

THE BROOKINGS INSTITUTION
SAUL/ZHILKA ROOMS

PROMOTING GOOD GOVERNANCE AND FIGHTING CORRUPTION:
THE EXAMPLE OF NATURAL RESOURCE MANAGEMENT

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P R O C E E D I N G S

MR. EISEN: Good afternoon, everyone. If could ask you to take a seat, please. I'm Norman Eisen and I want to welcome you all to the Brookings Institution's Governance Studies Program for this afternoon's panel with some of the most distinguished opinion leaders in Washington, D.C., and globally on the subject of promoting good governance and fighting corruption. And we're going to study that subject in the specific example of natural resource management.

And I'm Norman Eisen. I'll be moderating today's panel. And with me today are Deputy Secretary Michael Connor of the United States Department of the Interior; Danielle Brian, the executive director of the Project on Government Oversight; Tony Cudmore, the chief public affairs officer for BHP Billiton; Nathaniel Heller, the managing director of RDI, the Results for Development Institute; and Robert Hunja, the director of public integrity and openness at the World Bank.

And I'd like to begin by inviting the deputy secretary to lead off today's panel. Deputy Secretary Connor has been confirmed as the deputy secretary of the United States Department of the Interior in February 2014, and he's been serving ever since as the second highest ranking official at the department with statutory responsibilities as the chief operating officer of this agency of more than 70,000 employees -- he knows them all personally -- with an annual budget of approximately \$12 billion.

He has been a key leader in implementing the administration's priorities for the Department of the Interior, including water policy, dealing with the unprecedented Western drought, as well as serving as the head of the department's land buy-back program, the land consolidation component of the Cobell settlement, and comes to these responsibilities after more than two decades of experience in the public sector.

Mr. Deputy Secretary?

MR. CONNOR: Thank you very much, Norman. I would just note that I am going to show them an optimism. I'm not going to express the fact that we've been having to prepare for shutdown possibilities at the end of this week. I do not think that will happen. I think we're well on our way to avoid that, but my optimism part is where our budget request is \$13 billion, so I hope to oversee a

\$13 billion agency as opposed to a \$12 billion agency. (Laughter)

Good afternoon. It's a pleasure to be here with all of you to talk about good governance and, certainly, fighting corruption and the U.S. efforts to lead in that area. I want to take a brief moment to highlight how the Department of the Interior is partnering with corporations and NGOs to increase the transparency of natural resources management overall, but then, certainly, highlight the progress that we are making in implementing the extractive Industries Transparency Initiative, the ITI.

Overall, I'd say transparency, accountability, and the public trust are key pillars in carrying out the vast mission of the Department of the Interior. And for context, we manage 20 percent of the nation's land base, which is over 500 million acres. We oversee development of about 21 percent of the United States energy supplies. We contribute about \$360 billion annually to the U.S. economy through energy, recreation, water resource management, and scientific activities. And we protect the natural resources, our country's heritage, as well as honor and serve Native American communities, so it's quite a broad and vast mission we have at the department.

The energy and natural resources for which Interior is responsible cross domestic and international jurisdictional boundaries, so we do have an international presence. And just as an example of our -- just a quick list of items that we're doing in the international arena. We confront illegal wildlife trading. We work with other countries to stop the spread of invasive species. We collaborate on trans-boundary resource issues. We provide scientific expertise to address global issues of huge importance, such as climate change. And, of course, which I think gets to the issue we're talking about today, we have significant economic activity in this country based on extractive industries and natural resources richness in this country.

Interior plays a significant role, obviously, in the President's all-of-the-above energy strategy. We want to secure a responsible, cleaner, and sustainable energy future for the country and one of the core objectives of our energy reform agenda is to increase transparency and restore public trust in how we manage, particularly at the Interior Department, approximately \$10 billion in revenues annually from energy development on federal lands and waters.

In 2010, in the aftermath of the Deepwater Horizon tragedy offshore in the Gulf of Mexico, Interior reformed management of conventional and renewable energy development, both onshore and offshore, by separating the leasing, safety, and revenue management functions of the former Minerals Management Service. And that was, from our view, a much better model for governing and regulating industries from that standpoint. This resulted in the creation of the Office of Natural Resources Revenue -- ONRR, as we call it -- and set the stage for demonstrating our commitment to transparency and accountability by leading domestic implementation of EITI.

Now, this administration has numerous open government initiatives and obviously the President places a high priority on making government more effective, transparent, and responsive to the needs of its citizens. And yesterday, once again, the President was at the U.N. Conference on Sustainable Development Goals and he reiterated this same theme about the implications of bad governments, corrupt governments, and how they impact their citizens. In prioritizing a more open government, President Obama has challenged each federal agency to take affirmative steps to raise the bar on openness and stakeholder participation, as well as harness technology to make government data more accessible and useful for everyday citizens.

So there's three fundamental principles I think EITI furthers and that the department is strongly committed to recognizing, understanding, and implementing. There's a powerful link between transparency, accountability, and the public trust. They go together.

Freely available data is a valuable national resource and strategic asset to government, its partners, and the public overall. And open data strengthens our democracy, promotes efficiency and effectiveness in government, and it has immense potential to create economic opportunity and improve the quality of life for our citizens.

Through the open government partnership and our initiatives we lead by example, both domestically and internationally, by challenging all countries to make commitment to promote transparency, to fight corruption, and to empower citizen engagement. So at the heart of the U.S. EITI initiative that we at the Interior Department are leading is the multi-stakeholder group, which provides the

platform for collaborative consensus-based model decision-making that's necessary for the successful implementation of EITI.

The MSG meetings are open to the public and provide a forum where the public, industry, and government stakeholders can come together and openly consult and inform public policy dialogue. It is a marathon. It's not a sprint to full implement EITI, but the progress has been methodical and constant. That's the good news.

In March 2014, the U.S. successfully completed the initial application requirements and achieved EITI candidate country status. In December 2014, to achieve one of the commitments made in the candidacy application, Interior launched a new data portal to disclose energy and natural resource revenue data and to ensure that the data is easy to understand for the public.

So we were looking at this earlier today. I think useiti.doi.gov is the website. It's not just a bunch of data thrown out there, it's really got a narrative associated with it and it's intended to explain, as well as provide information. So this data portal, coupled with the upcoming first annual report from the U.S. EITI, I think, raises the bar on the transparency of natural resources data.

Also, as the President constantly reminds all of us, we need to walk the walk, not just talk the talk. And so U.S. EITI implementation also ensures that the U.S. is leading by example. We're not alone, obviously. Other Western democracies, like the UK and Germany, have led in this area. This past spring, though -- it give us an opportunity to advocate and this past spring, when I was in Mexico, I met with my counterpart at SENER, the Mexican energy secretaria, Deputy Secretary Lourdes Melgar. It was very encouraging; her strong personal commitment to EITI, as well as the subsequent announcements by Mexico to move forward with the initiative. So, bottom line is: There's much work to be done, but we have made progress.

I want to conclude by applauding the efforts of each sector in the multi-stakeholder group, in particular a shout-out to our co-chairs Danielle Brian of the Project for Government Oversight, representing as a co-chair of the civil society sector; Veronika Kohler of the National Mining Association, who is our co-chair from the industry sector. My Interior team, our lead Paul Mussenden -- Paul's sitting

here today -- and Greg Gould, they've explained to me that the conversations within the MSG are robust, active, sometimes intense, even as of late. But they all log the progress that has been made by the group and the openness to the dialogue, and that we are moving forward in continuing to improve transparency.

So, with that I will turn it over.

MR. EISEN: Thank you, Mr. Deputy Secretary. And having heard from government, we'll now hear from a representative of U.S. civil society and from a global business, both of which are deeply engaged in this.

Before I introduce them, just a couple of logistics announcements. I have to add my appreciation to Paul for his outstanding work in putting together this program. Thank you, Paul. I want to remind everybody who is standing at the back, there are a few seats up front if you'd like to come and join us. Thank you.

There are lemon bars remaining at the back, I vouch for them. (Laughter) We're all friends here, so no one will take it amiss if you get up and have a lemon bar and a cup of coffee as we go through. And also we would like to thank BHP Billiton for their generous support of our Governance Studies Program.

So my friend Danielle Brian has been the executive director of the Project on Government Oversight since 1993. She frequently testifies before Congress and regularly meets with members of Congress and officials at the White House and federal agencies to discuss how to achieve a more effective, accountable, open, and ethical federal government.

When I was responsible for these issues at the White House, on the campaign and the transition, and at the White House in 2008, '09, and '10, I frequently met with Danielle and I can vouch what an effective advocate she is and it's no wonder that the U.S. EITI multi-stakeholder group has chosen her as the co-chair and as the chair of the civil society component. So, Danielle, over to you.

MS. BRIAN: Thank you very much for those very kind words. And your team in Interior has really been really extraordinary, also. I wanted to say that it's been a challenge, as they've described, but also a very rewarding process for us to be working on this together.

So the question I think many in the U.S. asked when the prospect of applying EITI in the United States was, why does disclosure of revenues derived from natural resources matter in the U.S.? And how does that help combat corruption here?

So the U.S. might not have the same kind of corruption that is endemic in other parts of the world, but that doesn't mean we don't have big problems here. And we still have a vast amount of what some of us would call legalized corruption because of the undue influence of industry over public policy. So it was not, for example, in the not too distant recent history that MMS, the Minerals Management Service, was in the headlines because of, in general, an inappropriate relationship between government and industry. Much of that has been fueled, for example, because of the very legal revolving door, but that has raised public concerns about the relationship between industry and government.

The second big reason why EITI was important for the public in the U.S. is that many important public policies, including for example the General Mining Act of 1872, which is still on the books. Royalty relief and other tax subsidies are encouraging production, while depressing or negating payment for them. The public needs more information on who is really benefiting from those industry-friendly policies.

And the third big reason, at least from my perspective, why having this kind of a transparency initiative in the U.S. is important is that tax avoidance -- legal, but real -- is an increasingly domestic concern. There has been global activities working in that sector for a while, but I think in the U.S. it's becoming more apparent that U.S. tax laws are making it impossible to know how much, if any, taxes are being paid or not paid for extracting natural resources. So I would say that U.S. EITI is already helping with the first two.

This has been my first experience in multi-sector decision-making. As Norm mentioned, I have a fair amount of experience working with the government, but I have to say this is the first time I've ever sat down with industry and I think that we have a lot to be proud of as we're wrapping up the first report, which is going to be released in December.

And some of the insights that I want to highlight that you're going to see when the report

is finalized were based on decisions that have been made because of this multi-sector decision-making process over the last couple of years. One of the highlights, I think, is that in the U.S. we've expanded the kinds of commodities that are going to be incorporated, in terms of revenues that are generated from the extraction of these commodities beyond oil, gas, and coal to include hard rock minerals, renewables, and we're going to be working in the next year towards figuring out how to expand into forestry.

Another important value added, I think, that's happening in the U.S. is we're the first, if not one of the first countries to be looking at the fiscal impacts, not just of the revenues, but also the costs of extractive activity. And so, what that means is, we're in the process of gathering -- and one of the things we're finding is, sometimes, the data just isn't available and that is, in itself, an important thing for us to discover -- but where we can find it, 10 years of data on direct employment, as well as in 12 countries that were selected through a lot of negotiations, costs to the public for emergency services, water, road infrastructure, and reclamation due to extractive activity.

And the other thing that you should have taken credit for, but I'll give it to you for you --

MR. EISEN: I'll take it.

MS. BRIAN: -- is that the Department of the Interior has unilaterally already disclosed 100 percent of the royalty revenues by company. So this is something that was happening while EITI was unfolding, so it's actually already on the portal. But that's a big deal. So while it's not meeting the standard of the Extractive Industries Transparency Initiative in that it isn't all reconciled -- thanks, Paul -- it's out there, so we're now able to see for the first time the Department of the Interior showing all those revenues that they are collecting for the first time. So I'm really tremendously proud of where we've come.

The biggest challenge we are facing is on tax reporting in the U.S. There are very few companies at this point that have agreed to report taxes and that's a big challenge for us because that is one of the fundamental requirements for the international standard. And I'm very pleased, actually, that BHP has hosted this panel because in their report that they're releasing, they are releasing data on all of their tax payments, and they are also taking the step that industry in the U.S. has been hesitant to do so

far, which is to embrace a certain level of project reporting, which I believe is at EU compliant level and that is a really important standard and example that the rest of the companies that are involved in this operation, I think, could learn a lot from your decision making and learn from your leadership.

So I know there's a lot of people in the audience who know a lot more about this, actually, than I do, so I look forward to their questions, as we move on.

MR. EISEN: All right. (Inaudible) Danielle and I also write and do scholarship together so she, as usual, gets all my best lines. (Laughter) But I will say that our next speaker is Tony Cudmore. He joined BHP as the president of corporate affairs in March 2014. Prior to that, he was with Exxon/Mobil for 13 years, both in the United States and in Australia, occupying a wide range of senior and global corporate affairs roles. Prior to that he was in government, including as the principle advisor to the then premier of Victoria, the Honorable Jeff Kennett, a member of Parliament, and also worked in civil society.

So, Tony, give us the corporate perspective.

MR. CUDMORE: Well, thank you, Norm. I will do that, but I will not give you any corporate spin. This is a spin-free zone, I can assure you today, from my perspective.

But I did want to thank you for the opportunity and, Danielle, thanks for referencing some of the comments about our recent report. I thought I'd make a few opening remarks about our philosophy, if you like, of transparency and then talk a little bit about some of the points of view that we're bringing to this debate as it continues to evolve both here in the U.S. and also around the world.

I think the first point I'd make is that BHP Billiton, as many of you probably know, is the world's largest mining company and also a very significant oil and gas producer here in the United States, in the Gulf of Mexico, and also in the shale business. We're the largest foreign investor in the U.S. shale sector, primarily in Texas, Arkansas, and Louisiana.

But we are a global company. We have a commitment to operating long-term expandable assets. So for us that means really measuring our footprint in communities in decades and, potentially, in some parts of the world in even longer timeframes than that. And so for us, our commitment to being, if you like, a good corporate citizen and to being a responsible payer of taxes and

royalties is very, very important. We understand the responsibility that that really does bestow on us. And that's a responsibility that's important because ultimately the revenue that we contribute does enable governments to provide the services and infrastructure that it's needed to improve their citizen's quality of life.

So, for us, effective natural resource governance is both the right thing to do, but fundamentally it also creates the right business environment for us and the deputy secretary mentioned information as a strategic asset. Well, I think that's a really interesting way to look at it and certainly from our point of view the provision of information and greater transparency really does drive a more stable political environment and, thus, a more conducive investment environment.

So it really is our view that countries that do transparently and effectively allocate natural resource wealth are most likely to be creating that stable political environment. And we've had this view for quite a long time. We're actually a founding member of the EITI. We have a member on the global board and we think that that is an important element of our overall approach to citizenship and business conduct. But we've gone a step further this year. We released last week a new report. We're calling it our Economic Contribution and Payments to Governments report. This is not spin, but here it is. You can get it on our website, as well.

But we think this is an important contribution to the debate because it's for the first time our company and, I believe, certainly close to the first time in the sector and certainly for a major company that we're reporting taxes and royalties on both a country-by-country and a project-by-project basis, and we're doing so in a manner that's consistent with the European Union Transparency Directive. And we have to comply with the European Union Transparency Directive when it comes in, in a year's time, because part of our business is listed on the London Stock Exchange, so we're captured by EU regulation. We're equally listed on the New York Stock Exchange and so we're certainly very much subject to jurisdiction in the United States, as well, and in other countries.

But we're undertaking this report and we've published it a year early because we want to really try to achieve, hopefully, three contributions to the debate. The first is that we're in a period now of

subdued global economic growth and commodity prices. And tax -- and if you like economic policy more generally -- are the subject of major discussion, as they should be, and we want to be able to contribute to that debate.

Secondly, we want to be able to help all of our stakeholders understand our broader contribution beyond the taxes and royalties and other payments to government that we make. Our broader contribution in terms of suppliers, salaries, and other aspects of our investment, if you like, in our supply train.

But, thirdly, in our report we're trying to make the case for the establishment of some sort of global equivalency here. So, as the United States considers where it's going now, as the SEC considers its approach to transparency regulation here, it would certainly be our view that as we have the potential for divergent approaches in many countries, that we try to make an effort to try to bring some degree of coherence and equivalency that would certainly make company's lives less complex, in terms of reporting, and we believe will help stakeholders compare and contrast data, if it's done on a globally consistent basis.

And the last point I would make is that transparency is very, very important. In our view it is a means to an end and the ultimate end is good governance of natural resources and the benefit that accrues to citizens of nations who produce those natural resources.

So as the amount of data being disclosed increases around the world, and it is going to increase as various jurisdictions bring forth their own policies and, hopefully, they can be brought to some degree of equivalence, we also think that it's very, very important that that data be easily understood and analyzable by those that that data seeks to benefit, being the citizens of the countries that are producing these natural resources. So, for us, that's an important point. We've made it in the report and we believe access to the level of data is important, as is the accessibility and the utility of that data.

Thank you.

MR. EISEN: Thank you, Tony. Next we'll hear from Robert Hunja. Robert is the director for public integrity and openness in the World Bank's Governance Global Practice and he will bridge on

Tony's opening to the rest of the world by giving us some global reflections. In his current role he oversees the implementation of the World Bank's procurement policies, as well as a number of programs focused on enhancing transparency, citizen participation, and multi-stakeholder collaboration in countries across the globe.

He previously managed the open government practice in the World Bank Institute and he is a Kenyan national and, like me, a lawyer by training, so he's been doing significant work in the field of openness and has worked in procurement, among other arenas, for over 17 years, including for the government of Kenya.

Robert, how does the world look from your perspective on these issues? You can take an extra minute. (Laughter)

MR. HUNJA: Thank you very much. I'll take the extra minute. How does the world look? The possibilities are immense, but the chances are bleak that things go wrong. Let me share why I say that. From where we sit at the World Bank, as an institution that cares very much about the trajectory of countries, I will mention two quandaries that we see that are really very important to this conversation.

The first quandary is the capacity of natural resources to be transformational to development in countries. That is well known, we have seen countries that have moved the development trajectory very well because they have managed their natural resources well. But that is coupled by the reality that if you look at Africa, the continent from which I come from and which I care a lot about, there's a very close correlation between natural resources and conflict and war. It is so closely interrelated that you can not avoid the fact that what is called the resource cost is not so much a resource cost, but a cost of poor governance.

It's not the resources that actually make these countries go that trajectory of conflict and war, it's actually bad governance that leads them to that trajectory.

So the question we are facing now as an institution is, as we look at the following two facts: How do we avoid these countries leading to their own trajectory and these are the two facts that I imagine as I look at what is happening in the world right now?

One is the places where new findings of oil, gas, minerals, and other natural resources are being found in large quantities. I suggest 70 percent of them, the new countries, are in countries that have governance challenges. Again, if I give you an example in Africa, just in oil, it's Uganda, it's Kenya and if you look at gas it's Mozambique, so places that have a history of serious governance deficits and this is where the new findings are. Now, that's across the globe. I'm just giving you Africa as an example.

The second fact is who is now coming into the business of getting these resources out of the ground, or whatever it is they are? Many of them are companies from emerging markets where corporate governance is not exemplary, so they're not BHP Billiton.

So, if you combine these two facts, the findings in countries where governance challenges are significant, the companies that are going to be involved in bringing these resources into the market come from places where corporate governance is a challenge, it gives you the immensity of the challenge, the potential sorry trajectories again.

So what do we do when we're faced with this quandary where the potential of natural resources to enrich people's lives and for people to have greater meaning is very huge, but the chances of things going wrong is very large? So I think that's part of the challenge globally and not just us at the World Bank, but as people who really care about people. Because, ultimately, it is about people.

So let me finish with a little bit of commercial about what it is we're doing as an institution. We're doing a couple of things. One is focusing very hard and working very closely with those governments that are coming online as new countries in this arena. Trying to see and to guide them so that they avoid their own trajectory, they avoid becoming the DRC and the North Nigeria and the other places.

So helping them with legal frameworks that promote greater transparency, helping them with policy formulation that helps them think thoroughly on a long-time basis how they can use these resources to develop better. Helping them think through how they can create greater trust between government and their citizens because, ultimately, conflict comes about when citizens don't trust that their

resources are being used to make their lives better. And here the transparency and accountability work is really, really important.

Then we are doing a couple things. One is supporting very much EITI. We have a pot of money that we have put together to support countries implementing their EITI commitments and that is very, very interesting work that is bearing good fruit. Also, we have lots of learnings and one of the learnings, as I move to conclude, is that transparency is important in itself and it's really a *sine qua non* for really being able to involve citizens in engaging their governments to avoid their own trajectory.

But making transparency have meaning, so that the data that is put out there is being used for whatever purposes, making transparency have meaning is a non-trivial exercise. It's something we have to work on together for a very long time, building the capacity of various stakeholders to have the capacity to engage with the data and the information that is being put out there through all of these transparency mechanisms. So this is something we're very committed to do, but obviously we can only succeed if we work in concert with others.

Finally, let me just conclude by saying this. So the challenge is significant. The opportunities are very exciting, which is to get countries to move on positive trajectories, but we have to, even on the transparency agenda -- and transparency doesn't solve everything -- but even on the transparency agenda we have to work on a couple of things that are really important.

We have, especially in this industry, in this arena, dark pockets of opaqueness that we have actually accepted that they should continue to exist. Let me just give you an example as I conclude.

Contracts: Concession contracts and contracts that aren't oil, gas, or mining are largely still held in secret. And if you think about it, this is totally unacceptable because these are public contracts about public goods. So we have to work hard again, not just pushing the transparency agenda and making transparency have meaning, working with countries so they avoid their own trajectories, but also focusing on those of darkness and opaqueness that still exist in this industry.

So that's why we decided to join up with colleagues such as this, at this panel, and together to work hard and in concert to help countries improve and, finally, so that the people -- because

we cannot forget that it's finally about the people -- that the people's lives are improved.

Thank you.

MR. EISEN: Thank you, Robert. And we thank the World Bank for all that you do everywhere on the planet.

Our final speaker, cleanup hitter, is my friend Nathaniel Heller, the managing director at R4D, the Results for Development Institute, which he joined in 2014 where he leads R4D's Governance Program. Prior to joining R4D, he was the co-founder and the executive director of Global Integrity, an NGO that promotes government transparency and accountability worldwide. And before that, he served at the United States Department of State, focusing on European Pol-Mil Affairs, as we in the diplomatic family call it, Political-Military Affairs. And also worked for, among others, the late Senator Ted Kennedy.

Nathaniel, what can we do, to pick up on Robert's question? What works, what doesn't, to make transparency have meaning globally?

MR. HELLER: Well, my guidance before this was try to weave some sort of common thread and summarize a bit or draw out an insight or two, so I'll answer that and try to tie this together.

I actually want to repeat one of the last things Robert mentioned because to me -- it actually is a very interesting arc in this conversation that I think is worth surfacing. I mean, this may not be verbatim, but it was, "transparency itself is important, but making it have meaning is a non-trivial exercise," which I fully endorse. So what I found really interesting -- I don't think there was any coaching or prompting -- was we started with the deputy secretary talking about what I would describe as the intrinsic value of transparency.

So we heard transparency, accountability, public trust and Danielle, in many ways, reemphasized a lot of that. We need to know who's working for who, where the dollars are, where the data is, the revolving door issues -- essentially in some ways arguing that there is a thickening of social fabric, a deepening -- the democratic contracts, not to get too verbose, that results when we embrace and invest in these sorts of transparency measures.

And I feel Tony helped highlight the alternative or parallel paradigm, which is the

instrumental value of transparency. We start to hear about the benefits from citizens, from local communities, and Robert very much -- and very helpfully -- really driving at this, unsurprisingly, from the Bank's perspective that fundamentally you have to be able to argue for the return on investment at the community and, almost, at the individual level. Is this transparency work improving the availability of clinics, whether teachers show up to school, conflicts being the most acute case. And to me that's been one of the fascinating tensions. And I don't think it's a zero-sum tension, but it's a fascinating tension that has cropped up time and again and sort of persists, particularly within the extractives universe.

This is really interesting, I think, within the context of EITI and in developing countries -- and I'm no expert; there are many others both on this dais and in this audience who are -- but what we've seen is this sort of theology that has been advanced which argues that greater transparency helps, I'm going to paraphrase and be intentionally glib, but greater transparency equals less diversion of funds. That's a good thing. Less diversion of funds leads, hopefully, to smarter and/or more spending on social safety net programs, on development programs, and that that kind of spending ideally improves peoples' lives.

And, again, this is a broad-brush caricature. And I subscribe to that, I aspire to it, but there's a huge amount of complexity. Tony touched on it, Robert, most of the others did, as well. I'm a big believer in the idea that greater transparency will, actually, in the short-term and medium-term, lead to less stealing of resources, and you have more dollars in the coffers, especially public sector coffers. That's a good thing. But do we really get smarter policy decisions and/or smarter or better and greater spending on the alternative choices?

So, if, all of a sudden, we have \$100 million we didn't have, are we going to get more spending on health or education, or do you go and buy a bunch of frigates? Or do you buy a bunch of bullets, et cetera? And money is fungible, of course, right, particularly within the public sector budgeting. So there's a lot complexity there. There's a lot assumptions that we all make around, essentially, evidence-informed policy making. So now we've got more money, of course, we will logically spend it on the things we should spend it on that affect people's lives. Maybe, instead, we bid on the Olympics and

lose \$15 billion hosting the Olympics, et cetera, et cetera.

So I think there's a lot of problematizing that's worth sort of thinking through when we're engaging with government interlocutors, particularly in low-income and aid-dependent context, when we're sort of trotting out these arguments to just be sure that we're not setting a set of false expectations.

There's also a huge amount of disagreement that remains within the extractives universe around what the best practice model is for spending that money better. Do you go the Norway model and have a protected trust fund that's set up from which one can draw in a very transparent way to spend on particular programs? There's a whole community that argues for just putting this with the Treasury. The trust fund's a bad idea, a waste of money, time, and resources. Just stick it in the Treasury and let the Treasury do it. And I don't think we really know what the best model is and it's very context dependent.

So, to me, a lot of this does come down to trying to intentionally problematize the automaticity that we invoke, almost subconsciously, between greater extractives transparency and improved outcomes that affect people's lives. I think it does happen. We have a lot of stories where it does happen, particularly at the local level, but from a systems change level, can we really guarantee this in all cases? I don't think we can.

To me that is part of the vanguard of where we're going. There's a lot of interesting research now that's starting to be launched and Robert's been trying to push this, certainly we have at R4D -- even Norman is trying to work on this -- in trying to better draw out these links. It's really hard research and evidence-building work, but we have a lot of new techniques we didn't have 15 or 20 years ago, and I have some high hopes for this work.

So, to offer just some food for thought for the forthcoming discussion, I would sort of think about that theory of change that a lot of us, both consciously and subconsciously, invoke around these issues and try and intentionally make it harder, and I think that actually reveals a lot of points of intervention.

MR. EISEN: Thank you, Nathaniel. I want to thank the panel and before we turn it over to all of you for your questions, so get your questions ready, please. I'll invoke my moderator's privilege

to just piggyback on that, that what we're seeing is we've heard in the United States from the government perspective, from the perspective of other stakeholders globally, from a business, an NGO, and the World Bank perspective, what we're seeing is a convergence of understanding on principles. But with the principles comes a multiplicity of practices and the trick is getting to a consensus on best practices and finding the data and the evidence about what works and what doesn't.

So in that sense, we are all flying the plane as we build the engine and try to figure out where the evidence leads us. And I want to thank the panelists because you've really given us a tour around the globe of how every different type of stakeholder is addressing these issues. And we have really an extraordinarily rich body of expertise represented today by all of you. We're all so impressed in looking at the broad range of experts represented on the RSVP list today.

So, with that, while I do have some more questions for my colleagues, I think that I will open the floor to our guests. There are two of my friends who have microphones and we will start here with this gentleman in the second row. And just tell us who you are when you ask your question, please.

MR. CARROLL: Yeah, my name is Tony Carroll. I'm a vice president at Manchester Trade and I teach as an adjunct professor across the street at Johns Hopkins. I'd like to ask Robert a question, maybe drawing upon his experience as a lawyer in Kenya.

About 10 years ago, John Githongo came here and actually spoke about his book, *My Turn To Eat*, I believe it is, about changing political structures doesn't necessarily lead to improvement, that there's an ingrained element in governance in Kenya that's fostered years and years and years of corruption. Ten years since then, Kenya's made some accomplishments in broadening its tax base. Actually, Kenya now, among all African countries, draws more upon its domestic tax revenues than any other.

My question is, the beginning of corruption through the type of resource flows that come from that extractive resource into government allows for a sort of rent-seeking behavior by leaders, do you think the idea of broadening the tax base will increase social contracts and allow for more, shall we say, critical review by citizenry of how government is run? And I'd like to perhaps point this in your

reference to Kenya now about to become itself a natural resource producer of some magnitude.

MR. EISEN: You may answer, please. I'd like to know, also.

MR. HUNJA: Well, I'd like to know, too. (Laughter) Well, I don't know how much time we have, so I'll be very brief. I think the premise of your question is entirely right. So just to share with you, in 2006, I actually left the Bank and went back home and joined government, joined the Ministry of Finance as a Director of Public Procurement, which is a very interesting patch from which to watch the governance question.

And, as Kenyans, we are actually quite worried about this question because as taxpayers, if we see that our taxes have been collected well, which there is evidence now, and has been used well, our trust in the governance system increases. Now, if more and more resources are coming not from the pockets of taxpayers, but from natural resources, we begin to worry that that link will begin to weaken. And it's a significant problem, and I'm using Kenya as just an example; it's the same in many of those countries around there. This risk is very, very huge and that's why I'm saying the opportunity actually to move the trajectory up is significant, but the risk premium and it's also very high.

And we, as Kenyans, but also all of our other partners, need to focus very hard on ensuring that that we don't fall into the wrong trajectory. But the risk is not zero, it's not minimal. It's significant.

MR. EISEN: If I can just do a follow-on to Mike and to Danielle, your question about the relationship between changing structures and achieving improved outcomes goes to something that I kitized on when I was in the White House, but that Interior and POGO and others in the NGO sector were very busy on, which was the restructuring of MMS.

Mr. Deputy Secretary, do you think the breakup of MMS into three discreet entities, the structural reform, has been a success in improving governance? And, Danielle, I'd be curious whether you think it succeeded, as well. Perhaps it offers some lessons both in how bad it was at MMS, what was going on there with the sex and drugs. They left out the rock and roll, but they had plenty of sex and drugs. What was going on there I think would represent a low anywhere on the planet and the structural

reforms I think have been very interesting.

So what are your views, if I may ask you briefly?

MR. CONNOR: Well, because of those issues that existed at MMS, I think the restructuring of MMS and dividing it up into three different organizations is a success right off the bat because I think it did indicate a recognition of the problems inherent in that organization and the need to address them through organizational changes. So I think it had some value from that standpoint.

But beyond that I think that we've seen the process play out. It's been very successful in allowing folks to focus on certain activities, the leasing, the allocation, and the analysis that goes on with respect to making resources available, particularly here in the offshore coast. The Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement has been able to regulate and focus on safety standards, both offshore in the Gulf of Mexico and in the Arctic, as we've had some Arctic activity this past summer.

And then ONRR, the Office of Natural Resources Revenue, has been able to really focus its energies on valuation issues. And so we've got people able to exert organizational priorities to areas that we've needed to. If you had one organization, I think you do have the issues of complexity of people working with industry in different roles, and how does that compete with each other, but I think we've just have been able to have more priorities move forward, based on the independence of those organizations to focus on their own expertise.

MR. EISEN: Danielle, has the break-up restored honor to --

MS. BRIAN: Honor to ONRR? Well, first, I think it's important to recognize that the break-up happened because of the extraordinary salaciousness of the problems that were revealed by the IG, but there had been problems that POGO had been working on for more than a decade prior to that in the fact that that office had over time, we believe, had become so intertwined with the industry that it was regulating that it had lost sight of what the companies really owed and were allowing the companies to promote and implement policies -- or push for the implementation of policies -- that were allowing a dramatic underpayment of what they owed.

So that's actually the kind of thing that worries us across the government is how industry can influence policy-making legally, essentially. And so, once the sort of extraordinary drama of MMS became more apparent -- and to be clear for those of you who aren't as familiar with what that meant, MMS, the Minerals Management Service, had been charged with the basically conflicting mission of both promoting and production of extractives on public land and, at the same time, auditing and collecting the information that were owed to the government.

And so what happened was it was actually divided into three different sections. One focused entirely on safety, one on the collection and auditing, and then the other on leasing. And I think, certainly, on its face that's an incredibly important thing that happened. At that time there was also the ending of what we thought was a very failed exercise in allowing the companies to pay royalties in kind rather than paying in dollars, which was also kind of indicative of the kinds of problems that MMS was allowing to happen.

So we're feeling that that was clearly a step forward and this is one of these things where we don't think there is any more sex and drugs and rock and roll happening, but -- I think things are okay, until we find out that they're not. (Laughter)

MR. EISEN: All right. Let's hear from someone on this side of the room. Yes, sir? Again, tell us who you are and just a brief question, please.

MR. SNYDER: Yeah, sure. Jim Snyder, ISOLN. I would estimate that the U.S. public airways are worth about a trillion dollars. Are they, according to your definition of natural resources, a natural resource? And if they are a natural resource, should we be concerned about having the same type of transparency and corruption regulations we have for the tangible natural resources for this other realm?

I would argue that the transparency and accountability mechanism for the public airways in the United States are far, far worse than for our tangible natural resource, where at least the public has some intuitive sense of things that are physical as opposed to invisible. But should it be part of this discussion or not? It's arguably one of the most, if not the most, important natural resource in the United

States, but, of course, it's a new resource. It wasn't very valuable 20 years ago, but now it's incredibly valuable.

MR. EISEN: Okay, Nathaniel, do you want to express an opinion on that?

MR. HELLER: I think it's a brilliant question. I appreciate you raising that. I don't know if I have an answer. The cliché that's been trotted out by a lot of folks, including myself, in the last several years is this idea of data as the new natural resource. And I think it's a parallel question to yours.

Yeah, in the domestic context, what little I know, absolutely. I mean, we have a messed up process for how we deal with spectrum licensing and how we deal with buy-backs, et cetera, et cetera. So, absolutely, more transparency there is a great thing. But I think globally this is a real -- if you're thinking about the problems we have in a fairly and, all things considered, well-developed regulatory framework and environment in the United States, can you imagine in some of the emerging economies, in lower income context, when you're dealing with broadband rollout now, when you're dealing with a deregulated media landscape, it is the wild West. A lot of us know this firsthand. It's a real nightmare.

You look at media ownership and control and concentration, you have governors and political leadership running stuff. If you look at Eastern Europe right now and you have powerful Mafia figures running the majority of the media landscape, et cetera, et cetera. So there's a lot of horror show out there around these issues. I mean that quite seriously.

I'm sort of looking at Robert. This is really tough stuff. The only good news is these processes are so fresh and sort of fluid right now in a number of economies and countries, there's a chance to maybe get it right. I think in the U.S. it's arguably going to be more of an uphill battle. I mean, there's clearly some advocacy and good work that's been done and more to be done, but it's a grind. And I think there's an interesting moment in a number of middle-income, transitional, and even some lower- and middle-income countries to make a big band sort of shift so that they're not having 25 years from now to fight the slog that we're fighting domestically.

MS. BRIAN: I would just add to that, Jim, that because in the U.S. we are incorporating renewables as one of the extractives, we're setting the stage for it not just being those natural resources

that are not renewable. So I'd love to go there.

MR. EISEN: Fascinating. Okay, we have time for one last question, maybe for two if we're very efficient. Shanna, you can -- somebody pass the microphone to that young lady over there.

MS. ST. JOHN: Hi, my name is Karen St. John and I used to work for the petroleum industry. I've recently retired. I was involved with the EITI in various countries early on, but it's been a number of years. I was wondering, where are all of these transparency initiatives now vis-à-vis state-owned enterprises, which we know in many countries that's where the big stuff is?

MR. EISEN: Okay, Tony, you have a global perspective, do you want to reflect on that?

MR. CUDMORE: I think what I would say is, that's obviously been quite a significant debate, particularly in the United States, particularly around some of the OPIs, earlier concerns with the potential SEC rule. I suppose we've taken a slightly different point of view, so I'm not going to speak for any other company other than to say that we've taken, I suppose, a slightly more unilateral view that we're making decisions in our own right and making decisions based on what we think is the right thing to do in the jurisdiction in which we operate, which is all we can ultimately do.

Beyond that, though, we clearly want to provide our voice more broadly, which is that more transparency -- notwithstanding some of the caveats, Nathaniel and Robert, you mentioned around, well, what's the ultimate impact? Which is an important debate, but generically speaking, the more transparency, the more informed the debate's going to be.

So I don't really want to comment on the SOE sector, per se, because it's not really inherently relevant to our business, other than to say that it's obviously a debate that's alive and well still here.

MR. EISEN: Anybody else want to add to the SOE question? Mike?

MR. CONNOR: Well, that's another question that I think is a very good one and you can go down all kinds of paths. I go back to the discussion I had with my counterpart in Mexico earlier this spring and we talked mostly about the context of EITI in the mining industry because HMex is a state-owned entity, but there are obviously lots of questions pursuant to this discussion that, you know, what

are they expending for operations? What are the profits that could be reinvested in other governmental function? That kind of transparency which I think is relevant and important, and I'm not quite sure how they deal with it now and how they're going to deal that with the context of EITI.

Same thing with -- we don't have state-owned entities here, but I used to run an organization, the Bureau of Reclamation, which is a water resources development agency which has a lot of information about the availability of water resources. And I think the same principles apply. The demand for transparency, for understanding how we made decisions, was just an imperative to navigate through the issues in that context. So I think it has relevance in private extractive industries for a lot of the reasons discussed, but the need for transparency with the public and just managing the resource and understanding decision-making I think transcends beyond EITI.

MR. EISEN: I'm looking at our timekeepers, who are -- can we do one more question? Okay. Do the last question. Stand up. Pass this young lady a microphone.

MS. DEVINE: Thank you. Hi, my name is Shanna Devine. I'm with the Government Accountability Project. We're a support organization here in Washington, D.C., and I'm wondering, as you discuss public trust accountability and the role of data, what would you feel whistle-blowers play in holding both corporations and governments accountable? Certainly this is something that Danielle could speak to.

I'd also like to know specifically what concrete measures both the Department of Interior, as well as the World Bank, are taking to support whistle-blowing within the effort to fight corruption?

Thank you very much.

MR. EISEN: I think the MMS investigation was initiated by a whistle-blower who reached out to IG Devaney. I'll just ask, anybody who wants to comment quickly, maybe we can just go down the row, actually, to let everybody close out on the answer to Ms. Devine's question.

MR. CONNOR: I think that the Department of Interior we have to continue -- obviously it was a large focus for this administration when we came in and assumed responsibility for managing the department. We had the issues with MMS that had already surfaced, so there are lots of processes for

whistle-blowers, but from the top levels of leadership, reiterating the expectation of how we do business, and the willingness in how much we want people to step forward is an incredible message from leadership's perspective that we constantly need to reiterate.

MS. BRIAN: Thank you for that soft ball, Shanna. And certainly Norm and I spent many, many, many hours working with Shanna, as well as many others, on getting the legislation passed. It has been passed so far, there certainly is a lot more that needs to be done, especially for holding accountable those who retaliate against whistle-blowers, where there's still great lacking in all the sectors. So there's still a lot more work for us to do because it's true that all the great reforms really, generally, do start with a whistle-blower letting us know what's happening.

MR. CUDMORE: I would just say, from our company's perspective, whistle-blower protection is absolutely critical. It's critical to the values that we have and we operate in many jurisdictions, each of those jurisdictions has whistle-blower protections in some capacity. If you're interested, in fact, we just made a submission to a Senate enquiry in Australia just this week on questions of anti-corruption compliance. And there's a section on whistle-blowing in there that's the latest and most up to date. But, no, we stand behind very much the importance of robust policies and procedures in that regard.

MR. HELLER: Of course, hugely important. I would just add, I think the whistle-blowing issue is one that paints a really complex picture of the legacy of this administration domestically on these issues. And, without intentionally being too impolite, the sort of fetish and witch hunt habit that this administration has pursued -- none of us have a good answer or explanation for why, despite the legislation, despite huge investments of political capital and other capital and a variety of open governments, in transparency initiatives, the whistle-blower thing is treated on this island and it is a very hot pocket of vitriol that spewed out on a regular basis.

So I think this is going to be one in the coming decade as we look back on the administration, we may have a more cogent story to explain it, but I really don't. I feel this could be an important priority for the last whatever it is, 18 or 20 months, of the administration to make this whole

again. And I feel that that's a big agenda.

MR. HUNJA: Well, thank you. So one of the things that we have done institutionally is support, both technically, but also with resources, the adoption of whistle-blowing legislation in many, many countries.

A big question as to what in practice is really happening in the countries in which you operate because a lot of it is not so much about the legislation and all this, it's about trust, and whether communities really trust that if the people come out that they will be protected and that they won't be retaliated against. So it's a big question out there as to whether this has meaning in many of these places.

MR. EISEN: Well, I'll only add my strong belief in the importance in protecting whistle-blowers. It was a privilege for me when I was in the administration to work on that to get the WPEA, the Whistle-blower Protection Enhancement Act, passed. It took us much longer than we thought and one of the lessons we learned at the beginning -- this is another panel to reflect on, but to answer Nathaniel's question, one of the lessons that we learned was that the political leadership of administration comes and goes, but there are deep, deep institutional prerogatives. And I think the beginning of an answer to your question, Nathaniel, would be to look at the institutional prerogatives, the permanent longstanding bureaucracies that's accounted for some of the phenomenon you described.

And it's come at a time of great stress because of the new nature of instantaneous global electronic communication and the ability now to put large bodies of information out in public in a way that was not possible before and how people, some of whom with good faith and perhaps some with not equally good faith, have reacted to that environment. And political leaderships of administrations are often only able to turn that battleship incrementally, but it's a serious question that requires more reflection.

I want to thank the panel. Really, we've packed an extraordinarily rich conversation, and all of you for your outstanding questions. We've traveled the United States and the globe in its many sectors and stakeholders as we've tackled these important policy questions in this specific context of

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resource development and management and how we can turn the resource curse, perhaps, some day -- with all of your leadership and all of your help -- into a resource blessing. Thank you everyone for joining us today. (Applause)

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