



March 24, 2020

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Dodd-Frank 1504, File No. S7-24-19

Dear Secretary Countryman,

Thank you for the opportunity to comment on the Security and Exchange Commission's (SEC) proposed rule to implement Section 13(q) of the Securities Exchange Act of 1934. I am writing in my capacity as a former US government official and one of the world's leading experts on global development, having served senior level roles on development issues for two US presidents. As the Administrator for the US Agency for International Development (USAID), I led a staff of more than 10,000 people working to end extreme poverty, foster sustained and inclusive economic growth, and promote resilient, democratic societies around the world. In previous roles as Senior Director for Development and Democracy at the National Security Council (NSC) under President Obama, and as Senior Director for African Affairs at the NSC under President Clinton, I was tasked with helping ensure that US policies and actions aligned with strategic US foreign policy objectives, including the promotion of democracy, citizen empowerment, and sustainable development in countries around the world. That included helping to launch the Open Government Partnership, a multilateral initiative that aims to secure concrete commitments from national and subnational governments to promote open government, empower citizens, and fight corruption, to which the US was a founding member in 2011. In roles at USAID and the NSC, I championed the US government's support for the Extractive Industries Transparency Initiative (EITI), including the US's decision to implement the EITI.

I write to express my support for a strong implementing rule that ensures that citizens have access to the detailed information necessary to effectively monitor and hold their governments accountable for the responsible use of their countries' natural resource revenues. A final rule that requires companies to publicly disclose detailed, disaggregated, project-level payments made to governments for the extraction of natural resources in all countries where they operate, without exception, would contribute toward long-standing US foreign policy goals of supporting stable and democratic governments and protecting US national and energy security, and complement the efforts of USAID to provide assistance to resource-rich countries in support of economic growth, transparency, good governance, resilience, and strengthening civil society.

Recognizing the importance of good governance and transparency for advancing US foreign policy objectives, the US has long been at the forefront of global efforts to promote increased transparency in the oil, gas, and mining sectors. The US government has been one of the strongest champions of the EITI since its founding and has consistently promoted it as a key tool for increasing transparency and combatting corruption in the oil, gas, and mining sectors. Inside the US government, the EITI is viewed as a critical component of many of the US government's global rule of law and anti-corruption efforts. The US Department of State represents the US government on the EITI International Board, and USAID

has supported EITI implementation in dozens of countries around the world, including during my tenure as USAID Administrator, through grants and support for capacity building.

As a US government official, I witnessed firsthand the power of an informed citizenry to hold its government accountable for delivering social services and improved wellbeing. A strong and responsive feedback loop between citizen and government forms the foundation of the social compact, a critical building block for stable and democratic governments. This is particularly important in countries with abundant natural resources and weak governing institutions, where the promise of national wealth can quickly be derailed by corruption, distrust, and conflict when those in positions of power go unchecked.

Detailed, timely, and disaggregated information about the project-level payments that companies make to governments for the extraction of natural resources is needed for citizens to monitor, analyze, and demand government accountability regarding specific projects and geographic locations, including at the local levels where corruption often occurs. The Commission's proposed definition of project, which would allow companies to aggregate payments to the national or sub-national levels, as well as the proposed reporting threshold of \$750,000, would hinder the ability of citizens to identify corruption and promote accountability at all levels of government. Consequently, if implemented in the Commission's final rule, those proposed provisions would significantly undermine the law's intent to combat corruption and diminish its usefulness in fulfilling US foreign policy objectives.

Furthermore, those provisions in the proposed rule, if implemented, would diverge with the now established global transparency standard and the efforts of other US government agencies to promote it, including through the EITI, which last year adopted a project definition in line with regulations in place across the European Union. It would be antithetical to US foreign policy interests to promote one version of transparency abroad while implementing a weaker version of it at home. Doing so would risk undermining our credibility with other governments and their citizens, to the detriment of our diplomatic efforts and image globally.

For the above reasons, as USAID Administrator I endorsed USAID's detailed submission to the SEC during its 2016 rulemaking,¹ and urge the Commission to consider the points raised in that submission as it works to draft a final rule. A strong implementing rule that closely aligns the US law with the EITI is in the best interests of the US government and the policies it promotes around the world.

Thank you for the opportunity to comment on the proposed rule.

Sincerely,



Gayle E. Smith
Former USAID Administrator

¹ See comment by Eric G. Postel, Associate Administrator, USAID, February 16, 2016, <https://www.sec.gov/comments/s7-25-15/s72515-37.pdf>.