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WEBINAR

CAN WE END CORRUPTION
IN OIL, GAS, AND MINING?

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P R O C E E D I N G S

MR. EISEN: Good afternoon, everyone. Thank you for joining. I'm Norman Eisen. I'm a senior fellow in Governance Studies at the Brookings Institution and I'm the chair of the Leveraging Transparency to Reduce Corruption -- LTRC as we call it -- project. I want to welcome you on behalf of Brookings and my fellow panelists to today's webinar on the fight against corruption in oil, gas, and mining.

I'd like to thank our generous donors who've supported the LTRC Project, including the BHP Foundation and the Brookings Progress Project. I want to express my appreciation to my colleagues on LTRC: from the very beginning of our endeavors, Danny Kaufman, who's with us on the panel today, and Nathaniel Heller; our other paper co-author who's here today, the LTRC program director at R4D, Mario Picon; and Preston Whitt, Victoria Bassetti, and John Hudak, who also worked on the paper with us, among others.

I'd like to express my appreciation to our Brookings colleagues: our deputy LTRC director, Robin Lewis, Leti Davalos, Kelsey Landau, Teddy Becker-Jacob, and Carter Squires for all their work on the project and putting today's events together.

Like many of the people I've just mentioned, I've dedicated the past three decades of my life, my entire professional career pretty much, to one of the most important afflictions that affect human society, corruption. LTRC is a global initiative which we launched in 2017 here at Brookings, together with Results for Development, R4D, and the Natural Resource Governance Institute, NRGI, to make progress and even to achieve breakthroughs in ending corruption.

We picked one of the toughest global theaters for that -- oil, gas, and mining -- to test whether progress is possible. We're meeting today because in the foundational paper for the project, completed after many, many months of work and released earlier this week, we offer 220 pages of hope. The paper builds on our review of over 650 resources spanning decades of both scholarship and practice in fighting corruption across the board and, in particular, in natural resource corruption.

We've also published an annotated bibliography of over 150 key resources, which you can find on the LTRC Project page on the Brookings website. This week we published the foundational paper. And now, as you'll hear today, we're going to move forward to do fieldwork, testing some of the

surprising things we've learned about what does and does not work in fighting corruption and what can work effectively. Both the practice and the scholarship of the past few decades suggest that progress is possible if we do corruption-fighting right along the natural resource value chain.

We focus on one basket of remedies and transparency, accountability, and participation, TAP as we abbreviate it, they are the so-called open governance remedies. They're not the only way to fight corruption, but they're one of the important streams of corruption-fighting tools. And in the paper we explain that TAP remedies can be effective, but to turbocharge them we need to combine TAP with other elements. We call this framework in the paper TAP-Plus. The "Plus" includes elements like careful consideration of contextual factors, the rule of law, civic space, media freedom, state capture, along with the implementation gap that stands between a country's legal and regulatory anti-corruption framework and actual enforcement of that framework, as well as an array of complementary measures that lie outside the TAP field that are also very important to making TAP work and to our TAP-Plus theory of change.

Now, I know that the paper is long at 220 pages, but there is a good five-page executive summary and lots of graphics and charts and the like. Those are always the first things that I look at after the Executive Summary when I digest a large paper, and I commend them to your attention.

So, today we will talk about our TAP-Plus theory of change, what works, some of the surprising places where TAP doesn't work. And we think we have to be candid about not just the successes, but the failures of the TAP model. And most importantly, about the next stage of our efforts, testing our ideas around the world, including in places like Nigeria, Mongolia, and Peru; and, of course, how we plan to do that in the age of COVID.

Joining me for the conversation are Dr. Mario Picon, the program director of the LTRC Initiative, who's based at Results for Development; Dr. Erin Fletcher, who is an economist at R4D where she leads research design for LTRC's future pilots; Dr. Danny Kaufman, who served as the NRGI president and CEO from 2013 until February 2020, when he assumed the role of chief advisor; and Dr. Alex Gillies, who's an advisor at NRGI where she focuses on oil sector corruption. I guess I'm the only non-doctor on the panel.

Before I turn it over to Mario and Erin Fletcher to get things started, I just want to remind

everybody that we will open the floor for audience Q&A in about 25 minutes. So, please submit questions for speakers by emailing events@brookings.edu or through Twitter at @BrookingsGov by using the hashtag #LeveragingTransparency.

Thanks, everyone, for being here. And with that, over to you, Mario.

DR. PICON: Thank you, Norm, and thank you, everyone, for joining us today to launch the LTRC's foundational paper. I'm going to try to summarize 200-some pages in about five minutes, so bear with me and I will be happy to provide additional details over Q&A or offline after the event.

As Norm alluded to, the core proposition of this paper is that a deeply rooted challenge such as corruption requires a strategic approach that integrates transparency, accountability, and participation, but also systematically considers from the designer stage and with an adaptive design mindset the context in which that strategy takes place and the steps needed to build an enabling environment for transparency and participation and accountability interventions to lead to effective accountability.

Now, it is not just that context matters. It is about understanding the roots of the existing constraints and opportunities and, accordingly, building multipronged strategies to make a headway in the fight against corruption in extractives. This is why in the paper we look not only at the context I mentioned that define the success, failure, or shortcomings of existing or past anti-corruption efforts, but we also call for a throughout implementation gap analysis of past and existing efforts, including institutional reforms and the passing of legislation.

What happened next? Why is it that some of those effects that were expected didn't happen?

Now, sometimes the opportunities for positive change in the fight against corruption in extractives will be incremental and steady. Owners will require a number of complementary actions and coordinated effort over time, sometimes even some backtracking. But the point is to have a clear idea of trajectory and what is needed to reach the objectives.

This is not necessarily a totally new or revolutionary idea. In practice, the most recent debates in development, and in transparency, participation, and accountability in particular, have shaped a lot of our understanding of the evidence that we have been reviewing. (inaudible) approaches,

emphasis on political economy, ecological approaches are just a few of the influences that the paper transpires.

The content of the paper also reflects a change in direction during the analysis of the evidence. You see, originally the aim of this review was to identify evidence proving interventions that could be replicated and/or scaled up in different countries. It was clear, however, from the review that the evidence of effectiveness of different initiatives focusing on transparency, participation, or accountability was, in general, weak or inconclusive. However, we were able to learn substantially from the analysis done on the different interventions in the materials reviewed detailing the conditions under which things worked better and why they didn't.

The LTRC Project offers an opportunity to take the lessons from the evidence review and test that TAP-Plus approach through a series of pilot studies. What we test are the elements for interventions of a strategy built around priorities of local stakeholders and with a focus on complementing or strengthening existing efforts.

Now, these pilots have certain limitations. At some of those key levers to reduce or prevent corruption risk in extractives, such as the reform of a state-owned enterprise or the regulation of sovereign funds, cannot be subject easily to our pilot. However, what we propose is that the TAP-Plus model or framework is not only an approach to guide the design of interventions, but also a lens to understand the environment, support local efforts, and identify together with local stakeholders what is needed in a given context to effect change.

This is why aside of the pilots we are actively engaging organizations in the governance of extractives space. Our proposition for such challenges is to use the TAP-Plus approach in a collaborative effort to identify five ways to build an environment for TAP efforts to be successful. Understanding that such a process could take a while, but focusing first on low-hanging fruits, small wins, and, whenever possible, large wins, too, that are actually able to create momentum and build confidence in a citizenry that has been disappointed over and over again, which has led to a widespread lack of trust in institution and even in anti-corruption efforts.

My colleague Erin will tell you a bit more about some of the work we have been preparing in a few countries and the challenges we have faced in the times of COVID. Erin, please, take it away.

DR. FLETCHER: Thanks, Mario. And thanks so much for having us today.

So, I want to talk a little bit today about how we're building the evidence base around this TAP-Plus strategy that Mario outlined. Like he said, it's not entirely straightforward how to do this. There's a lot of disagreement in the literature, among practitioners, even about the definition of "corruption," how you measure it. What are the critical elements of each of these three prongs? And there's actually not much evidence, as we see in the paper, of these strategies always being really effective even when they are bundled.

So, the pilots, or small-scale studies, a variety of research, is a really particular way of engaging in this space. By designing small experiments we're saying that we think we know some of the levers that can be pushed. We're looking for solutions we can try to scale. And so, for the past year or so we've been developing these pilots in close consultation with various CSOs across Nigeria and Peru, soliciting expert opinions on different kinds problems of work, and identifying the relevant plus -- or element through formative and best research.

We relied really extensively on local expertise, on folks in-country who are doing this work to help us identify the relevant questions about how to combat corruption. Who are the key players? What kind of interventions are already in existence that has a solid evidence base, but could be changed slightly to reflect the kinds of questions we're interested in, to effectively understand better the dynamics of this TAP-Plus model? Does it actually work?

And in the midst all of this, all of this planning, COVID hit. So, before COVID, the team and I were dashing off to Nigeria and Peru and planning trips to London and Mongolia. And all of a sudden, we find ourselves totally unable to travel and trying to figure out what to do next.

So, at first, I think we were in firefighter mode, trying to help projects and preserve funds for these existing ideas that we put a lot of effort into, but now we're actively thinking about how to integrate different modes of conducting research into our work; different modes of engaging with our partners. So, it's challenging, but it's also really fund and I think presents an opportunity for LTRC and our organizations to be at the forefront of international work that is less reliant on carbon emissions and less rooted in White supremacy.

So, before the pandemic hit, we had effectively scoped the research with partners in

three countries -- Nigeria, Peru, and Mongolia -- to varying degrees. In Nigeria, we were the furthest along. In April, we were honing the details of a two-by-two RCT designed to understand the power of community engagement via radio and town halls and budget information dissemination to prompt accountability actions on extractive-derived funding shortfalls and abandoned projects. I realize that's a mouthful, but we were finalizing contracts, and our implementation partner is BudgIT Nigeria and Enough is Enough Nigeria, who I think might be listening today, and selecting a data collection firm.

We had identified social trust or the lack thereof and citizen apathy as these key contextual factors, the plus element that we needed to design for, that we needed to think really carefully about, and what we were going to actually test. Our partners and key informants said almost universally that their transparency and other anti-corruption initiatives faltered to the mistrust of the government to help individuals and mistrust between different actors.

So, it's a really cool project and I really hope we still get to do it. I don't know whether that pilot's going to pan out in these times, but we have shifted our focus a little bit to keep going.

So, we obviously, first, have a strong desire to support our partners. We want to make sure that there are still good people involved in this work on the other side who can implement the program that we've started to design, who can help us think about how to adapt pieces of the intervention, and think about whatever the world looks like post-COVID. So, in Nigeria, we're parcelling out some pieces of the intervention to do smaller-scale testing of them this year. Instead of my big RCT, we've identified some plan -- to test key elements of the program where we still have some questions to set up ourselves for a really solid experiment next year.

We're examining elements of storytelling that prompt citizens to demand accountability from their representatives. And testing how visual budget information, or the transparency piece, can be made more accessible for ordinary folks.

And secondly, we really want to understand this new context. It's true that some big things are probably still the same. Countries are still rolling towards beneficial ownership disclosures, for instance, but a lot has changed. Oil prices have dropped dramatically and our reliance on technological solutions for communication and interaction has skyrocketed. All of these things rely extensively on extractives and likely come with corruption risk that we don't fully understand.

So, exploring these new corruption risks that have arisen is an important component to understanding whether a TAP-Plus intervention might actually have the kinds of effects we're looking for. So, we're looking at this in both Nigeria and Peru explicitly.

In Mongolia, where relationships with partners are still pretty nascent, we're going to focus this year on desk review: understanding the context better, working on a whitepaper on the next steps for beneficial ownership in the country. Eventually, this may lead to a small-scale study next year if there's a concrete contribution we can make and we find a local partner who is really willing to push this forward and have some great ideas.

So, in conclusion, we've had to rethink some things, but the overarching TAP-Plus model is still guiding our work, pushing us to think creatively about how to leverage our partners' expertise and ensure that we're at the forefront of understanding anti-corruption work in this new paradigm.

So, I'm going to stop there, but happy to take questions in the Q&A section. And I'll hand it over to Alex now.

DR. GILLIES: Great. Thank you, Erin. And thanks, Mario and Norm, as well, for kicking off the conversation.

We have some time now for some interactions with this great panel and then we're going to open it up to audience Q&A. And as Norm, mentioned I would ask if you all have any questions submit them by emailing events@brookings.edu or on Twitter @BrookingsGov by using the hashtag #LeveragingTransparency. So, we hope to hear from you there. And now we'll have a bit of time to kind of learn more about this new approach, TAP-Plus, how it can work, and what the new context that we're all in means for this programs, as well as wider anti-corruption efforts.

Mario, I first want to turn to you. I wonder if you could say a little bit more about how this bundled TAP-Plus approach may be a more successful model than earlier, maybe more narrow efforts? And the question I had reading the paper related to that is, you know, how do you think it's going to be more successful? And does every intervention need to take that bundled approach or can some specialize on one ingredient, the T or the A or the P, or is it really important for every intervention to kind of have the whole package?

So, Mario, interested in your thoughts on that. Thanks.

DR. PICON: Absolutely. Absolutely. I guess can you hear me well, Alex? I had to change the phone.

DR. GILLIES: Yes, sounds good.

DR. PICON: Terrific. All right. So, developing the TAP. Here's the point. What we have observed from the evidence review, which is the focus of this paper, particularly taking a granular look at many of the conclusions of a lot of papers working or evaluating many of these interventions is why is it that some of these interventions did not work the way that they were supposed or expected to work? And what we see consistently, right, is that a given intervention only focused, for example, on transparency and part of the problem is that (inaudible) suspected what should be achieved, lower corruption immediately. And that is not necessarily the only condition that needs to be concealed in a given context.

So, the point is that -- and this is why we talk about liberate transparency, to liberate transparency, participation, and accountability. The idea is to be able to use efforts that already exist as much as possible and see if they are able to achieve the kind of things that they are trying to or attempting to achieve. And then understand what will be those complementary interventions, actions, looks at (inaudible) is needed, et cetera. That whole action withheld those sectors were better.

Now, this is a proposition, let me just be very clear about that, because the evidence of such efforts in terms of like trying to heal an environment, for that to work, are actually very limited. There's a lot of discussion about interventions or propositions that are supposed to be covering transparency, participation, and accountability, but not necessarily do it or that may actually promote a certain type of participation that is not necessarily an effective and sustained participation. So, sometimes it's about one element in that chain, sometimes it's about the quality and the depth of one particular element here.

What we're trying to do with the pilots and with the other studies that we are looking at is precisely to see if we can actually prove a general admission of evidence of the value added of these integrated approaches. So, just to say that. We believe in the possibility that this brings about, but it doesn't mean that the efforts that have happened in the past are not valuable or that have not been simply enough or that we're wrong. It's just that if what we want is to achieve something against such a difficult target or challenge like corruption, that many of the people that are connected here are so familiar

with and maybe so frustrated with the lack of actual results over time, the sustainability of many of those efforts.

What we are trying to propose here is that a different look which (inaudible) is to see where is it that we can complement what already exists or what is coming, right, in such a way that we're given a better chance of success. That's it.

DR. GILLIES: Great. Thanks a lot, Mario. And I think that's a really helpful clarification about the kind of complementarity that this approach proposes taking to existing efforts, which certainly have an uneven record of success, but I think in some cases have made some gains.

Erin, I want to ask a little bit about this idea of context and adapting to context that comes up a lot in the paper. And certainly, I think everyone would agree that obviously countries vary widely in their political dynamics and other contextual attributes and that context really matters. But practically, as you've kind of been involved in getting these pilots off the ground, what has that adapting to context really looked like? And what kind of advice do you have about how different interventions can take that more seriously?

DR. FLETCHER: Yeah. Thanks, Alex. I think that's a great question.

So, you know, one of the enduring things that came up in basically every conversation we had in Nigeria was this question of sort of mistrusting government or mistrust between different actors. And I think one of the things that we tried to do really explicitly early on and continue to try to do is just make sure that we're constantly interacting with folks who are in these countries and doing this work, and just asking them like what is the thing that actually prevents your work from happening? And so that both leads us to this idea of finding that, like, plus factor, that thing we want to concentrate on, and also helps us to identify the individual pilots or individual elements of a TAP-Plus intervention that we might want to test.

So, yeah, I think, you know, in Nigeria it was this discussion of fuel subsidies. So, they had these giant fuel subsidy revolts in 2011 when they were removed. And when you ask folks why this happened, it was, well, they don't trust the government to do anything with the funds that would actually help them. And this is like the only thing that they feel like they're getting from the government.

And so, this idea just kept coming up again. When we talked to folks in the Delta region

in Nigeria, they said, well, you know, the oil companies are coming in and they sort of pit individuals against each other, so they're trying to get more resources or less resources. So there's like trust not in between -- or there's lack of trust between sort of neighboring groups or communities. And so, we sort of just kept coming upon this idea and realized that, okay, this is actually the thing we need to work on. And so, continually just asking our partners what is that thing? And also, like, what is the thing that you think can solve for that? And then being willing to test out different opportunities on how to actually solve for that.

DR. GILLIES: Great, thanks. A lot of the paper, the discussion, has talked about the national context, but corruption in today's world is a very global enterprise. And a lot of the oil sector corruption cases that I've looked at, dozens, way too many of them, foreign oil companies, commodity trading companies, major law firms, accountancy firms, offshore shell companies, banks, et cetera, et cetera, these type of foreign actors play an enabling role and sometimes they are just direct participants in the corruption.

And so, Norm, maybe we could turn to you just for some quick thoughts about this global element of how corruption works today and then how that relates to some of the ideas around the TAP-Plus approach and the project that you're leading.

MR. EISEN: Thanks, Alex. The answer is, of course, that the transnational pathways of corruption and corruption's enablers are terribly important. And I often said to people when I was a diplomat that one of the worst enabling jurisdictions for global corruption was the interface of the accountancy firms, financial firms, and the legal firms in that exotic jurisdiction of the State of Delaware. So, the United States is not immune to these as a facilitator of these international webs of professional and other enablers of corruption.

The way we attempted to tackle this, and I have to tip my hat to Danny Kaufman, who really pushed this in the paper and who we'll hear from in a minute, the way we tackled this in the paper was to look at national nodes where institutions that were either part of the problem or part of the solution, where these global networks crisscrossed. Because, ultimately, the impacts are felt of the transnational structures are felt nationally and subnationally. And we focus on three in chapter 4.

And as we point out in that chapter, we do it at the very outset, that's the chapter in which

we talk about the application of all of this scholarship and practice that we digest in the first three chapters. And we say that, you know, you have to look at the lens of whatever we do -- you have to look at the projects as we apply the learnings through these three institutions.

The first one are state-owned enterprises and the need for state-owned enterprise reform. The massive kleptocracy that occurs through state-owned enterprises would not be possible without the kinds of international actors that you point to.

Another one, perhaps even more egregious and even more internationally entrenched and dependent upon these global facilitators, are sovereign wealth funds.

And then the third -- and again, how can we deal with sovereign wealth funds? How can we reform sovereign wealth funds?

You know, we know it would be a bit overambitious having analyzed these issues to say and in our study we're going to reform globally, we're going to reform state-owned enterprises and sovereign wealth funds. That's beyond our scope. But we can tackle those institutions in this transnational context and with an eye towards the global nature of corruption facilitation.

And then the last thing, and it is a very effective reform if we can overcome the implementation gap, is, and we can make it real and apply complementary and contextual learnings, the last of these big three that we urge attention to at this moment, at the beginning of chapter 4, we have sections on each of these, is the beneficial ownership revolution. The problem is that as has been true in the fight against corruption for the past three decades in which I've been studying and participating in, everybody is willing to talk the talk. Not everybody. There's still struggles to get beneficial ownership laws, regulations, and practices on the books in places. But are they willing to walk the walk? Are they willing to implement?

If we have rigorous implementation of beneficial ownership in the context of, for example, genuine rule of law reforms, a strong transparency so you can really see the ownership and the associated value transfers, cash flows, and the rest, then beneficial ownership can really work and can interdict some of the worst transnational facilitation that we see. But as we'll discuss, that, for example, is one of the things that we hope to study in Mongolia where they have a very -- they're implementing BO, but you have an interwoven media and a financial set of vested interests that are not necessarily

interested in seeing the implementation gap fully transcend.

DR. GILLIES: Great, thanks. And I certainly would second those three as being major crosscutting risk areas in the research that I've done.

I want to shift gears a bit and discuss the current context that we find ourselves in with the coronavirus pandemic, the economic downturn across the world, and a major drop in commodity prices, most commodity prices, that's led to real turmoil in the extractive industries.

Danny Kaufman, let me turn to you. What kind of corruption challenges does this context create and what kinds of responses, including this TAP-Plus type initiative, do we need in order to meet this new challenge?

DR. KAUFMAN: Thanks. Given the time constraints we have, I'll be brief, but it's a piece that I just hosted yesterday. And I will refrain from talking a lot about TAP-Plus because it was great already the presentations given and we will want to go to further Q&A and have questions from the audience. So, let me go to the now and the ahead, which does build on TAP-Plus, but it will require some rethinking.

The basic case I've been making is that recent events have subjected natural resource-rich countries to the largest overall shock among any group of countries on top of the already weakened preexisting conditions. So, there is a complement of a quartet of factors that has created the perfect storm, posing a major threat to resource-rich countries. And in short, this quartet refers to the health aspect, the pandemic itself; the governments and leadership challenges; the foreign commodity prices that may result in stranded resources and industries and countries; and the socioeconomic contraction. Briefly on each one.

First, on the COVID-19 pandemic itself, so many have been so focused, and the media, as well, on Europe and North America. We need to painfully immerse ourselves in the data and on the dire reality of our resource-rich developing and emerging economies. I've been doing this with some help and colleagues and data by some key COVID measures, such as incredibly little, or in some cases absent testing and the vastly increasing rate of infection. This group of resource-rich countries is the hardest hit group around the world now together with a highly overlapping EITI group of countries.

So, it's just to set this in early because this already has implications for everything else, I

mean, including the other three components in this quartet. And that COVID challenge, the pandemic health challenge, relates to the second challenge, governance and leadership challenge, which I'm going to be very brief. A lot is in the report.

Weak governance predates COVID, but it's augmented by failures of current leadership in many cases and not only in developing countries. We have it in the United States, as well, right now, which are closing civic space and undermining democratic institutions in many settings and by the incentive of the political and economic elites to double down in engaging in state capture and in corrupt practices during these times of less oversight and voice (phonetic) and accountability.

That leads to the third element in the perfect storm, which is a major drop in demand for and in prices of hydrocarbons and minerals to a somewhat lesser extent against a backdrop of the imperative to address climate change and environmental damage. And the obvious first component in the perfect storm is the enormous socioeconomic shock, which is unlikely to be temporary. We know that. We have had probability of that by now, the economic contraction, the loss of jobs afflicting mostly the vulnerable and with scores of millions falling back into poverty, a shrinking middle class, which may be ascertained with potential growing social terms.

So, it's simple to address your second part of the question, Alex. That being the perfect storm diagnostic, then building from the TAP-Plus other work, just very quickly, a few additional pointers on paths forwards and that more elaboration is in the brief article written on the topic which I posted yesterday.

First, back to the future on transparency. So much has been done and seen and hear today about TAP and TAP-Plus, and particularly about the Plus part of TAP, because we considered so much what's already done on transparency and maybe it is necessary, but it was not sufficient. The new reality points to the fact that this is the time for a major and proactive, rather than defensive, transparency drive. The case is for radical transparency with detailed and timely disclosures of plant investment, contracts of contracts, as well as cost accounting from industry and also on climate change energy transition, not only by governments, but industry has a major responsibility, both private and SOEs. This has major implications for EITI and for international financial institutions, like the Fund and the Bank.

Second, address the growing forces of state capture and closure of civic space that

threaten to take opacity (phonetic) corruption and poor governance and leadership to a downward spiral. It also poses a major threat to energy transition, which we can discuss further later.

So, improved tools and initiatives are needed to analyze and fully expose the different ways capture operates in different settings and how major international players and SOEs colluding with politicians do influence the rules of the day, including regulations and so on.

Third, good governance in natural resources at the service of addressing the pandemic. In other words, the health dimension, including leveraging of radical transparency and accountability to more effective and equitable macroeconomic policies and improving the effectiveness of using the sovereign wealth funds, which was already mentioned.

Finally, for now, just to mention the enormous importance in the next stage of the power of data. Taking the power of data to another level where we need to elevate evidence based on diagnostic analysis. As Erin said, taking into account the reality of much work that needs to be carried out physically this distance. So, remote tools, open data, and AI is needed in the next stage.

So, the post-coronavirus world, COVID-19, will be different, there's no question, and particularly so for resource-relevant countries. It is absolutely imperative that governments, industry, international organizations, NGOs, and think tanks like ours consider strategic options that would entail major strategic shifts. Some have started evolving already.

Thank you.

DR. GILLIES: Great. Thanks a lot, Danny. And we'll be able to pick up on a few of those threads.

Mario, I'm interested, I mean, one of the elements of the perfect storm that Danny described is this further constricting of civic space, and, obviously, accountability and participation depend on the ability of citizens to hold their government to account. And that was -- you know, the trend wasn't good before the pandemic started and in many countries it's gotten much worse.

So, I'm interested kind of what your thinking is on how the program can adapt to that new reality and any other, you know, top-of-mind thoughts you have about the kinds of adaptations that you'll need to make.

DR. PICON: Yes, absolutely, Alex. Thank you very much for the question.

I will definitely agree with all the things that Danny has been mentioning in terms of like the things to look at, including this particular crisis. I guess I would go a little farther and here's what I connect with civic space I particular. That a lot of those challenges that we are talking about when we refer at the particular context of the COVID and post-COVID context are actually structural problems that have been there for a long time and that do not allow to actually be able to solve some of the key challenges that now governments have in this particular context.

Let me just give you an example, right? Like, you have in many countries health systems that were absolutely unprepared for the pandemic. Now, you may say, like (inaudible), nobody knew that this was going to happen. But the problems with those health systems were there. And there has been a lot of money that flows into many of these countries due to extractives. They are highly dependent on extractives. And that money is not flowing necessarily to health.

So, now, what is the reason? The reason may be -- part of the answer may be precisely (inaudible) like different priorities. Different types of investment have been back (phonetic). But there is also an issue of deviation of resources that exists in many countries.

So, I don't think it's like what do we do about this? Now we need to be able to stream large amounts of money, particularly at the subnational level in different countries, to be able to build or to repair health systems. Build the health players, like good doctors there, et cetera, et cetera.

Education, right, business education and all, a lot of requests (phonetic) of that. But how do we pass those resources at the local level when there are no accountability mechanisms in place, particularly at the subnational level? There are countries that have made a lot of progress at the national level, but not necessarily at the subnational level.

There you need a very strong civil society that in many places already exists with all the circumstances and with all the challenges that we have to face, that are able to call attention, monitor, participate, and discuss about what is it that is being done with the money that is supposed to reach their jurisdiction. And this is either not happening or happens halfway. Because in the end, if you participate and you're dedicated, you are (inaudible) that like got worse for your family, like from, like, 6 in the morning to 6 p.m., et cetera, work two jobs, et cetera, and then on top of that you give your time to participate, you just try to monitor, be mindful of what happens in your community, right, and you don't

see that there's an effect around that. And on top of that, you may actually risk your life by doing it or protesting or complaining, et cetera. So, like, why would I do it?

And we are actually -- we do see a lot of these at the grassroots, at the local level. I mean, this is a huge issue in the family (phonetic) structure and (inaudible). It is true that over time you see changes in the prime countries, and many countries (inaudible) has almost expanded. Like the numbers tell us that over the last few years (inaudible) fraction of civic space or a tendency to that, which is regrettable in different ways. Not necessarily even at the national level. Sometimes it is in (inaudible).

And it is very clear that in many of these places, particularly in countries that are dependent on natural resources, like those issues are deeply related, corruption, lack of civic space, capture. Right? Capture of the state, but also capture even of civil societies. And these are the issues that, sadly, many times there are still organizations, including some private sector (inaudible) discuss it.

I guess that's part of our job also is to create awareness and be less scared about, like, the conversation about this stuff. It's not only about the effective service delivery. That is important itself, of course. But it's also that sometimes that effective service delivery does not happen because you have an issue of corruption.

I'm going to leave it there. Sorry.

DR. GILLIES: Okay, great. Thanks, Mario.

Did anyone else want to come in on some of these new challenges that we're faced with, including on civic space? Erin, do you want to add anything?

DR. FLETCHER: Yeah, I would. I just think that's a great point about civic space and it's something that has been like very, very real for us in just like moving from pilots to what we're going to do next.

So, in Nigeria, we had planned to work with BudgIT Nigeria, who conducts town halls for folks on like what's happening with their budgets and like tries to get them information and then encourages them to take different types of actions, to contact their representatives. And all of a sudden, when you lock down in COVID, like that's not allowed, you can't do that. So, this like contraction of civic space, you know, as Mario has talked about, over the past couple years it's just like very real right now because there aren't ways to congregate and maybe not as many ways to get out information as we

previously had.

And then in a lot of the places where we're working you have this additional burden of the type of thing that we're doing right now, where we get on a Zoom (inaudible) and discuss this, isn't really possible. So, you have a bad network. You have not enough bandwidth. You have like poor electricity. And so maybe you rely on things like radio or other forms of getting out information.

You know, in Cuba, you often hear about how people pass around USB sticks. It's just like songs and speeches and also sorts of information. So, I think there's definitely an opportunity to think about what does that look like now and what will that look like going forward? And how do you continue to reach those folks who are really being affected by these corruption issues because they're not getting health service delivery or because the school or hospital that was planned to be built in their area isn't being built?

So, just to note that it's -- and in Peru, also, we sort of had talked about working on these info centers, which was a place where people could get information about the mining canon (phonetic) and other activities that were happening in extractives.

And so, this is just a very real contraction I think happening right now that we're faced with. And it's an opportunity to think creatively about what to do next.

MR. EISEN: Erin makes a very good point. And, Alex, if I can just jump in, super short.

You know, there are a number of ways that the battle against corruption -- Vice President Biden once said to me, it's like mowing the lawn. It just keeps coming back. And this pressure, the squeeze on civic space is a perennial favorite. It points to -- you asked me about the global intersections, but it points to another set of intersections: the connections between corruption and democracy. And that's why we focus in our TAP model on participation as one of the troika, on genuine participation.

And so, the solution is, it's always going to be there, the solution is we need to be equally resolute in always pushing back. And that is part of the utility of events like this one, frankly. It's not enough, but to be as undaunted as the corrupters is part of the way that we can make progress.

DR. GILLIES: Great. Thanks, Norm, absolutely. And I think while the civic space restrictions are really difficult, as you noted, kind of paradoxically and unexpectedly we've also seen some of the most inspiring mobilization of people and protests in my lifetime in the last few weeks, as well. And

so, what is possible in terms of participation may not be always easy to predict and there's definitely hope there, as well.

We have some time for Q&A. We've gotten the green light from the organizers to go until 5:15 for everyone who is able to stick around. We've gotten some great questions from audience members. There are few different clusters that I kind of want to pick up on.

Two questions, one from a colleague at Rights and Resources Initiative and another at the National Whistleblowers Center, about climate change and energy transition issues and how that agenda intersects with the anti-corruption agenda and how they impact each other, especially in oil, gas, coal, and the fossil fuel side of the extractive industries.

Danny, do you want to share some thoughts on that question? You need to unmute yourself. Thanks.

DR. KAUFMAN: I hit the mute, yeah, maybe it's better I'm muted.

Okay. Look, I referred before to two quartets of the perfect storm. First the diagnostic and then a quartet of a set of paths forward. So, let me just very quickly have four thoughts on this very great question. And not that we have all the answers, so it's for debate.

For climate change we need to address major governance and corruption failings in natural resources. First, rethink corruption. We need to move away from just looking at it as a transactional bureaucratic type of corruption or a bribery between two parties. It is much more importantly due to the forces of capture, high-level corruption by some of the most powerful interests among international players, which were discussed before; international players in private industry in some countries included, but not all, but in the U.S., we know what has been happening; by domestic industry players in many of the emerging economies colluding with or capturing politicians.

So, that's the first order of business is to get out information, the data, with technical work, but be speaking truth to power of what the nature of the issue is because they are enormous forces. Some of these companies themselves, some of the industries and the lobbies, the APIs and others, those are incredibly important forces against that climate change transition which is needed.

Second, to rethink SOEs, and that's a whole topic in itself or a whole session. This is -- SOEs need to be more transparent, but it's beyond -- in many countries this is beyond make tweaks at

the margin as how they become more effective. They need to be a major revamp, a radical transformation to something else, and particularly given the new reality. So, right now, they benefit enormously from many, many factors and subsidies and other ways that delay the transition, the way they (inaudible).

Third, and this is not across the board, in our Resource Governance Index Report a few years ago we codified (inaudible) enormous variation. And there are some SOEs that are showing that, yes, it can be done and it can be done effectively, including in emerging economies. I'm from Chile, so I'd probably say that, but (inaudible) Chile is a case in point, there's cases of Colombia, and there are others. But, unfortunately, that's not -- those are exceptions that prove the rule. So, it's a major restructuring that is (inaudible).

Third, level the governance playing field in natural resources. That's going to do so much towards the energy transition. Right now, the cards are stacked against the energy transition because of the enormous power and vested interest to keep the status quo within the natural resource governance field. The bailouts that are taking place in the U.S. and the (inaudible) in other countries are a major case in point, which are skewed towards the oil companies and in some cases also to others. The subsidies that have existed before the COVID, the corrupt dealers, the favorable treatment of SOEs, as I mentioned today.

And last but not least, and that relates to the participation and civic space comment, is to entrust and strengthen further the multi-stakeholder engagement in all these issues. And in that case, EITI is a good example, but there are others because one needs civil society totally engaged in that, in this sector, to mitigate these forces of capture and to be able basically to represent the voice of society regarding the imperative of climate change.

DR. GILLIES: Thanks, Danny. Does anyone else want to come in on this topic of the fossil fuel industry, climate change issues, how it relates to corruption?

Great. Well, we can keep moving. And I certainly would agree, Danny, with what you said about the closeness of oil companies to political elites. And that takes different forms in different countries. Sometimes the national oil company is a key kind of player, other times it's private companies. But it certainly needs to be part of any corruption project in the sector these days.

Did I hear someone trying to come in. Danny?

DR. KAUFMAN: I can say because you don't want to say it, Alex has a book on that.

DR. GILLIES: (Laughter) Yes, there is a book on oil corruption that, hopefully, is relevant to these discussions.

DR. KAUFMAN: That all of you should read, so.

DR. GILLIES: Thank you.

DR. KAUFMAN: And Norm needs to unmute.

DR. GILLIES: Yeah, Norm, you need to --

MR. EISEN: Yeah, Danny beat me to it.

DR. GILLIES: Great, thank you. Danny, you mentioned the EITI and there were a couple of questions about the EITI, as well. As most people would know, the Extractive Industries Transparency Initiative is a global initiative that over 50 countries have signed up to. It's governed by a multi-stakeholder body and requires its member countries to disclose pretty extensive information about the extractive sector.

The questions we got, one from a colleague at ExxonMobil asked, is the EITI insufficient? And then a colleague from TI Zimbabwe asked, how can the EITI's principles be adopted in countries that haven't signed up to the initiative? Because some of the world's largest extractive sector countries don't participate.

So, maybe, Mario, can I go to you and then maybe ask Danny to chime in afterwards?

DR. PICON: All right, big question. I am a believer, actually, in the mission, all that EITI is doing. I don't think that is enough or that is just the solution that countries sign up with EITI, right, and make progress towards a number of activities. Even that is not enough, but it's important. This is part of the whole idea that sometimes change is not incremental, especially in something that is so deeply rooted as corruption. Right? But you have to build the conditions for it.

Now, there has been and there is (inaudible) and we comment a little bit about that, like about, like, the experience and the results and evidence around EITI. But I do have to give a lot of credit to EITI about the effort that has been done in the past few years in particular, like how do we move to impact? Not only about like we're able to actually promote transparency. We are a reference with

countries. Countries are able to get signed and then to actually demonstrate that they are taking the steps towards (inaudible) transparency.

But part of the point of the paper is that transparency is precisely not enough. So, one, assuming that the transparency is comprehensive and in-depth and deep, right, that it's not only about like a very short list or a short list of beneficial owners, for example, out there that are providing -- that reflects companies that provide information voluntarily. As it happens it's (inaudible), for example, right? That may be reflected as progress, but it's always not enough. There's much more to do.

So, part of the point is that like there are movements towards or indications towards being more transparent. Good. That's good news and we should actually support that. But what is next? What is the next step? Understanding that that may not be or is not enough, what are the next steps?

So, the framework actually helps analyze these kind of things. So, understanding what are actually the faults in the (inaudible) or in the (inaudible) on the desired effect or outcome from like (inaudible), EITI, by governments, or by EITI itself? Those are like understanding what is there to impact.

In that sense, I guess that if there wasn't an EITI, you would have to build it again. But, yes, it is not enough. Obviously, it's not enough to just exist or (inaudible) to there. There's much more. And I guess (inaudible) would tell you that, also.

DR. GILLIES: Danny, did you want to jump in? For those who don't know, Danny served on the International Board of the EITI for a number of years, so has some insider perspective on this perhaps.

MR. EISEN: And he was one of the most vigorous internal critics pushing to address the issues with EITI.

DR. KAUFMAN: Well --

MR. EISEN: I figured since I promoted Alex's book, I had to promote what you did on EITI, Danny.

DR. KAUFMAN: Constructive critic perhaps, but you, Alex, beat me to it because I going to give full disclosure on having served in the board. I cannot be totally neutral, obviously, so let me say two things.

First, EITI has many critics. EITI is far from perfect. But I would subscribe to the bumper

sticker notion if you think there are problems with EITI, try without it. Okay? A world without EITI would be much worse off. That's off the bat.

And it goes back to this rethink of the notion of radical transparency. It started as very narrow transparency in the very early days. That's in the big report. It's also in the summary pieces we have posted. And it was criticized for that. But having even started from a narrow transparency side, in a field that was totally opaque and rife with corruption, began to open possibilities and windows and people to realize that something can be done. And it has expanded, it has improved, but, obviously, it's far from universal.

And then that gets to the question of effectiveness in the next stage. So, it is a very well (inaudible) initiative. It's delivering better in some areas than others. That's for a longer discussion, but in some countries it has enormous impact. In addition to affecting the global norms, having also an impact on mandatory disclosures around the world.

It should be noted, also, the importance of its civil society counterpart, Publish What You Pay. And then NGOs/think tanks, like ourselves and so on, we were all being partners during this journey.

Now, having said that, it's absolutely critical now for EITI, as well as others, all of us, to evolve and evolve perhaps less gradually. That will be the first tendency. And particularly in an initiative where everybody has to agree, that's the risk right now.

So, basically, what I mentioned earlier, radical transparency on areas that has been too slow on progress or no progress, like there's no transparency about cost accounting by firms. It's absolutely critical, as well as going to the next stage in terms of contract beneficiary (phonetic), ownership, subcontracting, SOEs, and many other areas. So, that's absolutely critical.

It's absolutely critical, too, to go to the next stage in terms of the protocol and the safeguards for civil society, which are -- a lot of was achieved over the past five years, but a lot is under threat and particularly now. So, that has to be totally safeguarded.

And that gets us to the other question, very quickly, of countries for a variety of political and other reasons prefer not to join EITI, which is a message, also. EITI, one of the reasons it's not as impactful as it could be is because there are absolutely crucial key countries that are not members of

EITI. I'm from Latin America, Chile, myself. The fact that Brazil is not there, and look what's happening, the carnage in Brazil and so on. Not to speak about Russia, China, and others. It's critical.

But there are also many African countries, many have joined, but some have not. And the question came from Africa. Africa has the mining vision. Africa has other African-related initiatives, including (inaudible) and so on. And Africa also has vibrant civil society in many places. If South Africa, which would be great if it joined EITI, but for whatever reasons chooses not to, they can mimic or shadow EITI with their own basic institution and systems.

And they could use people that are also (inaudible) or others as to what are the best norms and so on. But basically, to do something like that themselves, but it has to be very carefully done so it's not subject to capture by the politicians and the government with civil society left out of the game.

DR. GILLIES: Great. Thanks, Danny. Let's try to squeeze in at least one more question. And two people have asked about -- you know, there's a question from Ian Gary at Oxfam America and from Ibrahim Bangura from the African Development Bank about the role that donors and international financial institutions should be playing in this particular moment, as well. As they're providing COVID relief, what can they do to also make sure that corruption doesn't escalate and advance transparency, accountability, and participation in a way that's effective, as well?

So what should these international actors, IFI, the donors, be doing at this time to help the fight against corruption? I'll open it up to whoever wants to jump in. This could be chaos. Norm, do you want to come in?

MR. EISEN: Yeah, just two things. Unless I missed it, Danny, you left out one of the most important ex-members who left and is no longer a part of EITI and that's the United States. I want to -- which left in 2017. Who knows? It might come back sometime.

I will just do a very two-finger intervention on this and let my colleagues jump in. We had an initiative, Danny participated in it, when I was ambassador in Prague, the World Forum on Governance at Brookings. It was a Brookings initiative. And we made a real effort to bring in anti-corruption. We have statement of principles and very good initiatives. We made a real effort to bring in IFIs and other international actors. And I wanted to focus on just one and that is the sovereign wealth funds again and the other pension funds and the universal owners of property. They own the equities in all of our

retirement funds, for example.

And we made a real effort to bring them together with banks and others to the table to say, hey, you can be an incredible driver of change -- and they have been effective on other things, climate change and other issues -- if you make corruption a priority and push for the best practices. We had a list of 10 nuanced best practices, which include answers. You can look it up.

Danny, what was it, the "World Forum on Governance Statement of Principles" I think it was called where we gave specific instructions for these kinds of global actors.

So, if there's a will and a desire to engage, it can make a tremendous difference as it has in other fields. We just have to elevate the importance of corruption. That is one of the things that we are trying to do, continue to drive it to the forefront of the conversation.

That wasn't a short answer at all, but I pass to others now.

DR. KAUFMAN: Maybe a totally parallel point because in terms of accountability and need to (inaudible) by different players, we have focused on industry, we have focused on government, and we have focused on EITI. We need to also focus on the international financial institutions, which is part of also the question from Ian Gary and (inaudible), who at different points of time they have evolved and made progress, and particularly the IMF over the past three or four years in terms of taking corruption very, very seriously.

But there is right now the risk that under the cover of COVID and because of pressures from many governments and others, that resolve weakens. Not only that, but this imperative of doling out hundreds and hundreds of billions of dollars for countries for rescue packages, those are important, incredibly important, but they have to come with strings attached for the sake of the citizens of that country, too. Otherwise, it's going to be good money after bad money and they will be saddled with further debt.

And that can be done, even for emergency funding. It is not the case that there can be an excuse that because of the reality there are absolutely no strings attached. And it can be an investment, in fact, into better governance.

Better governance, one of the first things to start with is expect basically total radical transparency, which is not very institutionally demanded. It's only a political decision and it's politically

demanded.

This, of course, in addition to the fiduciary responsibilities of tracking the funds. But, unfortunately, so much of the focus has been let's make sure that not one dollar is stolen from the World Bank and from the IMF on those, but very little focus has been on the need for governance reforms on those countries, systemic reforms. Otherwise, the money gets fungible and so on. And the money then can be stolen from other parts. So it has to be not just only a fiduciary responsibility, but associated with improved governance, which has been now exposed in COVID and so as being particularly weak in many cases.

DR. GILLIES: Great. Thanks, Danny. To close off I want to give one final question to -- Mario is the director of the team that put out this incredible paper that will be a great resource for the field. And the question that came in externally was, what was the most surprising finding you had from this effort? And maybe we can end on that and go straight from Mario over to Norm for the final remarks.

Mario?

DR. PICON: I will start saying that in a way nothing surprised me anymore after, like, all the learning we have done and the things that we have seen and the things that we have heard. But I guess that there are a few things.

Like I have to recognize, for example, like the resilience of champions (phonetic) in civil society, particularly at the grassroots level. It will be -- and nobody actually, I guess, that will be offended or like blame them, who at some point maybe even given up because the truth is that in terms of promoting accountability, looking for participation, promoting transparency, it can be very disappointing at the local level. And sometimes you make progress and then, suddenly, everything's taken away.

So, the big thing is about sustainability. Right? And I guess that that is a big question that we also support and have to look at and discuss with our partners and donors, et cetera. Why did I make this change? The change is what I've achieved and how do we sustain that? How do we move forward for just sporadic steps or specific steps?

I really think another thing that surprised me is the limited understanding sometimes of actually what corruption is by different players, including firms (phonetic), mining companies, et cetera. Right? Like (inaudible) things, like vis-a-vis part of the project. Right? It may be bribes or stealing

money. Like, but it's much more than that. It's influence. Right? It's like confronting the (inaudible) process. It's about like confronting the different people that are at the upper level and can make decisions that are convenient in one direction or another. That surprised me.

And I would say, like, also a lot of good efforts that are going on internationally to try to understand better corruption and to move forward with a plan, to actually understand why would we need it to actually tackle all of this. And I have to note here, like, transparency (inaudible), for example, with the (inaudible) development or like, for example, the understanding of the political economy of corruption in the extractives sector. Right?

And here TAI are doing great work, executive sessions; from the university, (inaudible). And it's great. There's a lot of very good information on that.

The key challenge (inaudible) to take a comprehensive view of the problems, right, and try to understand what will it take -- what will be needed to start working towards a solution over time? What will be the next steps?

You are chief. You feel that you are successful in your anti-corruption strategy. So let's think what is next? Because that will not last. It may be ephemeral. So we have to just keep asking us the question, what next? What will we do?

If we don't double down, and experience shows and the evidence review shows, many of those efforts may actually, like, disappear eventually or not achieve enough structural change. Because in the end, this is a very deep-rooted problem and we have to (inaudible) as such.

DR. GILLIES: Great. Thanks, Mario. And thanks, everyone, for such a rich discussion and all the Q&A. We've run out of time.

Norm, let me hand it over to you to close us out. You need to unmute.

MR. EISEN: One last commercial for our paper. We worked on it. I want to thank Erin and Mario and especially Danny, who was such an amazing provocateur in the process of producing this paper. And I'll take another much -- just very short answer to the question that you posed to Mario.

When I worked in the Obama White House, my desk was one of the very last stops where all of the transparency and accountability and participation ideas and projects and plans landed before it went to the Oval Office. And I helped hatch some and others came my way and I shaped them.

And I was amazed and the surprise echoed through these almost 700 papers, scholarship and practice programs that we reviewed for this big paper at the naivete that transparency or accountability or participation alone, to quote a very famous paper in the field, transparency is not enough.

People still do not get that, that even the cocktail, think of it like a miracle drug that we're trying to discover, even the cocktail together is not enough. You have to be sensitive to those shortcomings. You have to combine the three. And they must have the plus factors that we have talked about today in order to have a hope of the ambition of truly making breakthroughs on corruption in oil, gas, and mining, and across the board.

And I want to thank all the panelists for being a part of the rich conversation today and the effort to really push back on corruption. And I want to thank everybody who participated with us today, for spending time on this critically important project. And stay tuned because we in LTRC will have much, much more in the years ahead.

Thanks, everyone.

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