

## **LEGISLATIVE BUDGET OVERSIGHT AND EXTRACTIVE NATURAL RESOURCES MANAGEMENT**

The role of Parliament in Legislative Budget Oversight and Extractive Natural Resource Management is cardinally crucial as it seeks to ensure transparency and accountability between governments and Natural Resource companies.

This paper intends to examine and assess the important role parliament plays in Legislative Oversight and Extractive Natural Resource Management.

### **Legislative Budget Oversight**

The responsibilities of Parliaments do not end at adoption of budgets but to ensure rigorous enforcement of both oversight and audit functions. To that end, there is need to exist a formal link, established by constitutional law, between the Executive and the Parliament with regard to the execution of the budget.<sup>1</sup> As a matter of best practice, Parliament should arrange for regular reporting from the ministries on how they do the execution. This can be reported through departmental annual financial reports, Parliamentary Committees reports, audited annual accounts of each ministry, independent authority of the Auditor-General to report to Parliament on any matter of expenditure at any time.<sup>2</sup>

Typically, as part of the budget oversight, parliament should be reviewing and holding the government to account for how it has spent and managed public funds. The Auditor General's office is a key player in this phase, auditing the government's consolidated financial statements, examining the government's compliance with rules and regulations, and conducting value-for-money or performance audits. The Finance and Public Accounts Committee should review the audited version of the financial statements to establish whether the financial statements are presented fairly and in compliance to best practice.<sup>3</sup> The committee should also review whether government has spent the authorized amount of money for the purpose intended by parliament and Performance audit reports to determine whether the government has spent funds with due regard to economy, efficiency and effectiveness.

Part of Parliament's budget oversight role, the Finance and Public Accounts Committee should also review annual debt report to be prepared by the government. This report should include an evaluation of the debt management operations including borrowing, liability management operations such as debt exchanges, loan guarantees extended and on-lending made. It should also include enough information to enable the parliament to evaluate how successful the debt management operations in meeting the debt management objectives. The annual debt report should be tabled in parliament, as is presently the case in Ghana, Ethiopia and Kenya.<sup>4</sup> Parliaments can also play a role in monitoring the implementation of investment projects financed by loan agreements through the FPAC and the Committee for Monitoring Government Projects.

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<sup>1</sup> IPU: Parliament and the Budgetary Process.

<sup>2</sup> IPU: Parliament and the Budgetary Process

<sup>3</sup> WFD: *The Role of Parliament in Public Debt Management*

<sup>4</sup> WFD: *The Role of Parliament in Public Debt Management*

## **Parliament as a balancing force in assuring Transparency and Accountability in Extractive Natural Resource Sector**

Extractive Natural Resources provides substantial income to government through royalties, taxes and charges, making citizen an apparent beneficiary to such revenues.<sup>5</sup>

The benefits of extractive Resources vary from investment opportunities in infrastructure, low fuel consumption cost, core of funding of essential service, macroeconomic stability, improve business climate for economic growth and development, reduce taxes on goods to increase income and investment.<sup>6</sup>

Unfortunately, in most African countries best practices have shown that Natural Resource is a recipe for corruption, under development and in some cases, it has fuelled conflicts and wars instead of alleviating poverty and assuring economic growth. This emanates from the lack of strong institution and the weak enforcement of parliamentary oversight functions.<sup>7</sup>

Therefore, the only panacea to the Extractive Natural Resource is to entrench the oversight strength of Parliament on the management of extractive Resource.

### **parliamentary oversight on the extractive natural resources**

#### **legal framework on oversight functions**

Extractive regulatory and legal framework is an oversight function which ensures transparency in the extraction of natural resource. This creates an avenue where parliament holds industry accountable to compliance of legal framework. The composition of such frameworks by parliament will address the needs of the citizens and ensure compliance in adopting the legislated framework.<sup>8</sup>

#### **Parliaments Legislative Functions:**

Parliamentarians are bestowed with the legislative function of reviewing bills and passing legislations that enhance effective Natural Resource management and reforms.

Such legislation can create environment of mutual interest between the government and the natural resource companies which further opens up trade that creates incentives for private sector development.<sup>9</sup>

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<sup>5</sup> [http://gopacnetwork.org/Docs/PositionPapers/PP\\_RRT\\_EN\\_Web.pdf](http://gopacnetwork.org/Docs/PositionPapers/PP_RRT_EN_Web.pdf), Retrieved: 16<sup>th</sup> December, 2020

<sup>6</sup> [http://gopacnetwork.org/Docs/PositionPapers/PP\\_RRT\\_EN\\_Web.pdf](http://gopacnetwork.org/Docs/PositionPapers/PP_RRT_EN_Web.pdf), Retrieved: 16<sup>th</sup> December, 2020

<sup>7</sup> World Bank Institute: Parliamentary Oversight of the extractive Industries Sector

<sup>8</sup> World Bank Institute: Parliamentary Oversight of the extractive Industries Sector

<sup>9</sup> World Bank Institute: Parliamentary Oversight of the extractive Industries Sector

### **Parliament as Representative Body**

Given the representative role of parliament, Parliament will ensure the voices, the preference and the interest of the public is heard, respected and well-articulated. Through public hearing, opinion polls, interviews, radio talks show and media campaign, parliament can incorporate citizen feedback into decision making. This will enable them to create awareness about the challenges and opportunities around the sound management of the extractive natural resources.<sup>10</sup>

### **Parliament oversight function on government's policies and programmes**

One of the prime functions of the parliament is to scrutinize closely the mode of operation of the executives, by exercising oversight on the implementation of the laws and government policies in order to enhance performance. By this oversight function, parliament can conduct a research into a specific policy surrounding the sector. It can also employ effective monitoring and evaluation mechanism to ensure the effective and legal implementations of government programmes and programmes policies.

### **Action for parliament: linking development framework to the extractive sector**

The linkage between development frameworks and the extractive sector remain as an integral part in the dispensation of parliament's oversight functions.

- Parliament organises study tours to learn best practices on how extractive industries of other jurisdictions works,
- organise public debates on how to use extractive for development,
- make sure that government policy and expenditure is based on shared vision of how harness extractive industry for development
- ensure the shared visions are aligned to the poverty reduction strategy and
- match the legislation and regulation with the strategy framework.

The establishment of an immovable and solid balancing force that ensure transparency in the extraction and management of Natural Resources is significantly important. This will help parliamentarian to track payments between governments and Natural Resource companies.<sup>11</sup>

In the absence of transparency, appropriate framework in place, and strong institutions, beneficiaries and potential benefits may fall prey to mismanagement.

- Finally, adequate safeguards and quality controls need to be in place to guard against conflict of interest and undue discretion with oversight mechanism such as audits, Parliamentary oversight, civil society and Media Monitoring as well as cooperate transparency and monitoring<sup>12</sup>

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<sup>10</sup> World Bank Institute: Parliamentary Oversight of the extractive Industries Sector

<sup>11</sup> [http://gopacnetwork.org/Docs/PositionPapers/PP\\_RRT\\_EN\\_Web.pdf](http://gopacnetwork.org/Docs/PositionPapers/PP_RRT_EN_Web.pdf), Retrieved: 16<sup>th</sup> December, 2020

<sup>12</sup> Natural Resource Governance Institute 2013; Lindner2014

