



## PLENARY REPORT FORM

### Corruption in Natural Resources and Energy Markets

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**Moderator** (Name and Institution) Michael Peel, Financial Times

**Rapporteur** (Name and Institution): Craig Fagan, Transparency International

**Panellists** (Name, institution, title)

- Mary Robinson Former President of Ireland and Former UN High Commissioner for Human Rights
- Patrick Alley Director & Co Founder, Global Witness
- Ngozi Okonjo Iweala Managing Director, the World Bank
- Peter Eigen TI Founder and Chair of EITI
- Karin Lissakers Executive Director, Revenue Watch Institute

#### **Main Issues Covered**

The panellists focussed on analysing the dynamic of problems of the “resource curse” that countries well-endowed in natural resource wealth – oil gas, mining and forests – confront.

- Access to resources
- Revenue Transparency
- Accountability
- Stolen assets

Their overall comments were addressed to how corruption in these resource-rich countries leads to increased poverty rather than the wealth and development of prosperity.

#### **Main Outcomes**

The problem and plague of natural resource wealth – often called the “paradox of plenty” – is all too well known across regions and countries – from Angola to Turkmenistan. The fallout is driven largely by corruption, the lack of transparency and limited access to information. It involves companies and countries, both in the North and South, who are guilty in their failing to play by clear rules and good practices.

The common agreement among panellists was that transparency is a precondition to end this “resource curse” for countries. It is essential for companies and countries to provide information on what they are getting (from natural resources) and receiving (in revenues). Changes in international accounting practices and stricter enforcement of anti-bribery conventions, such as that of the Organisation for Economic Co-operation and Development (OECD), are the first steps needed.

However transparency is only one of the sources of change. The volatility in natural resource commodity markets, particularly the wide swings in the price of oil, inundates countries with revenue or may suddenly leave them cash poor. Public expenditure management and



capacity building is needed for change.

Yet even better government management of the resources and greater transparency will not solve the problems as long as corrupt leaders and government officials continue to steal the monies earned from the sale of the state's natural resources. Stolen assets from countries such as Equatorial Guinea, which is oil rich, usually end up in the world's leading financial centres and developed countries. For example, figures obtained by Global Integrity show that the government of Turkmenistan has deposited US\$ 3 billion in accounts held in Deutsche Bank in Frankfurt.

### **Main Outputs**

The panellists discussed a variety of ways to address the dynamic of problems.

- **Access to resources:** Natural resources are owned by the people in a country and government is supposed to manage them. Corruption begins when governments act as poor proxies for citizen concerns. It starts as soon as licenses for exploration are awarded. Once awarded, it is hard to reverse the process. Clear access to information here on the contracts and documents is essential and increased social control can help.
- **Revenue Transparency:** The Extractive Industries Transparency Initiative (EITI) was launched by organisations such as Transparency International and Oxfam. Since being launched, there are 16 countries in Africa have reached status of candidate countries and more than 300 NGOs and 39 companies have signed onto the initiative. However, as Patrick Alley of Global Integrity argued, countries voluntarily join EITI so in many cases the worst perpetrators or nations with the most natural resource wealth are not part of the initiative.
- **Accountability:** As underscored by Karen Lissakers of Revenue Watch, the normal channels of accountability are missing between government and governed. There needs to be greater accountability of all actors involved to respect and implement the current rules of the game – such as OECD Anti-Bribery Convention – as well as to design better controls and legislation to stop abuses. Building this good governance involves a “magical triangle” of partners, as termed by Peter Eigen – international organisations, companies in the private sector and civil society (in the North and South).
- **Stolen assets:** To get monies taken by corrupt leaders, officials and their families, the work must involve the engagement and mobilisation of civil society, in the countries that are receiving the assets as well as in the nations from where they were stolen. Companies, namely financial institutions, must also do their part to strengthen their due diligence and oversight. The current financial crisis opens up the space for a dialogue and reforms on how to address the recovery of stolen assets. The work of the World Bank, through the Stolen Assets Recovery (StAR) initiative, is one example of current work.

### **Recommendations, Follow-up Actions**

The main points were covered as possible areas for work:

- **Increasing transparency.** Information is solution for this problem. There needs to be transparent bidding processes, transparent contracts, the publication of budgets, and transfers, oversight over spending path and information on companies costs and revenues.
- **Changing legislation.** Apart from changes on freedom of information laws and accounting standards, there needs to be changes of laws related to corruption and bribery. The passage of the OECD Convention (1997) and the Foreign Corrupt Practices Act in the US (1978) can provide the legal support for change and action.



- Enforcing the rule of law: European countries are not being serious and must prosecute to criminalize the process. At the same time, the US needs to address its own weaknesses, such the lack of inclusion of stolen assets as part of its anti-money laundering legislation. Bribers and bribees must both fall under legislation that is enforced and cases that are prosecuted. The recent case of BAE Systems in the UK and the government's decision not to prosecute demonstrate the obstacles of political will and commitment to the cause.
- Setting up clearer and better rules of the game. The EITI standards are proposed as part of lobbying efforts to revise international financial accounting standards by companies and governments. The idea is that countries must disclose cost, volume of production and revenues generated through sales to unrelated parties. If passed, the change would take immediate effect in 100 countries. Many investors already are backing the request. On the side of international donors and organisations, more also needs to be done to have clearer rules and signals. For example, Congo was given the status of a Highly Indebted Poor Country (HIPC) to do away with its debt but most of these loans taken out for development were stolen by the leaders for their own benefit and without ever being held fully responsible.
- Involving companies in the solution. Apart from work done by EITI and other initiatives like "Publish What You Fund", there are new opportunities for getting companies better engaged in the solution and making sure the private sector sees the "reputational risk" of their actions. For example, business and human rights can be used a tool for change. The United Nations Global Compact work and its 10 principles (including on human rights and corruption) provide a platform for change and to make corporations more responsible and accountable for their actions, at home and abroad where they operate ("host country").

#### Plenary Highlights (including interesting quotes)

- Natural resources are the sovereign responsibility of governments in the countries with the wealth. As Karen Lissakers of Revenue Watch highlighted, this is the primordial problem of why natural resource wealth can easily breed contests between leaders over its control, conflicts between citizens and a breakdown in society.
- Yet currently there is a double standard in practices. Companies and countries in the North criticise the South for their failings but they are equally part of the problem. For example, Patrick Alley of Global Integrity argued that the British government condemns corruption in countries where the donate but they continue to give aid to these countries. Moreover, other panellists argued that the British government is not dealing effectively or responsibly with its own problems.
- Civil society needs to take up the cause of getting stolen assets recovered and form a movement similar to other work done around debt (Jubilee 2000).

**Signed**  
Craig Fagan

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