Rethinking Corruption Matters:
An Empirical Governance Perspective

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Note: Content of presentation has benefitted from work of many NRGI and other experts. Full bibliography available upon request.

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Outline of Key Issues

- **Evidence-based: Power of Data --** *not just about Corruption but Governance more broadly*

- **Corruption integrated into governance framework**

- **Corruption often a symptom of failure in governance, institutions --** *petty, administrative, red tape. Measurable*

- **Corruption also a driver of mis-governance & institutional failure –** *Capture, Grand. Hard to measure, but innovations*

- **Rethinking & Redefining Corruption** *(to also incorporate importance of State Capture, Legal Corruption, Networks)*

- **Transparency is: i) key for Data Revolution; ii) necessary for anticorruption progress, yet iii) insufficient on its own**

- **Addressing closing civic space & impunity:** *VA & RL*

- **The Challenge of Governance in Natural Resources**

On Governance Empirics: *Importance & Levels*

- *Power of Data* **– for monitoring, analysis & research, advocacy & empowerment, evidence-based policy-making.**

- **Multiple objectives require multiple data instruments and tools, thus a Multi-Level data approach:**

1. **Aggregate/Macro multi-country** *(WGI)*

2. **Mezzo/Multi-country dedicated survey** *(RGI,GCI);*
3. **Micro/In-depth Country Diagnostic (NRC, GAC diagnostic)**

WGI: Six Dimensions of Governance

Governance as the set of traditions and institutions by which authority in a country is exercised-- specifically:
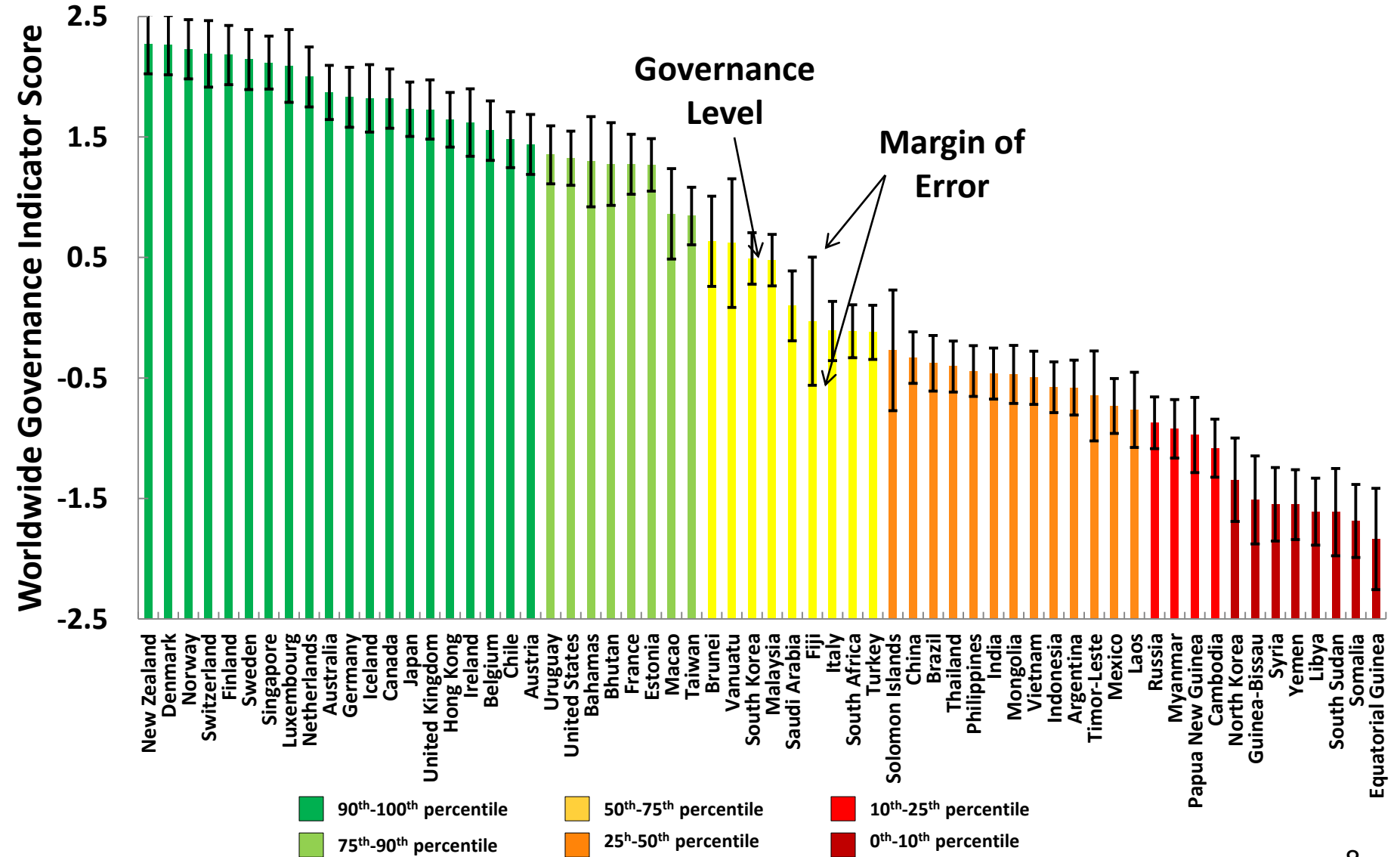
- **The process by which those in authority are selected and replaced**
  - **VOICE AND ACCOUNTABILITY**
  - **POLITICAL STABILITY & ABSENCE OF VIOLENCE/TERRORISM**
- **The capacity of government to formulate and implement policies**
  - **GOVERNMENT EFFECTIVENESS**
  - **REGULATORY QUALITY**
- **The respect of citizens and state for institutions that govern interactions among them**
  - **RULE OF LAW**
  - **CONTROL OF CORRUPTION**

Worldwide Governance Indicators

- **Data on six dimensions of governance covering well over 200 countries since 1996 until present**

- **Synthesis of hundreds of underlying indicators taken from about 30 different data sources**

- **Aggregate and individual indicators available at www.govindicators.org, about largest publicly-available governance database in the world**

- **Result of longstanding research project, featuring the "Governance Matters" series**
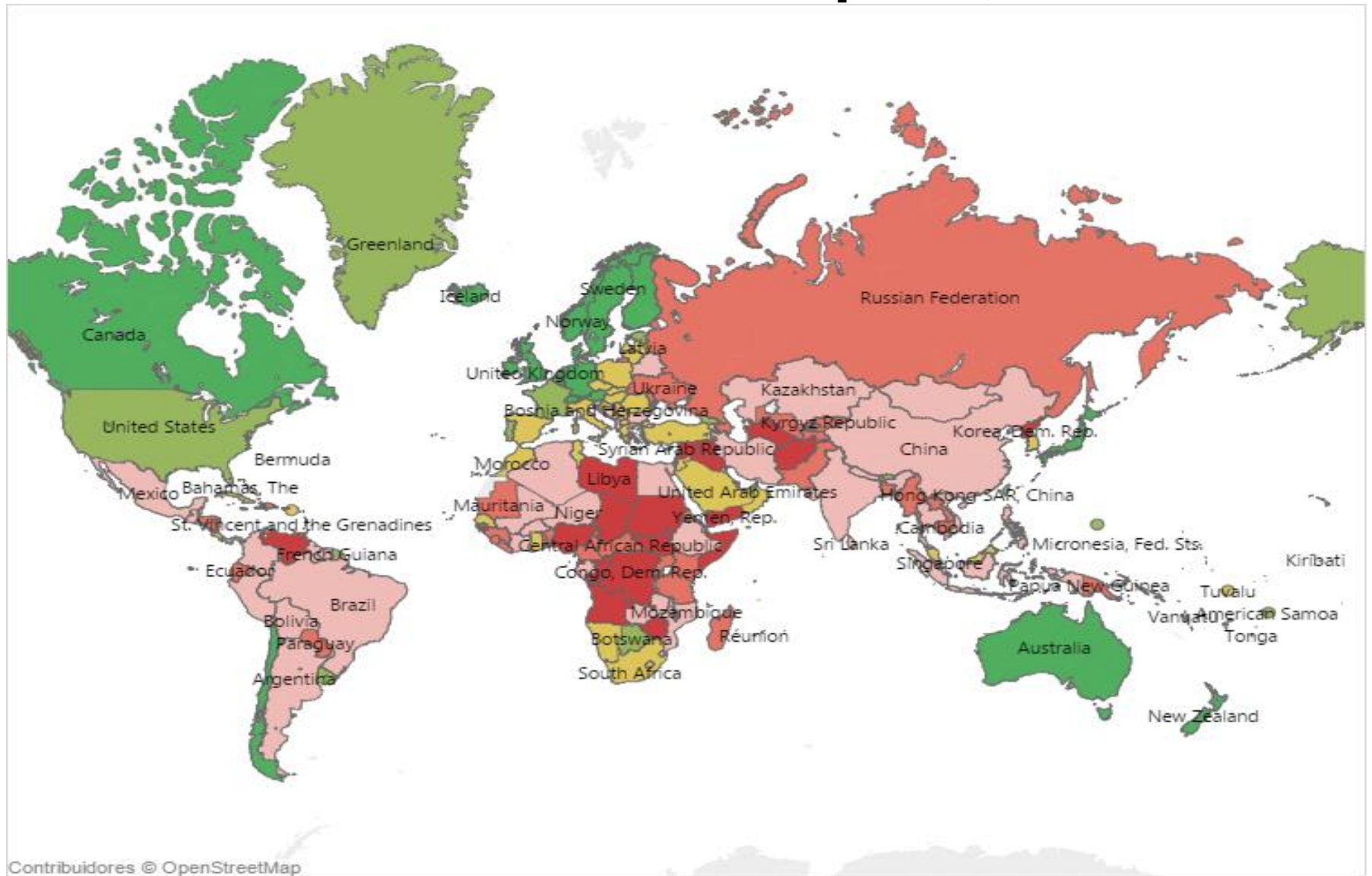
WGI Control of Corruption: Select Countries, 2014

Good Corruption Control

Worldwide Governance Indicator Score (y-axis: 2.5, 1.5, 0.5, -0.5, -1.5, -2.5)

Governance Level

Margin of Error

Legend:
- 90th-100th percentile
- 75th-90th percentile
- 50th-75th percentile
- 25th-50th percentile
- 10th-25th percentile
- 0th-10th percentile

Countries (left to right): New Zealand, Denmark, Norway, Switzerland, Finland, Sweden, Singapore, Luxembourg, Netherlands, Australia, Germany, Iceland, Canada, Japan, United Kingdom, Hong Kong, Ireland, Belgium, Chile, Austria, Uruguay, United States, Bahamas, Bhutan, France, Estonia, Macao, Taiwan, Brunei, Vanuatu, South Korea, Malaysia, Saudi Arabia, Fiji, Italy, South Africa, Turkey, Solomon Islands, China, Brazil, Thailand, Philippines, India, Mongolia, Vietnam, Indonesia, Argentina, Timor-Leste, Mexico, Laos, Russia, Myanmar, Papua New Guinea, Cambodia, North Korea, Guinea-Bissau, Syria, Yemen, Libya, South Sudan, Somalia, Equatorial Guinea

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WGI Control of Corruption, 2014

Percentile Range

| | No Data for Country | 0-10th | 10-25th | 25-50th | 50-75th | 75-90th | 90-100th |

WGI Control of Corruption: the Americas, 2014

Percentile Range

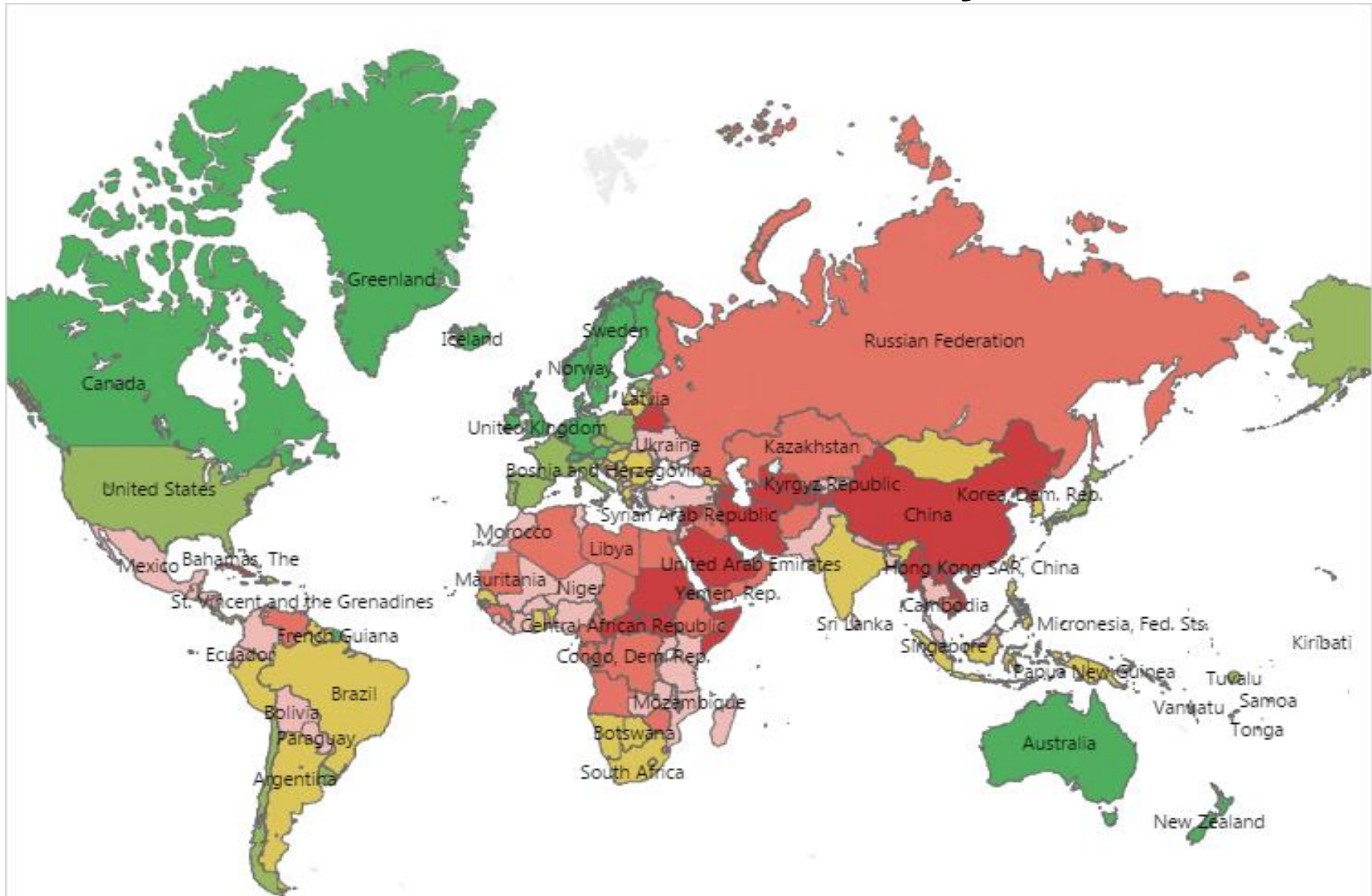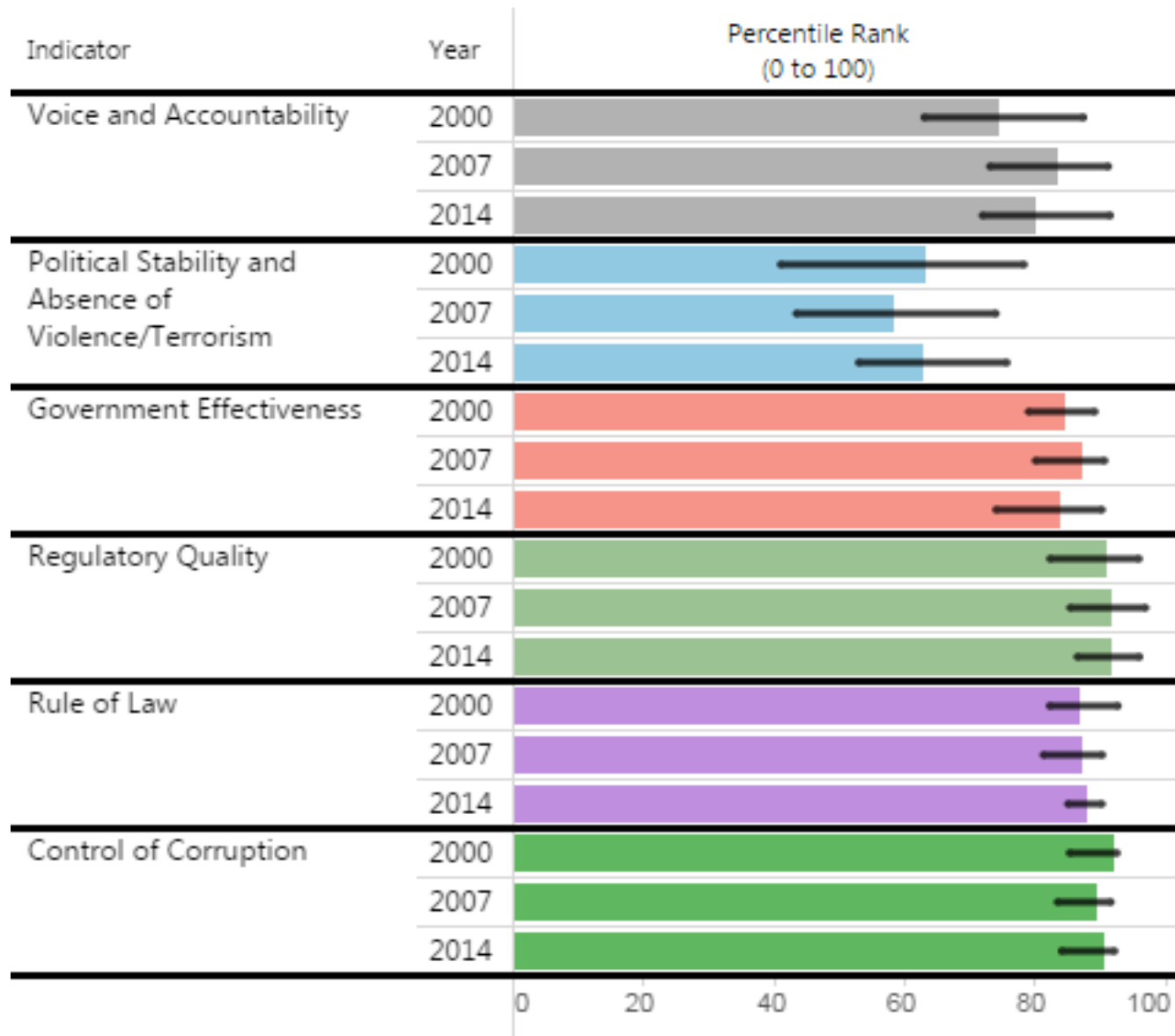|						
☐ No Data for Country	0-10th	10-25th	25-50th	50-75th	75-90th	90-100th

© OpenStreetMap contributors

WGI Voice & Accountability, 2014

Worldwide Governance Indicators for Chile: 2000, 2007, 2014

Worldwide Governance Indicators for Brazil: 2000, 2007, 2014

Source: Kaufmann, Daniel, Kraay, Aart and Mastruzzi, Massimo, The Worldwide Governance Indicators: Methodology and Analytical Issues (September 2010). World Bank Policy Research Working Paper No. 5430. Available at SSRN: http://ssrn.com/abstract=1682130
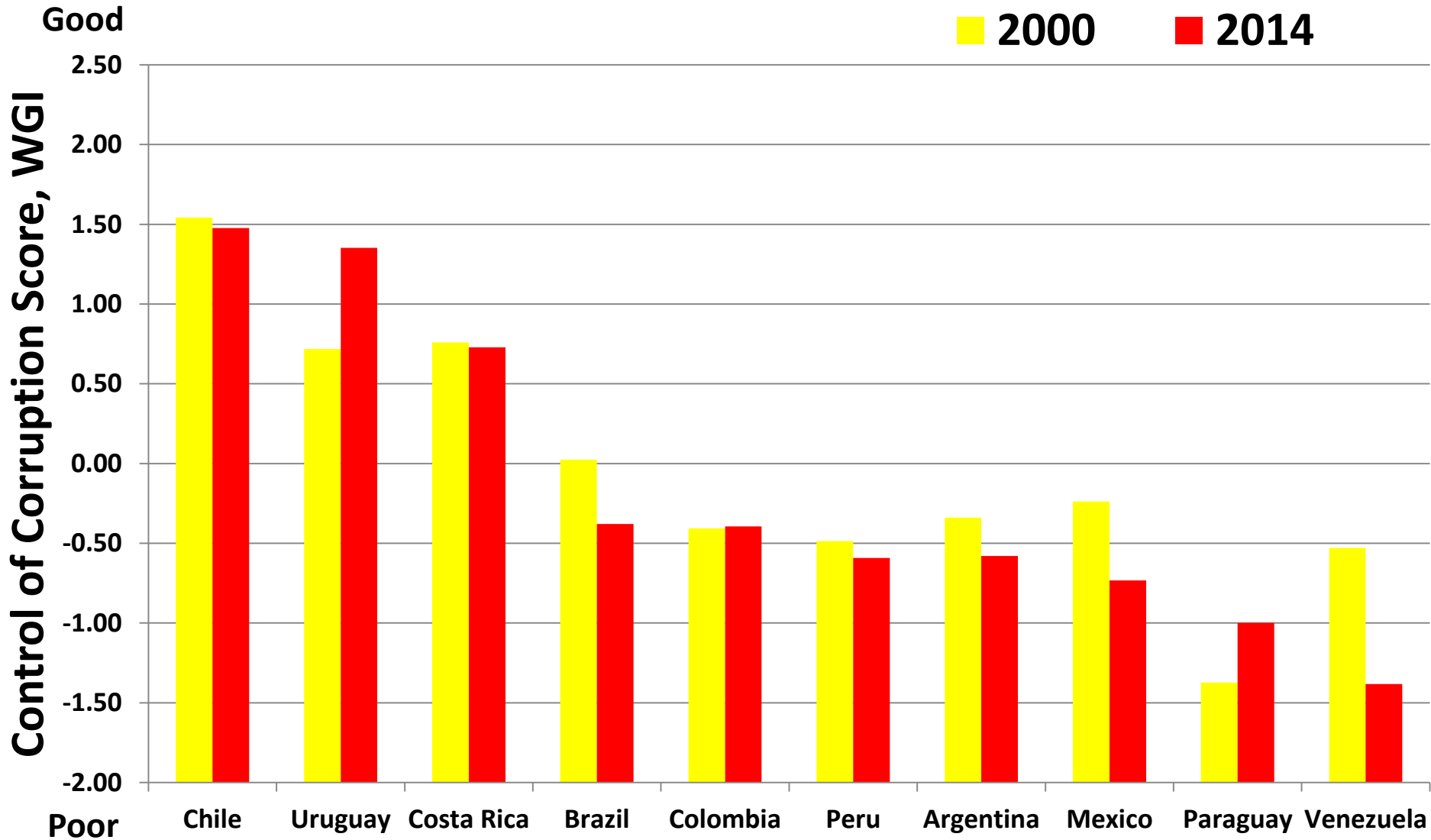
Worldwide Governance Indicators for Colombia: 2000, 2007, 2014

Worldwide Governance Indicators for Venezuela: 2000, 2007, 2014
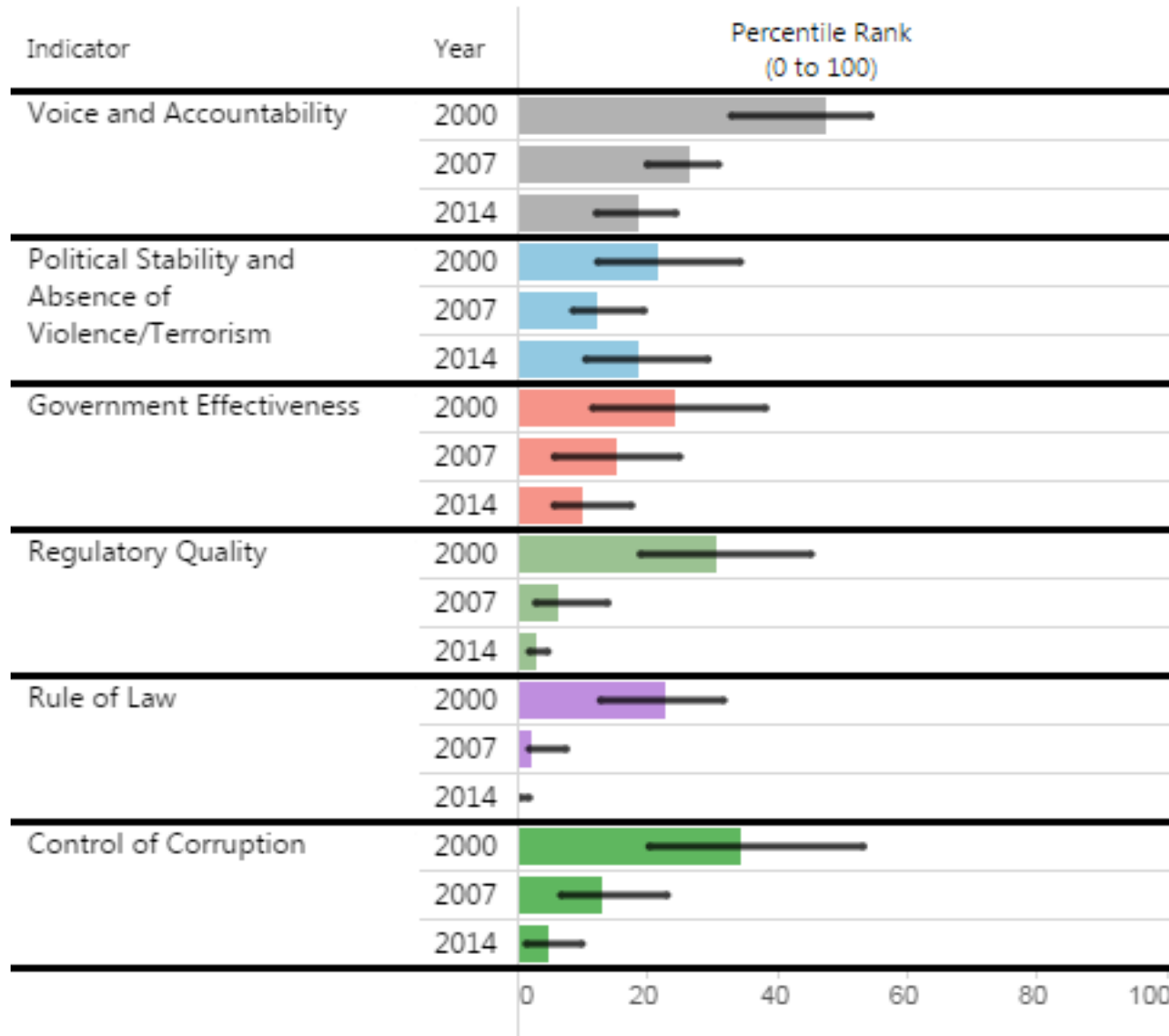
# Control de corrupción en países de América Latina (WGI)

Selected countries shown. Source: Worldwide Governance Indicators, www.govindicators.org . Author's calculations

But does Governance & Corruption Matter?

- **OK, governance and corruption can be measured, with caution**

- **But does it really matter?**

Are Budgetary Deficits in Industrialized Countries Associated with Corruption?: Yes

Surplus

Budgetary Balance, 2006-2009

r = .6

Control of Corruption, 2008
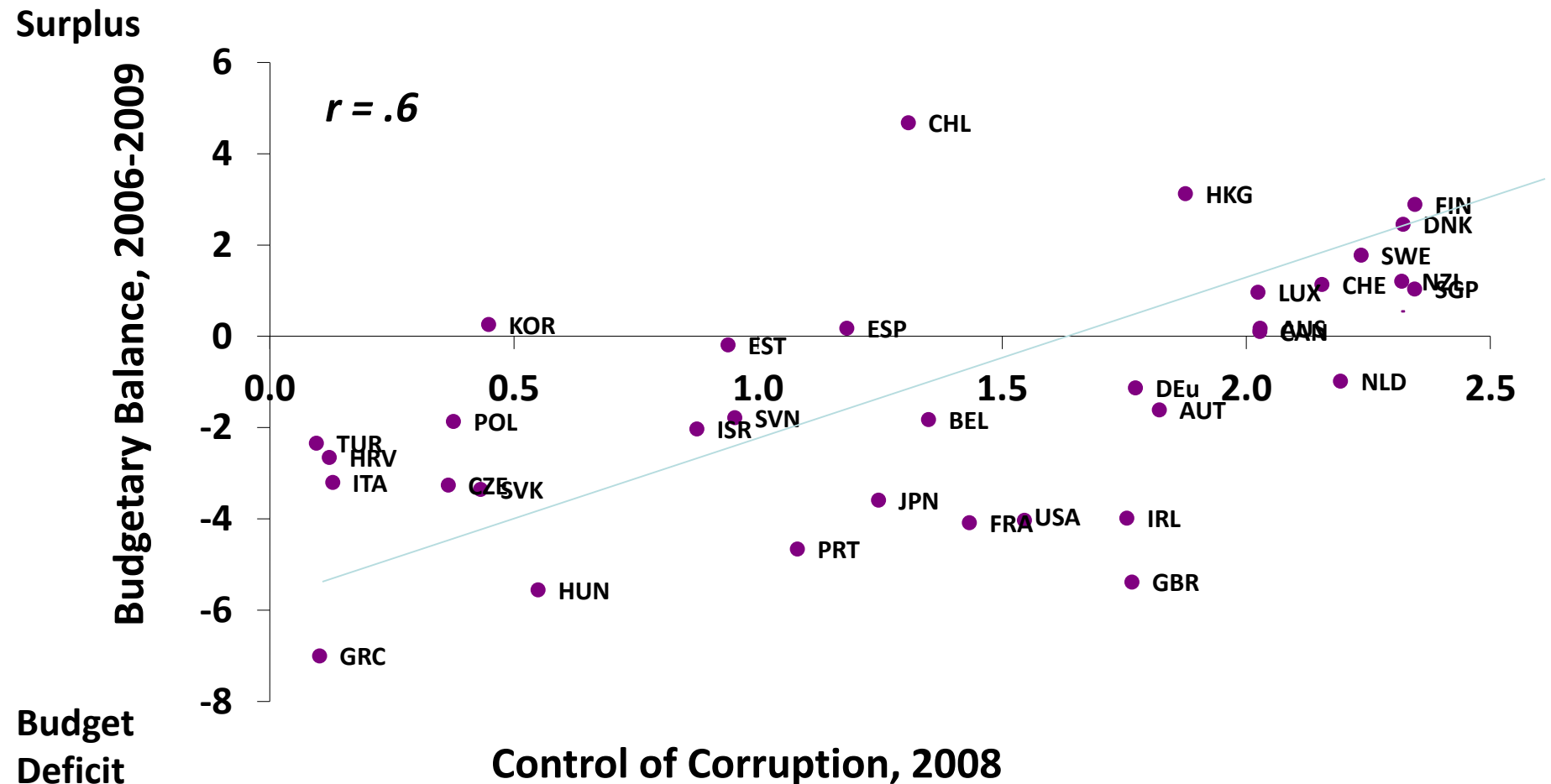
Budget Deficit

Graph from: D. Kaufmann, *'Corruption and Budget Deficits in Industrialized Countries: Heresy in the Eurozone and Beyond'*, *forthcoming (2010), Brookings Working Paper Series.* Sources of Data for this graph: Control of Corruption, 2008 from the Worldwide Governance Indicators (WGI): Kaufmann, Kraay and Mastruzzi, *"Governance Matters VIII"* (2009). Higher value means better Corruption Control. Budget Balance: Economist Intelligence Unit (EIU), average for budget balance for 2006-2009. A positive (negative) value for budget balance depicts a budgetary surplus (deficit). Chart shows sample of 35 countries of the OECD and other high income economies, except for oil-rich and small islands.

The 300% Development Dividend From Improving Governance & Controlling Corruption

$30,000

$3,000

$300

High Corruption　　　**Medium Corruption**　　　**Low Corruption**
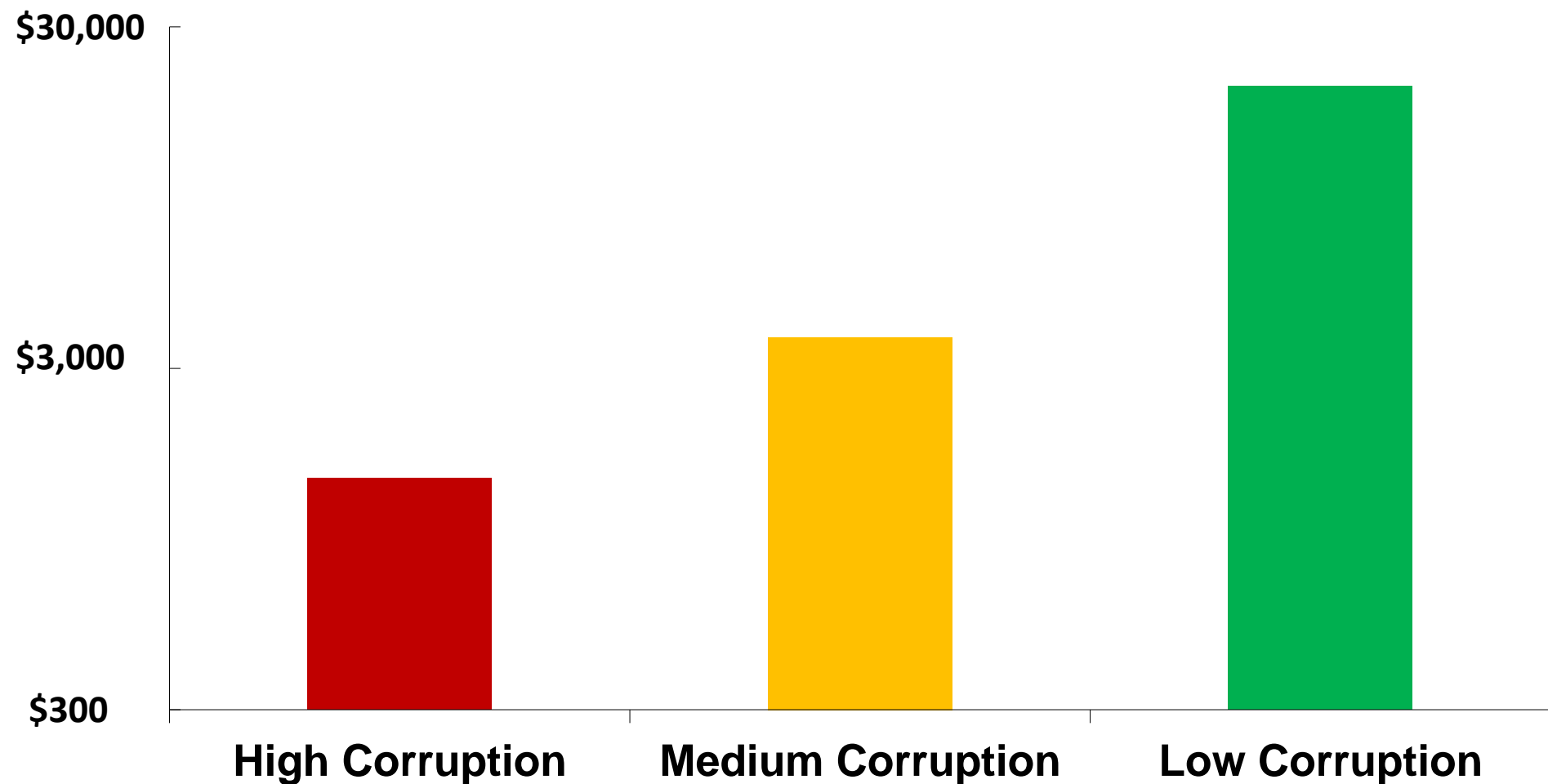
Data Source for calculations: KK 2004. Y-axis measures predicted GDP per capita on the basis of Instrumental Variable (IV) results for each of the 3 categories. Estimations based on various authors' studies, including Kaufmann and Kraay.
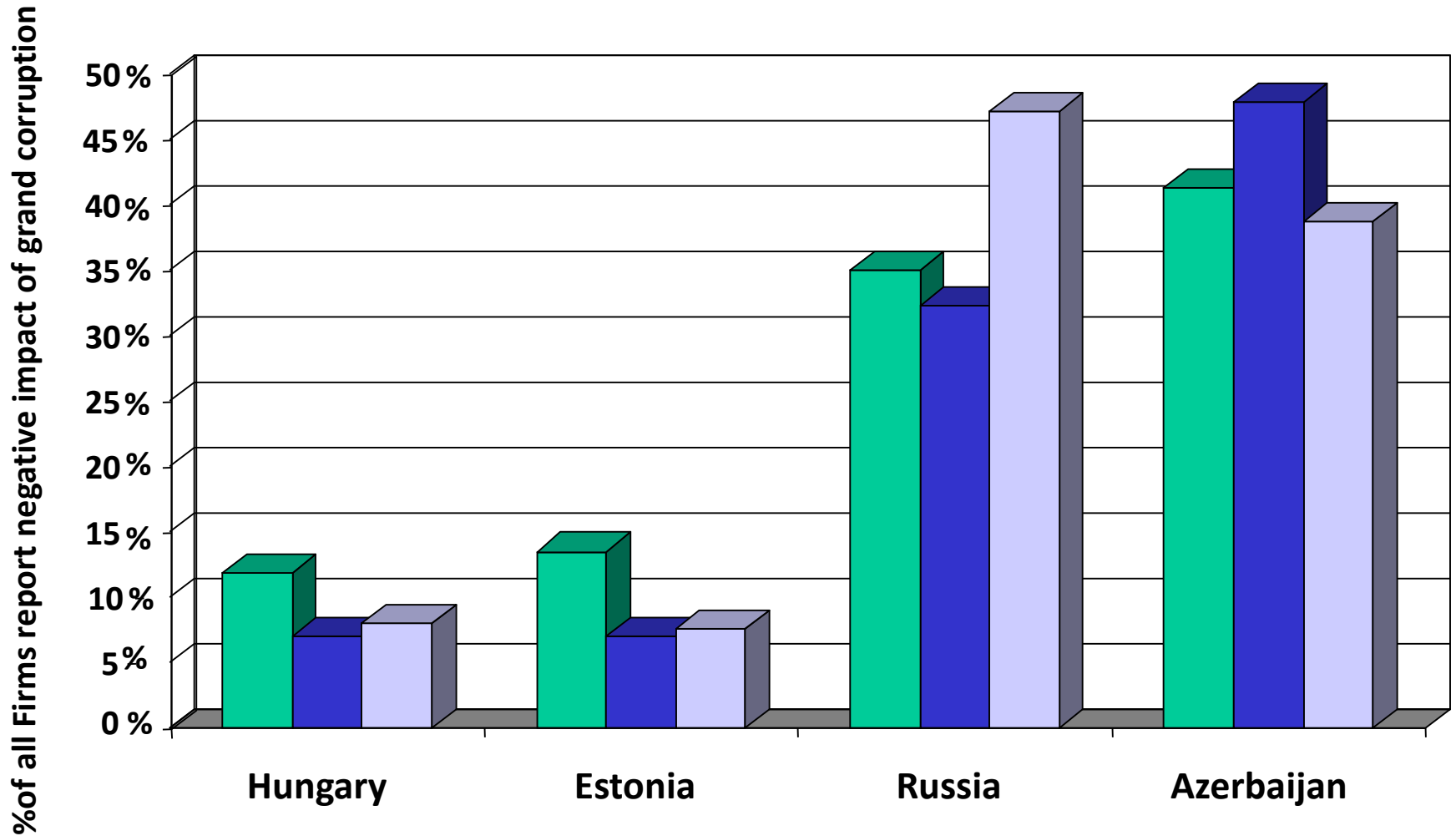
It is the 'P' Word: State Capture & Legal Corruption

- **Even if belated, increasing recognition that to understand corruption (beyond economics), Politics Matter –** *and not just political economy…*

- *'P': Political High Level Corruption, State Capture – how elites collude and 'privatize public policy'*

- **Corollary: *Reframing and Redefining Corruption?***

- ***Traditional Definition of Corruption: Abuse of Public Office for Private Gain***

Yet from perspective of State Capture, an alternative:

The Privatization of Public Policy… ?

- **Related: recognizing importance of *'Legal Corruption'***
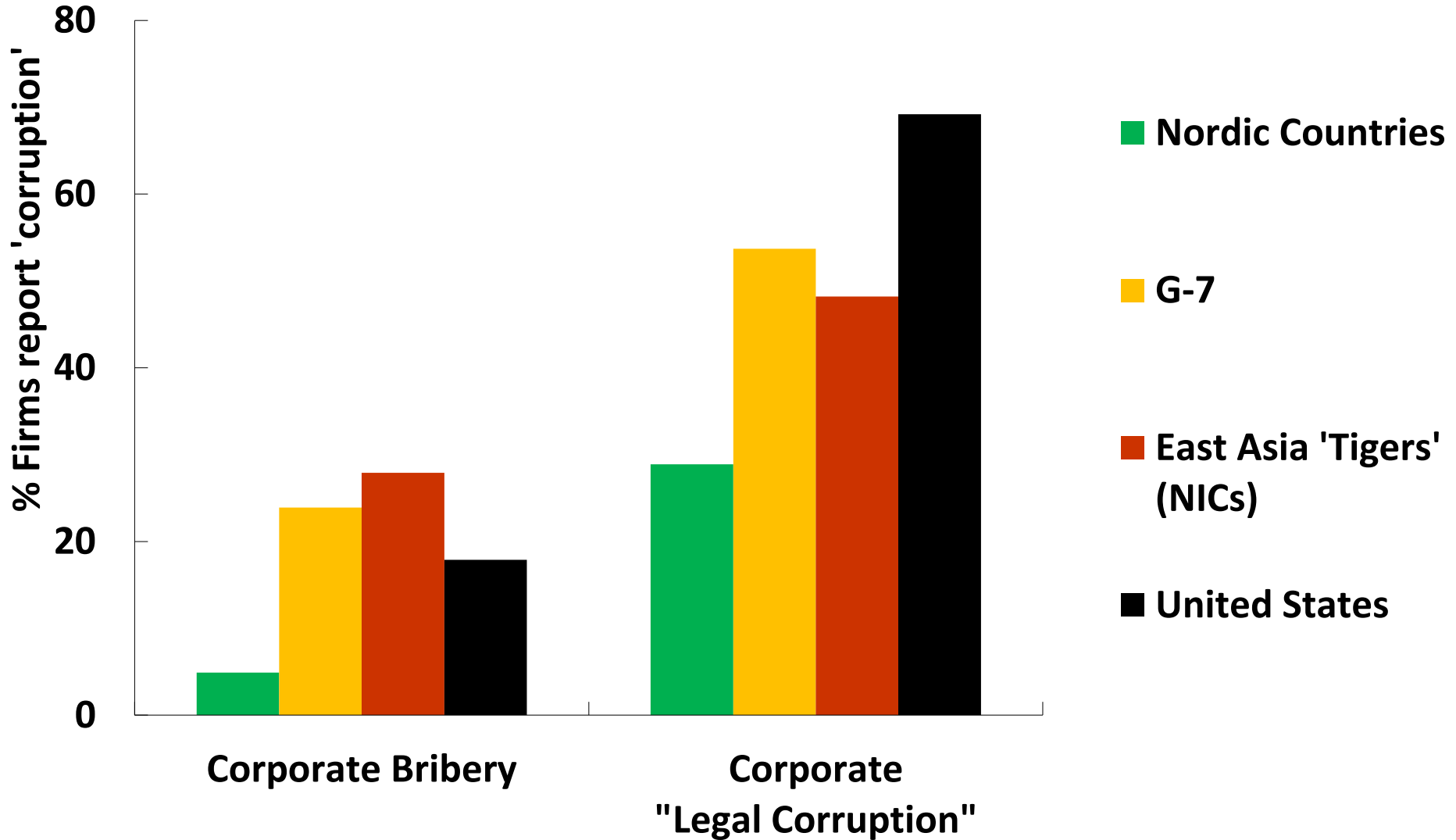
'Seize the State, Seize the Day' Research on Capture, 1999-2000: Differences in Transition Countries on the Extent of State Capture

Bar chart. Y-axis: %of all Firms report negative impact of grand corruption (0% to 50%). X-axis countries: Hungary, Estonia, Russia, Azerbaijan.

Adverse Impact of 'Purchases' of: Parliamentary legislation, Decrees, Central Bank Influence

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Bribery vs. 'Legal Corruption' (& soft Capture), 2004

% Firms report 'corruption'

Legend:
- **Nordic Countries** (green)
- **G-7** (yellow)
- **East Asia 'Tigers' (NICs)** (red)
- **United States** (black)

Categories: Corporate Bribery, Corporate "Legal Corruption"

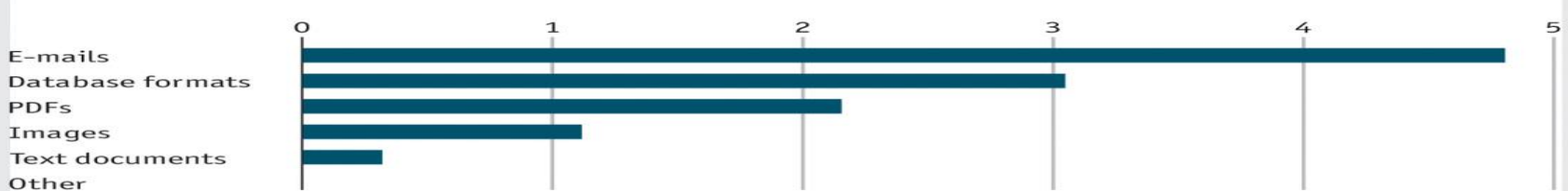Y-axis: % Firms report 'corruption' (0 to 80)

'Panama Papers' Mossack Fonseca Data Leak April 2016:
Documents Leaked & Offshore Companies Registered, in brief (from The Economist)
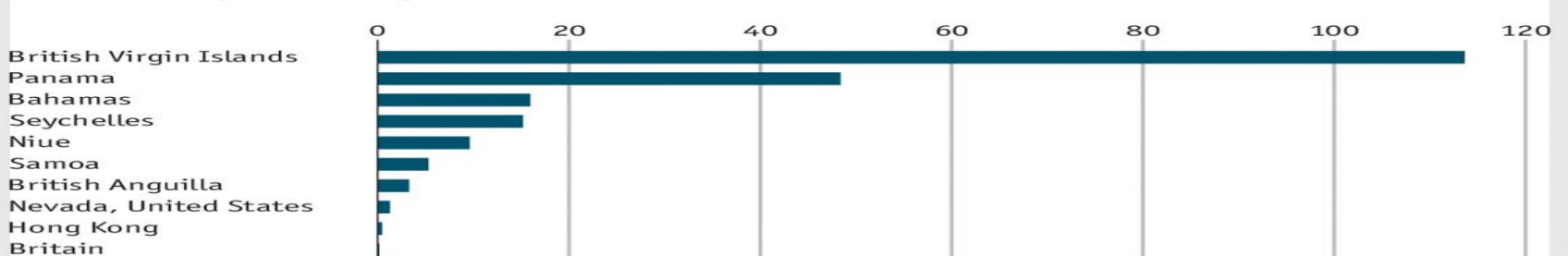

The cash cache
Mossack Fonseca data leak, April 2016
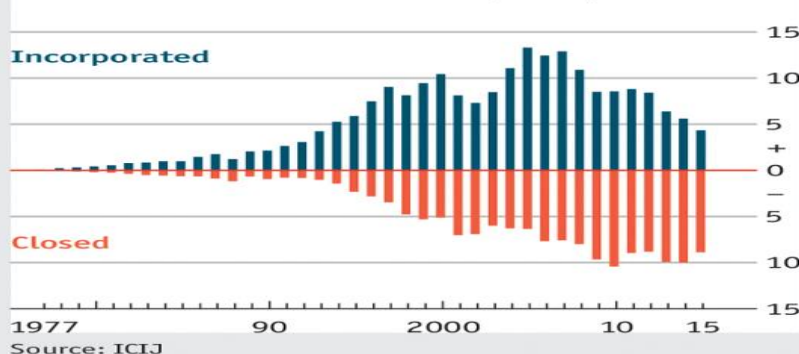
Breakdown of the 11.5 million documents

	0	1	2	3	4	5
E-mails						
Database formats						
PDFs						
Images						
Text documents						
Other						

12 Current or former country leaders   **29** Billionaires *(Forbes list)*
128 Politicians and public officials   **202** Countries/territories connected to the data

Where the companies are registered, '000

British Virgin Islands
Panama
Bahamas
Seychelles
Niue
Samoa
British Anguilla
Nevada, United States
Hong Kong
Britain

Mossack Fonseca's offshore companies, '000
Incorporated
Closed
1977 90 2000 10 15
Source: ICIJ

Cumulative number of active companies incorporated by Mossack Fonseca, '000
1977 90 2000 10 15

Economist.com

Source: ICIG (https://panamapapers.icij.org/), The Economist (http://www.economist.com/blogs/graphicdetail/2016/04/daily-chart-0?fsrc=scn/tw/te/bl/ed/panamataxpapersthetaxonomyoftheleak
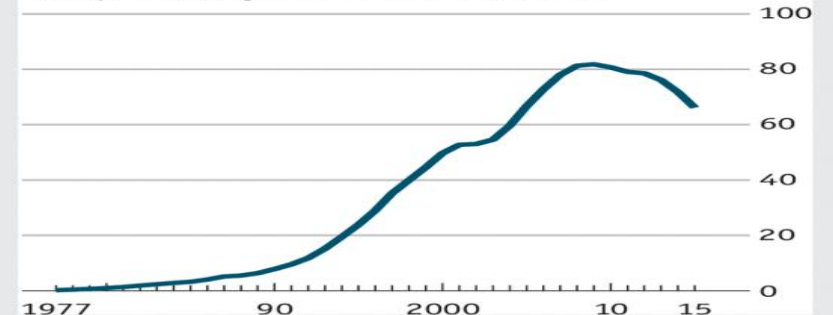
Panama Papers Preliminary List of Named Individuals: Heads of State/Government (yellow indicates resource rich country)

Name	Title	Country
Mauricio Macri	President	Argentina
Bidzina Ivanishvili	Former Prime Minister	Georgia
Sigmundur Davíð Gunnlaugsson	Prime Minister	Iceland
Ayad Allawi	Former Prime Minister	Iraq
Ali Abu al-Ragheb	Former Prime Minister	Jordan
Ion Sturza	Former Prime Minister	Moldova
Hamad bin Khalifa Al Thani	Former Emir	Qatar
Hamad bin Jassim bin Jaber Al Thani	Former Prime Minister	Qatar
Salman bin Abdulaziz bin Abdulrahman Al Saud	King	Saudi Arabia
Ahmed al-Mirghani	Former President	Sudan
Petro Poroshenko	President	Ukraine
Pavlo Lazarenko	Former Prime Minister	Ukraine
Khalifa bin Zayed Al Nahyan	President	United Arab Emirates

Panama Papers Preliminary List: Other Government Officials, 1

Name	Title	Country
Abdeslam Bouchouareb	Minister of Industry and Mines	Algeria
José Maria Botelho de Vasconcelos	Minister of Petroleum	Angola
Néstor Grindetti	Mayor of Lanús	Argentina
Ian Kirby	President of the Botswana Court of Appeal	Botswana
Joaquim Barbosa	former President and Justice of the Supreme Federal Court	Brazil
João Lyra	Member of the Chamber of Deputies	Brazil
Ang Vong Vathana	Minister of Justice	Cambodia
Alfredo Ovalle Rodríguez	intelligence agency associate	Chile
Jaynet Kabila	Member of the National Assembly	Congo, Dem. Rep.
Bruno Itoua	Minister of Scientific Research and Technical Innovation and former Chairman of the SNPC	Congo, Rep.
Galo Chiriboga	Attorney General	Ecuador
Pedro Delgado	former Governor of the Central Bank	Ecuador
Patrick Balkany	deputy of Les Républicains and mayor of Levallois-Perret	France
Jérôme Cahuzac	former Minister of the Budget	France
Stavros Papastavrou	advisor of former Prime Ministers Kostas Karamanlis and Antonis Samaras	Greece
Zsolt Horváth	former Member of the National Assembly	Hungary
Bjarni Benediktsson	Minister of Finance	Iceland
Júlíus Vífill Ingvarsson	Member of Reykjavik City Council	Iceland
Ólöf Nordal	Minister of the Interior	Iceland

Panama Papers Preliminary List: Other Government Officials, 2

Name	Title	Country
Anurag Kejriwal	Ex-President of the Lok Satta Party Delhi Branch	India
Kalpana Rawal	Deputy Chief Justice of the Supreme Court	Kenya
Konrad Mizzi	Minister of Energy and Health	Malta
James Ibori	former Governor of Delta State	Nigeria
Riccardo Francolini	former chairman of the state-owned Savings Bank	Panama
César Almeyda	Director of the National Intelligence Service	Peru
Imee Marcos	daughter of the former Philippine president Ferdinand Marcos	Philippines
Paweł Piskorski	former Mayor of Warsaw	Poland
Emmanuel Ndahiro	brigadier general and former chief of the intelligence agency	Rwanda
Muhammad bin Nayef	Crown Prince and Minister of the Interior of Saudi Arabia	Saudi Arabia
Michael Ashcroft	retired member of the House of Lords	United Kingdom
Michael Mates	former Conservative MP	United Kingdom
Pamela Sharples	Member of the House of Lords	United Kingdom
Victor Cruz Weffer	former commander-in-chief of the army	Venezuela, Rb
Jesús Villanueva	former Director of PDVSA	Venezuela, Rb
Mohammad Mustafa	former Minister of National Economy	West Bank and Gaza
Atan Shansonga	former Ambassador to the United States	Zambia

Source: ICIJ (https://panamapapers.icij.org/) with list taken from Wikipedia (https://en.wikipedia.org/wiki/List_of_people_named_in_the_Panama_Papers) as of 4/5/2016.

Panama Papers Preliminary List: Relatives/Associates of Government Officials, 1

Name	Title	Country
Daniel Muñoz	aide to former presidents Cristina Fernández de Kirchner and Néstor Kirchner	Argentina
Mehriban Aliyeva, Leyla Aliyeva, Arzu Aliyeva, Heydar Aliyev and Sevil Aliyeva	family of President Ilham Aliyev	Azerbaijan
Idalécio de Oliveira	potential briber of President of the Chamber of Deputies Eduardo Cunha	Brazil
Anthony Merchant	husband of Senator Pana Merchant	Canada
Deng Jiagui	brother-in-law of President Xi Jinping	China
Jasmine Li	granddaughter of former Chairperson of the Chinese People's Political Consultative Conference Jia Qinglin	China
Li Xiaolin	daughter of former Premier Li Peng	China
Jean-Claude N'Da Ametchi	associate of former President Laurent Gbagbo	Côte D'Ivoire
Javier Molina Bonilla	former advisor to Director of the National Intelligence Secretariat Rommy Vallej	Ecuador
Alaa Mubarak	son of former President Hosni Mubarak	Egypt, Arab Rep.
Arnaud Claude	associate attorney of former President Nicolas Sarkozy	France
Frédéric Chatillon	businessman linked to Marine Le Pen and the Front National	France
Nicolas Crochet	chartered accountant, linked to Marine Le Pen and the Front National	France
Patrick Henri Devillers	French business associate of Gu Kailai, the wife of former Chinese Party Secretary of Chongqing, Bo Xilai	France
Jean-Marie Le Pen	father of Marine Le Pen, former president of Front National	France

Panama Papers Preliminary List: Relatives/Associates of Government Officials, 2

Name	Title	Country
John Addo Kufuor	son of former President John Kufuor	Ghana
Kojo Annan	son of former Secretary-General Kofi Annan	Ghana
Mamadie Touré	widow of former President Lansana Conté	Guinea
César Rosenthal	son of former Vice President Jaime Rosenthal	Honduras
Giuseppe Donaldo Nicosia	convicted of bribery alongside former Senator Marcello Dell'Utri	Italy
Nurali Aliyev	grandson of President Nursultan Nazarbayev	Kazakhstan
Ro Jae-Hun	son of former President Roh Tae-woo	Korea, Rep.
Mohd Nazifuddin Najib	son of Prime Minister Najib Razak	Malaysia
Juan Armando Hinojosa	contractor of President Enrique Peña Nieto	Mexico
Mounir Majidi	personal secretary of King Mohammed VI	Morocco
Maryam Nawaz, Hasan Nawaz Sharif and Hussain Nawaz Sharif	children of Prime Minister Nawaz Sharif	Pakistan
Sergei Roldugin, Arkady Rotenberg and Boris Rotenberg	friends of President Vladimir Putin	Russian Federation
Mamadou Pouye	friend of the son of former President Wade	Senegal
Clive Khulubuse Zuma	nephew of President Jacob Zuma	South Africa
Pilar de Borbón	sister of former King Juan Carlos I	Spain
Micaela Domecq Solís-Beaumont	wife of Miguel Arias Cañete, European Commissioner for Climate Action and Energy	Spain
Oleguer Pujol	son of Jordi Pujol I Soley the former president of the Generalitat de Catalunya	Spain
Rami and Hafez Makhlouf	cousins of President Bashar al-Assad	Syrian Arab Republic
Soulieman Marou	businessman linked to President Bashar al-Assad	Syrian Arab Republic
Ian Cameron	father of Prime Minister David Cameron	United Kingdom

Source: ICIJ (https://panamapapers.icij.org/) with list taken from Wikipedia (https://en.wikipedia.org/wiki/List_of_people_named_in_the_Panama_Papers) as of 4/5/2016. Note: Highlighted entries signify resource rich countries

Panama Papers Preliminary List: Other Notables, 1

Name	Title	Country
Hugo and Mariano Jinkis	businessmen implicated in the 2015 FIFA corruption case	Argentina
Lionel Messi	footballer	Argentina
Gabriel Iván Heinze	retired footballer	Argentina
Leonardo Ulloa	footballer	Argentina
Gabriel Schürrer	retired footballer	Argentina
Gonzalo Delaveau	head of Transparency International – Chile	Chile
Iván Zamorano	retired footballer	Chile
Jackie Chan	actor	China
Hollman Carranza Carranza	son of Víctor Carranza, head of emerald mining empire	Colombia
Brian Steen Nielsen	retired footballer	Denmark
Marc Rieper	retired footballer	Denmark
Michel Platini	former President of UEFA	France
Jérôme Valcke	former Secretary General of FIFA	France
Nico Rosber	former Formula 1 driver	Germany
Vinod Adani	elder brother of Gautam Adani, Adani Group	India
Amitabh Bachchan	actor	India
Aishwarya Rai Bachchan	actress and model	India
Rattan Chadha	founder of Mexx clothing	India
K P Singh	businessman	India
Jacob Engel	businessman	Israel
Idan Ofer	businessman	Israel
Teddy Sagi	businessman	Israel

Panama Papers Preliminary List: Other Notables, 2

Name	Title	Country
Dov Weissglass	lawyer and businessman	Israel
Franco Dragone	theatre director, known for his work for Cirque du Soleil	Italy
Luca Cordero di Montezemolo	businessman, former Chairman of both Fiat and Ferrari	Italy
Jarno Trulli	former Formula 1 driver	Italy
Clarence Seedorf	retired footballer	Netherlands
Sander Westerveld	retired footballer	Netherlands
Valeri Karpin	retired footballer	Russian Federation
Darko Kovacevic	retired footballer	Serbia
Pedro Almodóvar	film director, screenwriter, producer and former actor	Spain
Agustín Almodóvar Caballero	film producer and younger brother of filmmaker Pedro Almodóvar	Spain
Alex Criville	former Grand Prix road racer	Spain
Mattias Asper	retired footballer	Sweden
Tina Turner	singer	Switzerland
Nihat Kahveci	retired footballer	Turkey
Tayfun Korkut	retired footballer	Turkey
Nick Faldo	professional golfer	United Kingdom
David Geffen	Hollywood mogul	United States
Marianna Olszewski	author	United States
Eugenio Figueredo	former President of CONMEBOL and member of the ethics committee of FIFA	Uruguay
Juan Pedro Damiani	member of the FIFA Ethics Committee	Uruguay

Panama Papers, Preliminary: Banks Involved with Mossack Fonseca

- **Over 500 banks also involved, set up of nearly 15,600 shell companies (preliminary)**

- **Major banks involved include:**
  - **HSBC: over 2,300 shell companies**
  - **UBS: over 1,100 shell companies**
  - **Credit Suisse: 1,105 shell companies**
  - **Société Générale: 979 shell companies**
  - **Royal Bank of Canada: 378 shell companies**
  - **Commerzbank: 92 shell companies**

Source: ICIG   https://panamapapers.icij.org/20160404-banks-lawyers-hide-assets.html

How Putin's 'personal bank' moved money offshore and returned it to Russia

Legend:
- Russia
- Facilitators
- Offshore

Yuri Kovalchuk — Boss
Sergei Roldugin — Friend

Bank Rossiya
Ozon
Igora
Swiss lawyers
Sandalwood
Mossack Fonseca
RCB of Cyprus
Money
Loan deals

Source: The Guardian, http://www.theguardian.com/news/2016/apr/03/panama-papers-money-hidden-offshore
Bank Rossiya: Closely associated with Putin and his friends. Its managers were behind billions of dollars in suspicious offshore transactions.
Swiss lawyers: Lawyers from Dietrich Baumgartner and Partners in Zurich received instructions from Bank Rossiya and passed them on to Mossack Fonseca.
Mossack Fonseca: Panamanian law firm that registers and runs offshore firms. It set up Sandalwood and other offshores linked to Roldugin.
Russian Commercial Bank of Cyprus: A subsidiary of Russia's state-owned VTB bank. RCB made massive unsecured loans to Sandalwood, extending $650m in credit.
Sandalwood Continental Ltd: An offshore firm set up in the British Virgin Islands. From 2009 to 2012 it got more than $1bn in loans from state banks and other offshores.
Ozon: Ozon owns the private Igora ski resort outside St Petersburg. In 2010/11 Sandalwood lent Ozon $11.3m. Putin's daughter Katya got married at the resort in 2013.

Unaoil Scandal: Monaco-Based company set up as an intermediary 'facilitator' to secure contracts for multinationals in oil-rich & other countries

- **Hundreds of multinational companies potentially involved with Unaoil (Monaco-bsed), including: American companies *Halliburton, Honeywell, KBR and FMC Technologies;* Korean manufacturers *Samsung and Hyundai;* U.K.-based *Rolls-Royce;* and Germany-based *Man Turbo*.**

- **Countries where Unaoil or its subsidiaries have operated are *Kazakhstan, Azerbaijan, Syria, Iraq, Iran, UAE, Yemen, Algeria, Tunisia, Libya, Cameroon, Rep. of Congo, Angola, & South Africa***

Preliminary

Using Data to Fight Corruption

Open data can change the world…

- **Just in economic impact alone, consulting firm McKinsey estimates the global value of open data could be over $3 trillion annually.**

- **A study from the Omidyar Network estimates that open data could lead to an extra $13 trillion over five years in output among G20 nations.**

Open data can improve government by helping to make government more accountable and efficient, empower citizens by enabling informed decision-making, create economic opportunities, and help find solutions to big problems (e.g. healthcare, global warming).

Using Data to Fight Corruption

Examples of open data used in fighting corruption:

- **Open procurement portal in Slovakia uncovered major procurement scandals in healthcare sector, resulting in passage of stricter beneficial ownership regulations.**
- **Open data from Nigeria's Extractives Industries Transparency Initiative (EITI) audits revealed extractives revenues losses of $9.8 billion between 1999 and 2011, helping expose irregularities in the management and administration of oil revenues by the Nigerian National Petroleum Corporation.**
- **In Ukraine, a new transparent electronic procurement system for state contracts has generated 12% savings for the government since its launch in early 2015.**
- **Civil society groups in Peru used disclosed revenue data to build revenue forecasting tools that are now used by regional governments to improve budget planning.**
- **Brazil's Transparency Portal, aimed at increasing fiscal transparency of the federal government budget, registers an average of 900,000 unique visitors a month. Similar financial transparency initiatives have now been adopted by governments at the subnational level.**

Using Data to Fight Corruption

Incipient Successes, yet also challenges:

- **Data Quality, Data Relevance, Timeliness, Interpretation (potential abuse, over-interpretation) .**
- **More focus on the supply side, and on the technology of open data, rather than quality, relevance, and demand side.**
- **Low income strata not empowered to make use of it?**
- **Important to avoid over-reliance on official data – the importance of citizen-produced data**

Governance & Anti-Corruption in Natural Resources: Tackling the Development Challenge of the Decade

- **– A man-made resource curse persists for about one billion people living in poverty in the midst of abundance**
- **– Experience + our evidence: resource curse not predetermined, good NR governance *is* possible**
- **– Yet most resource-intensive countries face a major 'government deficit'**
- **– In those countries, the poor is not benefiting from their resource riches**

On the 'Resource Curse' question

Longstanding question:

1. Do Natural Resources (NRs) foster worse institutions?, or,

2. Do worse institutions foster worse NR management outcomes?

• If 1: resources are a deterministic curse

• If 2: it can go either way – *it depends*

-- Literature & evidence not fully conclusive, but stronger case for the latter (#2): resource curse not deterministic

-- Challenge larger when governance *already weak*, and excessive dependency on natural resources *exacerbates* governance problems when they exist

Control of Corruption 2002 & 2014:
Non-Resource Rich vs Resource-Rich Countries

Source: Worldwide Governance Indicators, www.govindicators.org

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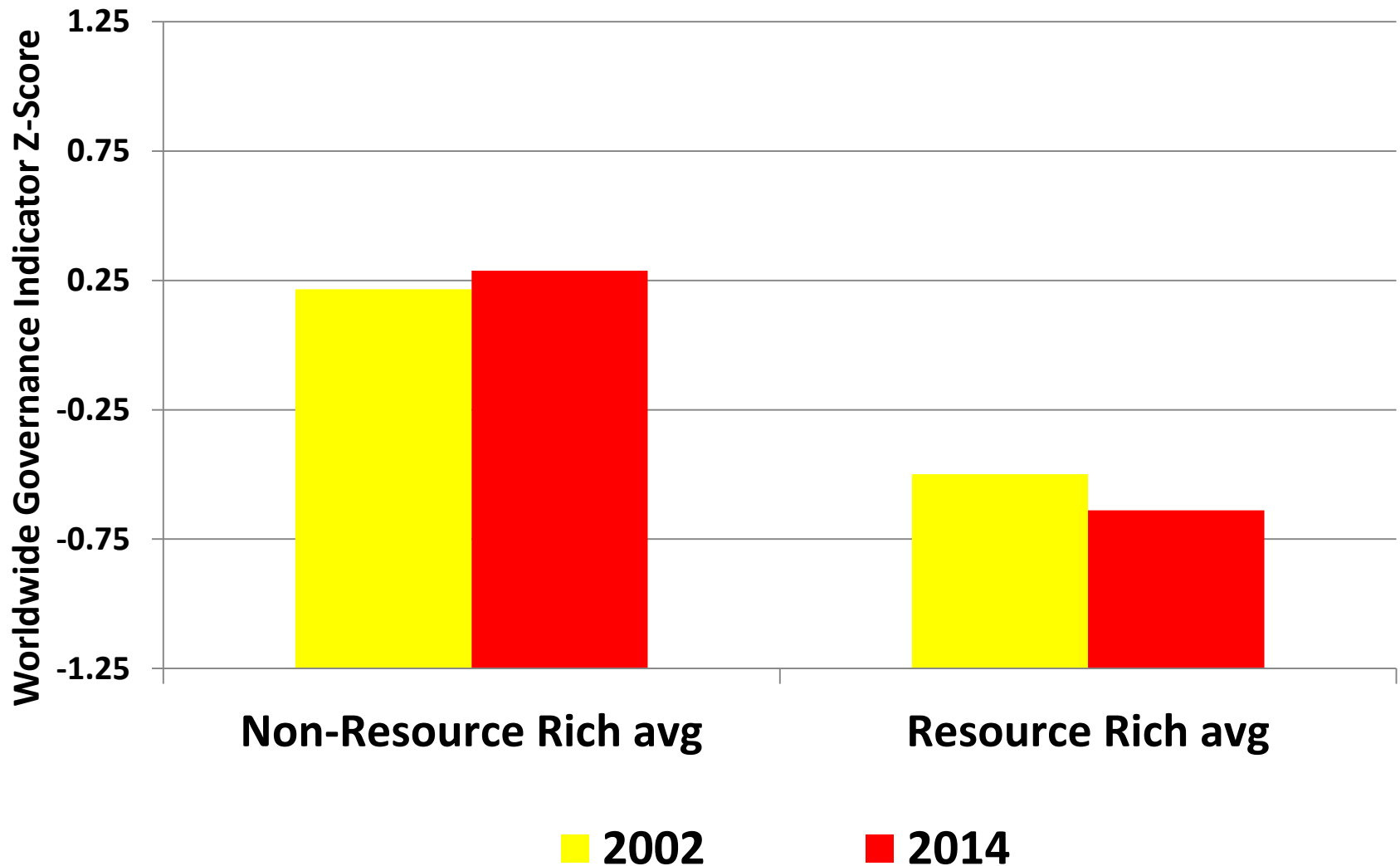
Development Dividend of good governance & corruption control: Resource-Rich vs. Non-Resource Rich countries
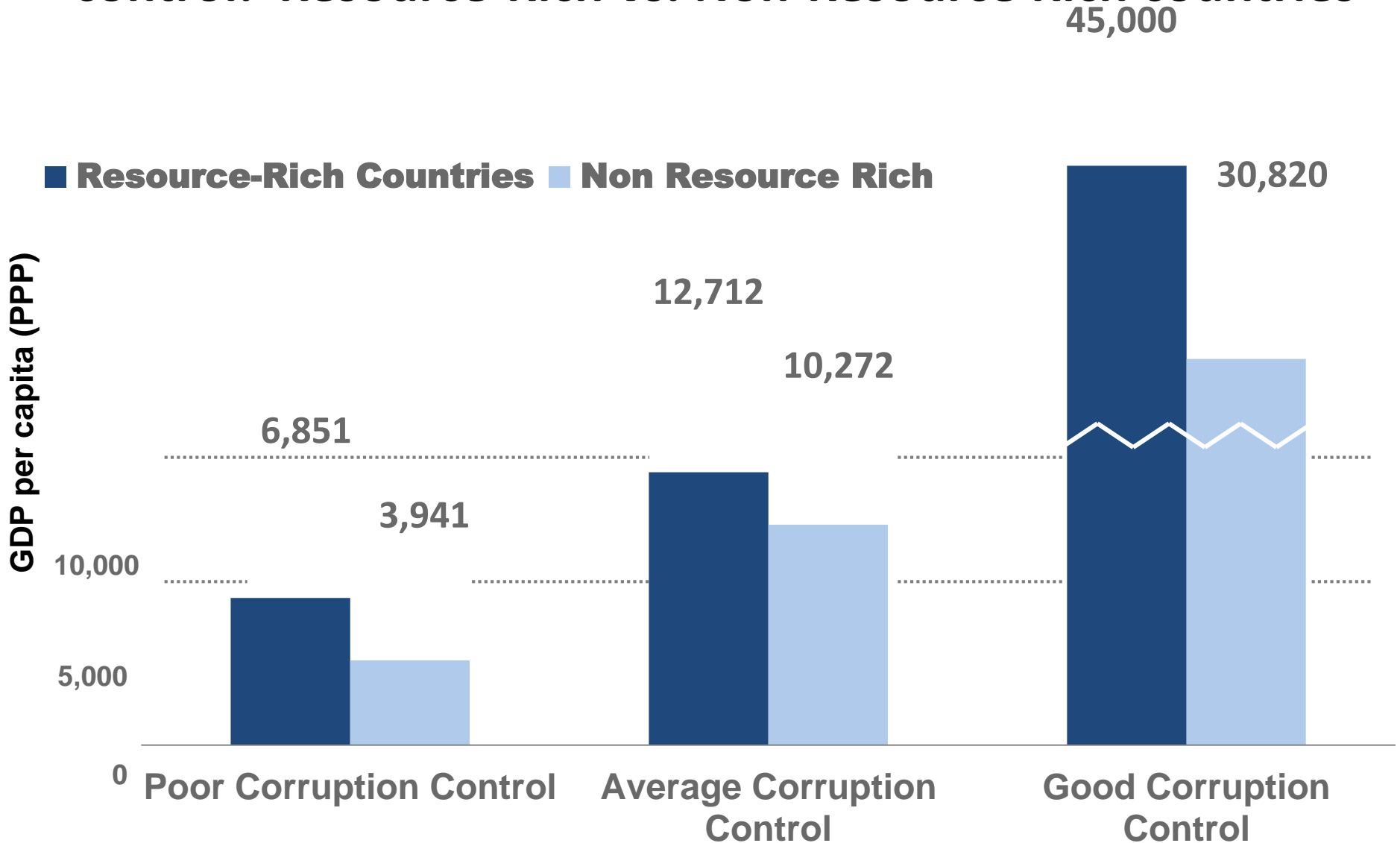
Sources: GDP per capita (atop each column) from World Bank World Development Indicators, 2012.
Corruption Control data *from* Worldwide Governance Indicators (WGI, 2012) Countries grouped into terciles based on WGI Control of Corruption scores. Resource Rich country classification according to IMF (2010).

What is the Resource Governance Index?

- **A measure of transparency and accountability of the oil, gas and mining sector in 58 countries.**

- **For each country, researchers, gathered primary information in 2012 to answer a standard questionnaire with 173 questions, vetted by a peer reviewer.**

Resource Governance Index

Legend:
- Satisfactory (71-100)
- Partial (51-70)
- Weak (41-50)
- Failing (0-40)

Rank	Country	Score
1	Norway	98
2	United States (Gulf of Mexico)	92
3	United Kingdom	88
4	Australia (Western Australia)	85
5	Brazil	80
6	Mexico	77
7	Canada (Alberta)	76
8	Chile	75
9	Colombia	74
10	Trinidad and Tobago	74
11	Peru	73
12	India	70
13	Timor-Leste	68
14	Indonesia	66
15	Ghana	63
16	Liberia	62
17	Zambia	61
18	Ecuador	58
19	Kazakhstan	57
20	Venezuela	56
21	South Africa	56
22	Russia	56
23	Philippines	54
24	Bolivia	53
25	Morocco	53
26	Mongolia	51
27	Tanzania	50
28	Azerbaijan	48
29	Iraq	47
30	Botswana	47
31	Bahrain	47
32	Gabon	46
33	Guinea	46
34	Malaysia	46
35	Sierra Leone	46
36	China	43
37	Yemen	43
38	Egypt	43
39	Papua New Guinea	43
40	Nigeria	42
41	Angola	42
42	Kuwait	41
43	Vietnam	41
44	Congo (DRC)	39
45	Algeria	38
46	Mozambique	37
47	Cameroon	34
48	Saudi Arabia	34
49	Afghanistan	33
50	South Sudan	31
51	Zimbabwe	31
52	Cambodia	29
53	Iran	28
54	Qatar	26
55	Libya	19
56	Equatorial Guinea	13
57	Turkmenistan	5
58	Myanmar	4

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

Indonesia's Resource Governance Index Scores

Rank (out of 58)		Score (out of 100)
14	**COMPOSITE SCORE**	**66**
16	**Institutional and Legal Setting**	**76**
	Freedom of information law	67
	Comprehensive sector legislation	100
	EITI participation	33
	Independent licensing process	100
	Environmental and social impact assessments required	50
	Clarity in revenue collection	83
	Comprehensive public sector balance	50
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	100
15	**Reporting Practices**	**66**
	Licensing process	50
	Contracts	0
	Environmental and social impact assessments	33
	Exploration data	100
	Production volumes	50
	Production value	100
	Primary sources of revenue	100
	Secondary sources of revenue	33
	Subsidies	100
	Operating company names	100
	Comprehensive SOC reports	100
	SOC production data	76
	SOC revenue data	93
	SOC quasi fiscal activities	..
	SOC board of directors	50
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	33
	Subnational reporting of transfers	0
11	**Safeguards and Quality Controls**	**75**
	Checks on licensing process	100
	Checks on budgetary process	100
	Quality of government reports	50
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	50
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	50
	Government follows subnational transfer rules	100
21	**Enabling Environment**	**46**
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	37
	Open Budget (IBP Index)	59
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	57
	Government effectiveness (WGI)	48
	Rule of law (WGI)	31

Satisfactory   Weak
Partial   Failing

55

The international environment can help or hinder

44 implementing countries

Over $1 trillion in payments and revenues in EITI reports by 34 countries.

Dodd-Frank Financial Reform Act

Illicit financial flows are estimated to cost developing countries over US$1 trillion annually—US$10 for every US$1 received in aid.
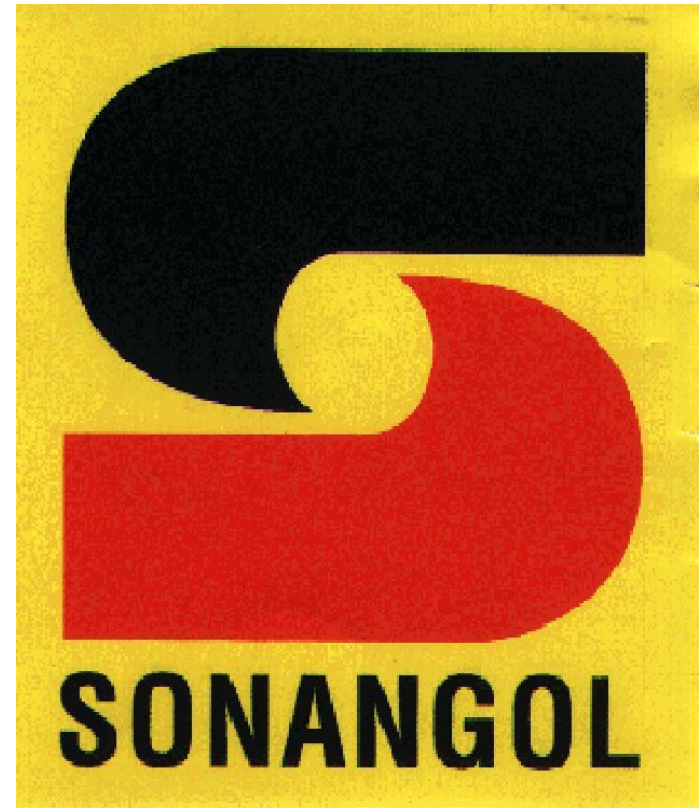
Natural Resource Charter **Precepts 11 & 12**

Source: Global Financial Integrity
Image source: The Economist

Extra-budget expenditure

$32 Billion

SONANGOL

REVENUE WATCH
INSTITUTE

Towards a broad analytical framework: the Natural Resource Charter ('charter')

- **Comprehensive approach for thinking through the resource governance challenge and providing an analytical framework for policy reform**

- **Builds and expands on the EITI; endorsed by AU, several governments & international institutions**

- **Accumulated experience and knowledge of over 200 academics, practitioners, & other experts**

- **Second edition published in 2014, further materials to be produced – 'live document'**

Domestic governance

Discovery & deciding to extract → Getting a good deal → Managing revenues → Investing for sustainable development

International governance

The Charter governance & decision chain components are translated into 12 specific precepts covering key legal, institutional and policy issues

Domestic governance

1. Forming a strategy & building institutions
2. Ensuring accountability & transparency

Discovery & deciding to extract

3. Exploration & choosing operators

Getting a good deal

4. Taxation
5. Local impacts
6. National resource companies

Managing the revenues

7. Allocating the revenues
8. Smoothing expenditure volatility

Investing for development

9. Improving public expenditure
10. Engaging private sector

International governance

11. Role of international companies
12. Role of international governance actors

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Assessing Corruption Vulnerabilities across the decision chain

DOMESTIC FOUNDATIONS FOR RESOURCE GOVERNANCE

Discovery and deciding to extract → Getting a good deal → Managing revenues → Investing for sustainable development

INTERNATIONAL FOUNDATIONS FOR RESOURCE GOVERNANCE

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

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

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

Saving revenues
e.g. SocGen (Libya)

Importance of In-Depth Diagnostic and Mapping of Corruption Risks

- **In-Depth, In-Country Diagnostic -- Rigorous, Empirics**
- **Focus on Institutions and on corruption risks at various stages of the chain.**
- **A Nigeria case study specifically focused on the following manifestations of corruption:**
- i) **licensing awards; ii) contract negotiations; iii) subcontracting; iv) State-Owned Enterprises in extractives; v) public procurement; vi) revenue leakages and public expenditures; vii) bunkering, & viii) export/trading.**
- **Input to Reform formulation**

Cross-cutting mechanics:
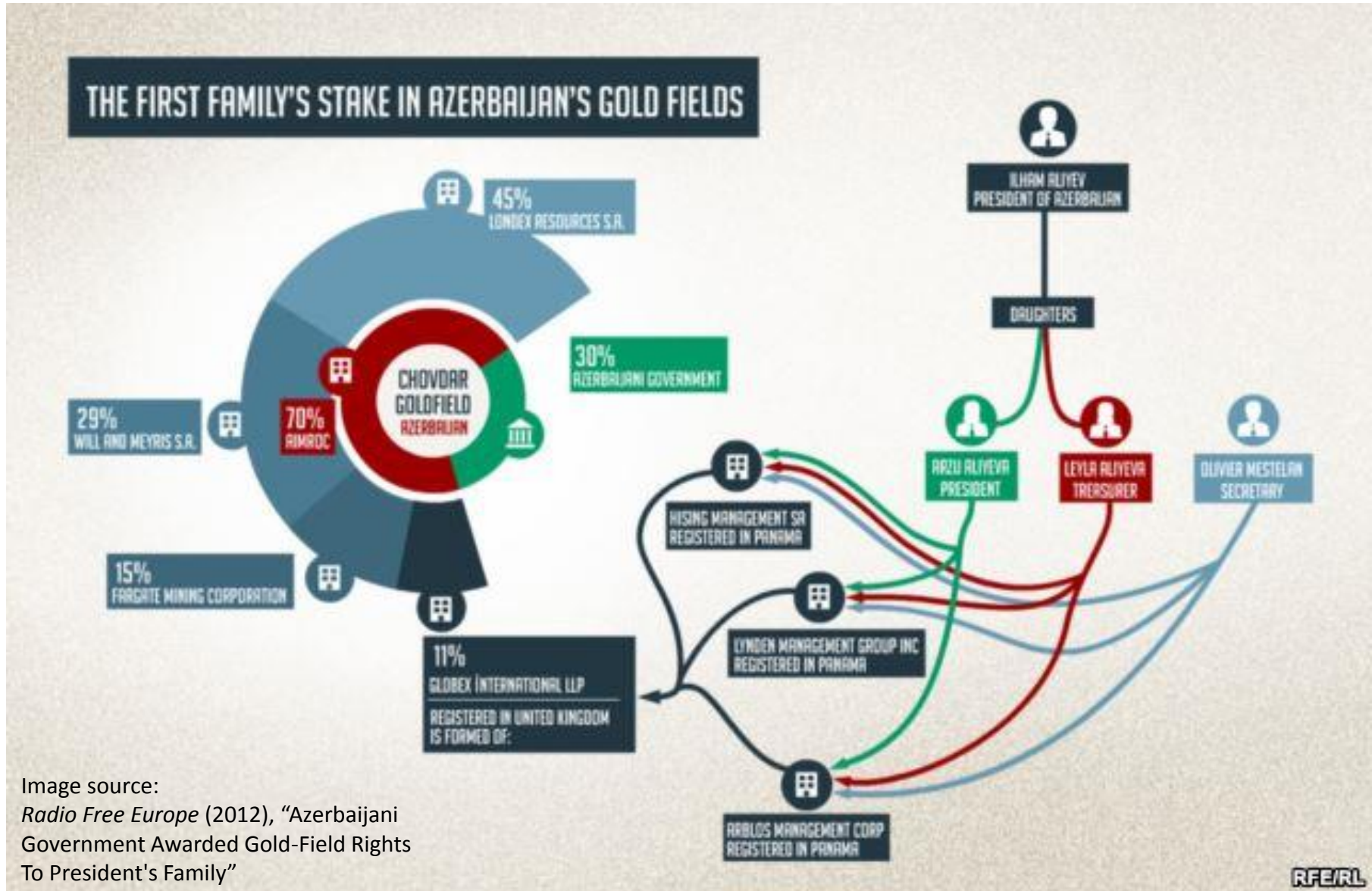# **Secret corporate vehicles**

Image source:
Radio Free Europe (2012), "Azerbaijani Government Awarded Gold-Field Rights To President's Family"
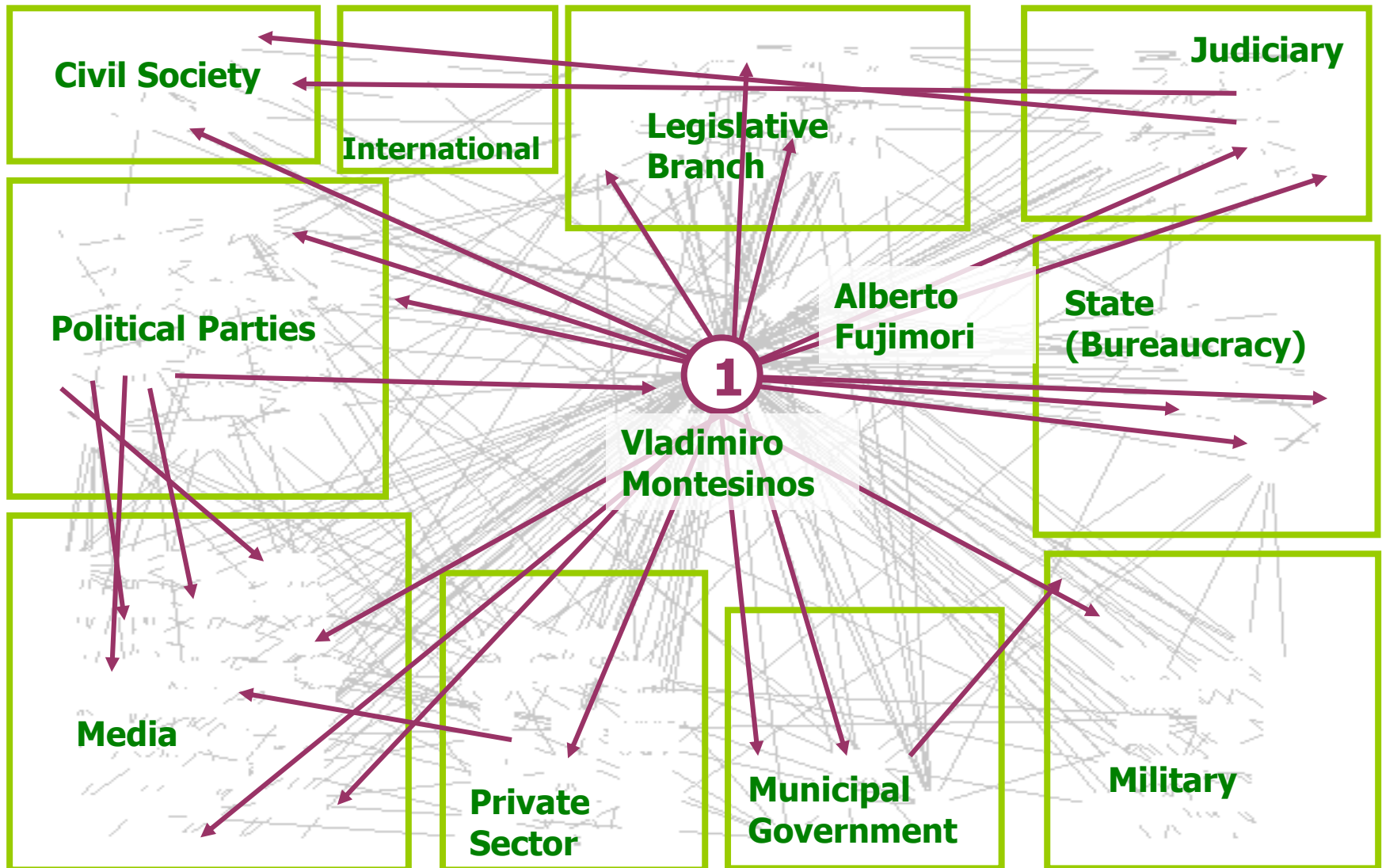
Some Reflections on NR governance

Seizing the opportunity for governance reforms in resource rich countries:

- Deepening Transparency reforms: *political & party finance transparency, Beneficiary Ownership, conflict of interest; committing to EITI*

- Subnational reforms: revenue sharing, effective spending, savings

- Prominent role of civil society, media, think tanks

- Rule of law reforms, including the judiciary *[Brazil]*

- Revamp NOCs: less political interference, oversight, meritocracy

- Global Initiatives and Mutual Accountability: MNCs should support mandatory disclosure bribery; gov'ts in G7 to address tax havens & beneficial ownership.   EITI.

- Rigorous diagnostic tools, benchmarking and open data powe

Conclusions & Implications for Discussion

1. Data Power – Understanding & monitoring patterns in governance/corruption worldwide; what works and doesn't

2. Corruption not determinant of all development ills, but is both a manifestation of governance failure & a cause of mis-governance

3. Anti-Corruption Matters for Development & Sound Financial systems worldwide: *300% development dividend of governance*

4. Importance of the Demand Side of Governance, including V&A, Transparency, Open Data, Rule of Law *-- Interactive Effects*

5. Incorporating Politics, State Capture, Legal Corruption, Networks

6. Governance in Natural Resources: key Development Challenge

7. Open Data onto the next level: beyond technology & supply…

Entrenched Corruption Networks:
The Case on Montesinos in Peru