THE WEAK LINK
THE ROLE OF LOCAL INSTITUTIONS IN ACCOUNTABLE NATURAL RESOURCE MANAGEMENT IN PERU, SENEGAL, GHANA, AND TANZANIA
COVER: A woman leads her child to school beneath a mountain of toxic mineral waste in the community of Champamarca, near Cerro de Pasco, Peru.

David Stubbs / Oxfam America
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EXECUTIVE SUMMARY

This report represents a synthesis of findings from four separate country studies, looking at the determinants of fiscal accountability and extractive industry revenues in Peru, Senegal, Ghana, and Tanzania. The work is informed by an imperative to ensure that extractive industry revenues are better used to achieve human development. To this end the work is focused on understanding (i) the determinants of revenue sharing agreements between companies and countries, (ii) the determinants of national budget allocations, and (iii) the causes of budget leakage. A central theme of the report is focused on understanding what the law is, how the law came to be, whether the law is followed, and what explains the difference between what is meant to happen and what actually happens.

Across the countries, terms of revenue sharing between countries and companies appear to be driven by large-scale structural features of the global economy (such as mineral prices, debt levels, and investor confidence). In addition, however, it appears that idiosyncratic features (such as the capricious decisions of individual political actors and the imperatives of special interest groups) also play a role. In this respect very high levels of executive autonomy, and weak oversight, are thought to create scope for corruption when signing revenue sharing agreements.

Regarding revenue allocation, there are notable differences in the laws across the countries, with some having chosen to earmark revenues (either for specific sectorial investment, or to prioritize sending revenues back to the regions where resource extraction is taking place) and those which simply channel those revenues into the national budget. While earmarking makes public oversight of the revenues easier it is not clear from this research whether earmarking has generated more impressive development results, with accountability deficits persisting in cases where revenues are earmarked and where they are not. Regarding revenues that enter the central budget, their distribution is largely determined by the general budget dynamics which are, in turn, characterized by a dominant executive. Although it is not possible to compare the degree to which the executive dominates the budget across the countries, it is notable that such dominance was thought to characterize the budget process across all the countries irrespective of the different levels of budget transparency and formal allowances for participation.
Mechanisms for collecting and allocating revenue both suffer from major deficits in accountability that are mainly driven by an imbalance in power between the executive and the other branches of the government. This imbalance is manifest in terms of formal powers that result from historical events, such as colonialism and single-party rule, which drove the centralization of power within a hierarchical system of government. These formal powers are augmented by high levels of dysfunction within parliamentary systems and among oversight bodies. Notably, however, the structure of parliamentary dysfunction appears to be distinct across the Peruvian and African cases.

Within these contexts civil society engages in numerous efforts to both improve the management of extractive industry revenues, and to increase accountability. In this respect it appears that there is scope for campaigning around issues of budget transparency and budget maladministration. Major accountability challenges, however, pertain to improving the responsiveness of elected officials and civil servants, while the need to improve legislation seems less pressing. Civil society efforts to audit budget expenditures have had limited success and are frequently frustrated by the difficulty of accessing local records and due to low levels of answerability among local officials. These challenges notwithstanding, there have been notable successes in efforts to improve accountability and increase pro-poor budget allocations. Lessons from such successes include effectively capitalizing on particular political moments (especially elections) and linking narratives of accountability to those of more popular notions of political legitimacy. Efforts to link local and international actors in campaigns is also thought to have been effective in achieving successes.

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1. INTRODUCTION

For the last 25 years the notion of the “resource curse” has animated the efforts of individuals and organizations concerned with the challenge of addressing human development and reducing poverty. In theory the potential for spending the substantial revenues from petroleum and mining on development priorities, such as health, education, and agriculture, has seemed an irresistible means by which to address poverty. In reality, however, this ideal has proved much more complicated. Many resource-rich countries have been unable to translate their resource wealth into sustained growth, and to translate that growth into human development. More than this, in certain cases, resource wealth has been associated with autocracy, weak institutions, and violence.¹

The result is that a specific field of expertise has developed, focused on managing natural resource wealth for development, with a central theme being a desire to avoid the “resource curse.” Effort in this field has tended to focus on promoting technical economic instruments for better managing revenues, building the capacity of civil servants, increasing transparency within resource-rich countries, and trying to create more accountable revenue management institutions.

Notably, however, a recent body of literature has emerged which questions the notion of the resource curse and therefore the development pathways that seek to address it. Challenges to the “resource curse” have focused on the fact that many resource-rich countries appear to have been able to overcome what were previously thought to be the retarding effects of resource wealth on economic growth. This has been shown most acutely in the case of the recent commodity price boom, which has seen resource-rich developing countries experience some of the most rapid rates of economic growth in the world (Africa Progress Report 2013; Alence 2014). Countering this has been work arguing that such aggregate growth has not translated into growth in other sectors of the economy (Warner 2015), leaving natural resource economies dependent on their natural (finite) resource wealth and therefore vulnerable to price shocks.²

The picture has been further complicated by disagreement over the effect of resource wealth on human development. To this end, work has noted correlations between resource wealth and improvements in human development. At the same time, other work has pointed out that resource-rich countries tend to have lower global human development rankings when compared to their GDP.

Finally, while there is general agreement that natural resource wealth (especially oil wealth) tends to undermine democracy and that democracy improves a country’s ability to translate resource wealth into growth, there is disagreement regarding the role of democracy (and the related features of transparency and accountability) in translating resource wealth into human development. While a positive relationship has been assumed in many cases, empirical evidence is more contested. For example, research has found that increases in non-tax oil income correlate with increased social expenditures in autocracies, while in democracies such increases tend to be associated with tax breaks for the highest income group. Likewise, and in more general terms it has also been shown that the relationship between budget transparency and pro-poor investment is complex, with more transparent countries not necessarily allocating higher shares of their budget to education, health, and water and sanitation than countries with less transparent budgets. Specifically, regarding agricultural expenditure in Africa, case studies looking at the political economy of budget allocations explain higher proportional expenditure among repressive regimes in terms of the need to purchase legitimacy.

In light of such debates, there has been a recent pushback against the search for “one big explanation” of the outcomes of resource wealth on national development, on the grounds that it “overlooks the complexity of economic

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4 Usually measured in terms of HDI.
6 Ross, “What Have We Learned about the Resource Curse?”
development in different countries under different circumstances”\textsuperscript{11}. This research takes such a sentiment as its starting point. It is focused on understanding how to better link natural resource revenues with development outcomes\textsuperscript{12} by examining the determinants and status of formal fiscal accountability. To do so the work focuses on the specific dynamics shaping accountability outcomes in four countries: Peru, Ghana, Senegal, and Tanzania. This report is intended as an overview and synthesis of findings that are common across the report. For these reasons, it has been necessary at times to simplify the specific factors operating in each country. If the reader is interested in exploring certain dynamics in greater detail they are encouraged to read the specific country reports.

**MOTIVATING THE RESEARCH**

The four countries involved in this research were chosen as they offer four cases with very different levels of institutional maturity, while also containing significant numbers of impoverished populations. Across all the countries there is significant opportunity for natural resource wealth to contribute to poverty reduction. With this in mind, the focus of this work is to inform efforts aimed at improving the extent to which natural resource wealth can be more effectively translated into improvements in human development. In addressing this challenge, the work is motivated by three imperatives:

1. Increase the proportion of resource wealth that remains in a country;
2. Increase the proportion of the revenues that remain in the country that are allocated to the sorts of pro-poor investments that will best address human development;
3. Ensure that the resources which are allocated for expenditure actually correspond to real resource transfers, and reach those points of expenditure for which they were intended.

Based on the above, this research is concerned with three processes:

1. The negotiation of revenue/profit sharing agreements;
2. The process of budget allocation;
3. The causes of budget leakage.

A central focus of this work is on understanding what is meant to happen (what is the law?), how these laws came to pass, and to what extent what is meant to

\textsuperscript{11} Stevens, Lahn, and Kooroshy, “The Resource Curse Revisited.”

\textsuperscript{12} It is noted that the work by Stevens, Lahn, and Kooroshy (2015) goes on to dissuade development efforts from engaging with a natural resource growth driven development agenda.
happen actually happens (is the law followed?). As such, a concept of central importance to this work is the notion of accountability.

Accountability is defined as a relationship between at least two actors. Actors are considered to be accountable to one another when there is an effective means by which they might sanction (or encourage) one another in cases where the actions of either party have an impact on the other party's well-being. Given that this work is focused on the relationship between states and their citizens, we consider the case of accountability between political leadership and the citizens of a country. Accountability is thought to be constituted by four conditions:

1. Participation in agenda setting—To determine what the interests of the different parties are, and what sanctions might be suitable to address cases in which interests are undermined;
2. Transparency—To determine whether interests have been undermined as a result of the actions of another actor;
3. Answerability—Necessary as a space for actors accused of damaging the interests of another to contest these claims and explain their actions;
4. Sanction—Necessary as a means for addressing wrongdoing or to praise positive outcomes.

Notably, because accountability is thought to be about the relationship between parties or actors, it is understood as being explicitly political. In addition, this research takes as a starting point the idea that formal rules describing a process for agenda setting, for ensuring transparency, for ensuring answerability, and for ensuring sanction, are themselves the product of political outcomes. That is to say that the rules are subject to politics, they do not simply constrain and limit the space for political action. While the rules defining accountability might matter in shaping what actors are able to do, they do not determine the actions of all actors. Some actors are powerful enough to ignore the rules—which is one of the reasons why they are fundamentally unaccountable.

As a result, this work is focused on understanding the political economy dynamics shaping the processes by which accountability is meant to function. Methodologically this involves, to as great an extent as is possible, looking at what is meant to happen in each country, according to the formal laws and procedures, and comparing this with what actually happens. It also includes an exploration of political and economic incentives shaping how the rules defining what is meant to happen were initially set.

As mentioned above, the work shies away from the notion of the resource curse as a generalizable phenomenon and instead views outcomes of natural resource
wealth on development as the result of country-specific dynamics. As such, the political economy analysis informing this work is located at the level of the country and undertaken on largely inductive terms. In addition, the work takes an explicitly historical focus, seeking to understand each country’s contemporary institutional dynamics within their historical context.

The data collection informing this work comes from research conducted by independent research consultants across the four countries. The methods used in all the countries included reviews of laws as well as policy documents that were deemed relevant to the extractive sector and budget process. Such reviews were bolstered by a reading of academic and grey literature that focused on understanding accountability and oversight within the extractive sector and budget process. Finally, this work was supplemented with numerous expert interviews involving a mix of elected officials, ministers (past and present), civil society leadership, and academics. The focus of these interviews was to explain the political and economic forces that shaped particular outcomes, both in terms of the creation of certain laws and the space to negotiate outcomes while following the law.

In addition, the research also sought to understand the potential for civil society to drive accountability across the four countries. In order to do this, the work sought to conduct an assessment of existing civil society efforts to track allocations, transfers, and expenditures through the budget (or “follow the money”) all the way to point of service provision, as a means to increase accountability. This entailed reviewing a total of 85 different “follow the money” projects across the four countries.\(^1\) The focus in this analysis was on understanding the successes and failures experienced by each project as well as an effort to understand why such successes or failures might have come about. In addition, the research sought to undertake a survey of members of civil society working on issues of revenue management and accountability in public finance, to gain some sense of what they felt were the major obstacles to improving accountability, and constraining civil society’s role in this process. Overall, the survey generated a total of 89 responses, being heavily dominated by Tanzania (57 responses). Certain survey outcomes are discussed in this report. In order to account for the dominance of Tanzania in the survey, results are only disaggregated in cases where Tanzanian outcomes are distinct from the pattern in the other three countries.

\(^1\) 17 projects in Ghana, 33 projects in Peru, 5 projects in Senegal, 30 projects in Tanzania. The relatively low number of projects in Senegal is a product of the historically very low levels of budget transparency in the country. Reasons for such weak transparency in Senegal are addressed later in this report.
OUTLINE OF THE REPORT

This report seeks to synthesize common findings from the country research and reflect on salient differences. The intention in doing so is to inform overarching thinking on the role of national level institutions in the management of extractive industries, and to identify lessons about how to improve these institutional contexts. To achieve this, the report begins with a brief overview of the political and economic histories of each of the countries. Following that, Section 3 of the report explores what has determined national policies and laws around collecting revenues from extractive industries operating in their territories. Section 4 moves on to explore the ways in which the revenues collected by the state are allocated, either through specific revenue management mechanisms or through the budget. Section 5 then looks at the degree to which the institutions governing these processes might be considered accountable or not, and from where the root causes of breakdowns in accountability might stem. Section 6 looks at the possibilities for civil society to play a role in reforming these different institutional contexts to improve revenue management. Finally, Section 7 reflects on the broader relationship between power and accountability and what this might mean for efforts at improving natural resource management.
2. COUNTRY OVERVIEW

As a starting point for the research, it is useful to offer a brief political and economic overview of each country. This is because broad historical processes are thought to shape the contemporary politics of fiscal accountability within each country. In particular, experiences of colonialism, socialism, conflict, economic crisis, and structural adjustment are all worth commenting upon.

All of the countries in the study experienced some form of colonialism… (and) … to differing degrees, all of the countries involved in this study also experienced some period of socialism, or one-party rule, in the post-colonial period, during which the state’s involvement in the economy was significant.

All of the countries in the study experienced some form of colonialism. One major effect of colonialism was to concentrate power in hierarchical forms of government. In particular the colonial model in Africa was premised upon controlling the coastal regions, and extracting natural resources from the hinterland, to the capital, for export to Europe. In this way authority over the management of natural resources was centralized within the highest branch of the colonial administration, which was located in the capital. The hinterland was largely marginalized from management decisions, and left underdeveloped. As will be described below, remnants of this institutional architecture remain in place today across the African cases: power is *de facto* centralized within a hierarchical structure of government, with power and wealth located in the capital.

To differing degrees, all of the countries involved in this study also experienced some period of socialism, or one-party rule, in the post-colonial period, during which the state’s involvement in the economy was significant. Among the African cases this period of one-party rule served to further concentrate power within the

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15 Tanzania presents a slightly more complex case than simply being colonized. Although the mainland territory of Tanganyika was colonized by Germany, it was transferred to Britain under a League of Nations Mandate, and then transformed into a United Nations Territory. Tanganyika became Tanzania after independence when it merged with Zanzibar which had previously been a British protectorate.
hierarchical structure of the post-colonial state. Although these periods were generally associated with higher proportional levels of social expenditure, especially in rural areas, and notable advances in human development, they were also associated with weak economic performance, resulting in economic crisis in the 1980s.

Economic crisis across the four countries was the result of failed policies of important substitution and the national ownership of key enterprises. Such issues were compounded by the oil crisis of the 1970s which drove excessive borrowing.\textsuperscript{16} International support to all the countries was forthcoming in the late 1980s and early 1990s, in the form of conditional loans from the World Bank and IMF, which required countries to privatize state enterprises and public services, as well as liberalize their markets. Fundamental to the development approach contained in these reforms was the idea that countries could effectively grow their economies by attracting foreign investment.

Economic reforms were accompanied by major political reforms in Ghana, Tanzania, and Peru. In Ghana and Tanzania, this included the transition to multi-party democracy, during which time oversight institutions were nominally restored. In Peru, economic reform accompanied the election of President Alberto Fujimori, in 1990. Fujimori was able to effectively reform the country’s economy and tackle political violence; however while doing so he also radically consolidated power within the executive, and undermined a number of the country’s democratic institutions, dissolving congress and establishing what was effectively an authoritarian regime. Fujimori’s regime ended following a number of corruption scandals which caused him to flee the country. In the wake of Fujimori’s tenure Peru has sought to restore its democratic institutions.

Senegal’s transition to democracy and the liberalization of the economy happened more slowly than in Ghana, Tanzania, or Peru, with political and economic reforms slowly taking place in a generally stable manner through the 1980s and 1990s. A decisive shift in Senegal’s economic policy occurred in 2000, however, when President Abdoulaye Wade proclaimed his political regime as liberal and open to international financial flows. Despite these democratic reforms across the countries, they have all struggled to overcome the democratic deficits created by periods of one-party rule.

Regardless of these broad similarities … it needs to be made clear that the four countries involved in this study experienced distinct forms of colonialism and have had unique experiences in the post-colonial period.

\textsuperscript{16} In addition to such pressures Tanzania was experiencing the impacts of drought and an expensive war with Uganda. In Peru, internal political violence also contributed to the economic crises.
Regardless of these broad similarities and despite the fact that, today, all of the countries suffer significant democratic deficits and problems with oversight (as will be discussed in more detail below), it needs to be made clear that the four countries involved in this study experienced distinct forms of colonialism and have had unique experiences in the post-colonial period. One result is that the countries currently display significant differences, both in terms of how their political institutions function and regarding their relative states of economic and human development. Some of the important differences are captured in Figure 1 which shows how these countries have grown over time and how their (non-income) Human Development Index has changed—each check on each graph represents a year running from 1980 to 2012. Evident in this is the fact that Peru has by far the largest economy and highest levels of human development. In economic terms the three African economies are all significantly smaller. That said, in the last twelve years Ghana has experienced notable economic growth compared to both Tanzania and Senegal. The recent growth in both Ghana and Peru, which took place since the year 2000, has not been matched by equivalent increases in human development. It also appears that Senegal has been less effective at translating its economic growth into improvements in human development, than has Tanzania.

![Figure 1. Four different countries](chart.png)

Note, each check-mark on each line represents a year, running from 1980 to 2012. The year 2000 is pointed out on the graphs for Ghana and Peru, as a means to highlight points at which growth increased significantly but was not accompanied by an equivalent increase in human development.

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17 The focus of this report which synthesizes the findings across the countries is to focus on common elements. For more details on the specific historical contexts in each country please see the individual country reports.

18 The Human Development Index (HDI) is a multidimensional measure of poverty considering indicators for education, health, and income. Because this graph already includes income (in GDP per capita) the measure of HDI has removed the income component from the index.

Finally, in terms of extractive industries, it is worth noting that all the countries show significant differences in terms of the maturity, size, and composition of their extractive sectors. Of the four countries, Senegal’s extractive sector is the least developed. With historically moderate activity in mining, Senegal is now focused on attracting investment for the exploration and extraction. Mining currently accounts for 20 percent of Senegal’s export earnings, with the main minerals being phosphate, iron ore, and gold.\textsuperscript{20} In addition, as recently as October 2014, a significant oil field was discovered off the Dakar Coast, and Senegal is soon expected to become an oil exporter. Despite this, Senegal remains a lower middle-income country, with the majority of its 13 million people living in rural areas and in a state of poverty.

Ghana falls squarely into the category of a relatively resource-abundant country, with heavy resource dependence and significant levels of poverty. In 2013, for example, rents from oil, gas, and mineral production in Ghana were estimated to be worth $8.5 billion,\textsuperscript{21} representing about 17% of the country’s total Gross Domestic Product (GDP). At the same time, however, 6.1 million people are estimated to live in absolute poverty in the country.\textsuperscript{22} Tanzania is the poorest of the four countries, with an average annual per capita income of just US$ 570 in 2012, and approximately 12 million people living in poverty.\textsuperscript{23} Despite this, the country has a fairly established extractive sector, with gold accounting for more than half the country’s exports. Oil has also recently been found offshore. Production is in its infancy, but the multiple finds are expected to attract between $10 billion and $15 billion in investment.

Peru’s extractive sector is the most mature. The country has a long history of mining activity\textsuperscript{24}, and is now one of the largest producer countries in the world, leading Latin America in terms of the production of zinc, lead, tin, and gold (MINEM 2015). Mining currently accounts for around 16% of Peru’s GDP and has consistently contributed more than half the value of the country’s national exports. Unlike the other countries in this study, Peru is a middle-income country, which has seen significant declines in terms of income-based poverty and inequality.\textsuperscript{25} Despite this, high concentrations of extreme poverty persist in the

\textsuperscript{20} Extractive Industries Transparency Initiative, 2015.
\textsuperscript{23} In 2012.
\textsuperscript{24} Although Peru also has a significant petroleum sector this study focused solely on the dynamics surrounding mining in the country.
country and over 7.4 million\textsuperscript{26} people were estimated to be living in poverty in 2014. Levels of inequality also remain stark.

\textsuperscript{26}Source: The World Bank estimates the national population at 30,973,148, with a poverty headcount ratio at 24% of the population (http://databank.worldbank.org/data/reports.aspx?source=2&country=PER&series=&period=).
3. REVENUE SHARING

Prior to discussing the factors that shape revenue sharing across the countries it is worth noting that, in general, oil and mining tend to display different characteristics in terms of the revenues they generate for national governments. Mining tends to generate lower margins than oil, involve more risk, and has higher exploration costs. As such, a greater portion of the revenues from mining tend to accrue to mining companies. Oil, on the other hand, tends to generate greater margins, once investment costs have been covered (historically this has been a partial result of collaboration around supply from global consortia), and has more flexible supply—an oil well, for example, can be shut down in times when demand drops. The result is that, in general, governments tend to capture a greater portion of oil rents than they do mineral rents.

Across the four countries revenues, from the different sectors, are collected through a mix of taxes, royalties, fees, and duties. Likewise, across all the countries the administration of this process is managed by a variety of government departments whose job is to oversee the process of setting rules and collecting revenues. The details of such process are contained in each of the country reports.

Despite the variety of laws, processes and institutions involved, a common feature across all of the countries is that established contracts, especially around mining, have historically contained, and still contain, a host of concessions and exemptions that mean the sector remains attractive to extractive companies, and compromises the ability of governments to capture revenues. For example, research in Tanzania has shown that had the country been as successful as Chile, in translating its economic activity in mining into domestic revenue, it would have increased its government receipts from mining by 136 percent between 1998 and 2011, which translates to an increase of approximately $1,055 million. Likewise, three formal reviews of the Tanzanian mining sector called for

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27 Note this may apply more to conventional hydrocarbons only.
28 Such collaboration is easier regarding oil than it is minerals, as oil tends to comprise a single product, while the mineral sector includes a vast array of commodities each with its own dynamics driving supply and demand.
a revision of the excessive tax incentives\textsuperscript{32} that were found to be overly generous\textsuperscript{33} such that the government take from the sector was inadequate\textsuperscript{34,35}

Likewise in Peru, prior to reforms (see below for details), mining profits were exonerated from income tax by up to 80\% so long as profits were re-invested in the country.\textsuperscript{36} Today Peru ranks 46\textsuperscript{th} out of 122 major extractive countries in terms of the extent to which its tax policy is perceived to encourage investment, compared to its rank of 7\textsuperscript{th} based on pure mineral potential.\textsuperscript{37} Such a disparity suggests that there is space for Peru to increase its tax burden and still effectively attract investment.\textsuperscript{38}

In Ghana, tax exemptions apply to over 800 items of mining assets, personal expenditures and accommodation.\textsuperscript{39} The result is that, in 2004, only five out of nine companies paid any dividends, and as of 2009, there was only one example of mining companies paying capital gains tax.\textsuperscript{40} Finally, in Senegal, mining companies enjoy low royalty rates, as well as tax and fee exemptions on all logistics and equipment used in mining operations, including exonerations on import duties.

\textbf{The common feature, thought to explain the significant concessions offered to mining companies, is the perceived need to generate conditions that are attractive for foreign direct investment along with a potential for shared interests among domestic political elites and mining companies.}

\textsuperscript{32} As found in the first (Kipokola Report (2004)) and second (Masha Report (2006)) reports.
\textsuperscript{33} As found in the Bomani Report (2008).
\textsuperscript{34} As found in the Bomani Report (2008).
\textsuperscript{38} The case for this is even stronger when one considers that policy concerns (which include factors in addition to tax rates, such as risks of bribery) are only thought to account for 40\% of investment decisions (Jackson 2015).
\textsuperscript{40} Ibid.
The common feature, thought to explain the significant concessions offered to mining companies, is the perceived need to generate conditions that are attractive for foreign direct investment along with a potential for shared interests among domestic political elites and mining companies (although this was evident in the different countries to different extents). Regarding the former (the latter will be dealt with later in the report) three factors are thought to be important for explaining why such concessions have been (and in some cases still are) so favorable for mining companies. First is the implementation of structural adjustment plans in the 1980s and 1990s, that were pushed by the International Financial Institutions and which resulted from the preceding economic crisis. Second is the slump in commodity prices that occurred through the 1980s and 1990s—which happened to be the same time that these countries were restructuring their economies. Finally, it is worth noting that these dynamics were compounded by the fact that these countries had only recently transitioned to liberal capitalism and as such they felt the need to guarantee the terms of the contracts they signed with extractive companies. The interaction of these factors is worth discussing in greater detail.

**CRISIS, STRUCTURAL ADJUSTMENT, STABILIZATION, AND THE PURSUIT OF FOREIGN DIRECT INVESTMENT**

As was mentioned briefly above all the countries included in the study experienced economic crises between the 1970s and 1990s. The result was a need to undertake structural adjustment reforms whereby a major focus fell on efforts to attract foreign investment in order to fuel growth. It was in this context that reforms to mining policy initially took place across the four countries. In both Ghana and Peru the extractive sector was explicitly identified as a priority area in which reform could help attract foreign investment and drive economic recovery. In Tanzania, the extractive sector was not immediately prioritized to the same extent, with reforms only occurring in 1998. Likewise in Senegal, which has a much smaller and less developed extractive sector, reforms only took place in 2003 (and were under review at the time of writing this report). In all cases however, reforms to the sector have taken place during a period when there was an explicit focus on making conditions attractive to foreign capital. In Peru, Ghana, and Tanzania these conditions were amplified by the fact that their economies were in relative stages of crisis and reforms were being implemented under conditions of duress created by international bailout packages.

While Peru, Ghana, and Tanzania sought to reform their sectors to make them more attractive to foreign investment, additional pressure came in the form of a commodity price slump, which occurred through the 1980s and 1990s, and which
increased the imperative to offer generous terms to extractive companies. The case of the gold price is an illustrative example, with gold being an important mineral in Peru, Ghana, and Tanzania. As Figure 2 shows, between December 1987 and December 1991 the price of gold fell from $1,003 per ounce to $622 per ounce. Over the next ten years the price continued to fall, dropping as low as $351 in April 2001.

For countries looking to attract investment to the sector as a means to drive economic recovery, the result of this price slump was to create even more concessions. For not only did countries feel that they needed to offer generous conditions to attract investment, they thought that they needed to attract it to what appeared to be a depreciating asset. The result was the creation of the significant concessions and allowances described above.

Figure 2. Variable commodity prices and their impact on reforms to mineral policies.

Note: Gold prices are shown on the left of the graph, on a logarithmic scale, with time on the horizontal axis. Prices are monthly closing values, adjusted for inflation.

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41 In real prices.
Compounding these dynamics, however, was the fact that all of the countries had only recently transitioned from state-led to free-market economies. This meant that there was also an acutely perceived need to guarantee stable financial conditions to investors in order for countries to effectively attract foreign investment. As such Peru, Ghana, and Tanzania all included clauses in their contracts to ensure that the fiscal terms of the contract will not be affected by any changes to the country’s fiscal system—such clauses were termed “stabilization agreements.” Thus countries locked themselves into contracts that were written when the negotiating position of the countries was weak and when the price of commodities was on the slide—and showing little evidence of a likely recovery. Such agreements significantly compromised the ability of countries to capitalize on the remarkable rebound in prices which took place after the year 2000. Taking the case of gold again, this included a 450 percent increase (taking gold to $1,912 per ounce) over the next ten years.

The overall impact of these reforms can be seen in two ways. On the one hand they have been extremely successful. Along with the boom in commodity prices, reforms have driven an inflow of foreign capital and the extractive sector has become significantly more productive across all of the countries. On the other hand, while the sectors might have grown in economic terms, the stabilization agreements mean that governments have not been able to fully capitalize on these rents, as they have not been able to translate the growth in GDP into an equivalent growth in government revenue. The result has been subsequent efforts to undertake further reform of the extractive sector in the hope of increasing the government’s take from the resource.

**EFFORTS AT REFORM**

Efforts at reforming the mining sector in Ghana, Tanzania, and Peru (Senegal’s mining law was under review at the time of writing) have all been relatively successful in shifting the terms of contracts in a direction which is more favorable towards the state. That being said, efforts at reform have been frustrated by stabilization agreements which mean that even successful reforms have not been applied to existing contracts, with new laws and policies only being applicable to new contracts and concessions.

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Both Peru and Ghana have made efforts to address the stabilization agreements contained in old contracts. In Ghana this was thought to be the outcome of
diplomatic requests on the part of President Atta Mills, who raised the issue of high mineral prices with mining companies who were amenable to the discussion.\textsuperscript{44} In Peru, renegotiation was the outcome of popular pressure which crystallized around the 2011 general election, after previous reforms were thought to have been insufficient.\textsuperscript{45} The result was that in Peru, historical stabilization clauses in mining contracts\textsuperscript{46} were effectively brought to an end as companies, which held such contracts, agreed to sign extensions which involved forgoing their contractual privileges by agreeing to pay royalties and a special mining tax. The subsequent drop in mineral prices accompanying the end of the recent commodity boom (which ran from 2000 to 2014) has, however, meant that these changes have not had much effect on government revenue from the sector. In Ghana, on the other hand, after mineral prices fell, conversations about renegotiating stabilization agreements were dropped altogether.\textsuperscript{47}

Looking at both Ghana and Peru one can identify the role played by macro-economic structural pressures in efforts to address historic stabilization clauses. When mineral prices were high certain companies understood that the terms of contracts needed to change and were even amenable to dropping stabilization agreements. At the same time, once prices dropped, companies pulled back and conversations around renegotiation stalled. Despite efforts at addressing stabilization agreements, it is worth noting that they persist in both Tanzanian and Peruvian mining policy, while in Ghana the minister responsible for mining is at liberty to enter into such agreement. In both Ghana and Peru, policy dictates that such agreements are limited to a period of 15 years.

Having detailed the specific cases of Ghana, Peru, and Tanzania, it is useful to quickly reflect on the dynamics in Senegal. In Senegal it seems that the relatively small size of the extractive sector means that it has not been an object of political contention to the extent that it has been in Tanzania, Ghana, and Peru. In this respect, while the country underwent structural adjustment, much of the focus was on bringing expenditure under control and limiting inflation. It was only with the election of President Wade, in 2000, after the country finally embraced the liberalization of its economy, that reform of the extractive sector came to the fore of policy concerns. Much of what drove this was a need to fund social expenditure. The result in Senegal has been an effort to balance attracting private investment into priority sectors with capturing sufficient taxes to sustain government spending. Despite the limited number of jobs that capital-intensive

\textsuperscript{44} Former minister, expert on EI issues, member of review committee, interview, January 22, 2015.
\textsuperscript{45} Such reforms included the creation of voluntary tax paid by companies, which was earmarked for social investment in mining-affected areas.
\textsuperscript{46} Stabilization clauses still exist in the petroleum sector, however the focus of this research was on the mineral sector.
\textsuperscript{47} Former minister, expert on EI issues, member of review committee, interview, January 22, 2015.
extractive activity generates, the Senegalese government persists with a narrative that foreign direct investment in mining will be good for development, beyond just generating government revenues. The 2003 mining code suggests the continuation of this neo-liberal trend under President Macky Sall, tempered as it may be by an acknowledgment of the need for social spending.

WHAT DRIVES EXTRACTIVE INDUSTRY POLICY?

Despite the role played by structural economic factors—such as debt levels, commodity prices, economic performance, and investor confidence—in shaping extractive industry policy, it is important to highlight the role played by more idiosyncratic pressures, such as special interests. In Ghana, we see an expression of such interests when comparing the formulation of the country’s mining and its petroleum policy. While mining policy was shaped by the forces described above, the petroleum policy shows the role of public pressure and civil society action in shaping policy outcomes. As one extractive industries expert and member of the Ghana mining review committee explained when asked about the difference between petroleum and mining issues:

“There is much more public consciousness in the petroleum sector than in the mining sector, therefore there are much more corrective activities in petroleum than in mining. … the hard mineral sector is older and therefore we are trying to correct what it is [sic]. But the petroleum was new, so the CSO pressure came in at the beginning and we actually got legislation powers which were partly domestic pressure, but also international practice.”

On the other hand, Tanzania reveals the extent to which policy processes are possibly informed by the particular interests of powerful individuals. The country’s experience dealing with small-holder artisanal miners during the reforms to the mining sector which took place in the late 1990s is revealing in this respect. Prior to these reforms, mining and rights to deposits lay primarily in the hands of small-scale artisanal miners, who formed an important lobby as they sought to maintain access to these rights. Although the government, at times, indicated that it would seek to protect the rights of these miners, it ended up transferring rights from small-holders to foreign companies. While this outcome is largely thought to be due to the dominance of a development ideology which was focused on attracting FDI to the country, it is also noted that the enforcement of this policy—which meant forcibly evicting small-scale miners from commercial mines—was the outcome of specific commercial interests.

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48 Ghana country report: Interview, EI expert, member of mining review commission, Accra 18/1/15.
Despite the role played by structural economic factors ... in shaping extractive industry policy, it is important to highlight the role played by more idiosyncratic pressures, such as special interests.

What is more revealing in this case is that the process by which this special interest was leveraged appears to have been through a failure of the courts, who failed to enforce an injunction ordering that evictions be stopped. What such a dynamic reveals is the extent to which failing accountability institutions (to be discussed separately in Section 5 of this report) allow for decision-making processes around policy to be moved into the hands of powerful individuals.

Nowhere is this dynamic clearer than in the case of new gas and petroleum laws in Tanzania (which were released at the time of writing this report). Although there was not time to examine the content of these laws, it is worth noting that they were passed under extraordinary measures which meant that they did not follow normal procedures of consultation in parliament and with cabinet. In addition, the bills were introduced during an election cycle in the last few days before parliament was dissolved for the year. The result is that there was virtually no opportunity for the public to offer input, and little incentive for parliament to scrutinize the bills. Opposition members who opposed the manner in which these bills were being proposed were dismissed from attending the remaining parliamentary sessions. Members of the opposition have pointed out a number of other irregularities in the way these bills have been passed, resulting in accusations that the leadership organs of the House failed in their duties. While all of the above tells us little regarding how exactly the content of these bills was determined, it does highlight the manner in which the circumvention of accountability institutions allows for individuals to exercise control over decision-making in order to shape both policies and laws.

The above analysis makes clear that it is a mix of structural factors and special interests that shape policy surrounding extractive industries. With that in mind, it should be remembered that such a focus might only provide us with a very limited view on what the terms of revenue sharing are actually like. This is because although the publicly known features of contracts may be the same, there is room for the government to place provisions in the contract that can bias its terms in favor of one party or another. More than this, in countries where there is no provision for contract transparency (as is the case in Ghana, Senegal, and Tanzania), there is no way to tell if the Act governing their creation has even been followed. As such the only way to get a comprehensive understanding of how revenues are actually shared between companies and governments is to

look at the specific fiscal terms included in each contract. In Tanzania, in particular, there is concern that the signing of especially generous terms into stabilization agreements could be a partial result of corrupt political decision-making. In this respect, in addition to the structural dynamics and special interests, it is clear that individual caprice plays a role in shaping how revenue-sharing agreements are signed between countries and extractive companies.

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Considering the lack of oversight of individual contracts it is hard to know exactly what informs the signing of each one, or why one company is awarded a contract over another. Interviews in Ghana, however, revealed that deals are struck based on their ability to balance business interests against those of the public, all the while considering the prospects for the resource find: how large it is, the quality of the asset, global prices, inter alia. The dominance of business or public interests seems to manifest as a result of the relative political or economic pressure that the country is under. In this respect it is worth noting that across all the countries there is now very significant public pressure to balance the need to increase investment and use the extractive sector to drive economic growth, with the need to increase the government take from the sector. All the while, commodity prices continue to drop.

Within this tension, a feature across the countries is the apparent ambivalence of governments who repeatedly insist that they will get a better deal from companies, but then go on to sign contracts containing multiple concessions, undertake only half-hearted reforms, or renege on previous promises of reform. Based on the research there appear to be three potential explanations for this behavior. 50 Firstly, governments are not homogenous and different government departments have different interests in reforming the extractive sector. As such “government” should be seen as having many voices. This was noted across all three countries. In Ghana, for example, the research noted a case in which one advisor to the minister of finance described being livid with a previous minister of lands and natural resources over the fact that he had signed a generous deal for a particular mining concession. 51

Secondly, governments frequently lack clear decision-making processes which can be used to guide investments in the sector and ensure the accountable use of natural resources. As will be discussed in Section 5, this is largely the result of

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50 This explanation is taken from Curtis and Lissu’s account of the same dynamic in Tanzania (Curtis and Lissu 2008).
51 Former adviser, Ministry of Finance, interview, January 11, 2015.
highly centralized authority over decision-making within country executives. It is such contexts that allow for individuals to make decisions that do not align clearly with formal government policy.

Finally, while decision-makers in government are subject to pressure from a variety of legitimate interests, such as balancing long-term economic stability with pressure for immediate social expenditure, in some of the countries there are also thought to be significant conflicts of interest. In Ghana, for example, there are claims that the same members of parliament who are meant to oversee extractive industry-related decisions are also reported to sit on the boards of a number of mining companies. In Tanzania, civil servants and elected officials frequently fail to disclose their assets. In Peru there is a significant problem with a revolving door between government oversight institutions and the private sector. In such cases it is relatively understandable that governments might say that they will push for greater reform of mining agreements, but then continue to sign generous agreements.

Having considered the state of revenue-sharing agreements across the countries, a number of features begin to present. The first is that across the countries there has been a sense among the public, commentators, and within the government, that the terms of contracts with mining companies have been favorable in the direction of the companies. Historically, such terms are thought to be the result of structural macro-economic forces, such as debt crises, structural adjustment, and commodity prices. Also important from this historical perspective was the role of investor confidence, which caused countries to place stabilization agreements in their contracts and which made it impossible to fully capitalize on the commodity price boom of the last 15 years. In addition to these structural factors, however, special interest groups as well as civil society pressure have also been shown to play a role in the creation and implementation of extractive industry policy.

The above notwithstanding, while focusing on formal policies and laws might allow one to identify cases in which too much of the resource wealth is going to companies, it should be remembered that such a focus can also cause one to overlook the fact that understanding revenue sharing really requires an understanding of the specific terms contained in each extractive sector contract. In this regard, despite the larger features shaping extractive industry policy in general, there is space for individuals to have significant influence over the process. In this respect problems of accountability within the decision-making system come to the fore, with individuals able to exercise high levels of autonomy in decision-making. Such conditions are especially concerning given the limited provisions for transparency over extractive sector contracts and in light of evidence of potentially significant conflicts of interest between public servants and the private sector.
4. ALLOCATING REVENUES: REGIONAL SHARING, SECTORAL EARMARKING, AND THE BUDGET

When looking at the ways in which revenues are managed across the four countries, the first thing that stands out is the fact that some countries choose to manage those revenues as specific income streams, governed by specific legislation, while others have no such specifications, treating revenues the same way they would treat any revenues entering the budget (see Table 1 below). In Ghana, for example, specific rules govern the management of revenues from both mining and oil and gas. In Peru, the “Canon” legislation, which governs 50% of mining revenues, specifically regulates the regional distribution of revenues and also includes limitations on what the funds can be used for. On the other hand, both Tanzania and Senegal treat extractive industry revenues the same way that they would treat any other fees and taxes, simply directing them into the consolidated fund, and administering them through the central budget. The same can be said for the other 50% of revenues not allocated to the canon in Peru, and the 80% of mining revenues in Ghana, both of which are transferred to the central treasury.

Notably, Tanzania’s new oil and gas law looks set to implement some greater specificity in terms of revenue management. In Senegal the institutions for managing oil and gas have yet to be defined. Considering the extent to which mining legislation is older and contains less specificity than newer legislation
governing petroleum revenues, it appears that the process of earmarking revenues into specific funds that are governed by specific rules is influenced by increasing international scrutiny and more prevalent concerns about the "resource curse." In this respect it seems that there is an assumption among actors concerned with the "resource curse" that earmarking revenues is an effective means for improving accountability over the management of those revenues.

Understanding how extractive revenues are allocated requires an examination of both the specific revenue management institutions and the budget across the different countries. This section first explores the different systems of regional sharing and sectoral earmarking in Ghana and Peru, before discussing the general budget system across all of the countries. The purpose in each instance is to describe the processes that are meant to shape revenue allocation and then go on to describe where the ability to exert influence over this process might come from.

<table>
<thead>
<tr>
<th>Region</th>
<th>Mining</th>
<th>Oil &amp; Gas</th>
</tr>
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<tbody>
<tr>
<td>Ghana</td>
<td>20% of revenues intended for local* expenditure. 80% go into the central</td>
<td>All revenues go to specific funds with specific expenditure rules.</td>
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<tr>
<td></td>
<td>budget</td>
<td></td>
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<tr>
<td>Peru</td>
<td>50% allocated to sub-national</td>
<td>Specific % allocated for local expenditure via the &quot;canon.&quot; Remainder</td>
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<tr>
<td></td>
<td>governments in producing</td>
<td>goes into the central budget.</td>
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<td></td>
<td>regions via the &quot;canon.&quot;</td>
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<tr>
<td>Senegal</td>
<td>All revenues go into the</td>
<td>NA</td>
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<td></td>
<td>central budget.</td>
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</tr>
<tr>
<td>Tanzania</td>
<td>All revenues go into the</td>
<td>Oil and gas revenues to go into separate funds</td>
</tr>
<tr>
<td></td>
<td>central budget.</td>
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</tr>
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Table 1: In all cases "local" refers to areas in which extraction of resources is taking place.

**REGIONAL SHARING**

The logic underlying regional sharing of mineral revenues in Ghana, and all revenues in Peru, is thought to be part of an effort to compensate local communities for the negative impacts extraction has on their livelihoods. Secondarily, the specific use of the canon for distributing revenues in Peru is thought to be supported by historical contingency, as a means to cover the costs.

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52 This report distinguishes sectoral earmarking from regional sharing. Regional sharing refers to stipulations that a certain portion of revenues be spent in the producing areas, while earmarking refers to stipulations that the revenues be used to fund particular types of expenditures, in specific sectors.

53 At the time of writing the exact details regarding how these funds would be managed were still pending.
of decentralization policies. In Ghana, by contrast, earmarking within the oil and gas sector\textsuperscript{54} is the outcome of international and domestic pressure from a mix of civil society, donors, and international financial institutions, who sought to ensure the responsible use of those revenues.

In both cases, regional sharing of revenues has generated mixed results. Looking first at the case of Ghana, regional allocations of mining revenues are partially intended to address the negative environmental impacts of mining and support local development in those areas.\textsuperscript{55} This process is undermined in practice by the fact that mining revenues end up being held in a consolidated fund, which is managed by the government and which is thought to be very poorly audited. At the same time, the country currently lacks any law dictating how that subset of funds which are intended to address the environmental impacts of mining should be used.\textsuperscript{56} A lack of reporting on production from mines also means that officials (both formal and traditional\textsuperscript{57}) in mining-affected areas have no capacity to contest whether they are getting the proportion of the resources they are due. Such problems are compounded by the fact that the revenues allocated to traditional authorities are framed more in terms of custom than formal legal right and, as such, there is little scope to mount a legal challenge in cases where there is a suspicion of a failure to deliver funds. Finally, the revenues that do arrive at the local level are thought to experience little downward accountability in terms of their prioritization for certain areas of expenditure. Ghana’s local governance and budgeting processes are very top-down. Ghana’s chiefs have no requirements for participatory inputs regarding their management, and the revenues are often viewed as personal property.\textsuperscript{58} The discretionary terms under which resources are allocated, combined with the lack of downward accountability means that locally distributed resources tend to play a greater role in ensuring upward accountability, between the local and national government, than driving investment in development priorities among mining-affected communities.

\textsuperscript{54}In Peru the oil and gas revenues are subject to regional sharing via the canon, however the oil and gas sector is not discussed in this report.


\textsuperscript{56}Matteo Morgandi, “Extractive Industries Revenues Distribution at the Sub – National Level: The Experience in Seven Resource-Rich Countries” (New York: Revenue Watch Institute, 2008).

\textsuperscript{57}Just over one quarter of the revenues that are meant to go to mining-affected communities are channeled to traditional authorities. Chiefs in Ghana are a recognized form of traditional authority. They are generally socially revered and hold status as owners of the land any district is situated on. Illustrative of their relative influence in formal politics is their recognition as legitimate recipients of a certain proportion of revenues from mining activities taking place in their districts.

\textsuperscript{58}André Standing and Gavin Hilson, “Distributing Mining Wealth to Communities in Ghana: Addressing Problems of Elite Capture and Political Corruption,” 5 (Oslo: Chr. Michelsen Institute, U4 Anti-Corruption Resource Centre, 2013).
The discretionary terms under which resources are allocated, combined with the lack of downward accountability means that locally distributed resources tend to play a greater role in ensuring upward accountability, between the local and national government, than driving investment in development priorities among mining-affected communities.

In Peru, problems with the canon are less about ensuring that the revenues reach the affected areas and more about the challenges they generate when they get there. In this respect one problem has been the role of the canon in increasing inequality—between producing and non-producing areas. In addition, even within recipient regions, results have been disappointing in terms of the effectiveness of these resources at meeting human development goals. Part of the problem is thought to be capacity challenges at the sub-national level which have undermined both the quantity and quality of spending, while there is also concern that these resources have been put towards fueling local patronage. Finally, problems with the participatory budget system, which result in it being dominated by relatively elite groups, mean that inequality within regions receiving the canon have also become a problem. A notable feature of revenue earmarking in Peru is that, historically, national debate over the terms of this earmarking have tended to be a greater focus of public concern than questions over whether the government is getting a suitable share of the value from the country’s sub-soil assets.

Considering the sectoral earmarking of oil and gas revenues in Ghana, although the specific institutions created to manage oil and gas revenues were intended to ensure resources are invested to the ends of promoting development, the results have been mixed. This is because legal provisions for the management of the funds have been either inadequate, or are not followed. In both cases the outcome is that the executive is able to exercise significant discretion in determining priorities for the investment of petroleum revenues. For example, according to the legislation governing the petroleum sector, the investment of oil and gas revenues were meant to follow the logic of a national development plan. Since no such plan has been created the law states that investment should

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59 For example, by November 2012, canon and other industrial payment transfers made to the Cusco region totaled S/. 2.36 billion; almost twice the amount received by the Ancash region (S/. 1.22 billion). In the same year, Madre de Dios received only S/. 14 million and Lambayeque S/. 55 million (CAD Ciudadanos al Día, 2012).
prioritize 12 areas.\(^\text{62}\) However, the 12 areas that have been stipulated are so broad as to allow for the justification of almost any kind of investment.\(^\text{63}\) Further to this, and even despite such leeway, the executive has simply ignored instructions for prioritization in certain cases—including the allocation of significant resources to the Office of the President. In other cases, the law has been interpreted in different ways, at different times, resulting in very different allocations from year to year.\(^\text{64}\) Finally, although the law is intended to guide investments, it contains explicit allowances that give the executive discretionary powers over how resources are used. The result is that Ghana’s petroleum revenues have been used to fund investments for which they were not intended. Finally, the revenues which have been spent on development-related projects have frequently ended up being invested in a thin spread of infrastructure projects that are distributed across the country, with the apparent intention being an attempt to convey to all Ghanaians that they are benefitting from the country’s oil wealth.\(^\text{65}\) The result, however, has been poorly coordinated investment in infrastructure, which is thought to be unlikely to generate significant gains in human development.

**BUDGET ALLOCATIONS**

Looking now beyond the distributed and earmarked forms of revenue management, a good portion of revenues, across the four countries, enter the central treasury. In such cases one cannot track the exact flow of revenues generated by extractive industries into certain sectors. Instead all that can be done is to explore the overall budget process to understand how budget priorities are formulated. In this respect, a first observation worth noting is that a large part of all budgets cover recurrent expenditures. Thus what we are talking about when we talk about influence over budget priorities, is an exploration of the dynamics shaping the allocation of the remaining budget, after recurrent expenses have been prioritized.

All the countries have an established and often technically complex process for budget formulation. Where the countries differ substantially, however, is in terms of the openness of their budget process. As can be seen in Figure 3, Peru does better than both Tanzania and Ghana in terms of budget openness, while

\(^{62}\) Of the 12 areas, four are meant to be chosen every three years as priorities for investment.  
\(^{64}\) In particular, this has included a variable interpretation of what the term “excess” means allowing for greater and lesser expenditure on debt servicing, with different interpretations used in different years.  
Senegal has, historically, had very low scores in terms of budget openness. Also of note is the significant increase in budget openness that Senegal has seen in the last few years. These differences have important implications for civil society efforts to improve accountability by tracking allocations to social expenditure through the budget (see Section 6 for more details on this). For example, transparency, and access to information laws in Peru, along with a reasonably open budget mean that civil society has developed capacities for interpreting this information and leveraging it in the hope of improving service delivery. In Senegal on the other hand, up until very recently, even budget analysis was very difficult. As such, capacities around budget tracking are relatively under-developed in Senegal, compared to Ghana, Tanzania, and Peru.

The above notwithstanding, a closer look at the budget processes across the four countries reveals that despite these varying transparency provisions, budget processes are, in all cases, heavily dominated by the executive branch. In Ghana, Senegal, and Tanzania, the process is heavily dominated by the President whose influence is exercised via the Ministry of Finance\textsuperscript{66} which is formally empowered to make the budget. In Peru, by contrast, the Ministry of Economy and Finance is thought to be fairly independent of the President and in this context the two institutions may contest the way in which resources should be allocated, with the Ministry of Economy and Finance thought to dominate the process. In all the countries the relevant finance ministry exercises its dominance through the formal ability to set the annual resource envelope for the country, set budget ceilings for each line ministry and arbitrate over agreed budgets to check that they meet with longer term development plans.

\textsuperscript{66} Called a variety of names across the four countries.
…a closer look at the budget processes across the four countries reveals that despite these varying transparency provisions, budget processes are, in all cases, heavily dominated by the executive branch.

Although all the countries require the legislative branch of the government to approve the budget, this oversight function is usually compromised as the legislative body in each country is unable to perform this function effectively. This outcome is partially a result of formal provisions within the budget process which bias decision-making power in the direction of the finance ministry. In Ghana, for example, parliament is only able to reduce expenditure amounts within each line ministry, they cannot increase them. Likewise, in Tanzania, failure on the part of parliament to approve the budget can actually result in the parliament being formally dissolved. In Peru, the treasury has to approve all expenditure, and the finance ministry maintains a significant presence within the treasury.

In addition to these formal mechanisms, however, there are also informal processes at play which generally dissuade the legislative branch from holding the executive to account (see Section 5 for more details). These are compounded by the legislative branch in many instances lacking the technical competencies necessary to interrogate the proposed budget, identify problems that may arise, and express their concerns in ways that could garner the support of their peers during routine budget hearings.

Explanations for the formal control afforded to the finance ministry tend to revolve around the need for fiscal responsibility; however, the lack of investment in auditing institutions (see Section 5) certainly undermines the credibility of these claims. In this respect, in addition to control of the finance ministry, the executive also leverages control over the budget in a number of other ways. In Senegal, for example, the creation of the President’s Projects (by which the president invests in their legacy through undertaking major infrastructure projects) has afforded the Office of the President significant control over large portions of available expenditure. In Ghana, the executive expands its control through the deliberate manipulation of revenue projections whereby it tends to overstate the funding available for annual expenditure. When these revenues are not realized, supplementary budgets have to be generated. Although, technically, these also have to be approved by parliament they allow for the executive to further exploit the power and information asymmetries between parliament and the executive, handing further control of the budget to the executive.

Notwithstanding the above, it should be noted that the hegemonic power of the finance ministry to set budget priorities and control expenditure is curtailed in a number of ways. The two most obvious are recurrent and off-budget spending, which are beyond the control of the executive. Recurrent expenditure (in the form of wages) has already been mentioned, but the point here is that once items are down as recurrent expenditure, they are hard to remove from the budget. In terms of off-budget expenditures, these are expenditures which occur without being approved in the formal budget process. The most notable case of this comes from Ghana, where military expenditure is off-budget, ostensibly because the military budget is classified and therefore cannot be discussed in parliament.\(^{69}\) The result is that certain specific bodies have been able to push back on the control of the Finance Ministry by removing decisions over expenditure from their jurisdiction. Finally, cases from Ghana also suggest that specific ministries have been able to push back on the control of the Ministry of Finance by simply committing themselves to expenditure without the approval of the Ministry of Finance. In such cases the government either has to make the money available or deal with the claim against it for not paying its bills. It tends to do the former, leaving the issue of disciplinary action against the offending ministry to internal mechanisms.

Budget processes across the countries tend to be top down, and largely exclusionary of meaningful participation from civil society. The major exception to this is Peru’s participatory budget, which drives allocations from sub-national governments. This general trend of central control over the budget undermines efficiency of policy making, as for example in Senegal, budget allocations are made by individuals who do not understand the policy needs of particular ministries, departments, and agencies. The lack of planning which results is thought to lead to problems at the point of service delivery.

The lack of meaningful oversight within the budget process, along with high levels of executive discretion over spending priorities, cause significant problems. In Ghana, for example, public monies are not only difficult to track, but allocated expenditures frequently do not match with actual expenditures, while under- and over-spending of ministerial budgets is common. Together these factors make assessing the effectiveness of policy or spending almost impossible.

It is clear that in order to understand the dynamics shaping the allocation of extractive industry revenues one needs to consider the dynamics shaping decisions about both specific earmarking processes and the general budget. While at first it might seem that earmarking is an intuitively good idea as a means to ensure accountability, in practice it can have varied outcomes. Notably, although the aim of earmarking is to remove it from the broader processes of

unaccountable political dynamics, it appears that in order for earmarking to work effectively it still requires the effective function of a number of supporting institutions. Likewise the prioritization of revenue expenditure at the sub-national level, and among areas affected by resource extraction, does not simply lead to human development challenges being most effectively addressed in those areas. Potential problems in this respect include the skewing of accountability relationships, issues of local government capacity and local dynamics of capture. On top of this, the allocation of resources to affected areas can drive inequality between producing and non-producing regions.

A notable feature across the countries is that despite having varied levels of transparency in their budget processes, and despite all the countries formally requiring that the budget be approved by the legislative branch of government, the budget process seems to be effectively controlled, in all instances, by the executive.

A notable feature across the countries is that despite having varied levels of transparency in their budget processes, and despite all the countries formally requiring that the budget be approved by the legislative branch of government, the budget process seems to be effectively controlled, in all instances, by the executive. Such control is the result of formal legislation, which empowers the finance ministry, and due to a mix of limited capacity and skewed incentives within the legislative branch which dissuades them from holding the executive to account. Notably, formal powers afforded to the finance ministry are justified on the grounds of maintaining fiscal discipline; however, this claim appears dubious when one looks at the limited efforts made by either the executive or the legislature to enforce accountability on the expenditure side of the budget.

Despite the significant control over the budget afforded to the executive, there are cases where individual ministries can influence the process and push back on the finance ministry. These can include individual ministries simply ignoring the formal directives of the finance ministry. Such cases suggest major problems with accountability within the system. Problems of accountability also present around the relatively ineffective role of the legislature as a check on the executive, as well as the lack of institutions to ensure that earmarking is carried out in the spirit of the law. Given such problems, this report now turns to explore the dynamics shaping accountability politics, by exploring the different incentives of oversight institutions and the actors within them.
5. BROKEN ACCOUNTABILITY SYSTEMS

Problems of accountability within the extractives sector are related to broader institutional dynamics. This has already been displayed in terms of the budget process, where problems with the budget have implications for the management of extractive industry revenues. Likewise, it has been mentioned above that institutions, such as the parliament, play an important role in the oversight of the extractives sector and the budget process. As such, understanding accountability within the extractives sector requires an analysis of the broader supporting institutions of accountability across the four countries.

Accountability systems across the four countries contained three common features. These include formal efforts at:

1. Separating powers between the executive, legislative, and judicial branches of government;
2. Creating oversight bodies which are meant to audit specific processes or ensure ethical conduct among members of the executive, legislature, and judiciary;
3. Increasing transparency, based on the idea that this will enable the public to hold the government accountable.

With these three features in mind, this chapter proceeds by identifying common problems with these institutions, as they manifest across the four countries.

A STRONG EXECUTIVE

Looking first at the formal separation of powers between the executive, legislative, and judicial branches of government, although powers are formally meant to be separated, it is clear that a significant feature in all the countries is the relative strength of the executive branch compared to that of the legislative and judicial branches. Although the countries all have distinct manifestations of this power imbalance, it is notable that in all cases explanations lie in historical processes.
Among the African countries, as was mentioned in Section 2, colonialism and one-party rule both played a significant role in centralizing power within the executive. Despite the fact that all the countries have since formally democratized it is clear that parliament remains relatively weak while oversight institutions remain compromised (see below). Although Peru’s trajectory is distinct, a feature that it has in common with the African cases is that although the country is now a democracy it still has not recovered fully from the previous period in which President Fujimori undermined the country’s democratic institutions.

In terms of accountable governance, problems regarding the formal concentration of power within the executive are exacerbated by high levels of dysfunction within the legislative branch that renders it either unwilling or incapable of placing a check on the autonomy of the executive. Again, while the dysfunction of the legislature manifests in particular ways across the four countries a number of common features exist.

In Ghana, Tanzania, and Senegal party loyalty is strong. This means that the legislature usually approves the actions of the executive (as the ruling party holds a majority in parliament) and rarely dissents in a meaningful way. One way that party loyalty is maintained in Tanzania, Ghana, and Senegal is through the use of closed lists for determining party candidates, who then stand for election to parliament. With these lists being generated by party executives, the executive is able to sanction dissent within the party by removing future opportunities for election. The party executives are likewise able to stifle promotion through the party ranks.

To make this process clear it is useful to consider a specific example from Ghana where candidatures for becoming a member of parliament are decided through party primaries, which are characterized by patronage spending and vote buying. In this context, aspirants for political office have to form linkages with party members who then link them with voters via local party offices. The process is demand-driven, where executives will strive to ensure the candidature of their favorite individuals while providing incentives for opponent(s) to drop out. Further to this, national and constituency executive party members possess veto rights which they can exercise over any candidate. The outcome is that parliament as a representative organ is compromised as the ability to mobilize wealth and top-down support become the defining terms on which an individual is able to enter politics. In this way, good connections, loyalty to senior figures, the ability to

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generate funding, as well as securing support within the party more generally, are the *sine qua non* for a successful candidature and election to the post of MP. In this regard the possibility for dissent within the party is undermined.

In both Ghana and Tanzania there is little opportunity for politicians to rise, outside of the party structures. In Ghana this is a result of the winner-takes-all nature of politics, while in Tanzania it pertains to the ruling party’s (the CCM) long-standing dominance of the political landscape (an outcome which is thought to be enabled by the limited checks on the party’s dubious use of state resources to maintain its dominant position). The result is that party loyalty is entrenched among aspirant politicians seeking appointment to higher office.

In pointing out the high levels of party discipline in the African contexts, it should not be overlooked that both opposition parties and certain ruling party officials have played, and continue to play, an important role in galvanizing the legislature in its oversight function. Specific cases include members of Tanzanian opposition arguing that government officials have been involved in falsifying their asset declarations in order to cover up corruption. Likewise they include opposition MPs in Ghana pursuing a case in the Supreme Court with the intention of holding the government to account for its potentially dubious use of petroleum revenues in the capitalization of the Ghana National Petroleum Corporation. In certain cases members of the ruling party have also sought to increase the oversight role of both parliament and the opposition. This includes for example a requirement in Tanzania that the head of the Public Accounts Committee be a member of the opposition, as well as a host of changes engineered by former speaker of the Tanzanian Assembly, Samuel Sitta. In this respect one should be wary of oversimplifying the incentives of actors within the legislature.

While allowing for a more nuanced account of the potential sources of dissent within the legislature; due to the incentives just described it is simultaneously important not to overstate the possibilities for improved parliamentary responsiveness as a result of activity from within either the opposition or within the ruling party. Evidence for this comes from the process by which opposition to the passing of new oil and gas laws, in Tanzania, in 2015, was stifled, when opposition members who objected to the passage of the laws were dismissed.

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74 These include the revision of parliament’s standing orders to allow it far greater capacity to oversee the executive branch, allowing for the strengthening parliamentary committees, including creating a planning committee to discuss budget proposals and priorities; increasing the number of committees chaired by opposition MPs; empowering standing committees to organize public hearings to discuss bills and policy proposals; and introducing prime minister question-and-answer sessions (Hoffman 2013: 187).
Comparing the case of Peru with the African cases the issues with the legislature are somewhat different. In Peru congressional dysfunction is thought to stem from a lack of faith in the established political parties which resulted from both the crisis of the 1980s and the subsequent revelations of corruption under the Fujimori regime. In this context election to congress is thought to depend more on the public image of a candidate rather than the policy consonance of their electoral platform. These dynamics are exacerbated by the fact that elections produce a high rate of turnover among congresspeople, and that members of congress are allowed to cross the floor. The result is that rather than establishing relationships of cooperation between governments or with other congresspeople, elected members of congress have a greater incentive to pursue their own immediate interests, which are often not met by seeking to hold the executive to account. In fact, under such conditions, corruption is thought to be an important means for fueling patronage as a way to achieve legitimacy.

The competing accounts of dysfunction within the legislature, from Peru and the African cases, present a puzzling narrative. In the African cases the problem is identified as too much party loyalty, while in the Peruvian case it is too little party loyalty. From the research it was not immediately clear how to resolve this, and although degrees of party loyalty are identified as the problem in each of the case studies, such contradictory findings suggest that either increasing or decreasing party loyalty might not simply resolve these issues. In this respect it seems that while the degree of party loyalty plays a role in shaping incentives, other features also matter that render the degree of party loyalty not the only factor in the dysfunction of the relevant parliaments.

In terms of other incentives, it was mentioned in Section 3 that problems of unsatisfactory parliamentary oversight are made worse by the proliferation of conflicts of interest among parliamentarians. Tanzania has undertaken efforts to address such problems, by creating the Public Leadership Code of Ethics Act, which requires members of government to file annual reports declaring their assets. These reports, however, are only available to the public under limited

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75 These bills were passed just a few days before parliament closed ahead of the general election and rushed through invoking conditions which limited the scope for civil society and public oversight. Opposition MPs were dismissed after they stood up to make noise in protest to the way in which the bills were introduced. In total 43 opposition members were barred from attending the remaining parliamentary sessions.


circumstances. Similarly, the Ethics Commission and Ethics Secretariat, which are the implementing institution of the Act, both suffer from significant institutional problems. For example, the Ethics Commission can undertake investigations upon receiving a complaint, but complaints cannot be filed anonymously. The autonomy of the Secretariat is also thought to be compromised due to the fact that the Ethics Secretariat sits in the President’s Office, and the Chief Executive of the Secretariat as well as the Ethics Commissioner and all of the staff of the Secretariat are appointed by the president. The Secretariat also has extremely limited resources at its disposal for investigating cases of maladministration. As a result, many elected officials simply fail to return mandatory asset declaration forms.

In both Tanzania and Peru, the fusion of interests among the political and economic elite, which these conflicts of interest represent, are thought to have blossomed during the periods of neo-liberal reform in both countries. In Tanzania, this was thought to manifest through the privatization of state assets. The process is similar in Peru where the privatization of state assets benefitted the country’s elite. This was augmented, however, by efforts to create an efficient bureaucracy, which necessitated the hiring of individuals with corporate backgrounds who were thought to have both sufficient skills and an understanding of the business environment to attract foreign investment and turn the country’s economy around. While being successful on both counts, this process has also generated a revolving door between politics, business and the civil service, which drives a number of the conflicts of interest apparent in the country today.

The overall result of these dynamics is that members of legislature in the African countries tend to be dissuaded from holding the executive to account, either for

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fear of subsequent sanction, or because the opposition lacks the means to effectively contest decisions. Parliaments in Senegal, Tanzania, and Ghana therefore tend to accede to the requests of the executive, for example passing budgets, failing to implement investigations and ignoring the reports of oversight bodies. In Peru, on the other hand, congress appears to lack the incentives to undertake its core functions of placing a meaningful check on the powers of the executive. The result is that rather than initiating audits into the management of public finances, the auditing function of congress has been focused on investigating former presidents and suspending parliamentarians. On the part of the opposition the focus has fallen on efforts to impeach current ministers and initiating votes of no confidence in the president.

In addition to such problems the pursuit of accountable natural resource management is undermined by problems with the judiciary. In Ghana the judiciary is believed to be prone to politicization and capture, with the appointment of judges reported to be susceptible to political influence, especially at the highest levels.\(^81\) In Peru the judiciary, along with the Prosecutor’s Office, are considered two of the most corrupt institutions in the country, with the last and current attorney generals being investigated under suspicion of having links with organized crime.\(^82\) The judiciary is further compromised by the limited job security afforded to prosecutors in the public ministry, which can leave them open to influence. In Tanzania views on the judiciary are mixed, but again weight of opinion suggests an institution partially open to influence, but certainly underfunded, and largely inefficient.\(^83\) Finally, in Senegal, the judiciary is believed to be under the influence of the president. In both Tanzania and Ghana, public faith in the judiciary is low.

**COMPROMISED OVERSIGHT**

As was described above with the case of the Ethics Committee in Tanzania, problems regarding a compliant legislature across the countries are compounded by significant problems within the national oversight institutions whose job is to audit the behavior of the state and ensure that the laws of the country are effectively followed. Notably, the problems of the Ethics Committee in Tanzania—including a lack of independence and resources—appeared common

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to oversight institutions across the countries. In this respect, problems with oversight institutions tended to cluster around the following features.

a) **They tend to be under the influence of the executive**
   In Ghana, for example, it is established constitutional practice that all non–civil service public office positions are vested in the president. In Senegal the president is able to appoint the head of all national institutions, including all oversight institutions—administrative, parliamentary, and judiciary, including, for example the head of the national Audit Office. Likewise, in Tanzania, the president appoints a significant number of the heads of different oversight bodies, including, for example, the head of the Prevention and Combat of Corruption Bureau.

   The implications of this are significant. Even organizations that are named in the constitution as nominally independent can be compromised through the appointment of individuals thought to be sympathetic to, or under the influence of, the president. In many ways this process effectively insulates the highest elected officials in the country from investigation.

b) **They tend to be under-resourced**
   Another problem that presents itself across the countries is the systematic under-resourcing of these institutions. This means that these institutions frequently cannot carry out their mandate effectively. In Ghana, for example, the head of the Public Interest and Accountability Committee (PIAC), whose job is to monitor and evaluate compliance with the Petroleum Revenue Management Act has, since its foundation, publicly lamented the lack of sufficient funds for the institution to fulfill its terms of reference. Likewise, in Tanzania, the Prevention of Corruption Bureau, whose job is to investigate, raise awareness and guide government on anti-corruption issues as well as prosecute cases of corruption, is thought to suffer acutely from a lack of resources. Finally, in Peru, the Comptroller General, whose job is to regulate and audit the use of public revenues, is thought to be weak and unable to conduct a rigorous audit.

c) **They often lack investigative authority**
   Even under conditions where oversight bodies have the autonomy to initiate investigations and carry them out, they can find themselves hamstrung by either limited jurisdictional authority, or through a lack of access to independent data.

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84 Since writing this report, the Petroleum Revenue Management Act, which regulates funding to this body, has undergone reforms, including some allowances intended to improve funding for PIAC. According to the reforms PIAC will now be able to submit a budget request that will be evaluated as part of the national budget process. While this leaves the process vulnerable to executive dominance, it does at least require parliament to approve that budget allocation. Whether this will result in any improvements in resourcing is yet to be seen.


The Commission for Human Rights and Good Governance in Tanzania, for example, can initiate its own investigations but it cannot investigate the office of the president. Likewise, PIAC in Ghana is unable to collect its own data, cannot demand data from the oil and gas sector, and therefore has to rely on inadequate reporting of the government.

d) They often lack prosecutorial authority

Finally, even in cases where investigations are effectively undertaken, it is frequently the case that oversight institutions are unable to authorize prosecutions. As such, reports from these bodies rely on actions of the legislature to follow up on them in order to attain any sort of corrective action. Given the dysfunction within the legislative branch across all of the countries this presents a major obstacle to effective sanction. For example, every year in Senegal, the president of the National Court of Audit (Cour des Comptes) submits annual reports to Parliament, on the management of public funds for review and for further investigation in cases of maladministration. After review, the parliament can designate investigation commissions to follow up with the issues raised in these reports; however, this is hardly ever done. Likewise, in Ghana, the Parliamentary Accounts Committee (PAC) (whose role is to follow up on reports of the Ghana Audit Service) is authorized to call in and question relevant actors before generating reports containing recommendations to parliament. In theory these reports are meant to be taken up by Audit Report Implementation Committees to make sure that any recommendations passed to parliament are acted upon (including, for example, the retrieval of unauthorized expenditures). Problematically, however, PAC reports are rarely deliberated on the floor, meaning that there is no content for Audit Report Implementation Committees. Evidence of the scale of this problem is the fact that by the end of 2012 there had not been any Audit Report Implementation Committees established in any of the government institutions. Similar problems exist for PIAC, which has suffered from limited parliamentary interest in its reports.

When considering the above, it is worth noting that some of the problems just described are not unique to the countries in this study. Many important oversight bodies in countries around the world have their leadership appointed by the national leadership and have their funding determined by the budget process. What is notable in the case of these countries is the extent to which they suffer on many of these fronts, experiencing political interference, under-resourcing and lacking investigative, and prosecutory, powers. When considering the four countries in this study it was notable that not one of the relevant oversight bodies

87 Ibid.
88 Kusi, interview, April 16, 2015; leading member, Ghana Anti-Corruption Coalition, interview, April 17, 2015.
89 For example, the Attorney General for England and Wales is appointed by Sovereign, on advice of the Prime Minister, and the United States’ Attorney General is appointed by the President (although this must be confirmed by the Senate).
had more than one of the above characteristics. When these conditions are compounded with a weak legislature, there is little possibility for enforcing horizontal oversight.

**LIMITED TRANSPARENCY**

Finally, furthering these challenges is an absence of certain important laws across the countries, especially around transparency requirements. In Tanzania and Ghana there is a complete lack of legislation mandating any sort of contract disclosure over mining, while there is also no legal requirement for open tendering or bidding for oil contracts in Ghana.\(^90\) Senegal has recently passed legislation mandating that its contracts be posted online; however, this legislation is too new for its effectiveness to be appraised.

Peru has the most sophisticated transparency legislation of all the countries, including access to information laws. However, these laws and requirements suffer from important limitations. For example, there is no formal sanction for failure to comply with an access to information request. As a result, response rates to requests, especially among companies, but also among state agencies, can be very low. Regarding transparency requirements, while these apply to the management of most public finances, many companies are exempt on the grounds that information on business practices is privileged. This means that this information is only subject to scrutiny through state audits (which are compromised due to the difficulties of undertaking production audits and assessing mineral volumes and prices).\(^91\) The outcome is that while transparency in Peru is good at tracking the flow of public finances through the system, there is little systematic scrutiny of revenues at their point of generation and at their point of expenditure. Notably, these are thought to be the points at which most corrupt activity takes place.

Looking at the dynamics underpinning accountability across the four countries, the core dynamic underpinning a breakdown in accountability appears to be the relative dominance of the executive branch over the legislative and judicial branches. Notably, it appears that in all cases the origins of this power imbalance are deeply rooted in historical processes. More than this, formal reforms to the institutions have not been sufficient to effectively re-distribute that power or to place an effective check on its operation.

The power of the executive is a partial result of their privileged formal position. This includes, for example, laws which allow the Tanzanian president to dissolve

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\(^90\) Legislation covering the petroleum sector in Tanzania appears to contain a number of provisions requiring transparency. That said, it is too soon to tell whether such legislation will prove effective at increasing civilian oversight.

parliament if the budget is not approved, or which vest the authority to appoint the head of all oversight bodies in the Office of the Senegalese President. In the African cases, these formal powers are then bolstered by the ability of the party structures to ensure compliance among their members, which results in a legislature in which at least the majority of members is largely compliant with the wishes of the executive. In Peru, the strength of the executive is bolstered by the technical capacities of the staff in important ministries as well as the skewed incentives among congresspeople to pursue their own personal agendas, rather than the interests of their constituents.

The autonomy of the executive is then cemented as a result of the extent to which oversight institutions are compromised. Such institutions require some mix of autonomy and access to funding, as well as investigative and prosecutorial authority. Lacking the last of these, horizontal accountability becomes reliant on a functioning legislature—which, as was just pointed out, is lacking in all cases. Notably, all of the oversight institutions which pertain to the management of public finances and extractive industries across the countries were thought to be insufficient in one way or another.

Finally, opportunities for social accountability—either through direct citizen action or through citizen attempts to leverage oversight institutions—are, in many cases, frustrated by a lack of access to transparent, easily accessible information regarding the management of public finances and extractive industry contracts. This includes both a simple lack of legislation in the African cases and insufficient legislation in Peru. That said, despite problems created by a lack of access to transparent information and regardless of the power imbalances and compromised oversight institutions, civil society across the countries has been engaged in novel and innovative efforts to affect policy pertaining to public financial management, drive budget allocations, and hold the government accountable. The following chapter of this work explores such efforts, their successes and frustrations.
6. CIVIL SOCIETY AND POSSIBILITIES FOR REFORM

There are a number of different ways in which civil society is involved in addressing the public finance challenges presented by extractive industries. This includes pushing for transparency on contracts between extractive companies and the government, advocating for social spending priorities (both via earmarked revenue and through the national budget), advocating for institutional reform to improve oversight, advocating for greater budget transparency, and tracking expenditures through the budget in an attempt to improve controls over expenditure. This section concerns itself with a reflection on a number of questions that are thought to be important to civil society actors interested in improving the governance of natural resources and public finances. The section begins with a reflection on civil society’s efforts to “follow the money” from national budget allocations down to expenditures at the points at which services are delivered. Such efforts have been hypothesized to serve as an important way to increase accountability and improve service delivery. Following this, the section goes on to discuss the views of civil society actors who are involved in revenue management, public finance and accountability concerns, based on the survey that was conducted as part of this research. Finally, the section explores lessons that can be learned from successes across the countries in terms of successful institutional reform or budget prioritization. Overall, this section of the report is organized around a number of questions that are thought to be pertinent to civil society actors. The questions focus on: the role of transparency, possibilities for improving efforts to follow the money, what we might expect from efforts to follow the money, whether the budget is worth campaigning around, whether law or its implementation is the major obstacle to accountability, and finally, what can be learned from successful cases of reform across the four countries.

DOES BUDGET TRANSPARENCY MATTER FOR FOLLOWING THE MONEY?

A useful starting point for reflecting on CSO capacity to influence governance is to look at the role of transparency, in particular budget transparency and revenue
disclosures. To this end it can first be noted that Senegal’s budget has historically been significantly less transparent than in any of the other countries. Figure 3 shows how it is only very recently that Senegal increased the openness of its budget process. While the reasons for this increase will be discussed below, it is worth noting that an outcome of this difference is that the capacity of civil society to follow the money is distinctly lower in Senegal than it is in Peru, Ghana, and Tanzania. This is because monitoring budget allocations, tracking transfers, and auditing expenditure are all reliant on at least some basic amount of budget transparency.

With this overall caveat in mind, in Ghana, Tanzania, and Peru, it was largely the case that budget information was available at a suitable level of detail to allow for the effective analysis of overall budget allocations and to identify budget transfers. In this respect, budget transparency matters for efforts to follow the money. At the same time, however, budget information at the point of service delivery—at clinics, schools, municipalities—was frequently unavailable, either due to poor record keeping, or because local officials would refuse civil society access to those records. This made it very difficult for civil society groups to audit expenditures at the point where citizens were accessing resources. The use of non-cash transfers in the budget, or of payments in-kind, also made it impossible to “follow the money” all the way to the point of expenditure.

92 Note services can be delivered by the national and sub-national government. In our review there was no indication that either provider of services did a better job of record keeping at the point of expenditure.


The problem of being refused access to budget information was particularly frustrating. In Ghana it was hypothesized that such refusal resulted from a cultural dynamic of rural civil servants simply “keeping their heads down,” or possibly by a larger culture of secrecy in the country. In Peru, where access to information legislation is meant to address such problems, access to information requests were often simply ignored. In Tanzania, local administrators frequently refused to fill in surveys that were used to compensate for the limited availability of budget data and it was common for central government officials to refuse to provide budget information. Notably, problems of access were not only found to apply to government offices. In Tanzania, an NGO acting as an implementing partner in service delivery was also reported to have refused to provide access to accounting records.

Problems around access and poor record keeping were exacerbated in all cases by the huge effort required to travel to rural destinations where audits were being implemented—especially when the roads were bad. The result was that efforts to follow the money were often found to be expensive and time-consuming. These problems became especially acute when, after travelling such long distances, audit teams were unable to find the officials, or were told to come back another time.

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Ampratwum, Armah-Attoh, and Agyei Ashon, “Public Expenditure Tracking Survey in Education: Tracking Possible Leakages in the Supply and Distribution of Textbooks in Public Primary Schools in Ghana”; Ampratwum and Armah-Attoh, “Leakages in the Supply and Distribution of Core-Textbooks in Public Primary Schools in Ghana.”


TaWaSaNet (Tanzania Water and Sanitation Network), “Budget and Expenditure Monitoring: Enhancing Transparency and Accountability for Improved Access to WASH.”

time. One result of these dynamics was that projects ran over time and in some cases had to be stopped as funding ran out.99

Finally, in addition to difficulties in accessing budget information, even in cases where analyses of budget transfers had revealed clear cases of maladministration, CSOs were often met by impunity. Senior officials would simply ignore the reports and complaints made by civil society on the back of their successful follow the money efforts. Likewise, publication of “follow the money” reports and findings were reported to achieve little in terms of generating some sort of formal sanction for wrongdoing.100

Given the above, the answer to the question “Does budget transparency matter for follow the money efforts?” appears to be “Yes, but only to a point.” While it is certainly clear that some budget transparency is necessary for budget tracking to be possible at all, so long as there are issues with effective record keeping, and so long as civil servants are able to effectively thwart attempts to access this information or ignore cases of maladministration, efforts to follow the money are largely limited to monitoring and analyzing budget allocations and transfers, rather than auditing expenditure.

HOW CAN EFFORTS TO FOLLOW THE MONEY BE IMPROVED?

In noting the above challenges, it needs to be appreciated that some efforts to follow the money and audit budget expenditures proved more successful than others. In this respect some “follow the money” efforts were successfully able to gain access to information, track revenues, identify maladministration, and generate some form of sanction in response to evidence of maladministration.

Lessons from these cases suggest that while problems of record keeping cannot easily be addressed, issues of access to information can be overcome by engaging government from the start of the project (or even before the project started in some cases in Tanzania).101 In the different cases, including the

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government entailed actions such as getting letters endorsing the project from officials at all levels, or even including government officials on the committees that would be investigating the budget process. As might be expected, for these sorts of approaches to be successful the CSO’s involved had to have a generally positive relationship with the government. Notably in both Ghana and Tanzania, taking such a collaborative approach often entailed explicitly assuring the local administration that efforts to follow the money were not an attempt at an audit of expenditure.

In terms of generating some form of sanction or response in cases where follow the money work had revealed evidence of maladministration, successful cases highlighted their effective campaigning ability as central. In particular, reports noted links with the established media, such as television and radio.

Given the above, it seems that efforts to follow the money can be improved by groups who choose to engage closely with government and who have effective campaign architecture in place to capitalize on findings of maladministration. That said, the fact that engaging the government (which is necessary to improve access to information) requires assuring them that the effort is not part of an audit raises the question of what such follow the money efforts might hope to achieve.

**DO EFFORTS TO FOLLOW THE MONEY WORK?**

In reviewing efforts to follow the money across the three countries and asking whether they work, the answer appears to be: “Sometimes.” At the same time it immediately becomes relevant to ask what we mean when we say “work.” As was just mentioned, in general, efforts to follow the money are plagued by problems of access to budget information and by impunity in cases where evidence of maladministration is uncovered. While there appear to be some ways to address these issues, it needs to be understood that even when the government is engaged in the process from the start and even when campaigning capacity exists, neither of these conditions guarantees that access to available records will be forthcoming, nor that sanction will be enacted in

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102 Ampratwum, Armah-Attoh, and Agyei Ashon, “Public Expenditure Tracking Survey in Education: Tracking Possible Leakages in the Supply and Distribution of Textbooks in Public Primary Schools in Ghana.”
cases where evidence of maladministration is uncovered. As such, success (in terms of either uncovering maladministration or generating some form of sanction response) is, to at least some extent, capricious. Further complicating matters is the fact that in order to increase the likelihood of gaining access to the relevant data necessary to allow one to follow the money in the first place, one first has to assure the government that the exercise is not an audit and therefore forgo the pursuit of some form of sanction in cases where evidence of wrongdoing is revealed.

Given such an outcome it is useful to consider the theory of change that lies at the heart of this work. For if it is not focused on achieving some form of sanction, and thereby dissuading future wrongdoing or recouping lost revenues, then what is the aim? One answer might be that follow the money efforts might be better suited to more subtle and long-term goals than simply achieving some sort of dissuasive sanction. Instead the intention might be about building closer relations between the officials and civil servants whose job it is to provide services, in the hope that these officials and civil servants become more accountable to their constituents who are more closely linked with the management of public resources and provision of services. Essentially the process might be about engaging citizens so that they feel entitled and empowered when it comes to matters of governance. Unfortunately there was not much evidence in the reviewed reports of participants engaged in follow the money efforts reflecting on their personal sense of empowerment.

Notwithstanding the above, follow-up work, conducted in the wake of follow the money efforts, only revealed marginal improvements in terms of service delivery. At the same time it was noted that such improvements could not easily be traced to improvements in accountability brought about by previous efforts to follow the money. These outcomes suggest that regardless of the potential improvements in citizen engagement and empowerment, these might not be easily translating directly into improved service delivery. At the same time, follow the money efforts in Peru, Ghana, and Tanzania do not appear to be transformative in terms of accountability, as has been suggested elsewhere.

Considering all of the above, in answering the question “does ‘follow the money’ work?,” it seems most relevant to point out the challenges involved. As a process it is fraught with difficulty, while at the same time it is highly resource-intensive. Success is capricious, and even when it is achieved it does not appear to be transformative. Finally, best practice suggests that the theory of change should move away from changing incentives by achieving sanction for wrongdoing, towards creating more engaged citizens. In this respect it would be useful to

conduct assessments of this work, where the measure of success is focused on such outcomes, which may well be modest and more subtle.

In coming to this somewhat disappointing conclusion regarding the value of efforts to “follow the money,” the intention is not to suggest that such work has no value. Rather it is to suggest that the results may be more subtle than simply and immediately driving improved service delivery. In this regard, groups choosing to undertake efforts to follow the money should be aware of the challenges involved regarding time and costs and be sympathetic to the capricious and modest nature of success.

WHAT TO DO WHEN THERE IS NO TRANSPARENCY?

Considering the above, especially given the case of Senegal, one might ask: what can civil society do in cases where the budget is not suitably transparent to allow for even general observations of budget allocations and transfers? In this regard it is worth noting that despite the challenges faced in Senegal, Senegalese civil society has not simply been disengaged or passive. In particular, following the discontent around the political manipulation apparent during the last changeover of political power in the country, civil society has joined with social movements to demand greater levels of transparency and accountability from the government. This has included the creation of a network of actors working for budget transparency. Further to this, certain CSOs have been able to leverage greater civilian participation in the local budget process through the creation of “race to the top” mechanisms—such as offering certification for municipalities that agree to promote citizen participation in the budget process, even though this is not legally mandated.

Such dynamics within Senegal also highlight a potentially interesting finding from the work. Looking at the four countries’ efforts to follow the money, there is a distinct sense that the efforts of groups working in the most constrained and repressive spaces have been the most innovative. In addition to the Senegal example just mentioned, in Tanzania for example, efforts are very effectively focused on gaining buy-in from local officials, and supplementing limited budget information with surveys as a means to circumvent the fact that government is less responsive to demands for openness and accountability. In Ghana, where the government is more open, efforts appeared to be more focused on simply making requests of local leadership and generating complaints in cases when these were not met. Finally, in Peru, where transparency and access to information laws exist, follow the money efforts tended to be focused on reconciling information from different transparency portals and requesting access.

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106 During his last term in office President Wade had tried to amend the constitution to extend the term limits.
to budget information at the points of service delivery. Given this, one would suspect that if the methods developed in those more closed government contexts were applied in more open ones, the outcomes of the latter could be significantly improved.

DOES THE PUBLIC CARE ABOUT THE BUDGET?

In cases where budget transparency is insufficient, or where the state acts with impunity in the face of allegations and evidence of wrongdoing, a question persists as to whether the public cares enough about these issues to make them plausible objects for campaigning. Based on a survey of actors in civil society, who work on public finance and accountability issues, the answer to this question appears to be: Yes, the public do care about the budget.

![Figure 4. Showing responses to survey questions on the budget and maladministration](image)

Source: Research survey

As Figure 4 above suggests, the collective view of people working in this field is that the public does care about both issues of transparency and maladministration within the budget. As such, there appears to be scope for campaigning for greater budget transparency and for sanction in cases of maladministration. At the same time, however, across the four countries the public is thought to have a relatively poor understanding of the actual budget process, and to feel little entitlement to a budget in which spending priorities are clear. Considering both of these cases it seems that while the budget presents as an effective campaign object, this is still the case only in a superficial sense: the public believe that the budget should be transparent, but don’t necessarily see the importance of a budget that can be easily understood and the role such
provisions could play in addressing maladministration. To this end, it would appear that one possible approach to improving fiscal accountability is to link increased popular understanding of the technical procedures of the budget with the public desire for preventing maladministration.

In terms of campaigning, however, it should be noted that while engagement with the media is thought to be of central importance, a notable feature of the survey was findings which supported the importance of traditional forms of media over new and social media (see Figure 5). Print media and television were, for the most part, considered to be very effective when a civil society group attempts to broadcast evidence of maladministration in the budget. Respondents were less certain about the importance of radio. Views on social media (Twitter, Facebook etc.) were less certain, while self-publishing in blogs, for example, showed a notable decrease in attributions of “very effective,” with people becoming increasingly less certain about the impacts of new forms of media.

Source: Research Survey

### IS LAW OR ITS IMPLEMENTATION THE MAIN PROBLEM FOR ACCOUNTABILITY IN PUBLIC REVENUE MANAGEMENT?

Thinking about campaigning for improvements in accountability raises the question of whether it is the law or its implementation that is the main problem. Considering the findings laid out in this work, it would seem that both factors seem to be at fault. For example, there are deficits in formal allowances for accountability that provide the executive with formal powers to overrule the legislature and there are a host of ways in which the formal powers of oversight institutions are limited—all of which have been described above. At the same time, however, there are informal ways in which power is expressed, and impunity is clearly a problem when existing laws, policies, or procedures have been ignored.
...there appears to be a better legal framework describing institutional responsibilities for oversight than there does for how to sanction those individuals found guilty of maladministration.

When this question was posed to members of civil society working on issues of public finance and accountability, the responses were similarly mixed. Looking first at Ghana, Senegal, and Peru (see Figure 6), there is a notable distinction between the perceived quality of the laws that describe institutional responsibility for oversight and sanction in cases of maladministration, and the responsiveness of the elected politicians and civil servants to requests from the public to explain potential instances of maladministration. Although none of the responses from the countries suggest an overwhelming confidence in the law, it is clear that there is not strong disagreement with the idea that the legal framework is relatively well defined. That said, it is notable that there appears to be a better legal framework describing institutional responsibilities for oversight than there does for how to sanction those individuals found guilty of maladministration. It is not clear whether this is an accurate reflection of the status of the law, and may simply reflect a frustration at what is perceived to be impunity on the part of government officials. That said, it does ring with the findings from Peru, Ghana, and Senegal that maladministration frequently goes unpunished, with prosecutorial authority thought to be limited and judiciaries thought to be compromised. Also of note in Ghana, Senegal, and Peru\textsuperscript{107} is the fact that elected politicians are thought to be more sensitive to claims of maladministration than are civil servants. As such in Peru, Ghana, and Senegal, the issues of accountability appear to lie more with impunity on the part of politicians and civil servants than they do with the legal framework.

\textsuperscript{107} The analysis of Ghana, Senegal, and Peru has been separated from that of Tanzania due to the dominance of responses from Tanzania, which shows a different profile of responses to the other countries. See methods section for more details.
In Tanzania (see Figure 7) on the other hand, it is notable that not only is there a greater perception that the laws are adequate, there is also a greater sense that government officials are responsive to requests from the public. Of further note is the fact that civil servants were thought to be marginally more responsive than elected officials. Interesting as these features are, it is not immediately clear from the research as to what could be driving this.

Source: Research Survey.
Given the above, it seems clear that both issues of formal law and informal factors allowing for impunity in the face of existing law need addressing. A notable feature of this discussion, however, is that it makes clear that simply focusing on formal law is insufficient if one seeks to address accountability deficits.

**WHAT CAN WE LEARN FROM PAST SUCCESSES?**

Reflecting on the different challenges, capacities, and priorities for change that civil society has to grapple with when trying to improve public financial management within the extractives sector, it is finally worth reflecting on past successes that the research revealed. The intention in doing so is to identify potential drivers of political and institutional change across the four countries and identify lessons as to how good governance reformers might affect change in the future.

A notable feature of all the case studies is the extent to which ineffective governance reforms have taken place. All the countries have undertaken reforms with the explicit intention of addressing corruption and maladministration, yet for the most part these have been ineffective in addressing problems of maladministration. Such compromised reforms notwithstanding, it is notable that there do appear to be instances where we can see improvements in terms of the objectives of this research. In different instances, these pertain to improvements in the terms of revenue collection, increases in social expenditure, improvements in transparency, and improvements in the function of oversight institutions. We are in a good position to discuss some of these instances below.

1. **Improving terms of revenue collection from extractive companies in Peru:**

   Peru has been able to achieve limited, yet significant, improvements of the terms by which revenue is collected from extractive companies operating in its territory. This included not only the introduction of new taxes (through the introduction of royalties and the creation of a special mining tax), but also the effective renegotiation of the stability agreements which so frustrated efforts at reform in Tanzania and Ghana (discussed above). Notably, all of this happened in a context in which the mining lobby is thought to be exceptionally strong and in which the policy-making arena is dominated by a neo-liberal paradigm.

   Explaining these successes reveals that a number of factors mattered. First, structural, macro-economic factors are important: At the heart of popular sentiment demanding a greater share of the resource revenues was the boom in mineral prices which led people to believe that the bonanza taking place in the country should be shared more equitably.
Also important is the fact that calls for reform were leveraged at particular political junctures. For example, royalties were implemented during a time of crisis within the presidential executive, with the creation of royalties being a means to gain popular political legitimacy. Likewise, the voluntary mining fund was created during an election, as was the subsequent special mining tax and reform of existing stabilization agreements. Finally, when looking at the Peru case, it is worth noting that change was incremental. First, a royalty system was introduced, but this did not apply to companies that held stabilization agreements. Then the voluntary fund was created; however, this created problems of its own\textsuperscript{109}. Based off both of these, however, the state was eventually able to create the special mining tax and to overhaul old stabilization agreements.

2. Improving budget transparency in Senegal:

Senegal has recently seen dramatic improvements in budget transparency and general openness. Again, a number of factors appear to have come together to drive these improvements. Firstly, as with improved terms of revenue collection in Peru, it appears that part of the explanation lies in civil society responding to a particular political juncture. In this case that was the attempt by President Wade to run for an unconstitutional third term in office, which galvanized the public to demand generally greater levels of transparency and accountability within the country. Second, the particular efforts of the International Budget Partnership and their Open Budget Index are thought to have had an impact in terms of increasing budget transparency, with Senegal’s budget score improving dramatically (see Figure 3). The particular success of the Open Budget Partnership appears to be the result of civil society capitalizing upon the broader call for increased accountability, while also being able to identify an advocacy narrative which linked the budget transparency to the government’s core development narrative of funding social expenditure through increased tax revenue generated from foreign direct investment. In this respect, civil society was effective at creating a campaign focused on the fact that low Open Budget Index scores were undermining foreign direct investment in the country. To this end, civil society was effectively able to tie increased transparency to the government’s legitimacy.

3. Improving oversight of extractive industry revenues in Ghana:

In Ghana, civil society has had significant success in creating oversight institutions for the management of petroleum revenues in the form of the Public

\textsuperscript{109} Problems included the fact that the fund removed the state from the promoter of development. It also meant that investments did not have to correlate with local development plans (see the Peru report for more details).
Interest and Accountability Committee (PIAC). A notable feature of this success is that, as with increasing taxes and social expenditure in Peru, the formation of this committee was initially opposed by the established interests within the government. Success around the formation of PIAC is thought to be the result of coordinated action engaging a broad range of civil society actors as well as citizens, supported by international NGOs and IFIs, who were able to effectively raise public consciousness around the importance of accountability in resource management and generate inputs into the lawmaking process. Although the outcomes of PIAC have initially been somewhat disappointing—due to its limited resources and compromised investigative abilities—it is worth noting that very recently the institution has been part of a reform process which could strengthen it by improving its access to resources.

4. Improving anti-corruption legislation in Tanzania:

In Tanzania, we can see a number of institutional changes which were implemented with the aim of addressing corruption. These include the reforms implemented by Benjamin Mkapa and the creation of the Wairoba Commission, which resulted in the first comprehensive National Anti-Corruption Strategy and Action Plan and established oversight bodies such as the Ethics Secretariat. While it is noted in the Tanzania country report that all of these institutions suffer from technical inadequacies, the factors that drove their creation are still worth noting given this report’s interest in where institutional change comes from.

Looking at the implementation of these reforms and the creation of these institutions, it is again noted that election cycles played an important role. Prior to the election of Benjamin Mkapa as president in 1995, grand scale corruption had plagued the term of the outgoing president (President Ali Hassan Mwinji). This had resulted in the Opposition, in the 1995 elections, running on an effective anti-corruption platform. In order to counter this, the ruling party (CCM) in Tanzania was forced to include anti-corruption concerns in its own campaigning, and these came to constitute the genesis of the Mkapa reforms. Notably, this process was capitalized upon by international donors who then pushed for reforms to be carried out, resulting in Mkapa creating the Wairoba Commission process once he was in office.

5. Strengthening oversight institutions in Tanzania:

In addition to the creation of new good-governance institutions in Tanzania, the country has also seen significant improvement in the specific functioning of the Controller Auditor General (CAG). A notable feature of this process is that these

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110 Sometimes called the “Ethics Commission” due to the fact that the Secretariat is headed by a Commissioner.
improvements do not pertain to changes in the formal legal status of the CAG (The autonomy of the CAG has always been enshrined in the Tanzanian constitution), but rather to changes in the way the institution works. Explanations for the strengthening of the CAG lie in two processes. The first is that despite President Mkapa’s nominal efforts at addressing corruption, like President Mwinyi, his tenure in office was also blighted by charges of corruption. As such, the subsequent president (President Jakaya Kikwete) was also forced to make corruption a central part of both his campaign agenda and his tenure in office. As part of this process, Kikwete strengthened the CAG by creating a specific law that governed its conduct and by expanding its scope for conducting audits. Reforms also improved the CAG’s access to resources. In addition to these institutional reforms, it is thought that broader contextual changes in the country also played a role, namely through changes in parliament which saw the election of younger, more aggressive and inquisitive MPs. These MPs then started asking more questions of the CAG reports and held the institution to a higher standard. Finally, on top of all this, CSOs and the media are thought to have played an important role in increasing public awareness of the CAG office, by popularizing its reports, translating its findings, and making its contents a matter of public concern. Such changes are thought to have been made possible as a result of ongoing and increasing popular dissatisfaction with perceived high levels of grand corruption in the country.

Reflecting on all of the above there appear to be a number of lessons regarding where change comes from when seeking to improve extractive industry revenue management and public finance. A first clear point is that structural economic factors matter for revenue sharing. As mentioned above, it was the mineral price boom, driven by structural features in the global economy, that led to effective calls for a review of the mining policy in Peru, and which has driven similar calls in Ghana and Tanzania. For reform-minded individuals it is worth noting that such large-scale structural forces cannot be controlled by individuals. Instead, the focus should fall on being able to identify such changes, and articulate them in ways that resonate with the general public.

Further to this, general political appetite for reform is most frequently manifest at election times, and in their aftermath. This goes for revenue collection policies, rates of social expenditure, and issues of institutional accountability. In Peru, Tanzania, and Senegal, all the countries have experienced improvements in revenue and public finance management as a result of promises being made during election periods. With this in mind, it is worth considering how change was most powerfully leveraged in cases where the legitimacy of an aspirational government was attached to a demand for improved revenue or public finance management. This serves as a potentially important campaigning lesson: campaigning which generates popular discontent at the status quo is effective when efforts are also made that link potential reforms to ideas of legitimacy of candidates during an election or crisis.
Reforms of the sort described in this section can be promoted by both international and domestic civil society as well as by donors and other international institutions. From donor-driven changes in institutional rules in Tanzania, to the combined efforts of the International Budget Partnership and local civil society in Senegal and similar efforts between Oxfam, NRGI, and local civil society in Ghana, it is clear that different actors all constitute effective levers of change. Notably, their efforts are thought to be particularly effective when they work together.

Accountability reforms which are initially disappointing can subsequently be leveraged to greater effect. Looking at both PIAC in Ghana and the CAG in Tanzania, we see cases where outcomes of institutional reforms were initially thought to be disappointing, but which have gone on to be strengthened as a result of further pressure from civil society.

Finally, related to the above point, not all efforts at reforming accountability need to be focused on creating new institutions; in many instances, key institutions can be effectively strengthened. All of the countries in this study have extensive institutional frameworks for addressing corruption and maintaining a check on executive power. In this respect, while creating new oversight bodies is an option, efforts at improving accountability may be better focused on creating effective autonomy for existing institutions. Such improvements include things like guaranteed funding and greater oversight on the appointment of leadership. Notably, achieving these outcomes is thought likely to be reliant on effective campaigning which is focused on explaining the important function oversight bodies play to the general public.

Looking at the role of civil society in pursuing transparency, leveraging accountability and driving reform, there appear to be a number of important lessons from the four countries. Beginning with efforts to track public finances, these appear to be effective at the national level, but become increasingly difficult at the local level. In this respect, issues around a lack of records and limited access to records become real obstacles. The most productive approaches appear to be those in which the local government is viewed as a collaborator; however, even in such cases the results of these efforts are generally mixed, while at the same time they involve significant time and resource commitments.

Across the countries there appears to be scope for mobilizing popular campaigning to improve budget transparency and to drive sanction in cases of maladministration. Notably, however, in pursuing such campaigning, despite a contemporary focus on the value of social media, a common sentiment across the countries was that traditional media still remains the most productive platform on which to run campaigns.

Finally, looking at cases in which reform has been successfully achieved, lessons appear to be around taking advantage of specific political moments (especially
elections) and linking narratives of accountability to more popular notions of political legitimacy. Collaboration between a mix of international and local actors in campaigns is thought to be effective at building political pressure for change. Finally, not all efforts at reform need to be focused on creating new institutions, and efforts at creating new institutions need not be considered a success or failure if the new institutions are not immediately successful at improving accountability. For it appears that in many cases effective work can be done to strengthen existing institutions, without necessarily fundamentally reforming them.
7. CONCLUSION: POWER, CONTROL, AND ACCOUNTABILITY

Considering the three case studies, a notable feature of the work is the extent to which the executive office dominates the judicial and legislative branches of government. In Ghana, Senegal, and Tanzania executive power is located in the office of the president, while parliament is compromised by the effective skewing of incentives through the control of access to, and promotion within, the political system. In Peru, on the other hand, Congress is relatively unable to place an effective check on the decision-making power of the executive due to an inability to form meaningful blocks with coherent policy objectives. Across the countries, the judiciary is compromised to varying degrees. Further to this, the existing oversight institutions, across the countries, all appear to be relatively compromised.

The result is that within the African countries there is significant deviation between what is dictated in law and policy (and therefore what is supposed to happen) and what actually happens in terms of public revenue management. The result is that law and policy, including laws and policies which are meant to ensure accountability, are not entirely external to politics and therefore able to hold power in check. Rather, these laws remain subject to politics. The fact that laws and policies are often selectively applied means that decision-making over the management of resources, as well as sanction for any mismanagement, is subject to informal processes the exact motivations for which are hard to discern.

In the Peruvian case, the process is slightly different, with power being relatively separated within the executive: between the Ministry of the Economy and Finance (MEF) and the president (even though the interests of the two frequently align). In this respect, the MEF is in many ways accountable in that it is efficient and effective at carrying out its mandate. That being said, tax and spending patterns appear to be dominated by an ideological commitment towards attracting investment in mining, on the one hand, and maintaining a relatively
austere budget on the other. Thus, while the MEF effectively implements the formal rules and policies, it does so in a manner which does not necessarily promote investment in poverty alleviation.

The above notwithstanding, one should not assume that because decisions over investment and revenue allocation follow the formal rules, that there is no concern regarding maladministration. For while Peru has significant transparency legislation and robust institutions for managing revenues, there remains a lack of transparency before revenues enter the system of public finances, as company profits, as well as the point at which they leave the system, as government expenditures. Challenges for oversight therefore include a lack of sanction for failure to comply with access to information requests, the legal exclusion of much industry data from access to information requests, a lack of political will to undertake audits of government departments, and a lack of capacity to audit companies. In these respects, the dynamics surrounding challenges to accountability and pro-poor revenue management in Peru appear to be an ideological commitment to neoliberalism, which is bolstered by the collective memory of economic crisis, a revolving door between politics and industry, and a consolidated media. As such, tax rates are thought to remain favorable to the industry, budget management remains austere, transparency legislation is lenient towards the private sector, and incentives to authorize an audit are undermined.

In this context it is unlikely that there is any single, simple, and complete solution to the problems of unaccountable natural resource management. Transparency reforms are important but the possibilities for simply improving accountability by following the money all the way down to the local level appear limited. Such efforts are expensive and time-consuming, while the results appear limited. In this regard it seems that follow the money efforts might be better spent on analyzing national budgets and checking budget transfers, which can be done relatively cost-effectively given a basic degree of budget transparency.

None of the above is intended to suggest that efforts to “follow the money” have no value. Instead, the aim is to highlight the limited efficacy of “follow the money” projects in terms of improving accountability by increasing the likelihood of sanction on civil servants and elected officials who engage in corrupt public financial management. In this respect it should be noted if the intention of such programs is to increase citizen engagement in governance processes in general—in the hope that such increased engagement will drive future improvements in service delivery—there may well be value in work. In such a case, however, projects should be evaluated explicitly in terms of their ability to affect citizens’ sense of entitlement to the political process. The question of whether such engagement drives other positive outcomes should then be subsequently assessed.
In pushing for a focus on budget allocations and transfers, rather than citizen-led audits, one might point out that this leaves the issue of expenditure control unaddressed. One solution to this problem might lie in the case of the Controller and Auditor General in Tanzania which was strengthened through a mix of formal reforms and civil society pressure (discussed above). Taking Ghana as a potential example, the country report notes how the Auditor General and Audit Service, despite suffering from a number of problems, do produce reports that contain valuable information on the state of overspending within the government. That said, the Public Accounts Committee (PAC), which is meant to read these reports and generate recommendations (including for the potential retrieval of funds) is compromised in its function, meaning that its reports are frequently not deliberated in parliament. This in turn means that Audit Report Implementation Committees (whose job is to take the recommendations from the PAC and implement them with the relevant ministry), lack any parliamentary-endorsed report on which to act. As a result, deficiencies in the budget process in Ghana continue regardless of the creation of a host of state bodies meant to identify and rectify problems.

In such a context, given the difficulties entailed in replacing the state’s audit process with citizen efforts, an alternative might be to popularize, and thereby politicize, the state’s own audit process in the hope of strengthening it. This could include a push for greater resourcing for the Auditor General, the creation of public pressure to ensure that audit reports are delivered on time, and publicization of the reports of the PAC to ensure their findings are debated in parliament. It is not certain at this point that such a strategy would prove effective, but given the challenges faced by citizen-led audits, a focus on strengthening the state’s own audit functions, rather than replacing them appears to present as a potentially useful strategy—especially given the relative success experienced in Tanzania.

Considering the other lessons on past successes identified in the reports it seems that campaigning for change can be most effectively leveraged at particular economic and political moments—most routinely during elections, but also during times of economic crisis. During such periods the legitimacy of the state is most fragile and as such, campaign asks that are able to create narratives that tie themselves to legitimizing promises of competing powerful actors are thought likely to be most effective in terms of both generating commitments and of subsequently ensuring that those commitments are turned into action. In this respect it is worth noting the potential effectiveness of coordinating campaign messages from domestic civil society, international, and both donors and other international institutions. Finally, there appear to be real

111 Note that Senegal suffers from similar problems with the parliament not acting on the reports of the National Court of Audit (Cour des Comptes), and so this approach may have relevance in Senegal as well.

112 Including being underfunded and producing reports late.
possibilities in using campaigning to popularize, and thereby politicize, the function of crucial governance institutions.

As a final conclusion, given the central role played by weak legislatures in frustrating efforts to improve accountability, there might be value in undertaking efforts to politicize and improve parliamentary performance. Although the challenges involved in achieving this vary across the countries it seems that until some shift in power relations is achieved that effectively increases the accountability of parliamentarians to their constituents, rather than towards the party executive, any hopes for the effective functioning of the major oversight institution in these countries will remain highly limited. In this respect it is worth noting that civil society engagement with parliaments has been limited while donor engagement has focused on capacity building. There is, for example, no network of parliamentary watchdogs operating in Africa. This seems like a key space for potential learning and impact that would focus on the key institutional breakdown in accountability apparent across all the countries involved in this study.
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