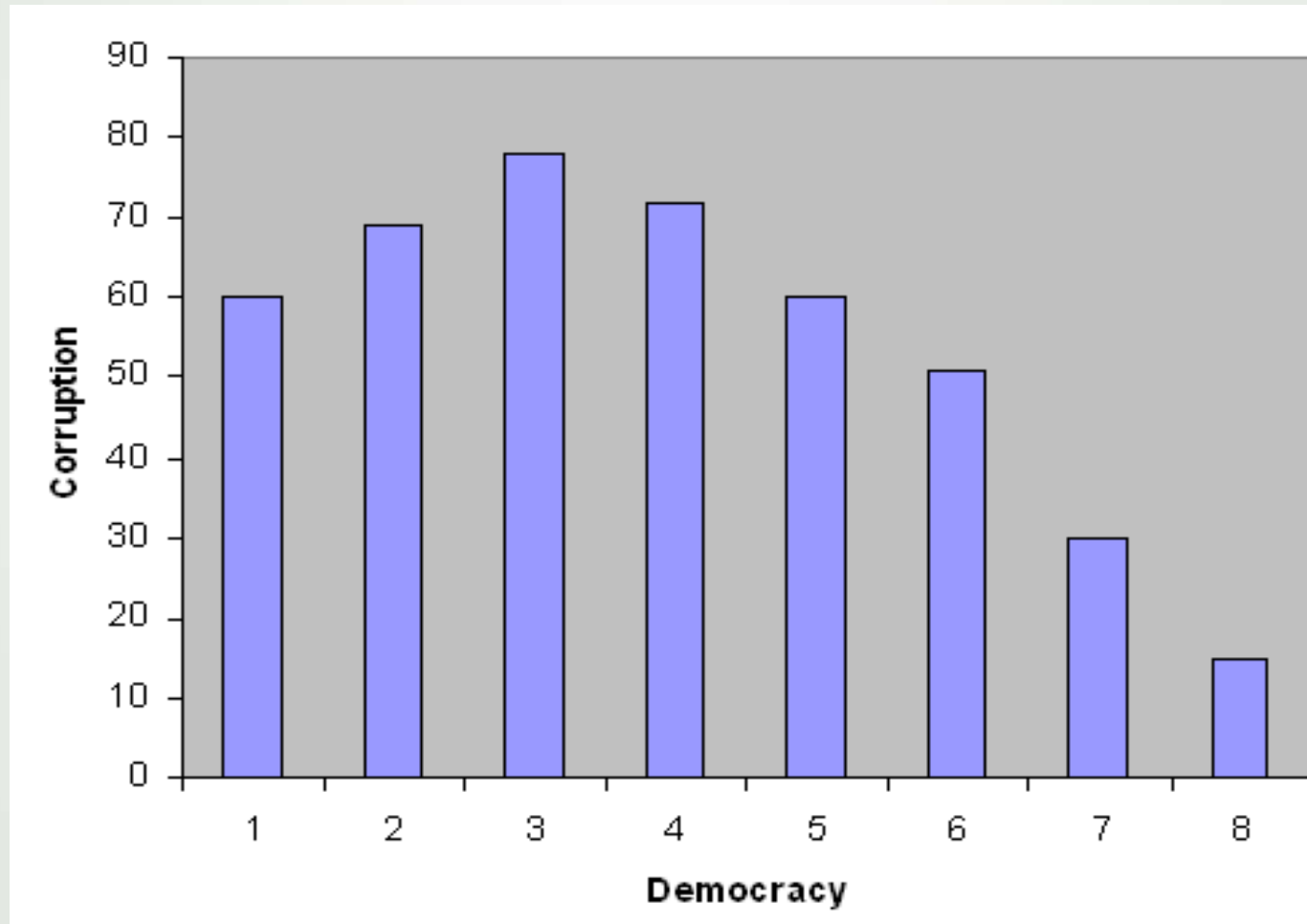


- 1973** Post-conflict
Oil starting to flow
- 1983** First oil boom wasted
Coup d'état
Abacha embezzled 2-5 bn US\$ 93-98
- 1993** Second oil boom wasted
Two more coups d'état
"Niger Delta Syndrome"
- 2003** Total income \$ 300 bn over 25 years
Economy as poor as in 1973
(after \$200bn of oil money)
HDI rank 158 (0.511 low ▼)
Reform just started

Corruption and Economics



Corruption and Politics



Democracy First Theory

A country will be cursed only when it becomes oil-export dependent *before* accountable and democratic state institutions are established and consolidated

Exceptions?

Petroleum: Corruption challenges

Petroleum sector corruption characteristics

- High tech, high stakes, high politics

Preparation, exploration, development

- *Paying up for access to resources?*

Development and production

- *Paying up for maximum profits?*

Rehabilitation and decommissioning

- *Paying up to pollute and abandon?*

Revenue management

- *Paying for power preservation?*



Petroleum: Political challenges

Petroleum sector corruption characteristics

- High tech, high states, high politics

Preparation, exploration, development

- *Establish legal framework*
- *Establish institutional framework*

Development and production

- *Taxation*
- *Control and oversight*
- *Local content and CSR*

Rehabilitation and decommissioning

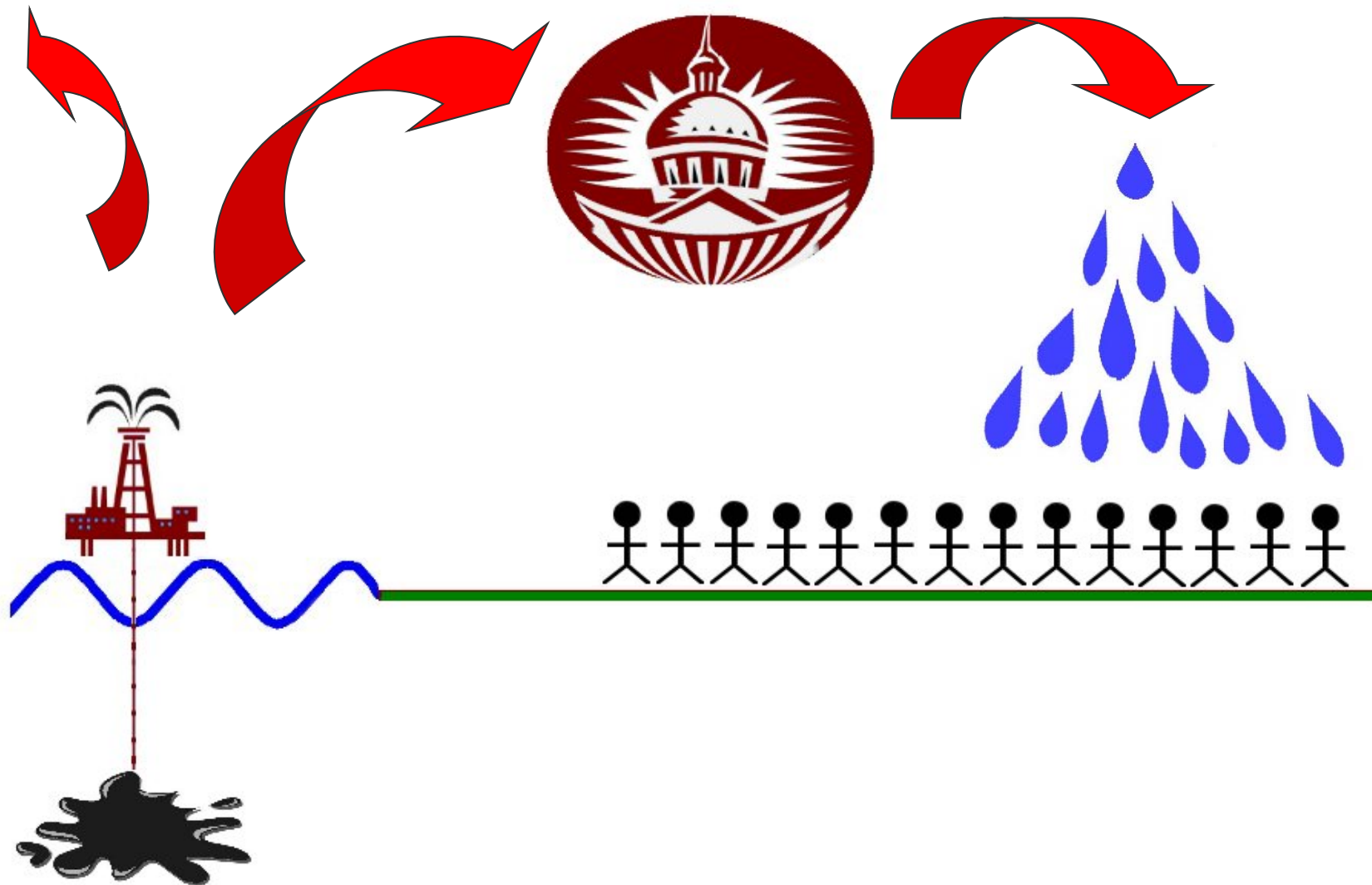
- *Squeezing out last drop*

Revenue management

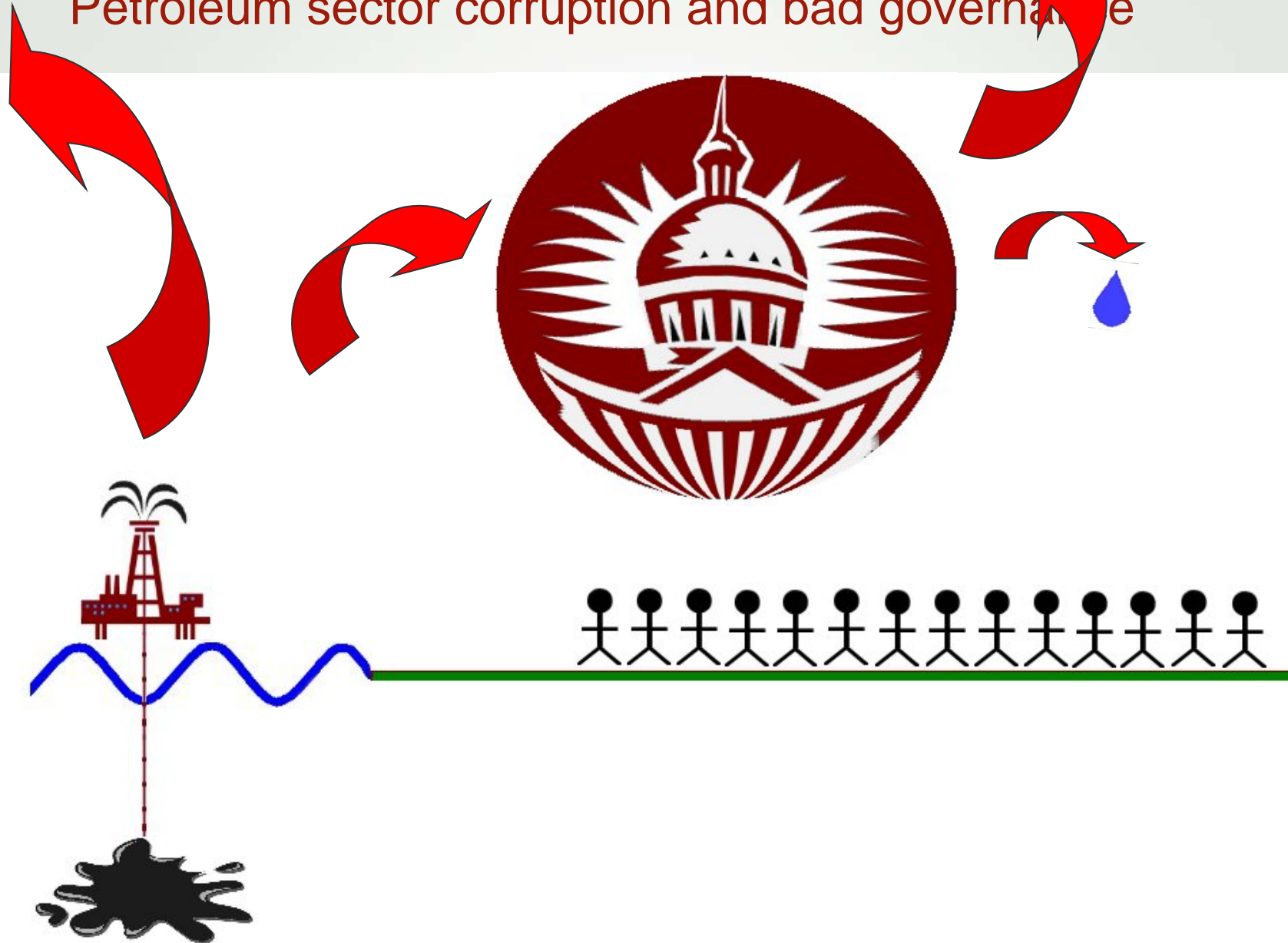
- *Spend or save?*
- *Fair distribution and national development*
- *Offset resource curse tendencies*



The petroleum sector ideal



Petroleum sector corruption and bad governance



The Institutions that Matter

- **Horizontal *Checks and Balances***
 - Parliament
 - Ombudsmen
 - Commissions
 - Judiciary
 - The Executive
 - Central Bank, Petroleum Funds
 - Auditor-General, Revenue Authority
 - etc.

- **The *Special Institutions* of oversight and control**
 - Auditors
 - Anti-corruption agencies

- **The institutions of vertical *voice and accountability***
 - Elections
 - Political Parties
 - Media
 - Civil Society



“Without improving their democratic institutions and administrative capacity, it is unlikely that African oil exporters will be able to use petrodollars to fuel poverty reduction; instead oil monies are more likely to make matters worse for the poor”

Catholic Relief Services (2003)

Bottom of the Barrel. Africa's Oil Boom and the Poor

Corruption Pressures in the Petroleum Industry

Inge Amundsen, senior researcher, Chr. Michelsen Institute
Thursday, November 8th, 2012, 10:30 – 12:00
Elmina, Ghana



Corruption Pressures in the Petroleum Industry

What is corruption

- Concepts, definitions
- Actors
- Basic forms and techniques

A role play

Corruption in oil sector

Paying up

- .. for access to resources?
- .. For maximising profits?
- .. To pollute and abandon?

Next:

- *Political challenges*



Concepts: Definitions

Abuse (capture) of public power for private benefit



World Bank

Misuse of entrusted power for private gain



Transparency International

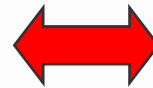
“Behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence” (Nye)

“A form of secret social exchange through which those in power (political or administrative) take personal advantage, of one type or another, of the influence they exercise in virtue of their mandate or their function” (Méry)

Forms of Corruption: Two Actors



The STATE



**Any
non-governmental
agent**

Civil servants
Functionaries
Bureaucrats
Politicians

Elected, hired, nominated

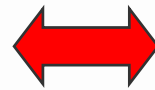
Private firms, businesses
(contractors, bidders)
Private individuals
(users, clients)
Organisations, NGOs
(consultants, clients, users)

Forms of Corruption: Two Perspectives

Demand oriented

Corrupted,
public side

Extractive,
neopatrimonial,
kleptocratic state



Supply oriented

Corruptor,
private side
(bribing firms)

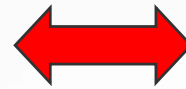
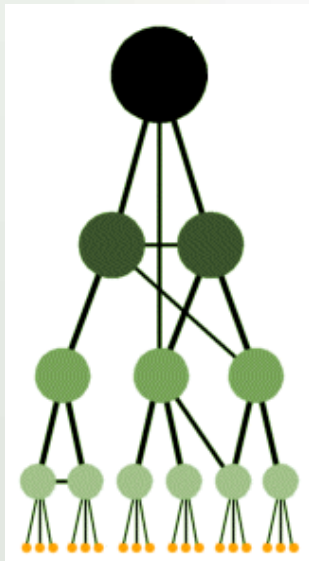
“Captured state”



Forms of Corruption: Two Types

Controlled

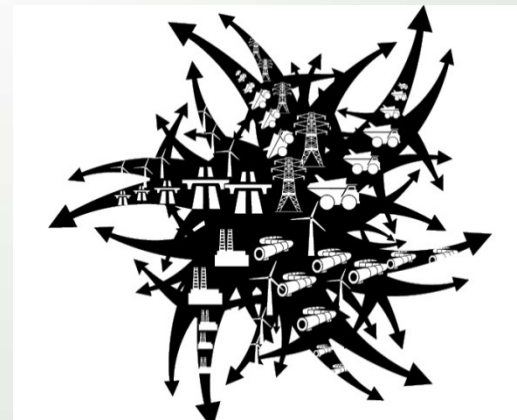
Centralised
Coordinated
Disciplined
Hierarchic



Uncontrolled

Disorganised
Competitive
Unpredictable
Chaotic

Damaging!



Forms of corruption: Two levels

Political corruption

Grand, large scale

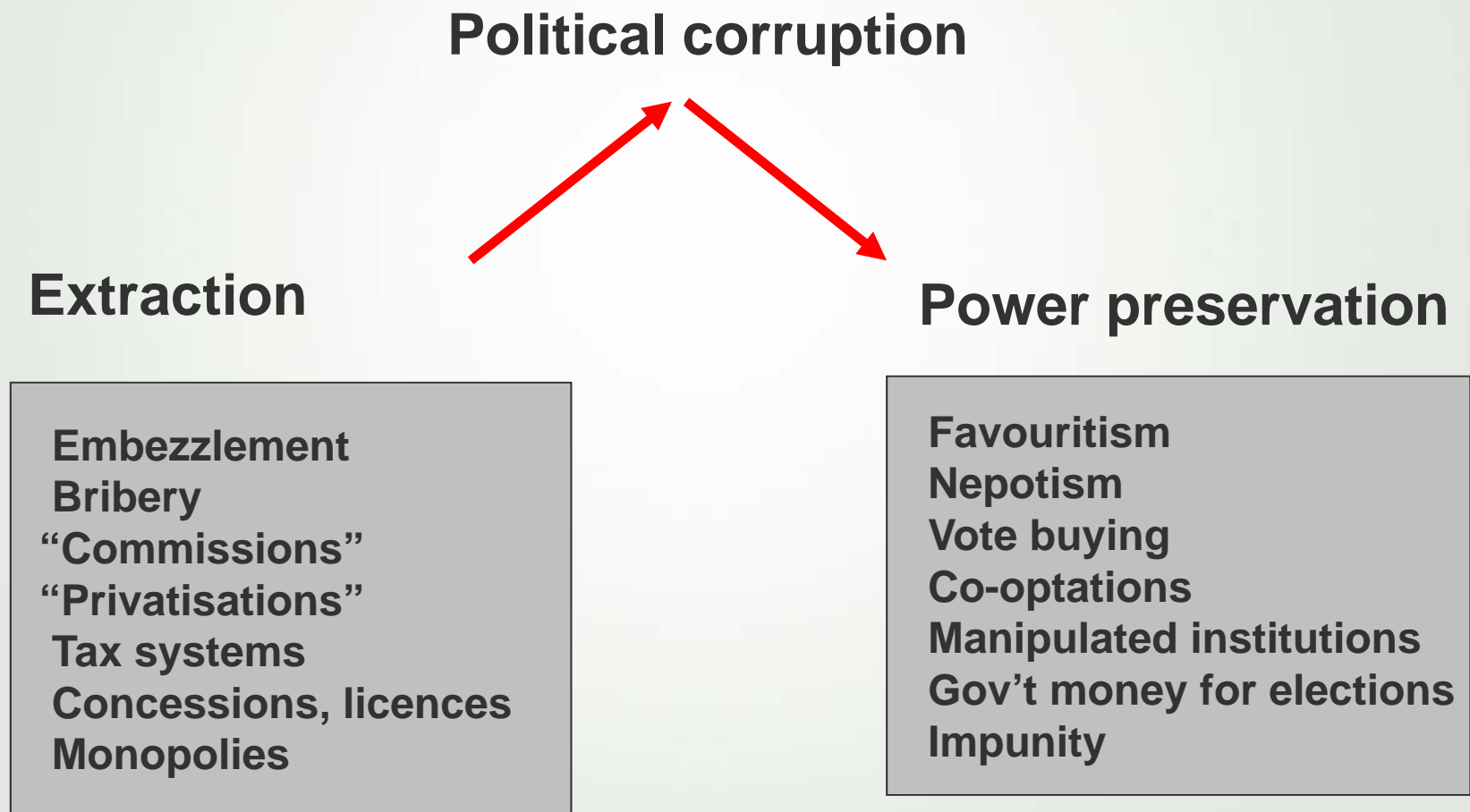
Extraction
Power preservation



Administrative corruption

Petty, small scale

Political Corruption: Two faces/phases



Forms of Corruption: Several Techniques

Bribery

- Corruption *per se*
- Kickbacks, sweeteners, grease money, pourboire, pay-offs, consultant fees, ...



Embezzlement

- Theft. Only one party

Fraud

- Economic crime. Element of cheating, swindle

Extortion

- Element of violence. No/little returns

Favouritism

- Patronage politics, nepotism, clientelism
- Manipulation of institutions, impunity'
- Buying of votes, majorities, support



A Role Play



A diagram illustrating a role play. At the top center, the text "A Role Play" is written in a red, italicized font. Two red arrows originate from the bottom of this text, pointing downwards and outwards to the words "Minister" on the left and "CEO" on the right. The words "Minister" and "CEO" are written in a bold, black, sans-serif font.

Minister

CEO

Petroleum: Corruption challenges

Petroleum sector characteristics

- High tech, high stakes, high politics

Preparation, exploration, development

- *Paying up for access to resources?*

Development and production

- *Paying up for maximum profits?*

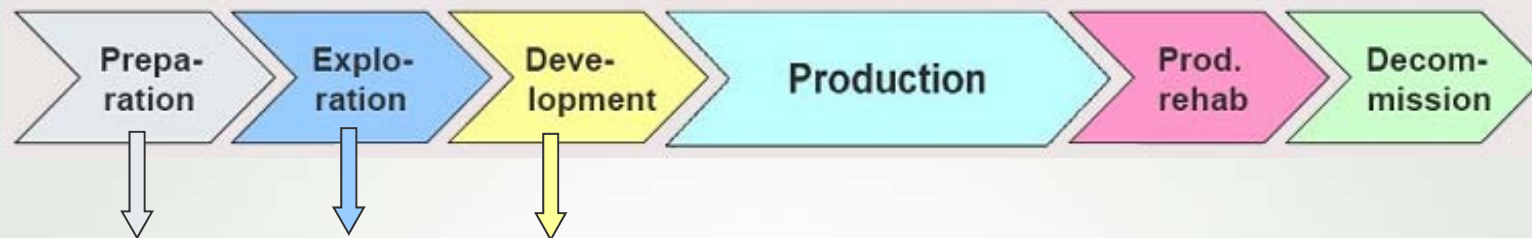
Rehabilitation and decommissioning

- *Paying up to pollute and abandon?*

Revenue management

- *Paying for power preservation?*





Corruption challenges: Paying up for access to resources?

Weak legal, regulatory, and contractual framework

- Discretionary decision-making

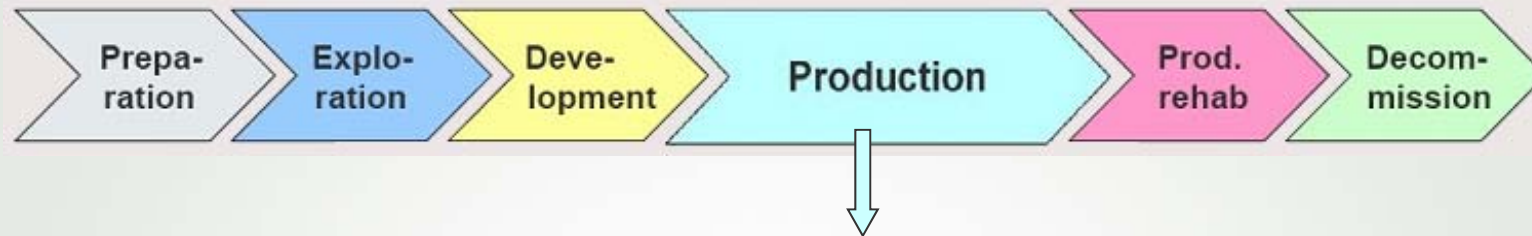
Lack of a national petroleum policy, lack of long-term plans

- Haphazard access to and control of seismic data
- Lack of transparency in data handling

Secrecy, confidentiality, and discretionary decision-making

- Non-transparent bidding and award procedures
- Unclear access to and handling concessions for production
- “Royalties” and “signature bonuses” to politicians
- Political interference and favouritism in individual cases





Corruption challenges: Paying up for maximum profits?

Weak institutions and ill-defined institutional responsibilities

- Weak surveillance/monitoring of activities, production levels, etc.

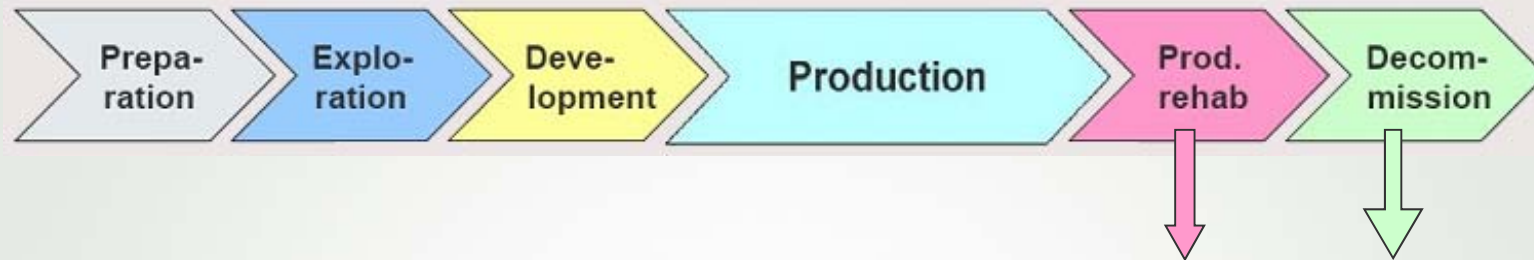
Weak tax regime

- Exaggerated development costs
- Tax evasion, capital flight, transfer pricing
- Re-negotiation of and amendments to development contracts

Secrecy, confidentiality, and discretionary decision-making

- Preferential and favouritist contracting and sub-contracting
- “Dead meat” national private oil companies





Corruption challenges: Paying up to Pollute and Abandon?

Weak institutions and ill-defined institutional responsibilities

- Lack of optimisation of recoverable volumes and revenue
- Buying regulatory exemptions and early abandon
- Buying sub-standard rehabilitation

Lack of standards for environment, health and labour safety

- Leaving installations and no clean-up
- *Flaring*



Political Challenges of the Petroleum Sector

Inge Amundsen, senior researcher, Chr. Michelsen Institute, Norway

Thursday, November 8th, 2012, 12:00 – 13:00

Elmina, Ghana



Political Challenges

Managing the petroleum sector

- Income side
- Spending side
- Centralisation tendencies

Institution building

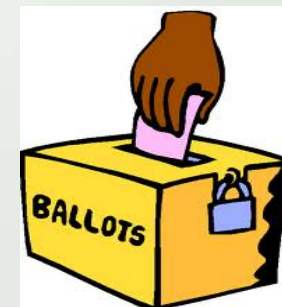
- Institutions of extraction
- Institutions of horizontal accountability
- Institutions of vertical accountability

Other challenges

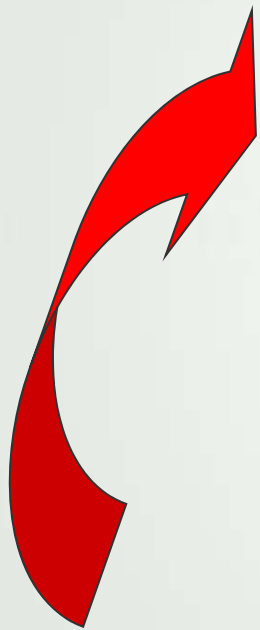
- Local content
- Corporate Social Responsibility
- Negotiations

Next:

- *Overcoming the challenges*
 - *Anti-corruption*
 - *Good Governance*



Income side governance challenges



Managing the petroleum sector

- Exercise jurisdiction and authority over territory
- Establish a petroleum policy
- Establish legal framework
- Opening regions and areas for exploration drilling
- Award exploration and production rights
- Setting standards for environment, health and safety
- Define and establish “local content” policies
- Surveillance/monitoring of activities, production levels, etc.
- Revenue collection; taxes, royalties, etc.
- **Establish and refurbish institutional framework**

Centralisation tendencies

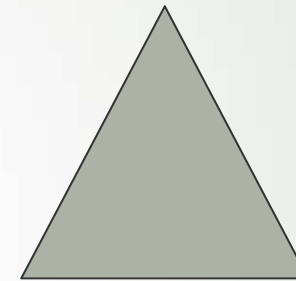
Economic centralisation tendencies

- Off-shore, foreign, High-Tech
- “Crowding out” (decline of competitiveness)
- Limited economic diversification
- Little taxation of domestic economy



Political centralisation tendencies

- No “social contract”
- Little influence business/middle class
- Little influence of civil society
- Means to buy (off) rivals
- Means to manipulate institutions
- Means to buy instruments of coercion



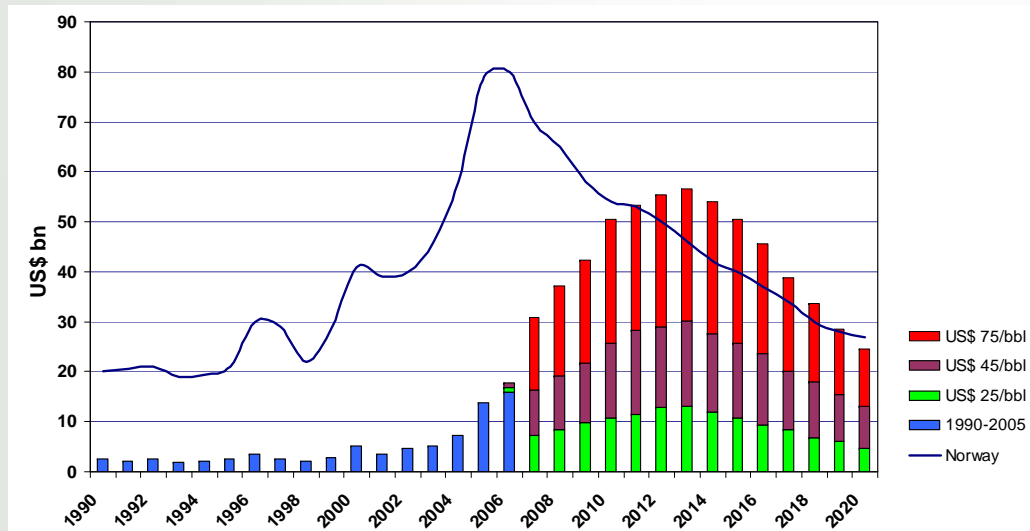
Iron triangle

Sector power

- *Petro-industrial complex*
- Knowledge is power
- Entrenched elites

Example: Angola

- Oil
 - Comparable to Norway
 - Surpassing in 2010
 - Matching Nigeria 2008
 - 90% of exports
 - 90% of government revenues
- Diamonds
- Other minerals and resources



- Poverty
 - Gini coefficient: > 0,60
 - Poverty line: < 60%
 - No 162 of 177 on HDI
 - Internally displaced, landmines
- Corruption
 - No 147 of 179 on TI index
 - Dos Santos largest landowner in California? (“200 families”)
 - New airport, “New Luanda”
- Authoritarianism
 - Civil war 75-91, 92-94
 - No presidential elections ever
 - Freedom House ranking 6 (NF)

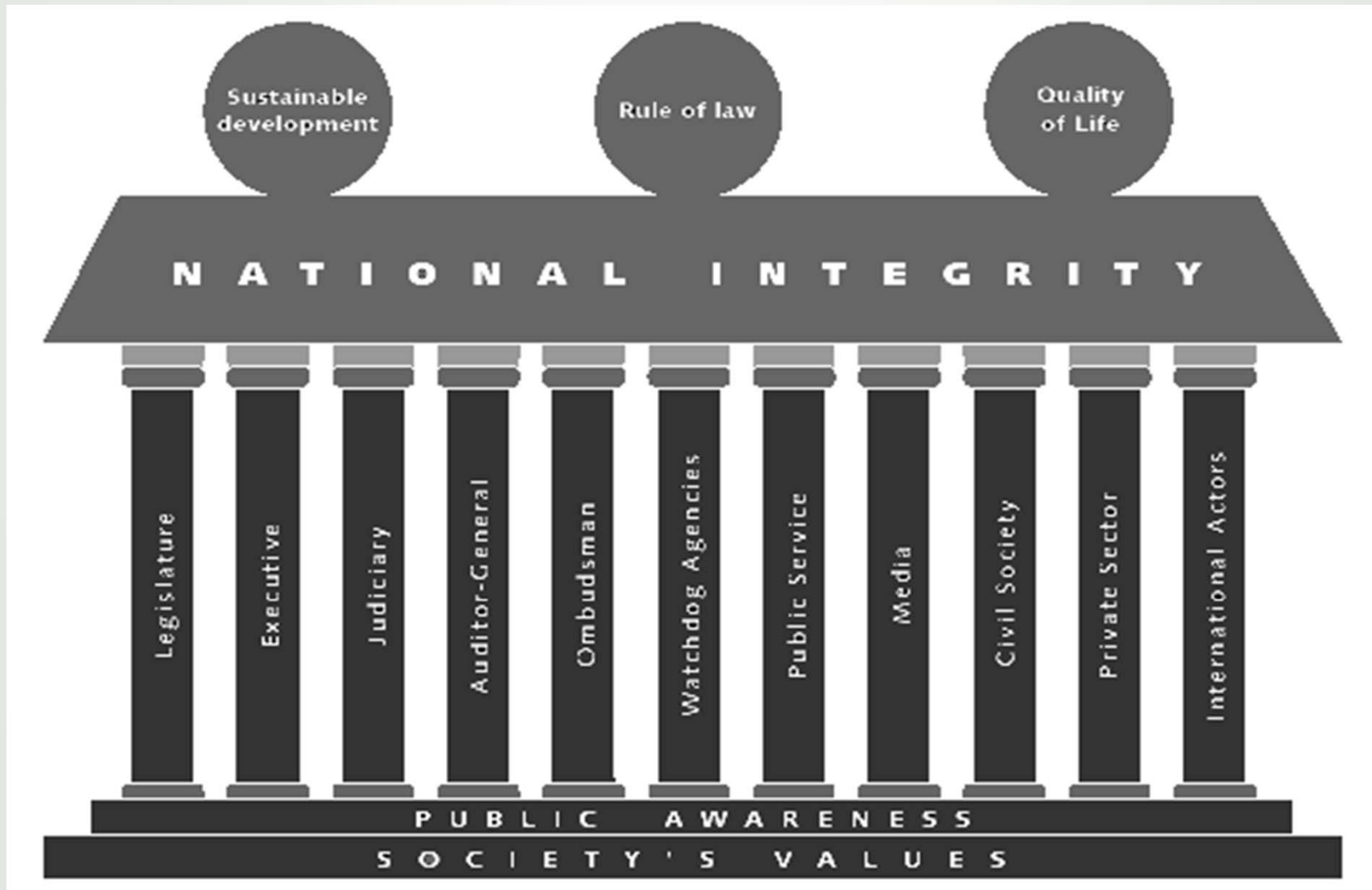
Example: Angola's institutions



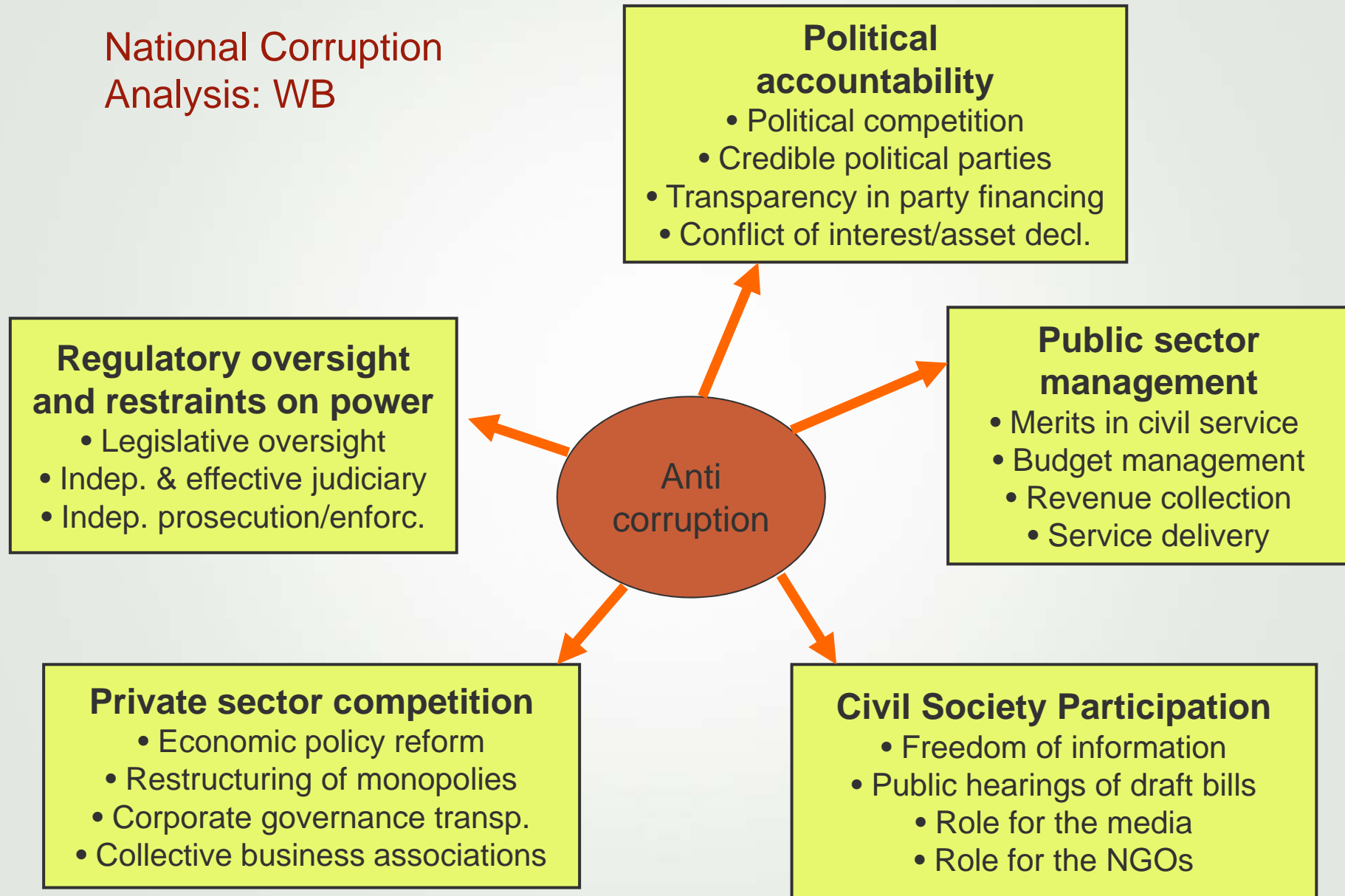
Presidency	+	
Sonangol	+	
MinPet	+	
Parliament		-
Elections		-
Tribunal das Contas		-
Supreme Court		-
FAA, State Security Service	+	
Alta Autoridade contra a Corrupção		-
Media		-

Institutions of extraction	+
Institutions of horizontal accountability	-
Institutions of vertical accountability	-

TI: National Integrity System Analysis



National Corruption Analysis: WB



Spending side governance challenges

Managing the funds

- Save or spend?
- The budget process
- Spend on what?
 - Offset “resource curse” tendencies
- Revenue distribution
 - Fair distribution of revenues
 - Community compensation



Managing the funds: save or spend?



Oil funds

(Stabilisation, Savings, and Investment Funds)

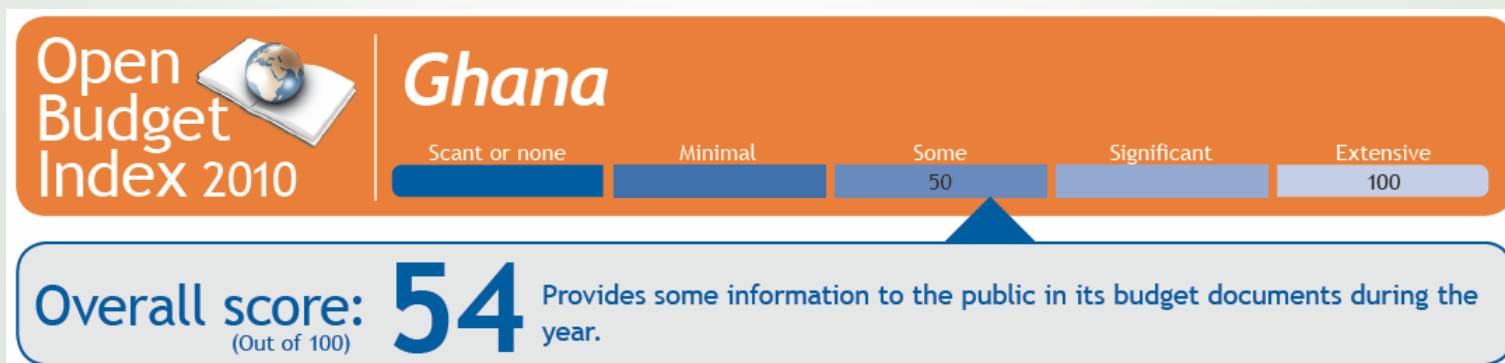
(Sovereign, Heritage, Pensions)

- Invests internationally and locally, with safety, stability, security and future generations in mind
 - Reduces temptation to spend all at once
 - Provides prudent financial management
- Transforms natural wealth into a stream of permanent financial income
 - Reduces price volatility, buffer against revenue variations
- Protects macroeconomic stability
 - Reduces negative impact on trade balance
 - Reduces dependency on petroleum income
 - Alleviates lack of domestic absorption capacity
 - Attracts other investments

Managing the funds: the budget process

Establish a good budget process

- Identify and set priorities
 - Revenue policies
 - Expenditure policies
- Simplify and disseminate budget information
 - Identify trends and provide projections
 - Media, civil society
- Keep track on revenues and expenditures
 - Auditor General, Audit Court



Offset “resource curse” tendencies

Make economic diversification

- Agriculture, manufacture
- Competitive industries

Ensure fair redistribution

- Decrease poverty and inequalities
- Stop squander and grandiose projects
- Stop capital flight

Defuse conflicts

- Ensure participation
- Ensure legitimacy

Increase democracy

- Restrict entrenched elites
- Restrict privileges



Local Content

Elements of Local Content

- Establish a National Oil Company
 - Create oil and gas and related supportive industries
- Purchase locally produced goods and services
 - Increase competitiveness of domestic businesses
- Create job opportunities
 - In the oil and gas companies
 - In related industries (service delivery)
- Indigenizing knowledge, expertise and technology
 - All through the oil and gas value chain



Local content in Norway today is roughly 50 %

Local Content

Principles of Local Content

- Elaborated policy (basis in law)
 - Realistic targets
 - Implementation plan and evaluation
- Independent government authority
 - Monitor and enforce compliance
 - Norway: *Goods and Services Office*
- Public outreach and analysis office
 - Registry of competent and qualified local vendors
 - Work with the domestic and international industry
 - Facilitate joint ventures and other cooperation
- Capacity building plan
 - Educate and train workers
 - Support the business development of local companies



- **High costs of local companies**
 - Poor infrastructures
 - Inefficient business licensing
 - Slow and inefficient prequalification and certification procedures
 - Skill shortages
 - Labour regulations
 - Lack of credit

Corporate Social Responsibility

- *Corporate citizenship*
- *Social performance*
- *Sustainable responsible business*

Basics

- Self-regulation
- National law, ethical standards, and international norms
- Effect on environment, consumers, employees, communities, stakeholders and the public

Advantages

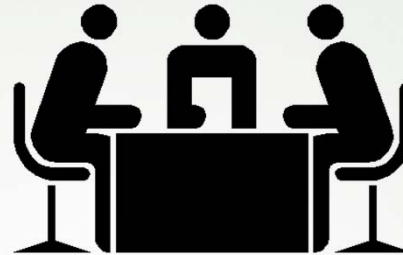
- Long term perspectives and profits
- Efficiency, professionalism, competence

Critics

- Window-dressing, brand promotion
- Competition, winning contracts
- Distracts from economic role of business
- Sanctions?



Negotiations



Government negotiation strengths

- Value of resources
 - Accessibility of resources
 - Distance to market
 - Market competition
- Frame-work quality and predictability
 - Rule of law
 - Licence regimes
 - Tax regimes
- Government stability
 - Level of democracy
- Government quality
 - Political will
 - Technical capacity

Company strengths

- Company resources
 - Technology
 - Finances
- Price tag/offer
- Additional
 - CSR?
 - EITI Supporter?

Overcoming the Challenges: Anti-Corruption in the Petroleum Sector

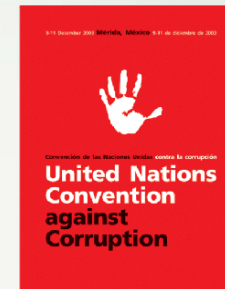
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Anti-Corruption in the Petroleum Sector

International Law and Organisations

- International law
 - International organisations
 - TI's *Corruption Perceptions Index*
 - TI's *Bribe Payers Index*



Donors



Anti-Corruption Commissions

- From Hong Kong to ...?



Next: *Good Governance*

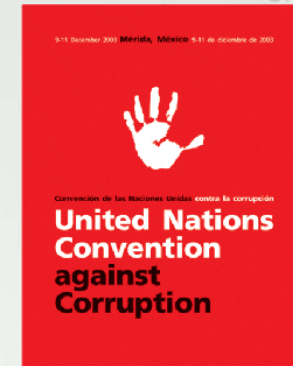
International Law

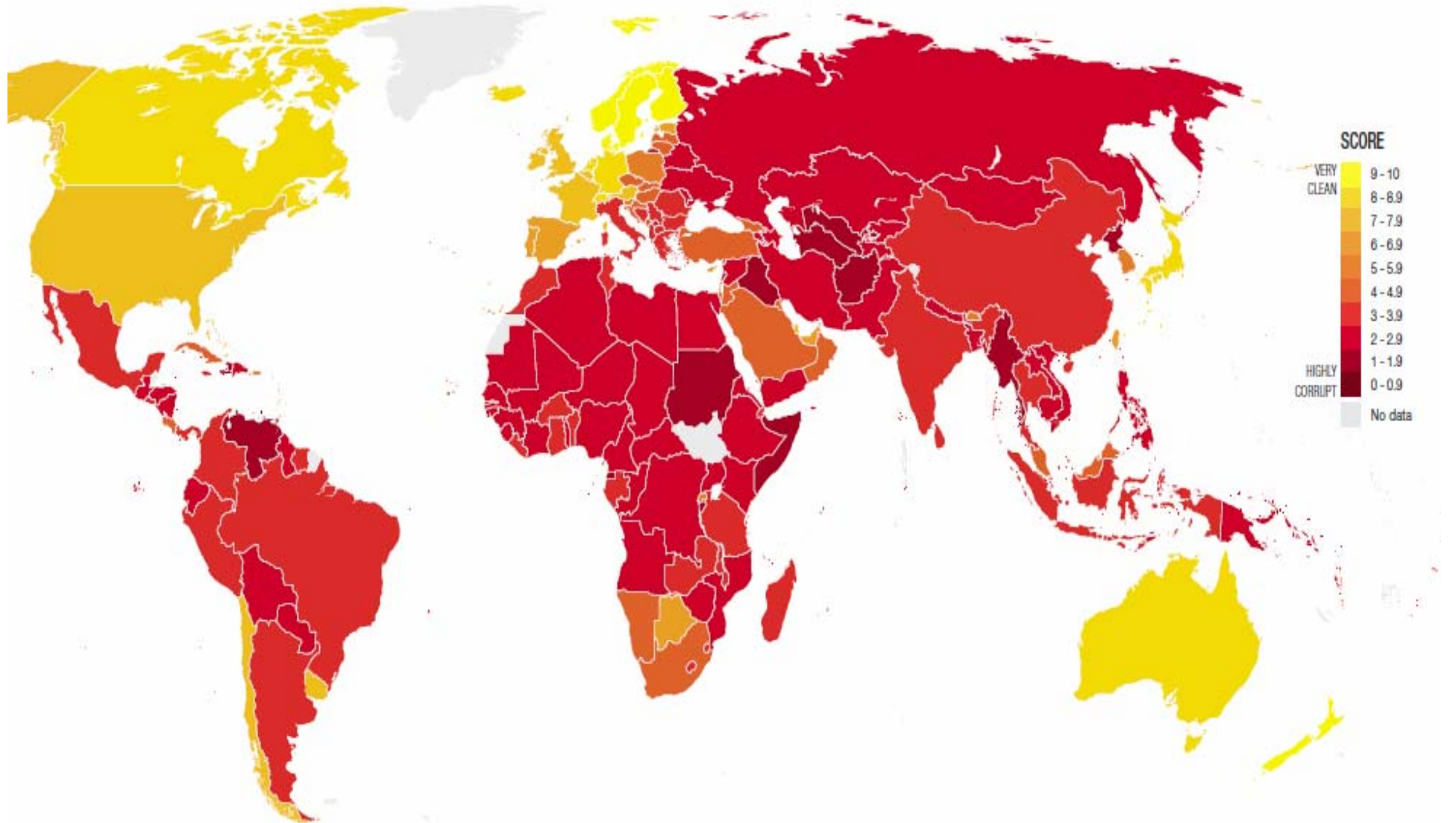
Conventions

- United Nations Convention against Corruption
- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
- African Union Convention on Preventing and Combating Corruption
- Inter-American Convention Against Corruption

Various actions

- Money laundering
 - FATF
- Asset recovery
 - UNDOC/WB Stolen Asset Recovery Initiative (StAR)





BRIBE
PAYERS
INDEX 2011



RANK	COUNTRY/ TERRITORY	SCORE
1	Netherlands	8.8
1	Switzerland	8.8
3	Belgium	8.7
4	Germany	8.6
4	Japan	8.6
6	Australia	8.5
6	Canada	8.5
8	Singapore	8.3
8	United Kingdom	8.3
10	United States	8.1
11	France	8.0
11	Spain	8.0
13	South Korea	7.9
14	Brazil	7.7
15	Hong Kong	7.6
15	Italy	7.6
15	Malaysia	7.6
15	South Africa	7.6
19	Taiwan	7.5
19	India	7.5
19	Turkey	7.5
22	Saudi Arabia	7.4
23	Argentina	7.3
23	United Arab Emirates	7.3
25	Indonesia	7.1
26	Mexico	7.0
27	China	6.5
28	Russia	6.1
Average		7.8

INDEX OF BRIBERY IN
BUSINESS SECTORS 2011

RANK	SECTOR	SCORE
1	Agriculture	7.1
1	Light manufacturing	7.1
3	Civilian aerospace	7.0
3	Information technology	7.0
5	Banking and finance	6.9
5	Forestry	6.9
7	Consumer services	6.8
8	Telecommunications	6.7
8	Transportation and storage	6.7
10	Arms, defence and military	6.6
10	Fisheries	6.6
12	Heavy manufacturing	6.5
13	Pharmaceutical and healthcare	6.4
13	Power generation and transmission	6.4
15	Mining	6.3
16	Oil and gas	6.2
17	Real estate, property, legal and business services	6.1
17	Utilities	6.1
19	Public works contracts and construction	5.3
Average		6.6

International Organisations

International NGOs

- Transparency International (TI)
- The International Budget Project
- Revenue Watch
- Global Organization of Parliamentarians against Corruption (GOPAC)
- Publish What You Pay
- Global Witness
- Global Integrity
- Tiri
-

Multilateral organisations

- Extractive Industries Transparency Initiative (EITI)
- Financial Action Task Force on Money Laundering (FATF)
- Interpol Group of Experts on Corruption (IGEC)
- United Nations Office on Drugs and Crime (UNODC)
- United Nations Development Programme (UNDP)
- Organisation for Economic Co-operation and Development (OECD)
- Development Co-operation Directorate (DAC)
-



International Organisations

Business organisations

- International Chamber of Commerce (ICC)
- US Chamber of Commerce - Centre for International Private Enterprise (CIPE)
- Transparent Agents and Contracting Agencies - TRACE International
- Business Anti-Corruption Portal



Regional organisations

- Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL)
- Stability Pact for South Eastern Europe - Anti-Corruption Initiative (SPAI)
- Anti-Corruption Initiative for Asia-Pacific (ADB/OECD)
- Asia/Pacific Group on Money Laundering (APG)
- The Arab Anti-Corruption & Integrity Network (ACINET)





A coalition of governments, companies and civil society

**A standard for companies to publish what they pay
and for governments to disclose what they receive**



Companies
disclose payments



Governments
disclose receipts of payments



Makes independent verification



Then what?



Publish What You Pay (PWYP) is a global civil society coalition that helps citizens of resource-rich developing countries hold their governments accountable for the management of revenues from the oil, gas and mining industries. Natural resource revenues are an important source of income for governments of over 50 developing countries. When properly managed these revenues should serve as a basis for poverty reduction, economic growth and development rather than exacerbating corruption, conflict and social divisiveness

Donors in corruption prevention

- OECD ODA to Africa (2006): 22,3 bn US\$
- Africa annual corruption cost: 148 bn US\$

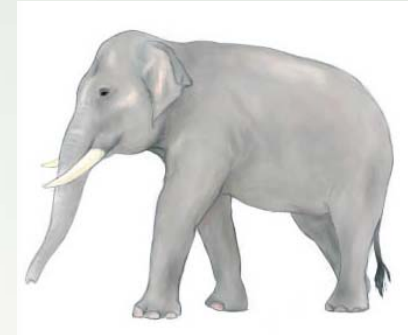
- **Corruption is a huge problem**
 - ... but it dwarfs development aid
 - ... and it makes aid more expensive and complicated
- **Globalisation helps ... and hinders**
 - Access to information and international pressure
 - International problem
 - International economic crime
 - Money laundering, tax havens
 - The corrupters
 - Donors should coordinate and harmonise



Canadian International
Development Agency

Agence canadienne de
développement international

Donors: Critical Assessments



Aid agencies' instruments are..

- Insufficient and partial
- 'A-political' and 'a-historical'
 - Administrative and economic rather than political approach
 - Focus on formal (not informal) politics
- Sector oriented
- Pulling in opposite directions
 - Direct Budget Support
 - Decentralisation
 - Privatisations

Aid is a part of the problem when it is...

- Ignoring the corruption problem
- Supporting 'white elephants'
- Resource flows are massive and un-coordinated
- Supporting/sustaining corrupt governments
- Financing 'soft investments' leaving the 'hard' to partner countries
- Using corrupt local service providers

Anti-Corruption Commissions

Some successes ...

- Hong Kong, Singapore, Botswana, Lithuania
 - Hong Kong Independent Commission Against Corruption (ICAC)
 - Corrupt Practices Investigation Bureau (CPIB), Singapore
 - Directorate on Corruption and Economic Crimes (DCEC), Botswana
 - Special Investigative Service (SIS), Lithuania



A number of failures ...

- Angola, Uganda, Malawi, Tanzania, Zambia, Madagascar ...



ACCs: Functions and advantages

Functions

- Awareness raising
- Corruption prevention
- Enforcement of criminal law on corruption
- Analysis and advice
 - Policy making
 - Institutional and legislative reform

Advantages

- New and fresh
 - “Fresh start”, untainted
 - Autonomous ‘check’ institution
 - More accountability
 - Public credibility and attention
- High degree of specialisation and expertise
- Separation from institutions it will be investigating
- Fast action against corruption
 - Well resourced



ACCs: Reasons for failure..

Lack of political will and backing

- Vested interests
- Outright and covert obstruction

Lack of independence

- Political interference

Lack of resources and competence

- Lack of necessary funds
- Institutional confusion and inappropriateness

Inadequate laws

- Limited legal basis
- Lack of clear mandate

Isolation

- Not connected to good governance programme/national strategy
- Not coordinated with other state institutions
- Not coordinated with civil society initiatives



Nuhu Ribadu, Nigeria



John Githongo, Kenya

Poor management

- Lack of commitment
- Fear of the consequences

Donor driven

- Misdirected
- Fragmented
- Lack of transparency
- Lack of public accountability

Lack of success

- Unrealistic expectations
- Overwhelmed by backlog
- Loss of public confidence
- Lack of supporters
- Emphasis on enforcement rather than prevention

The media in corruption prevention

- Printed and electronic media
- Public and private



Roles

- Encouraging public debate and political engagement
- Detection and publication of cases
 - Exposing and following up on specific stories involving corruption
- Prevention and punishment
 - Naming and blaming, “scapegoating”
 - Prompting pre-emptive response and investigations
- Creating public awareness
- Amplifying work of anti-corruption institutions
- Amplifying work of civil society

Conditions

- Freedom of the press
- Independence and integrity
- Capacity and professionalism
 - Investigative journalism

Obstacles

- Censorship
- Poor standards
- Political interference

Role of civil society

- NGOs
- Faith based organisations
- Trade unions
- ...

Roles

- Advocate petroleum policies
 - Environment protection
 - Affected population concerns
 - Local content interests
- Monitor government incomes
 - *Publish What You Pay*
 - *International Budget Project*
- Monitor government expenditures
 - Participation procurement boards
 - Participatory budgeting
- Monitor public service delivery
 - Citizen Charters
 - Citizen cards, client surveys
- Monitor businesses
 - CSR
 - Global Witness



Conditions

- Freedom of organisation
- Activism and professionalism

Obstacles

- Political interference
 - Co-optations, manipulations
- Weak membership base
- Weak income base
 - Lack of paying members

Overcoming the Challenges: Good Governance and Revenue Distribution

Inge Amundsen, senior researcher, Chr. Michelsen Institute, Norway

Thursday, November 8th , 2012, 15:00 – 16:00

Elmina, Ghana



Good Governance and Revenue Distribution

Checks and Balances

- Parliament
- Judiciary
- Vertical accountability



Transparency and Accountability

- Principles and issues

Revenue distribution

- By whom?
- In what form?
- To what?



Institutional assessment

- Ghana example



Next:

- *Group work and presentations*
 - *Institutional assessment of Ghana*
- *Group discussion*
 - *Engaging civil society*



Checks and Balances: What can the parliament do?

Establish the legal framework

- Adopt international standards, conventions
 - Integrate anti-corruption principles in national legislation
 - Consolidate various criminal laws dealing with corruption



Establish norms

- Establish a petroleum policy
 - Open regions and areas for exploration drilling
 - Award exploration and production rights
 - Set standards for environment, health and safety
 - Define and establish “local content” policies
 - *Petroleum Revenue Management Bill*
- Ethics standards and guidelines, Code of Conduct
 - Assets declarations of MPs, ministers, ...
 - Immunity regulations
 - Regulations on conflict of interests
 - Regulations on lobbying



Checks and Balances: What can the parliament do?

Establish and refurbish institutions

- National state oil company
- National savings and stabilisation fund
- Anti-corruption commission
- Auditor General
- Tax authorities



Establish a good budget process

- Identify and set priorities
- Keep track on revenues and expenditures
- Simplify and disseminate budget information

Control of political parties

- Standards for openness on funding sources
- Regulate internal democracy



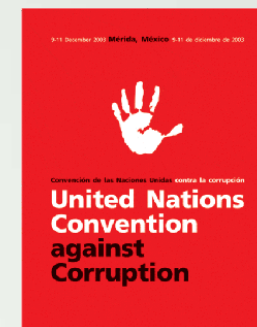
Checks and Balances: What can the judiciary do?

Roles, functions

- Control legality of laws (judicial review)
- Implement/incorporate international conventions
- Interpret the law
- Adjudicate, make sentences
- Enforce contracts
- Consolidate various criminal laws dealing with corruption
- Protect whistle-blowers and those who file complaints
- Control elections (complaints)
- Imply rules regulating gifts and hospitality to public officials

Problems

- Professionalism
- Integrity and independence
- Access to information (including official secrets)
- Nomination of judges
- Resources and competence



Vertical Accountability

Free and fair elections

- Choose other individuals to hold public office
- Instigate public debate
- Voice and representation
- Accountability



Media

- Detect and publish cases
- Create public awareness
- Naming and blaming, “scapegoating”
- Encourage public debate



Civil society and NGOs

- Monitor government incomes and expenditures
- Monitor public spending and service delivery
- Monitor business ventures



Transparency

“The guiding principle for income from oil is that it should be managed transparently and with full accountability and disclosure”



Principles of transparency

- Timely information
- Reliable information
- Available to all stakeholders

Secrecy clauses

- Restricted
- Specific

Issues of transparency

- Public revenues
- Public expenditures
- Awarding of contracts/licences
- Awarding of positions and promotions in public sector
- Ownership interests of public officials
- Assets declaration of public officials
- Regulation and facilitation of private sector

Accountability

Principles of accountability

- Answerability
- Integrity
- Accountable to the public (vertical)
- Accountable to parliament and judiciary (horizontal)
- Meritocracy

Issues of accountability

- Vote of no confidence (parliamentarism)
- Judiciary review
- Bound by rules and regulations



Accountability: Codes of Conduct

The UN International Code of Conduct for Public Officials

The *International Code of Conduct for Public Officials*, adopted by the United Nations on December 12, 1996, takes as its starting point that a public official is in a position of trust, implying a duty to act in the public interest. It includes the following provisions:

- **public officials shall avoid conflicts of interest**
- **public officials shall comply with any applicable requirements to disclose their personal assets and liabilities**
- **public officials shall not solicit or accept any gift or favor that may influence the performance of their duties**
- **public officials shall not engage in political activity outside the scope of their office such that it impairs public confidence in the impartial performance of their duties**

Revenue distribution

By whom?

All state

- Authoritarian non-redistribution
- Authoritarian redistribution for power preservation



No state

- *Citizen dividend*
- Alaska fund
- Paul Collier
- Todd Moss



Fair distribution?

Niger delta syndrome

- Low compensation
- High community costs
 - On-shore production
 - Primitive methods
 - Oil spills, flaring
- Militant community protests

Southern Sudan

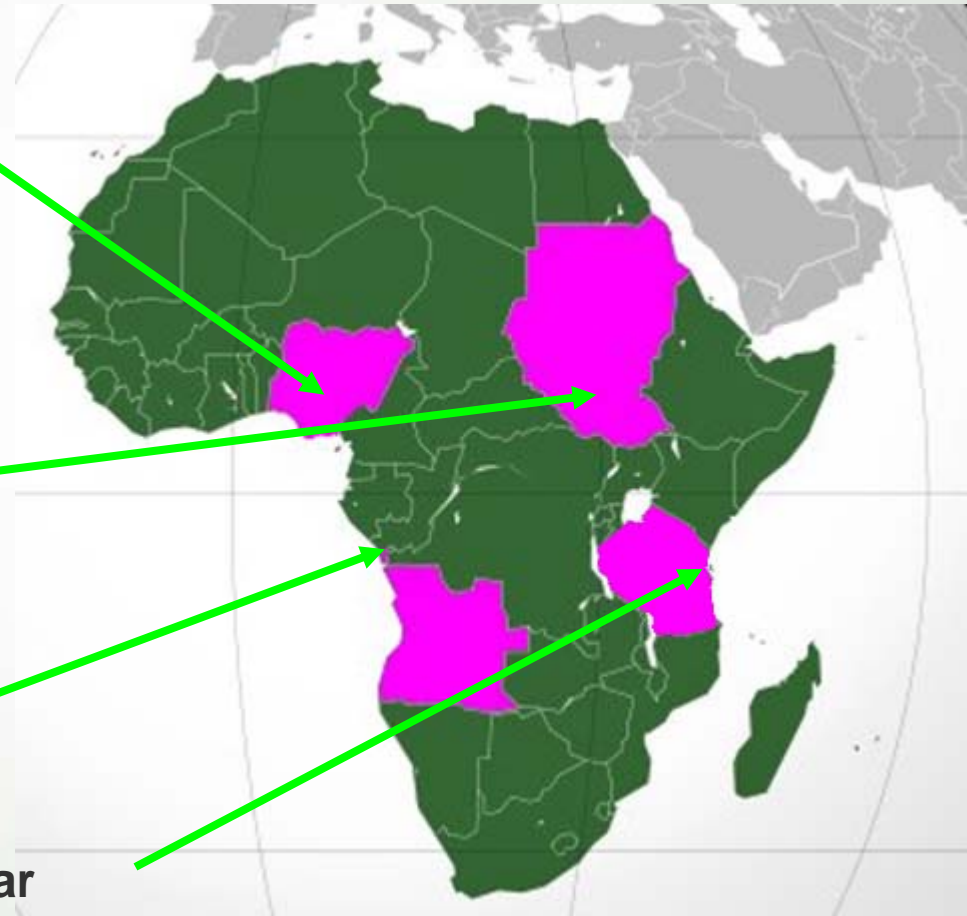
- War of secession
- Unstable settlement
- Border disputes

Cabinda enclave

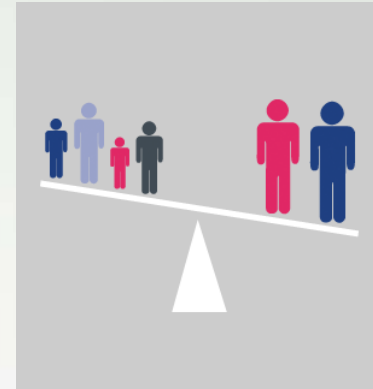
- Community protests
- 10% compensation?

Zanzibar

- Community protests
- Divide by 1 or 50?



Fair distribution



Horizontal redistribution

(between provinces/regions)

- Affected peoples
 - On-shore enclaves
 - Richer provinces more secession-prone
- “Affirmative action”
 - Ethic/religious/historic/language differences



Vertical redistribution

(between people)

- Poverty alleviation programmes
- Education, health

Ghana's Institutions



- World Bank Institute *Governance Indicators* 2010
 - Voice and Accountability
 - Rule of Law
- Mo Ibrahim's *Index of African Governance* 2011
- Freedom House's *Freedom in the World* 2012
- Economist Intelligence Unit's *Democracy Index* 2011
- Fish and Kroenig's *Parliamentary Powers Index* 2007
- International Budget Partnership's *Open Budget Index* 2010
- Revenue Watch' index on *Government Transparency in the oil, gas and mining industries* 2010
- World Justice Project's *Rule of Law Index* 2011

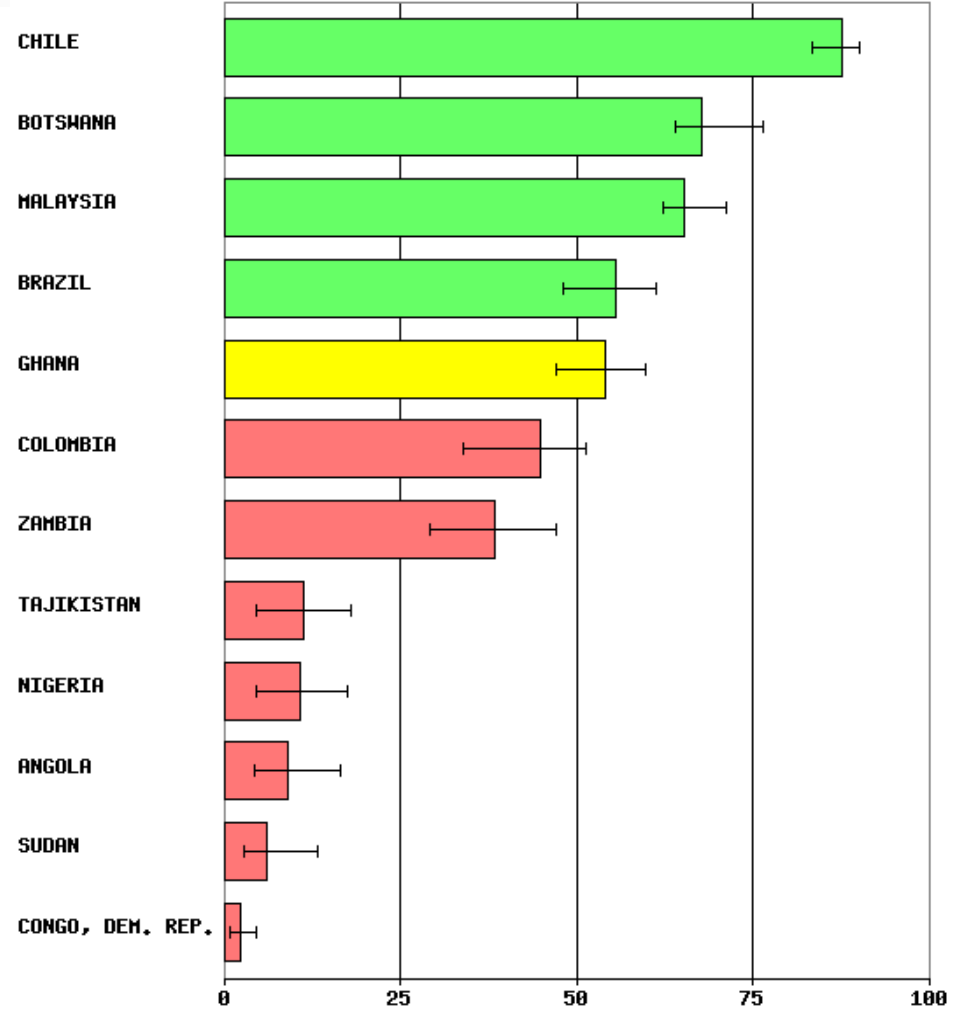
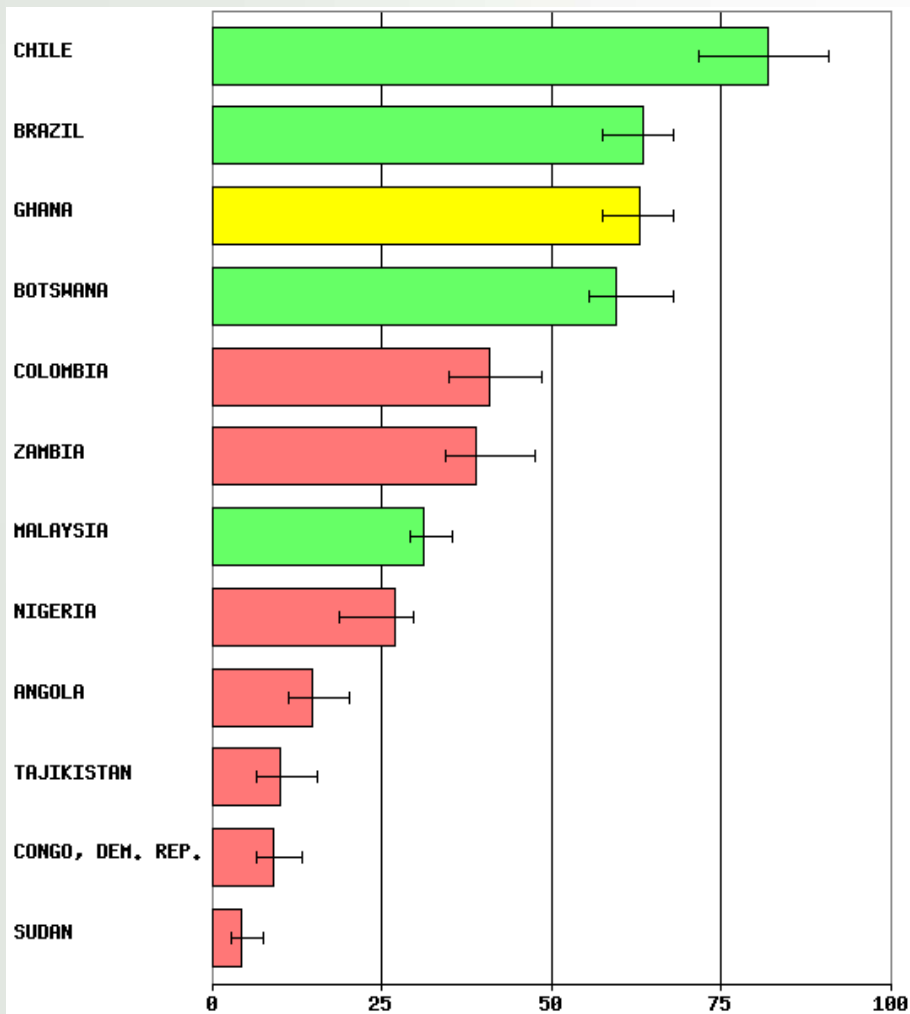
Adapted to a 0 – 100 scale

Statistics 1


World Bank Institute Governance Indicators 2010

Voice and Accountability

Rule of Law



Statistics 2

		Ibrahim	Free	Dem	PPI	OBI	RWI	JWP
Botswana		76	70	76	44	51	46	
Chile			100	75	56	72	81	73
Brazil			80	71	56	71	97	61
Malaysia			40	62	34	39	48	54
Ghana		66	90	60	47	54	32	70
Colombia			50	66	56	61	80	61
Zambia		57	50	62	28	36	41	
Nigeria		41	35	38	47	18	47	50
Angola		41	10	33	44	26	35	
Tajikistan			5	25	31		25	
Sudan		33	0	24	22	8	37	
Congo Dem Rep		32	5	22	25	6	25	

Ibrahim: Mo Ibrahim's *Index of African Governance* 2011

Free: Freedom House's *Freedom in the World* 2012

Democracy: Economist Intelligence Unit's *Democracy Index* 2011

PPI: Fish and Kroenig's *Parliamentary Powers Index* 2007

OBI: International Budget Partnership's *Open Budget Index* 2010

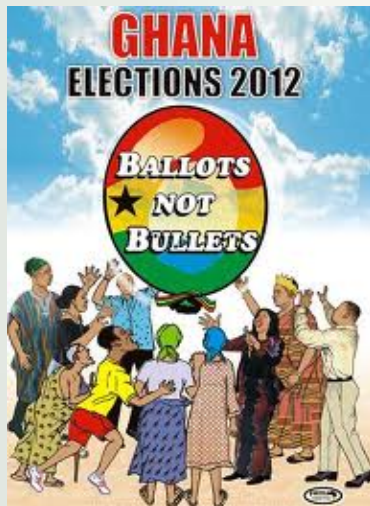
RWI: Revenue Watch' index on *Government Transparency in the oil, gas and mining industries* 2010

JWP: World Justice Project's *Rule of Law Index* (limited government powers) 2011

Adapted to a 0 – 100 scale

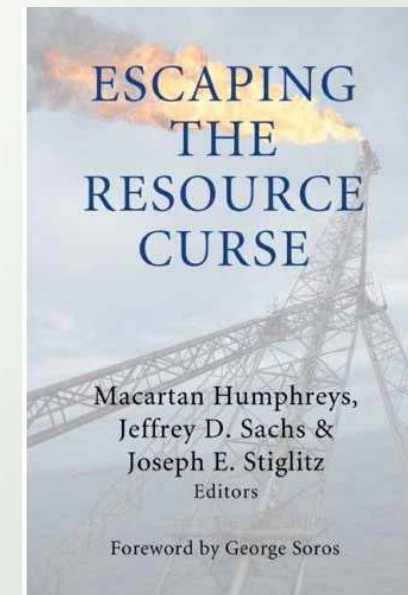
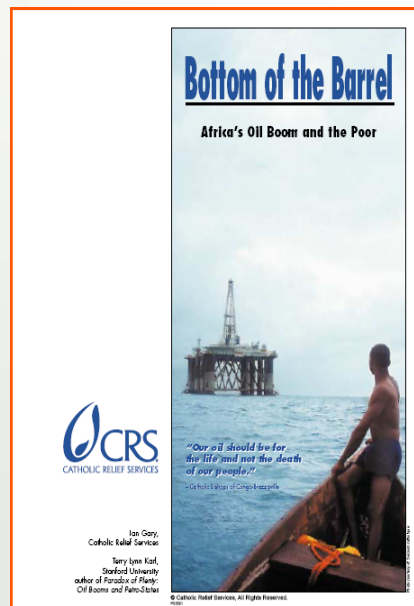
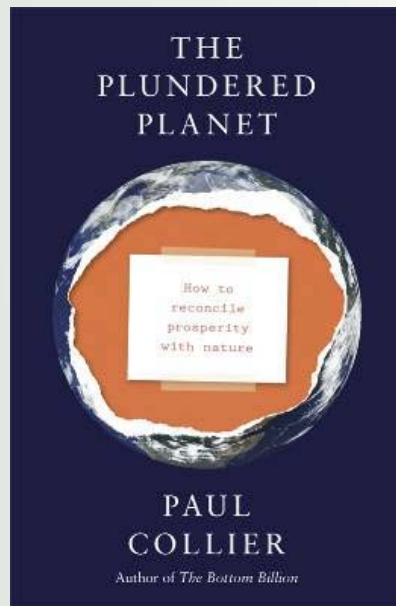
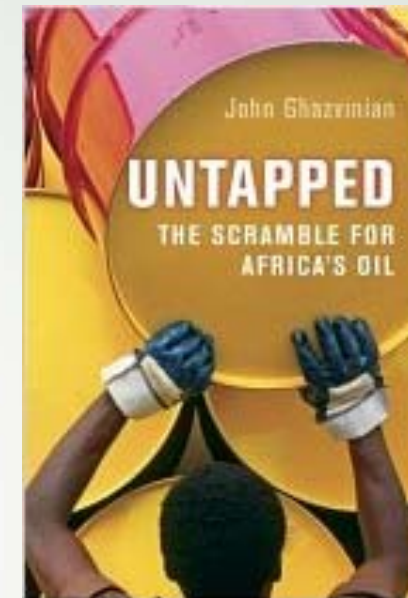
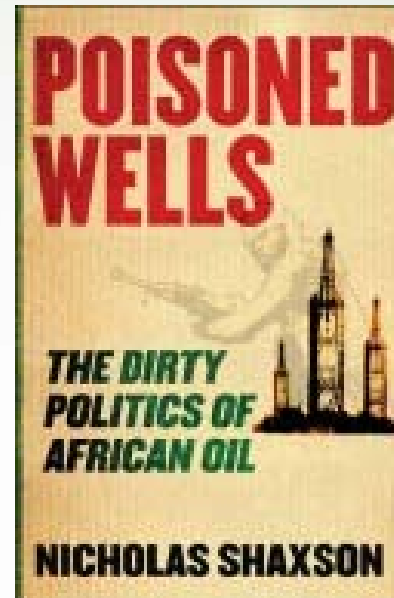
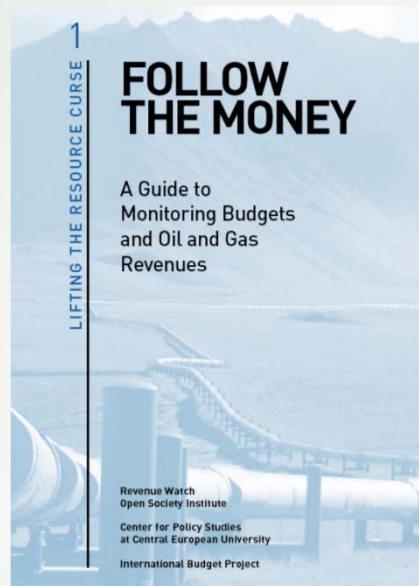
Will Ghana Avoid the Resource Curse?

- Governance indicators: OK?
- Regular elections every four years since 1992
- Four competitive multiparty elections since 1996
- Incumbent president has stepped down twice
 - December 2000 John Rawlings to John Kufuor
 - December 2008 Kufuor to John Atta Mills
 - + constitutional succession Mills to John Dramani Mahama



Inge Amundsen: *Can Ghana Avoid the Resource Curse?*, chapter in Governance of the Petroleum Sector in an Emerging Developing Economy, Kwaku Appiah-Adu (ed.), Farnham, (forthcoming March 2013), Gower Publ. Ltd.

Some literature



Group Work 1: Institutional Assessment

Inge Amundsen, senior researcher, Chr. Michelsen Institute, Norway
Thursday, November 8th , 2012, 16:30 – 17:00
Elmina, Ghana



Institutional assessment (score card)

- **The institutions of horizontal *Checks and Balances***
 - Parliament
 - Judiciary
 - The Executive
 - The Central Bank (Bank of Ghana)
 - Ghana Petroleum Funds (Stabilisation, Heritage)
 - The Auditor-General Department (AG)
 - Ghana National Petroleum Company (GNPC)
 - Ghana Revenue Authority (GRA)
- **The Special Institutions**
 - Ombudsmen
 - The Petroleum Committee (PC)
 - The Public Interest and Accountability Committee (PIAC)
 - Serious Fraud Office (SFO)
- **The institutions of vertical *voice and accountability***
 - Elections
 - Political Parties
 - Media
 - Civil Society

