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Ensuring transparency and accountability in
Public Finance Management



Governance Issues in the Management of Natural Resources

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Governance

- Governance – The process of decision-making and the process by which the decisions are implemented, if at all.
- Many codes of governance have been developed and enhanced over the years. However, challenges still remain and keep evolving

Characteristics of Good governance

- Consensus oriented
- Participatory
- Follows the rule of law
- Effective and efficient
- Accountable, transparent, responsive
- Equitable and inclusive

Natural resources

- Oil and gas
- Minerals and metals
- Forests and wildlife
- Fish
- Land
- Water

Governance issues in management of NR

- Lack of transparency and accountability
- Ineffective, inefficient and inappropriate approach
- Inequitable, non-inclusive and non-participatory processes
- Lack of consensus – disempowered citizens
- Questionable priorities, expedience, ‘pain-killer’ solutions
- Environmental degradation - the headache lies elsewhere

Governance issues

- Conflict - the so called 'resource curse'
- Elusive economic transformation - Abundance in natural resources rarely implies better lives
- Stewardship or lack thereof – Contracts or rights for the extraction or exploitation of natural resources are not in the best interest of the people
- Criteria for compensation – e.g % of profit vs % of turnover
- Inequitable international treaties – e.g. River Nile treaty

Broad societal benefit – Empowering citizens

- Effective citizen representation and participation
- Diverse options for decision makers to be held accountable
- Simple, consistent, uniform reporting that is easily accessible to citizens
- Leases and contracts whose term is reasonable to investors and to stakeholders.

Safeguarding the environment

- Environmental challenges go beyond national borders
- There are more than 900 Multilateral Environment Agreements
- Most are poorly implemented, except for those on ozone layer depletion and trade on endangered species
- There are concerns about the fairness of some of the agreements
- Global Environment Governance funds are used for other purposes other than actual environmental action

Leveraging custodial power for economic transformation

The natural environment contributes directly to key economic activity by providing input resources for production

- It indirectly contributes to the economy by providing the ecosystems required e.g. for water purification, managing floods, carbon sequestration
- The public good characteristic of the natural environment leads to its poor governance and under-provision

Conclusion

- Good governance is an ideal which is difficult to achieve in its totality. It is, however, an ideal that we must strive to achieve, in particular, in the management of natural resources.
- This is critical as the natural resources are not unlimited and some consequences resulting from poor governance are irreversible