November 6, 2015

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Rulemaking for Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Dear Chair White and Commissioners:

As the Commission works to complete and issue a proposed rule for Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, I am writing to draw the Commission's attention to the attached case studies.[1] The case studies illustrate how civil society has successfully used information – in many instances similar to that which will be disclosed under Section 1504 – to press for changes that benefited society.

While the attached examples do not relate to the specific disclosures that would be required by Section 1504 since the law is not yet in effect, they demonstrate how civil society has historically used similar or other information to press governments for change. In short, the case studies illustrate that transparency does lead to accountability by enabling civil society to access, analyze and use information to press governments to make changes for the benefit of broader society.

For instance:

- In Peru, civil society has used oil and mining data, including project-level data, to develop an accurate regional revenue forecasting model, leading to more efficient multi-year government planning and spending, including increased allocations to priority development sectors, such as education and health care. The forecasting model also enables citizens to better monitor financial flows and identify money leakages, and allows regional governments to investigate government transfers if they fall short of their forecasts.

- In the Democratic Republic of Congo, after an Extractive Industries Transparency Initiative (EITI) report revealed a leakage of $88 million from the Congolese revenue collection agency, civil society advocacy led to an independent auditor tracing the revenues and recovering $82 million.

- In Liberia, when a $100,000 fraud case was uncovered by the EITI, civil society came together and successfully campaigned for the mining company involved to repay the money. Had companies operating in Liberia been allowed to publish anonymized payment information similar to the model proposed by the American Petroleum Institute, it is unlikely that this money could have been traced and recovered.[2]

[1] Additional case studies are available on The ONE Campaign's Follow The Money webpage, www.one.org/followthemoney.
[2] Patrick T. Mulva and Stephen Comstock, American Petroleum Institute, November 7, 2013, http://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-12.pdf

- In Nigeria, EITI audits uncovered significant irregularities in the management and administration of funds at the state-owned Nigeria National Petroleum Corporation (NNPC). Civil society successfully campaigned for reforms of the oil revenue management system, leading to the recovery of billions.

It is noteworthy that some of the enclosed case studies involve successful citizen actions taken in autocratic countries such as Angola, Azerbaijan and Zimbabwe, demonstrating that even in countries with closed political systems and restricted civil liberties citizens are still able to use information to drive change.

- In Azerbaijan, citizen monitoring of the spending of oil revenues revealed major leakages, leading to a government investigation and the recovery of $50 million.

- In Angola, local civil society worked with international civil society to expose a corrupt deal that siphoned away $750 million of state oil revenues and to press for policy reforms.

- In Zimbabwe, civil society analyzed government records to expose major leakages in diamond mining revenues between mining companies and the central government, leading to greater oversight of diamond revenues.

The attached case studies illustrate that transparency plays a critical role in empowering citizens to hold governments and companies accountable. When citizens have access to detailed information about financial data, they are able to use that information to ensure that governments and companies are acting responsibly and in the long-term interests of all stakeholders. With the disaggregated project-level data that will soon be published by companies as a result of the EU Accounting and Transparency Directives and Canada's Extractive Sector Transparency Measures Act, citizens will have access to significant new data with which to ensure that they are appropriately benefiting from the sale of their country's natural resources. To ensure the maximum utility to citizens of the information disclosed under Section 1504 of the Dodd-Frank Act, we urge you to issue a rule that mandates the public disclosure of disaggregated, project-level information in-line with the EU Directives and the Canadian law.

We would welcome the opportunity to discuss these or other case studies at your convenience.

Sincerely,

Joseph Kraus, Ph.D.
Senior Policy Manager, Transparency & Accountability
The ONE Campaign

Benefits of Transparency Case Studies

ANGOLA

CITIZEN ACTION EXPOSES ALLEGED $750 MILLION CORRUPTION SCHEME

Sector: Extractives, Financial Services

Summary: By analyzing financial data, civil society organizations documented a major corruption scheme involving oil revenues and shell companies. A subsequent advocacy campaign and public debate resulted in major changes to Angola's anti-money laundering laws.

DETAILS:

Angola is still rebuilding after the devastating 1975-2002 civil war and is ranked as one of Africa's most corrupt countries. Despite being Africa's 2nd largest oil producer and enjoying annual petroleum exports valued at more than $57 billion in recent years,[3] the majority of Angolans remain mired in poverty. The country has one of the world's lowest life expectancies (52 years), and more than half of its people live on less than $2 per day.[4]

Against this backdrop, a joint investigation by Angolan and international civil society organizations revealed budget losses amounting to $750 million due to alleged corruption and money-laundering by major public officials and arms dealers.

Angola's economy is heavily dependent on its extractive sector, which accounted for 90% of the country's exports and 80% of government revenues in 2011 and 46% of Gross Domestic Product (GDP) in 2010.[5] Angola's state-owned oil and gas company, Sonangol, oversees production of oil and gas and is directly engaged in exploration and production in the country's oil blocks.

In 2013, two civil society organizations, Associação Mãos Livres and Corruption Watch, with support from the Open Society Initiative of Southern Africa (OSISA), published the report *Deception in High Places*, which relies on detailed court records, banking records and other documentation to highlight an alleged corruption and money laundering scheme involving a debt deal between Angola and Russia that cost the government of Angola $750 million.[6]

In 1996, Angola owed Russia $5 billion, a large burden for a country with a total (then) GDP of $7.5 billion. The two countries negotiated a debt restructuring deal that reduced the debt burden to $1.5 billion, to be repaid in 31 installments. According to the *Deception in High Places* report, the deal was negotiated through a small group of intermediaries, which established a shell company named Abalone Investments. Soon after the debt deal was negotiated, Abalone allegedly signed two agreements: one with the Russian government and one with Sonangol that enabled Abalone to purchase Angolan Debt Notes from the Russian government for half their face value before then selling them to Sonangol at full face value, enabling the intermediaries controlling Abalone to pocket half of the $1.5 billion paid by Angola to Russia without providing any meaningful service. Bank documents indicate that these transactions, as well as subsequent transfers from Abalone to private

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[3] OPEC, 2015, "Angola Facts and Figures", http://www.opec.org/opec_web/en/about_us/147.htm
[4] Agencia Angola Press, October 15, 2014, "Half of Angola's population out of absolute poverty line – President", http://www.portalangop.co.ao/angola/en_us/noticias/politica/2014/9/42/Half-Angola-population-out-absolute-poverty-line-President,db574ffd-24c5-4f9f-8ca4-fe33db4e958b.html
[5] http://www.resourcegovernance.org/countries/africa/angola/overview
[6] Deception in High Places: The Corrupt Angola-Russia Debt Deal, http://www.cw-uk.org/angola-russia-report/

accounts, were facilitated by the Swiss Bank Corporation (SBS, which later became UBS following a merger), with involvement by Glencore, a multinational commodity trading and mining company listed in the top 10 of Fortune's 2015 list of world's largest companies.[7] Through this arrangement, Abalone allegedly transferred millions of dollars to a group of high ranking public officials in Angola, including President Dos Santos, as well as to the private accounts of at least two convicted arms traffickers.

The report was broadly disseminated among major Angolan political, judicial and legislative bodies. Associação Mãos Livres organized a roundtable discussion to discuss the possible policy responses, which was attended by parliamentarians, representatives of political parties, academics and civil society groups. The conference catalyzed the formulation of anti-money laundering (AML) and anti-terrorism (CFT) policies and parliamentary oversight rules.[8]

In February 2014, the Angolan Parliament passed a new AML/CFT law, which included rules to freeze and seize assets related to money laundering.[9]

KEY LESSONS:

- When civil society publishes the results of detailed corruption investigations, it can be impactful and help to bring about policy change, particularly in a context in which the government may otherwise be reluctant to act.
- Even in a country with authoritarian tendencies, citizens can use information to successfully press government for policy reforms.

AZERBAIJAN

CITIZEN MONITORING OF OIL FUNDS LEADS TO THE RECOVERY OF $50 MILLION

Sector: Extractives

Summary: Citizen monitoring of the spending of oil revenues revealed major leakages, leading to a government investigation and the recovery of $50 million.

DETAILS:

Back in the 19th century Baku was leading the world's oil and gas industry. Oil revenues generated in the Azerbaijani town were pivotal in the country's post-Soviet economic development. But the money has not always gone where it should have. A 2008 analysis and public campaign spurred the government to conduct an audit, which resulted in the recovery of US$50 million.

Azerbaijan relies on oil and gas for 47.3% of GDP and around 90% of total exports (2012). Much of this is channeled through the State Oil Fund of Azerbaijan (SOFAZ). With estimated assets of $37

[7] Fortune, 2015, "Global 500", http://fortune.com/global500/
[8] Elias Isaac, January 29, 2015, Open Society Initiative for Southern Africa-Angola submission to the SEC, http://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-60.pdf
[9] Financial Action Task Force, June 27, 2014, "Improving Global AML/CFT Compliance: on-going process - 27 June 2014," http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2014.html#Angola

billion in 2014, the fund supports local government agencies, road construction, transport, water and housing for refugees.[10]

In 2008, local NGO the Center for Economic and Social Development (CESD) examined oil revenue management, in particular funding to help refugees and people displaced by the Armenian-Azeri conflict. CESD's field visits, interviews with community members, and reviews of financial data revealed that housing construction costs for the project were being inflated by more than 50%, resulting in the misappropriation of the equivalent of $50 million.

CESD, working with other organizations, shared this information with local journalists, presented the report at international conferences and met with government officials in Baku. In response, the government launched an audit of the project and, following an investigation, $50 million was returned to the state budget. CESD noticed an improved government attitude toward the transparency of oil revenues and increased public pressure for such transparency.[11]

Despite this improvement in 2008, recent concerns about the ability of civil society to engage critically in the Extractives Industries Transparency Initiative (EITI) process led to Azerbaijan being downgraded from 'compliant' to 'candidate' in 2015 by the EITI Board.

KEY LESSONS:

- Data on a single project's financing can be effectively used by civil society to identify and recover misappropriated funds.
- Public awareness of misappropriation puts pressure on government to take corrective action.

BURKINA FASO

CITIZEN ACTION LEADS TO A DOUBLING OF GOLD REVENUES TO LOCAL COMMUNITIES

Sector: Extractives

Summary: Using information made publicly available through the EITI, civil society organizations in Burkina Faso were able to successfully press for legislative reforms that will double the money local communities in gold mining regions receive from mining companies for extracting the country's natural resources.

DETAILS:

Burkina Faso is one of the poorest countries in Africa, with roughly half of its citizens living in poverty.[12] It is Africa's fourth largest producer of gold, with gold accounting for one-fifth of GDP. In

[10] EITI, undated, "Azerbaijan," https://eiti.org/Azerbaijan (accessed November 4, 2015)
[11] CESD, 2009, "Final Report on Monitoring of Expenditures of State Oil Fund of Azerbaijan Republic Project," http://www.cesd.az/documents/final_ptf.doc
[12] World Bank, "World Development Indicators, Burkina Faso," http://data.worldbank.org/country/burkina-faso

2013, 32 tons of gold were produced, with $390 million in revenues accruing to the government. This is likely to increase as new licenses are granted for companies to open new mines.[13]

Despite this wealth in natural resources, people living in gold mining areas are among the poorest in the country, lacking access to basic services.

Information disclosed in the country's EITI reports exposed the extreme disparities between companies' high mining revenues and the low living standards of local communities. By law, mining companies in Burkina Faso were required to pay 0.5% of their revenues to local communities in which they operated. Using information from EITI reports, in 2014, civil society advocated for an increase to 1% of revenues in order to help communities finance improvements in healthcare, education, sanitation and clean water.

As a result of civil society protests and public pressure, members of Parliament visited the poorest mining areas and saw for themselves the high levels of poverty and impoverishment in mining communities, leading the Parliament's Social Affairs and Sustainable Development Chairman to note that mining communities have "legitimate concerns" and that Parliament should not "overlook the interests of our people". As a result, the Parliament was persuaded to act.

The new code, which includes the increased 1% transfer rate lobbied for by civil society, was approved by Parliament on June 26, 2015. The code requires that those funds be placed into a newly created fund to finance community development projects, another key ask of civil society groups.

KEY LESSONS:

- Compelling, fact-based campaigns based on detailed information about extractives revenues can help citizens successfully advocate for policy reforms, even in the face of industry and government resistance.
- Access to project-level payment information will be crucial for helping citizens to monitor that mining companies are paying 1% of revenues to local communities and to hold the government accountable for those funds.

REPUBLIC OF CONGO

MONITORING OF OIL FUNDS FUELS HEALTH PROJECTS

Sector: Extractives, Health

Summary: After discovering that 84% of budgeted healthcare projects were not completed, a monitoring campaign got projects back on track.

DETAILS:

The Republic of Congo is a rich country. The oil and minerals in the ground, which account for 80% of government revenues, could fund world class hospitals, schools and infrastructure. Yet in 2011 nearly half of the population was living in poverty and almost a third of the population was living on

[13] Reuters, June 24, 2014, "Burkina Faso gold output to reach 40 T by 2016," http://www.reuters.com/article/2014/06/24/gold-burkina-output-idUSL6N0P550O20140624#mU5aEK8djyk7hJy2.97

less than $1.90 a day.[14] For every 100 children born in the country, five won't reach their 5th birthday. (By comparison, in Switzerland it's four in every 1000).

In 2013, Publish What You Pay (PWYP) Congo exposed how only 16% of health projects were completed and only 9% were functioning. More than half of the projects reviewed had not been started at all, and another 16% lay abandoned. But thanks to the work of local activists, many of these stalled projects are now back on track.

The citizen-initiated monitoring project focused on how oil money is spent on healthcare. Civil society activists requested information from government and conducted a detailed review of 2011-2013 health budgets, followed by eight field visits. In total, 192 projects were reviewed. Conflicts of interest, corruption and incompetence were discovered, but the firms faced no sanctions.

The report made headlines in the national newspaper, and quickly had an impact. When news of the monitoring reached the contractors responsible for having abandoned construction of a large dialysis center in the port of Pointe Noire, work started within two weeks.

In Moukondo, a village in the west of the country, an abandoned construction site for a health center for impoverished people saw workers turning up and rebuilding the roof following PWYP's visit. To make sure the construction is sustained, PWYP conducts training events for local activists, who continue the field monitoring of health care projects.

Since the release of the PWYP report, the government has issued regulations that require that projects take account of the planning process conducted by local community groups. The situation in which public contractors from Brazzaville have little accountability to the local people is changing.

KEY LESSONS:

- Giving the responsible entities a feeling that "someone's watching them" led to changes in their behavior and helped ensure the effective use of government funds.
- Project-level data availability allows for efficient monitoring, for defining exact responsibilities and for holding relevant entities to account.

DEMOCRATIC REPUBLIC OF CONGO

DIGGING INTO BAD ACCOUNTING TO RECOVER MILLIONS

Sector: Extractives

Summary: After a report revealed a leakage of $88 million from the Congolese revenue collection agency, civil society advocacy led to an independent auditor tracing the revenues and recovering $82 million.

DETAILS:

In 2013, the Extractive Industries Transparency Initiative (EITI) exposed major leakages from the Democratic Republic of Congo (DRC) revenue collection agency Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participation (DGRAD). Civil society used this

[14] World Bank, 2015, "Republic of Congo," http://data.worldbank.org/country/congo-republic

information to successfully advocate for a legal enquiry to recover the funds and for the implementation of better oversight mechanisms for the mining revenue collection system.

The DRC has a long history of civil war and corruption. The country's abundant natural resources have helped fuel the world's deadliest conflict since WWII, with some 5 million lives lost. Bad governance – enabled in part by a lack of transparency of government revenues and spending – has perpetuated political instability and extreme poverty. Despite its vast natural resource wealth – the DRC's extractive sector accounts for roughly two-thirds of the government's budget and 99% of total exports[15] – the DRC's Human Development Index scores are among the lowest globally,[16] and 63% of the population was living in extreme poverty in 2012.[17]

The DRC's EITI report for the fiscal year 2010 revealed that $88 million in mining revenue transfers made to DGRAD had not been accounted for.[18] This fueled a public debate about the lack of accountability among tax collection agencies such as DGRAD. Congolese civil society campaigned for the government to trace the missing $88 million and publish its findings.

The EITI disclosure and civil society campaign lead to several improvements in the Congo's mining revenue collection system. Multiple government investigations lead to the recovery of $82 million. All tax collection agencies are now subject to annual audits. The government's tax intake subsequently increased and the level of revenues withheld by collection agencies declined.

KEY LESSONS:

- Even in politically challenging countries like the DRC, citizens can successfully use natural resource revenue data to hold governments to account for the effective and responsible use of extractive sector revenues.
- While country-level data is useful, project-level reporting would provide both citizens and government reformers with granular information critical for identifying missing funds at all levels of government, and empower them to press for policy reforms and asset recovery efforts that would strengthen the government's management of natural resource revenues.

GHANA

FINANCIAL DISCLOSURE BY MINING COMPANIES LEADS TO DOUBLING OF MINING REVENUES

Sector: Extractives

Summary: Ghana's EITI reports revealed that mining company contributions to the Ghanaian state budget were very low. In response, Ghanaian civil society launched an advocacy campaign that led to the introduction of higher tax rates in the sector and to the modification of the country's revenue management law.

[15] EITI, undated, "Democratic Republic of Congo," https://eiti.org/DRCongo (accessed November 4, 2015)
[16] United Nations Development Programme, 2014, "2014 Human Development Index," http://hdr.undp.org/en/content/table-1-human-development-index-and-its-components
[17] World Bank, April 7, 2015, "Country Overview: Democratic Republic of Congo," http://www.worldbank.org/en/country/drc/overview
[18] EITI, December 2012, "2010 Report, DRC, " https://eiti.org/files/Congo-DRC-2010-EITI-Report-ENG_0.pdf

DETAILS:

Using data disclosed in reports published through the Extractive Industries Transparency Initiative (EITI), citizens were able to assess whether or not mining deals between companies and the government were fair.

Ghana is the second largest gold producer in Africa and the eighth largest globally. In 2013, the mining sector accounted for 10% of the country's GDP, and oil and mining together accounted for 66% of exports.[19] Despite this wealth, however, the country has struggled to combat high debt and to create sustained economic growth that improves the lives of all citizens. One in four Ghanaians lives in poverty despite the country's significant natural resources.[20]

Ghana joined the EITI in 2007 and became compliant in 2010. Its early EITI reports revealed very low levels of government revenues from the mining sector, ranging from $27 million in 2004 to $91 million in 2008.[21] Consequently, Ghanaian civil society began advocating for higher taxation in the mining sector and for the increased use of mining revenues to finance social and infrastructural programs.

As a result of these efforts, major changes were introduced to the country's mining tax law in 2010 and 2011. The mineral royalty rate for gold was changed from a range of 3% to 6% to a fixed rate of 5%.[22] The corporate income tax rate for mining companies was raised from 25% to 35%.[23] A windfall profit tax was introduced. Surface rental payments, which had been frozen for decades, were increased 18-fold. Consequently, the fiscal deficit fell significantly and the growth of the country's debt stock slowed.[24]

The Ghanaian government's revenues from mining more than doubled between 2010 and 2011, from $210 million to $500 million. The increase was partly a consequence of higher mineral prices, but also reflected a 75% increase in corporate taxes and higher royalties paid by companies.[25]

Another significant change was the new Petroleum Revenue Management Act (2011), which incorporated numerous inputs from civil society. The law allows the government to invest between 50% and 75% of oil revenues in social and infrastructural programs.[26] This had an immediate impact, with higher amounts earmarked for education, healthcare, agriculture, rural water, electrification and roads in the 2012 budget.

KEY LESSONS:

- Information about the fiscal contributions of mining companies can enable citizens to hold governments accountable for securing fair fiscal terms for the sale of a country's natural resources, and empower citizens to advocate for policy reforms.

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[19] EITI, undated, "Ghana", https://eiti.org/Ghana (accessed November 4, 2015)
[20] World Bank Development Indicators, http://data.worldbank.org/country/ghana
[21] EITI, undated, "Country Reports, Ghana," https://eiti.org/Ghana/reports (accessed November 4, 2015)
[22] Frederick Asiamah, February 27, 2012, "Ghana: First EITI Audit Report On Oil Set for This Year," http://allafrica.com/stories/201202271553.html
[23] Ghana Commissioner General, March 2012, "Amendments to the Internal Revenue Act 2000 (Act 592)," http://www.gra.gov.gh/docs/info/amendment_to_irs_act_2000.pdf
[24] Frederick Asiamah, February 27, 2012, "Ghana: First EITI Audit Report On Oil Set for This Year," http://allafrica.com/stories/201202271553.html
[25] EITI, March 8, 2013, "Ghana's revenues from natural resources increase 400%," https://eiti.org/news/ghana-eiti-reports-revenue-oil-and-gas-first-time
[26] Parliament of the Republic of Ghana, 2011, "Petroleum Management Revenue Act, 2011," http://www.mofep.gov.gh/sites/default/files/reports/Petroleum_Revenue_Management_Act_%202011.PDF

LIBERIA

CAMPAIGNERS FIGHT FRAUD TO RECOVER MORE THAN $100,000 IN TAX REVENUES

Sector: Extractives

Summary: When major fraud in the Liberian state budget was uncovered using a Liberian Extractive Industries Transparency Initiative report, civil society mobilized to successfully campaign for the mining company involved to repay the missing money.

DETAILS:

Liberia is rich in natural resources, including iron ore, diamonds, gold, timber and rubber. But these riches have not translated into the provisioning of quality society services, including adequate healthcare. The country spends only $6 per person per year on basic services,[27] and its health system was ill equipped to address the Ebola outbreak in 2014 that resulted in more than 4800 deaths and brought the country's economy to a standstill.[28]

When the Liberian Extractive Industries Transparency Initiative (LEITI) published its first report in 2009, it revealed that the mining company AmLib had failed to pay the government $104,288 in withholding tax.[29]

In response, the Liberian chapter of Publish What You Pay (PWYP) organized town hall meetings, produced radio programs, orchestrated street theatre events, authored newspaper articles, and put up posters in all public buildings to educate ordinary Liberians about the economic contributions of extractives companies and the missing resource revenues.[30]

As a result of pressure from civil society and other members of the LEITI Multi-stakeholder Steering Group, AmLib conducted an internal investigation that revealed that its employees had misapplied $104,288 due to the government and fabricated ministerial receipts.

AmLib agreed to pay the government the missing $104,288, and took steps to improve its internal financial procedures.[31] AmLib representatives attended town hall meetings to explain what had happened and to describe the measures it had taken to prevent future misappropriations of funds.

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[27] The ONE Campaign, 2015, *The 2015 Data Report: Putting the Poorest First*, https://s3.amazonaws.com/one.org/pdfs/DATA_Report_2015_EN.pdf

[28] Centers for Disease Control and Prevention, November 3, 2015, "2014 Ebola Outbreak in West Africa - Case Counts," http://www.cdc.gov/vhf/ebola/outbreaks/2014-west-africa/case-counts.html

[29] EITI, February 9, 2009, *Final Report of the Administrators of the First LEITI Reconciliation*, Crane White & Associates, http://www.resourcegovernance.org/sites/default/files/Liberia_EITI%20Report%202008.pdf

[30] EITI, undated, "Addressing the roots of Liberia's Conflict through EITI," https://eiti.org/files/EITI%20Case%20Study%20-%20Liberia.pdf (accessed November 4, 2015)

[31] EITI, March 22, 2012, "Mind the gap: what discrepancies in EITI reports reveal," https://eiti.org/blog/mind-gap-what-discrepancies-eiti-reports-reveal

KEY LESSONS:

- The publication of details about the payments made by individual extractive companies enables citizens to monitor these payments and press for corrective action and policy reforms when necessary.
- Public awareness of the economic role of extractive companies creates an atmosphere of accountability and puts pressure on companies to address fraud and corruption cases.

MOZAMBIQUE

CITIZENS USE PUBLICLY AVAILABLE INFORMATION TO HELP MOZAMBIQUE RETAIN MORE OF ITS EXTRACTIVE REVENUES

Sector: Extractives

Summary: Using information made publicly available after Mozambique joined the EITI, civil society successfully advocated for legislative changes that will increase the revenues the government collects from the sale of the country's natural resources.

DETAILS:

In 2012, the extractives sector accounted for 2% of Mozambique's GDP. The sector is rapidly expanding, with significant new investments being made in oil, gas and mining. The extractives sector was the country's fastest growing sector in 2012, and helped propel GDP growth that year to 7.4%, and commercial oil production has recently started.[32]

Mozambique joined the Extractive Industries Transparency Initiative (EITI) in May 2009 and was declared EITI compliant in October 2012. The country's first EITI report revealed major discrepancies between the payments reported by companies and the government, as well as very low tax contributions by mining companies due to sizable tax benefits and the government's inability to properly value its natural resources. There was also a lack of information about the value of in-kind benefits that extractive companies paid to the state.[33]

Mozambican civil society – led by the organization Centro de Integridade Publica) – used these revelations to advocate for the public disclosure of contracts between the government and extractive companies, and for the renegotiation of such contracts. Civil society published assessments of contract disclosures, fiscal issues and contract renegotiation, and stimulated public debate via seminars, conferences and media articles. The idea of contract renegotiation was soon supported by international organizations and renowned economists as well as by the governor of the Bank of Mozambique.

Initially, the Mozambique government strongly opposed the idea of contract renegotiation, stating that the (then) current status quo was sustainable and that existing contracts were "responding effectively to the needs of the country." However, civil society's efforts to raise public awareness and generate public pressure helped place the issue on the political agenda and change the government's position.

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[32] EITI, undated, "Mozambique," https://eiti.org/Mozambique (accessed November 6, 2015)
[33] Ibid.

As a result, the government agreed to reform the legal framework for the extractives sector. In August 2014, the new Petroleum and Mining Law and the new Petroleum and Mining Tax Law were passed. The new laws establish a standardized legal framework for contract terms, making bilateral contract negotiations unnecessary. The laws also outline safeguards for community rights, capital gains taxation, the mineral resource rent tax, contract disclosure, revenue payment disclosure, and local content requirements.[34]

KEY LESSONS:

- Transparency of extractive revenues and contracts helps citizens to better understand the sector's contribution to the economy and to monitor whether the government is entering into fair and equitable deals for the sale of the country's natural resources.

NIGERIA

AUDITING WHAT'S EXTRACTED: RECOVERING $2.4 BILLION AND UNCOVERING REVENUE LOSSES OF $9.5 BILLION

Sector: Extractives

Summary: NEITI audits uncovered significant irregularities in the management and administration of funds at the Nigeria National Petroleum Corporation (NNPC). Civil society successfully campaigned for reforms of the oil revenue management system leading to the recovery of billions.

DETAILS:

Nigeria is Africa's most populous country, its biggest economy, and Africa's 2nd largest oil producer. In 2013, the petroleum sector accounted for approximately 14% of Nigeria's GDP and more than 95% of exports.[35]

This wealth, however, is not being converted into benefits for most people in Nigeria. In 2010, nearly 61% of Nigerians were living in absolute poverty.[36] A former Nigerian government minister estimated that Nigeria has lost more than $400 billion to 'oil thieves' since the country gained independence in 1960.[37]

The Nigerian Extractive Industries Transparency Initiative (NEITI) has exposed numerous irregularities in the management and administration of oil revenues by the Nigerian National Petroleum Corporation (NNPC). NEITI audits have revealed that between 1999 and 2011, the underassessment of taxes, rents, royalties and other process lapses resulted in total revenue losses of $9.8 billion. Furthermore, the Nigerian Liquefied Natural Gas Company (NLNG) paid dividends to

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[34] The ONE Campaign email communications with Fatima Mimbire from Centro de Integridade Publica, July 2015.
[35] African Economic Outlook, 2014, "Nigeria," http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/CN_Long_EN/Nigeria_EN.pdf
[36] BBC, February 13, 2012, "Nigerians living in poverty rise to nearly 61%," http://www.bbc.com/news/world-africa-17015873
[37] Vanguard, August 28, 2012, "Nigeria loses $400bn to oil thieves – Ezekwesili," www.vanguardngr.com/2012/08/nigeria-loses-400bn-to-oil-thieves-ezekwesili/

the NNPC, but there is no evidence that $11.6 billion of these funds were ever remitted to the government, as required by law.[38]

Civil society pressure, backed by the NEITI analysis, resulted in the introduction of major reforms by President Buhari. These include a "Single Treasury Account System", which should help eliminate fraudulent practices associated with government agencies using multiple accounts to collect extractive revenue, the creation of a new Committee of the National Economic Council to investigate transfers between the Federation account and revenue generating government agencies, and the creation of a Presidential Committee on Anti-Corruption, which will serve as a platform for all anti-corruption agencies to allow for information, advice and experience exchange. In addition, the Managing Director of NNPC has signaled his intent to transfer all NLNG dividends directly to the Federation, in line with the law and with NEITI demands. This move should bring $11.6 billion into government coffers.

NEITI, along with other organizations, has managed to recover $2.4 billion, but at least $7.4 of the original missing $9.8 billion remains unrecovered.[39]

Dr. Orji Ogbonnaya Orji, Director of Communications at the NEITI said: "The NEITI welcomes with hope and optimism the courageous steps taken so far by President Muhammed Buhari's Administration to restructure the management and administrative organs of the NNPC (…). The measures are consistent with the findings and recommendations of NEITI."[40]

KEY LESSONS:

- Oil and gas companies and government agencies that handle natural resource revenues can be best monitored and held accountable if detailed data on oil-related financial transfers is publicly available.
- Data based analysis constitutes a powerful advocacy tool and can lead to major reforms of the oil and gas revenue management system.

PERU

ACCESS TO OIL AND MINING DATA ALLOWED FOR MORE EFFICIENT SPENDING OF RESOURCE REVENUES

Sector: Extractives

Summary: Civil society used oil and mining data transparency, including project-level data, for accurate regional revenue forecasting, leading to more efficient multi-year government planning and spending.

[38] NEITI, undated, "NEITI calls for the use of its audit reports recommendations to guide reforms in the oil and gas sector," http://neiti.org.ng/index.php?q=news/2015/06/10/neiti-calls-use-its-audit-reports-recommendations-guide-reforms-oil-and-gas-sector (accessed November 4, 2015)

[39] NEITI, Undated, "We Will Implement NEITI Audit Reports – Buhari," http://neiti.org.ng/index.php?q=news/2015/06/18/we-will-implement-neiti-audit-reports-buhari (accessed November 4, 2015)

[40] EITI, August 20, 2015, "Nigeria EITI's official statement on restructuring of NNPC and President Buhari's reforms," https://eiti.org/news/nigeria-eiti-official-statement-restructuring-nnpc-and-president-buhari-reform

DETAILS:

For a number of reasons, including the potential for rapid changes in world prices, revenues from natural resources can be highly volatile. To ensure the effective and efficient use of those revenues, governments need accurate models that can predict future revenue flows. Thanks to extensive information disclosure, civil society in Peru built such a revenue forecasting tool, and regional governments have used it successfully to improve budget planning.

Peru is rich in natural resources, which accounted for 12% of its GDP (2013)[41] and 64% of exports (2011)[42], as well as for much of the country's recent economic growth. The country's collection of taxes and royalties is highly centralized at the national level. The national government distributes a portion of mining income tax and oil royalties to producing regions, including to regional governments, municipalities and national universities. The centralized nature of resource revenues, combined with their volatility, make it challenging for regional and municipal authorities to engage in efficient mid- to long-term planning, which often leads to wasteful and ineffective spending.

In 2008, the Revenue Watch Institute (RWI, now the Natural Resources Governance Institute), and a Peruvian consortium of local NGOs, Grupo Propuesta Ciudadana (GPC), designed a revenue forecasting tool for regional budgets. They used data from government and corporate websites, including extensive project-level information, which allowed for accurate multi-year forecasting. The tool was first applied in 2010 in two extractive regions, Arequipa and Piura.[43]

There are multiple advantages of this model of revenue forecasting. First, government authorities can more accurately plan budgets for new investment projects beyond the standard annual planning cycle. If future revenues are projected to be low, they can avoid launching long-term projects for which they may not have sufficient resources to complete. Or, if sufficient revenues are projected, they can launch long-term investments that may have previously seemed too financially demanding. Second, revenue forecasts allows for better monitoring of financial flows and for the identification of money leakages. Regional governments can dispute governmental transfers if they fall short of their forecasts.

Using this forecasting model, authorities in the Arequipa and Piura regions started identifying investment gaps, planning long-term development projects and integrating regional initiatives into national plans. Better forecasting contributed to an increase of more than 5% for both regions in the percentage of the allocated budget actually spent between 2009 and 2011. Higher budget shares were allocated to priority development sectors, such as education and health care. In Piura, for instance, budget allocations for education and health increased by 12.7% and 27.8% respectively between 2009 and 2011.[44]

In parallel, RWI and its local counterpart GPC made efforts to empower local communities and transform regional budget planning into a more participatory process. At the national level, a multi-stakeholder group drafted and submitted to Congress a fiscal decentralization proposal that is expected to lead to higher revenues for development purposes to most Peruvian regions, not just to

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[41] EITI, June 2015, "Cuarto estudio de conciliación nacional EITI Perú (2013)," https://eiti.org/files/Peru-2013-EITI-Report.pdf
[42] Natural Resource Governance Institute, 2013, "Resource Governance Index - Peru," http://www.resourcegovernance.org/countries/latin-america/peru/overview
[43] Werner Jungbluth, October 2012, "Spending Wisely: Helping Peruvians Manage Resource Wealth," http://www.resourcegovernance.org/sites/default/files/PeruSubnational50.pdf; Revenue Watch Institute, June 2013, "RWI in Partnership Countries," http://www.resourcegovernance.org/sites/default/files/RWIinPartnershipCountries.pdf
[44] Ibid.

regions rich in natural resources. At the local level, civil society monitoring allows for permanent independent oversight of how extractive money is allocated and spent in the annual budget cycle.[45]

KEY LESSONS:

- Detailed information, including at the project-level, is critical for providing citizens and governments with the granular information necessary for devising and monitoring accurate budget and investment plans, which can help resource-rich countries to smooth out the volatility inherent in the extractives sector.

ZAMBIA

WATCH LOCAL, SPEND LOCAL: HOW ZAMBIAN COMMUNITIES WHO MONITOR BUDGETS ARE FEELING THE SPENDING BENEFITS

Sector: Extractives

Summary: EITI data and district budget disclosure allowed PWYP in the Copperbelt to direct more locally collected funds from mining on local community development.

DETAILS:

Zambia is the world's 8th largest producer of copper, and its mining sector accounts for 9% of Zambia's GDP and 30% of the government's budget.[46] After the privatization of the Zambian copper industry in the late 1990s, companies became more profitable, but the mining sector's contribution to the local economy actually declined as a proportion of output.

Using data from Extractive Industries Transparency Initiative (EITI) reports and district budgets, the Zambian chapter of Publish What You Pay (PWYP) found that mining payments to local communities were not always being used as intended.

In one case, ZMK 1.3 billion (about $250,250) worth of funds assigned to the local Constituency Development Fund to serve the community were incorrectly being used to finance capital projects. Civil society monitoring of revenues and protests helped ensure that proper financing guidelines were adhered to and that mining revenues were spent on local development projects.

As a result, PWYP has verified that more revenues are being directed to social development projects such as garbage collection and the rehabilitation of roads. In addition, district authorities have altered their attitudes about mining revenue management and have accepted new transparency standards.

These developments mark important progress in the efforts of local communities to change district spending habits and move resources from administration and office maintenance to social

[45] The ONE Campaign email correspondence with Peru-based staff of the Natural Resource Governance Institute (formerly the Revenue Watch Institute), August 2015.
[46] EITI, "Zambia", https://eiti.org/Zambia

development. "It's because of improved transparency that we have managed to provide some services and bring development in this area" says Mr. Ngulube, the Mayor of Mufulira Township.[47]

KEY LESSONS:

- Access to detailed data is necessary to monitor the allocation and spending of mining payments made to the government.

ZIMBABWE

INVESTIGATION INTO MISSING DIAMOND MONEY LEADS TO REVISION OF MINING POLICY

Sector: Extractives

Summary: Revealing major revenue leakages in the Zimbabwean mining industry allowed civil society to successfully advocate for greater transparency and oversight of mining funds.

DETAILS:

When civil society in Zimbabwe noticed that the government's reported revenues from diamonds were declining despite surging diamond exports, it began asking "Why"?

It's hard to know where the money ends up. It is lost in a complex system of transfers of diamond mining revenues from companies to the government. Mining contracts are confidential and information on the mines' contributions to the national Treasury is scarce.[48]

In 2013, research by the Zimbabwe Environmental Law Association (ZELA) found that while diamond production in terms of carats grew by more than 500% between 2008 and 2013, there was a steady decline in revenues. In 2011 and 2012 the shipments of diamonds grew from $238 million to $563 million, but treasury contributions dropped from $81 million to $45 million.[49]

ZELA wanted to unravel the mystery surrounding the country's diamond revenues. The government is a 50% shareholder in all Marange diamond mines, yet late or no remittance of dividends and royalties were frequent. ZELA analyzed national budget statements and the financial accounts of the Zimbabwe Mining Development Corporation (ZMDC) and discovered that in 2012 the government expected $600 million from diamond mining dividends and royalties, but received only $45 million.

Looking into the National Budget Statements also revealed that the total amount contributed by Marange mines through dividends and royalties between 2010 and 2013 was $300 million. Yet, ZMDC publicly stated that the corporation had contributed $300 million in just one year, suggesting that the revenues from the other 2 years may have been hidden.

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[47] Christian Aid, January-March 2015, "Is there need for more dialogue with the extractive industry?" Joint Country Program Newsletter, p. 5.
[48] Mukasiri Sibanda and Gilbert Makore, *Tracking the trends: an assessment of diamond mining sector tax contributions to Treasury with particular reference to Marange diamond fields*, Harare, ZELA, 2013
[49] Ibid.

The study concluded that there were major leakages in diamond mining revenues. ZELA called for new transparency rules on dividends, taxes and royalties, including a requirement for the ZMDC to present audited reports to parliament annually and a new rule that all diamond mining contracts be subject to Parliamentary scrutiny before being signed.

As a result of ZELA's advocacy the government has committed to reviewing the current Mines and Minerals Act. It has also begun a process of consolidating diamond mining companies operating out of Marange with a view to strengthening transparency and accountability around diamond revenues.

The Zimbabwe Mineral Revenue Transparency Initiative will be relaunched and the Mines and Energy Parliamentary Portfolio Committee has become more active in investigating the mining sector.

KEY LESSONS:

- Successful monitoring of governments and advocating for reforms in the extractives sector can occur in even a challenging political environment like Zimbabwe, where the government has been accused of harassing and repressing citizens and the media.
- Detailed information about revenue flows in the extractives sector is highly valuable to civil society organizations and journalists intent on holding government agencies and companies accountable for the handling of natural resource revenues.