

Natural Resource Governance: *detering corruption and commodity trading transparency*

Daniel Kaufmann*, President and CEO
Natural Resource Governance Institute (NRGI)

Public Lecture at the Graduate Institute,
Geneva, Switzerland, January 18th, 2018

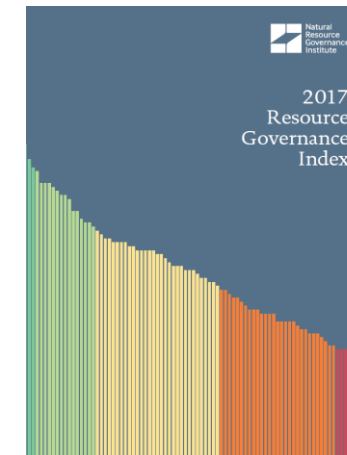
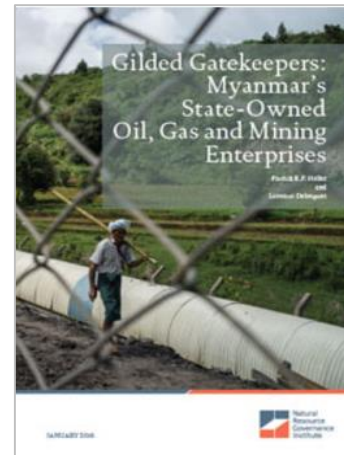
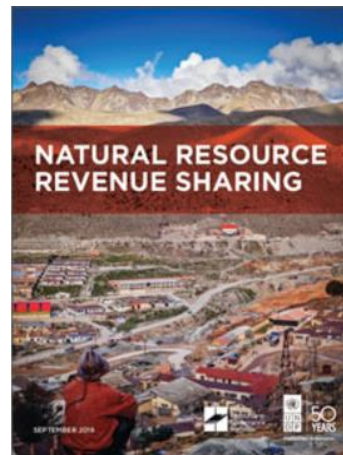


Natural
Resource
Governance
Institute

Oil, gas and mining for development

**With invaluable inputs from
Joseph Williams, Alex Malden
& RGI team at NRGI.*

Introduction to NRGI



Helping people to realize the benefits of their countries' endowments of oil, gas and minerals.

The Natural Resource Charter Decision Chain



DOMESTIC
FOUNDATIONS
FOR RESOURCE
GOVERNANCE

INTERNATIONAL
FOUNDATIONS
FOR RESOURCE
GOVERNANCE

Discovery and
deciding to
extract

Getting a
good deal

Managing
revenues

Investing for
sustainable
development

- PRECEPT 1
Strategy,
consultation and
institutions
- PRECEPT 2
Accountability and
transparency

- PRECEPT 3
Exploration and
license allocation

- PRECEPT 4
Taxation

- PRECEPT 5
Local effects

- PRECEPT 6
Nationally owned
resource
companies

- PRECEPT 7
Revenue distribution

- PRECEPT 8
Revenue volatility

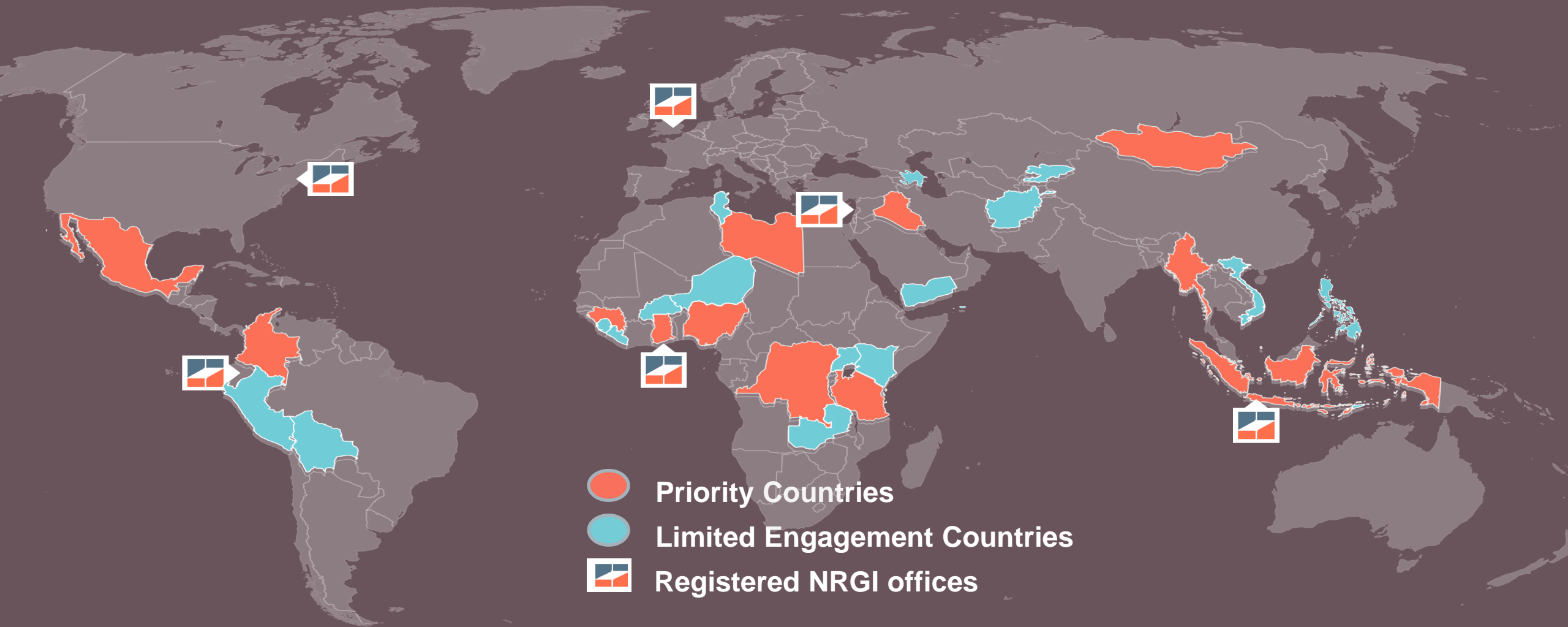
- PRECEPT 9
Government
spending

- PRECEPT 10
Private sector
development

- PRECEPT 11
Roles of
multinational
companies

- PRECEPT 12
Role of
international
community

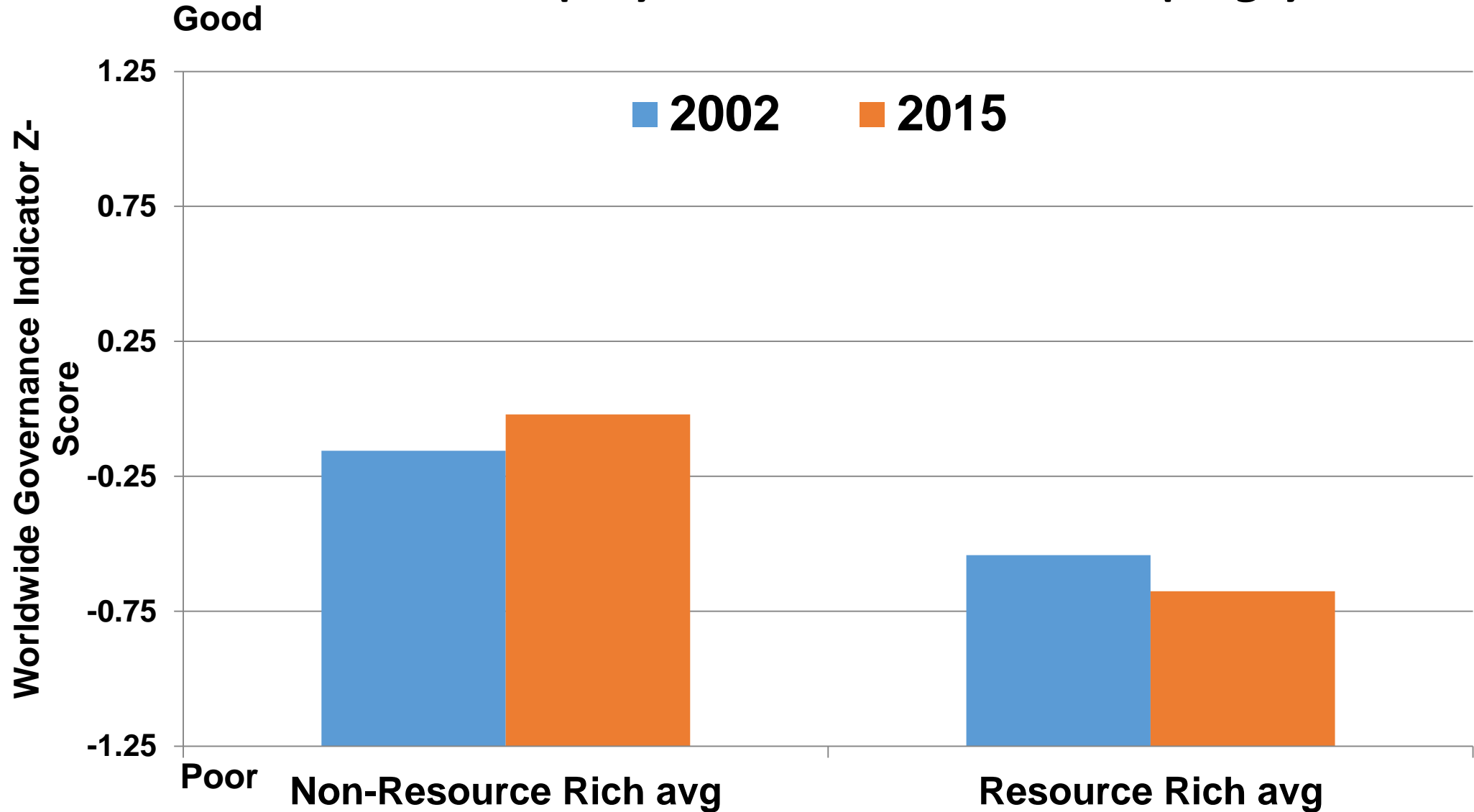
Where NREGI works



Natural Resource Governance: *Basic Context & the Power of Data*

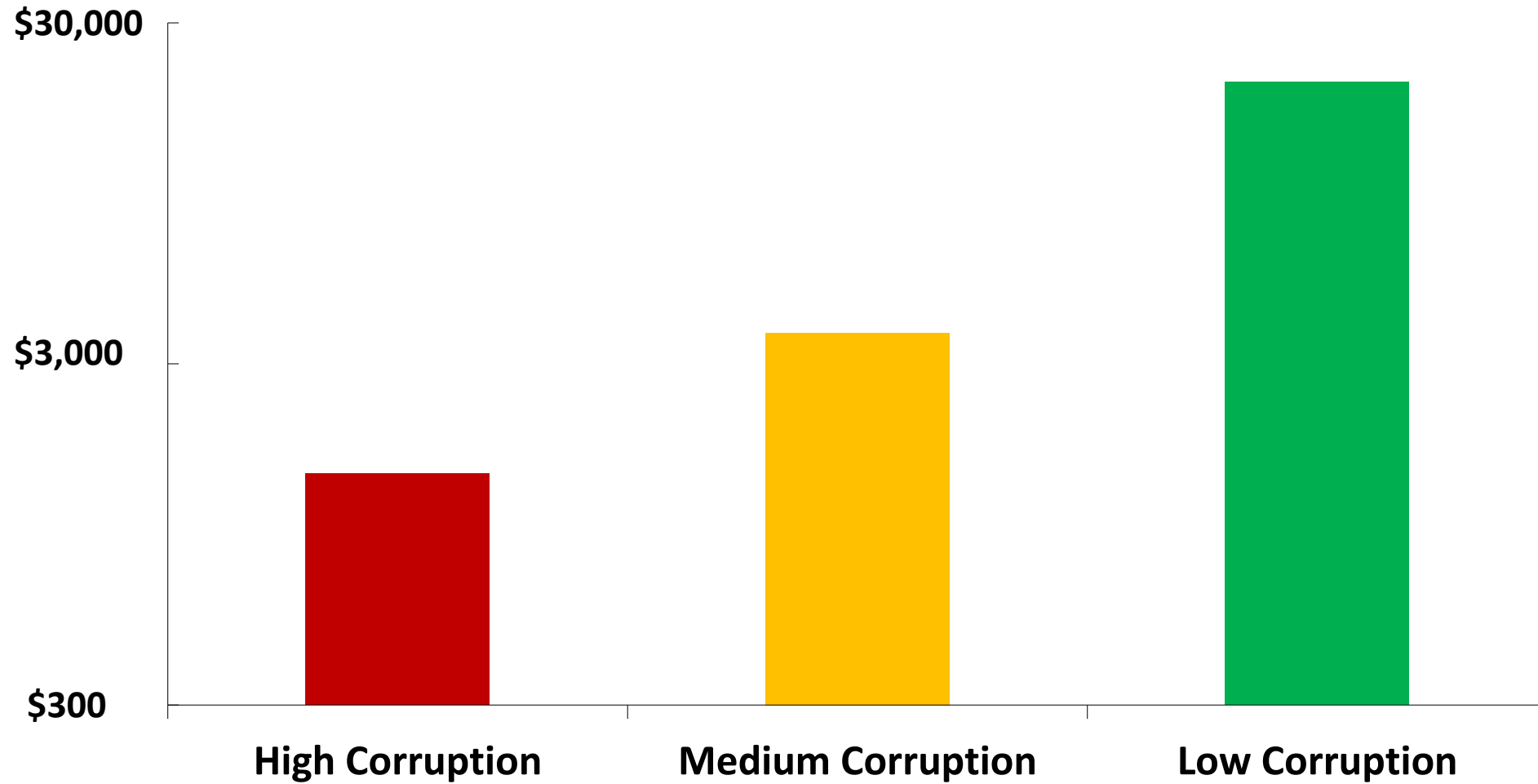
- **The special challenge of governance and corruption in Natural Resources**
- **Comparing resource-rich countries with others**
- **Governance Matters: the high dividend of improved governance**
- **Such dividend can be even higher for resource rich countries**

Control of Corruption, 2002 & 2015 (WGI): *Resource-Rich (RR) vs. Not RR countries (avgs)*



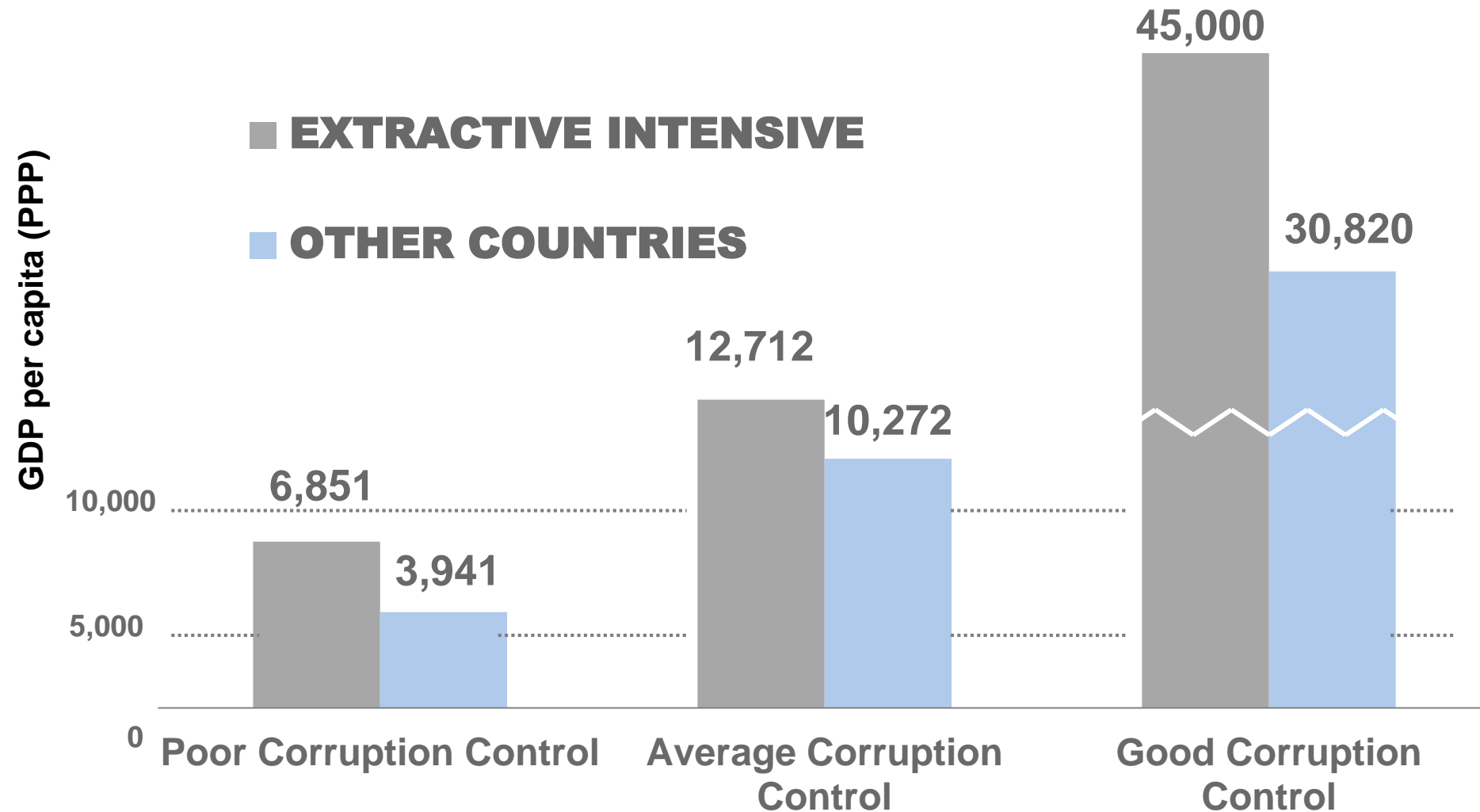
Source: 2015 Worldwide Governance Indicators, <http://www.govindicators.org>

The 300% Development Dividend From Improving Governance & Controlling Corruption



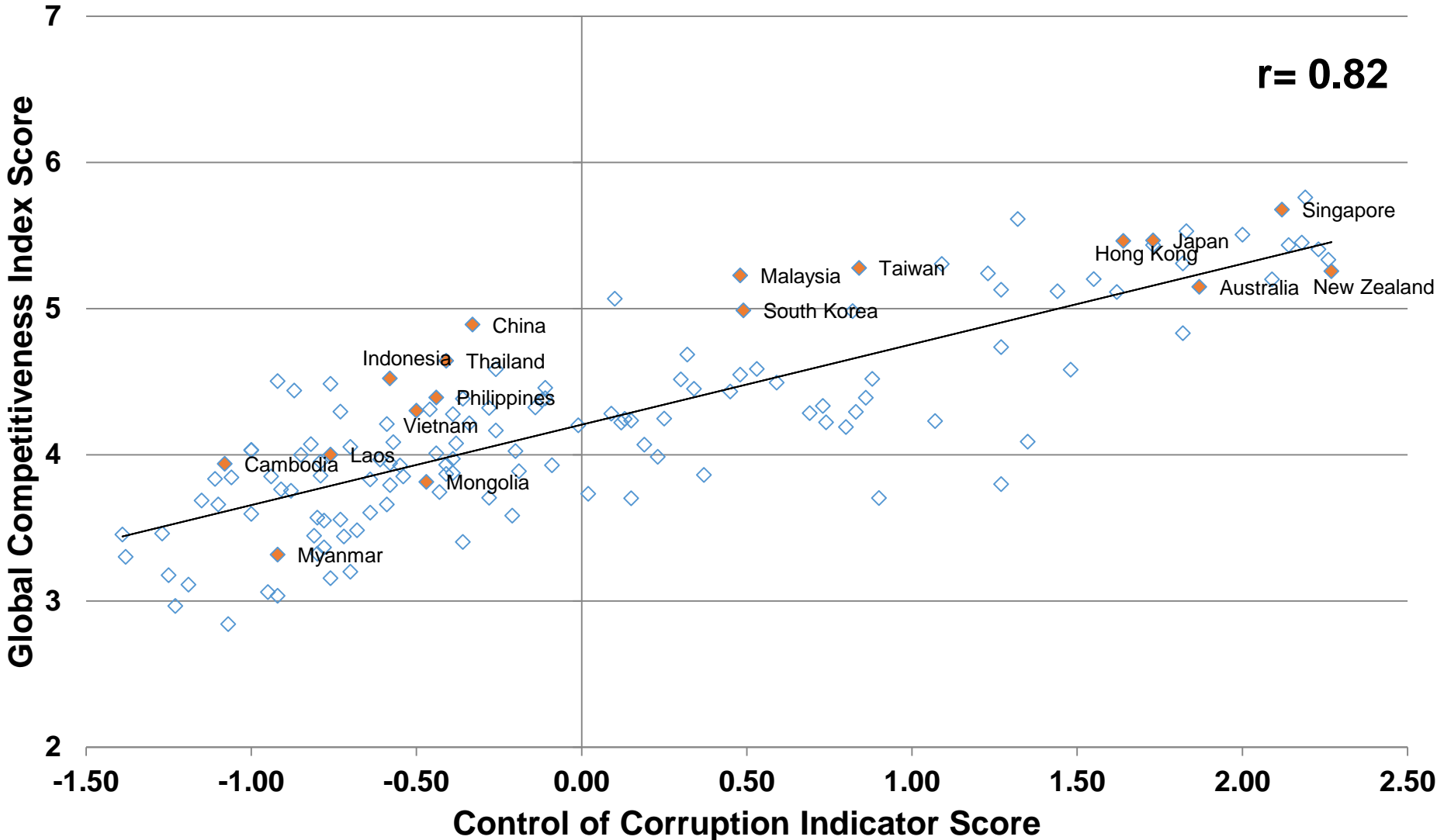
Data Source for calculations: KK 2004. Y-axis measures predicted GDP per capita on the basis of Instrumental Variable (IV) results for each of the 3 categories. Estimations based on various authors' studies, including Kaufmann and Kraay.

Governance Matters: Development dividend of improved governance in RR (& other) countries



Sources: GDP per capita (atop each column) from World Bank World Development Indicators, 2012. Corruption Control data from Worldwide Governance Indicators (WGI), 2012. Countries grouped into terciles based on WGI Control of Corruption scores. Extractive Intensive country classification according to IMF (2010).

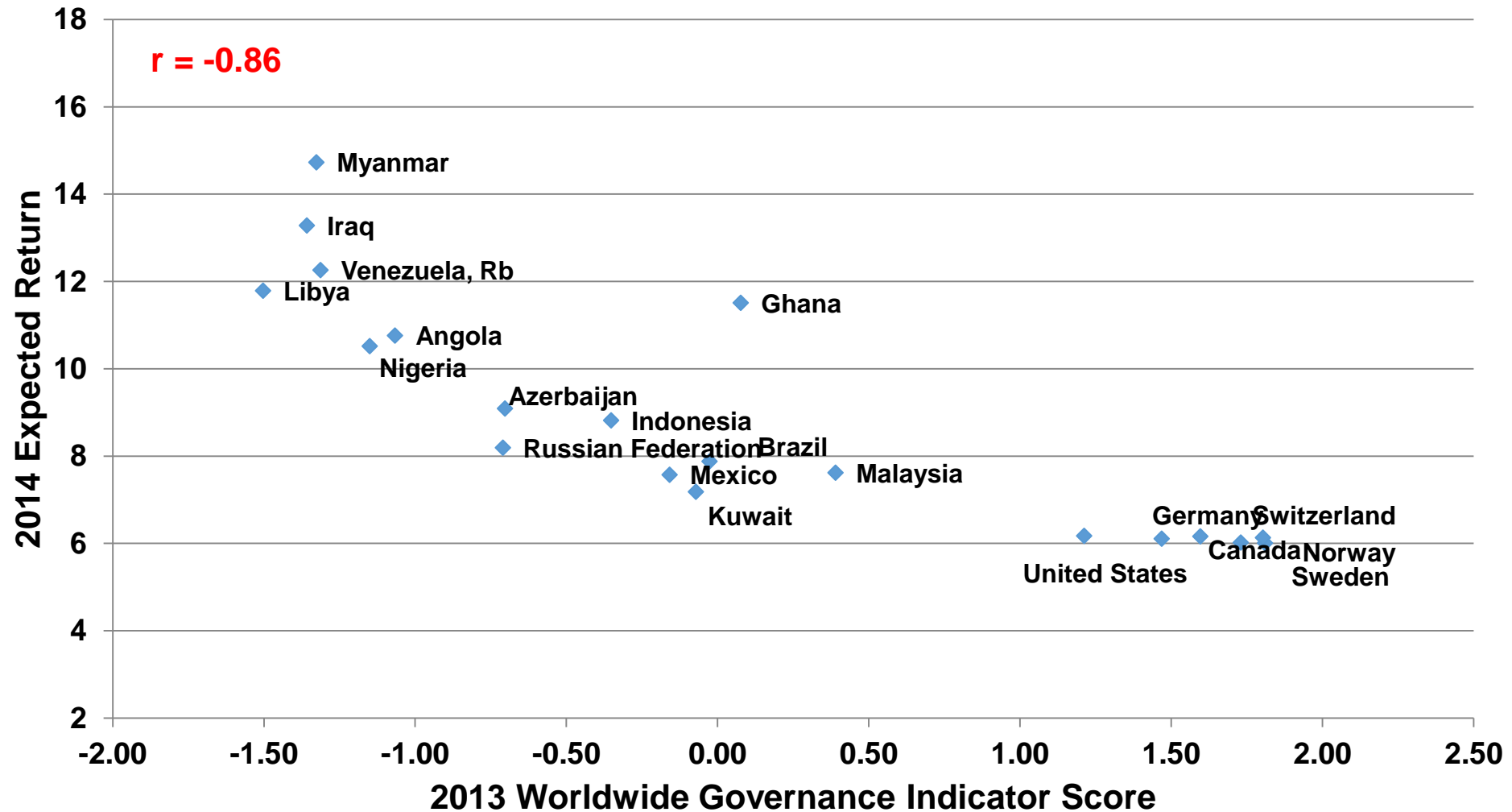
Close link between WEF Global Competitiveness (2015) & WGI Control of Corruption (2014)



Source: Worldwide Governance Indicators (<http://www.govindicators.org>) and World Economic Forum 2015-2016 Global Competitiveness Report (<http://reports.weforum.org/global-competitiveness-report-2015-2016/>)

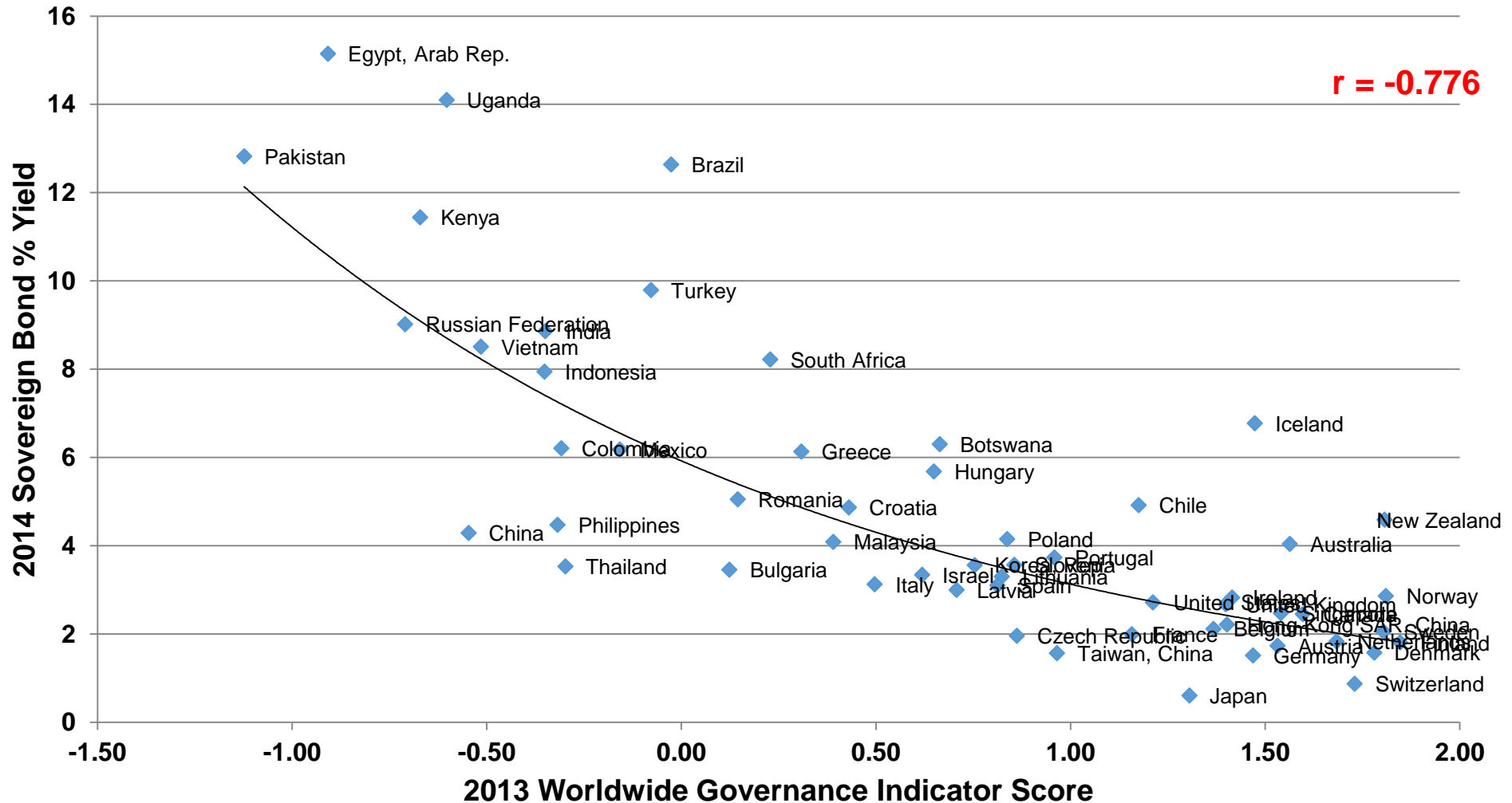
Expected Investor Return* (2014) vs WGI Governance Composite (2013)

(Assuming U.S. Return of 6.17%)



*Note: Formula for calculating expected return $R = 30.78 - 5.43 * \ln(C)$ where C is the credit rating obtained from Institutional Investor

Sovereign Bond % Yield vs Worldwide Governance Indicator Composite: The '1,000 basis points dividend of good governance'...?



Sovereign Bond % Yield is obtained from countries' 10-year bonds as of April 21, 2014.

Source: Worldwide Governance Indicators, available at: www.govindicators.org and 10-Year Government Bond Spreads, available at:

www.investing.com/rates-bonds/government-bond-spreads.

The Resource Governance Index – RGI 2017

What is the RGI?

The only international index dedicated to the measurement of governance of extractive resources

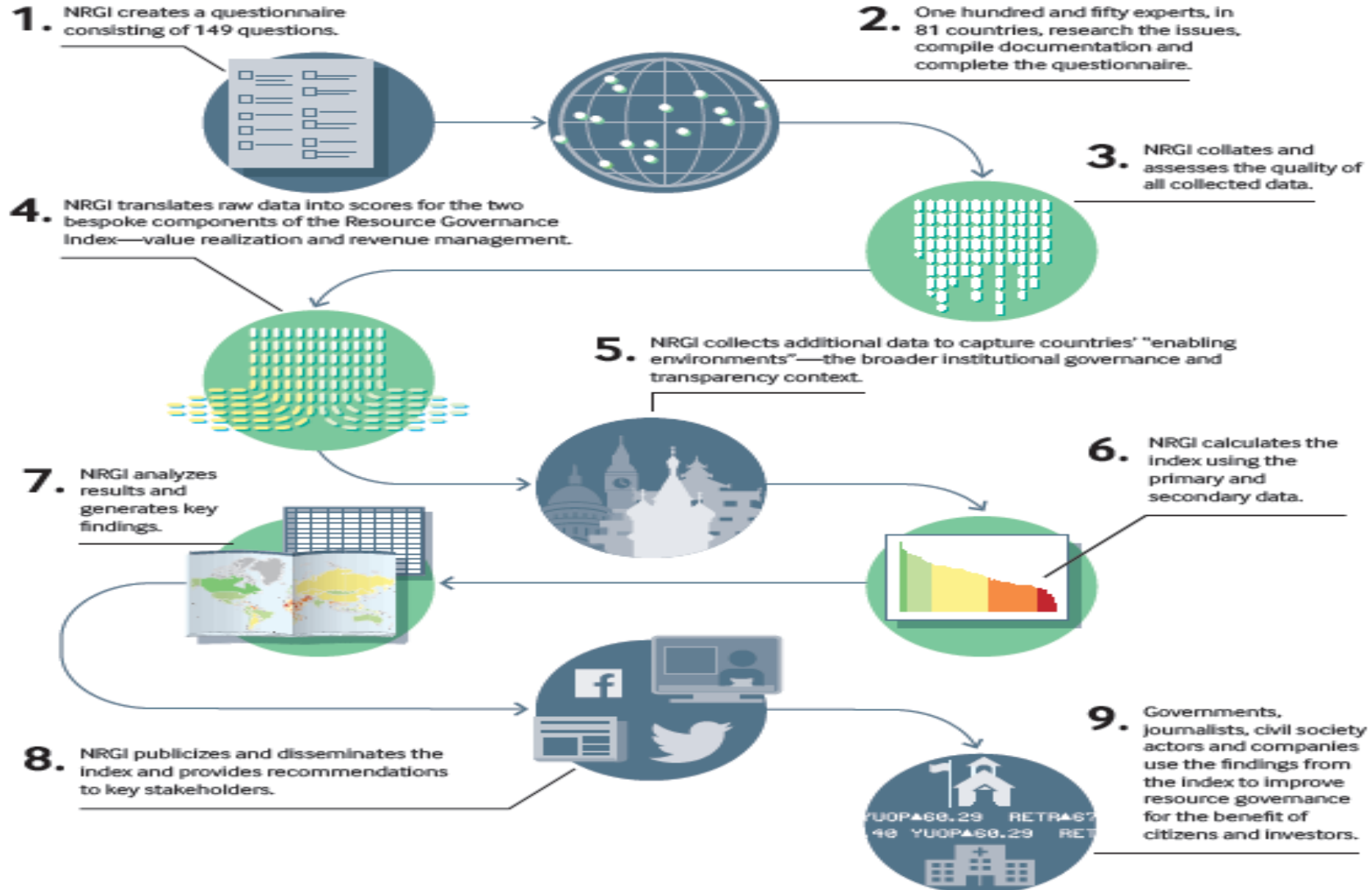
Objectives of the RGI

- Raise global awareness of the governance deficit in the extractive sector
- Encourage informed global dialogue about extractives governance
- Ensure better policy choices by governments and parliaments, based on the use of high-quality data
- Further multi-stakeholder dialogue with civil society, academia and private sector

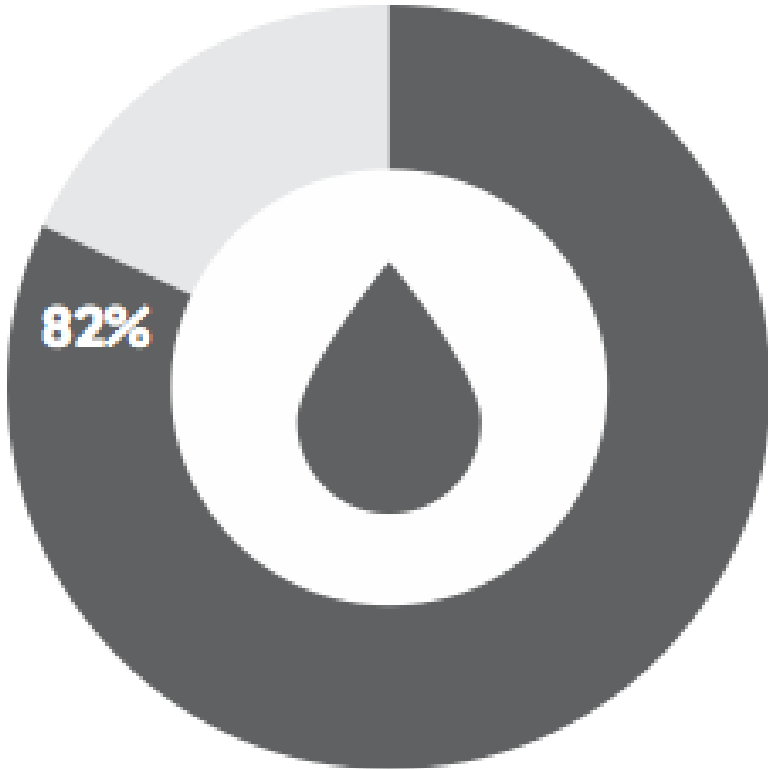
What's unique about the RGI

- Bespoke expert-designed questionnaire
- One year of primary **data collection by 150 consultants**, 10,000 supporting documents
- Allows policymakers, civil society and experts to **benchmark countries** against best practice, global leaders, regional or other peers
- Enables **focusing efforts of governance reform** by identifying gaps

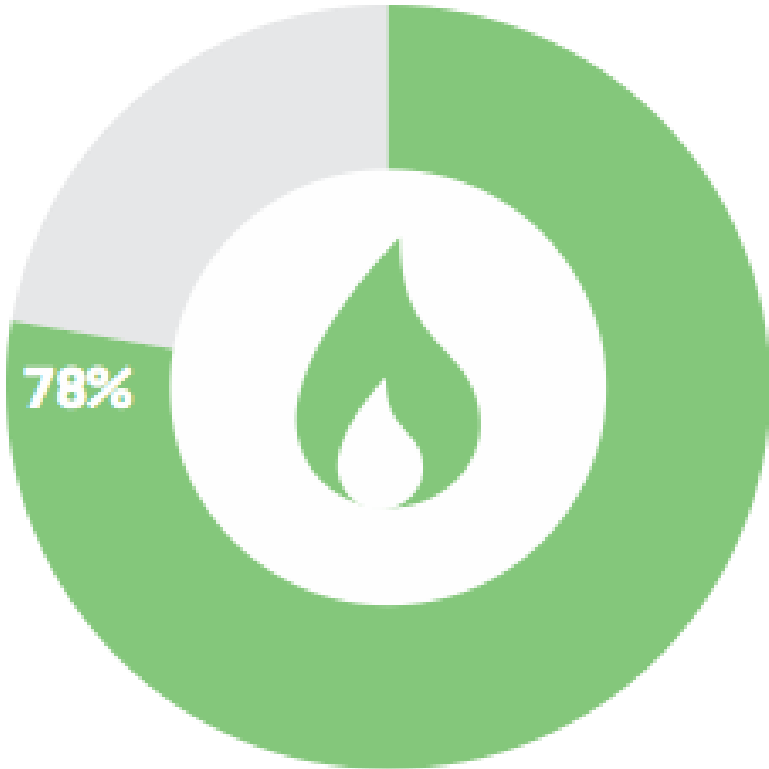
RGI project process



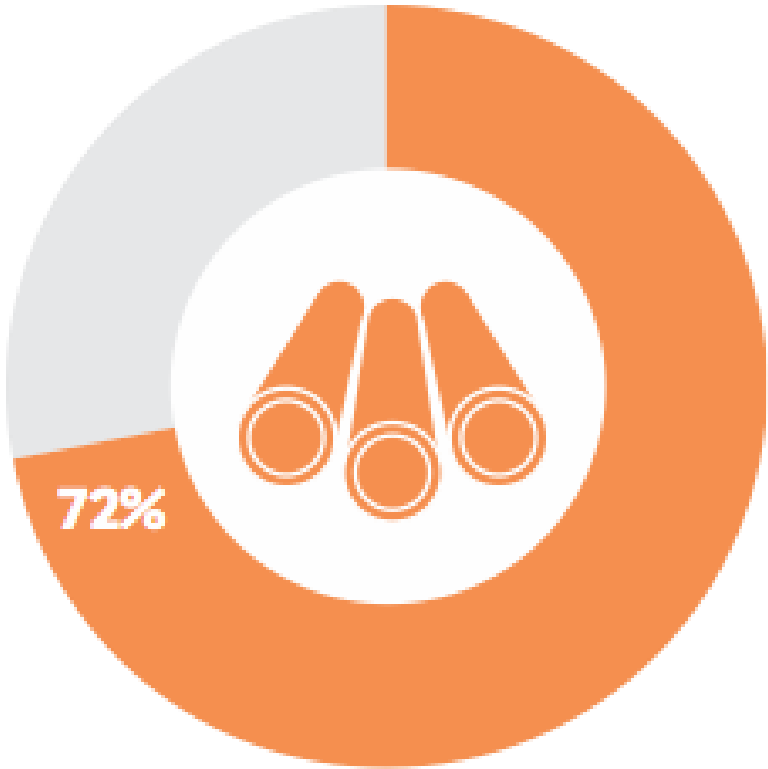
Commodity coverage in the Resource Governance Index



Oil

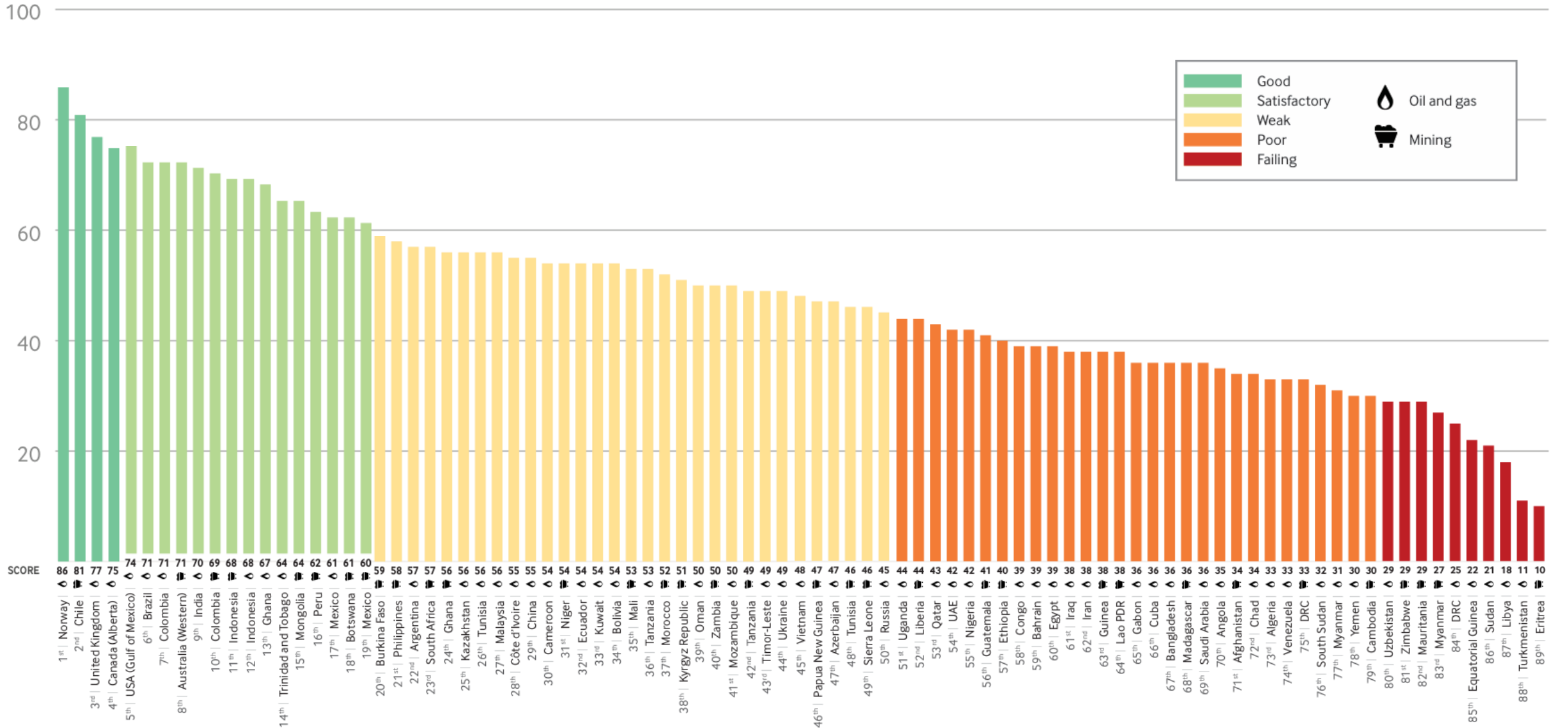


Gas

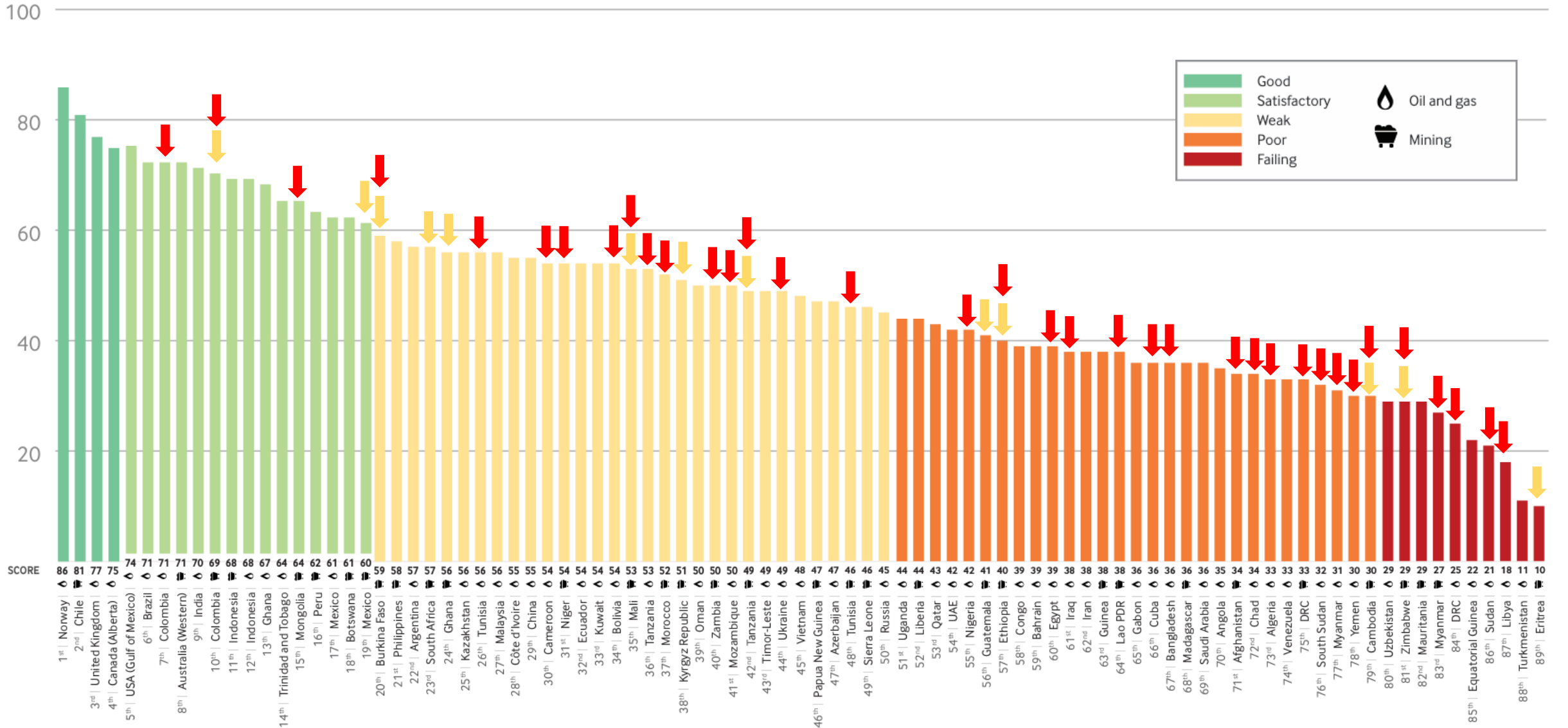


Copper

2017 Resource Governance Index country scores and rankings

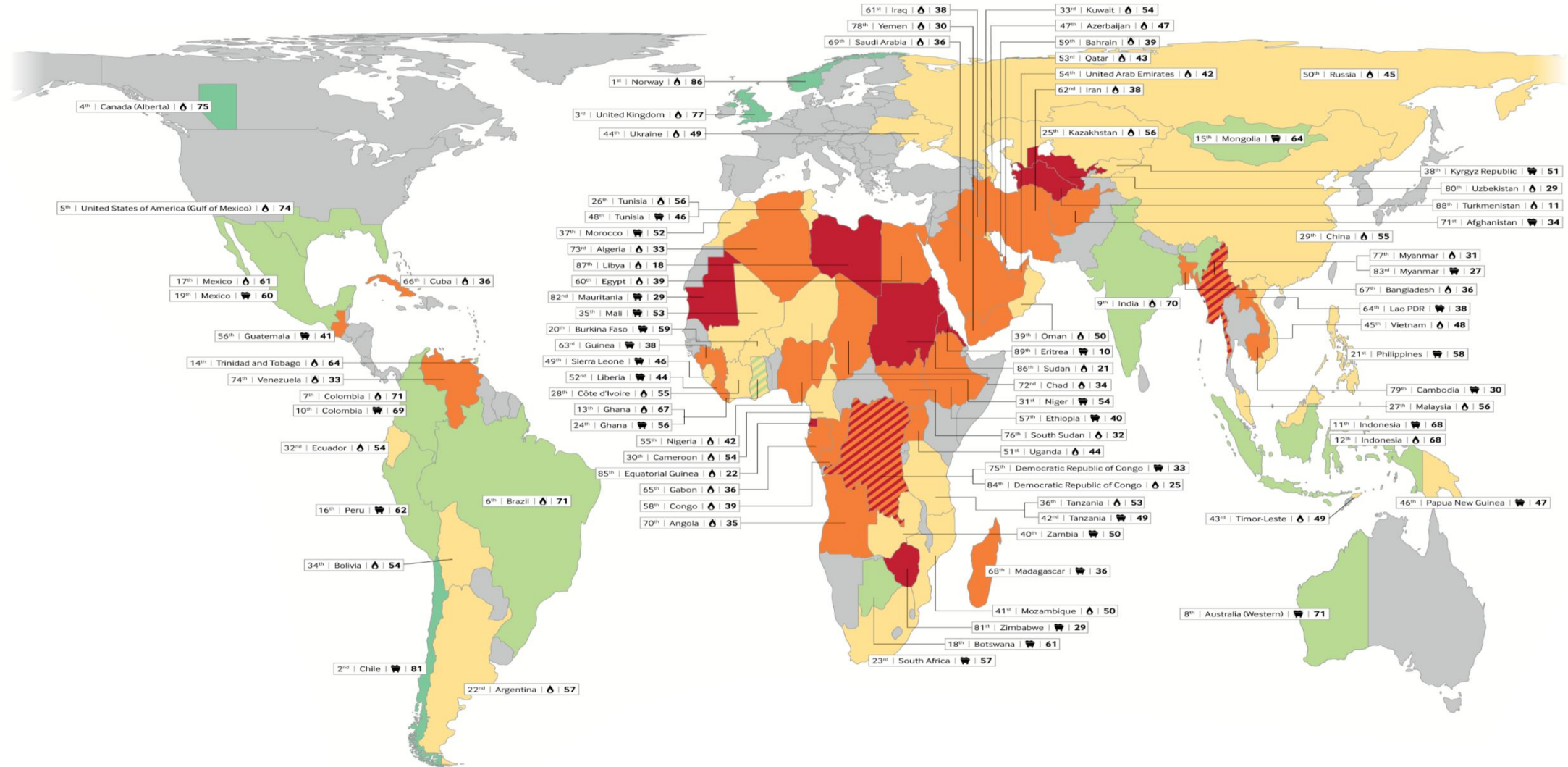


2017 Resource Governance Index country scores and rankings

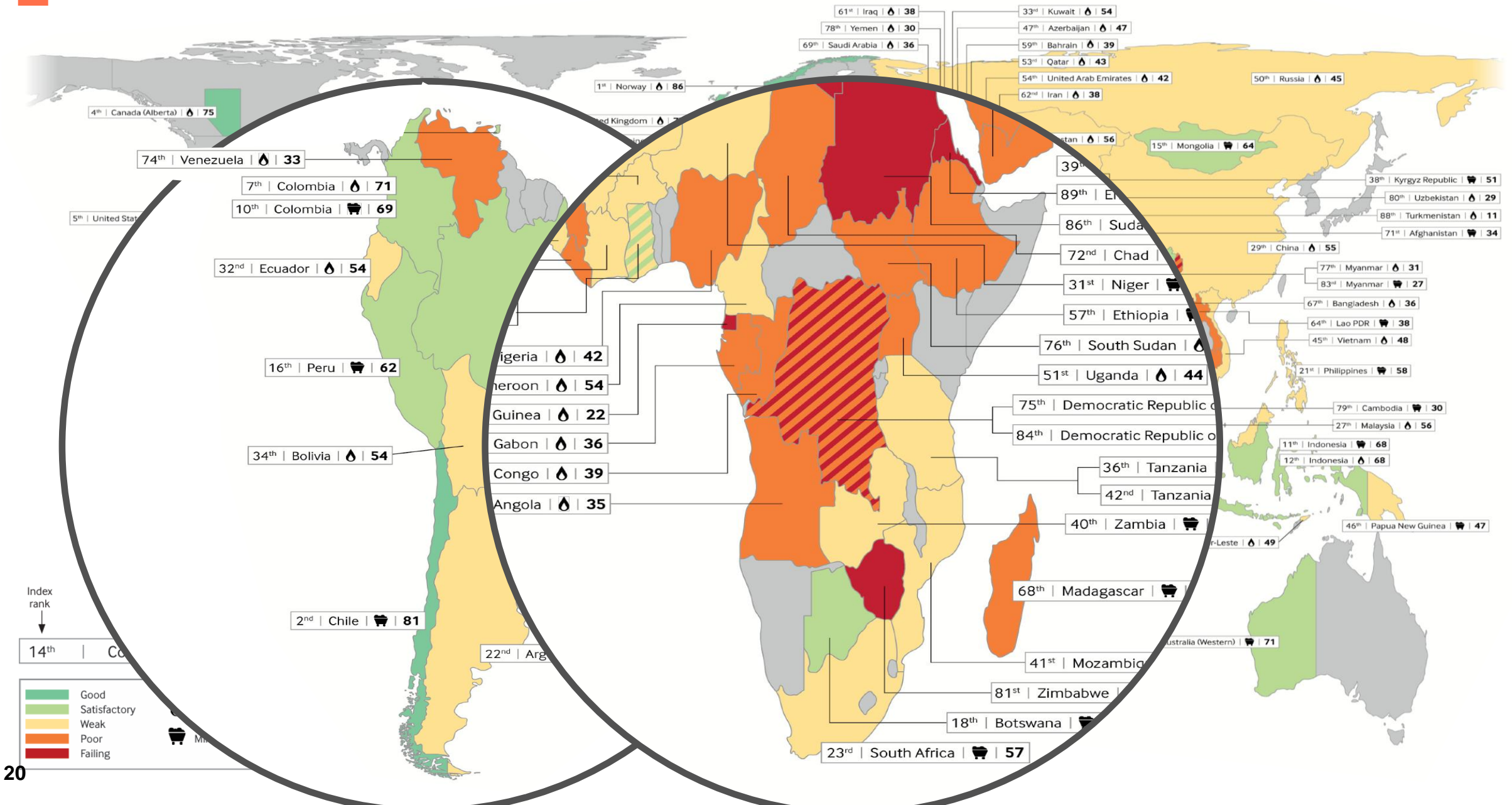


World map of RGI scores & performance categories

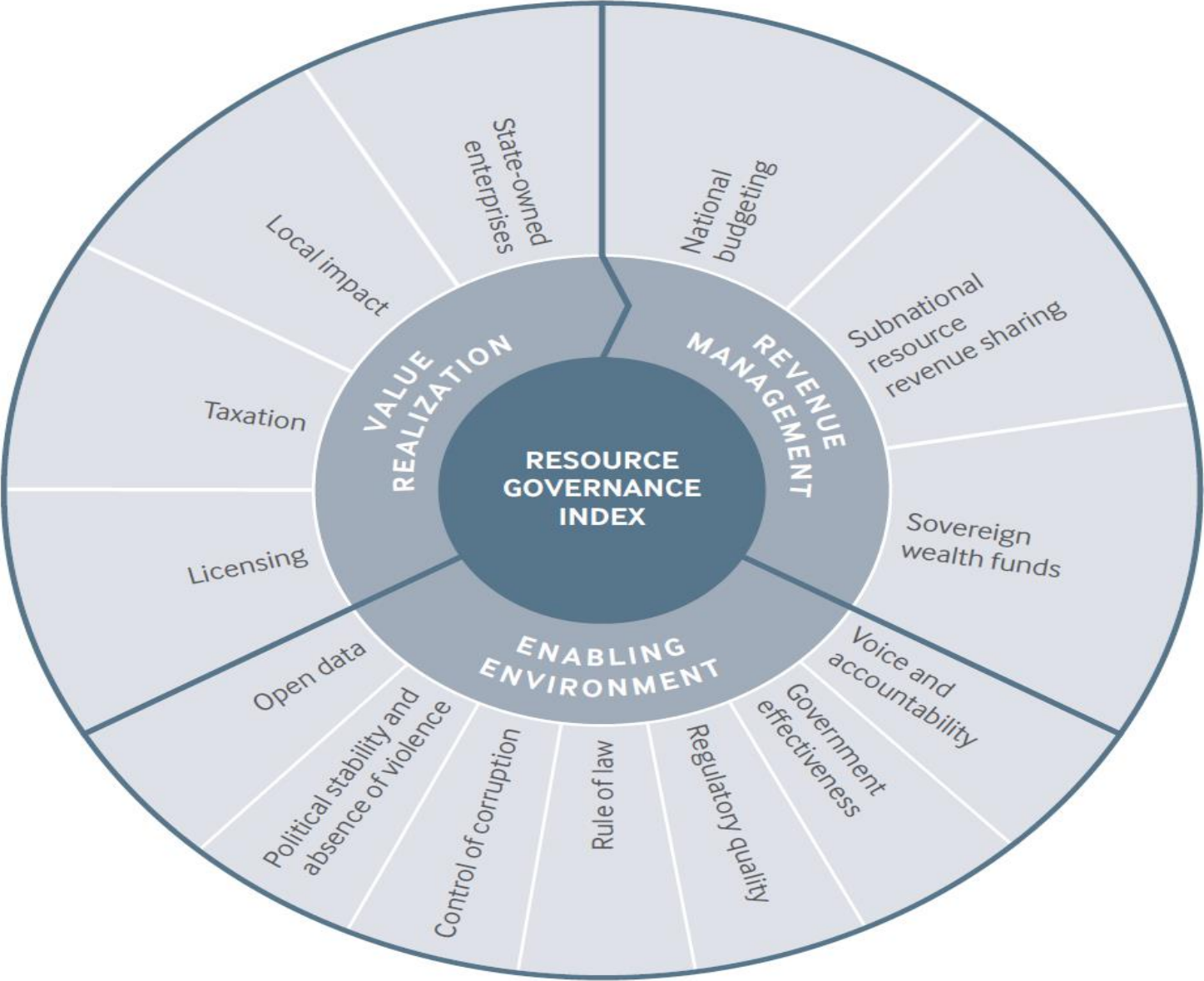
6 billion people, 1.8 billion poor



Resource governance performance varies within regions



2017 Resource Governance Index: Structure & Components



Resource Governance Index composite and component scores

Index rank	Country	Assessed sector	Index score	Value realization score	Revenue management score	Enabling environment score	Index rank	Country	Assessed sector	Index score	Value realization score	Revenue management score	Enabling environment score
1	Norway	👍	86	77	84	97	46	Papua New Guinea	👎	47	50	50	40
2	Chile	👎	81	74	81	90	47	Azerbaijan	👍	47	49	43	49
3	United Kingdom	👍	77	70	68	95	48	Tunisia (mining)	👎	46	40	30	67
4	Canada (Alberta)	👍	75	69	59	97	49	Sierra Leone	👎	46	62	35	40
5	United States of America (Gulf of Mexico)	👍	74	66	63	93	50	Russia	👍	45	47	40	47
6	Brazil	👍	71	62	78	72	51	Uganda	👍	44	42	42	47
7	Colombia (oil and gas)	👍	71	59	85	67	52	Liberia	👎	44	59	30	41
8	Australia (Western)	👎	71	65	51	96	53	Qatar	👍	43	33	19	77
9	India	👍	70	75	66	69	54	United Arab Emirates	👍	42	32	16	78
10	Colombia (mining)	👎	69	59	82	67	55	Nigeria	👍	42	50	44	31
11	Indonesia (mining)	👎	68	64	76	65	56	Guatemala	👎	41	42	35	46
12	Indonesia (oil and gas)	👍	68	64	76	65	57	Ethiopia	👎	40	46	38	37
13	Ghana (oil and gas)	👍	67	65	65	70	58	Congo	👍	39	45	44	29
14	Trinidad and Tobago	👍	64	64	57	71	59	Bahrain	👍	39	27	26	63
15	Mongolia	👎	64	63	54	73	60	Egypt	👍	39	45	30	41
16	Peru	👎	62	68	57	62	61	Iraq	👍	38	52	47	16
17	Mexico (oil and gas)	👍	61	64	54	65	62	Iran	👍	38	36	45	34
18	Botswana	👎	61	40	62	81	63	Guinea	👎	38	53	24	37
19	Mexico (mining)	👎	60	62	53	65	64	Lao PDR	👎	38	42	30	41
20	Burkina Faso	👎	59	66	54	57	65	Gabon	👍	36	18	47	44
21	Philippines	👎	58	55	52	67	66	Cuba	👍	36	29	23	57
22	Argentina	👍	57	58	54	58	67	Bangladesh	👍	36	39	35	34
23	South Africa	👎	57	50	40	80	68	Madagascar	👎	36	36	34	38
24	Ghana (mining)	👎	56	61	37	70	69	Saudi Arabia	👍	36	23	24	60
25	Kazakhstan	👍	56	53	54	61	70	Angola	👍	35	50	31	25
26	Tunisia (oil and gas)	👍	56	60	40	67	71	Afghanistan	👎	34	58	31	14
27	Malaysia	👍	56	49	41	77	72	Chad	👍	34	39	43	19
28	Côte d'Ivoire	👍	55	60	60	46	73	Algeria	👍	33	40	25	35
29	China	👍	55	52	54	59	74	Venezuela	👍	33	48	34	17
30	Cameroon	👍	54	39	70	33	75	Democratic Republic of Congo (mining)	👎	33	52	35	12
31	Niger	👎	54	55	60	47	76	South Sudan	👍	32	42	47	5
32	Ecuador	👍	54	51	58	52	77	Myanmar (oil and gas)	👍	31	44	30	19
33	Kuwait	👍	54	44	51	67	78	Yemen	👍	30	50	28	11
34	Bolivia	👍	54	61	51	49	79	Cambodia	👎	30	31	18	40
35	Mali	👎	53	48	70	42	80	Uzbekistan	👍	29	40	25	22
36	Tanzania (oil and gas)	👍	53	65	40	53	81	Zimbabwe	👎	29	37	30	20
37	Morocco	👎	52	56	35	64	82	Mauritania	👎	29	41	10	36
38	Kyrgyz Republic	👎	51	57	51	44	83	Myanmar (mining)	👎	27	33	30	19
39	Oman	👍	50	32	43	76	84	Democratic Republic of Congo (oil and gas)	👍	25	44	20	12
40	Zambia	👎	50	58	35	58	85	Equatorial Guinea	👍	22	29	18	17
41	Mozambique	👍	50	66	42	43	86	Sudan	👍	21	26	26	11
42	Tanzania (mining)	👎	49	54	40	53	87	Libya	👍	18	27	20	6
43	Timor-Leste	👍	49	49	57	42	88	Turkmenistan	👍	11	11	0	21
44	Ukraine	👍	49	61	40	45	89	Eritrea	👎	10	15	5	10
45	Vietnam	👍	48	57	30	59							

Country illustration of index scores: Mali (mining)

Mali

2017 RESOURCE GOVERNANCE INDEX

Score: 53 / 100 Rank: 35 / 89

LAW: 57 PRACTICE: 46

VALUE REALIZATION

48

LICENSING	30	TAXATION	65	LOCAL IMPACT	50	STATE-OWNED ENTERPRISES	.
RESERVES DISCLOSURE	0	PRODUCTION DISCLOSURE	77	EIA/SIA RULES	50	SOE-GOVERNMENT TRANSFERS RULES	.
CADASTER	50	EXPORT DISCLOSURE	77	EIA/SIA DISCLOSURE	0	SOE-GOVERNMENT TRANSFERS DISCLOSURE	.
PRE-LICENSING ROUND RULES	50	COMPANY PAYMENT RULES	50	ENVIRONMENTAL MITIGATION PLAN RULES	50	SOE FINANCIAL REPORTING RULES	.
PRE-LICENSING ROUND PRACTICE	50	COMPANY PAYMENT DISCLOSURE	93	ENVIRONMENTAL MITIGATION PLAN DISCLOSURE	0	SOE NON-COMMERCIAL ACTIVITY PRACTICE	.
POST-LICENSING ROUND RULES	0	TAXATION RULES	100	ENVIRONMENTAL COMPLIANCE RULES	100	SOE FINANCIAL REPORTING PRACTICE	.
POST-LICENSING ROUND PRACTICE	67	TAX AUTHORITY RULES	50	ENVIRONMENTAL COMPLIANCE PRACTICE	.	SOE PRODUCTION DISCLOSURE	.
FINANCIAL INTEREST DISCLOSURE RULES	35	TAX AUTHORITY PRACTICE	0	COMPENSATION TO LAND USERS AND OWNERS RULES	100	COMMODITY SALE RULES	.
FINANCIAL INTEREST DISCLOSURE PRACTICE	0	EITI AFFILIATION AND REPORTING	70			COMMODITY SALE DISCLOSURES	.
CONTRACT DISCLOSURE RULES	0					SOE JOINT VENTURES AND SUBSIDIARIES DISCLOSURE	.
CONTRACT DISCLOSURE	50					SOE CORPORATE GOVERNANCE PRACTICE	.

REVENUE MANAGEMENT

70

NATIONAL BUDGETING	70	SUBNATIONAL RESOURCE REVENUE SHARING	.	SOVEREIGN WEALTH FUNDS	.
ONLINE DATA PORTAL	0	SUBNATIONAL TRANSFER AGENCY RULES	.	SWF DEPOSIT AND WITHDRAWAL RULES	.
FISCAL RULES	100	SUBNATIONAL TRANSFER RULES	.	SWF DEPOSIT AND WITHDRAWAL PRACTICE	.
FISCAL RULE PRACTICE	50	SUBNATIONAL TRANSFER DISCLOSURE	.	SWF INVESTMENT RULES	.
NATIONAL BUDGET DISCLOSURE	100	SUBNATIONAL TRANSFER AUDIT RULE	.	SWF INVESTMENT PRACTICE	.
NATIONAL DEBT DISCLOSURE	100	SUBNATIONAL TRANSFER AUDIT PRACTICE	.	SWF FINANCIAL REPORTING RULES	.
				SWF FINANCIAL REPORTING PRACTICE	.

ENABLING ENVIRONMENT

42

VOICE AND ACCOUNTABILITY	66
GOVERNMENT EFFECTIVENESS	28
REGULATORY QUALITY	48
RULE OF LAW	44
CONTROL OF CORRUPTION	52
POLITICAL STABILITY AND ABSENCE OF VIOLENCE	12
OPEN DATA	42
OPEN DATA INVENTORY	73
OPEN DATA BAROMETER	9
OPEN DATA INDEX	44

Country illustration of index scores: Colombia (mining)

Colombia (mining)

2017 RESOURCE GOVERNANCE INDEX

Score: 69 / 100 Rank: 10 / 89

LAW: 78 PRACTICE: 66

VALUE REALIZATION

59

LICENSING	59	TAXATION	73	LOCAL IMPACT	46	STATE-OWNED ENTERPRISES	·
RESERVES DISCLOSURE	0	PRODUCTION DISCLOSURE	77	EIA/SIA RULES	50	SOE-GOVERNMENT TRANSFERS RULES	·
CADASTER	100	EXPORT DISCLOSURE	77	EIA/SIA DISCLOSURE	20	SOE-GOVERNMENT TRANSFERS DISCLOSURE	·
PRE-LICENSING ROUND RULES	67	COMPANY PAYMENT RULES	0	ENVIRONMENTAL MITIGATION PLAN RULES	100	SOE FINANCIAL REPORTING RULES	·
PRE-LICENSING ROUND PRACTICE	83	COMPANY PAYMENT DISCLOSURE	67	ENVIRONMENTAL MITIGATION PLAN DISCLOSURE	0	SOE NON-COMMERCIAL ACTIVITY PRACTICE	·
POST-LICENSING ROUND RULES	50	TAXATION RULES	100	ENVIRONMENTAL COMPLIANCE RULES	100	SOE FINANCIAL REPORTING PRACTICE	·
POST-LICENSING ROUND PRACTICE	100	TAX AUTHORITY RULES	100	ENVIRONMENTAL COMPLIANCE PRACTICE	0	SOE PRODUCTION DISCLOSURE	·
FINANCIAL INTEREST DISCLOSURE RULES	35	TAX AUTHORITY PRACTICE	100	COMPENSATION TO LAND USERS AND OWNERS RULES	50	COMMODITY SALE RULES	·
FINANCIAL INTEREST DISCLOSURE PRACTICE	0	EITI AFFILIATION AND REPORTING	60			COMMODITY SALE DISCLOSURES	·
CONTRACT DISCLOSURE RULES	100					SOE JOINT VENTURES AND SUBSIDIARIES DISCLOSURE	·
CONTRACT DISCLOSURE	50					SOE CORPORATE GOVERNANCE PRACTICE	·

REVENUE MANAGEMENT

82

NATIONAL BUDGETING	75	SUBNATIONAL RESOURCE REVENUE SHARING	70	SOVEREIGN WEALTH FUNDS	100
ONLINE DATA PORTAL	0	SUBNATIONAL TRANSFER AGENCY RULES	100	SWF DEPOSIT AND WITHDRAWAL RULES	100
FISCAL RULES	100	SUBNATIONAL TRANSFER RULES	50	SWF DEPOSIT AND WITHDRAWAL PRACTICE	100
FISCAL RULE PRACTICE	100	SUBNATIONAL TRANSFER DISCLOSURE	100	SWF INVESTMENT RULES	100
NATIONAL BUDGET DISCLOSURE	75	SUBNATIONAL TRANSFER AUDIT RULE	100	SWF INVESTMENT PRACTICE	100
NATIONAL DEBT DISCLOSURE	100	SUBNATIONAL TRANSFER AUDIT PRACTICE	100	SWF FINANCIAL REPORTING RULES	100
				SWF FINANCIAL REPORTING PRACTICE	100

ENABLING ENVIRONMENT

67

VOICE AND ACCOUNTABILITY	72
GOVERNMENT EFFECTIVENESS	72
REGULATORY QUALITY	83
RULE OF LAW	71
CONTROL OF CORRUPTION	74
POLITICAL STABILITY AND ABSENCE OF VIOLENCE	20
OPEN DATA	81
OPEN DATA INVENTORY	66
OPEN DATA BAROMETER	81
OPEN DATA INDEX	95

Country illustration of index scores: Tanzania (oil and gas)

Tanzania (oil and gas)

2017 RESOURCE GOVERNANCE INDEX

Score: 53 / 100 Rank: 36 / 89

LAW: 77 PRACTICE: 49

VALUE REALIZATION

65

LICENSING	48	TAXATION	92	LOCAL IMPACT	54	STATE-OWNED ENTERPRISES	64
RESERVES DISCLOSURE	77	PRODUCTION DISCLOSURE	83	EIA/SIA RULES	25	SOE-GOVERNMENT TRANSFERS RULES	100
CADASTER	55	EXPORT DISCLOSURE	.	EIA/SIA DISCLOSURE	0	SOE-GOVERNMENT TRANSFERS DISCLOSURE	80
PRE-LICENSING ROUND RULES	50	COMPANY PAYMENT RULES	100	ENVIRONMENTAL MITIGATION PLAN RULES	100	SOE FINANCIAL REPORTING RULES	100
PRE-LICENSING ROUND PRACTICE	.	COMPANY PAYMENT DISCLOSURE	93	ENVIRONMENTAL MITIGATION PLAN DISCLOSURE	0	SOE NON-COMMERCIAL ACTIVITY PRACTICE	25
POST-LICENSING ROUND RULES	50	TAXATION RULES	100	ENVIRONMENTAL COMPLIANCE RULES	100	SOE FINANCIAL REPORTING PRACTICE	96
POST-LICENSING ROUND PRACTICE	67	TAX AUTHORITY RULES	100	ENVIRONMENTAL COMPLIANCE PRACTICE	.	SOE PRODUCTION DISCLOSURE	.
FINANCIAL INTEREST DISCLOSURE RULES	35	TAX AUTHORITY PRACTICE	100	COMPENSATION TO LAND USERS AND OWNERS RULES	100	COMMODITY SALE RULES	50
FINANCIAL INTEREST DISCLOSURE PRACTICE	0	EITI AFFILIATION AND REPORTING	70			COMMODITY SALE DISCLOSURES	25
CONTRACT DISCLOSURE RULES	100					SOE JOINT VENTURES AND SUBSIDIARIES DISCLOSURE	52
CONTRACT DISCLOSURE	0					SOE CORPORATE GOVERNANCE PRACTICE	50

REVENUE MANAGEMENT

40

NATIONAL BUDGETING	40	SUBNATIONAL RESOURCE REVENUE SHARING	.	SOVEREIGN WEALTH FUNDS	.
ONLINE DATA PORTAL	0	SUBNATIONAL TRANSFER AGENCY RULES	.	SWF DEPOSIT AND WITHDRAWAL RULES	.
FISCAL RULES	50	SUBNATIONAL TRANSFER RULES	.	SWF DEPOSIT AND WITHDRAWAL PRACTICE	.
FISCAL RULE PRACTICE	0	SUBNATIONAL TRANSFER DISCLOSURE	.	SWF INVESTMENT RULES	.
NATIONAL BUDGET DISCLOSURE	50	SUBNATIONAL TRANSFER AUDIT RULE	.	SWF INVESTMENT PRACTICE	.
NATIONAL DEBT DISCLOSURE	100	SUBNATIONAL TRANSFER AUDIT PRACTICE	.	SWF FINANCIAL REPORTING RULES	.
				SWF FINANCIAL REPORTING PRACTICE	.

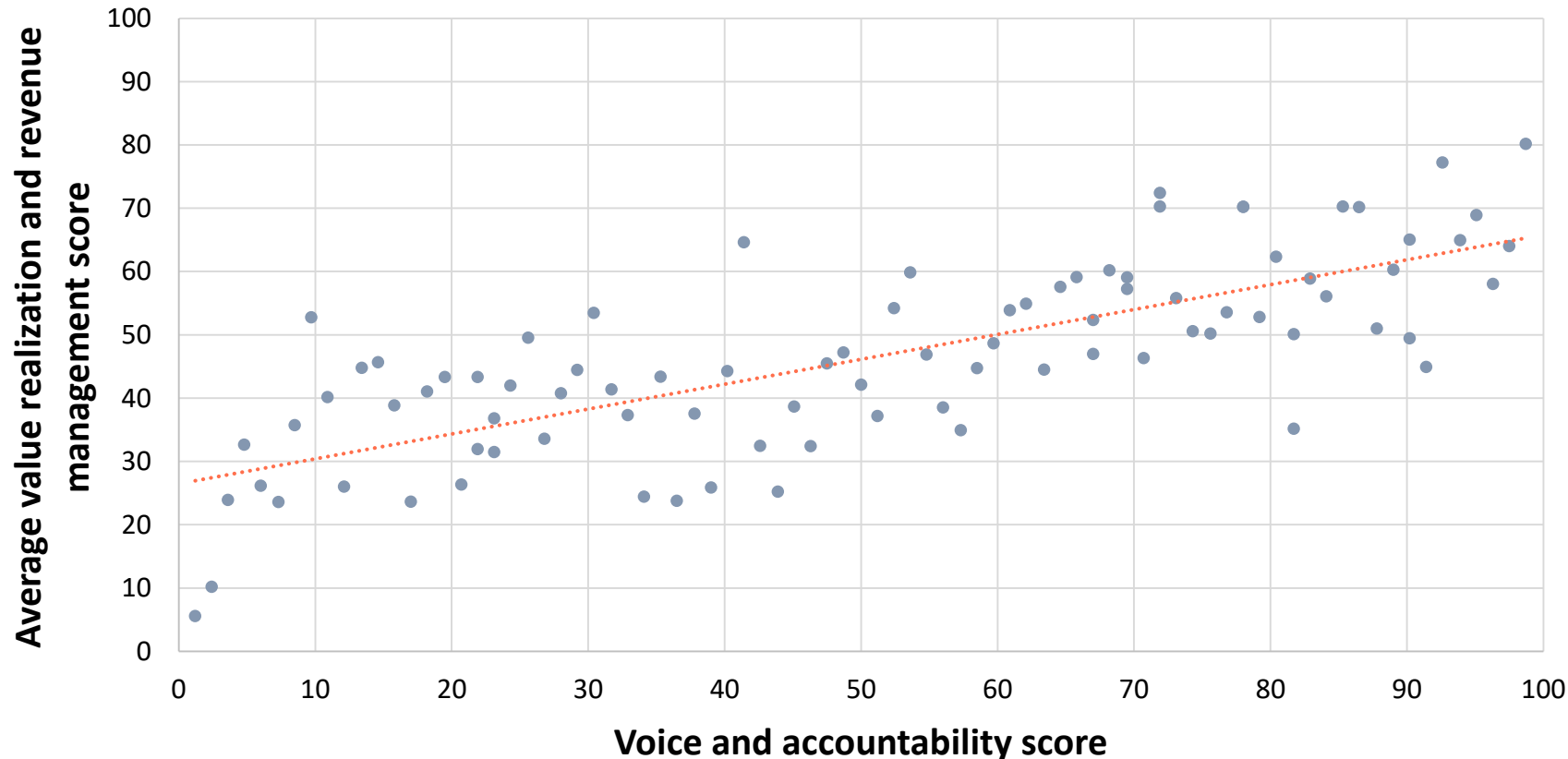
ENABLING ENVIRONMENT

53

VOICE AND ACCOUNTABILITY	67
GOVERNMENT EFFECTIVENESS	48
REGULATORY QUALITY	61
RULE OF LAW	62
CONTROL OF CORRUPTION	44
POLITICAL STABILITY AND ABSENCE OF VIOLENCE	56
OPEN DATA	35
OPEN DATA INVENTORY	35
OPEN DATA BAROMETER	35
OPEN DATA INDEX	.

Countries with good or satisfactory voice and accountability perform better in value realization and revenue management

Voice and accountability and average extractive sector component score



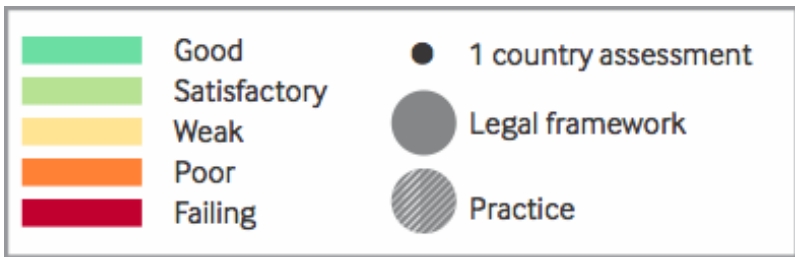
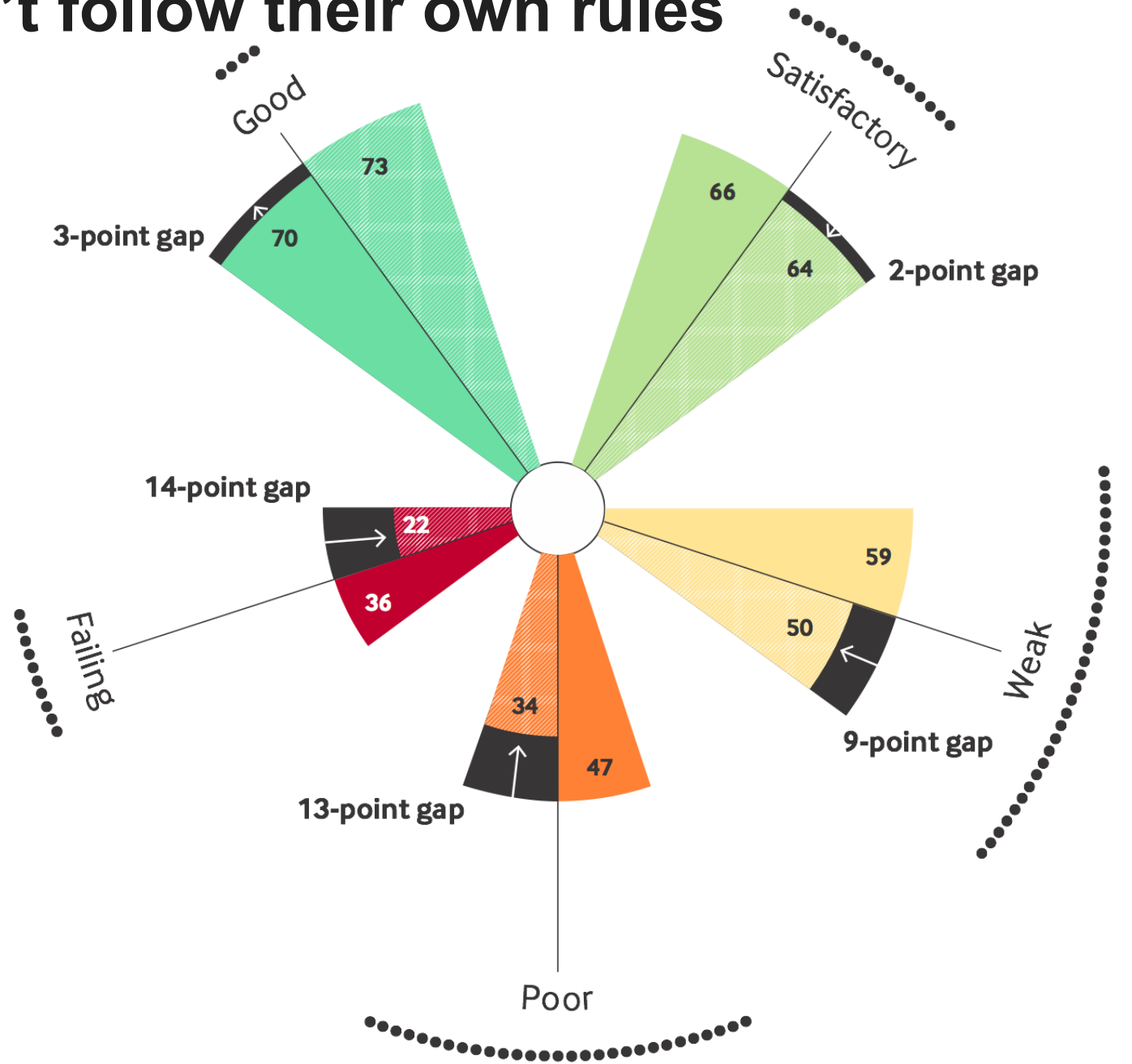
- Voice and accountability is most strongly associated with performance in value realization and revenue management components
- Civic space is linked to potential for good value realization and sound revenue management

Countries don't follow their own rules

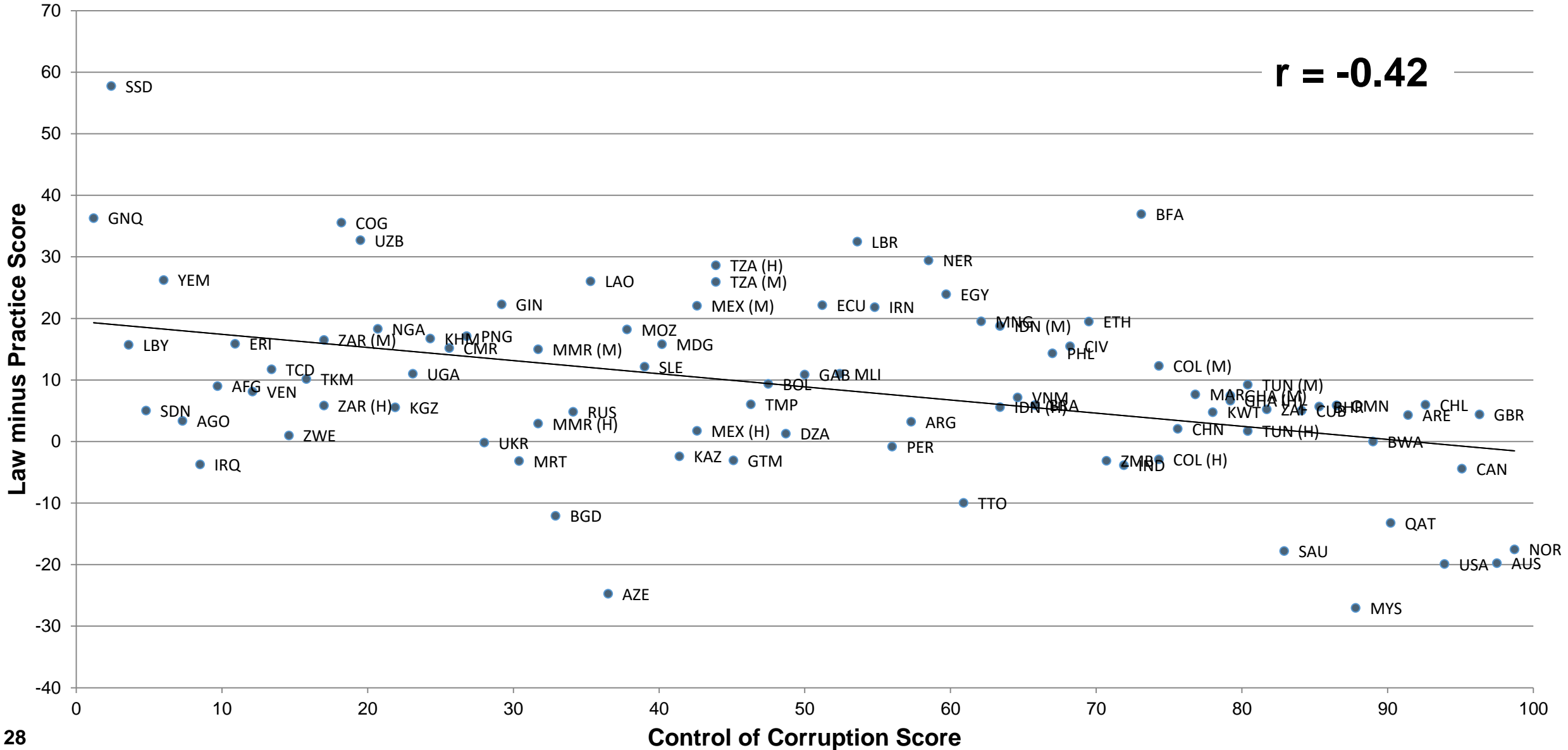
Legal framework average score



Practice average score



Poor control of corruption is associated with a larger gap between legal framework and implementation



Assessing Corruption Vulnerabilities across the decision chain



DOMESTIC
FOUNDATIONS
FOR RESOURCE
GOVERNANCE



INTERNATIONAL
FOUNDATIONS
FOR RESOURCE
GOVERNANCE

License allocations

e.g. Griffiths (Chad),
Cobalt/Nizaki
(Angola)

Subcontracting

e.g. Petrobras
(Brazil),
Skanska (Argentina)

Commodity sales

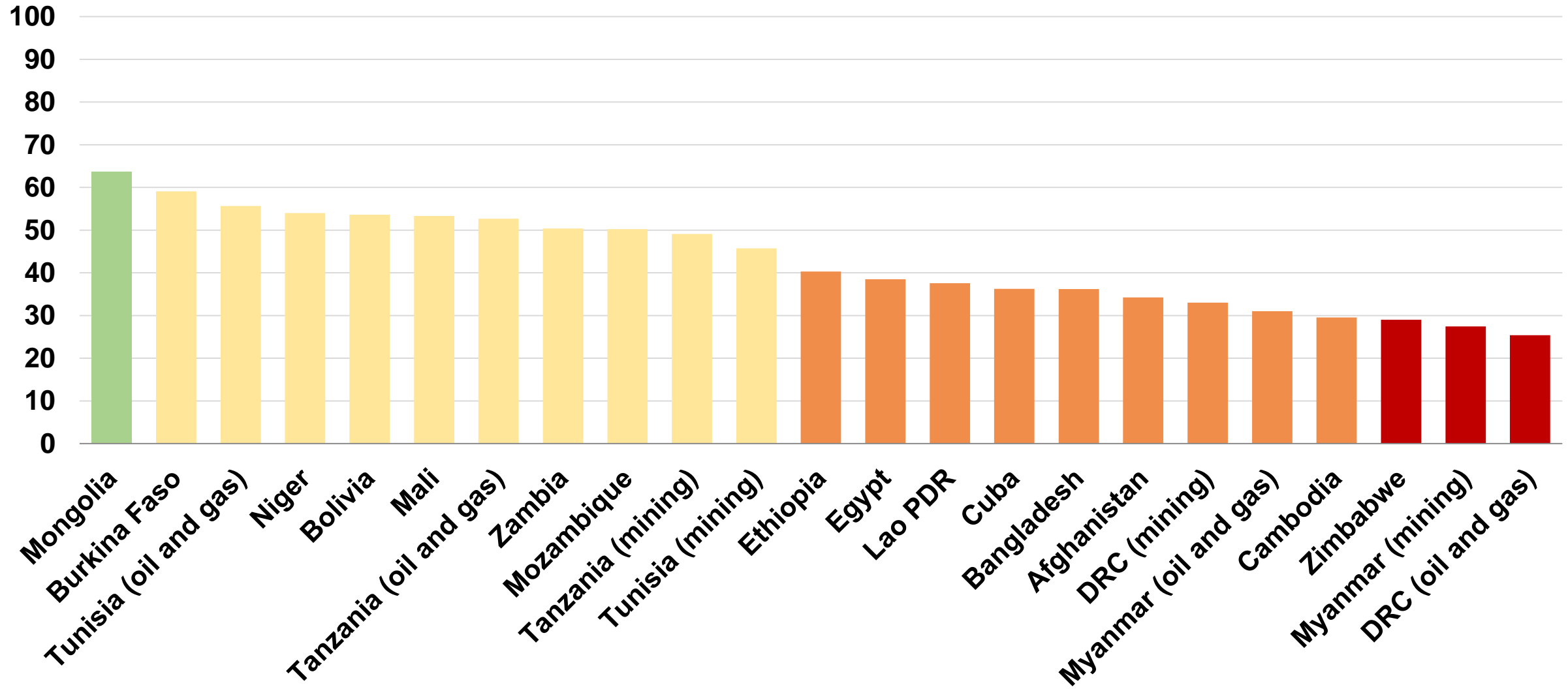
e.g. Sphynx/AOGC &
Gunvor (Congo-B),
Swap contracts
(Nigeria)

Saving revenues

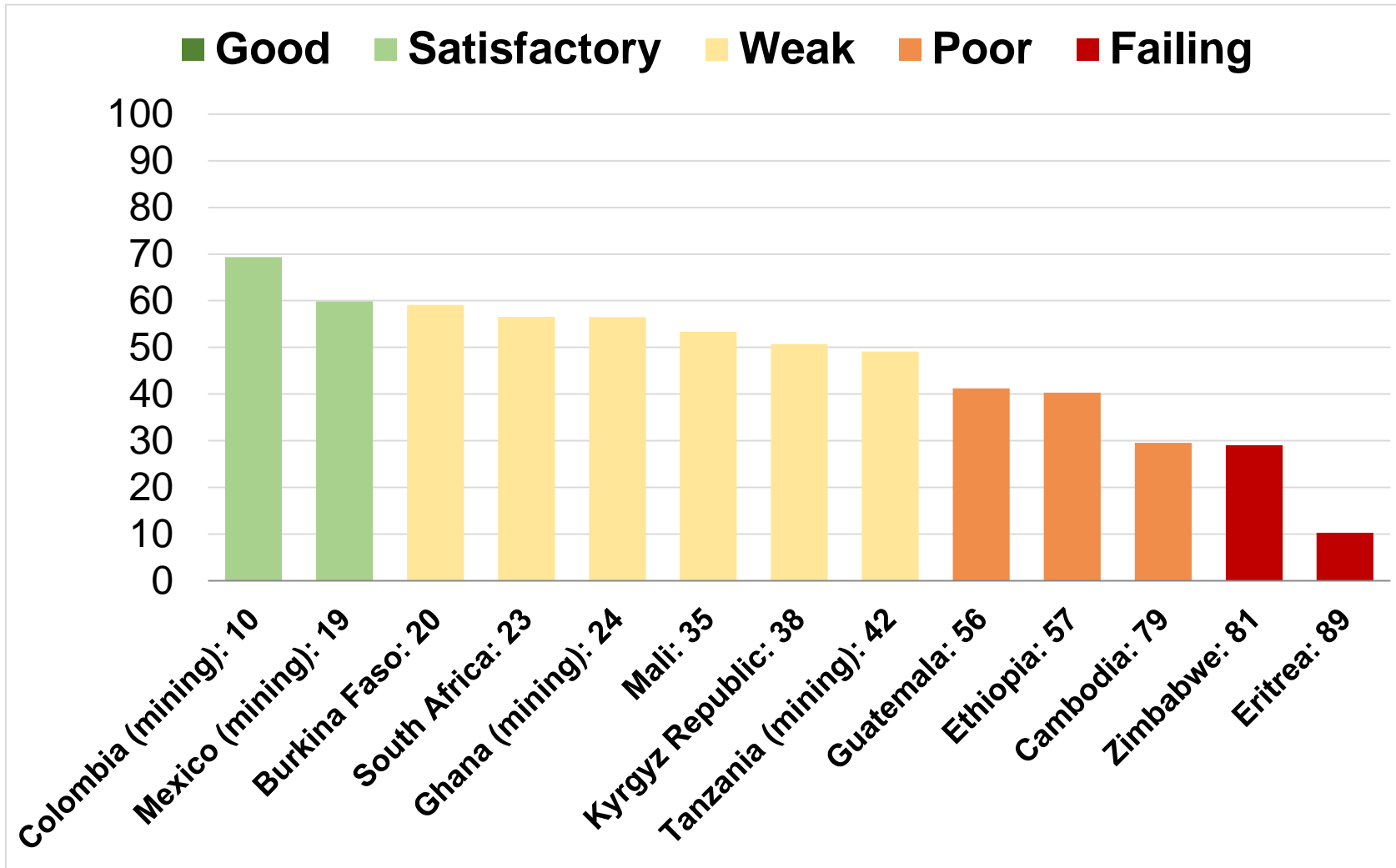
e.g. SocGen (Libya)

Ranking of SDC priority countries: 2017 RGI composite

■ Good ■ Satisfactory ■ Weak ■ Poor ■ Failing

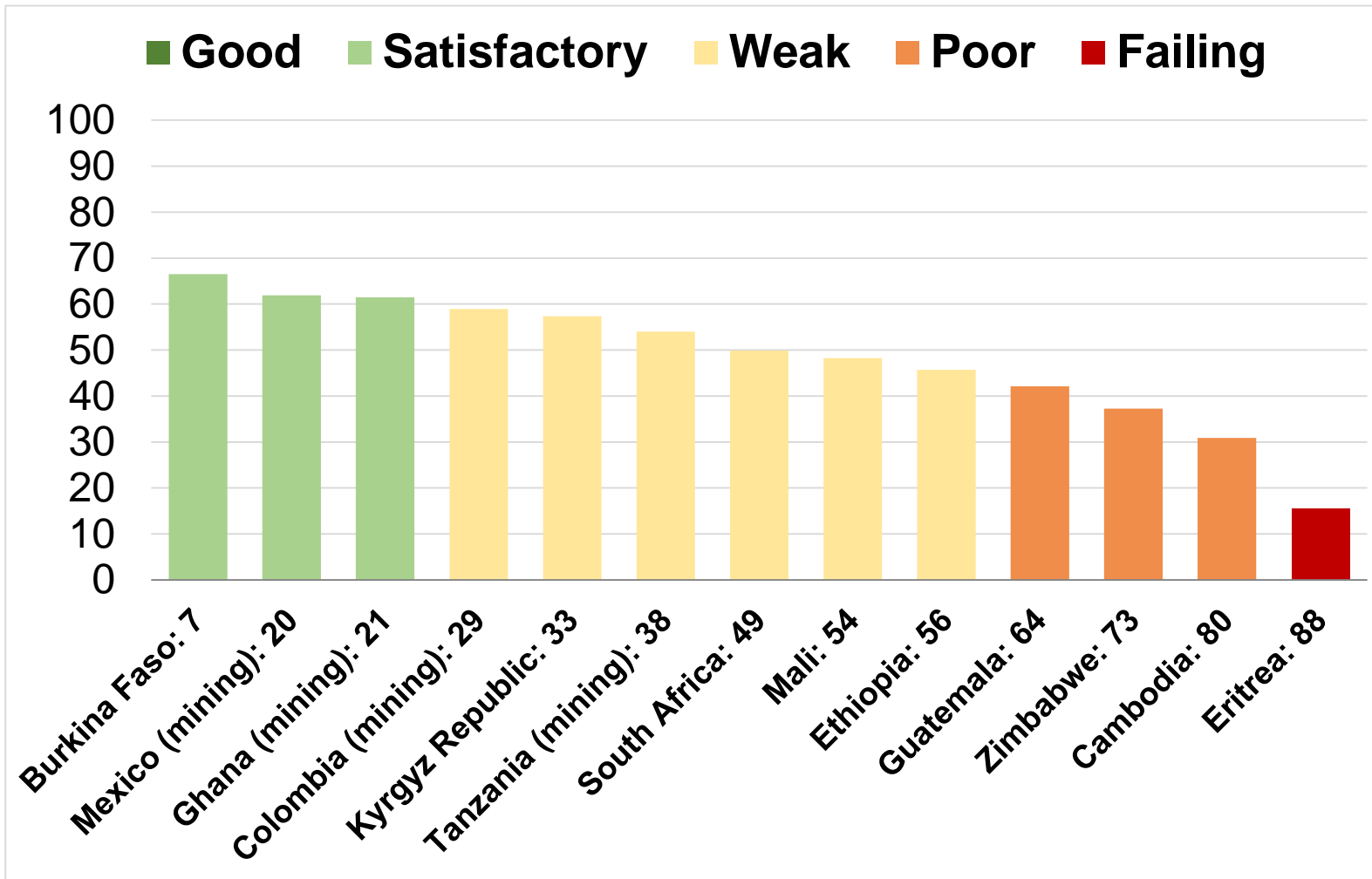


Ranking of gold mining countries: 2017 RGI composite



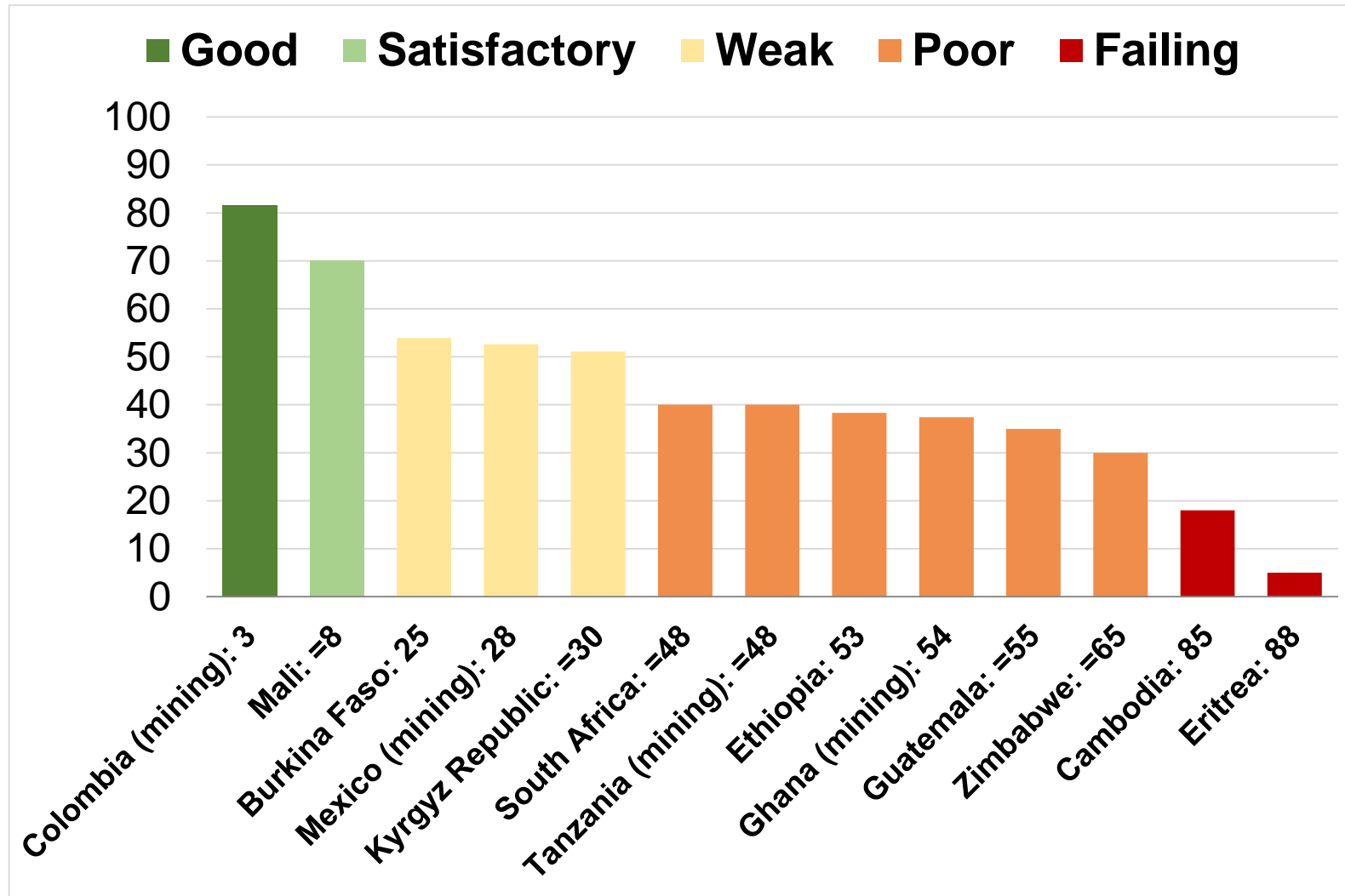
- 13 gold-focused assessments
- Wide range of governance performance
- Most significant gold producers, South Africa and Ghana, in the “weak” category
- Average RGI score for these assessments 47, compared to 48 for all mining assessments

Ranking of gold mining countries: Value realization



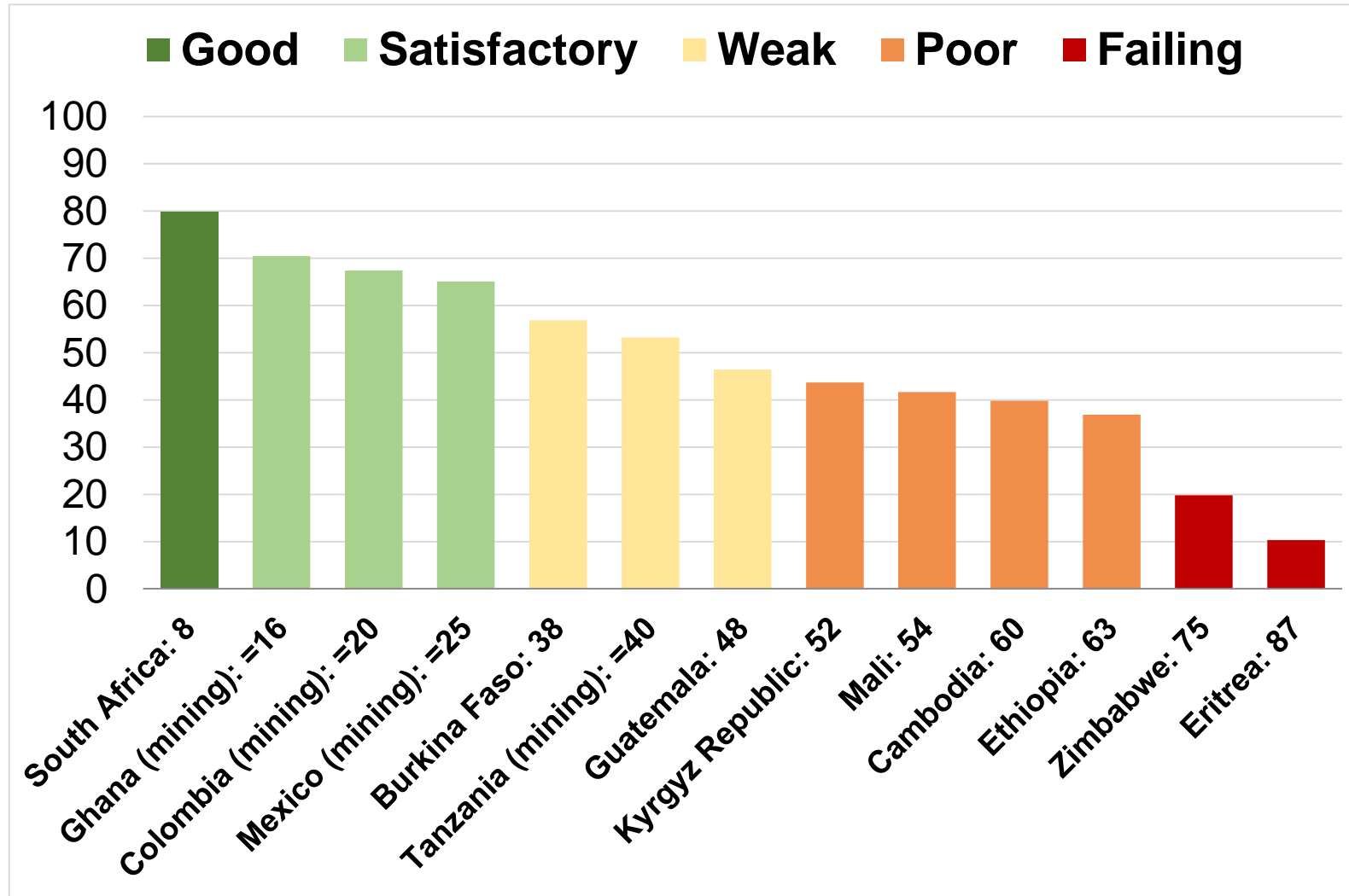
- Value realization measures awarding licenses, taxation, environmental and social issues, and state-owned enterprises (SOEs)
- Top performers in this component are all EITI members (Mexico since 2017), which contributes to taxation being the highest scoring area under value realization
- 3 countries receive a satisfactory rating in licensing, and many could improve by setting up a public license registry, clarifying license award procedures and disclosing resource contracts and financial interests
- Disclosure of environmental impact assessments did not happen fully and in a timely manner in any of the assessed countries
- Out of the 7 countries with a gold mining SOE, 4 did not disclose any information about how they sell gold

Ranking of gold mining countries: Revenue management



- Revenue management measures transparency of and rules for handling resource revenues in the national budgeting process, sharing resource revenues with subnational authorities, and governance of a sovereign wealth fund (applicable only for Colombia)
- Weakest performing component with average score of 43
- Only one country (Colombia) has nationally set fiscal rules, and Burkina Faso and Mali adhere to regional currency unions
- Cambodia, Ethiopia, Tanzania, Zimbabwe and Eritrea did not disclose collected or projected resource revenues as part of their national budgets
- Subnational resource revenue sharing in place in 6 countries: Burkina Faso, Mexico, Ethiopia and Ghana can all improve transparency of these flows

Ranking of gold mining countries: Enabling environment



- Enabling environment measures the broader governance environment and is constructed based on the World Bank's Worldwide Governance Indicators and three open data indices
- These 13 gold mining assessments score slightly lower on average (49) than all mining assessments (51)
- Voice and accountability – a measure of civic space – is associated with better extractive sector governance in the entire sample. Of concern are countries with weak or worse scores in this category: Guatemala, Kyrgyz Republic, Cambodia, Zimbabwe, Ethiopia and Eritrea
- Better control of corruption is associated with a lower gap between laws and practices: over half of these countries get a weak or lower score for their control of corruption

Ranking of gold mining countries: Law and practice gap

LAW AND PRACTICE			
	Law	Practice	Gap
Guatemala	39	42	+3
Zimbabwe	36	35	-1
South Africa	51	46	-5
Kyrgyz Republic	62	56	-6
Ghana (mining)	61	53	-7
Mali	57	46	-11
Colombia (mining)	78	66	-12
Eritrea	24	8	-16
Cambodia	36	20	-17
Ethiopia	55	36	-19
Mexico (mining)	73	51	-22
Tanzania (mining)	69	43	-26
Burkina Faso	86	49	-37

- Each issue measured separately for “law” i.e. rules included in laws and policies, and “practice”, i.e. implementation of transparency and accountability provisions
- On average, all assessed sectors have a gap of 9 in favour of laws. For a number of gold mining assessments, the gap is significantly wider – on average, -14.
- In addition, for gold mining countries, there is an *inverse* relationship between the RGI composite score and the width of the gap, as opposed to the entire index sample:

Composite score performance band	Average law-practice gap
Good	N/A
Satisfactory	-17
Weak	-15
Poor	-11
Failing	-9

- In many countries, better enforcement of transparency and accountability related to issues most closely relevant for communities living near gold mining sites (local impact and subnational revenue sharing) would contribute to closing this implementation gap

SDC and gold mining countries

Country	Sector	Mineral	Score	Rank	SDC
Colombia (mining)	Mining	Gold	69	10	
Mongolia	Mining	Mongolia	64	15	X
Mexico (mining)	Mining	Gold	60	19	
Burkina Faso	Mining	Gold	59	20	X
South Africa	Mining	Gold	57	23	(X)
Ghana (mining)	Mining	Gold	56	24	
Tunisia (oil and gas)	Oil and gas		56	26	X
Niger	Mining	Uranium	54	31	X
Bolivia	Oil and gas		54	34	X
Mali	Mining	Gold	53	35	X
Tanzania (oil and gas)	Oil and gas		53	36	X
Kyrgyz Republic	Mining	Gold	51	38	
Zambia	Mining	Copper	50	40	X
Mozambique	Oil and gas		50	41	X
Tanzania (mining)	Mining	Gold	49	42	X
Tunisia (mining)	Mining	Phosphate	46	48	X
Guatemala	Mining	Gold	41	56	
Ethiopia	Mining	Gold	40	57	X
Egypt	Oil and gas		39	60	X
Laos	Mining	Copper	38	64	X
Cuba	Oil and gas		36	66	X
Bangladesh	Oil and gas		36	67	X
Afghanistan	Mining	Iron ore	34	71	(X)
Democratic Republic of Congo (mining)	Mining	Copper	33	75	X
Myanmar (oil and gas)	Oil and gas		31	77	X
Cambodia	Mining	Gold	30	79	X
Zimbabwe	Mining	Gold	29	81	X
Myanmar (mining)	Mining	Jade	27	83	X
36 Democratic Republic of Congo (oil and gas)	Oil and gas		25	84	X
Eritrea	Mining	Gold	10	89	X

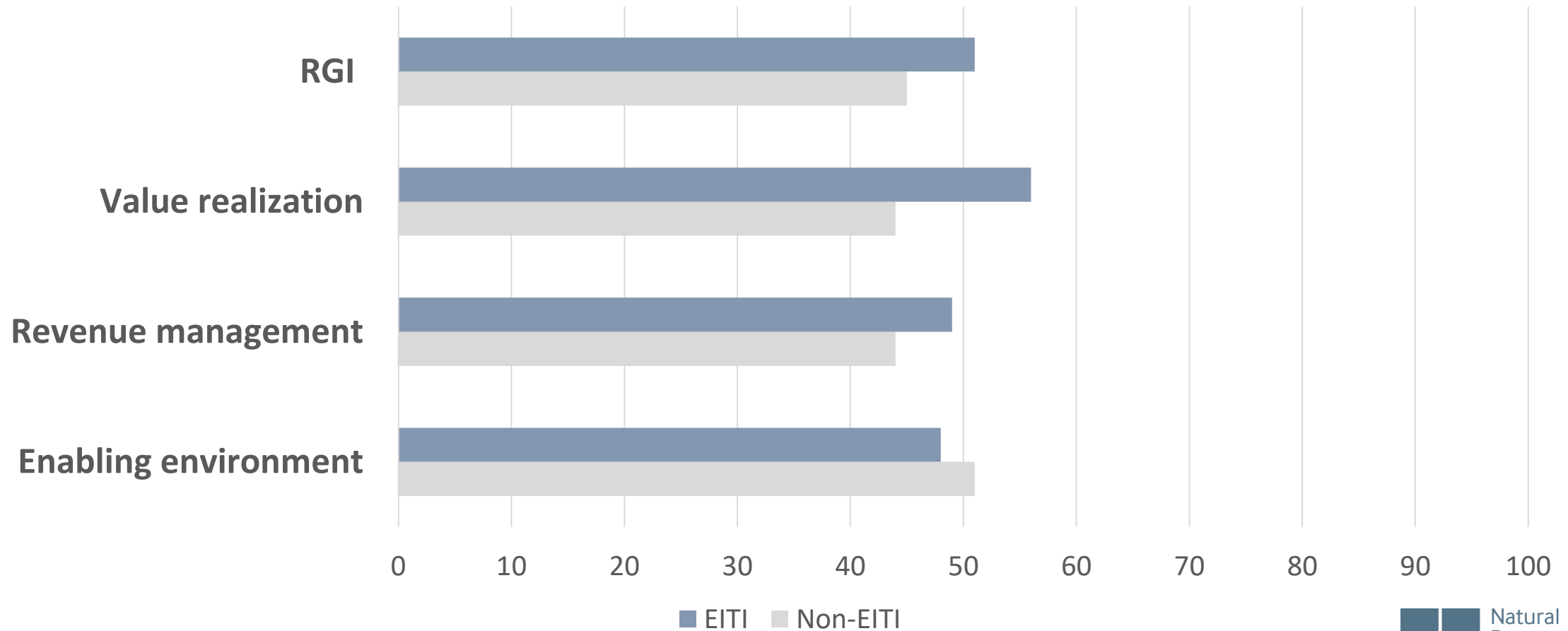
44 EITI country assessments covered in the RGI

Country	Sector	Score	Rank
Norway	Oil and gas	86	1
United Kingdom	Oil and gas	77	3
United States of America (Gulf of Mexico)	Oil and gas	74	5
Colombia (oil and gas)	Oil and gas	71	7
Colombia (mining)	Mining	69	10
Indonesia (mining)	Mining	68	11
Indonesia (oil and gas)	Oil and gas	68	12
Ghana (oil and gas)	Oil and gas	67	13
Trinidad and Tobago	Oil and gas	64	14
Mongolia	Mining	64	15
Peru	Mining	62	16
Burkina Faso	Mining	59	20
Philippines	Mining	58	21
Ghana (mining)	Mining	56	24
Kazakhstan	Oil and gas	56	25
Côte d'Ivoire	Oil and gas	55	28
Cameroon	Oil and gas	54	30
Niger	Mining	54	31
Mali	Mining	53	35
Tanzania (oil and gas)	Oil and gas	53	36
Kyrgyz Republic	Mining	51	38
Oman	Oil and gas	50	39
Zambia	Mining	50	40
Mozambique	Oil and gas	50	41
Tanzania (mining)	Mining	49	42
Timor-Leste	Oil and gas	49	43
Ukraine	Oil and gas	49	44
Papua New Guinea	Mining	47	46
Azerbaijan	Oil and gas	47	47
Sierra Leone	Mining	46	49
Liberia	Mining	44	52
Nigeria	Oil and gas	42	55
Ethiopia	Mining	40	57
Congo	Oil and gas	39	58
Iraq	Oil and gas	38	61
Guinea	Mining	38	63
Madagascar	Mining	36	68
Afghanistan	Mining	34	71
Chad	Oil and gas	34	72
Democratic Republic of Congo (mining)	Mining	33	75
Myanmar (oil and gas)	Oil and gas	31	77
Mauritania	Mining	29	82
Myanmar (mining)	Mining	27	83
Democratic Republic of Congo (oil and gas)	Oil and gas	25	84

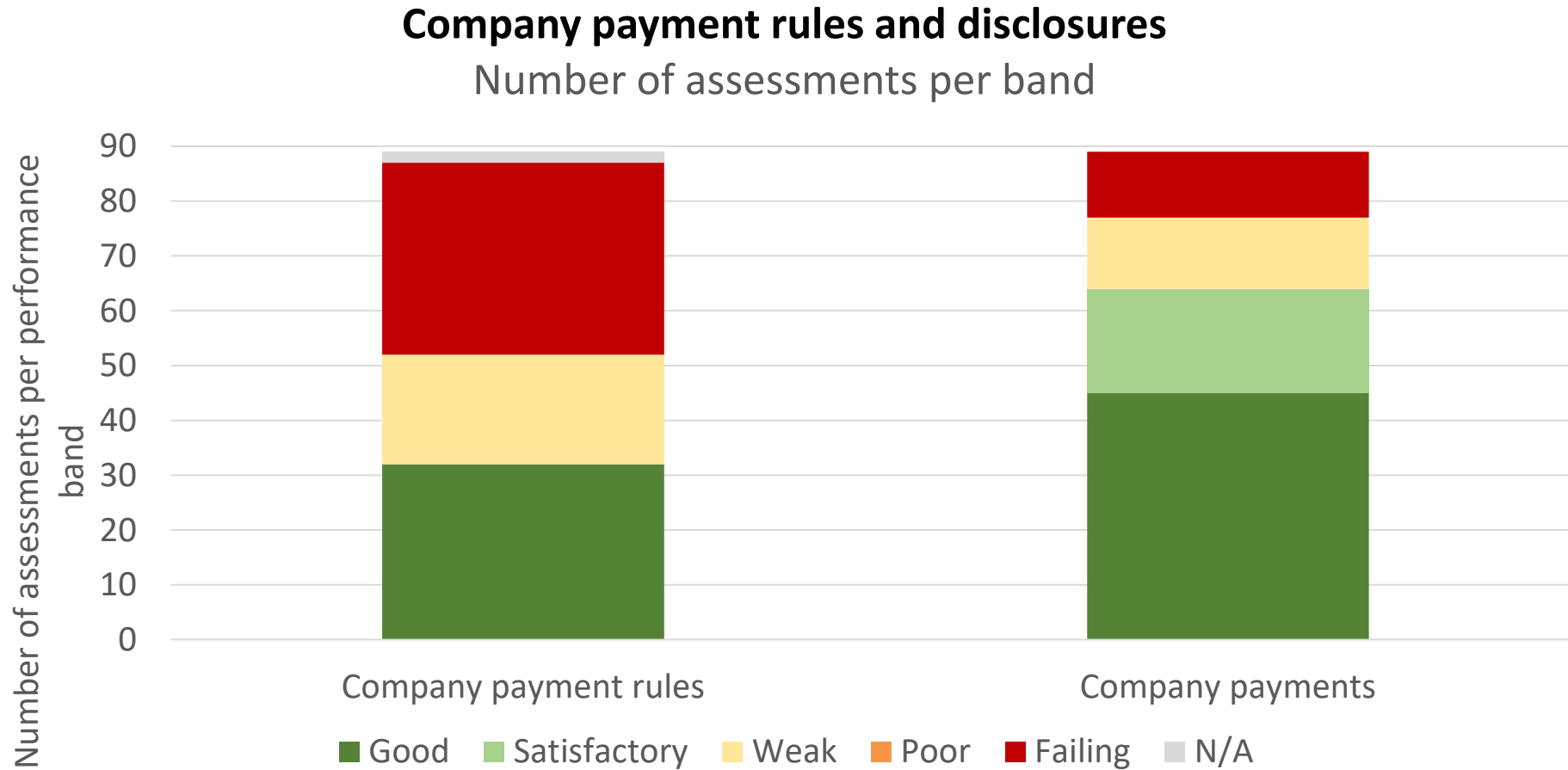
Members of EITI perform better in extractive sector components of the index



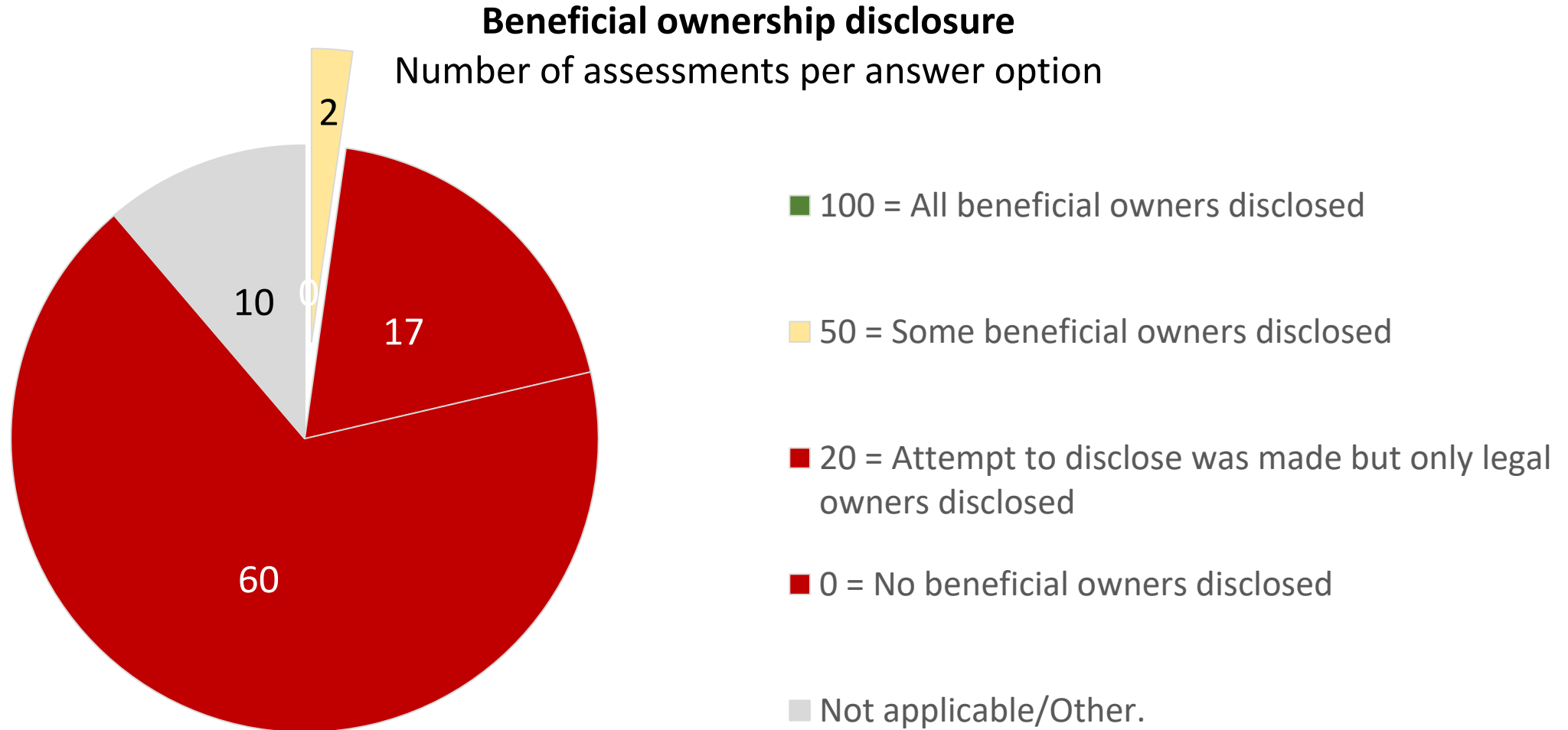
EITI and non-EITI average scores



Is detailed company payments data disclosed?

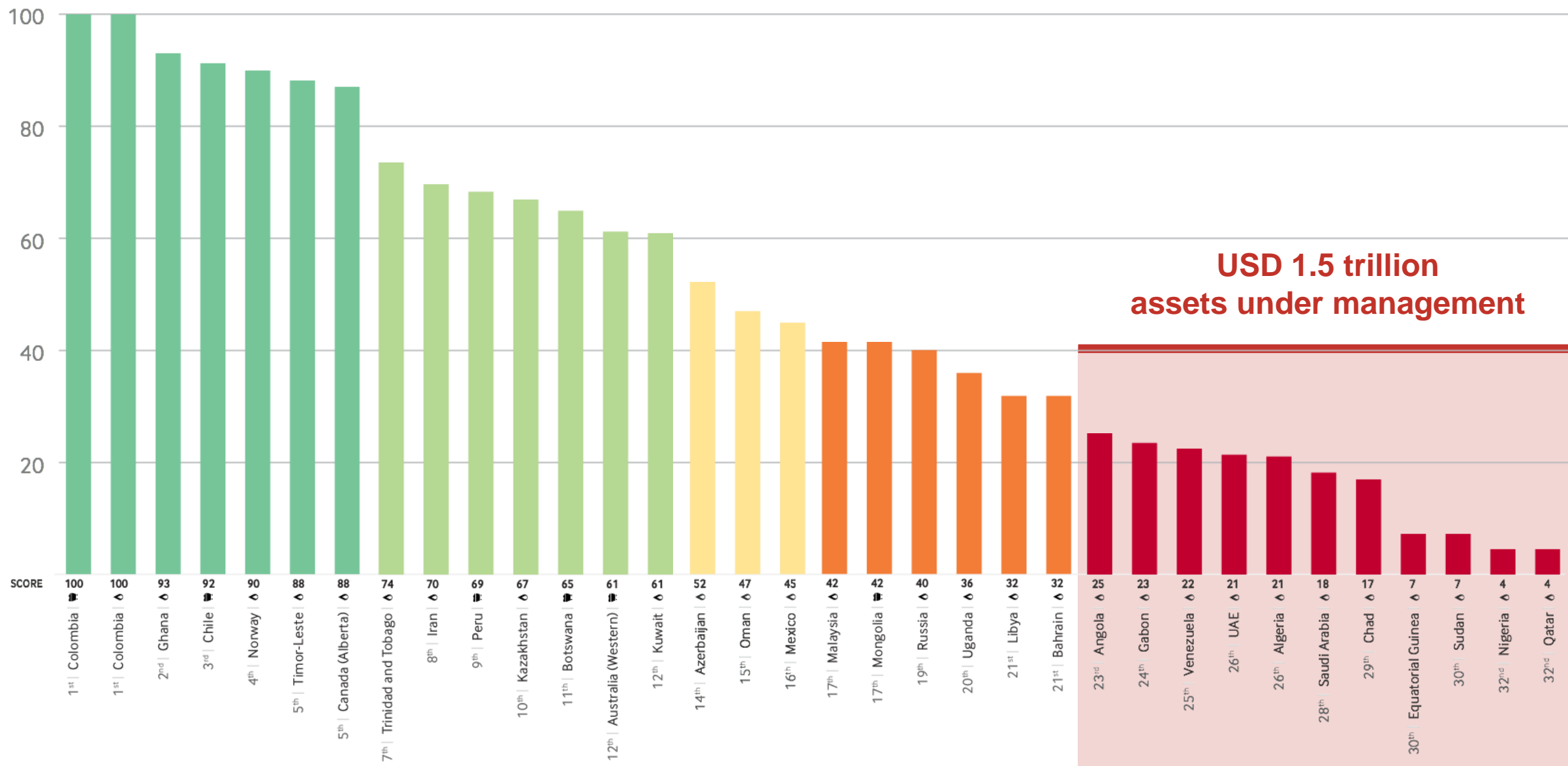


Beneficial ownership disclosure remains scant



Performance classifications	
Good	Scores 75 or more
Satisfactory	Scores 60-74
Weak	Scores 45-59
Poor	Scores 30-44
Failing	Scores less than 30

Sovereign wealth funds governance



State-owned enterprises assessed in the RGI

Country	State-owned enterprise	Gross sales (USD millions, selected years)	Score [/100]
Chile	Codeco	11,693	90
India	Oil and Natural Gas Corporation of India	23,374	87
Argentina	Yacimientos Petrolíferos Fiscales	14,236	83
Norway	Statoil	45,873	80
Morocco	Office Chérifien des Phosphates	4,890	79
Indonesia (mining)	Antam	680	78
Ukraine	Naftogaz	6,596	76
Ghana (oil and gas)	Ghana National Petroleum Corporation	180	75
Trinidad and Tobago	Petroleum Company of Trinidad and Tobago Limited	3,047	75
Mexico (oil and gas)	Petróleos Mexicanos	52,241	74
Colombia (oil and gas)	Ecopetrol	18,998	73
Bolivia	Yacimientos Petrolíferos Fiscales Bolivianos	6,812	70
Azerbaijan	State Oil Company of the Azerbaijan Republic	32,309	70
Philippines	Philippine Mining Development Corporation	2	70
Zambia	Zambia Consolidated Copper Mines Investment Holdings	163	69
Indonesia (oil and gas)	Pertamina	41,763	66
Tunisia (oil and gas)	Entreprise Tunisienne des Activités Pétrolière	621	66
Iraq	South Oil Company	Not available	66
Kuwait	Kuwait Petroleum Company	106,002	65
Malaysia	Petronas	63,412	65
Brazil	Petrobras	97,314	65
South Africa	African Exploration Mining and Finance Corporation	18	65
Tanzania (oil and gas)	Tanzania Petroleum Development Corporation	35	64
Vietnam	PetroVietnam	7,232	64
Kazakhstan	Kazmunaigaz	492	63
Côte d'Ivoire	Société Nationale d'Opérations Pétrolière de Cote d'Ivoire	539	61
Venezuela	Petróleos de Venezuela	55,339	58
China	China National Petroleum Company	68,419	58
Angola	Sonangol	19,135	56
Russia	Gazprom	90,571	56
Ecuador	Petroecuador	8,174	56
Qatar	Qatar Petroleum	463,355	55
Bangladesh	Petrobangla	1,039	54
Mozambique	Empresa Nacional de Hidrocarbonetos	115	53
Cameroon	National Hydrocarbons Corporation	1,096	52
Timor-Leste	Timor Gás & Petróleo, Empresa Pública	10	50
Kyrgyz Republic	Kyrgyzaltyn	485	50
Papua New Guinea	Petromin	76	49

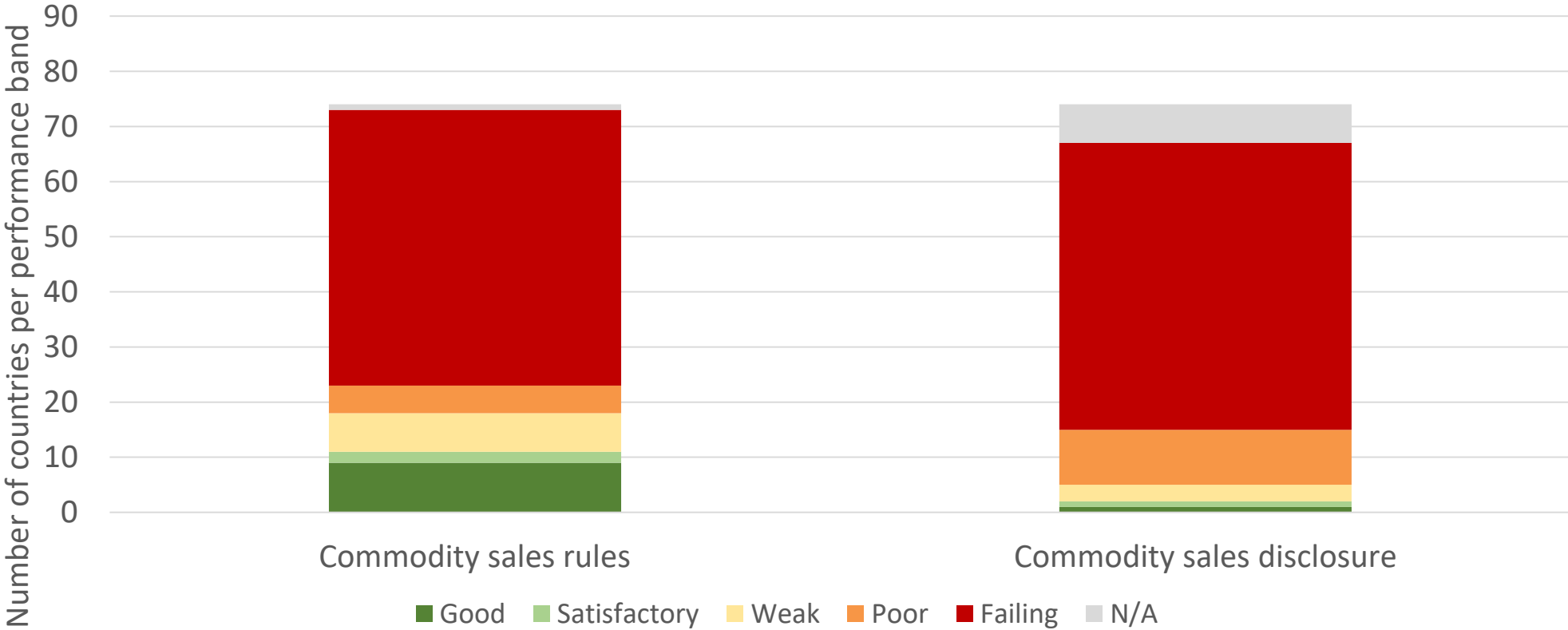
Country	State-owned enterprise	Gross sales (USD millions, selected years)	Score [/100]
Algeria	Sonatrach	70,366	47
Chad	Société des Hydrocarbures du Tchad	Not available	46
Zimbabwe	Zimbabwe Mining Development Corporation	307	45
Nigeria	Nigeria National Petroleum Corporation	6,992	44
Uzbekistan	Uzbekneftegaz National Holding Company	Not available	41
Ghana (mining)	Sankofa Prestea Limited	19	41
Congo	Société Nationale des Pétroles du Congo	Not available	40
Mongolia	Erdenes Mongol	1,246	40
Yemen	Yemen Oil and Gas Corporation	Not available	40
Cuba	Unión Cuba-Petroleo	Not available	39
Mauritania	Société Nationale Industrielle et Minière	1,117	38
Guinea	Société Guinéenne du Patrimoine Minier	1	38
Madagascar	Kraomita Malagasy	Not available	36
Egypt	Egyptian General Petroleum Corporation	Not available	36
Democratic Republic of Congo (mining)	Gécamines	Not available	35
Niger	Société de Patrimoine des Mines du Niger	127	35
Tunisia (mining)	Compagnie de Phosphate de Gafsa	260	35
Myanmar (oil and gas)	Myanmar Oil and Gas Enterprise	Not available	35
Tanzania (mining)	State Mining Corporation	Not available	33
Libya	National Oil Corporation	Not available	32
Oman	Oman Oil Company	724	32
Bahrain	Bahrain Petroleum Company	5,310	32
Botswana	Debswana	3,922	29
South Sudan	Nile Petroleum Corporation	Not available	28
Saudi Arabia	Saudi Aramco	Not available	27
United Arab Emirates	Abu Dhabi National Oil Company	Not available	27
Democratic Republic of Congo (oil and gas)	Société Nationale des Hydrocarbures (previously Cohydro)	Not available	25
Ethiopia	Adola Gold Mine	Not available	24
Iran	National Iranian Oil Company	Not available	22
Myanmar (mining)	Myanmar Gems Enterprise	Not available	16
Sudan	Sudanese Petroleum Corporation	Not available	13
Uganda*	Uganda National Oil Company	0	13
Gabon	Gabon Oil Company	Not available	11
Turkmenistan	Turkmengas State Concern	Not available	10
Equatorial Guinea	GEPetrol	Not available	7
Eritrea	Eritrean National Mining Corporation	Not available	4

*The Uganda National Oil Company came into being in mid-2016. It has not commenced activities and therefore most of the indicators in the index's SOE subcomponent were deemed not applicable. Regulation concerning its governance is not fully completed and users of the index should note this when reviewing the company's performance.

Commodity sales is the most opaque area of state-owned enterprise governance

Commodity sales rules and disclosures

Number of assessments per band



Performance classifications

Good	Scores 75 or more
Satisfactory	Scores 60-74
Weak	Scores 45-59
Poor	Scores 30-44
Failing	Scores less than 30

Global overview of payment transparency laws

US: Dodd Frank 1504

- Passed June 2010; initial 2012 SEC rules vacated, 2016 rules disapproved
- New rules due by Feb 2018; also repeal Bill in Congress
- Payment disclosure by US-listed oil, gas, and mining companies at project level

EU Accounting and Transparency Directives

- Passed mid-2013; 28 EU countries had to transpose (implement) by mid-2015
- Consistent with 1504; also includes large private companies and logging companies
- Approx. 150 companies

Norwegian Regulation on Country By Country Reporting

- Passed December 2013; in force January 2014
- Consistent with 1504/EU Directives
- Goes further: all subsidiaries, revenue, cost, investments

Canada ESTMA

- G8 commitment June 2013
- Extractive Sector Transparency Measures Act (private and listed companies)
- Legislation Dec 2014; in force June 2015
- Approximately 350 reports

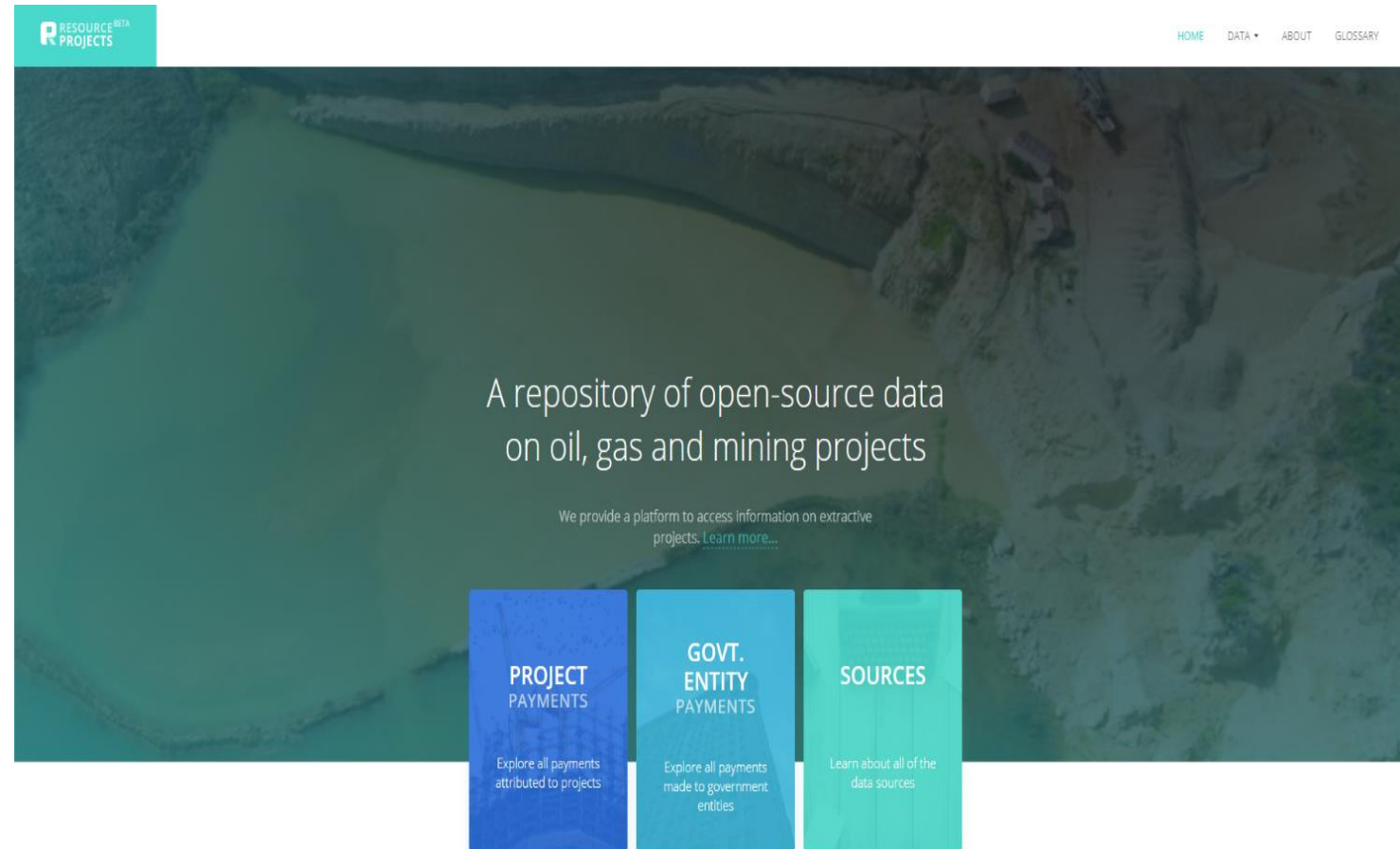
Going global...?

- Switzerland (draft law December 2016, committee mtg Feb 2018), Ukraine...
- Australia – Labour Party commitment. General election?
- BRICS/MINT and other major economies?

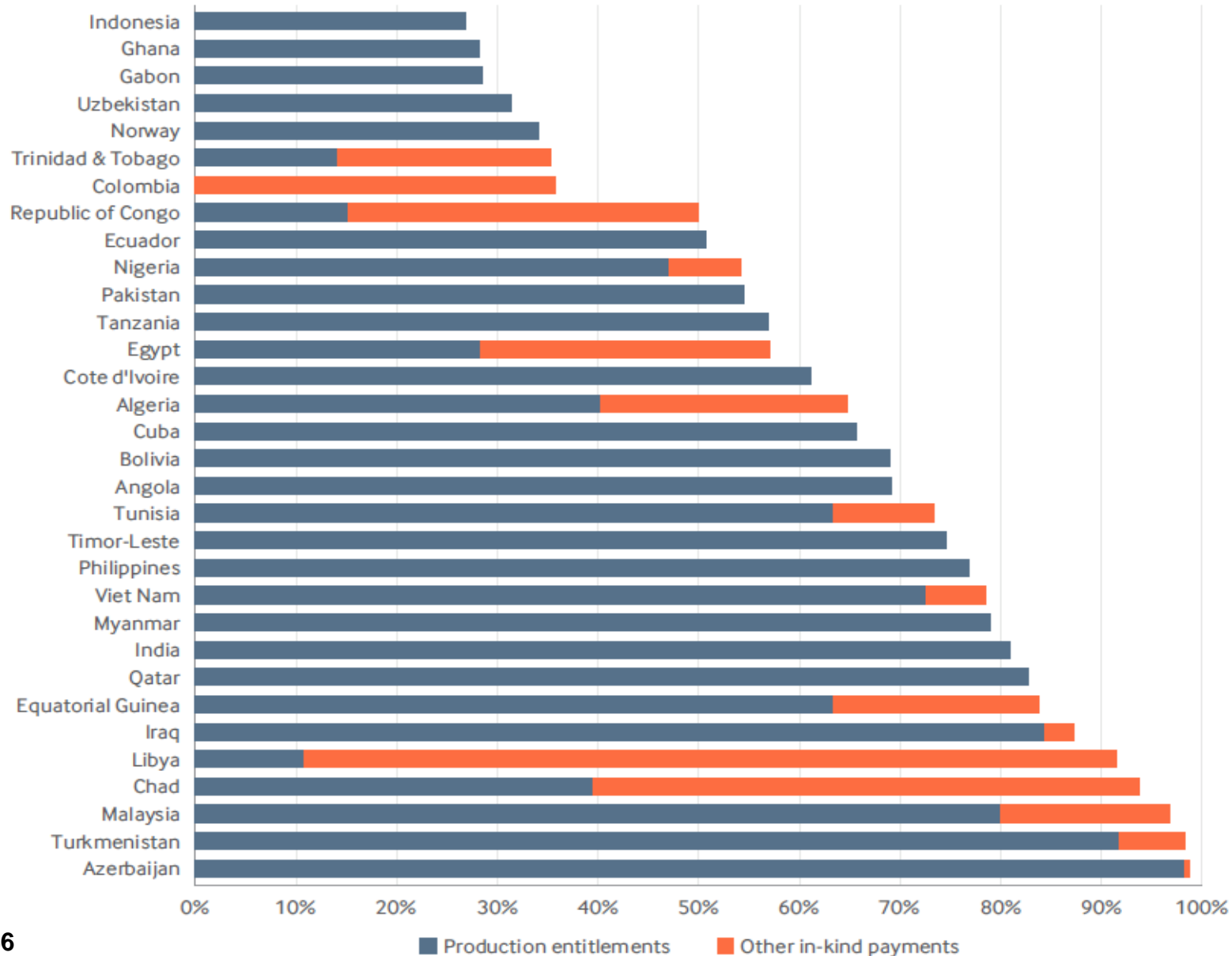
ResourceProjects.org

Payment disclosures on resourceprojects.org:

- **Number of reporting jurisdiction countries: 30**
- **Total Value of payments: USD 292 billion**
- **Number of disclosing companies: 502**
- **Number of countries that have received payments: 138 countries**
- **Key finding: major payments are made 'in-kind' in the form of oil, gas or minerals**



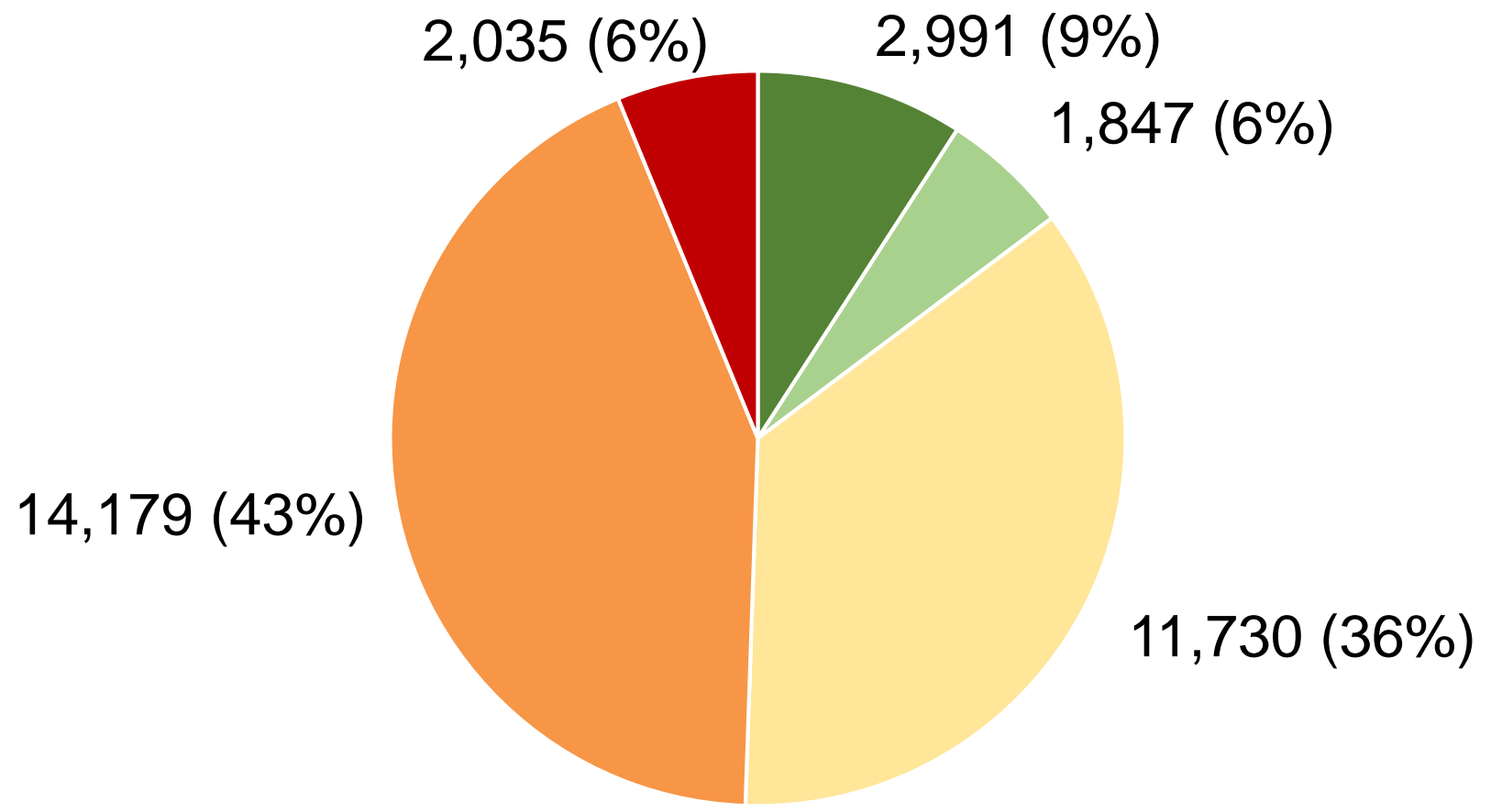
Scale of in-kind payments



Percentage of payments reported by companies in 2016 covered by PtG laws received in the form of physical oil and gas for countries with significant in-kind payments

In-kind payments and RGI scores

In-kind payments from PtG companies by RGI status of recipient country, 2016 (USD millions)



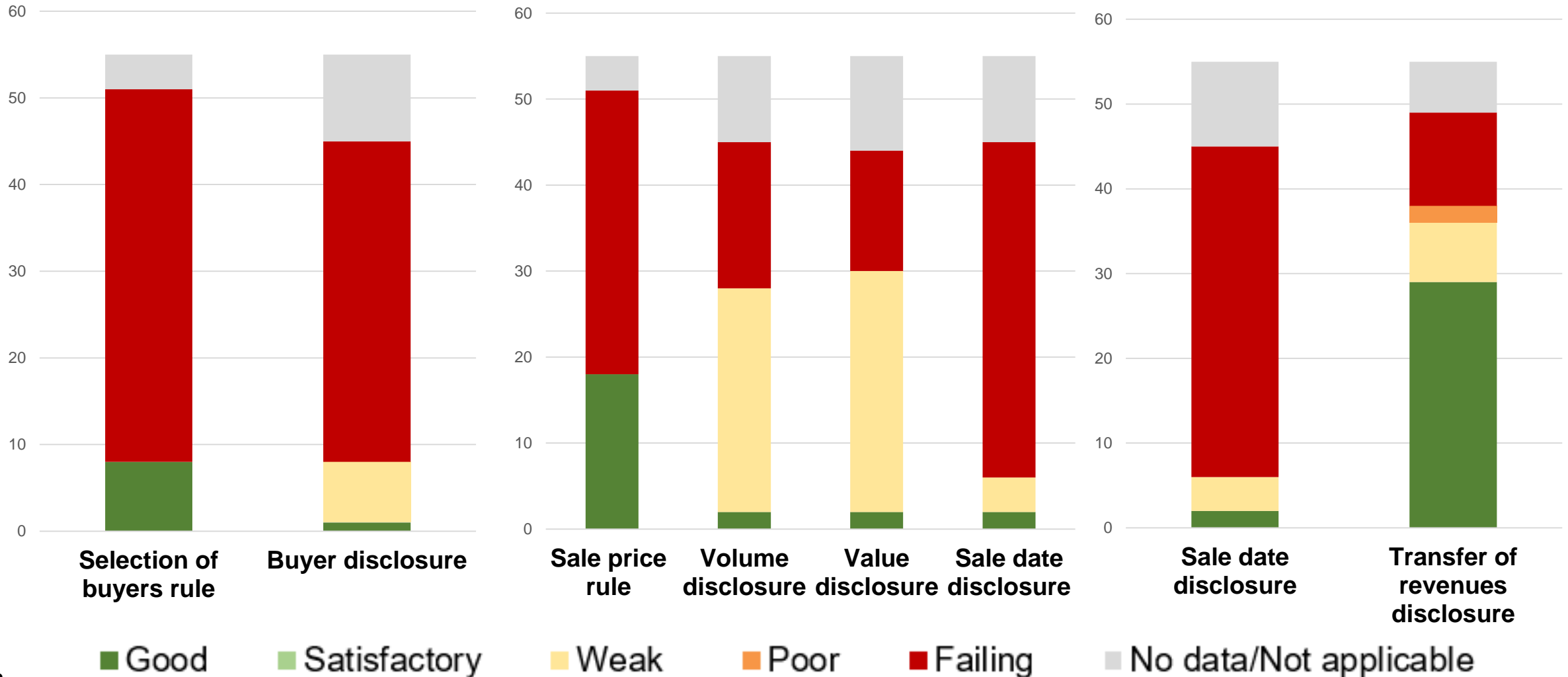
■ Good ■ Satisfactory ■ Weak ■ Poor ■ Failing

RGI - commodity trading corruption risks and NOC governance

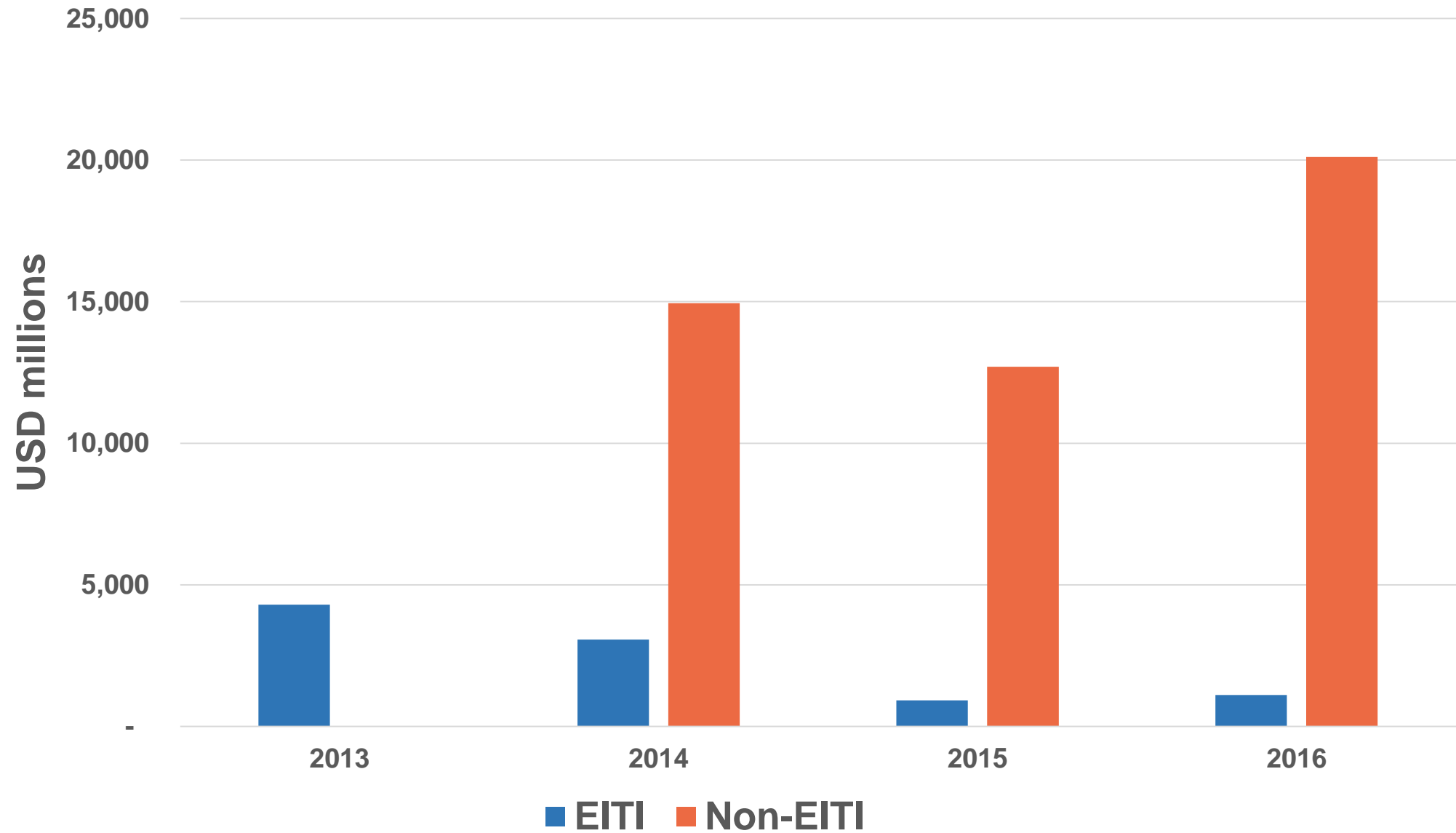
Selection of buyers

Negotiation of terms

Transfer of revenues



Trafigura first purchases from (EITI vs Non-EITI) NOCs 2013 - 2016



Trading transparency: the challenge

1

Sale of oil and gas can be a country's largest revenue stream (new data on in-kind oil and gas reinforces this)

2

Poor resource governance exhibited by SOEs on sale of commodities as well as corruption risks

3

Only one company proactively/unilaterally making disclosures (many key companies are not)

Trading transparency: a key solution lies with trading hubs

1

Commodity trading hubs should include commodity trading transactions in Payments to Governments laws

2

Switzerland, as world's largest trading hub, has an opportunity to do this in its own law currently being debated by parliament

Resource Governance Index recommendations

1 Focus on implementation

2 Continue to open governments

3 Bolster state-owned enterprise governance

4 Protect civic space and combat corruption

5 Strengthen global norms and institutions

6 Use data to drive reform



Oil, gas and mining for development