

2021



Resource Governance Index



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KEY MESSAGES

- Resource governance scores have improved in assessed countries over the last five years, but transparency and oversight gaps highlight pressing corruption and energy transition risks.
- Some of the worst governed areas of the extractive sector affect citizens' lives the most, such as transparency and oversight of local environmental and social impacts.
- Countries strengthened both legal frameworks and their implementation over the last five years, but the gaps between policy and actual practice generally grew wider.
- Both governments and companies should prioritize measures to publicly disclose companies' beneficial owners. Governments can strengthen laws on beneficial ownership transparency by targeting corruption risks, reducing legal ambiguities and requiring public disclosure. Governments and companies should more comprehensively disclose contracts.
- Many state-owned enterprises (SOEs) lack basic elements of corporate transparency and financial accountability. They should strengthen integrity measures and establish clear rules and disclosures on commodity sales.
- Citizen engagement is fundamental to a just and equitable energy transition. However, lack of transparency on oil price forecasts and demand scenarios, national oil company spending and emissions prevents citizens from knowing when authorities make risky bets on fossil fuels.
- Several countries with important reserves of critical minerals are unprepared for the coming boom. At the same time, countries should not lose focus on the governance of "traditional" minerals.
- Governments should improve resource governance by:
 - o Ensuring the implementation of sector laws, especially policies designed to counter corruption risks and negative local impacts associated with extraction.
 - o Improving oversight in areas of high corruption risk, such as licensing, SOE procurement and commodity trading.
 - o Ensuring transparency and accountability on climate risks and energy transition decision-making in relation to any extraction of fossil fuels and the exploitation of minerals needed for green technology.
 - o Protecting civic space, enabling citizens to demand and shape a just and equitable energy transition through dialogue and debate.

Foreword

Decisions about how the oil, gas and mining sectors are governed determine the wellbeing of the billion people living in poverty in resource-rich countries. Where policies and practices ensure informed, inclusive and accountable decision making, natural resources can enable fair, prosperous and sustainable societies, rather than undermine them.

The climate crisis, the coronavirus pandemic and dramatic changes in global energy markets have increased the stakes of good governance: the World Bank estimates that approximately 150 million people have been pushed into extreme poverty this year.

A well-governed and just transition to a low-carbon future is a development imperative for these people, and a climate imperative for the entire planet. Complex decisions about how to enable the political and economic adaptations necessary for a managed phase-out of fossil fuels and responsible increase in production of transition minerals sit at the heart of this dual crisis. Governance of the oil, gas and mining sectors will play a central role in the transition away from fossil fuels and the return to progress against poverty.

At the Natural Resource Governance Institute (NRGI), we partner with reformers to provide credible, freely available, evidence-based analysis and a framework for ensuring extractive sectors are governed effectively with transparency and accountability. We produce the Resource Governance Index (RGI) as a diagnostic tool to measure the governance of oil, gas, and mining sectors in select countries and to highlight opportunities for policy and practice reforms at the global, regional and country levels.

In the 2021 RGI we assess the governance of extractive sectors in 18 countries, including both established mineral and hydrocarbon producers, as well as new and prospective entrants to natural resource production. The results for the 2021 RGI demonstrate that, on average, resource governance has improved over the past five years across the assessed countries. In many, reform-minded policy makers and determined civil society advocates compelled governments to disclose more of the contracts they signed with extractive companies; disclose more information on extractive production, export values and payments to governments; and join international transparency initiatives.

However, the RGI findings also demonstrate the need to consolidate these gains, with a focus on policy implementation. The index identifies emerging risks to—and opportunities for—strong sector governance. Of critical importance is targeting corruption risks in the sector by increasing oversight and integrity best practices. Citizens need more information to scrutinize climate risks and energy transition decision-making by governments and companies in fossil fuel-producing countries. Governance and corruption risks associated with critical minerals also merit further attention. The index also makes clear the enduring importance of—and the need to address threats to—civic space, without which there cannot be meaningful accountability.

How we collectively address the challenges and seize reform opportunities identified in the RGI will determine the pace and success of the energy transition; the availability of financial resources for pandemic recovery and longer-term sustainable development; and the extent to which we reduce inequities and corruption risks. We believe that the Resource Governance Index is a powerful tool to support effective and accountable resource governance choices and to ensure a better future for all.

Suneeta Kaimal

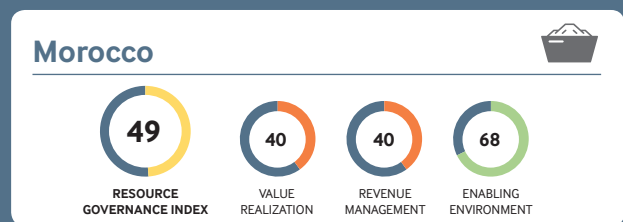
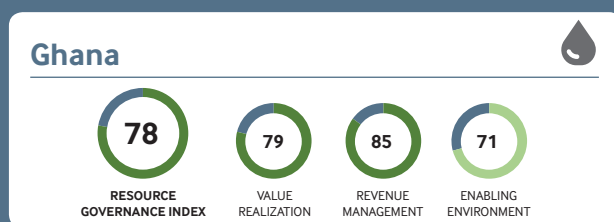
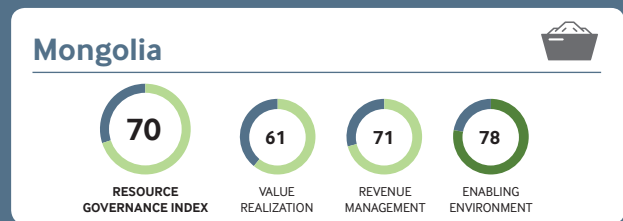
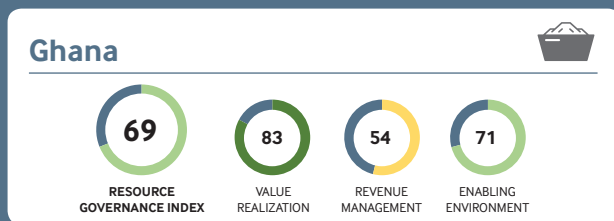
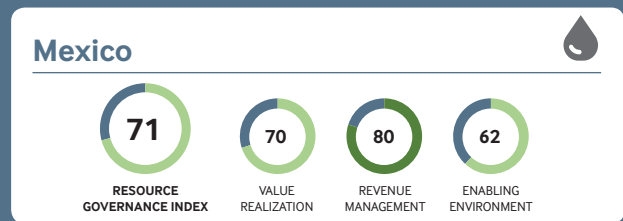
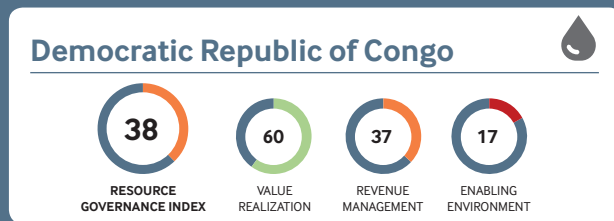
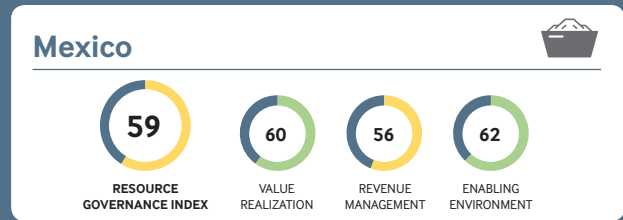
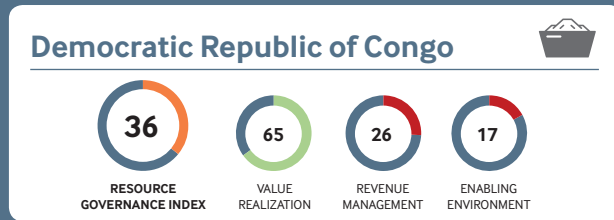
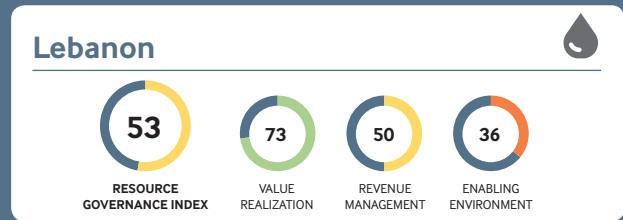
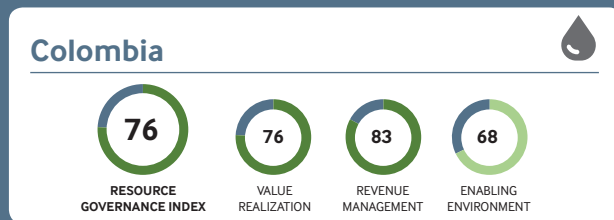
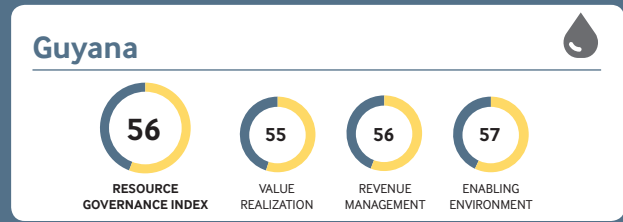
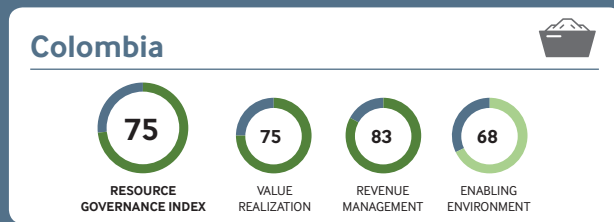
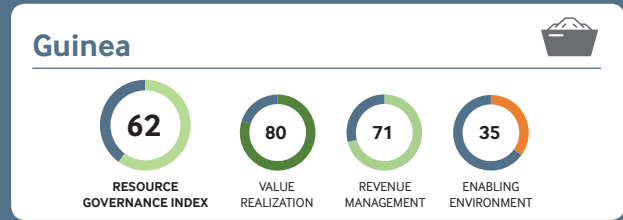
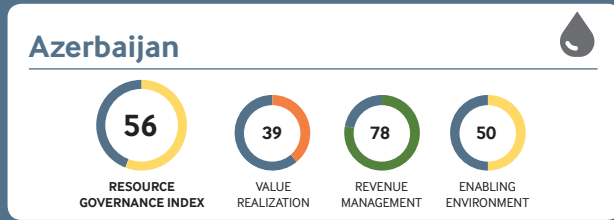
President and CEO

Natural Resource Governance Institute

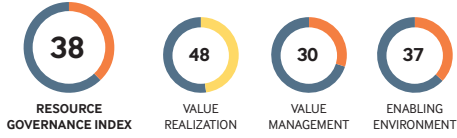
2021 Resource Governance Index results

PERFORMANCE BANDS: ■ GOOD: Scores over 75 ■ SATISFACTORY: Scores 60-74 ■ WEAK: Scores 45-59 ■ POOR: Scores 30-44 ■ FAILING: Scores under 30

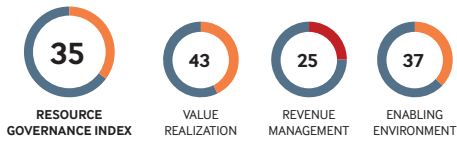
 OIL AND GAS  MINING  GEMSTONES



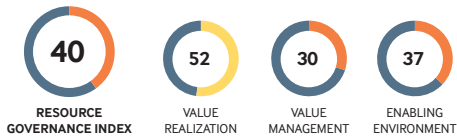
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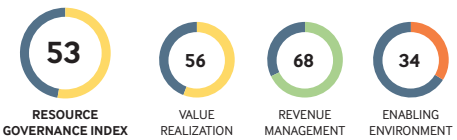
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Myanmar



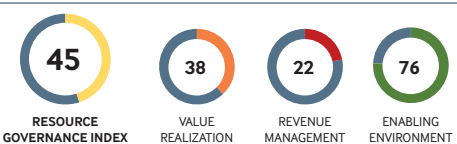
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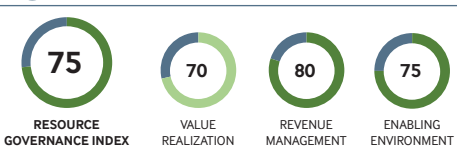
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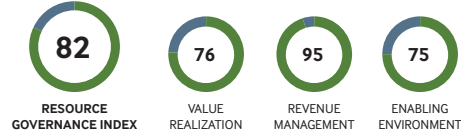
Qatar



Senegal



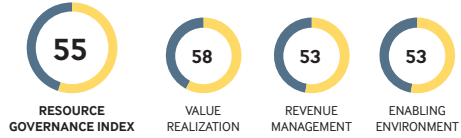
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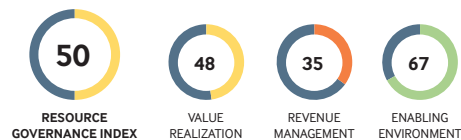
Tanzania



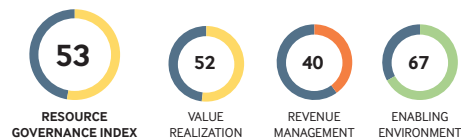
Tanzania



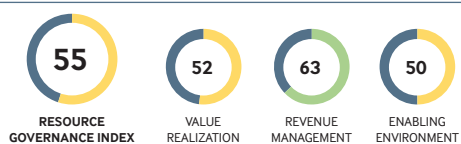
Tunisia



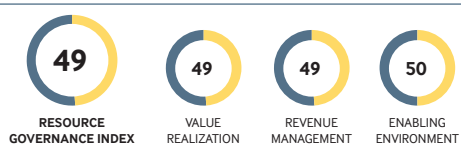
Tunisia



Uganda



Uganda



Methodology

What the Resource Governance Index measures

The RGI assesses the policies and practices which authorities employ to govern their countries’ oil, gas and mining sectors. The index provides a composite score for each assessment. NRGi calculated each country assessment’s composite score using the scores from the three index components. Two of the components comprise new research based on expert answers to a detailed questionnaire, which directly measure governance of countries’ extractive resources.¹

The first component—value realization—covers the governance of: allocating extraction rights, exploration, production, environmental and social impacts, revenue collection and state-owned enterprises (SOEs).

The second component—revenue management—covers the governance of: national budgeting, subnational resource revenue sharing and sovereign wealth funds (SWFs).²



The index's third component assesses a country's "enabling environment." This component draws on data from the Worldwide Governance Indicators and Open Data Inventory to measure the broader governance context.³

The score for each of the three components is based on the scores given to its subcomponent policy areas. Each of the subcomponents within value realization and revenue management focuses on distinct areas of governance and relates to a precept in NRGi's Natural Resource Charter and its benchmarking framework.⁴

Scores are on a scale of zero to 100 at each level of the index, allowing users to benchmark the quality of resource governance across the composite, component and subcomponent levels. Every question in the index assesses either the existence of a law or the actual disclosures of information, meaning that each assessment also receives a score for law and practice. In order to increase accessibility of the data for users and stakeholders, and to provide a categorization of resource governance levels, the results of the RGI are grouped into five performance bands: good, satisfactory, weak, poor and failing.

Resource Governance Index performance bands

Good	≥ 75	A country has established laws and practices that are likely to result in extractive resource wealth benefiting citizens, although there may be some costs to society.
Satisfactory	60-74	A country has some strong governance procedures and practices, but some areas need improvement. It is reasonably likely that extractive resource wealth benefits citizens, but there may be costs to society.
Weak	45-59	A country has a mix of strong and problematic areas of governance. Results indicate that resource extraction can help society, but it is likely that the eventual benefits are weak.
Poor	30-44	A country has established some minimal procedures and practices to govern resources, but most elements necessary to ensure society benefits are missing.
Failing	< 30	A country has almost no governance framework to ensure resource extraction benefits society. It is highly likely that benefits flow only to some companies and elites.

2021 Resource Governance Index sample and comparability

The 2021 RGI scores are based on the same framework and an almost identical questionnaire as the previous edition, the 2017 RGI.⁵ The scores obtained are therefore directly comparable for countries and assessments that appear in both editions of the index. The 2021 RGI examined and measured the state of resource governance until the end of December 2020, meaning that any evolutions since then are not reflected in the index scores and analysis.

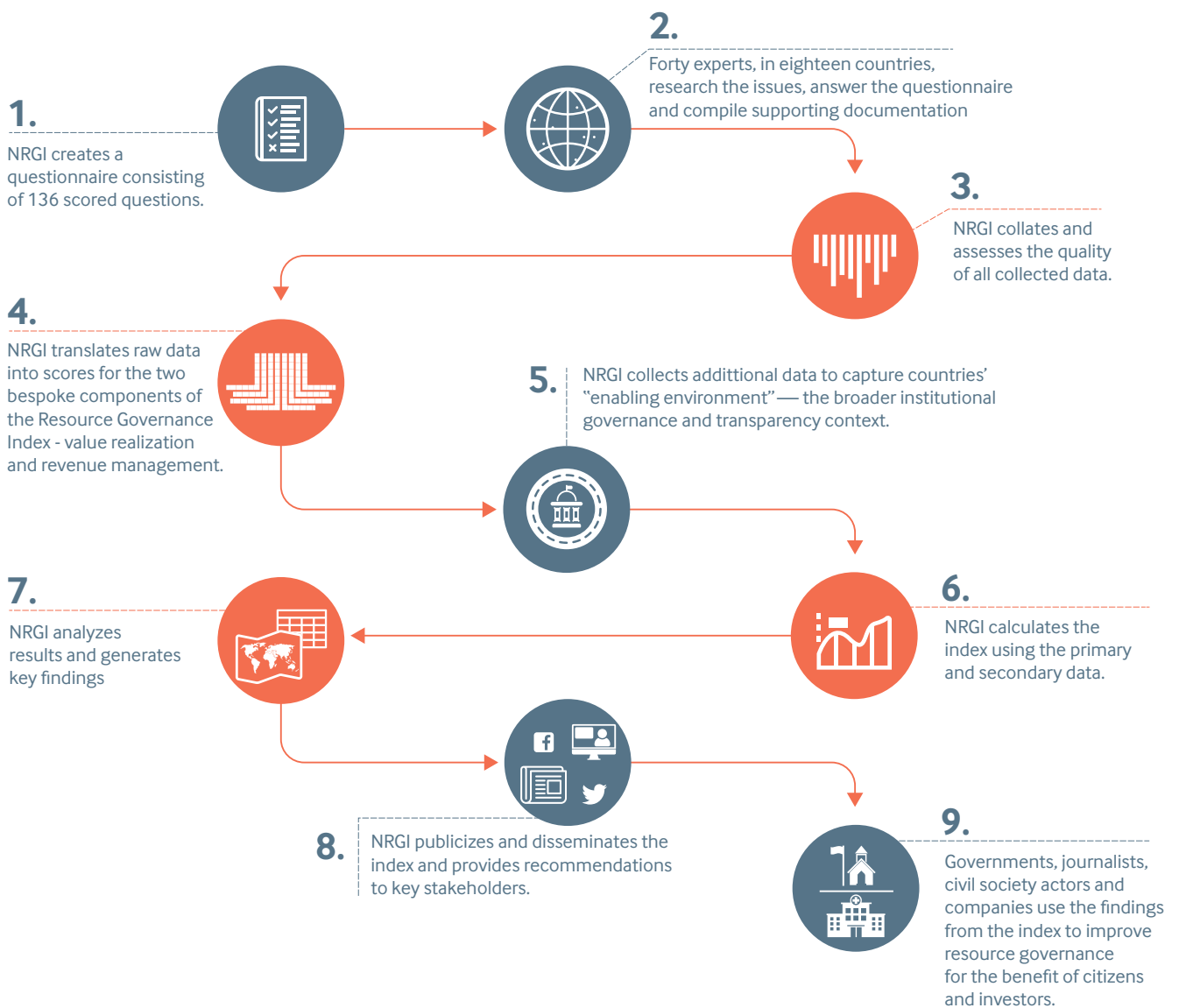
The 2021 RGI assessed resource governance in 18 countries, half of which are assessed both on their mining and oil and gas sectors.^{6,7} In total, 28 full sector assessments were conducted. The results and analysis of these country assessments were published throughout the second half of 2021.⁸ The 2021 RGI features a smaller sample than the 2017 RGI to enable targeted policy advocacy at the country level in partnership with decision-makers and accountability actors.

Twenty-two assessments are directly comparable with those in the 2017 RGI, from which this report draws comparative analysis and demonstrates changes in resource governance over the five-year time span. Six new assessments, which feature in the RGI for the first time, were conducted in countries which have either recently become, or are aiming to become oil and gas producers, or where the mining sector plays an important role.⁹ Between the two full editions of the RGI, interim evaluations were conducted in Guinea (2019), Mexico (2019) and the Democratic Republic of Congo (DRC) (2020).

2021 Resource Governance Index pilot questions

During the data collection process, NRGI also collected answers to pilot questions relating to the energy transition and economic linkages, two key priority areas in NRGI's 2020-2025 Strategy.¹⁰ While the answers to these questions did not count toward countries' composite scores in this year's version of the index, the results did provide important findings on how countries are preparing for the energy transition, to what extent governments and SOEs are disclosing extractive sector climate-related information and what policies govern their thinking on economic linkages such as local content or domestic processing and use of minerals, oil or gas. The answers to these pilot questions were used in analysis throughout this report and are available online.¹¹

Constructing the 2021 Resource Governance Index



1. Findings

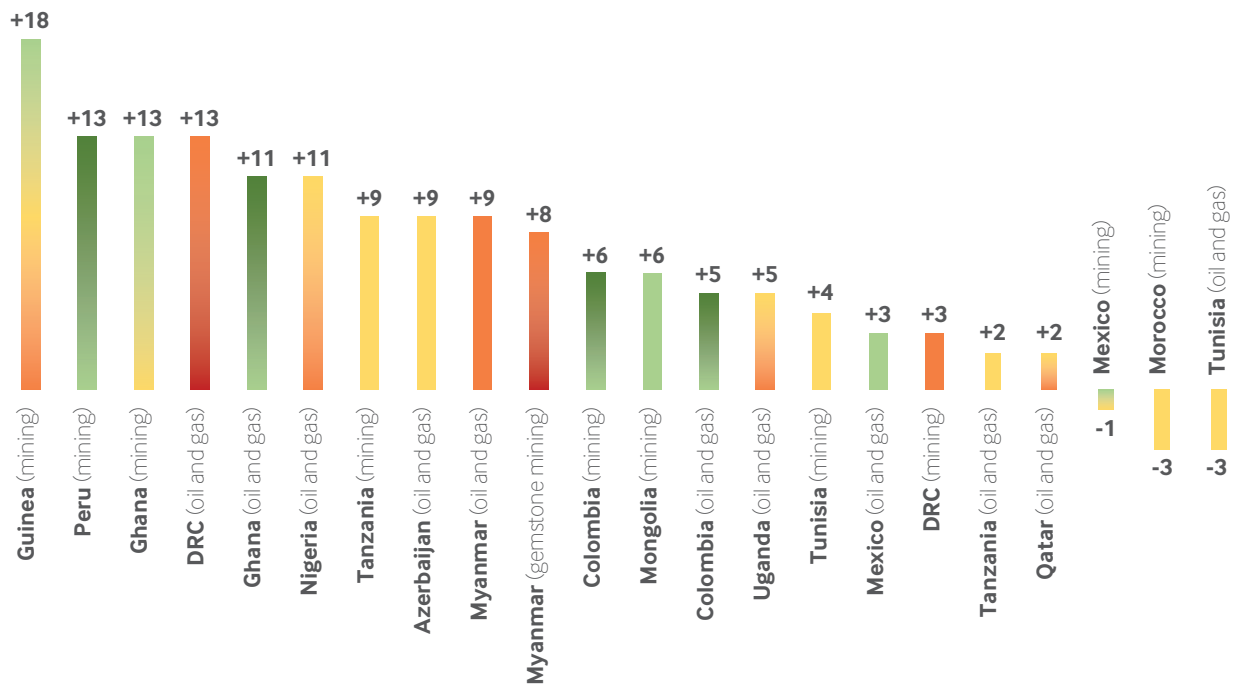
2021 Resource Governance Index results and trends

Resource governance scores have improved, but transparency and oversight gaps highlight corruption and energy transition risks.

The 2021 RGI showed that, over the last five years, resource governance scores have improved in 19 out of 22 country assessments and that 11 country assessments moved into higher performance bands.

The largest improvement was registered in Guinea’s mining sector, where the composite score moved from poor in the 2017 RGI to weak in the 2019 interim evaluation, and then to satisfactory in the 2021 RGI, showing progressive improvements in governance of the country’s mining sector.

Score and performance band shifts between the 2017 and 2021 Resource Governance Indices



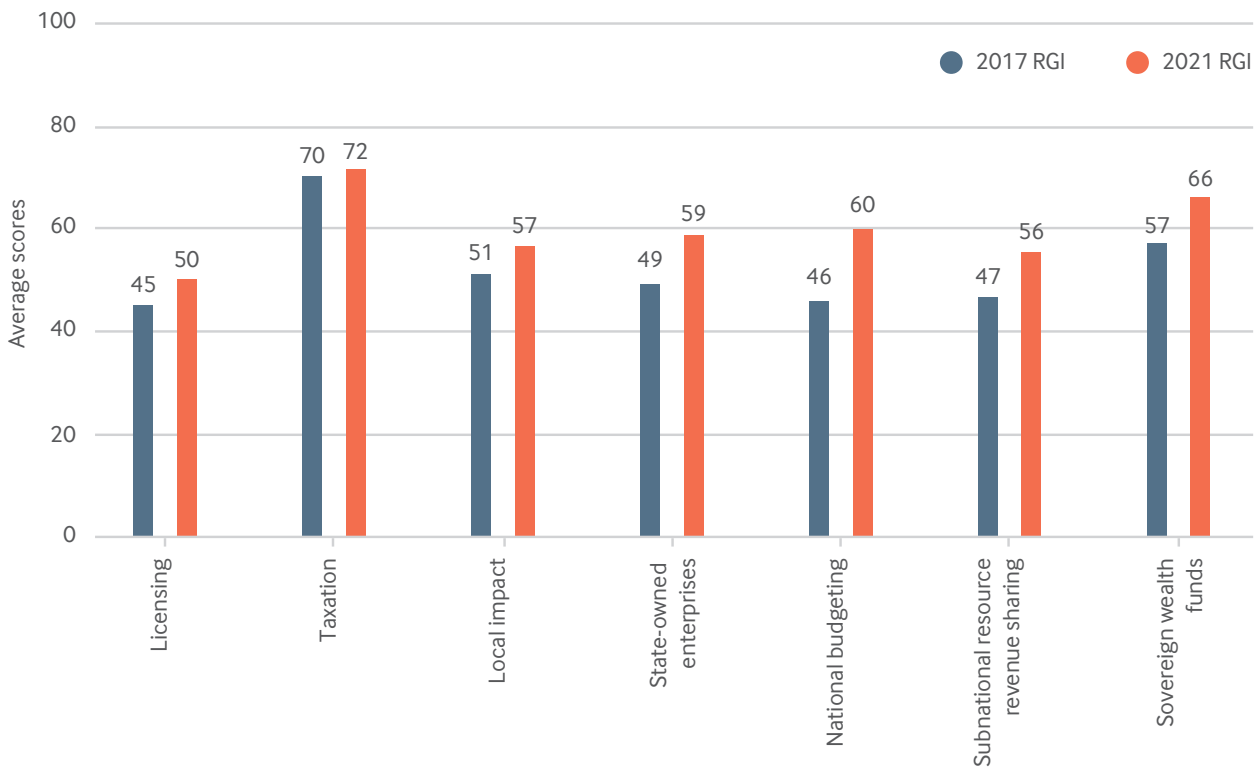
PERFORMANCE BANDS: ■ GOOD: Scores over 75 ■ SATISFACTORY: Scores 60-74 ■ WEAK: Scores 45-59 ■ POOR: Scores 30-44 ■ FAILING: Scores under 30

Across the corresponding assessments, all seven extractive-specific subcomponents of the RGI demonstrated varying levels of improvement between the two editions of the index.

Overall, improvements in revenue management drove the composite score increases. Specifically, scores on the

governance of national budgeting showed the greatest improvement, with 17 out of 22 assessments demonstrating increases. This was mostly due to improvements in disclosures of national budgets and national debt information, but also due to the strengthening of legal frameworks governing fiscal rules.

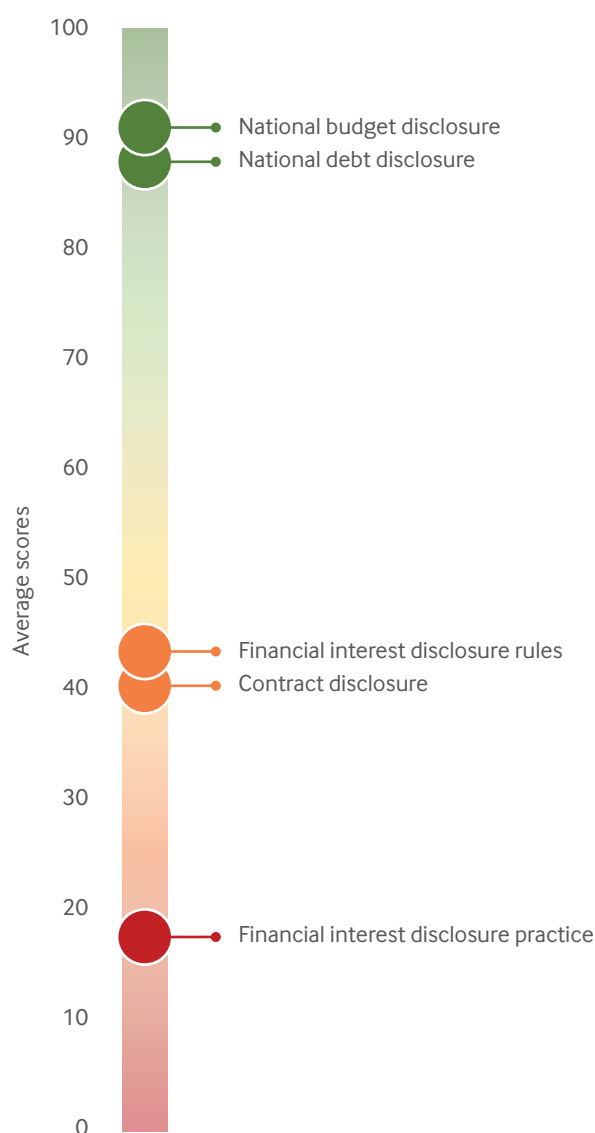
Subcomponent improvements between the 2017 and 2021 Resource Governance Indices



Governance of licensing was the lowest-scoring dimension of resource governance, which was also the case in the 2017 RGI. This was primarily due to poor scores on laws regarding beneficial ownership transparency and asset disclosures by public officials—two important tools for prevention of corruption—and failing scores on the actual public disclosure of this information. Governments should improve beneficial ownership disclosures to increase public oversight and accountability that can help reduce corruption risks in the extractive sector. (See more on corruption-related findings in Section 2.) The 2021 RGI also showed that while many countries now have rules mandating the disclosure of extractive sector contracts, some are falling short on publicly disclosing extractives contracts in practice.

The 2021 RGI showed an almost 15-point deterioration in the disclosures of resource reserves within the sample of countries assessed. The information disclosed by the governments of seven countries on their mining, oil and gas reserves in the comparable sample was less up-to-date and comprehensive than five years ago. In the 2021 RGI sample, over half of all assessments received weak, poor or failing scores on reserve disclosures despite growing urgency to monitor such reserves in connection with increasing demand for transition minerals and calls for stronger supply-side climate action.¹² Addressing these and other weaknesses will be central to helping resource-rich countries make well-informed decisions on how to transition to greener and cleaner economies in a way that is equitable and accountable. (See more on energy transition-related findings in Section 3.)

2021 Resource Governance Index: selected indicators



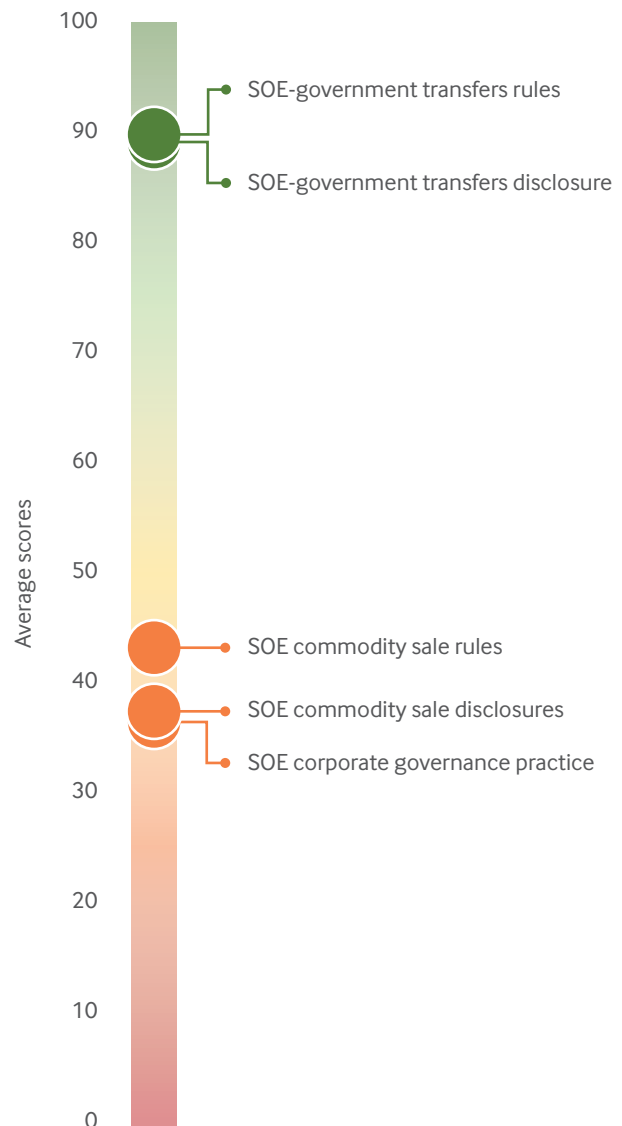
State-owned enterprise governance has improved but vulnerability to corruption remains

The governance of SOEs improved by almost 10 points across the sample, with 14 out of 21 assessed state-owned companies improving scores in the last five years. During that same time, only four SOEs (the State Oil Company of Azerbaijan Republic (SOCAR), Morocco's OCP, Mexico's Petróleos Mexicanos (PEMEX) and the Tanzania Petroleum Development Corporation (TPDC)) demonstrated a deterioration in governance scores.

Uganda's government, aiming to start oil production in 2025, improved the governance of the Uganda National Oil Company (UNOC), whose score increased by 40 points, the largest improvement among the assessed SOEs. This was mainly due to establishing revenue transfer rules, and improving rules governing both financial reporting and commodity sales. While this progress is commendable, work remains for Ugandan authorities, as UNOC only placed in the RGI's weak performance band.

In the 2021 RGI sample, there is a large difference between the best and worst governance indicators for SOEs. Nineteen of the 21 assessed state-owned companies have rules governing revenue transfers. Only Azerbaijan's SOCAR and the DRC's Société Nationale des Hydrocarbures (SONAHYDROC) do not enshrine these in law, although they both disclosed revenue sharing information in practice. However, 15 out of 21 SOEs received unsatisfactory scores on corporate governance transparency and 13 out of 17 received either poor or failing scores on commodity sales disclosures. Both have traditionally been nodes of corruption risk, and the findings of the 2021 RGI reinforce the need for governments and SOEs to urgently tackle these areas. (See more on SOE-related findings in Section 2.)

2021 Resource Governance Index: selected SOE indicators



Some of the worst-governed areas of the extractive sector were those that affect citizens' lives the most

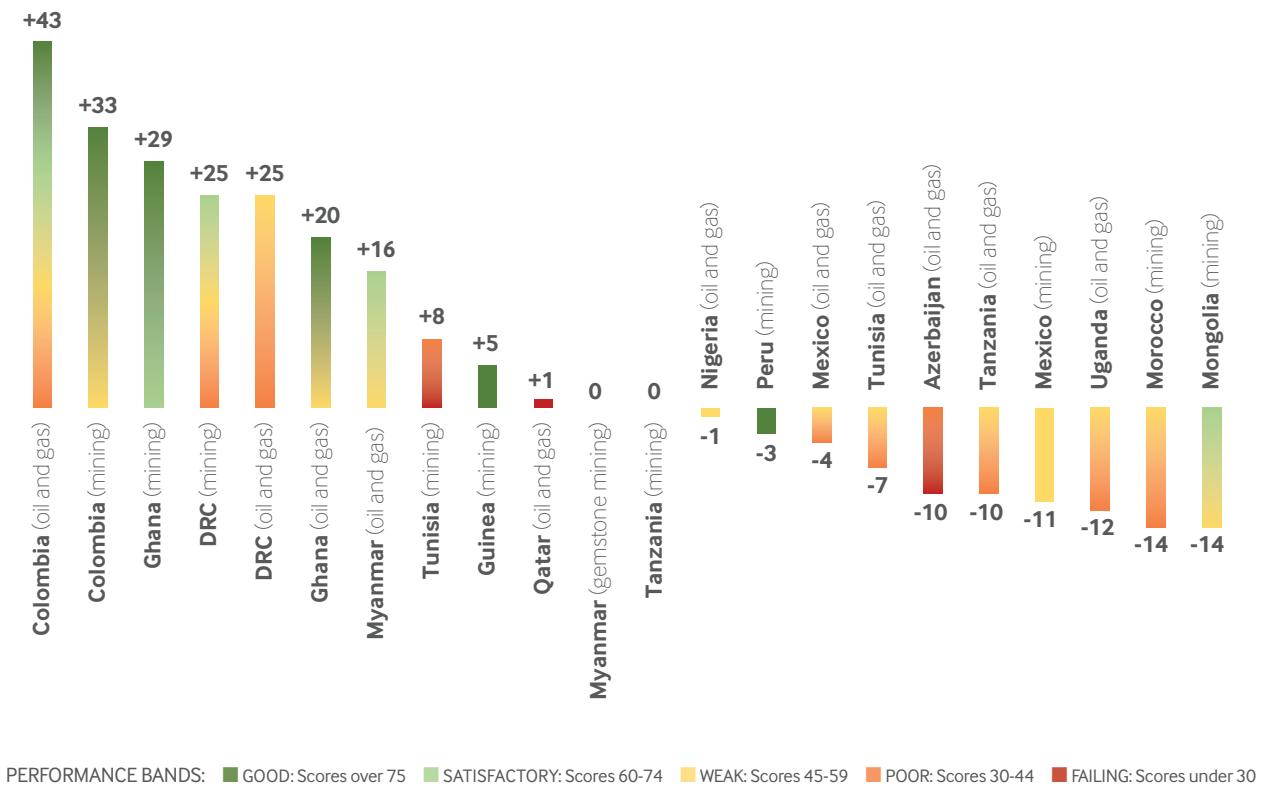
Among all subcomponents measured by the RGI, the governance of local impacts—namely environmental and social aspects of extraction—demonstrated the largest spread between increasing and decreasing performance across the five-year period: out of the 22 comparable assessments, 10 showed improvement, but 10 others deteriorated.

Local impacts of the extraction of oil, gas and minerals have long been a major area of contention between companies, affected populations and governments. On average, all practice and disclosure-related indicators in the index's local impact subcomponent demonstrated poor or failing levels of governance.

While all countries in the 2021 RGI sample required that companies commission environmental impact assessments and mitigation plans, less than two thirds required their public disclosure and only a third of the sample comprehensively disclosed all of these crucial documents in practice. Some governments still did not require the commissioning of social impact assessments and few disclosed these plans, a worrying finding considering the impact that extractive industries can have on local populations. (See figure on following page.)

In many countries, central governments transfer some resource revenues to subnational governments, allowing regional bodies to decide how to manage revenues for local expenditure. The decision to transfer revenues to a regional government or to decentralize

Score and performance band shifts in the governance of local impacts between the 2017 and 2021 Resource Governance Indices

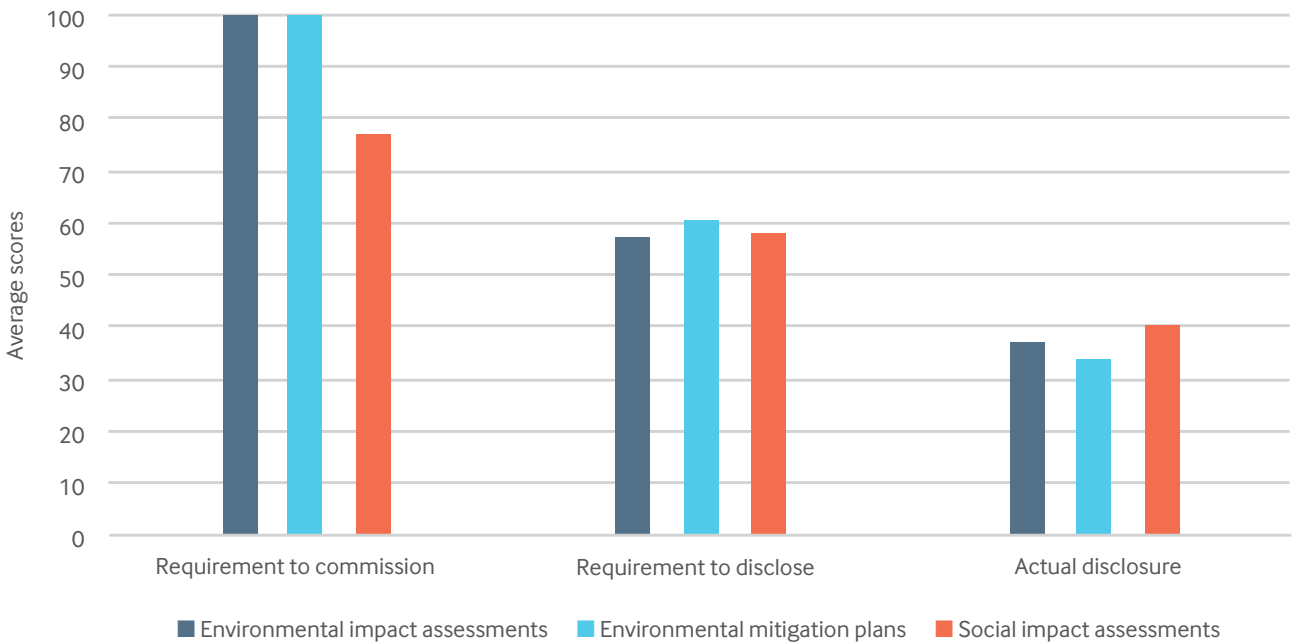


spending activities is context-dependent, and the RGI assesses subnational transfers only in countries that have committed to such transfers. These revenues, if well managed, have the potential to contribute to local economic and social development, and can positively impact the lives of citizens. In the 2021 RGI, twelve country assessments revealed policies requiring audits of legally mandated subnational transfers. But among these, only four audits were conducted and disclosed.

Regarding the enabling environment, one of the most worrying subcomponents was that measuring “political stability and absence of violence”; 12 out of 18

countries received either weak, poor or failing scores, with this subcomponent ranking as the worst across the index. Civic space has also generally narrowed across the world over the last five years, and 10 out of the 18 countries in the 2021 RGI sample received either weak, poor or failing scores on “voice and accountability,” a measure of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and freedom of the press. (See more on civic space findings in Section 4.)

Average scores for environmental impact assessments, environmental mitigation plans and social impact assessments in the 2021 Resource Governance Index



Average law scores improved by close to nine points, but this improvement has not been matched by increases in average practice scores, which only rose by six points.

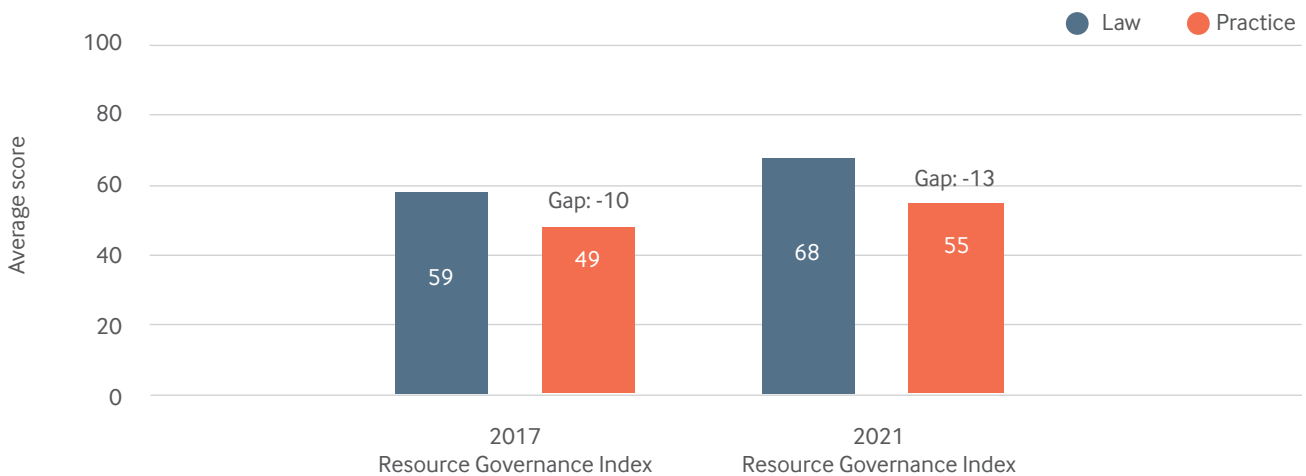
Implementation gap

The 2021 RGI enables the revisiting of one of the key findings of the 2017 RGI: the gap between the rules that shape resource governance and their implementation in practice. Each of the questions in the RGI questionnaire relates to either laws—the existence of a legal framework (e.g., for disclosure of contracts), or practice—the implementation of laws (e.g., actual disclosure of contracts). In most cases, countries scored better on the RGI’s law questions than the practice questions, leading once more to a finding that there is an “implementation gap.”

Countries improved laws and practice over the last five years, but implementation gaps largely grew wider

Among the 22 oil, gas and mining assessments measured in both the 2017 and 2021 indices, there were general improvements in the strength of legal frameworks, driven by the passage of laws and regulations. Across the sample, average law scores improved by close to nine points, but this improvement has not been matched by increases in average practice scores, which only rose by approximately six points. This means that on average, across the sample, the implementation gap has widened, with 2021 RGI law scores 13 points ahead of practice scores (having increased from 10 points in the corresponding 2017 RGI assessments).

Evolution of the gap between law and practice scores between the 2017 and 2021 Resource Governance Indices



Ghana's oil and gas sector illustrated this gap, with new rules improving the law score by 24 points, particularly around licensing and national budgeting. Implementation improved as well, but by a much lower nine points, resulting in a 15-point widening of the gap between law and practice.

Large implementation gaps found in areas most prone to corruption risks, and those most important to local populations

The 2021 RGI showed concerning implementation gaps around rules designed to counter corruption risks and negative local impacts of the extractive sector. As noted above, while most countries' governments are required by law to publish environmental and social

impact assessments, few published these in practice. Regarding corruption risks, failing practice scores and implementation gaps characterized both disclosure of assets by public officials and disclosure of information identifying the beneficial owners of extractive companies. Inadequate implementation of these rules prevents countries from achieving the intended environmental and anticorruption benefits for citizens.

Government and accountability actors should focus on persistent implementation gaps

The natural time lag between adoption and implementation of rules may partly explain why improvements in law outpace practice; regulations

Selected implementation gaps between law and practice in the 2021 Resource Governance Index

Category	Topic area	Law score	Practice score	Implementation gap
Anticorruption	Public official asset disclosure	51	7	-44
	Beneficial ownership disclosure	38	26	-12
	Recent contract disclosure	63	41	-22
Local impact	Environmental impact assessment disclosure	57	37	-20
	Social impact assessment disclosure	58	40	-18
	Environmental mitigation plan disclosure	61	34	-27
	Project closure and rehabilitation	86	14	-72

Unclear or overlapping governance structures muddy lines of responsibility, often resulting in gaps in implementation.

take time to implement. The 29-point improvement in the practice score of Guinea's mining sector between the 2017 and 2021 indices is partly indicative of this dynamic, with progressive application of the 2011 mining code. A 2019 NRGi analysis on the implementation gap in sub-Saharan Africa found that the more recent the legal reform, the greater the implementation gap.¹³

The 2021 RGI, however, also found cases of persistent implementation gaps at both the country and topic levels. For example, both Tanzania's mining and oil and gas sectors had large implementation gaps in the 2021 RGI (29 points and 18 points respectively), much as they did in their 2017 assessments.¹⁴ These include persistent gaps around specific issues such as contract disclosures and disclosures of environmental mitigation plans, with laws already in place at the time of the 2017 RGI research, but which were still not effectively implemented by the 2021 RGI.

Even countries that have demonstrated strong resource governance and an overall improvement in implementation are not immune to persistent implementation gaps. Colombia's mining sector was one of only six assessments in the 2021 RGI that demonstrated an overall reduction in the implementation gap. Nevertheless, implementation of rules around the closure and rehabilitation of mining projects in the country lagged in both the 2017 and 2021 assessments, even as environments around mining sites suffered severe damage.

Implementation gaps stem from political and administrative factors

The RGI's identification and measurement of implementation gaps in extractive sector governance can inform investigations of the causes of such gaps and thinking around how to avoid or close them.

Recent NRGi reflections on the issue posited two broad interrelated categories of causes for implementation gaps: political factors on the one hand, and administrative constraints and shortcomings in rulemaking processes on the other.¹⁵

Within the political factors category, one important cause is resistance to implementation by governmental actors protecting political or economic interests (potentially including private or individual interests). One of the largest gaps in implementation identified in both the 2017 and 2021 editions of the index concerned the requirement for public officials to disclose their assets. This could be related to the potential threat that implementation of such a requirement could pose to the personal interests of certain governmental actors. Powerful SOEs can also be a node of political resistance to implementation. For example, in the DRC, the role of mining SOEs is crucial in understanding implementation gaps related to the open allocation of mining licenses (given SOEs' de facto licensing role through contractual partnerships) and contract disclosure, with many unpublished mining contracts involving SOEs.^{16,17} Unclear or overlapping governance structures muddy lines of responsibility, often resulting in gaps in implementation.

Countries that perform worse on governmental and administrative effectiveness are on average more likely to exhibit larger implementation gaps across the dimensions of resource governance.

Regarding administrative constraints, both the 2017 and 2021 RGIs' measures of the implementation gap showed a correlation with the subcomponent assessing "government effectiveness." Countries that perform worse on governmental and administrative effectiveness are on average more likely to exhibit larger implementation gaps across the dimensions of resource governance. For example, the DRC, which showed large implementation gaps in both the mining and oil and gas sectors, had the lowest government effectiveness score of the 2021 sample, and weak scores on the actual implementation of established laws.

Not all implementation gaps are the same

Reformers must consider not only the size of a gap between law and practice, but also the robustness of the underlying legal regime. A country with a small implementation gap but also a low legal framework score (e.g., Guyana's oil sector with a gap of two points but a law score of 55) is in a different and more problematic place than a country where the gap is larger, but the legal framework score is higher (e.g., Colombia's mining sector with a gap of seven points, but a legal framework score of 84). Those seeking improvements should therefore consider the relative strength of the existing legal framework alongside the gap between law and practice.

Impacts of the pandemic

The coronavirus pandemic impacted extractive sector licensing and exploration, fiscal rules and taxation, and management of environmental and social impacts

The 2021 RGI findings indicate that the pandemic impacted certain areas of resource governance more than others. For each question in the RGI questionnaire, researchers and peer reviewers identified instances when scores had been impacted by the coronavirus pandemic. Pandemic impacts were most frequently identified in connection with licensing and exploration, fiscal rules and taxation, and environmental and social impacts. These areas align with findings from broader NRGi analysis of over 120 instances of sector shifts during the pandemic in nearly 30 countries. Across the RGI and NRGi's broader analysis, several trends emerged.

Several countries postponed or extended timeframes for extractive licensing rounds due to the pandemic, including as noted in RGI assessments for Lebanon, Senegal and Uganda. In some cases, government officials cited the interrelated dynamics of the pandemic, oil price drops and reduced investment by exploration companies as the reason for adjusting such allocations. In NRGi's broader documentation of sector shifts, there were also examples of the pandemic driving switches from competitive processes to direct license allocations, extension of timeframes for exploration and increased exploration in new areas.

As countries strategize pandemic recovery, which may be financially supported by rebounding commodity prices, officials should think through how to strengthen the oversight of fiscal rules.

Eleven out of 18 countries assessed in the 2021 RGI relied on a numerical fiscal rule to guide budget sustainability. Often the intent of such rules is to ensure that some of the proceeds from natural resources are being saved in boom years in anticipation of future shocks. The pandemic was an unprecedented global shock that required governments to dip into savings or borrow more on short notice. Peru and Colombia temporarily suspended numerical fiscal rules for the year 2020 to respond to the pandemic, while Mongolia amended its rule to allow for increased pandemic spending. Peru also applied this to the size of withdrawals from its sovereign wealth fund. Meanwhile, Ghanaian authorities reduced the cap on the country's stabilization fund from \$300 million to \$100 million, to enable the transfer of \$200 million into its contingency fund to finance a coronavirus alleviation program. Some countries, such as Colombia and Ghana, already had procedures for suspension of the operation of fiscal rules under extreme circumstances and activated these amid the pandemic.^{18,19} In other countries, such as Nigeria, no dedicated body regularly monitors fiscal rules, so it is unclear whether fiscal rules were met, modified, suspended or disregarded. As countries strategize pandemic recovery, which may be financially supported by rebounding commodity prices, officials should think through how to strengthen the oversight of fiscal rules.

Governments extended various forms of relief to extractive companies during the pandemic. For example, Peru's relief plan postponed the enforceability of certain environmental fines. NRG's broader analysis also showed examples of exemptions on export duties, royalty reductions, tax reimbursement certificates, and waivers of penalties and interest on late payment of taxes.

In some countries, the pandemic was cited as grounds to alter environmental and social impact assessments. In Peru, the use of secondary data was permitted as an alternative to field-based assessments. NRG's broader analysis also revealed examples of reduced requirements for consultations (permitting online consultation of impacted and indigenous communities), temporary suspension of safety regulations, and extensions and suspensions of some environmental reporting.²⁰

To ensure public accountability and oversight, while maintaining public health as the pandemic persists, governments should reassess changes that could weaken policies and practices intended to protect the public interest. These assessments should determine if temporary measures are still warranted, to avoid risks of emergency accommodations becoming permanent due to inertia or vested interests taking advantage of exceptional circumstances.

2. Anticorruption

Many of the transparency, oversight and governance practices assessed by the index can help prevent corruption

While corruption can occur across the extractive sector, NRGi's review of hundreds of past corruption cases indicated that the ownership of license-holding companies, contracting, SOE procurement and expenditures, and commodity trading are areas of particular risk.^{21,22} Corruption in these areas has led to lost revenues and suboptimal sector performance, and has contributed to patterns of political and economic capture.^{23,24}

Beneficial ownership disclosure

Publicly disclosing information about the beneficial owners of extractive companies—the real people who own, control or economically benefit from a company—can deter improper connections between government decision-makers and business interests. Beneficial ownership transparency can also enable civil society and media actors to scrutinize whether such potential conflicts of interest risks exist. While beneficial ownership reporting to banking and anti-money-laundering authorities has been prevalent for some time, the push for public disclosure of this information has increased considerably over the past six years through strengthened sector, national and regional standards, especially in the Extractive Industries Transparency Initiative (EITI), the United Kingdom and the European Union.²⁵

Beneficial ownership transparency laws can be strengthened by targeting corruption risks, reducing legal ambiguities and mandating public disclosure

A growing number of countries have integrated beneficial ownership transparency requirements in legislation. The 2021 RGI showed that countries have enshrined public beneficial ownership disclosure requirements via a range of policy mechanisms – from business registration laws (as in Ghana, Nigeria and Qatar) to legislation governing extractive sector production (as in the DRC's mining code), to policies focused specifically on extractive sector transparency (as in Lebanon and Tanzania).

Beneficial ownership disclosure policies are more likely to be effective anticorruption tools when they facilitate transparency and scrutiny where risks are highest, particularly around decision points with high potential for political interference or rent-seeking behavior, such as the allocation of licenses.²⁶ The 2021 RGI showed that some countries have adopted policies on beneficial ownership transparency that focus on high-risk areas. For example, Ghana's legislation mandates the identification of beneficial owners who are politically exposed persons, and rules in Lebanon focus on beneficial ownership disclosures by applicants for extractive licenses.

While some countries have instituted beneficial ownership reporting rules, the practice of reporting has yet to fully take off.

Half of the countries assessed in the 2021 RGI had no policies on public beneficial ownership disclosure in place. Countries pursuing the development—or improvement—of beneficial ownership rules can avoid replicating some of the weaknesses of existing policies. For example, the 2021 RGI findings showed that many policies did not mandate public disclosure of beneficial ownership information and ambiguities in some laws—especially around definitions of beneficial ownership and overlapping government agency mandates for collecting data—hampered clear interpretation of these rules, compromising both their implementation and their potential as tools to reduce corruption.

Public beneficial ownership transparency is still unfolding, and both governments and companies should prioritize disclosure measures

While some countries have instituted beneficial ownership reporting rules, the practice of reporting has yet to fully take off. The RGI assessed beneficial ownership disclosure alongside policies and practices governing asset disclosures by public officials. Across the entire 2021 RGI, beneficial ownership and public official asset disclosure practice composed the lowest scoring indicator for which there is a full sample.

Researchers found that non-reporting by companies was a common factor in cases of inadequate beneficial ownership disclosure. This underscores the need for companies to proactively champion and implement beneficial ownership disclosures and due diligence.²⁷

Contract transparency

Contracts agreed between governments and extractive companies are critical parts of the legal framework surrounding projects. Contract transparency is the starting point for understanding how these deals distribute risks and rewards among governments, citizens and the private sector. Without public monitoring and oversight, it is harder to determine whether these rules are fair and effective. It is also easier for corrupt actors to strike deals for their own benefit, rather than that of the public.

Public disclosures of contracts should be more comprehensive, with some countries facing an implementation gap

In the period between the 2017 and 2021 assessments, the 2019 EITI Standard made contract transparency a requirement, and the International Monetary Fund described it as an established global norm in the extractive industries.²⁸

Among the assessments conducted in the 2021 RGI, in five cases governments disclosed all sectoral contracts signed with extractive companies (Mexico's oil and gas sector, Tunisia's oil and gas and mining sectors, Guyana's oil and gas sector and Lebanon's oil and gas sector). A further four were identified as having disclosed all contracts since 2019 (Colombia's oil, gas and mining sectors; Guinea's mining sector; and Peru's mining sector). However, out of the 20 assessments where contracts are known to have been signed since 2019, 14 featured either partial disclosure or no disclosure at all.

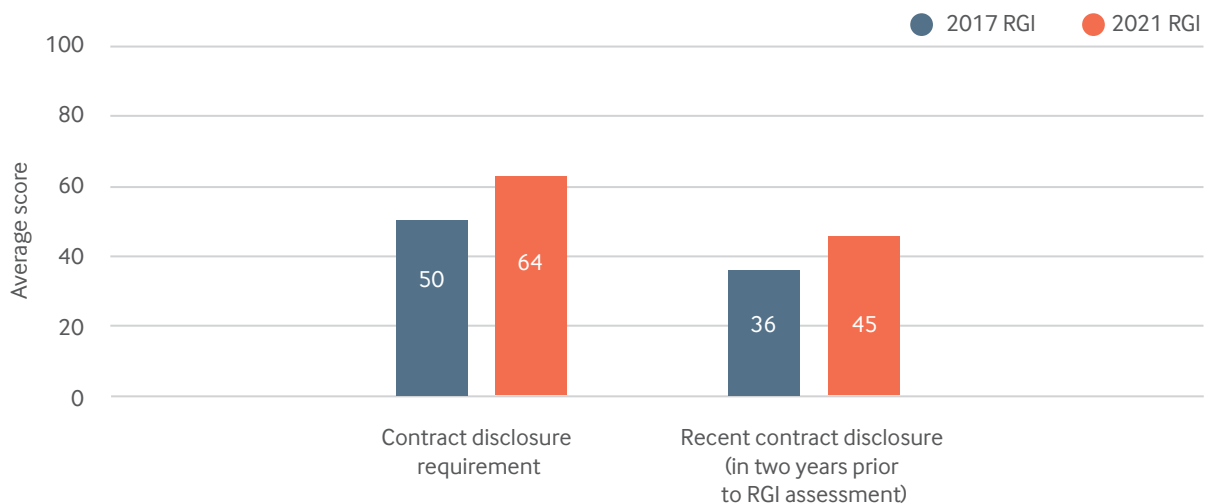
Most countries scored better on the passage of laws requiring contract transparency than they did on the actual disclosures of extractive contracts.

The positive news globally is that citizens and oversight actors have access to more contracts than ever. ResourceContracts.org, the world's largest repository of publicly available oil, gas and mining contracts, hosted over 2,700 documents at the time of this publication. NRG's Contract Disclosure Practice and Policy Tracker shows there are 49 countries that have officially disclosed at least one extractive industry contract; yet the number of countries that disclose all their extractives contracts is still low—only 25 countries

have disclosed comprehensively in either their mining or oil and gas sectors, and just seven disclosed all their contracts in both sectors.²⁹

In the 2021 RGI, most countries scored better on the passage of laws requiring contract transparency than they did on the actual disclosures of extractive contracts, signaling a problematic implementation gap. This echoes results for the same countries in the 2017 RGI.

Evolution of the gap between law and practice on contract disclosures between the 2017 and 2021 Resource Governance Indices



State-owned enterprises within the same country sometimes had very different disclosure practices.

State-owned enterprises

SOEs play a central role in the success or failure of national development. They can be engines for economic growth, but can also become mired in corruption and ineffectiveness. The 2021 RGI assessed the governance of 21 oil, gas and mining SOEs.

Many state-owned enterprises lack basic elements of corporate transparency and financial accountability

To discourage corruption, SOEs should adopt basic elements of corporate transparency and financial accountability, such as the publication of annual reports and the conduct of regular financial audits. The 2021 RGI showed that some SOEs, including Colombia's Ecopetrol and Mexico's PEMEX, scored well on both measures. Other SOEs, such as the DRC's SONAHYDROC or Uganda's UNOC, fell short in these areas. This uneven record reflects wider global trends: data from NRGI's National Oil Company Database showed that between 2011 and 2017, more than 50 percent of national oil company financial statements were not audited by an independent auditor.³⁰ In the 2021 RGI, SONAHYDROC, UNOC, the DRC's Gécamines and others did not publish annual reports. Even SOEs within the same country sometimes had very different disclosure practices. Tunisia's oil and gas SOE, Entreprise

Tunisienne d'Activités Pétrolières (ETAP), published annual reports, while its mining counterpart, Compagnie des phosphates de Gafsa (CPG), did not. Similarly in Tanzania, the oil and gas SOE, TPDC published its annual report while the State Mining Corporation (STAMICO), did not.

State-owned enterprises should strengthen integrity measures

The record is similarly mixed with respect to other important integrity measures. Fifteen out of the 21 SOEs assessed in the 2021 RGI did not publish codes of conduct, making it difficult for citizens to know whether these companies have developed adequate anticorruption standards and procedures. Positively, Colombian national oil company Ecopetrol published its "Code of Ethics and Conduct", covering topics such as conflicts of interest, gifts and hospitality, bribery and how to report concerns via the company's ethics hotline.³¹ Governing board independence is also important, as corruption cases have arisen when political agendas unduly influence SOE decision-making. The SOE boards in Azerbaijan, Colombia, DRC, Ghana and Uganda featured a majority of members independent of the government, while some globally significant SOEs, such as the national oil companies of Nigeria and Qatar, did not.

Clear rules regarding commodity sales can guard against risk-prone discretionary decision-making.

Clear rules and transparency on commodity sales are feasible, but not yet widespread

Corruption risks are also high in commodity trading and specifically when SOEs sell oil to commodity traders. Recent bribery cases have implicated several international traders and SOE officials from countries assessed in the 2021 RGI, including Mexico and Nigeria, and in others such as Brazil, Ecuador, Indonesia and the Republic of Congo.³² Clear rules regarding commodity sales can guard against risk-prone discretionary decision-making. Commodity sales transparency may also help prevent corruption and inform the efforts of anticorruption actors, such as law enforcement and the media.

Across both fronts—the presence of clear rules and oil sales transparency—a few countries show what is possible. The Mexican law on hydrocarbon revenues mandates the disclosure of commodity sales information and periodic publication by PEMEX, and outlines rules for how commodity sales revenues are transferred to the government. On the disclosure side, the Ghana National Oil Corporation (GNPC) and Nigeria National Oil Corporation (NNPC) both disclosed detailed data about their oil sales, disaggregated down to the level of individual sales.^{33,34}

Transparency and clear rules are not sufficient to prevent corruption

Transparency, oversight and clearly established rules and processes can all help prevent corruption, including in the high-risk areas of beneficial ownership, SOE expenditures and commodity trading. They send signals to sector participants about the importance of integrity, reduce the scope for political or private agendas to distort decision-making and facilitate oversight. But they are far from sufficient, and in some cases, corruption has taken place in environments with strong oversight, transparency and governance systems in place. For instance, Mexico's and Nigeria's national oil companies both received a satisfactory score in the 2021 RGI, but recent court proceedings revealed serious bribery allegations in their oil trading businesses.³⁵ Other anticorruption measures, including effective due diligence of third parties and suppliers and host country law enforcement responses to credible allegations against its officials, are also necessary to effectively root out corruption.

3. Energy transition

Transparent management of the oil, gas and mining sectors amid the global energy transition can help resource-rich countries advance a just transition and achieve more sustainable development

Oil and gas producer countries face difficult challenges: maximizing the value they get from production, reducing their exposure to downside market risks, improving access to clean and reliable energy, aligning sector policy with climate commitments, and building economies that are sustainable and well-governed in a low-carbon future. Making these decisions in the long-term public interest requires accountability to citizens and public dialogue based on consistent and reliable information. Concurrently, a decline in fossil fuel production will necessitate a large expansion of mining activity, especially for the minerals required to produce clean energy technologies.

Oil and gas

While answers to the oil- and gas-focused energy transition pilot questions did not count toward countries' composite index scores, the 2021 RGI findings provide a snapshot of how countries are preparing for the energy transition, including their disclosure of climate-related information regarding their extractive sectors.

Eleven of the 14 oil and gas country assessments in the sample showed a poor or failing score on pilot questions about climate-related financial risk disclosures, which included an assessment of transparency of information necessary for citizens to assess if and how future oil- and gas-related policies and public expenditure would serve the public interest under various energy transition scenarios.

The countries assessed on their disclosures of climate-related financial risks in the 2021 RGI range from major global producers (Mexico and Qatar) to countries that are relatively new producers (Ghana and Guyana) to countries where economic hopes rest on oil and gas but production has not started (Senegal and Uganda). Answers to the pilot questions showed that most countries in the sample disclosed very little of the information necessary for citizens to engage in effective oversight of their governments' energy transition strategies.

Most governments do not disclose price forecasts or scenarios

Eight of the 13 countries in the sample with ongoing production or a commercial oil and gas discovery did not publish any information on the governments' or national oil companies' (NOCs) long-term oil price assumptions, or the implications of such forecasts on project viability, future revenue streams or returns on public investment.³⁶ This impedes accountable decision-making; citizens cannot understand the implications of government decisions about the oil sector on future risks and opportunities without knowing how robust these decisions are to a range of possible scenarios for future oil demand. Among the five countries that did publish a long-term forecast or impact of scenarios on the country's projects, only Colombia's, Mexico's and Tunisia's forecasts projected more than one year into the future.

Lack of transparency by national oil companies prevents citizens from knowing when their countries are making risky bets on fossil fuels

Spending by NOCs is one of the most significant ways in which countries steer public resources into fossil fuels. Over the next decade, NOCs worldwide are projected to spend more than \$400 billion on projects that will not break even if the world meets the Paris climate goals.³⁷ This carries significant risks for countries as global pressure mounts for a shift away from fossil fuels—instead of investing to diversify, this expenditure keeps national wealth concentrated in a sector with an increasingly uncertain future. It is therefore more important than ever that NOCs disclose detailed information on their current and upcoming spending on new projects, to give citizens a basis to scrutinize climate-related financial risks associated with NOC investments that may not break even. Just four of the 12 NOCs assessed in the 2021 RGI—Azerbaijan’s SOCAR, Colombia’s Ecopetrol, the Ghana’s GNPC and Mexico’s PEMEX—had published data within the preceding two years showing their expenditure on exploration for new projects.³⁸ Reporting on expenditure on development of new projects—where the biggest costs tend to be incurred—was even worse, with only Ghana’s GNPC disclosing disaggregated data on its development costs.

Governments continue to subsidize fossil fuel consumption

Eleven countries in the RGI sample provided some form of subsidized fossil fuels to consumers. These subsidies can distort markets, impede the growth of cleaner energy sources and significantly drain the public purse. Despite their impacts, transparency around these subsidies was generally inadequate among sample

countries. In eight of the 11 assessments in the sample, governments or NOCs had not recently published comprehensive information on the volume and value of these subsidies.

Countries demonstrate a mixed record on disclosures of extractive operation and flaring or venting emissions

The index’s pilot questions also interrogated how well oil- and gas-producing countries reported on the greenhouse gas emissions generated by their extractive operations, including via fugitive emissions of carbon and methane and the energy consumption required to explore for and extract oil. This information is crucial to monitoring global climate change mitigation, as well as the environmental and local health impacts on citizens of producing countries. Here, too, the sample identified significant gaps in disclosures, but with some emerging good practice. Of the 10 countries in the sample that are currently producing oil or gas, Azerbaijan, Colombia and Qatar published estimates of total methane and carbon emissions generated by operations in the sector; three published some estimates, but not enough for the public to understand the total extent of emissions; and four did not publish these estimates at all.³⁹ When it comes to the slightly narrower category of emissions from venting or flaring of gas, four countries published estimates of total emissions from these activities.

Citizen engagement is fundamental to a just and equitable energy transition

The narrower nature of the 2021 RGI sample makes it difficult to draw generalizations about energy transition transparency across all oil and gas producers, but two important conclusions emerged.

Most governments and national oil companies were not adequately or comprehensively disclosing information on climate-related financial risks.

First, disclosure of the information needed by citizens to assess the economic and climate risks associated with their oil and gas sectors is possible. Examples of good practice occurred throughout the sample: state companies in Colombia and Ghana published details on their exploration expenditure; Tunisia published detailed figures on the costs of subsidies; Qatar and Azerbaijan and others were publishing a growing amount

of information on their emissions. Second, however, across the sample, most governments and national oil companies were still not adequately or comprehensively disclosing information on climate-related financial risks.

As the energy transition progresses, governments allocating funds to new projects may be making risky bets on fossil fuels, which could result in wasted public expenditure and stranded assets, while simultaneously

TACKLING DEPENDENCY AND DIVERSIFICATION

For the last decade, efforts to improve governance in the extractive sector have largely centered on helping governments manage commodity price volatility, spend finite revenue streams responsibly, and build the technical expertise and institutional culture to administer sector functions—from licensing to tax collection—with transparency, integrity and effectiveness. All these core tenets remain essential. However, the global push to address the climate crisis by scaling back fossil fuel production has placed greater urgency on addressing a longstanding sector challenge: oil, gas and mining dependency.

NRGI has been conducting research on various measures of extractives dependency in 215 countries and territories spanning from 1960 to 2020. Initial findings indicated that countries are generally not diversifying away from extractives and that only a few countries have seen a sustained decline in dependence of government revenues from the extractive sector.⁴⁰ Of these, only a handful of examples were found of countries reducing dependence through diversification (i.e., driven by growth in other sectors), rather than an absolute decline in extractives, which suggests that it is very difficult for countries to truly diversify away from the sector.⁴¹ In addition to dependence on extractives for government revenues, NRGI also analyzed dependence on extractives for foreign exchange; the analysis found more episodes of diversification (around 30), but these lasted at most four or five years—sustained diversification remained elusive. These findings were consistent with the analysis of Alan Roe and Samantha Dodd, who found that, over the period 1996-2014, only a few lower income resource-rich economies were able to reduce their dependence on extractives.⁴²

What sound resource governance means continues to evolve. Increasingly, managing the extractive sector effectively will mean tackling dependency and ensuring that historic reliance on extraction does not thwart growth in other economic segments. Given that analysis suggests that moving from resource dependency to economic diversification is not an easy task, countries should develop more explicit strategies for diversification as part of their energy transition planning and ensure these plans are subject to public scrutiny. Technical assistance and transition finance providers should devote resources to helping governments make the leap from dependency to diversification as an integral part of green growth objectives.

There is a need for a significant push to enable citizens to scrutinize how well their governments are preparing their economies to adapt to a low-carbon future.

diverting funds away from spending on health, education or economic diversification. There is a need for a significant push to enable citizens to scrutinize how well their governments are preparing their economies to adapt to a low-carbon future.

Mining and critical minerals

If the world is to meet the Paris agreement goal to keep global warming within 1.5 °C and thereby limit the possibility of climate catastrophe, a dramatic expansion of cleaner energy technologies and electromobility is required. Many of these technologies, as well as the ongoing global digitalization and automation of manufacturing, require significant quantities of minerals; the International Energy Agency forecasts that demand for most minerals will increase greatly by 2040 compared to today's levels.⁴³ The 2021 RGI sample countries, however, demonstrated major gaps in mining resource governance. Six out of the 14 countries assessed for mining disclosed no information on their mineral reserves, and state mining companies on average performed worse than oil and gas SOEs (by an average of 10 points), with failing scores on commodity sales disclosures and corporate governance.

Several key countries producing critical minerals are unprepared for the coming boom

“Critical minerals” are required for the continued operations of modern economies and to produce the technologies needed for the energy transition, but are often geographically concentrated and carry risks of supply chain disruptions. Despite increasing recycling of metals and the possibility that innovation could reduce demand for some metals, production of these minerals will likely dramatically increase over the

coming decades.⁴⁴ Some of the assessed countries are either already producing, or aim to produce critical minerals, and the 2021 RGI demonstrated the governance issues that could prevent them from benefiting from increases in demand.

The DRC is the world's largest producer of cobalt, a mineral used in batteries for electric vehicles. In the 2021 RGI, the DRC's mining sector scored a poor 36 points, with failing scores for control of corruption and commodity sales disclosures, a highly concerning finding given the country's importance in global mining value chains. In Mexico, the government is currently exploring options for the extraction and governance of lithium, another key battery material, with hopes to capitalize on its deposits. However, Mexico's mining sector governance was weak, with one of the assessment's lowest scores obtained on the governance of licensing, which is especially pertinent as the government is discussing a special regime for lithium mining. The country's proposed legal regime for lithium and other strategic minerals for energy transition would grant the state exclusive rights to licenses, as well as actual mining activity, even though Mexico does not have a mining SOE nor prior experience in state-run mining activities. Tanzania also has the potential to capitalize on the critical mineral boom. The country holds reserves of rare earth elements needed for the manufacturing of wind turbines and has already started producing graphite, another key battery mineral. Tanzania's weak score in the 2021 RGI however underscores the need to address gaps in resource governance. The government must address the governance of social and environmental impacts and should tackle the large and persistent gaps between mining-related laws and practices, to ensure citizens can benefit and are not adversely affected.

Resource governance will remain essential as increased demand for minerals presents an opportunity for developing countries to leverage their natural resources for economic development.

Countries should not lose focus on the governance of “traditional” minerals

Forecasts for more traditionally used metals, such as copper, aluminum and iron, also indicate a significant increase in demand in the coming decades.⁴⁵ Despite the increasing interest surrounding critical minerals, stakeholders must bear in mind that production of minerals such as copper and iron will increase by larger absolute measures and will continue to account for much larger revenues, unlikely to be matched at a global level by revenues from critical minerals.⁴⁶

Given the scale of these likely revenue increases, transparency around the extractive sector payments that governments receive is even more key to effective oversight. Nearly all countries in the 2021 RGI sample disclosed some payments-to-government data; but no mining sector assessments (and only two oil and gas assessments) identified disclosure of the disaggregated project-level payment data that communities, governments and investors need to evaluate how specific projects contribute to the economy and local impacts.^{47,48}

Countries with significant mining production must focus on tackling lagging areas of resource governance. In the last five years, some countries have shown promise. Peru, the world’s second

largest copper producer, improved its resource governance by 13 points and Guinea, the world’s leading bauxite producer, improved by 18 points. However, improvements in resource governance in many important mining countries have stagnated. Morocco and Tunisia, two important producers of phosphates, both still place in the weak performance band, as they did five years ago, and received poor scores for the governance of social and environmental impacts. Mongolia, a major copper producer, also failed to improve the governance of its state-owned mining enterprise Erdenes Mongol, which received poor scores, as it did in the 2017 RGI. This is concerning given Mongolia’s ambitions to increase copper production in the coming years.

Overall, resource governance will remain essential as increased demand for minerals presents an opportunity for developing countries to leverage their natural resources for economic development. As producing countries allow more exploration, commission new projects and expand production, strong resource governance will be necessary to ensure that state treasuries and citizens benefit, corruption does not result in lost revenues and lessons from previous commodity booms are heeded.

ECONOMIC LINKAGES

Linkages between the extractive sector and the rest of a country's economy can take different forms. NRG I analysis defines backward linkages as domestic economic activity that provides inputs into an extractive project (including via local suppliers). Forward linkages involve the further processing of, or addition of value to, minerals, oil or gas before export or use in the domestic economy. Economic linkages were assessed in the RGI's pilot questions and did not therefore count towards the final composite score.

Countries lack legal frameworks to implement linkage policies and are not transparent on policy strategies

Many countries aspire to ambitious economic linkage goals across the mineral, oil and gas sectors. For example, 19 of 30 sub-Saharan African resource-rich countries currently have policies that actively pursue forward linkages.⁴⁹ Yet transparency around how these policies are designed and their impact is extremely limited. Countries covered by the 2021 RGI averaged a failing score for the questions assessing linkages, demonstrating both the lack of legal frameworks requiring disclosures of information on linkage policies, as well as the actual disclosure of this information in practice.

Countries should assess and disclose the viability and impact of linkage policies

The viability and potential benefits of linkages policies can differ significantly between countries.⁵⁰ It is therefore critical that governments conduct and publish baseline assessments of a country's existing and prospective capacity to establish these linkages. Governments rarely disclose these assessments, and other research suggests that they rarely undertake them at all.⁵¹ For example, the DRC has been attempting to ban copper concentrate exports since 2007—but no baseline assessment has ever been disclosed and the government has lifted the ban multiple times as a result of questions about the viability of domestic beneficiation for some mines.

Disclosure of information on policy impact was also rare, making it difficult for oversight actors to determine whether trade-offs that linkages often entail are justified. Examples of good practice do exist, however. Senegal has laws requiring oil and gas projects to disclose their use of local workers and suppliers, and its 2019 EITI report contained this information disaggregated by company.⁵² This highlights the importance of EITI as a mechanism for improving transparency around linkages. With the current EITI Standard only "encouraging" such disclosures, changing this to a requirement has the potential to result in significant strides on this increasingly important policy area for resource-rich countries.

Much of the large and important spending on extractive industry suppliers remains opaque

In the year before the pandemic, two thirds of every dollar spent in the extractive industries went to suppliers, totaling as much as \$1 trillion a year globally for the upstream side of the industry alone.⁵³ At this scale, spending on suppliers has consequences for project costs and provides an important opportunity for countries to develop domestic backward linkages. It also presents an opportunity for corrupt interests to profit. Nonetheless, information disclosed by government about suppliers varied significantly across jurisdictions, evidenced by an average failing score in the index's pilot questions on suppliers.

Yet several countries were innovating in this area. Lebanon, for example, published lists of oil sector suppliers along with beneficial ownership information. Mexico's oil and gas sector published information about project spending on suppliers, including disaggregation between national and international suppliers. Qatar Petroleum disclosed real time information about procurement opportunities and contracts awarded. These examples and others provide reasons to be positive about the future for suppliers transparency and suggest that the challenges in this area relate more to standardization and coordination of disclosures than the creation of entirely new types of information.

4. Civic space

Public debate is essential if citizens are to hold governments and companies accountable

Solid and efficient accountability mechanisms must accompany improvements in transparency, if a country is to improve governance of its extractive sector and fully benefit from its natural resources. Active and well-informed civil society and media must have the space to monitor and evaluate sector policies using disclosed information, such as the terms of contracts signed with extractive companies and the identities of beneficial owners of those companies.⁵⁴

Stronger voice and accountability is linked with better sector governance, but civic space remains weak

“Civic space” refers to the right and ability of citizens to associate, assemble peacefully, freely express their views and opinions without fear of reprisals and participate in decision-making to influence the political and social structures around them. The 2021 RGI results confirmed the same association observed in the 2017 RGI that, on average, governments that facilitate and protect civic space exhibit stronger resource governance performance. More than any other dimension of a country’s enabling environment, stronger performance in the voice and accountability subcomponent was associated with stronger performance in index components on value realization and revenue management.

In recent years, many countries have experienced closing civic space, characterized by increasing restrictions on freedoms of expression, association or assembly, and on the right to public participation.⁵⁵ Qatar and Tanzania saw the sharpest declines in the voice and accountability measure between the 2017 RGI and the 2021 RGI (14- and 13-point score reductions respectively). The persistence of challenges related to civic space in resource-rich countries was confirmed by the finding that, out of the 18 countries assessed in the 2021 RGI, the CIVICUS Monitor assessed Azerbaijan as “closed” (where there is complete closure—in law and in practice—of civic space), nine as “repressed” (where civic space is significantly constrained) and six as “obstructed” (where civic space is heavily restricted by power holders).⁵⁶ None of the 18 RGI countries had “open” civic space according to CIVICUS.

Constraints and restrictions on civic space hindered overall sector governance, even in countries where governments are making some progress regarding technical policies and practices. Azerbaijan remained an example: despite some transparency progress, a poor voice and accountability score of only 13 points out of 100 continues to be a major obstacle to strong governance; the country has a weak overall RGI score of 56. The Democratic Republic of Congo, with a score of 24 points on voice and accountability, and an overall RGI score of 37, was another example of this relationship.

The pandemic has impacted civic space in many resource-rich countries, and the energy transition is likely to present further challenges

Resource-rich countries, like many others, have experienced closing civic space that is both directly and indirectly related to the coronavirus pandemic.⁵⁷ Freedom of peaceful assembly has been particularly impacted, as has freedom of expression. Thirteen out of the 18 countries assessed in the 2021 RGI had violations of media freedoms that were documented by the Varieties of Democracy Institute and which governments justified citing pandemic-related reasons.⁵⁸ Restrictions related to the pandemic are particularly concerning because, like other “exceptional measures” taken by governments, they are often left in place long past their original temporary timeframes.

Looking forward, the acceleration of the energy transition will require many governments in resource-rich countries to make challenging political and economic decisions and trade-offs. Citizens should have a say about these decisions and be able to demand inclusive and fair transition planning. The rights of those impacted by sector shifts should be protected, including, but not limited to, those working in potentially declining hydrocarbon industries and in growing mining industries. Protecting civic space in mineral and fossil fuel producing countries will be key to ensuring an equitable energy transition, in producer countries and globally.

5. Recommendations

The 2021 Resource Governance Index findings highlight a range of opportunities, lessons and challenges for resource-rich countries and the global community

1. Address persistent implementation gaps

- Governments and legal reform advocates should consider implementation and associated challenges during legal reform processes, not after the fact. They should develop plans for addressing them through strong—but realistic—rule design, adequate human and financial resources, clear allocation of implementation responsibilities and concrete deadlines.
- Accountability actors should demand implementation, including through monitoring of implementation following legal reform.

2. Improve oversight and integrity in areas of high corruption risks

- When developing and implementing beneficial ownership disclosure policies, governments should target high-risk decision points on license allocations and transactions involving politically exposed persons, avoid legal ambiguities on beneficial ownership definitions and administrative responsibilities, and mandate public disclosure. Governments should increase practical implementation of contract disclosure and ensure all relevant contracts are being disclosed.

- SOEs should implement basic corporate transparency and financial accountability measures, such as the publication of annual reports, implementation of regular financial audits and reporting on commodity sales, as well as integrity measures such as publishing codes of conduct and increasing levels of governing board independence.

3. Ensure transparency and accountability on climate risks and energy transition decision-making

- Governments should assess the transition risks associated with NOC spending on new development and policies that offer subsidies on fossil fuel consumption.
- Governments should facilitate citizen scrutiny of economic and climate risks by disclosing information on current and projected price forecasts, climate scenarios used for national planning and budgeting, reserves, production, sector revenues and greenhouse gas emissions generated by extractive operations, including via fugitive emissions of carbon and methane and the energy consumption required to explore for and extract oil.

- International efforts to strengthen critical mineral supply chains should place greater emphasis on addressing governance and corruption challenges in producer countries, while governments should also not lose focus on the governance of “traditional” minerals.

4. Protect civic space to enable a just and equitable energy transition

- Governments should ensure they are protecting fundamental rights and creating an enabling civic space for citizens to freely and robustly scrutinize the political and economic decisions being made to adapt their national economies to a low-carbon future. Citizens should have a say about these decisions and be able to demand inclusive and fair transition planning.
- Governments should reassess pandemic-related changes that could weaken policies and practices intended to protect civic space and the public interest. These assessments should determine if temporary measures are still warranted to avoid risks of emergency accommodations becoming permanent due to inertia or vested interests taking advantage of exceptional circumstances.

Endnotes

- 1 For more information about the 2021 Resource Governance Index, please visit www.resourcegovernanceindex.org
- 2 An identical RGI questionnaire was used to enable researchers to assess all countries across both the oil and gas, and mining sectors. It is designed to be answerable for both sectors and for countries in various stages of maturity of their extractive sectors. However, sometimes, certain questions or entire subcomponents are not applicable. In some cases, countries might not have state-owned enterprises, subnational resource revenue sharing mechanisms or sovereign wealth funds. In countries where these subcomponents or certain areas don't exist, the questionnaire marks all relevant questions as "Not applicable/Other," meaning they are not scored and therefore do not affect the composite RGI score.
- 3 For the methodological details on the Worldwide Governance Indicators, see Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi. *The Worldwide Governance Indicators: Methodology and Analytical Issues*. World Bank Policy Research Working Paper No. 5430. September 2010, and info.worldbank.org/governance/wgi/. For methodological details on the Open Data Inventory, see Open Data Watch-Open Data Inventory www.OpenDataWatch.com
- 4 Natural Resource Governance Institute, *Natural Resource Charter, Second Edition*, (Natural Resource Governance Institute, 2014), www.resourcegovernance.org/sites/default/files/documents/nrcj1193_natural_resource_charter_19.6.14.pdf. The Natural Resource Charter and related benchmarking framework are analytical and diagnostic tools that cover the chain of decisions that governments and societies must make to benefit from their resources.
- 5 A summary of the few evolutions in the questionnaire since the 2017 RGI can be found in the 2021 RGI Method Paper, which can be accessed at www.resourcegovernanceindex.org/publications-data/methodology
- 6 The countries assessed on their mining sectors were Colombia, DRC, Ghana, Guinea, Morocco, Mexico, Myanmar (two separate assessments, one on gemstone and the other on copper mining), Mongolia, Peru, Senegal, Tunisia, Tanzania and Uganda.
- 7 The countries assessed on their oil and gas sectors were Azerbaijan, Colombia, DRC, Ghana, Guyana, Lebanon, Mexico, Myanmar, Nigeria, Qatar, Senegal, Tunisia, Tanzania and Uganda.
- 8 The full country analyses and scores, including justifications and supporting documentation, can be found at: www.resourcegovernanceindex.org/publications-data/country-profile-downloads. www.resourcegovernanceindex.org/publications-data/data-workbooks. While separate country profiles were not published for Myanmar's assessments, the scores nonetheless help to paint a picture of the progress made by—and shortcomings of—the NLD government, as officials sought to improve resource governance during the five years in power.
- 9 The six new sectoral assessments are: Guyana oil and gas sector, Lebanon oil and gas, Myanmar copper mining, Senegal mining, Senegal oil and gas and Uganda mining.
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- 13 Natural Resource Governance Institute, *Resource Governance Index: From Legal Reform to Implementation in Sub-Saharan Africa*, (2020), www.resourcegovernance.org/sites/default/files/documents/rgi-from-legal-reform-to-implementation-sub-saharan-africa.pdf
- 14 While Tanzania's 2021 RGI oil and gas sector assessment indicates a reduction of 10 points in its implementation gap from the 2017 RGI, this is not due to an improvement in the practice score, but rather a reduction in the law score.
- 15 Amir Shafaie, Moses Kulaba, Kaisa Toroskainen, *Politics Are Holding Back Implementation of Extractive Sector Transparency Rules*, (Natural Resource Governance Institute, 29 September 2021), www.resourcegovernance.org/blog/politics-are-holding-back-implementation-extractive-sector-transparency-rules
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- 22 Alexandra Gillies, Sebastian Sahla, Matthieu Salomon, Tom Shipley, *Diagnosing Corruption in the Extractive Sector: A Tool for Research and Action*, (Natural Resource Governance Institute, 2021), www.resourcegovernance.org/analysis-tools/publications/diagnosing-corruption-extractive-sector-tool-research-and-action; Alexandra Gillies, *Crude Intentions: How Oil Corruption Contaminates the World* (Oxford University Press, 2020)
- 23 For information on trading corruption controversies in Angola, Indonesia, Iraq, Nigeria, Republic of Congo, Russia and Turkmenistan, see: Aaron Sayne, Alexandra Gillies, *Initial Evidence of Corruption Risks in Government Oil and Gas Sales*, (Natural Resource Governance Institute, 2016), www.resourcegovernance.org/sites/default/files/documents/nrgi_trading-corruption-risk.pdf. Hidden beneficial owners who were politically exposed persons were present in over half of 100 extractive sector corruption cases that NRGi analyzed. For more information, see Aaron Sayne, Alexandra Gillies, Andrew Watkins, *Twelve Red Flags: Corruption Risks in the Award of Extractive Sector Licenses and Contracts*, (Natural Resource Governance Institute, 2017), www.resourcegovernance.org/analysis-tools/publications/twelve-red-flags-corruption-risks-award-extractive-sector-licenses-and
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- 37 David Manley, Patrick Heller, *Risky Bet: National Oil Companies in the Energy Transition*, (Natural Resource Governance Institute, 2021), www.resourcegovernance.org/analysis-tools/publications/risky-bet-national-oil-companies-energy-transition
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- 39 Countries publishing fully included Azerbaijan, Colombia and Qatar. Partial disclosures were made by Mexico, Myanmar and Nigeria. The DRC, Ghana, Tunisia and Guyana did not publish this information at all.
- 40 These include Azerbaijan (2012-15), Cameroon (2013-16), Chile (2007-13, except for 2008), Côte d'Ivoire (2012-16), Iran (1994-98), Norway (2012-15), Timor-Leste (2013-16), Togo (2011-16) and Tunisia (1981-99).
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- 47 This is despite an EITI requirement for project-level reporting since 2016 and clarifications to the definitions in 2019 to help remove barriers to project level reporting.
- 48 This is despite, since 2014, mandatory disclosure laws in Canada, the European Union, Norway, the United Kingdom and Switzerland that have compelled 1,008 companies to disclose project-level payments to government data totaling \$1.16 trillion for their operations in countries around the world.
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The Resource Governance Index is a data-intensive project, and NRG I is committed to identifying and correcting any mistakes which may occur in the index. All potential errors will be investigated and verified, with results of all inquiries and any corrections collated on the RGI website. Readers can notify the RGI team of potential errors at index@resourcegovernance.org.



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