

---

OCTOBER 2020 | CALL FOR PILOT PARTICIPANTS

# Extractive Industries Corruption Risk Diagnostic Tool

---

The Natural Resource Governance Institute (NRGI) is finalizing a diagnostic tool to help Extractive Industries Transparency Initiative (EITI) countries identify and address corruption risks in their oil, gas and mining industries.

We seek to collaborate with EITI national secretariats and multi-stakeholder groups (MSGs) interested in using this tool in 2021. The tool will support efforts to expand the relevance and impact of EITI for anticorruption priorities. The objective is to prevent future corruption, not to uncover past cases.

Corruption in the extractive industries is one of the biggest obstacles to ensuring that natural resources contribute to sustainable development. It takes many forms, from bribery in the acquisition of exploration and production licenses to the misappropriation of public funds. As a result, oil, gas and mineral resources too often enrich a few individuals rather than benefit ordinary citizens.

In 2019, EITI identified addressing corruption as one of its top priorities. To support this, NRGI is developing a tool to diagnose corruption risks, drawing on its experience analyzing hundreds of extractive sector corruption cases and promoting anticorruption safeguards in resource-rich countries around the world. EITI stakeholders will be the initial users, but the tool will be a public resource available to anticorruption agencies, civil society groups, investors and others.

**\$1.26T per year**

lost to corruption, bribery, theft and tax evasion in developing countries, according to the World Economic Forum.

**20% of bribery cases**

examined by the OECD occurred in the extractive industries.

**More enforcement actions**

taken under the US Foreign Corrupt Practices Act came from extractives than any other industry.

---

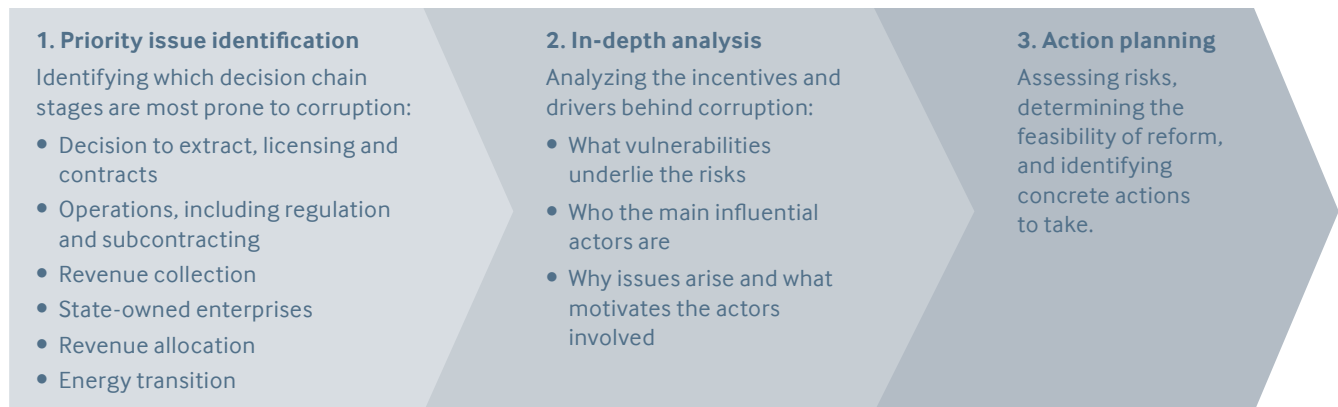
## What purpose would the corruption diagnostics tool serve for EITI MSGs?

The tool will help MSGs to:

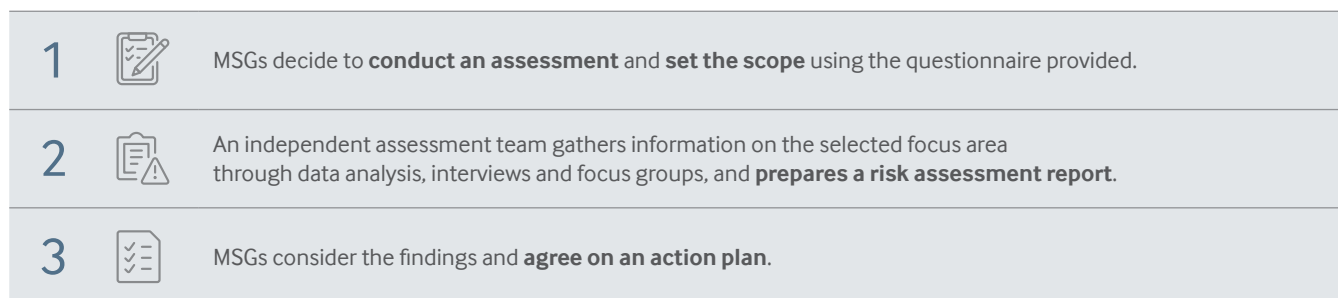
- Check that the EITI process is addressing top corruption risks and that scarce resources are well allocated. The findings could, for example, feed into action plans or impact evaluations.
- Provide a structured and evidence-based approach to convening multi-stakeholder discussions about a sensitive and sometimes controversial topic.
- Identify specific transactions, processes and practices where more transparency and oversight are needed in order to reduce corruption vulnerabilities.
- Draw attention to priority anticorruption needs for EITI itself but also anticorruption authorities, regulators, NGOs, international institutions and other actors.

## How does the corruption diagnostics tool work?

The tool is based around a structured questionnaire that helps MSGs to identify and prioritise corruption risks. It assesses risks across the sector, from transactional risks such as bribery, to more systemic concerns, and allows users to tackle known areas of corruption risks, such as licensing, subcontracting and spending by state-owned enterprises. The questionnaire and research approach are adaptable to suit different users and country contexts and prioritize action planning to ensure that findings translate into real-world change. The tool facilitates:



## What does the process look like in practice?



The questionnaire and accompanying guidance will be user-friendly. MSGs operate with budget and time constraints, so use of the tool will not be expensive or labor-intensive.

## What is the status of the project?

The project was launched in April 2020 with funding from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). First, we conducted a review of existing risk assessment methodologies to draw out best practices. In mid-2020, we consulted with EITI international secretariat staff and other experts. A peer review and further consultations are taking place in late 2020.

We are now seeking to identify EITI stakeholders interested in participating in a pilot of the tool in early 2021. NRGi will provide close support to MSGs throughout the pilot assessment. Based on this experience, we will refine the framework and partner with others to deploy it more widely.

## Contact

To learn more, provide feedback and enquire how to participate in the pilot, contact:

Matthieu Salomon, Senior Governance Officer: [msalomon@resourcegovernance.org](mailto:msalomon@resourcegovernance.org) or Alexandra Gillies, Advisor: [agillies@resourcegovernance.org](mailto:agillies@resourcegovernance.org).

The Natural Resource Governance Institute, an independent, non-profit organization, helps people to realize the benefits of their countries' oil, gas and mineral wealth through applied research, and innovative approaches to capacity development, technical advice and advocacy.

Selected NRGi publications on corruption, including *Twelve Red Flags: Corruption Risks in the Award of Extractive Sector Licenses and Contracts* and *Holding to Account: How Publishing Facts about Foreign Corruption Creates Accountability* are available at [resourcegovernance.org/topics/corruption](https://resourcegovernance.org/topics/corruption).