

# **The Important of Information Transparency and People's Participation in the EI Sector**

**“Together for Good Governance in the Extractive Industries”**

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# INFORMATION TRANSPARENCY

## Information Transparency in the EI Sector

- ▶ Oil wealth creates major opportunities, especially in developing economies.
- ▶ We can play an important role as a citizen in managing these opportunities when the information is available.
- ▶ At what pace should the oil be extracted? How should the proceeds be used? Which investments will best address the country's development needs? The decisions made on such issues can have a long-lasting impact, and can affect the well-being of today's as well as future generations in a society.
- ▶ Without transparency and accountability, the result would be social instability and an environment that is less than conducive to economic growth.

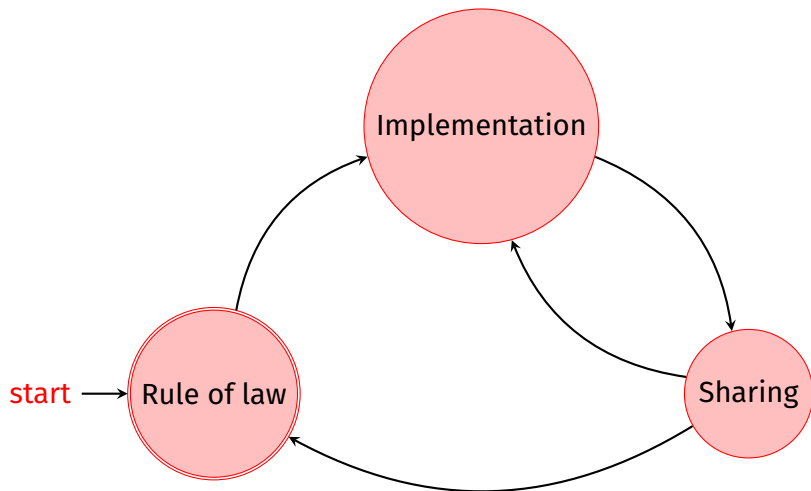
## Information We Need to Know

- ▶ Let me give you an example, the [Republic of Congo](#) with assistance from the IMF and the World Bank, has made significant progress in improving transparency and accountability in the oil sector.
  - Starting in 2003, government oil revenues are being certified [quarterly](#) by an [external auditor](#).
  - The government has published on its official internet sites [a vast amount of information](#) on the oil sector.
    - The oil revenue certification [reports mentioned earlier](#).
    - Significant excerpts from the recent audits of the oil company
    - An [action plan to reform](#) the oil company's operations (including its accounting system, internal controls, management information system, and reporting and accountability mechanisms).
    - The production [sharing contracts](#) for all oil fields.
    - monthly oil production and revenue [data](#).

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  - Starting in 2003, government oil revenues are being certified **quarterly** by an **external auditor**.
  - The government has published on its official internet sites **a vast amount of information** on the oil sector.
  - The government and the oil company have organized **seminars** on the oil sector for parliamentarians and the public.
  - The government has publicly announced its commitment to adhere to the Extractive Industry Transparency Initiative (EITI).

# Model



# **NATIONAL REVENUE MANAGEMENT AND GOVERNMENT EXPENDITURE**

# Saving and Spending Policy Options

Model	Definition	Benefits & Risk	Note
<b>Big-Push Spending</b>	All the current revenues.	Accelerate growth, but face macroeconomic instability and Dutch Disease risks.	Not recommended for weak-institution countries. Applied in Vietnam.
<b>Bird-in-Hand</b>	Real returns on current assets.	Prudent and simple saving, but loss of growth opportunity.	May not be recommended for LDCs. Applied in Norway.
<b>Sustainable Income</b>	Real returns on the sum of current assets and future revenues.	Help avoid boom-bust cycle, but face uncertainty in the future revenue estimation.	Applied in Timor Leste.
<b>Revenue Benchmarking</b>	A fixed/variable share of average of revenues/Moving Average.	Flexible (stabilizing and saving), but need clear benchmarking and long-term development objectives.	Applied in Trinidad, Tobago, and Ghana.

**Source:** Heng, D. and Ngo, S. (2013). Extractive Industries Revenue Management: A Tale of Six Countries. Research Report 4, Cambodian Economic Association.



# Development Strategies through the EI Revenues

- ▶ Economic policy frameworks to promote the private sector
- ▶ A political framework to ensure the rule of and macroeconomic stability
- ▶ Standardize oil or the EI contract types to minimize the complexity of revenue flows
- ▶ Choice between current and future benefits (inter-generational equity)
- ▶ A time path of public investments suited to national conditions
- ▶ Develop production-monitoring capacity
- ▶ Develop clear roles of the government agencies
- ▶ Enhance budget transparency and accountability

# From Transparency to Accountability



Natural resources



Contracts & licenses



Production



Revenue collection



Revenue allocation



Social & economic spending



Public benefit

- ▶ The twin concepts of “transparency” and “accountability” are important pillars of democratic governance in modern societies.
  - Are critical for the efficient functioning of a modern economy and for fostering social well-being
  - That information is available that can be used to measure the authorities’ performance and to guard against any possible misuse of powers.
  - Transparency serves to achieve accountability, which means that authorities can be held responsible for their actions.

# CITIZEN'S PARTICIPATION

# Why People's Participation is Important?

- ▶ Your opinion is important
- ▶ More perspectives
- ▶ New information
- ▶ Community ownership
- ▶ It feels good
- ▶ An input to development
- ▶ A means of empowering as the citizens

# Participation Must be Understood

We need participation because it helps to increase the acceptability and utilisation of the services:

- ▶ Decision making
- ▶ Implementation of development programmes
- ▶ Monitoring and Evaluation of the programmes
- ▶ Sharing the benefits of development

## ► Who Participates?

- The people or the masses who are deprived of the basic amenities and whose well being is to be developed.
- The group of people who have **control over the accumulation and distribution of resources**. This can be the landlords, the community leaders and the local elites and political leaders.
- The government functionaries who are the agents of development.
- Depends on the **specific objectives** of participation.
- The overall achievement of development of a particular community, participation should come from **all the groups** in an active manner.

## ▶ **How to Ensure Participation?**

- One crucial factor is the existing political, socio-economic system, the cultural values, and the way in which various developmental activities are carried out.
- The government, CSOs, NGOs and other shareholders have a significant role to promote the participation of the peoples.
- Participation is seen as a process where in people learn to change the existing system through definite action.

**THANK YOU!**