


Trends in Global Transparency Movements

Context

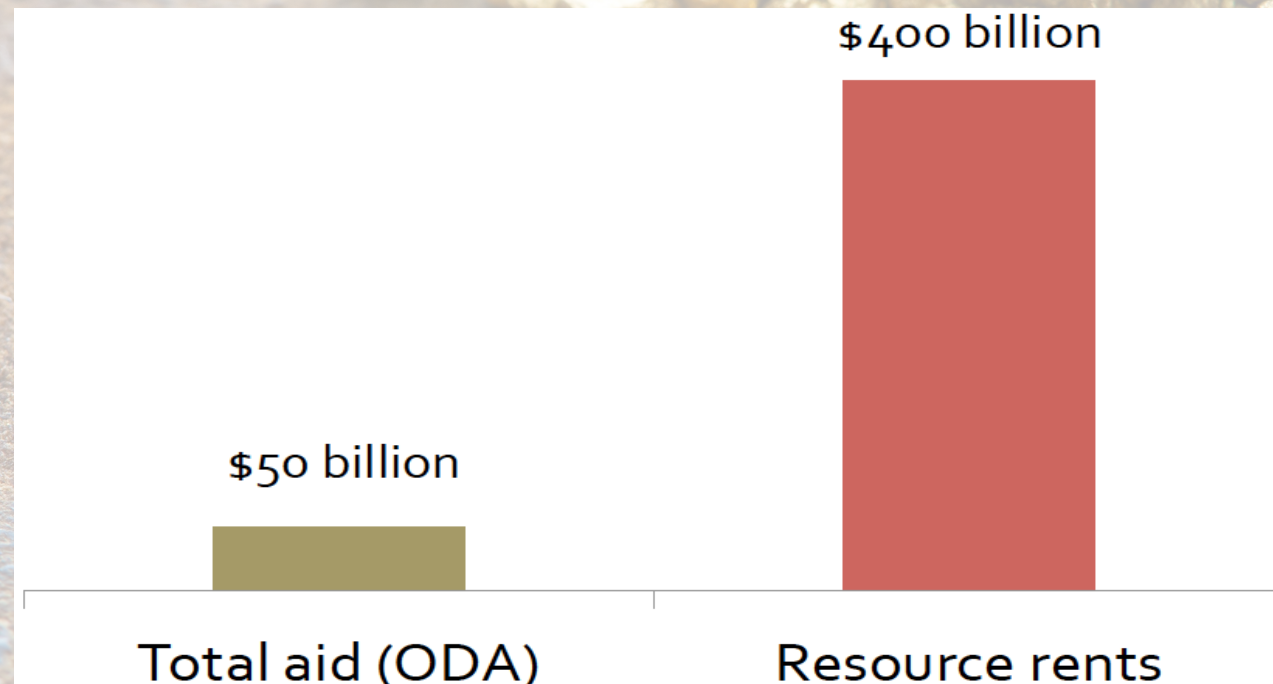



Resource-rich countries are
home to **1 billion people**
who live in poverty.

A person with dark skin is holding a large, smooth, light-colored rock. The person is wearing a colorful, patterned garment. The background is blurred, showing green foliage and a blue object.

In 2030, **50 percent** of the world's people
living on less
than **\$2 per day** will live in resource-rich
countries.

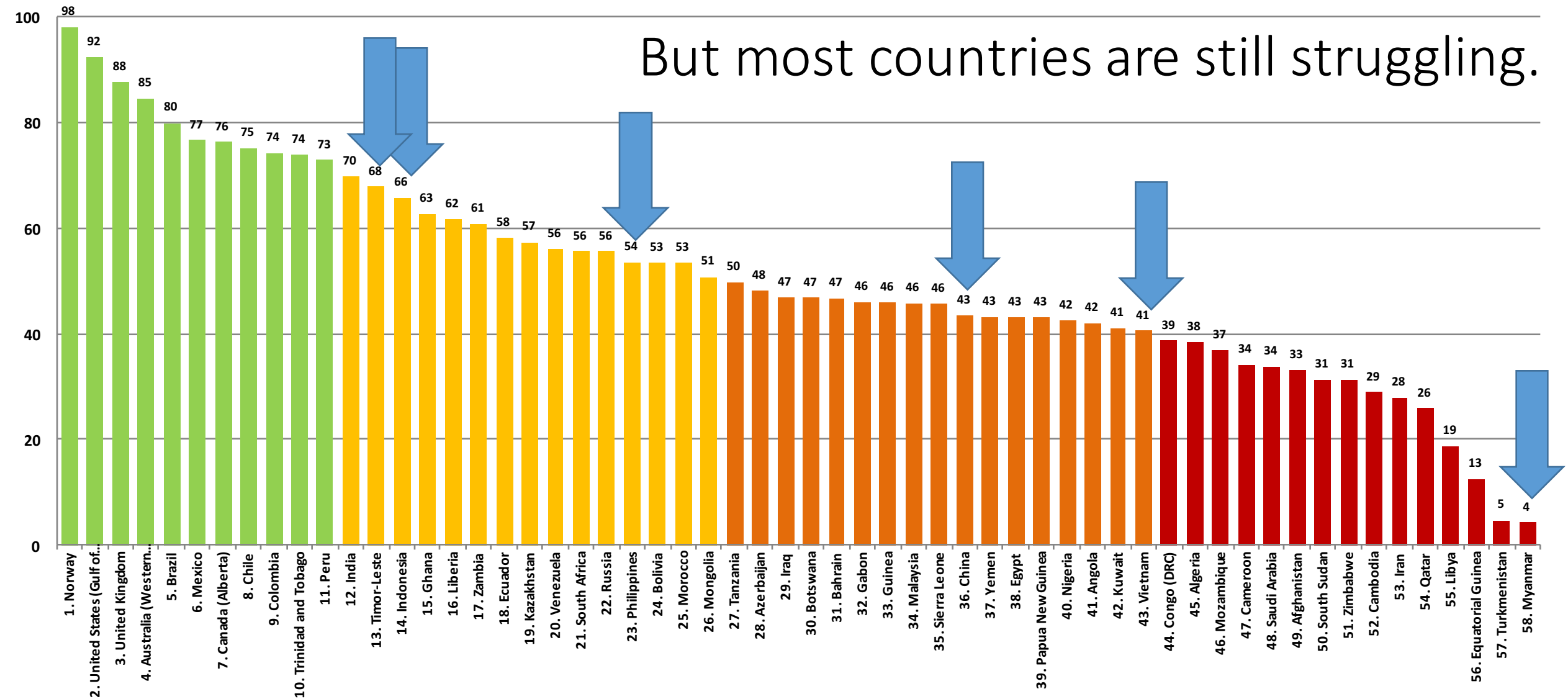
Africa in 2012: ODA-**\$51 billion**; Hydrocarbon and mineral exports- **\$438 billion** - almost ten times as much as the aid.



A photograph of two young women in school uniforms (white shirts and blue plaid skirts) sitting outdoors and looking at a laptop. The background shows other students in similar uniforms and a brick wall. A semi-transparent grey box is overlaid on the image, containing text.

Resources have the potential
to fund sustainable human and economic
development. Accountable and effective
governance matters.

But most countries are still struggling.



Resource Governance Index (RGI) 2013

Overall performance in the Resource Governance Index:



Satisfactory



Partial



Weak



Failing

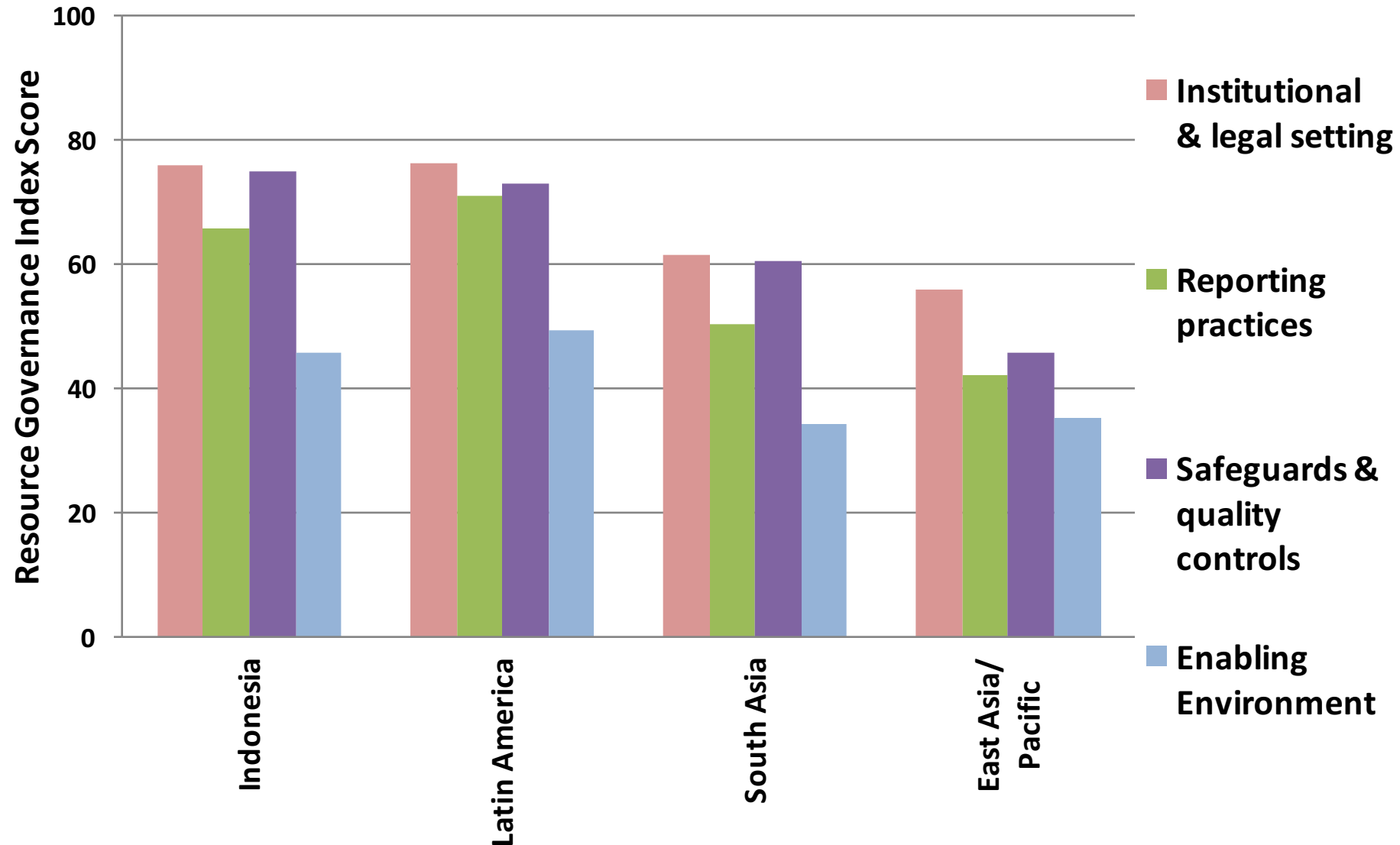
58	COMPOSITE SCORE	4
58	Institutional and Legal Setting	8
	Freedom of information law	0
	Comprehensive sector legislation	67
	EITI participation	0
	Independent licensing process	0
	Environmental and social impact assessments required	0
	Clarity in revenue collection	0
	Comprehensive public sector balance	0
	SOC financial reports required	0
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
57	Reporting Practices	5
	Licensing process	0
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	0
	Production volumes	50
	Production value	0
	Primary sources of revenue	0
	Secondary sources of revenue	0
	Subsidies	0
	Operating company names	0
	Comprehensive SOC reports	0
	SOC production data	19
	SOC revenue data	0
	SOC quasi fiscal activities	0
	SOC board of directors	0
	Fund rules	..

	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
57	Safeguards and Quality Controls	2
	Checks on licensing process	0
	Checks on budgetary process	0
	Quality of government reports	11
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	0
	SOC reports audited	0
	SOC use of international accounting standards	..
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
58	Enabling Environment	2
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	1
	Open Budget (IBP Index)	..
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	2
	Government effectiveness (WGI)	2
	Rule of law (WGI)	3

Satisfactory
 Partial
 Weak
 Failing

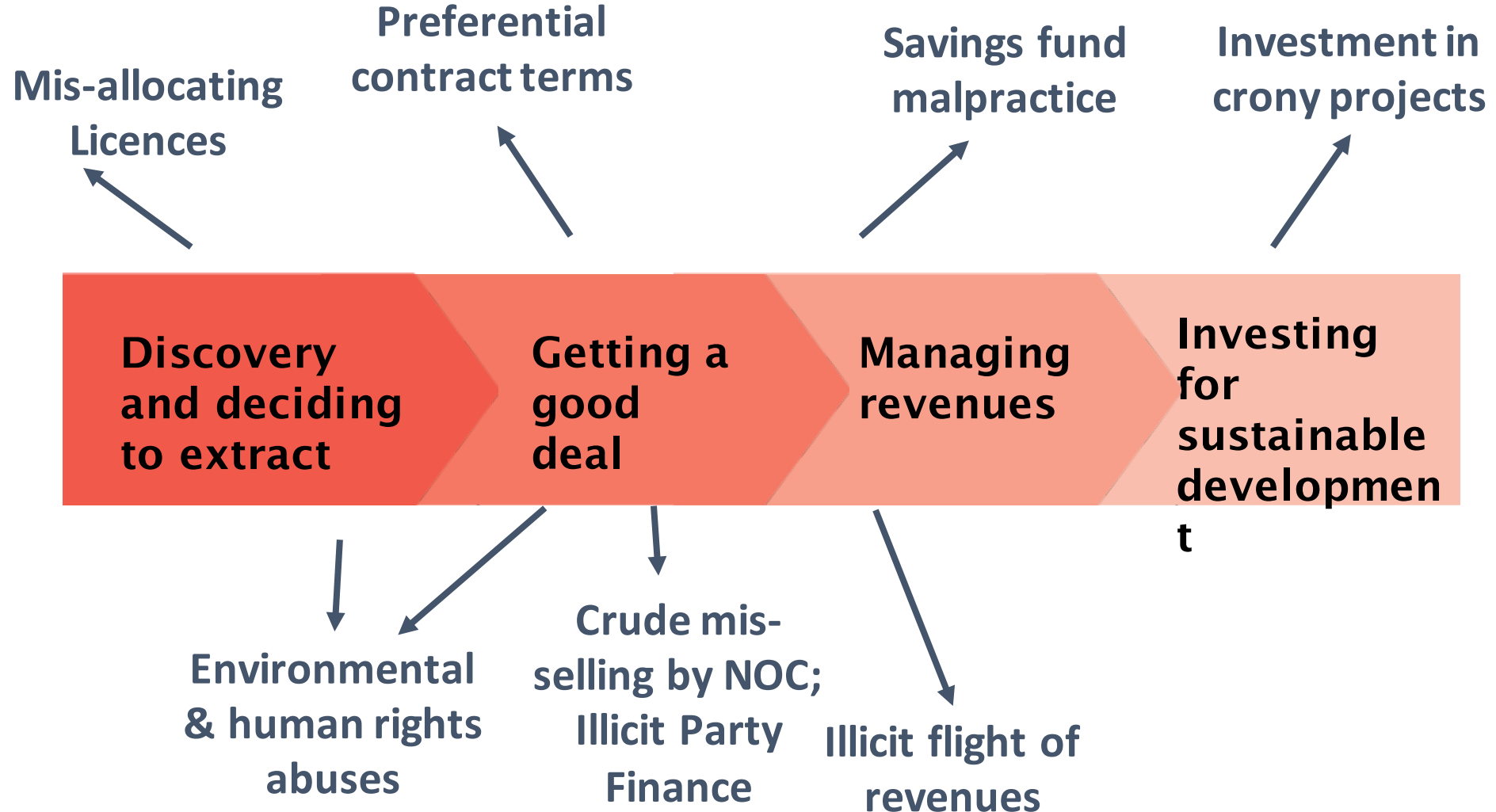
Transparency & Accountability in the Extractive Sector:

Resource Governance Index (RGI) Component Scores



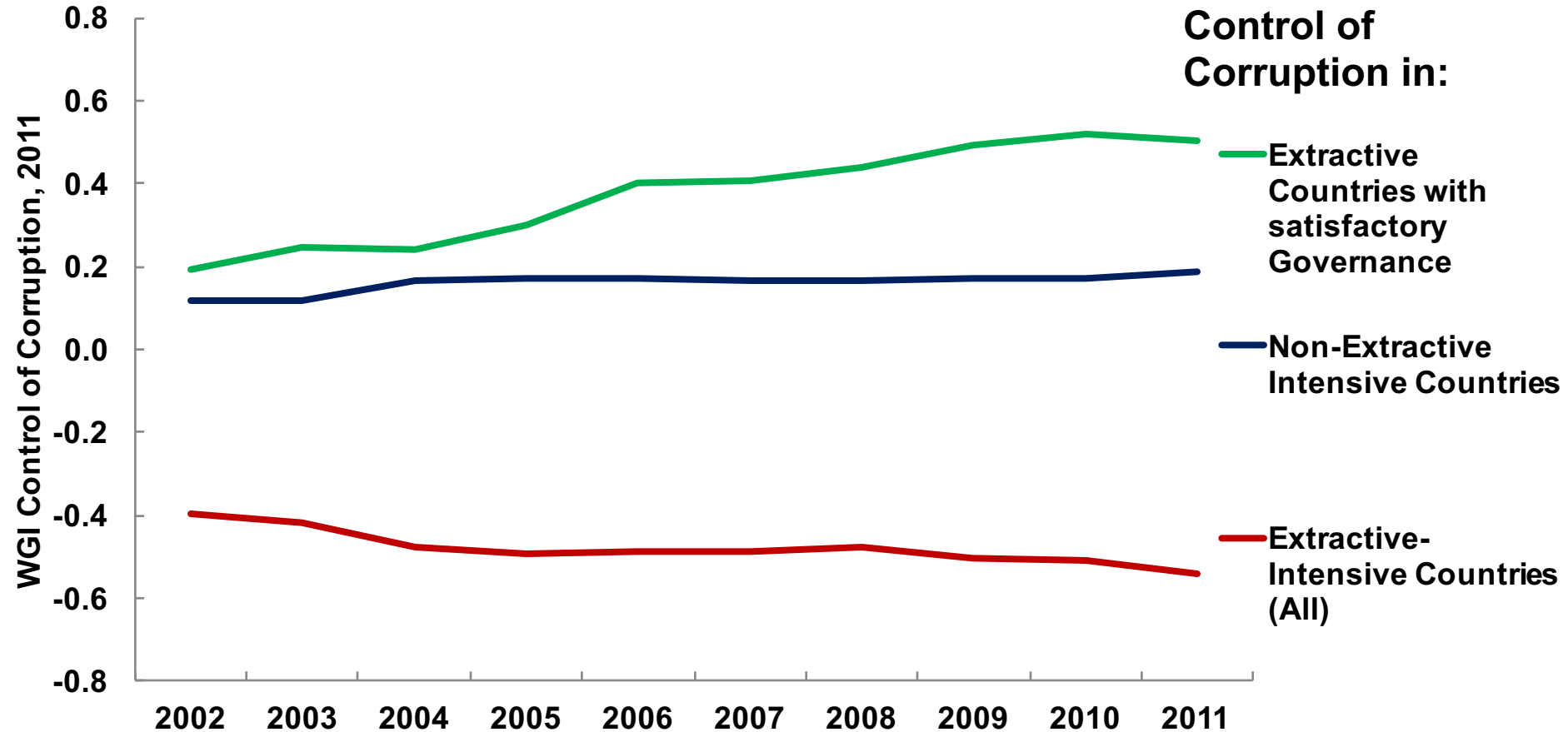
Source: Natural Resource Governance Institute: 2013 Resource Governance Index, <http://www.resourcegovernance.org/rgi>

Mapping of Corruption Risks across the decision-chain



Trends in Control of Corruption past decade, Extractive vs. Non-Extractive Intensive Countries

2002-2011



Source: Worldwide Governance Indicators, 2012. The extractive countries with satisfactory control of corruption trend line (atop) includes a dozen countries.

Responses








The rise of EI disclosure frameworks

- **2003: The EITI (and its latest 2013 EITI Standard)**
 - 31 compliant, 17 candidates, 2 suspended
- **2012(?)US Dodd-Frank Wall Street Reform Act and Consumer Protection Act**
 - Section 1504 requires SEC a rule requiring issuers engaged in commercial development of petroleum or minerals the amount of payment by type, project and by government (foreign and federal) annually
- **2014: Canada's Extractive Sector Transparency Measures Act**
 - Part of government's economic action plan, part of international commitments in the fight against corruption; requires companies to report payments on tax, royalties, fees and production entitlements; federal government drafting guidance
- **2013: The EU Accounting and Transparency Directives (EU)**
 - Oblige large extractive and logging companies to report payments to governments; requires EU member states to transpose directives into local law; 1st report this year
- **2014: Australia's transparency initiatives:** No PWYP legislation but Senate and House have introduced bills called Corporations Amendment; introduced by Green Party
- **2014: The Swiss proposal for mandatory reporting standards for the extractive sector**
 - Aligned with EU Directives but groups highlight that companies solely active in commodities trading presently are not subject to this requirement.

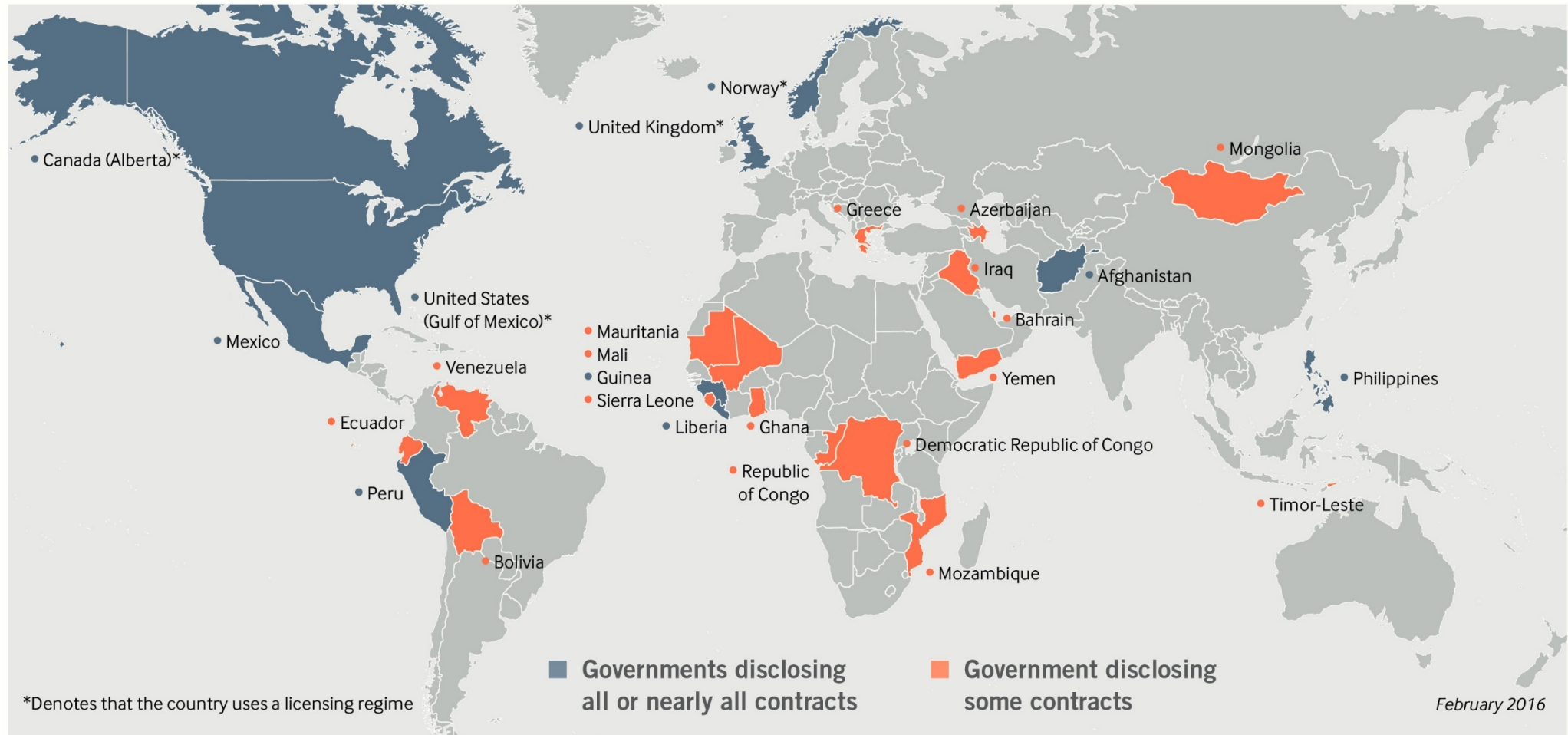
The rise of EI disclosure and accountability frameworks

- **The World Bank**
 - 2009: New Access to Information Policy
 - Currently revising environmental and social safeguards
 - Accountability mechanism (Inspection Panel) untouched
- **International Finance Corporation**
 - 2012: Adopted Sustainability Framework, including 8 Performance Standards
 - Supported by EI associations including ICCM
 - Equator Principle also being revised following new PS
- **Asian Development Bank**
 - 2009: Stronger safeguards system, inc. 120-day disclosure of high-risk projects before Board approval
 - 2011: New Public Communication Policy
 - Strengthens previous policy by expanding the scope and type of automatically disclosed information
 - Accountability mechanism updated
- **Other regional development banks follow or build on the above**
 - African Development Bank
 - European Bank for Reconstruction and Development
- **New players?**
 - AIIB: Environmental and Social Framework takes effect this year
 - New Development (BRICS) Bank
 - BNEDS (Brazil)

Emerging results

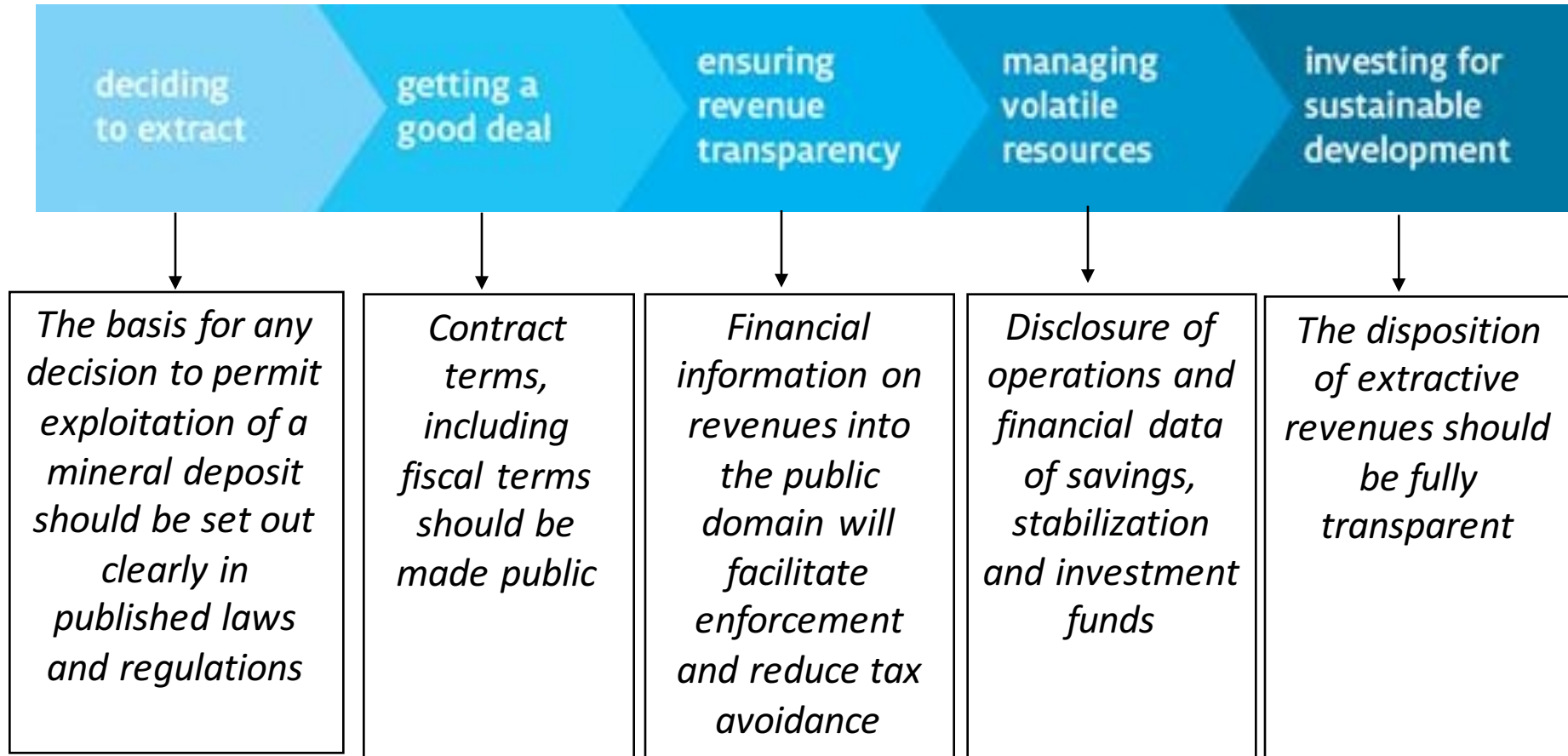
Allocation of Rights 	Production Data 	Revenue Collection 	SOEs 	Sub-National 	Social Impact 	Revenue Management 
Register of licenses (§ 3.9)	Exploration activities (§ 3.3)	Legal framework & fiscal regime (§ 3.2)	SOE level of beneficial ownership (§ 3.6(c))	Direct payments/ receipts (§ 4.2(d))	Employment § 3.4(d)	Revenues recorded & <i>not</i> recorded in budget (§ 3.7)
License award/ transfer process & any deviations (§ 3.10)	Production volumes & values (§ 3.5(a) & § 3.4(e))	Economic contribution (§ 3.4(a)-(c)) <hr/> Taxes & Primary	Government transfers by SOEs (§ 4.2(c))	Mandated national/ subnational transfers (§ 4.2(e))	Social payments (§ 4.1(e))	Earmarked revenues & budget/ audit processes (§ 3.8)
Beneficial ownership (§ 3.11)	Export volumes & values (§ 3.5(b))	Revenues (§ 4.2(a)) <hr/> In-kind revenues (§ 4.1(c))	SOE quasi-fiscal expenditures (§ 3.6(b))	<div>44 implementing countries</div> <div>Over \$1 trillion in payments and revenues in EITI reports by 34 countries.</div>		
Contract/ license disclosure (§ 3.12)		Infrastructure / barter provisions (§ 4.1(d))				
		Transport Revenues				

The emerging global norm of contract disclosure

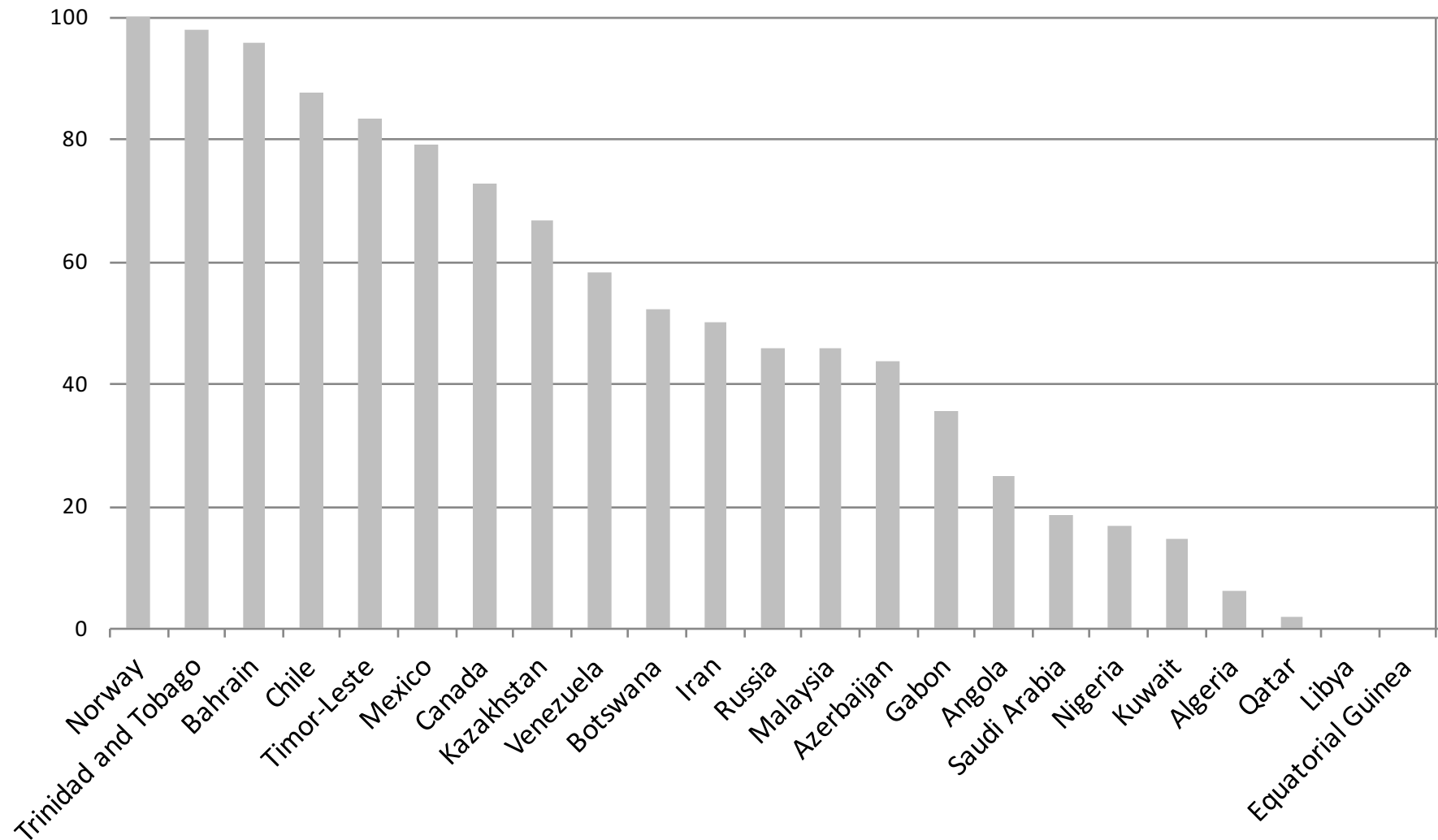


Challenges

Beyond revenue transparency, greater disclosure across the decision chain is imperative

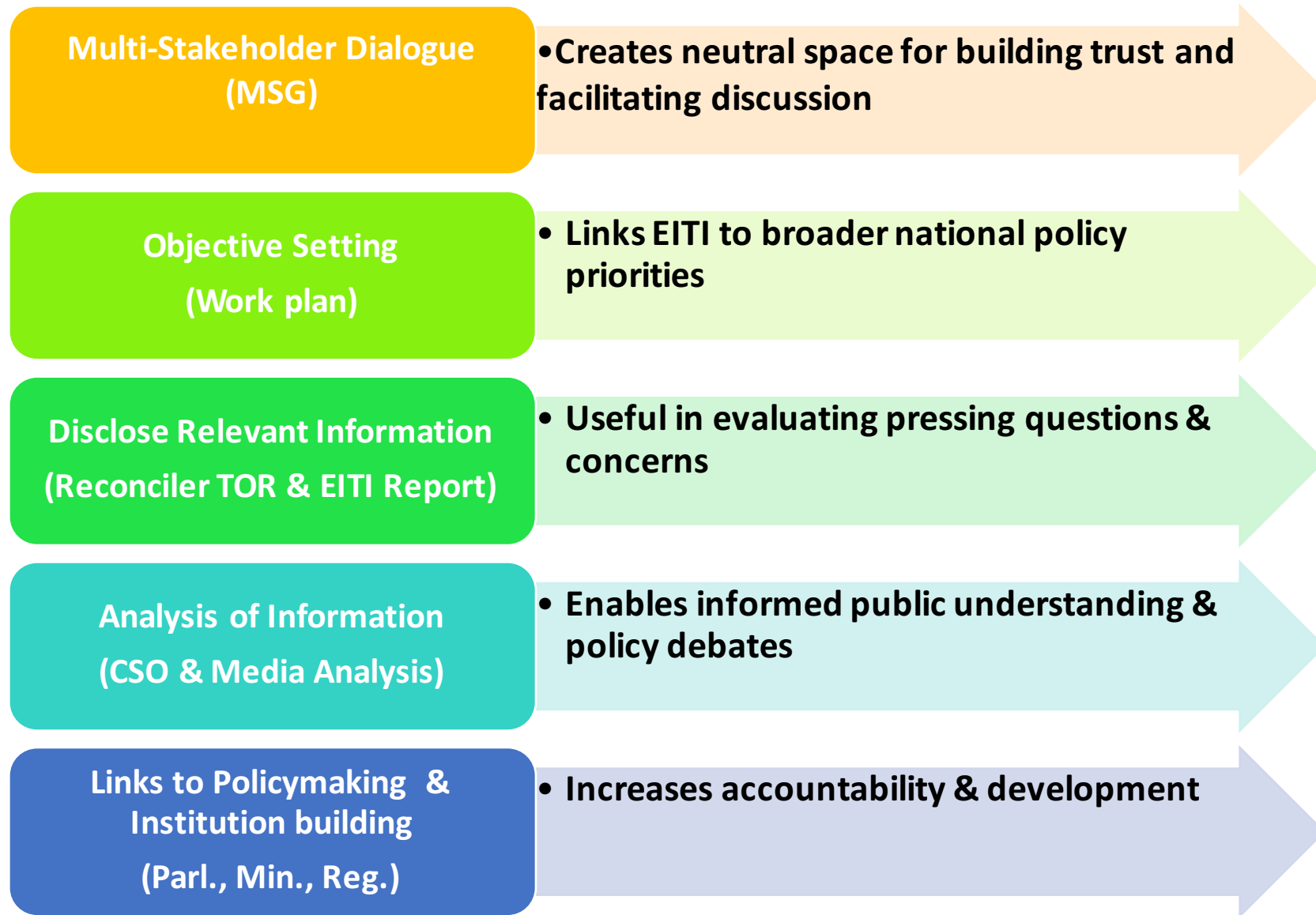


Transparency of Natural Resource Funds



Source: RGI 2013

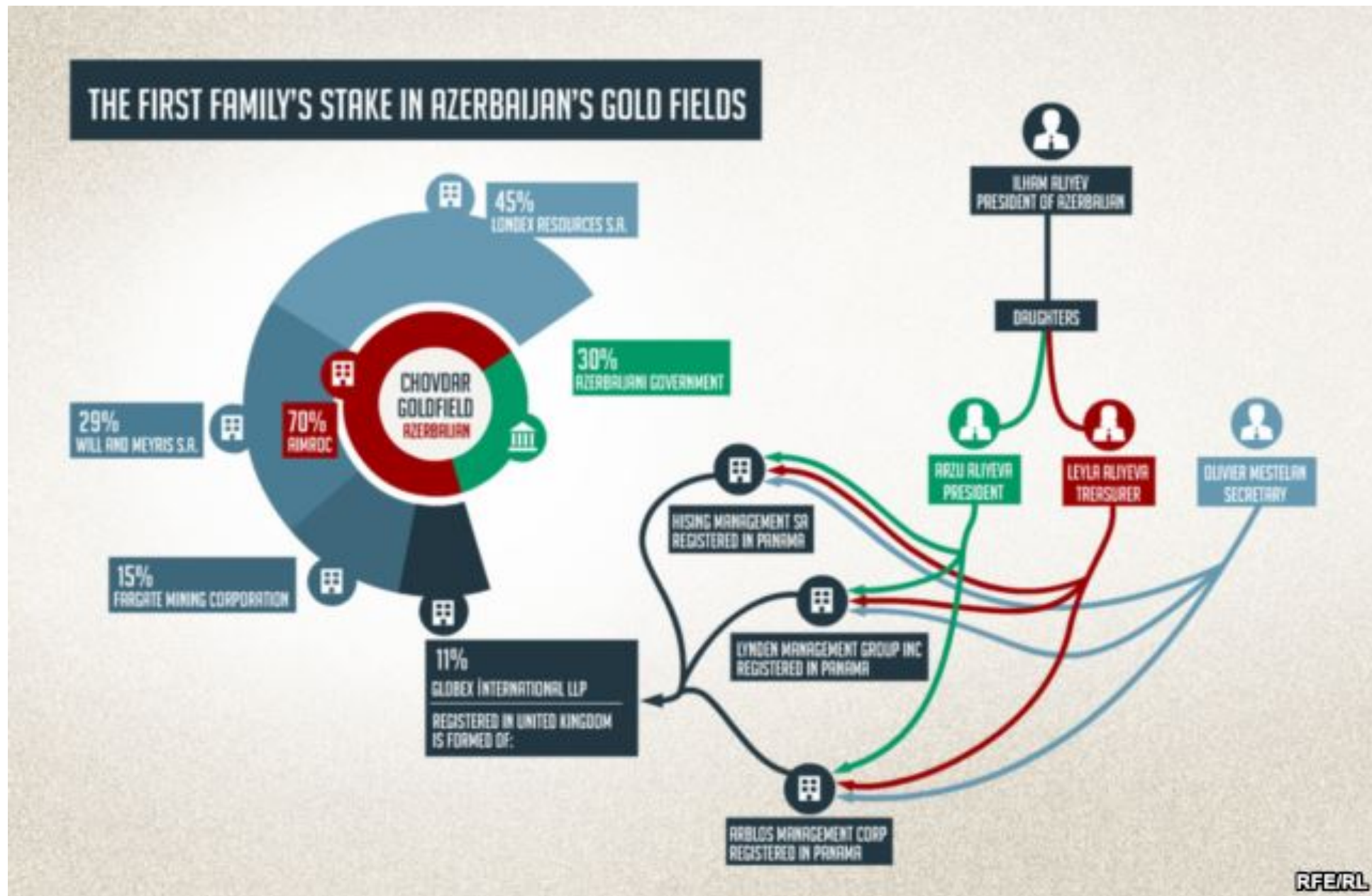
EITI's challenge: ensuring that information drives reform





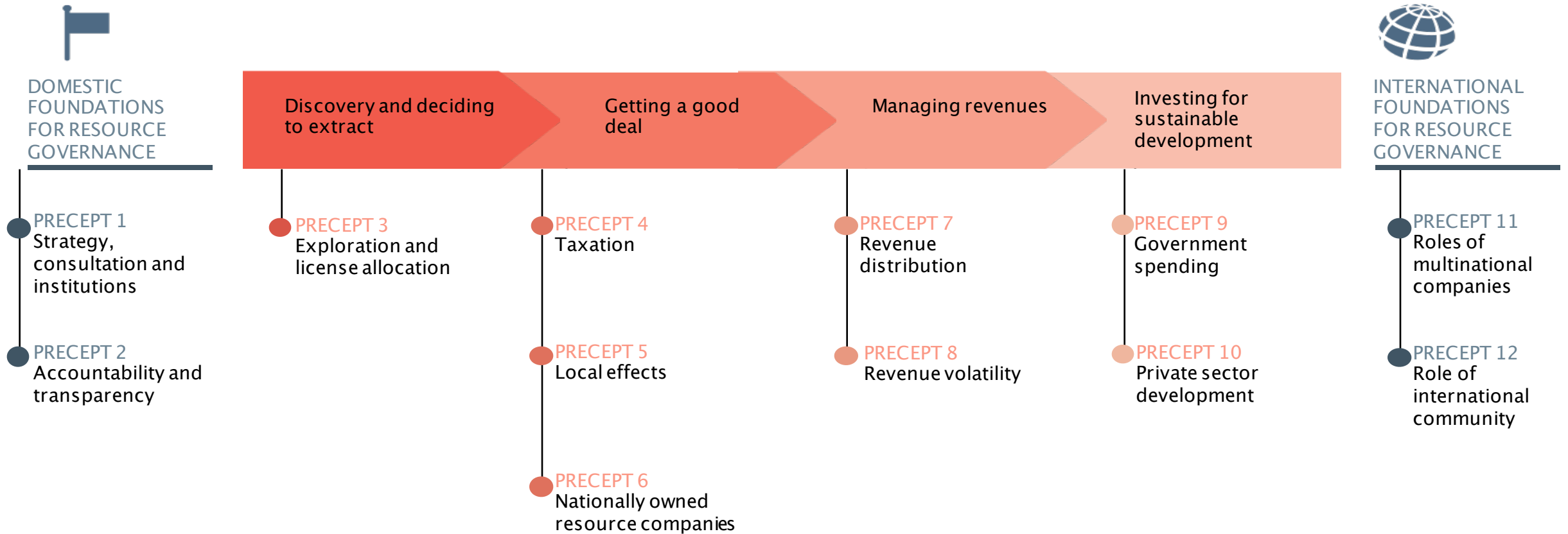
Illicit financial flows are estimated to cost developing countries over **US\$1 trillion** annually—US\$10 for every US\$1 received in aid.

Source: Global Financial Integrity
Image source: The Economist





The Natural Resource Charter framework



Key messages

- Transparency essential, but insufficient: complemented by civic space, rule of law, economic & financial management, meritocracy
- International initiatives and standards not a substitute but can complement and provide comparison to improve country systems
- International commitments and execution need to be supported by an enabling environment
- Peoples' movements and their concerted, thoroughgoing interactions with governments and companies shape the discourse
- Growing need to institutionalize EITI mechanisms with clearer and broader mandate inc. mainstreaming, feeding into the reform processes, and monitoring how recommendations are taken up; ministries to internalize them and that they have a stake
- Localize, indigenize

Thank you.