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The Extractive Industries Transparency Initiative (EITI) and local institutions in Ghana's mining communities: Challenges in understanding barriers to accountability

Hevina S. Dashwood[1] | **Uwafiokun Idemudia**[2] | **Bill Buenar Puplampu**[3] | **Kernaghan Webb**[4]

[1]Department of Political Science, Brock University, Canada

[2]Department of Social Science, York University, Canada

[3]Central University, Ghana

[4]Ted Rogers School of Management, Ryerson University, Canada

Correspondence
Hevina S. Dashwood, Department of Political Science, Brock University, 1812 Sir Isaac Brock Way, St. Catharines, Ontario, Canada, L2S 3A1.
Email: hdashwood@brocku.ca

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Summary

Motivation: The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in resource-rich countries to improve governance of the extractive sector. Despite improvements in the subnational disclosure of royalty payments, a significant problem is the failure of these efforts to improve accountability and benefits to mining communities.

Purpose: The article asks how institutions of local governance affect national efforts to improve accountability to mining communities in Ghana on the use of mineral revenues for development. It contributes to the broader theoretical literature on EITI by clarifying what outcomes, if any, can be directly attributed to the disclosure of royalty payments.

Methods and approach: This qualitative study employs a case-study analysis of EITI adoption in Ghana, one of the first countries to join the initiative. The article contextualizes local governance institutions and dynamics in relation to the royalty disbursement process. It draws on original field research to analyse their role in impeding the expected benefits of royalty disbursements to mining-affected communities.

Findings: The research identifies deficiencies in local governance structures and processes as they relate to the use of mineral royalties, but also instances of variation in how officials react to EITI. The range of individual actors, institutions, and complex processes on which the subnational disbursement of royalties depends, makes it problematic to attribute the absence of improvements directly to Ghana's EITI. The findings demonstrate that EITI's role in participating countries is best understood as facilitative and indirect when addressing development outcomes for mining communities.

Policy implications: Disclosure of royalty payments to local governments is unlikely on its own to result in improved development outcomes for local communities, even when the national government is committed to the goal. There is a need for policy interventions aimed at specific communities to ensure royalty payments reach the intended beneficiaries. These interventions should be tailored to the differences in national governance dynamics in countries participating in EITI, paying attention to contestation over the distribution and expenditure of royalties that disclosure helps bring to light.

KEYWORDS

accountability, Ghana, local governance, mining communities, transparency

1 | INTRODUCTION

The Extractive Industries Transparency Initiative (EITI) was established in 2003 as a global response to growing pressure to address the negative economic, social, and environmental outcomes associated with resource extraction. The founding assumption of EITI is that greater transparency in governments' disclosure of the revenues they receive from extractive companies, and companies' disclosure of payments made to governments, can assist in addressing endemic "corruption" and other governance problems related to resource extraction. The greater transparency achieved through data disclosure is in turn expected to enhance accountability to the public. It quickly became apparent, however, that "disclosure as governance" (Haufler, 2010) was insufficient on its own to promote greater accountability, especially to communities in areas where extraction takes place.

A substantial amount of work has documented the social and economic marginalization of communities within the vicinity of resource extraction and the failure of mining companies to foster rural development (Cheshire, 2010; Idemudia & Osayande, 2018; O'Faircheallaigh, 2013). We still know very little, however, about how local governance processes and structures affect accountability to mining communities in the use of natural resource revenues for development at the subnational level. The core objective of this study is therefore to identify the role that local governance institutions play in facilitating or undermining accountability to mining communities on the use of mineral royalties.

Ghana was a founding member of EITI, and the first country to join in 2003. Its focus was on the mining sector, at a time when the impetus behind the initiative was directed at the oil and gas sector. From the outset, the Ghana EITI (known as GHEITI) was committed to subnational data disclosure, and GHEITI officials later sought to legally formalize the system by which royalties are paid to local governments in rural districts where mining takes place. These payments are expected to support development projects for the benefit of rural communities affected by mining. Yet research on EITI and GHEITI has shown that, for the most part, mining communities are not seeing the benefits of mineral royalties distributed to local government and traditional authority (Cust & Viale, 2016; Dashwood & Puplampu, 2015; Idemudia, 2012, 2013; Standing & Hilson, 2013). Given GHEITI's commitment to subnational transparency and improved accountability, what might explain why mining communities do not appear to benefit from royalty payments made to local government?

Addressing this question is particularly important given that Mejía Acosta (2013) argues that there is a need to shift emphasis in the analysis of EITI from focusing only on revenue generation to a focus on the allocation and use of government revenue and its development outcomes. Indeed, writing in the same 2013 special issue of *Development Policy Review* on the impact and effectiveness of transparency and accountability initiatives, Gaventa and McGee (2013) suggested that this was partly because the evidence base linking transparency to accountability remains largely undeveloped. This qualitative study addresses this challenge by looking at the intersection of a number of key processes from the national to the local levels and their relation to transparency and accountability initiatives. These include accounting for the complex mechanisms by which mineral royalties are disbursed by central government to local governments and traditional authorities (Chiefs) in mining districts, how those royalties are spent, and whether and how such resources reach the intended beneficiaries—communities affected by mining.

To this end, the research reported in this article sought to explore how existing local governance weaknesses interact with the processes for the subnational disbursement of royalty payments and how local-level actors spend such payments. This approach corrects the tendency in the literature, as noted by Gaventa and McGee (2013), to overlook contextual matters, such as governance institutions and processes, as well as the political and power dynamics that influence the potential impact of EITI. This study demonstrates that an important overlooked dynamic is the role of local governance processes in impeding the delivery of benefits to mining communities. This study fills a gap in the broader literature on EITI's impact by explicitly connecting the reality of weak local governance institutions in Ghana to the problems and processes of the royalty disbursement process, which relies on these same institutions.

By focusing on the local governance context in mining districts, the study also addresses a key research problem in the literature, namely whether improved accountability (or lack thereof) can be directly linked to the disclosure of royalties by EITI. By distinguishing between information disclosure and other initiatives undertaken by EITI, this study problematizes how EITI's potential impacts might best be understood, thereby addressing a problem that is characteristic of the broader literature on transparency and accountability initiatives (Mejía Acosta, 2013). This article thus provides important insights into the systemic obstacles which militate against linking EITI with development outcomes. This is done by exploring the conditions that have impeded improved accountability (Fox, 2007; Mejía Acosta, 2013), and the factors on the ground which make a causal or direct link between disclosure and desired development outcomes difficult to establish.

The research highlights the importance of institutional context and its influence on the effectiveness of EITI. The specific institutional context here is the disjuncture (i.e. weak connections) between national-level initiatives intended to benefit local communities, and the local governance structures and processes that tend to impede the realization of the expected positive outcomes of these initiatives. An examination of the structure and processes of local governance in Ghana is therefore essential to understanding how they support or impede improved outcomes for mining-affected communities. Local governance as used in this article applies to district assemblies, local government officials and their relationship with actors at the community and national level. Traditional authority refers to the chieftaincy and institutionalized structures such as traditional councils (for information on the historically engrained sociocultural influence of traditional authority, see Boateng et al., 2016).

The rest of the article is structured as follows. Section 2 presents a brief overview of the evolution of EITI objectives and governance structure, followed in Section 3 by a review of the theoretical literature. An explanation of the research methodology is provided in Section 4 before outlining the initiatives undertaken by GHEITI. Section 5 then offers a brief explanation of the system of local governance in Ghana and the process by which royalty payments are transferred to local government. This sets the stage for the presentation of the research findings in Section 7, followed by analysis of their implications in Section 8. Section 9 sums up the overall argument and highlights the empirical, theoretical, and policy contribution of the findings.

2 | EVOLUTION OF THE EITI STANDARD AND GOVERNANCE

The founding of EITI in 2003 represented a compromise between governments, international extractive companies, and non-governmental organizations (NGOs) to address the adverse effects of resource extraction, commonly referred to as the "resource curse" (Auty, 1993; Idemudia, 2009). The World Bank, which provides financing towards the development of the extractive sectors of low-income countries (LICs), and lower-middle and upper-middle income countries (LMICs and UMICs), was pressured by international NGOs such as Global Witness, Human Rights Watch, Oxfam America, and Publish What You Pay (PWYP)—a coalition of NGOs advocating for greater transparency in the extractive sector—to reconsider its policies. Faced with this pressure, stakeholders with divergent interests co-operated to establish the EITI (Aaronson, 2011; Gillies, 2010). The EITI represented an opportunity for the World Bank to promote its "good governance" agenda, which at the time stressed transitions to democracy and strengthening of institutions and regulations expected to achieve accountability to counteract corruption (Liebenthal et al., 2005).

The EITI started out as a set of 12 principles that affirmed the potentially positive role that natural resources can play in promoting sustainable socioeconomic development, while acknowledging the negative consequences if they are not well managed (EITI, n.d.). To that end, participating countries are required to reconcile royalty payments made by extractive companies with revenues received by government. Since its founding, the scope of EITI has expanded to address the governance of extractives, and in 2013, the EITI standard was introduced, which was updated in 2016 (EITI, 2016) and again in 2019 (EITI, 2019). In addition to disclosures of royalty payments, participating countries are now required to disclose the legal framework and procedures for the awarding of contracts and licences, and to proactively address broader social issues such as environmental degradation and gender inequalities.

Much of the focus in the early years was on reporting at the national level. The EITI Secretariat only began to formally acknowledge the importance of subnational reporting in 2010, as reflected in the revised 2011 rules (Aguilar et al., 2011). After the release of a report commissioned by the EITI Secretariat detailing the lack of societal impact of EITI in mining areas (Scanteam, 2011), subnational reporting was made a requirement in the new 2013 standard. The 2013 standard encouraged greater engagement with "civil society" as well as broader public-sector reforms to achieve enhanced societal benefits (EITI, 2013). Participating countries are required to set up Multi-Stakeholder Groups (MSGs), to facilitate dialogue between government, civil society organizations (CSOs), and companies. Starting with the 2016 standard, governments are encouraged to track indicators relevant to environmental impacts and the socioeconomic wellbeing of communities affected by resource extraction (EITI, 2016, 2019). The 2019 standard advances concepts of good governance by addressing the crucial need to factor in whether, how and to what extent transparency initiatives benefit women, and recommends measures to address barriers to women's inclusion in decision-making that affects their lives.

3 | THEORETICAL LITERATURE ON EITI AND GHEITI

Much, but not all, of the existing literature is critical of what EITI has accomplished to date (Aaronson, 2011; Hilson & Maconachie, 2009; Idemudia, 2009; Kolstad & Wiig, 2009; Smith et al., 2012; Sovacool & Andrews, 2015). Many argue that EITI is no panacea to addressing the problems of corruption, weak regulatory oversight, neglect of non-extractive sectors of the economy, vulnerability to commodity cycles, conflict, and other negative outcomes associated with resource extraction. Much of this critical literature stems from the implicit assumption that changes, or the lack of change, can be directly attributable to EITI, and by extension that improved accountability can be an expected outcome of greater transparency (Fox, 2007, 2020). After briefly reviewing the major challenges addressed in the literature, this section examines and clarifies the question of what outcomes can be directly attributable to EITI, paving the way for analysis of the role of local governance institutions in thwarting efforts to enhance accountability.

The criticisms of EITI in the literature point to its limited impact, disputed meanings of the core concepts of transparency and accountability, and attribution problems in assessing the impact of EITI. The different interests of stakeholders from government, civil society, and the private sector result in different interpretations being ascribed to EITI's purpose, making it difficult for EITI to serve as a coherent platform for positive change (Aaronson, 2011). Others argue that EITI does not alter the unequal relationships among stakeholders, where CSOs are assumed to be weaker in the face of resistance to meaningful change on the part of more powerful stakeholders, typically private-sector actors (Smith et al., 2012; Sovacool et al., 2016). Hilson and Maconachie (2009) agree that EITI is unable to mobilize citizens to hold corrupt government officials to account, while the Scanteam report (2011) argued for greater public and CSO participation to support transparency efforts. A more recent analysis noted the ongoing need for a strong civil society to expose governance weaknesses (Sovacool, 2020).

A common theme in the critical literature is the limited impact of EITI on mining communities to date. Kolstad and Wiig (2009) argue that EITI's focus on revenue, instead of expenditure transparency, is misplaced in contexts where oversight of government expenditure is weak. Although the 2019 standard now encourages disclosure of expenditures (EITI, 2019), it is not a requirement, so the problem persists that it is very difficult to access information on expenditures in many participating countries (Carlitz, 2013).

Idemudia (2009) has argued that EITI might be causing harm by diverting attention from the real political and economic reforms needed to address the "resource curse" (Auty, 1993). As such, Caspary (2012) agrees that the demand for transparency via initiatives like EITI needs to be complemented with other political and economic reforms that empower citizens to hold their government accountable. Andrews (2016) similarly observes that it is problematic to ascribe to one initiative the answer to all the challenges associated with the extractive sector.

While noting these criticisms, some claim that the necessary reforms have already been implemented in participating countries. Corrigan (2014) argues that the capacity of governments to formulate and implement sound policies and regulatory standards has improved since the adoption of EITI. Gillies and Heuty (2011) found that EITI candidate and compliant countries were more likely to redirect resources to the poor, and that transparency has allowed for the emergence of new civic associations. Caspary (2012) points to the "intangible" benefits of EITI, arguing that the MSGs have been effective in building trust and collaboration among government, companies, and civil society in participating countries.

Conflicting accounts of the impact of EITI are partly due to the fact that the goals of transparency and accountability are broad concepts which are ascribed different meanings by different actors. Ofori and Lujala (2015), for example, in their research on communities affected by Ghana's offshore oil extraction, found that government's understanding of transparency (as data disclosure) differed from that of the community (understood as development). This suggests that to distinguish between the expected impacts of EITI means recognizing that the demands of the lived reality of various actors would place varying interpretive lenses on what may be simple to define, but complexly experienced.

Related concepts such as "good governance" are contested and broad goals such as improved living standards are difficult to directly attribute to EITI (Rustad et al., 2017). Unpacking broad concepts down into their component parts is clearly necessary to produce a more nuanced and balanced understanding of EITI's effectiveness. Yet, it nevertheless remains empirically difficult to directly attribute the presence or absence of governance improvements to EITI (Rustad et al., 2017; Sovacool & Andrews, 2015). EITI on its own does not compel governments to institute *specific* legal or policy reforms (Hilson & Maconachie, 2009). In his recent quantitative study, Sovacool (2020) affirms the difficulty of attribution by relying on correlation rather than causation to demonstrate the weak performance of EITI on accountability indicators. Noting the challenges identified by Gaventa and McGee (2013) related to establishing causality and attributing impact, the ongoing need for greater clarity on what outcomes *ought* to be attributed to EITI are addressed in this article, before turning to the analysis of how local governance structures and institutions affect the demand for accountability in mining communities/districts.

3.1 | Information inductance

We suggest that the literature on information inductance offers a means to clarify how EITI functions and how its contribution might be assessed (Prakash & Rappaport, 1977; Stephan, 2002). The central insight of information inductance (in this case, disclosure of royalty payments and revenues) is that an actor's behaviour is affected by the information the actor is expected to communicate. Aside from the disclosure of royalty payments and revenues as required by EITI, information inductance mechanisms do not directly compel change, but rather may assist in inducing change. Beyond the reporting requirements of EITI, it is up to participating governments to institute policy and/or legal reforms supportive of transparency and accountability. Theoretically, the nature of information inductance cautions against directly attributing any change or lack of change to EITI. Information inductance suggests that outcomes would be contingent on characteristics of the particular targeted actor (in this study local government), and the broader institutional context within which the targeted actor operates (Stephan, 2002). Establishing a direct line of causality is further constrained by the fact that the "actors" in question may be individuals, but may also be collectives, such as government agencies, ministries, and departments (Dahan et al., 2011). By stepping back from ascribing *outcomes* to EITI as a direct result of information disclosure, this study analyses the role of local governance institutions and actors that foreclose the greater accountability that information inductance might be expected to deliver.

Aaronson's (2011) insight that various stakeholders have different motivations for supporting EITI assists with identifying the characteristics of the targeted actors. These differing interests and motivations help explain why different actors use information differently. As this article will demonstrate, the motivations of government actors at the national level are different from those at the local level. Furthermore, to assess the role of information inductance through royalty disclosures, it is important to distinguish it from other policy initiatives introduced by Ghana's EITI. For example, regulatory and policy changes (outputs) may or may not have been *facilitated* by information inductance. These initiatives can possibly affect mining communities in *direct* and *indirect* ways (outcomes). By establishing distinctions between the possible impact of information inductance through disclosure of royalty payments, and additional initiatives of Ghana's EITI, greater clarity on what outcomes can be attributed to EITI is realized (Mejía Acosta, 2013). This study is informed by the recognition that a complex array of factors, stemming from the institutional context of local governance dynamics and the characteristics of specific actors, shapes the outcomes of EITI initiatives for local communities in mining areas.

4 | RESEARCH METHODOLOGY

The study employed a qualitative approach to document the experiences and perceptions of local government officials in mining districts in Ghana (Bryant, 2017). Original field research consisting of focus group meetings and semi-structured interviews was triangulated with secondary data, GHEITI reports, and NGO/CSO reports. The research explored how affected actors within the Ghanaian resource extraction context experience, negotiate, and articulate relevant issues of concern relating to the disbursement and use of royalties.

The field research entailed visits to four of the 10 districts where large-scale commercial gold-mining takes place in Ghana: Bibiani Ahwianso Bekwai (BAB), Sefwi Wiawso, Birim North, and Amansie West. BAB and Sefwi Wiawso Districts have a long history of mining, with BAB having the largest number of large-scale mining operations of the four districts. Amansie West, although located in the mining-intensive Ashanti region, is not situated in an area where extensive mining has taken place, while Birim North has a limited history of mining. BAB and Sefwi Wiawso are technically "municipals," due to their larger populations.

Table 1 provides information on the districts according to their history of mining and location, and the dates they were visited.

The selection of actors residing in the four districts/municipals was driven by the aim of ascertaining how government structures and processes influence disbursement and use of royalty payments. The selection of districts was also influenced by the availability of government officials. In the districts, focus group sessions were

TABLE 1 Characteristics of mining districts visited

DISTRICT	Amansie West	Birim North	Bibiani Ahwianso Bekwai	Sefwi Wiawso
Region	Ashanti	Eastern	Western	Western
History of mining in District	Extensive	Limited	Extensive	Extensive
Dates of field research	Feb. 14–16, 2018	Feb. 27–28, 2018	July 3, 2018	July 4, 2018

held with local government officials, including assembly members, Executive Committee members and Chiefs. In Accra, semi-structured interviews were held with officials from the GHEITI Secretariat, the GHEITI National Steering Committee, Minerals Commission, and CSOs. In accordance with research ethics protocols, the identities of interviewees remain confidential. These meetings took place between February 3 and March 3, 2018, and in a follow-up trip, between June 24 and July 7, 2018.

A thematic analysis (Clarke & Braun, 2014) was employed to identify common issues at the intersection of the royalty disbursement process, local governance structures and processes, and the lack of benefits to communities in mining areas. Notes from interviews and focus group sessions were analysed to identify common patterns and themes as they relate to challenges of local governance and the royalty disbursement process.

A multi-stakeholder workshop was convened in Accra on June 27, 2018 with representatives of industry, government, and civil society (25 participants). This workshop discussed a preliminary report (prepared by the lead author) on the major themes uncovered at that point in the research process. The workshop provided the opportunity to capture various perspectives on key issues of contestation that surfaced in the research, relating to the royalty payment, disbursements, and expenditure processes.

5 | GHEITI: STRUCTURE AND NATIONAL-LEVEL INITIATIVES

Since joining EITI in 2003, Ghana was the first country to initiate reporting on the mining sector, and later began reporting on the oil and gas sector after commercial production commenced in 2011. Ghana achieved “compliant” status for its reporting on the mining sector in 2010 and subsequently achieved “meaningful progress” under the 2016 Standard. The GHEITI Secretariat acts in a co-ordinating manner to bring together participants across relevant government departments. In keeping with the EITI standard, an MSG was set up to collectively develop policy initiatives with representatives from industry, government, and CSOs. The National Steering Committee (NSC), as Ghana's MSG is called, includes government representatives from various ministries and agencies, including the Ministry of Finance and the Ministry of Lands and Natural Resources, as well as the Minerals Commission, which is responsible for the regulation and management of Ghana's mineral resources.

In the early stages of GHEITI adoption, Ghana was ahead of the international EITI in expressing the need to promote transparency at the subnational level, by collecting subnational data for reporting purposes when the International Secretariat did not see a need for it, according to a senior government official in 2018. Ghana was an early mover in setting aside mining royalties for development purposes. The Minerals Development Fund (MDF) was established by administrative fiat in 1993 and is allocated 20% of total mineral royalties collected by central government. A GHEITI official stated in 2018 that a major priority of the NSC was to secure legal backing for the MDF, leading to the enactment of the MDF Act in 2016. Of the 20% of total mineral royalties allocated to the MDF, half (10%) is transferred to governance authorities at the subnational level, and the other half is allocated to various mining-related agencies, including the Minerals Commission, Ministry of Mines and Natural Resources, and the Geological Survey Department (Lujala & Narh, 2020, p. 186).

Reflecting its concern that mining communities enjoy benefits from royalty payments, GHEITI advocated in support of a dedicated funding stream for mining communities, claimed a GHEITI official in 2018. GHEITI's efforts resulted in a new section in the MDF Act (912), which provides for a Mining Community Development Scheme (MCDS) to support development projects in mining communities (Government of Ghana, 2016, Section 21, 3-b). The Act stipulates the establishment of “local management committees” (LMCs) in each rural community affected by mining, to ensure the participation of community representatives in decision-making on how allocated funds should be spent. From the outset, it is clear that GHEITI officials expected to see benefits accruing *directly* to mining communities—increased transparency through disclosure was not, in other words, meant to be an end in itself.

To ensure mineral royalties are used appropriately, GHEITI, together with the Minerals Commission, developed guidelines on the use of mineral revenues (CEDA, 2019). These guidelines provide direction to local governments on the allocation of royalty payments to appropriate projects that ensure communities enjoy tangible benefits. The guidelines are expected to be incorporated in the much-anticipated regulations pertaining to the MDF Act (2016). In 2018, GHEITI officials stated that these initiatives reflect a strong cross-sectoral consensus within the NSC on the need for mining communities to directly benefit from mineral royalties. Together with the MCDS, the anticipated regulations incorporating guidelines represent an important opportunity to improve socioeconomic outcomes for communities affected by mining.

6 | LOCAL GOVERNANCE IN RURAL AREAS IN GHANA

This section provides a brief overview of the system of local governance in rural Ghana, to set the institutional context for the presentation and analysis of the research findings.

The legal basis for Ghana's system of local governance can be traced to the 1992 Constitution (Government of Ghana, 1992), which marked the formal return to democracy after years of military rule. The Local Government Act (Government of Ghana, 1993) provided the legal backing for the establishment of Metropolitan, Municipal, and District Assemblies (MMDAs). The three goals of decentralized governance were increased participation of citizens in the democratic process, greater effectiveness of service delivery, and enhanced accountability through collective decision-making at the grassroots level (Ayee, 2008, p. 234).

The MMDAs are structured around senior officials who carry out executive functions, and assembly members, who represent their constituencies. Senior officials include the District Chief Executive (DCE), who is the administrative head in each district, and the District Coordinating Director (DCD), who oversees the co-ordination of the various units. The District Planning Officers and Budget Officers round out the complement of senior district officials who form the Executive Committee (Ayee, 1996). The President appoints the DCE, as well as 30% of assembly members, while the remaining 70% are elected every four years (Ayee, 2008).

Overlapping with, and sometimes duplicating local government functions, is the historic traditional governance system (Ayee, 2006). The decentralized system of local government was superimposed on pre-existing traditional structures, consisting of traditional areas led by Paramount Chiefs. Customary lands (known as “stools”) in traditional areas are represented by Paramount Chiefs on behalf of the people as custodians of the land (Guri, 2006). Below the Paramount Chiefs/Queen Mothers, are the Divisional Chiefs, who head the towns in traditional areas and sub-Chiefs, who head each village/community (Kendie & Guri, 2007). The traditional council is the organizational structure that represents the chieftaincy in each traditional area, and is led by the Paramount Chief, who appoints the other council members (Kendie & Guri, 2007; Owusu-Mensah, 2014). Under the Local Government Act (Government of Ghana, 1993), 9% of assembly seats are reserved for traditional leaders.

In addition to the overlapping local governance structures, there are other impediments to improved accountability to mining communities (Ayee, 2004, 2008; Ayee & Dickovick, 2014; Debrah, 2009; Gyimah-Boadi, 1994; King et al., 2013; Owusu, 2009). The Local Government Act (1993) assigns the District Assemblies with political, planning, budgeting, and legislating authority at the local level. In reality, however, local government is very reliant on central government due to the President's power of appointment, the lack of local revenue-generation capacity, and lack of decision-making autonomy (Ayee, 1996, 2008). Although the districts have formal autonomy over their finances, the President and central government ministries exercise extensive control over decision-making and finances (Ayee, 2004, 2008; Antwi-Boasiako, 2010).

In his analyses of the functioning of DAs, Ayee (1996, 2008) found that they experience a number of challenges affecting their performance. These include the dominance of the Executive Committee by appointed rather than elected assembly members, poor service delivery, the lack of sufficient financial resources to fulfil local development mandates, together with the loss of finances through patronage and corruption (Ayee, 1996, pp. 35–37, 2004, pp. 133–136). Crucially, the failure/inability of assembly members to regularly consult with their constituents, has short-changed accountability and limited people's access to information (Ayee, 1996, pp. 44–45).

6.1 | Mining districts and royalty payments

Districts in rural areas suffer from a weak economic base, and thereby rely on central government for most of their funding from the District Assemblies' Common Fund (DACF) (Ayee & Dickovick, 2014). The amount districts receive is based on criteria established annually by parliament, and typically include considerations such as need and the principle of equalization (Ayee, 2004). The royalty payments transferred to local governments in mining areas constitutes the largest source of revenue, accounting for as much as 40% of the total budget (Ashiadey, 2014, p. 2; Standing & Hilson, 2013, p. 5). What happens to these payments within the broader context of local government funding is therefore critically important to development outcomes in mining communities.

The system by which districts in mining areas receive their share of mineral royalties is complex. The derivation principle is used to determine the districts' share of royalties, based on the percentage of each district's total contribution to mining production (Aguilar & Caspary, 2011, p. 21). Rather than receiving payments directly from central government through the MDF, the 10% (of the MDF's 20% share of total royalties) allotted to districts is deposited with the Office of the Administrator of Stool Lands (OASL). The OASL retains 1% for administrative purposes and transfers the remaining 9% to districts in mining areas. In accordance with the formula set out in Section 7 of the OASL Act (Government of Ghana, 1994), the OASL transfers 4.95% to the districts, 2.25% to Paramount Chiefs in traditional areas, who then distribute funds to Divisional Chiefs, and sub-Chiefs, and 1.8% to traditional councils (Aguilar & Caspary, 2011, p. 21; Lujala & Narh, 2020, p. 185). Disbursements to traditional leaders are reported by the larger traditional areas, not individual Chiefs, complicating accountability on the use of royalty payments.

It is at the intersection of this complex and highly bureaucratic system of royalty disbursement that national initiatives intended to benefit mining communities rest.

7 | LOCAL GOVERNANCE AND THE ROYALTIES DISBURSEMENT PROCESS

Many of the challenges of local governance outlined above are replicated in the mining districts. Yet not all the challenges are uniformly manifested in the districts visited. Semi-structured interviews and focus group sessions confirmed the following themes: failure to consult and lack of accountability to communities, the financial weakness of districts, the control of budgetary matters by senior district officials and the lack of autonomy of local government. What follows addresses these deficiencies in turn.

7.1 | Failure to consult/lack of accountability to mining communities

Weaknesses in the decentralized system of local governance have an impact on the extent to which communities in mining areas receive information about the royalties paid to districts. There is little evidence of consultation on the part of assembly members with local communities on development issues (Focus Groups, Assembly Members, all Districts, February 16 and 28 and July 3–4, 2018). Basic logistical challenges make it difficult to physically reach the communities, hindering awareness of development initiatives (Focus Group, BAB Assembly, July 3, 2018). A CSO official confirmed that the relatively high rates of illiteracy and unreliable internet access impede mining communities' awareness of disclosures of royalty payments (Ayee, 2008, p. 245).

The overlapping authority structures in mining districts exacerbates the underlying tensions of local governance. This is especially so since traditional authority maintains its custodial role over the land, which enhances the power of Chiefs due to mining's disruptive impact on land usage. The authority of local government officials is further weakened by the central role of traditional authority in mediating disputes over custodial land. By extension, there is little incentive for assembly members to share information about royalties to the communities within and outside mining areas. One issue that has proved extremely intractable is whether or not royalties should be paid to the Chiefs (participant observation, GHEITI Workshop, Accra, June 27, 2018). Due to customary respect for traditional authority, this is a contested and deeply political issue.

A significant factor hindering accountability is male domination of both traditional authority and district government (for further information, see Bawa & Sanyare, 2013). While a small proportion of assembly members are women, the ranks of senior officials were entirely male in the districts visited. This reality makes it unlikely that women have a say in how royalties are allocated and used.

7.2 | Financial weakness of districts

The fact that local government in districts in mining areas receive additional funding through royalty payments would appear to put them in a better financial position compared to their resource-poor neighbours. However, the failure of central government in the past to disburse payments owed to the districts, as well as the uncertainty over the amounts to which they are entitled, complicate the budget and planning process (GHEITI, 2018; Focus Groups, Senior District Officials, all Districts, February 16 and 28 and July 3–4, 2018). The fact that principles such as need and equity inform the amount apportioned through the DACF (the major source of funding for local government), can put local government in mining districts at a disadvantage, because central government can determine that their financial need is not as great as in other districts (CEDA, 2018, pp. 6–7; Focus Group, Senior District Officials, BAB, July 3, 2018). Local officials allocate royalty payments to projects outside the mining areas, to the detriment of service provision in mining areas (Focus Groups, Senior District Officials, all Districts, February 16 and 28 and July 3–4, 2018). In mining districts, poor service delivery spills over to mining communities, as it provides another rationale for not expending mineral payments on the intended beneficiaries. The thinking is that mining companies will make up the difference.

A major impediment to greater accountability in the receipt and expenditure of mineral royalties is that most districts are not keeping separate bank accounts for payments received from the OASL (Nguyen-Thanh & Schnell, 2009). Of the four districts visited, only one was able to confirm definitively that royalty payments are kept in a separate bank account (Focus Group, Senior District Officials, BAB, July 3, 2018). Royalties have been inappropriately allocated to ongoing operational expenses. This pattern is consistent with other, non-mining districts, where upwards of 80% of DACF money goes to recurring expenditures, such as salaries, vehicles, and waste disposal (Ayee, 2008).

7.3 | Control of budgets by senior officials

On the budgeting and expenditure side, information flows rarely extend beyond senior district officials, inhibiting accountability to citizens (Carlitz, 2013). In focus group meetings with assembly members in three of the districts visited (Amansie West, BAB, Sefwi Wiawso), complaints were raised that they are not consulted on budget deliberations, with decisions being made by senior district officials (February 16, July 3–4, 2018). At a focus group meeting in Amansie West, it was pointed out that assembly members might not learn about the existence of a project until they are "introduced to the contractor" (February 16, 2018). Lack of consultation on budgeting has led assembly members to wonder whether they have a mandate to represent the entire district (Focus Group, Sefwi Wiawso, July 4, 2018).

In addition to concerns about the misallocation of royalty expenditures by districts, there are instances of misappropriation of funds. Districts have been cited in audit reports for various infractions (Auditor General, 2013; CEDA, 2018, p. 7). There have been long-standing issues about how the districts are spending royalties, starting with the fact it is difficult to track how they are used (CEDA, 2018, p. 5).

7.4 | Lack of autonomy of local government

The power of appointment of the President, together with local government dependence on central government for most of its finances, has significantly circumscribed the decision-making autonomy of local government, as noted earlier. According to a CSO official in 2018, the DCE, a political appointment, is typically more beholden to Accra and therefore less accountable to the people in the districts. Another CSO official told us that proposed reforms to make the DCE position an elected one are currently under serious consideration, as part of a larger (beyond GHEITI) process to improve local government accountability. While every district has dedicated and capable assembly members, the overall system of local governance is not conducive to basic principles of accountability.

In response to concerns that royalty payments are not used by DAs as they are intended, government is set to produce regulations that would enforce guidelines on how the royalties received by districts should be used. The Guidelines on the Utilization of Mineral Royalties prepared by the Minerals Commission with the help of GHEITI (Ashiadey, 2014) are expected to be incorporated into the regulations attached to the MDF Act (Government of Ghana, 2016). In the meantime, the OASL has been asking districts for their development plans before disbursing royalties, a function that is not part of OASL's mandate (Participant observation, GHEITI Workshop, Accra, June 27, 2018).

One senior district official expressed annoyance that the OASL is telling the district officials how they should spend the money (Focus Group, BAB, July 3, 2018). Focus group sessions with senior district officials reveal that DCEs are opposed to the Guidelines, believing they should be free to determine what the needs of the district are (Focus Groups, All Districts, February 16 and 27 and July 3–4, 2018). These views reflect the tension between the interest of central government and of GHEITI in seeing mineral royalties used appropriately, and the desire of local government officials to maintain control over budget decision-making. The objection of senior district officials reflects the broader issue of the circumscribed decision-making authority of local government officials.

8 | IMPLICATIONS OF LOCAL GOVERNANCE DYNAMICS

The research findings confirm that local governance structures and processes impede the realization of accountability to mining communities. For its part, the national government has not always met its obligation to disburse royalties owed to local governments and traditional authority, a problem that GHEITI's successful effort to gain legal backing for the MDF was meant to address. While amounts owing have been partially restored over the past few years, the lack of certainty about whether monies will be disbursed hampers the ability of the districts to budget effectively. Thus, the deficiencies in local governance documented above need to be understood in the broader context of the royalty disbursement process and the role of central government.

While there are clearly weaknesses in the system of local governance shared across the districts, the research uncovered variation between districts on the criteria of governance performance and capacity. In BAB, senior officials stressed that a separate bank account is kept for royalty payments and were pleased to show the books displaying separate line items designated “MDF” (Focus Group, Senior Officials, BAB, July 3, 2018). Assembly members claimed to have some input in the budget process, but this involvement was more in the form of sharing the budget for review, rather than actual consultation on what should be in the budget. Assembly members noted that they were not given sufficient time to review the budget proposal before going to a vote (Focus Group, Assembly Members, BAB, July 3, 2018).

Nevertheless, assembly members pointed out that specific efforts had been made to consult with community members on development projects to be funded by royalty payments (Focus Group, Assembly Members, BAB, July 3, 2018). Indeed, they claim community members were asked to prioritize the types of project they felt to be most important. This district also ensured that projects funded with royalty payments were visible to communities—for example, a school had the words “built with funding from the Minerals Development Fund” painted on its side. BAB officials displayed a commitment to more inclusive decision-making about development priorities. However, as is the case in the other districts visited, BAB officials prefer to spend royalties across the entire district rather than in mining areas.

The study also uncovered differences across the districts in terms of the awareness of assembly members about their role in promoting greater accountability to communities. For example, there were varying degrees of awareness and input in the budget process that determined how royalties were spent. In Sefwi Wiawso, some assembly members were not fully versed on the percentage of royalties to which the district is entitled, and they appeared to be under the sway of powerful Chiefs in the area (Focus Group, July 4, 2018). This led many assembly members to believe that the Chiefs were entitled to some of the district's share of the payments.

Notwithstanding the variation noted above, the fact that there is currently no formalized process under GHEITI requiring district governments to disclose their budget expenditures to mining communities greatly weakens accountability on the use of royalties across all the districts. In keeping with the broader characteristics of the actors involved, none of the districts, including BAB, has taken steps to widely disseminate information about the expenditure of royalty payments to communities (mining and non-mining alike). Information on expenditures, as noted in the literature, is necessary to enhance accountability to communities. The small number of women represented in district government, together with social norms about women's role in society, signifies their limited role in any consultations on the expenditure of resources for development.

In keeping with the expectations of information inductance, the dominant role of senior district officials in determining the budget and expenditures weakens the potential of royalty disclosures to improve accountability to mining communities. Royalty disclosures on their own have not induced changes in the behaviour of senior district officials to improve accountability to communities in mining areas and districts as a whole. Together with the custom of not questioning Chiefs on their expenditures, communities lack the information to demand accountability. This leaves local actors with no incentive to change their behaviour in response to royalty disclosures.

Since it is the national government, and not local government, that discloses what it receives in royalties, information inductance is less helpful in explaining the variation uncovered in the research. While it could be inferred that the subnational disclosure of royalties *facilitated* efforts on the part of officials in BAB to better account for royalties through a separate bank account for MDF funds, it remains unclear why this did not happen in the other districts. To explain the variation, it is necessary to consider other factors. The long experience of mining in BAB, relative to other districts, may be relevant in explaining why senior officials are keeping better account of royalty payments, and assembly members appear more responsive to community needs. The finding of variation is important, because it suggests that the districts are in different phases in how they navigate and respond to the impact of mining.

By the logic of information inductance, since the behaviour of an actor is affected by the information the actor is expected to communicate, it is to central government, specifically the GHEITI NSC, that we should look to for changes in behaviour. Information inductance appears to have played a *facilitative role* in allowing GHEITI to introduce regulatory and policy reforms as a result of the increased scrutiny of limitations in current local governance institutions and actors resulting from subnational royalty disclosures. The increased scrutiny created an opening for members of GHEITI's NSC to push for legal and policy initiatives at the national level to help ensure that mining communities benefit from royalty payments to districts. Ghana's decision to join EITI thereby created a platform for GHEITI officials to advocate for reforms intended to benefit mining communities.

The evidence for this can be found in the successful advocacy to secure legal backing for the MDF, the creation of a Mining Community Development Scheme (MCDS) within the MDF Act, and the development of guidelines on the use of royalties. The expectation is that these policy and legal innovations will increase the likelihood that benefits will be distributed directly to mining communities.

The research findings demonstrate that GHEITI initiatives have amplified the political contestation over issues such as how royalty payments should be spent by local actors and reveals the limits of efforts by the NSC to directly influence local-level decision-making. This can be seen with the stalled effort to include the guidelines developed by the Minerals Commission on the use of mineral royalties in the pending regulations that operationalize the MDF Act. As noted above, senior district officials are strongly opposed to guidelines that they perceive would dictate how they spend mineral royalties, which they consider to be a further infringement on their autonomy. Although GHEITI has been able to build on the disclosure of subnational payments through its support of the MDF Act, information inductance brushes up against the deeply political and contested nature of the appropriate use of mineral royalties in Ghana. The implication is that GHEITI can best be understood as playing a *facilitative* and *indirect* role in addressing the limitations of institutions and actors at the local level through its efforts at the national level.

9 | CONCLUSION

The research findings on GHEITI implementation at the local level have broader theoretical, empirical, and policy implications. The theoretical contribution of the research is two-fold. First, the analysis of institutions of local governance in Ghana highlights the importance of their influence on whether accountability to mining communities is improved through GHEITI. Second, the findings help address a gap in the theoretical literature by highlighting the challenge of determining what change (if any) can be directly attributed to and/or expected of GHEITI and EITI more broadly. The literature on information inductance confirms the importance of institutional context in determining whether royalty disclosures induce changes in behaviour of local governments. In assessing the impact of EITI, this study on GHEITI shows that it is helpful to distinguish between the possible effects of information inductance through royalty payment disclosures, and initiatives promoted by the GHEITI NSC. The literature on information inductance as applied to GHEITI demonstrates that the disclosure process can *facilitate* efforts by members of EITI in participating countries to build the case for reforms supportive of “good governance” of the extractive sector. Institutional context is important in explaining how and why information disclosure may or may not facilitate change or lead to new insights in addressing problems. GHEITI has provided government officials with a platform to advocate for laws and policies that could potentially lead to improved outcomes for mining communities.

When considering the potential impact of GHEITI's initiatives, this study shows that it is important to be mindful that implementation relies on existing institutions to enact changes that may challenge the underlying political and economic power relations. The implication is that, even where initiatives are adopted by some actors that are intended to improve accountability, those intentions may be thwarted or obstructed by other actors and the broader context in which they operate. The findings demonstrate that, in the Ghanaian situation, a number of factors appear to militate against the ability of GHEITI to foster greater transparency and accountability—and ultimately, benefits from mining—at the local level. These factors include local governance dynamics, overlapping authority structures and the existence of multiple (sometimes counteracting) roles and obligations of the various actors responsible for rural development. One policy implication of these findings is that there is a need to take these factors into consideration at the level of design and implementation of transparency and accountability initiatives, so as to yield positive development outcomes for intended beneficiaries. Direct intervention is also important to ensure women benefit from EITI initiatives.

The research demonstrates that, contrary to a uniformly negative portrayal of local governance dysfunction, variation was uncovered in the capacity of districts to manage royalty payments, if not the orientation of officials towards accountability to mining communities. The finding of variation is significant as it will assist in the design of appropriate policy interventions to improve performance and outcomes for mining communities. The establishment of the MCDS, for example, including the provision for LMCs to oversee development initiatives in mining communities, highlights the importance of contextually appropriate policy interventions. More research in Ghana and other participating countries on the existence and causes of variation in mining areas would shed light on micro-level contexts that can inform policies supportive of development. The global EITI standard, although it cannot dictate policy, could support participating countries in developing and implementing policy interventions that have the potential to address the problem of weak accountability and benefits to mining communities.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are not publicly available due to privacy and ethical restrictions.

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