Promoting Natural Resources Revenue Transparency and Accountability

Meeting of the GOPAC Global Task Force on the UN Convention Against Corruption and Monitoring Workshop & Regional meeting of the Southeast Asian Parliamentarians

Chandra Kirana, Asia Pacific Coordinator
ckirana@revenuewatch.org
• Introducing the RWI

• Natural Resource Wealth: Curse of Blessing?
  – Rich in Natural Resource Endowment
  – Low Human Development, high corruption
  – Good Governance is KEY

• Role of Parliament in Enabling Good Governance

• What RWI can Offer
“The Revenue Watch Institute (RWI) works to improve the responsible management of extractive resources for the public good”

- Focus on oil, gas and minerals. Focus on the money

- Overall approach:
  > Support transparency and accountability
  > Build capacity – training, technical assistance, etc.
• Geographic spread: Indonesia, the Philippines and Vietnam, Timor Leste, Australia and Papua New Guinea; and ASEAN.

• Technical Focus:
  – EITI
  – Transparent Governance at the Sub-National Level
  – Sovereign Wealth Fund Management
  – Citizen Empowerment for Social Accountability.
  – Development Planning and Implementation
## RICH IN NATURAL RESOURCES: METALS AND MINERALS

<table>
<thead>
<tr>
<th>Country</th>
<th>Natural Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>carbonate rocks, coal, kaolin, sand and gravel, silica sand</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Tin, antimony, chromium, copper, gold, lead, silver, tin, tungsten, zinc, barite, clays, dolomite, feldspar, gypsum, limestone, precious stones, and salt</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Gemstones, iron ore, manganese, phosphate, bauxite</td>
</tr>
<tr>
<td>East Timor</td>
<td>Gold, manganese, marble</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Tin, nickel, bauxite, aluminum, copper, gold, silver</td>
</tr>
<tr>
<td>Lao</td>
<td>Gypsum, tin, gold, gemstones, potash</td>
</tr>
<tr>
<td>Malaysia</td>
<td>tin, timber, copper, iron ore, bauxite,, rare earth elements</td>
</tr>
<tr>
<td>Philippines</td>
<td>nickel, cobalt, gold, silver, salt copper</td>
</tr>
<tr>
<td>Thailand</td>
<td>Tin, tungsten, tantalum, lead, gypsum, lignite, flourite, cement, dolomite, feldspar, salt, kaolin, ball clay</td>
</tr>
<tr>
<td>Vietnam</td>
<td>phosphate, manganese, bauxite aluminum, chromate, kaolin, silica sand, rare earth elements</td>
</tr>
</tbody>
</table>
RICH IN NATURAL RESOURCES: METALS AND MINERALS

Previous Page Source:

IESR Presentation to SEACA/ AIHCR meeting on human rights issues in extractive industries


**RICH IN NATURAL RESOURCE: OIL & GAS RESERVES**

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>Crude Petroleum – 1.35 bi barrels, natural gas 391 bi cu.m</td>
</tr>
<tr>
<td>Myanmar</td>
<td>1473 mi barrels of crude oil and 14,290 bi cubic feet of natural gas. The daily yield is 12,000 barrels of crude oil and 160 million cubic feet of natural gas.</td>
</tr>
<tr>
<td>Cambodia</td>
<td>2 billion barrels of oil; 10 trillion cubic feet of natural gas</td>
</tr>
<tr>
<td>East Timor</td>
<td>553.8 million barrels; 200 billion cubic meters of natural gas</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4.37 billion barrels of oil; 3 trillion cubic meters of natural gas</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Domestic oil and gas reserves – 20.13 billion barrels</td>
</tr>
<tr>
<td></td>
<td>International oil and gas reserves - 6.24 billion barrels</td>
</tr>
<tr>
<td>Philippines</td>
<td>8.895 billion barrels of oil</td>
</tr>
<tr>
<td>Thailand</td>
<td>290 million barrels of oil reserves; 14.8 trillion cubic feet natural gas</td>
</tr>
<tr>
<td>Vietnam</td>
<td>3.41 billion barrels of oil reserves; 0.22 trillion cubic meters natural gas reserves</td>
</tr>
</tbody>
</table>
RICH IN NATURAL RESOURCES: METALS AND MINERALS

Previous Page Source:

NO DATA on LAOS

The Mineral Industry of Brunei, John C. Wu,

The Mineral Industry of Myanmar, John C. Wu
http://www.burmalibrary.org/docs2/MIB92.pdf

http://www.atimes.com/atimes/Southeast_Asia/IA26Ae01.html

ASIA HAND

Cambodia's coming energy bonanza By Shawn W Crispin


http://www.mbendi.com/indy/oilg/as/id/p0005.htm


http://www.pm-pipelinersafan.com/mag/ppl0909/r54.pdf


http://www.mbendi.com/indy/oilg/as/vn/p0005.htm
Comparative contribution of Mining (Oil, Gas, Mining) to the GDP/ GNI of select East Asia Pacific countries
Serious Development Challenges

1. Low Human development Index
2. High poverty incidence/ high hunger, amidst vast resources
3. Areas of resource wealth are areas of conflict – security, human rights, environment
4. Weak institutions/ weak governance – Global Reporting Initiative
5. Transparency International – Corruption Perception Index
Low on the HDI

UNDP Human Development Index
2009 HDI Rankings

Ranking
1-38  Very High HDI
39-83  High HDI
84-158 Medium HDI
121-158 Lower bracket of Medium HDI
159-182 Low HDI
From the countries within the ASEAN region which are rich in oil, gas or mineral resources, only Brunei and Malaysia score above the 50 percentile mark for Control of Corruption.

In terms of Government Effectiveness, half of the ASEAN countries score below the 50 percentile mark.
Perceived Corruption is High!

Most of the ASEAN countries fare below the 4.0 percentile ranking in Transparency International’s Corruption Perception Index over the past 2 decades.

Corruption Perception Index
Source: Transparency International
GOOD GOVERNANCE IS KEY

Competent management of a country’s natural resources in a manner which is

**Good oversight & accountability (skills, systems, performance)**
- of elected representatives
- of the judiciary
- of civil society
- of media

**Good planning and management (skills, systems, performance)**
- Of government staff
- Of extractive industry company staff
Notes from previous page:

CBT Presentation at PNoWB Paris November 2008:
From Oil revenues will enter the country as a more or less constant stream, beginning within a few years of the start of oil production. That stream of resource rents would permit the country to have a higher level of both investment and consumption than would otherwise be possible. As the population emerges from poverty, it would be appropriate to shift the mix of expenditure to complement the country’s increasing capital stock. But for now, it appears that the appropriate strategy is to focus on raising the productivity and employment levels of today’s population, who lack the capital to undertake their own very high value-added activities.

ANSA EAP Project Proposal:
**Good governance** – means that there is competent management of a country’s resource and affairs in a manner that is open, transparent, accountable, equitable and responsive to people’s needs. Decentralization of such power to govern is a system of co-responsibility between institutions of governance. When there is decentralization, the assumption is that there is a general increase in the quality and effectiveness of the system of governance.

Accountability can be defined as the obligation of power holders to account for or to take responsibility for their actions. “Power holders” refer to those who hold political, financial or other forms of power and include officials in government, private corporations, international financial institutions and civil society organisations. The accountability is a consequence of the implicit “Social Compact” between citizens and their delegated representatives and agents in a democracy. Fundamental assumption is that in a democracy, citizens have a right to demand accountability and public actors have an obligation to account.

Social accountability is an approach towards building accountability that relies on civic engagement. It is ordinary citizens and/or civil society organisations working together to ensure that their governments are managing resources effectively, transparently and meeting the peoples’ needs. The people themselves become the key to strengthening the demand for government services. People ensure that the government is working for them, for the growth and progress of all its constituents.
The Role of Parliament in Good Governance

- Good Legislation?
- Strong Oversight?
- Responsible Voter Representation?
- Political Leadership?

**Good Legislation**: Are strong laws and regulations in place to ensure benefits are maximized and risks minimized/mitigated?

**Strong Oversight**: Is parliament strong and does it have the knowledge to ensure good oversight and compliance?

**Responsible Citizen Representation**: Is the Parliament appropriately representing the interest of the people?

**Political Leadership**: Is the Parliament providing the political leadership to ensure good governance in the extractive sector?
Parliament Role to Promote GG

- Embed transparency in oil, gas and mining laws.
- Adopt the EITI in National Law
- Ensure transparent Sovereign Wealth Fund laws
- Ensure public participation in development planning
Review Laws and Oversee Decision Making

Deciding to Extract

- What are the national development goals?
- How does natural resource extraction contribute to national development goals?
- Who will benefit?
- Will the benefits continue even during price fluctuation?
- What about future generations?
- What are the costs?
- Who legally owns the resources?
- Who should give consent?
- How will compensation be carried out?

Source:
CBT Presentation PNoWB Paris Nov.2008
RWI Parliamentary Guide Draft 8.5.2008
Getting a Good Deal

- Is there a bidding process in place for the award of contracts? Is it competitive?
- Did the most competitive bid win?
- Are we getting a fair return?
- If prices fluctuate, will we still earn?
- Does the contract comply with international standards?
- Who enters into the contracts?
- Who approves the contracts?
- Is there parliamentary oversight for contracts involving natural resources?
Review Laws and Oversee Decisions

Getting a Good Deal - example

• Bomani commission report in Tanzania
• Ugandan MPs demand to see contracts
• Extent of mining contract re-negotiations in Africa
• EALA resolution – contracts transparency
• Timor Leste has a Transparent Oil Fund
• Timor Leste is an EITI Compliant Country
• Indonesia is applying for EITI Candidacy
• Blora, oil rich district in Indonesia has a local revenue transparency regulation.
• Bojonegoro an oil rich district in Indonesia is developing a revenue transparency law
Notes on previous slide:

**Questions parliamentarians will need to ask:**

• Who is checking how much is produced, what it is selling for?

• Who is checking cost calculations?

• Do companies publish what they pay to your government?

• Does the government publish what it receives and where it goes?
EITI: NIGERIA EXPERIENCE

- Nigeria—first signatory to the EITI in 2003
- 1994-2004 Audit of Nigerian oil and gas sector
- EITI led to:
  - discovery of several millions of dollars in under payments and error of computation
  - Highlighted weakness in the sectors management system: “Nigeria still does not know the amount of oil it produces per day” – Prof. Asissi Asobie, Chairman of Nigeria EITI
  - Led to inclusion of fundamental clause in the Proposed Petroleum Industry Bill on compliance of ALL industry operations with the EITI in 2007
Oloibiri – Case in Point
In Nigeria, where I come from, since the discovery of oil in the tiny town of Oloibiri, the flow of billions of petrodollars has been shrouded in secrecy and opacity. The resultant effect is there now for the world to see. Deep social conflicts, militancy and insecurity have not only affected global oil supplies from the Gulf of Guinea but have unprecedented diminishing effects on our national earnings, mainly oil derived. But the depth and magnitude of these mistakes will never have become evident if not for EITI implementation in Nigeria. The Nigerian government became the first signatory to the EITI initiative in 2003. The Nigeria EITI had conducted an audit of the Nigerian oil and gas sector between 1999-2004.

The EITI Audit
The audit, which was known to be the most comprehensive in the fifty years of oil exploration in Nigeria, revealed systemic capacity weaknesses and measurement inadequacies in the oil and gas sector of Africa’s most populous oil rich nation. The Chairman of Nigeria EITI, Prof Asissi Asobie, was recently quoted as saying that “Nigeria still does not know the amount of oil it produces per day”. The Nigeria EITI audit also led to discovery of several millions of dollars in under payments and errors of computation. The positive impact of EITI in Nigeria has been widely recognized and led to inclusion of a fundamental clause in the proposed Petroleum Industry Bill (PIB) on compliance of all industry operations with EITI in 2007.
ROLE OF PARLIAMENTS IN COUNTRIES WHERE COMPANIES REPORT

International Regulation

Stock Exchange Requirements
Ie. US Dodd Frank Wall Street Reform Law

International Accounting Standards
Ie. Lobbying International Accounting Standards Boards

Reforms where capital is raised
Political pressure needed to push for these reforms
 ROLE OF PARLIAMENTS IN COUNTRIES WHERE COMPANIES REPORT

Source: (from previous page)
1. CBT Presentation PNoWB Paris Nov.2008
Two possible mechanisms with international reach

1. Stock exchange requirements
US Bill: Extractive Industries Transparency Disclosure Act (EITD)
To require all companies listed with the US Securities Exchange Commission to report payments made to the governments of each country in which they operate
Lead by Representative Barney Frank
Chair of House Committee on Financial Services
Rep here! : Daniel McGlinchey

2. International Accounting Standards Board - IASB
Almost global reach: - including all of EU, many African countries, Australia, South Africa  - convergence with US, Canadian and Chinese standards
Not used to being responsive to elected reps or civil society   - sees its constituents as investors and companies
Aim - requirement for companies to report their payments, costs, production, profits and location of subsidiaries on a country specific basis
IASB has agreed to consider this as it reviews the extractives standard
Will take long-term political pressure: Expressions of support now!
EU Resolution on and International Accounting Standard for extractive Reporting
Requested that the European Commission supports, “the development of an appropriate accounting standard requiring country-by-country reporting by extractive companies”
Economic and Monetary Affairs Committee
Depending on notice and human resource availability, RWI can provide MPs and other oversight groups with technical opinions on oil, gas and mining documents:

- Contracts
- Policies
- Legislation
- EITI reports

*For MPs, we need an MOU or a formal written request from Speaker/Committee Chair to review contracts and laws*
WHAT RWI CAN OFFER

EITI GUIDE

Draft Guide for MPs: Mineral Value Chain

Draft Guide for MPs: Oil and Gas

Tanzania Parliamentary Seminar

www.revenuewatch.org/publications
• RWI : International Independent NGO operating in Asia Pacific
• Asia Pacific Countries Face the Challenge of Natural Resource Wealth:
  – Rich in Natural Resource Endowment
  – Low Human Development, high corruption
  – Good Governance is KEY
• Role of Parliament in Enabling Good Governance
• What RWI can Offer Support