

*MMSD & IIED*  
*Managing Mineral*  
*Wealth*

***NGO PERSPECTIVE: FROM  
WORDS TO DEEDS***



Miguel Schloss  
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# *Issues*

- Policy distortions
  - Institutional incentives
    - Governance



# *Implications*

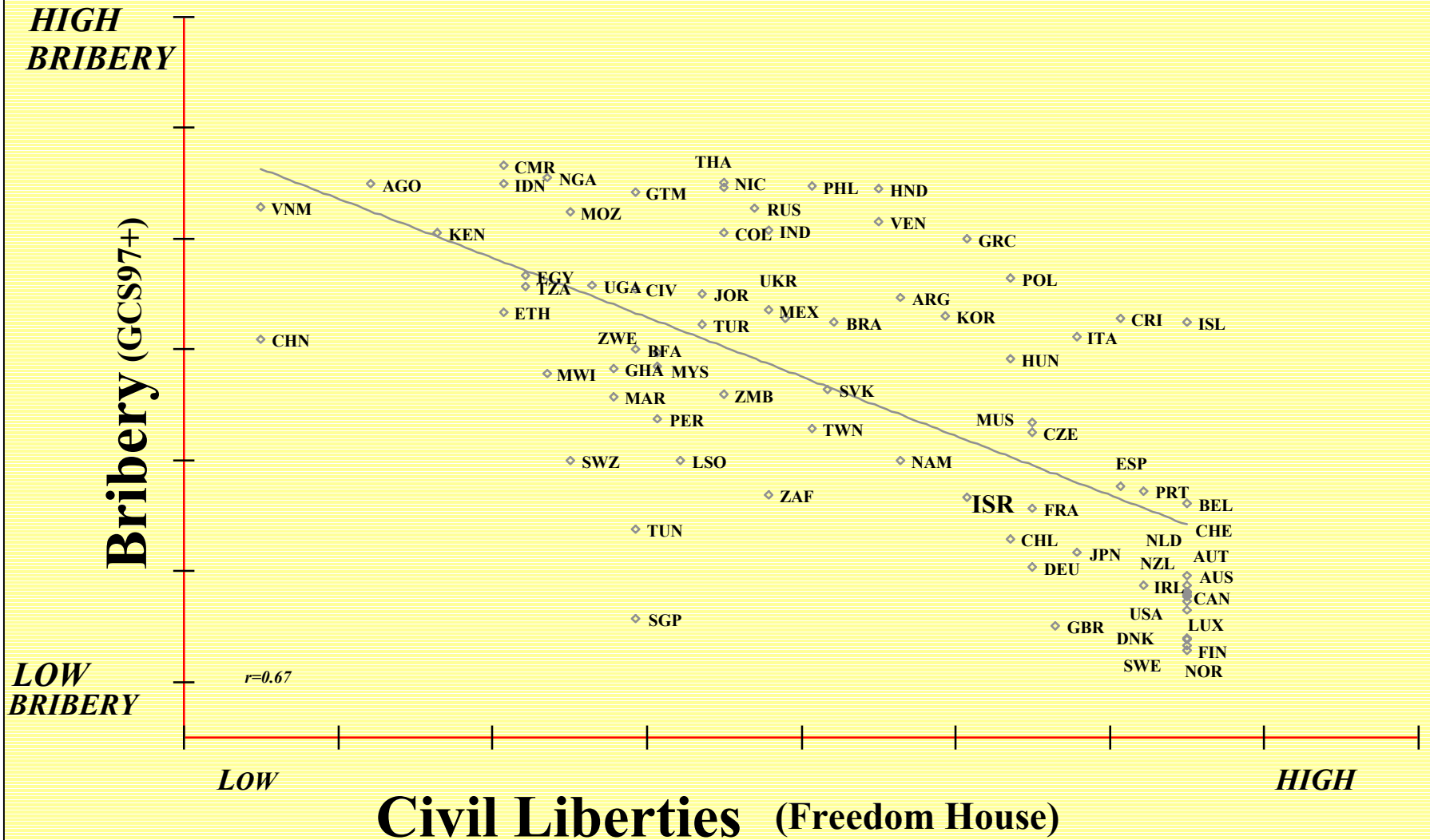
- **More costly public investments**
- **Lower government revenues**
- **Lower expenditures on operations and maintenance**
- **Lower resource surpluses**



**Poorer economic performance**

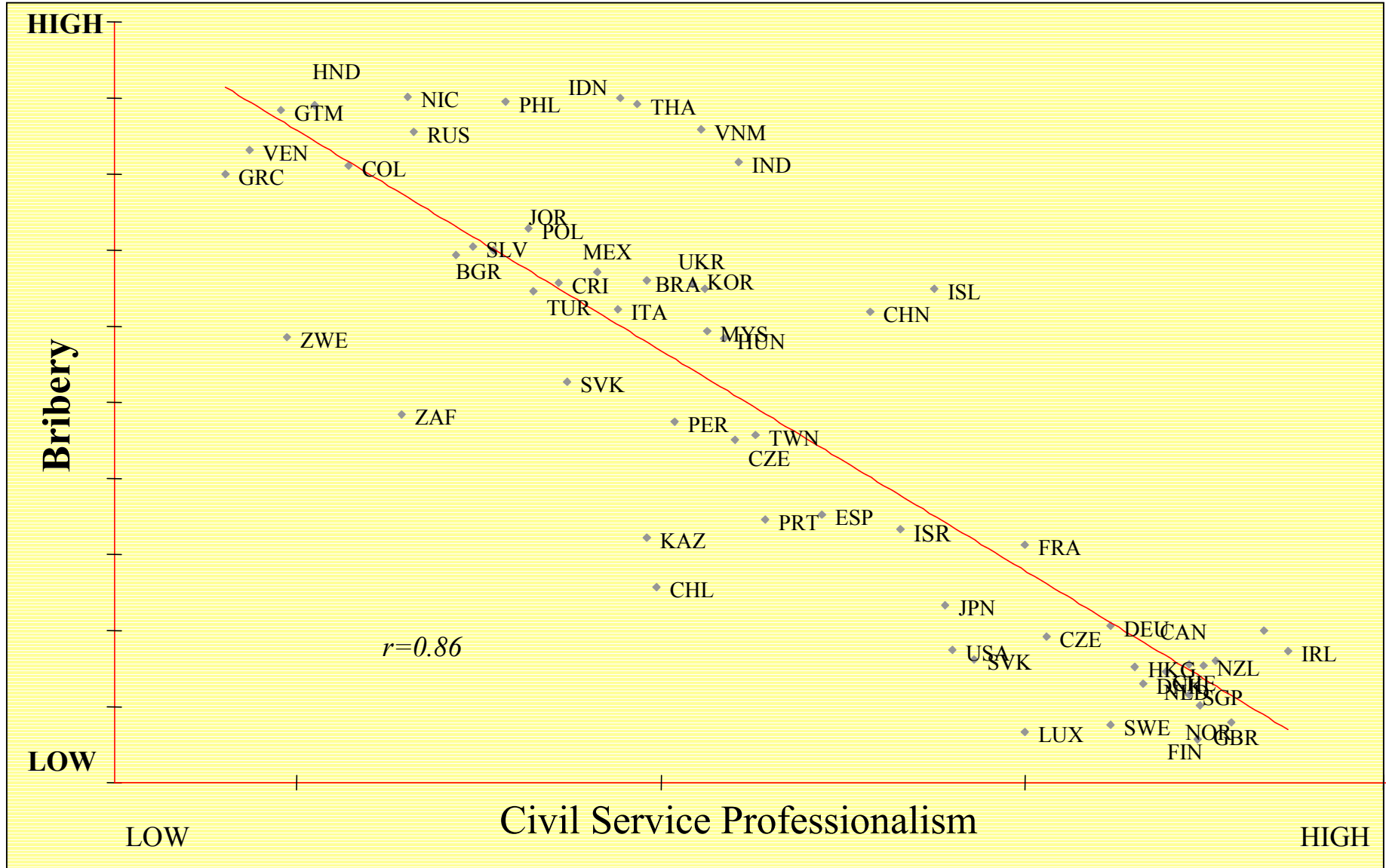


# Controlling Bribery and Civil Liberties

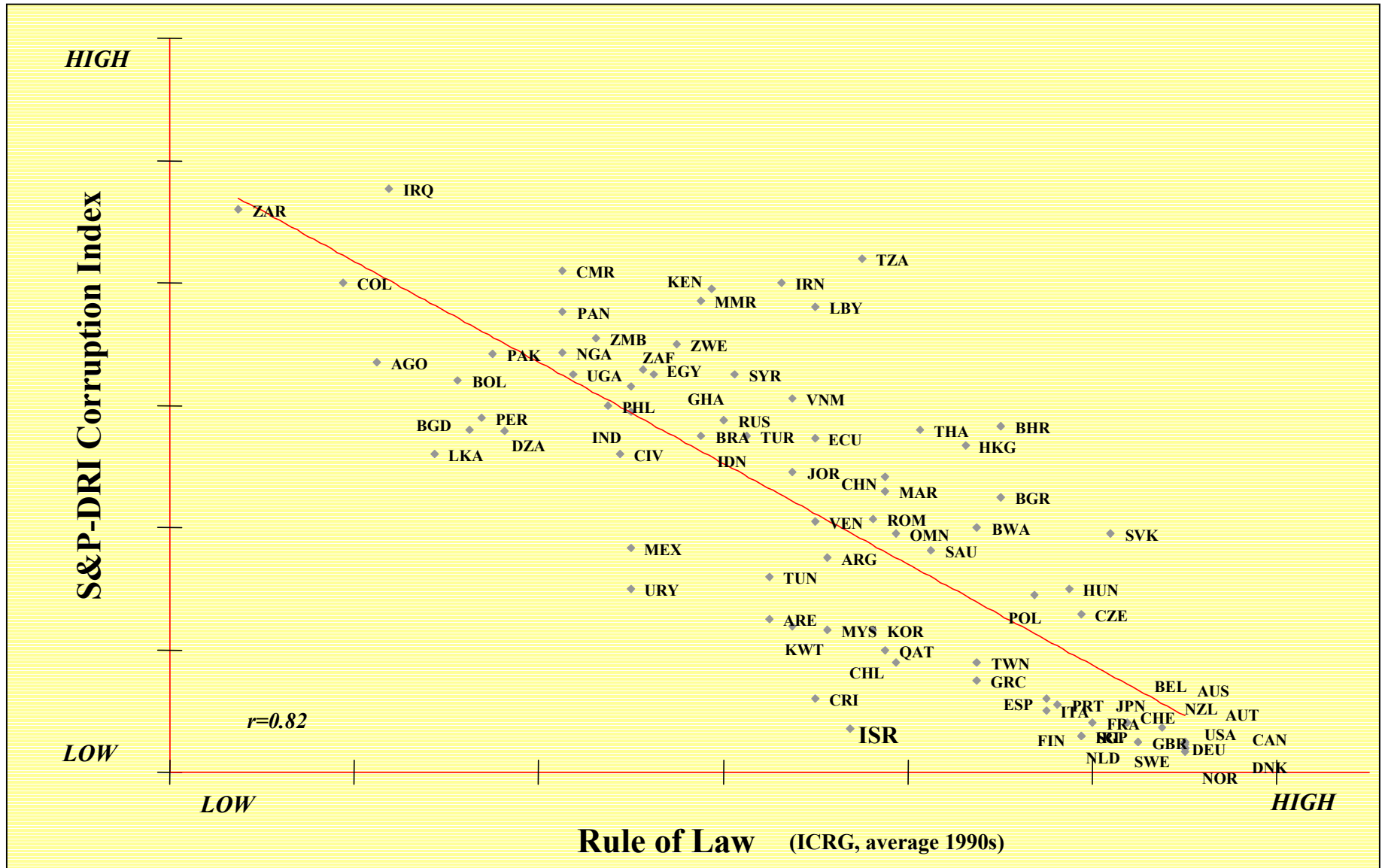


Source: Kaufmann and Sachs (1998)

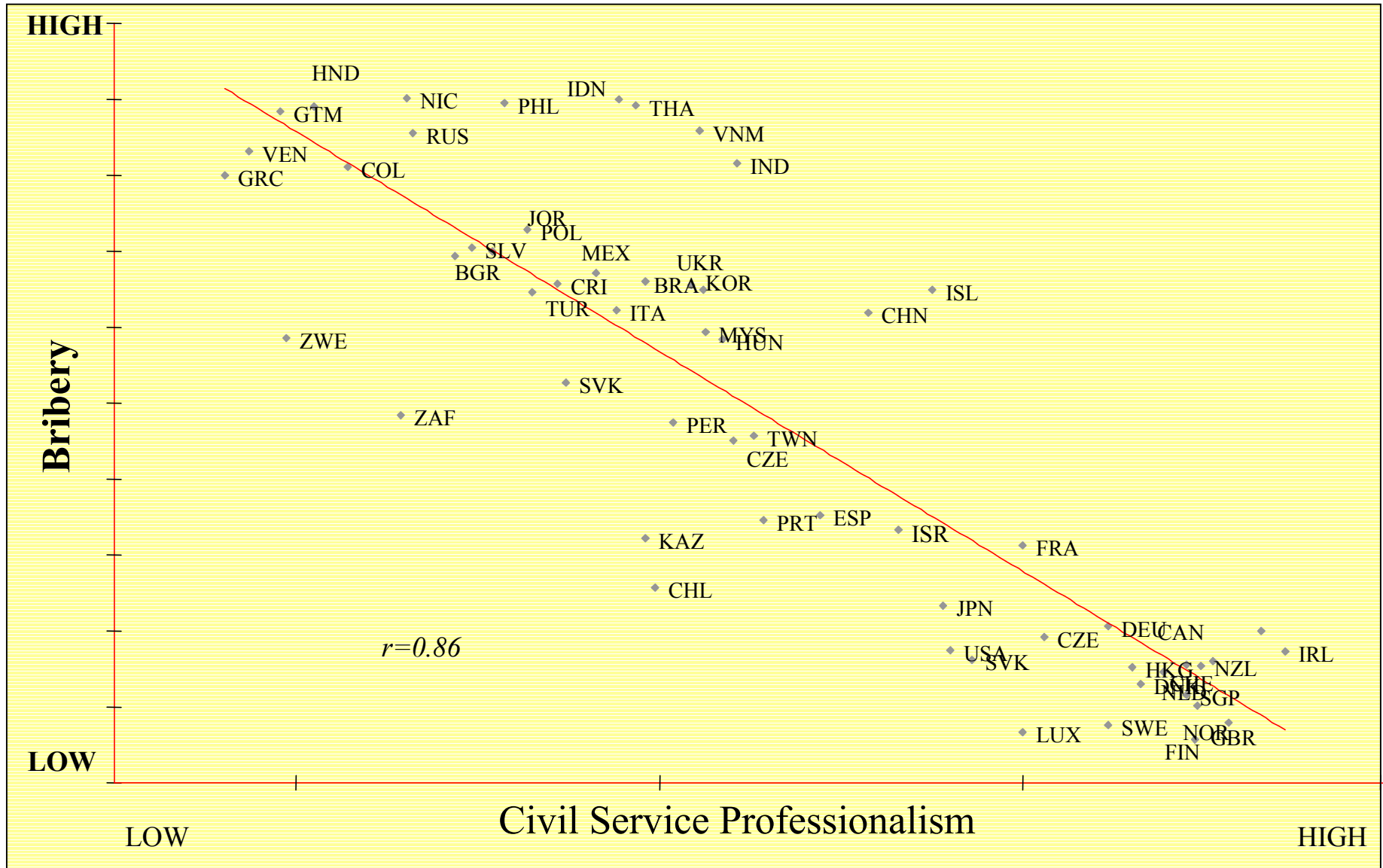
# Bribery vs. Civil Service Professionalism



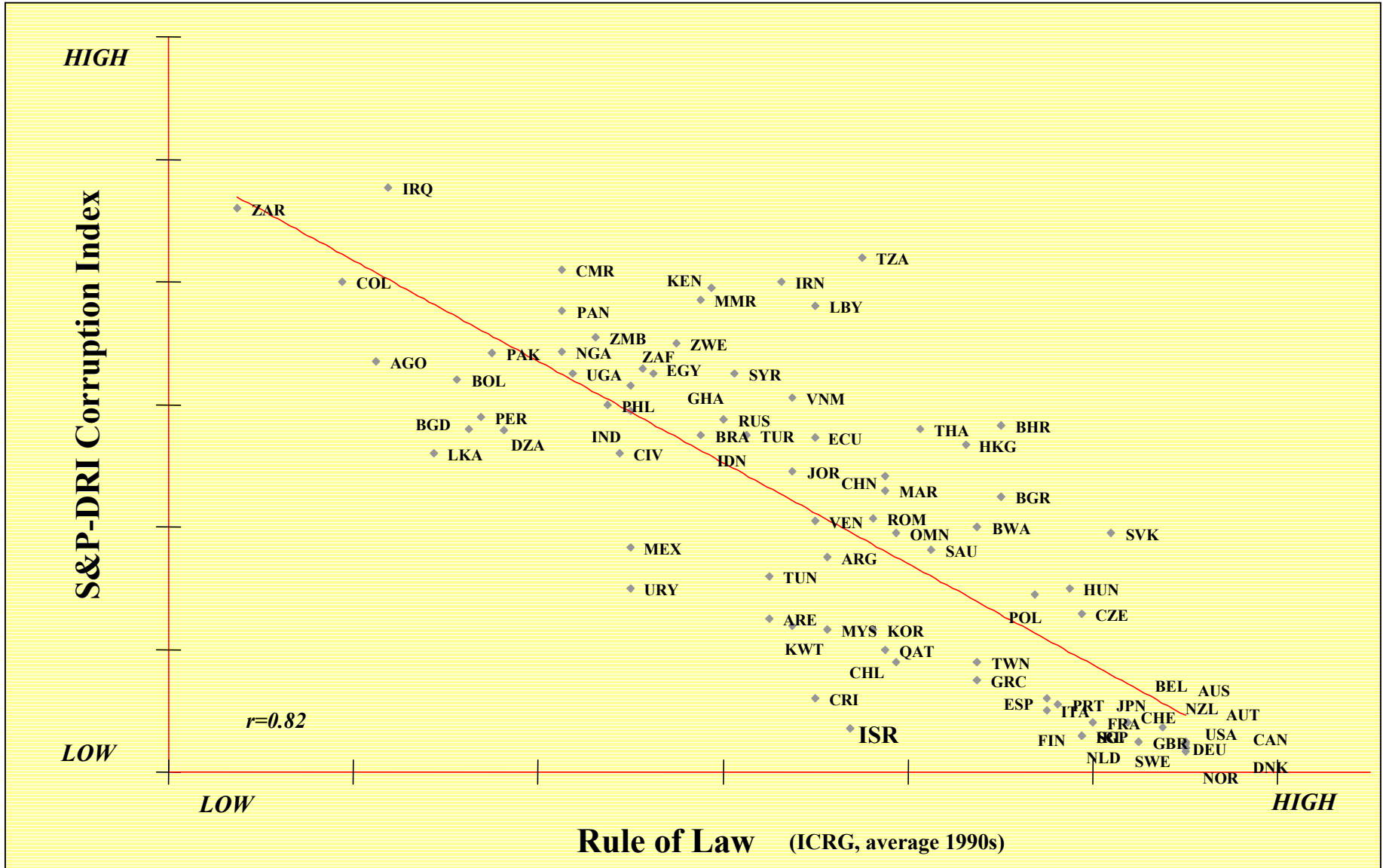
# Corruption and Rule of Law



# *Bribery vs. Civil Service Professionalism*



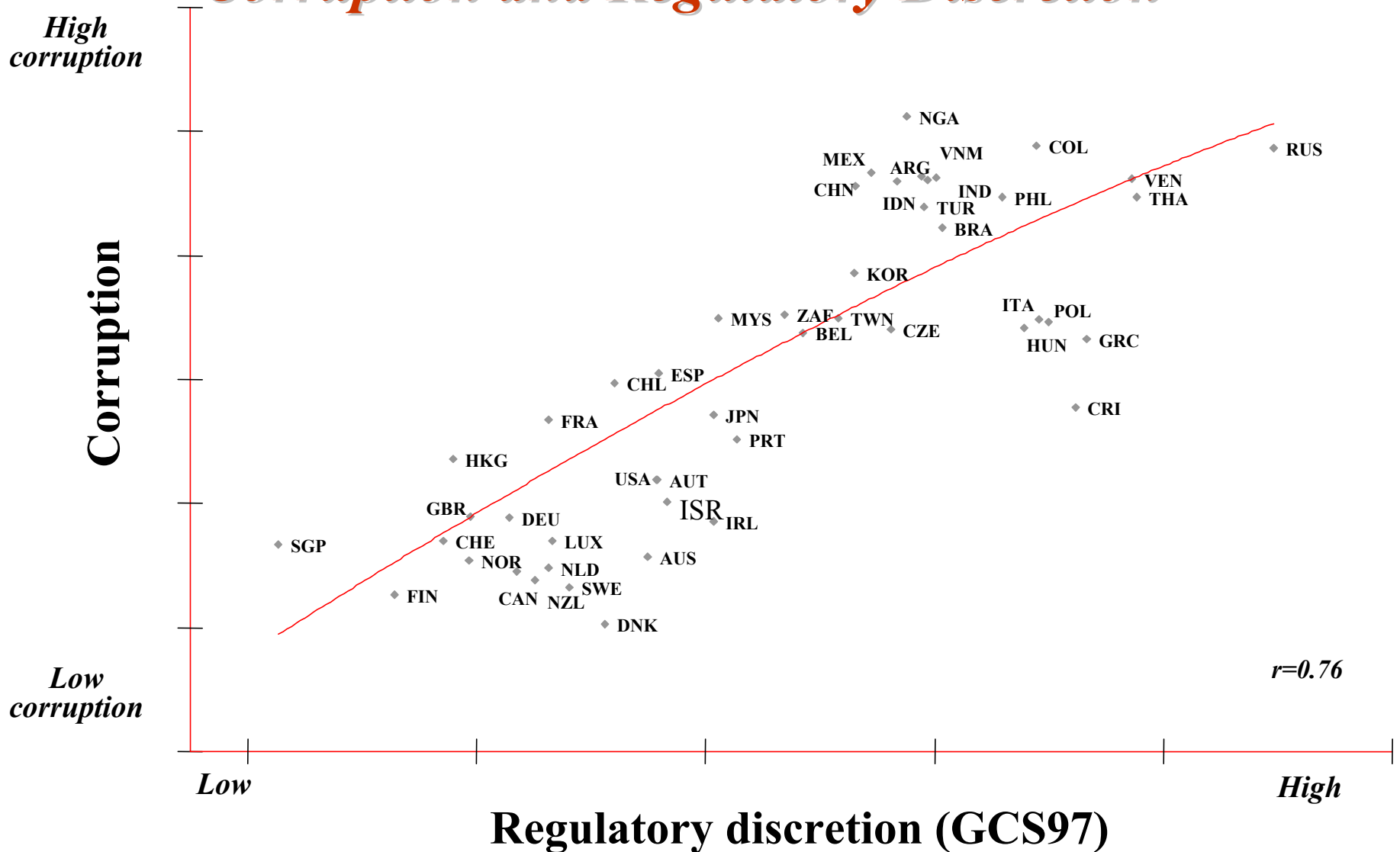
# Corruption and Rule of Law





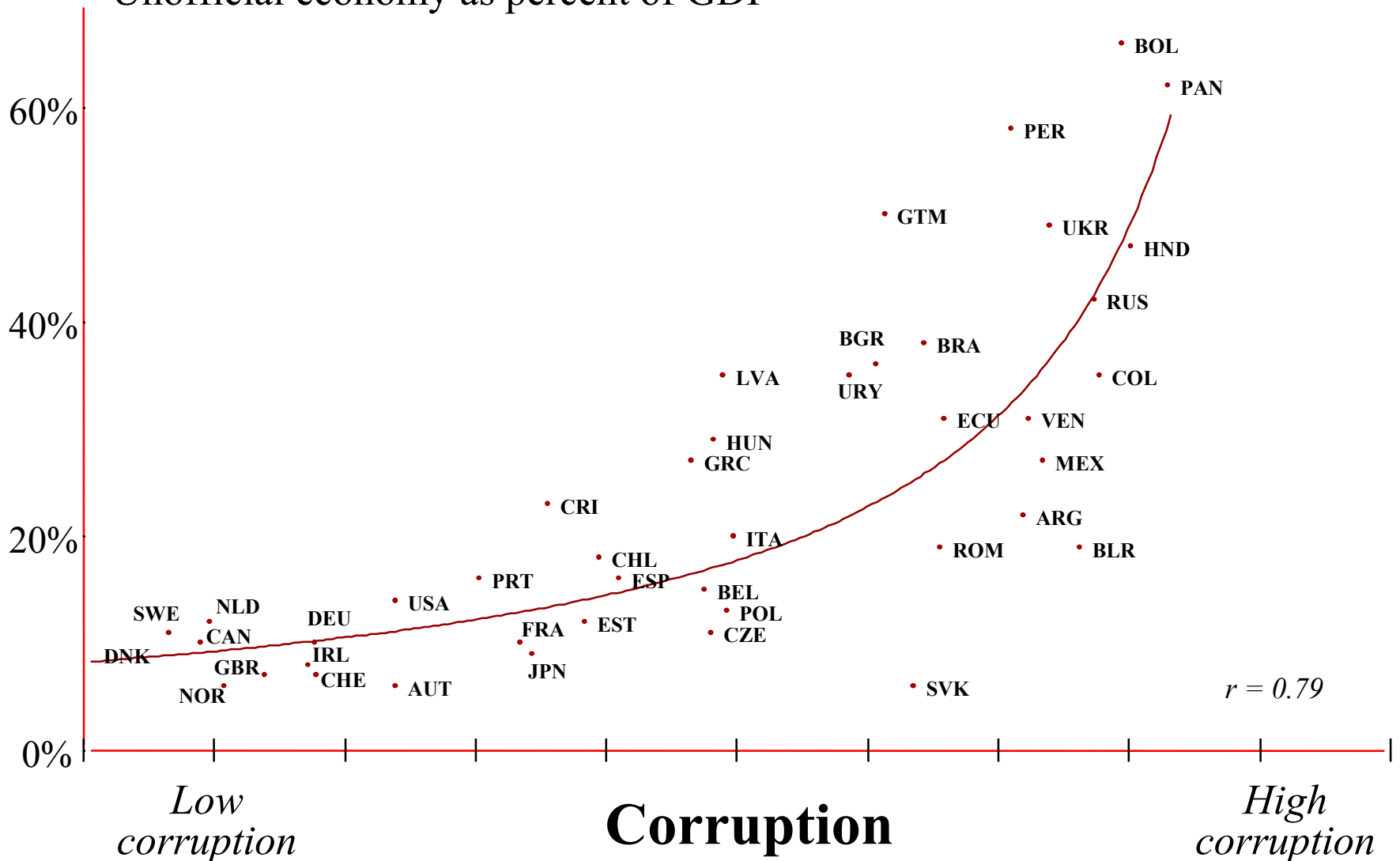
*Even more important (than regulatory interventions) in understanding bribery and corruption is the degree of regulatory discretion.*

## ***Corruption and Regulatory Discretion***



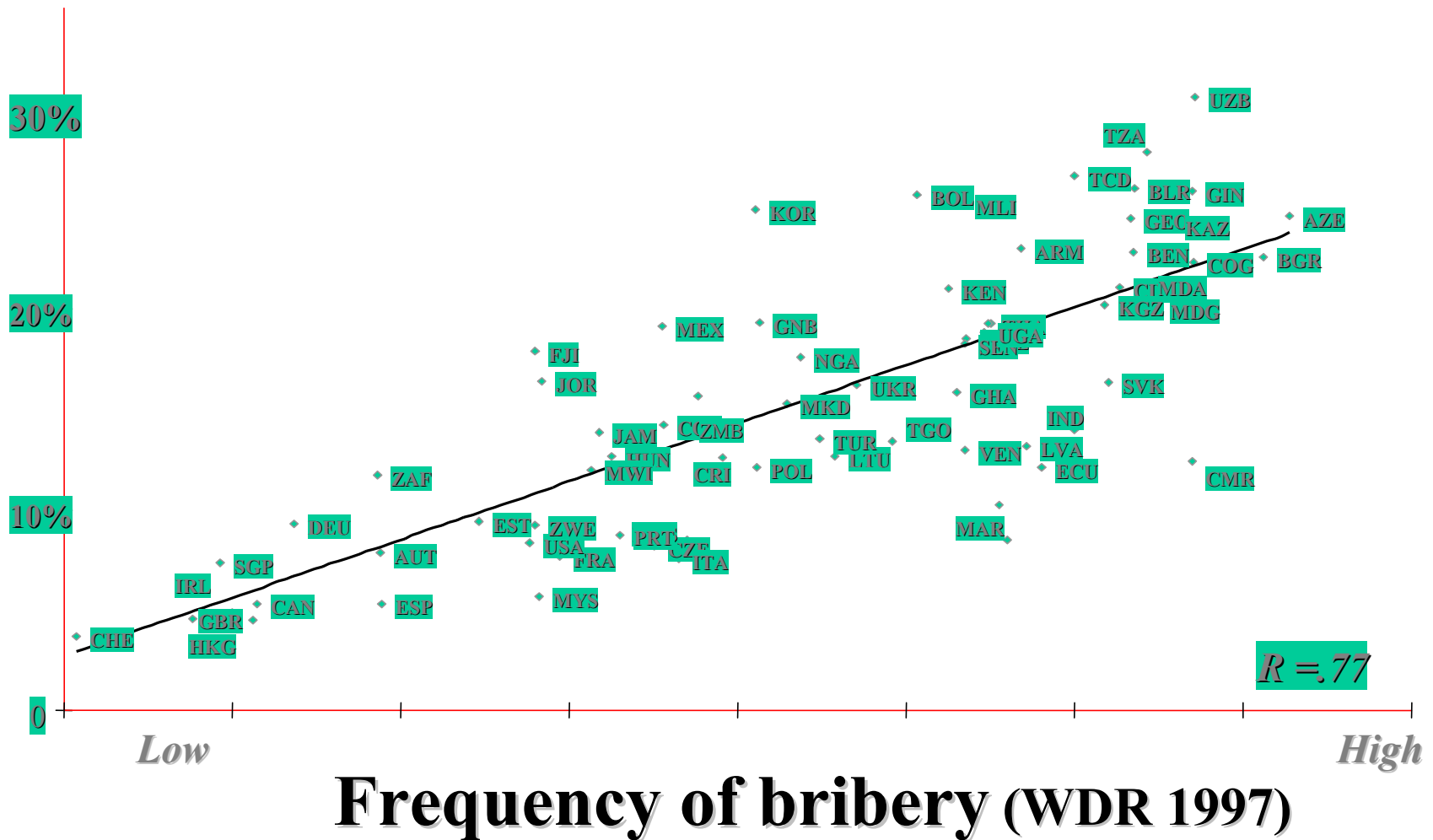
# Unofficial Economy and Corruption Index

Unofficial economy as percent of GDP

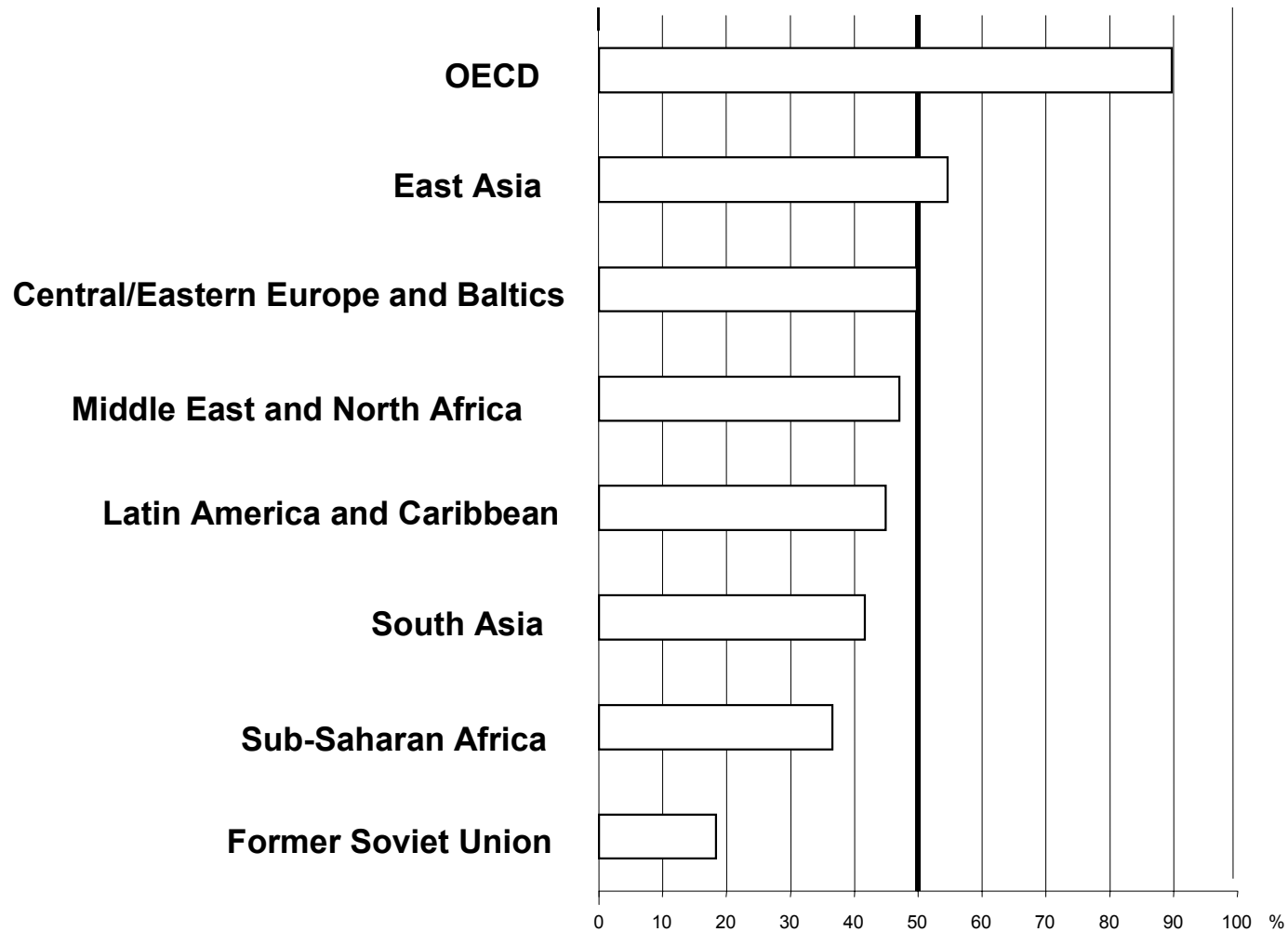


# Time Management Spent with Bureaucrats and Frequency of Bribery

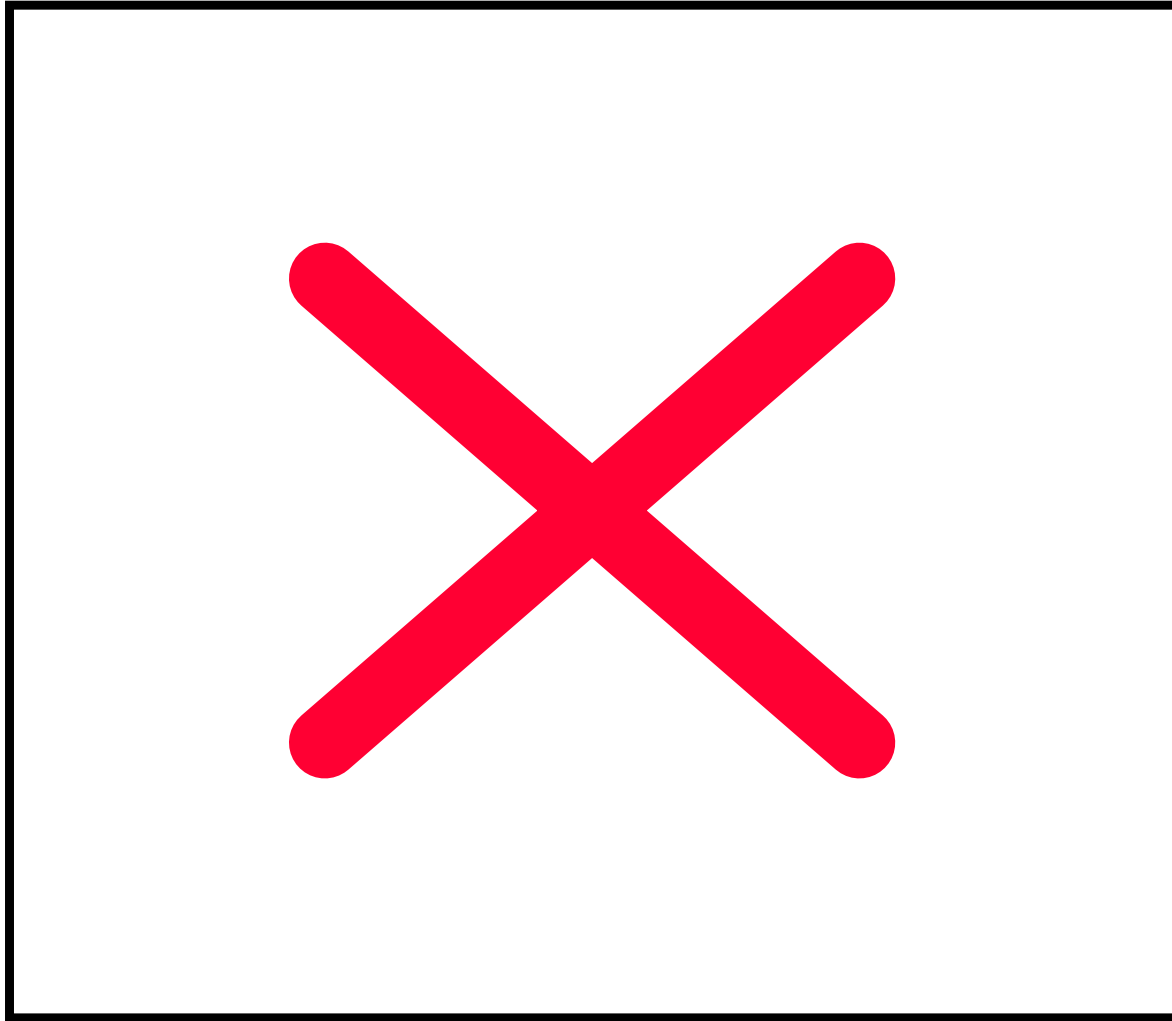
% Management Time with bureaucrats



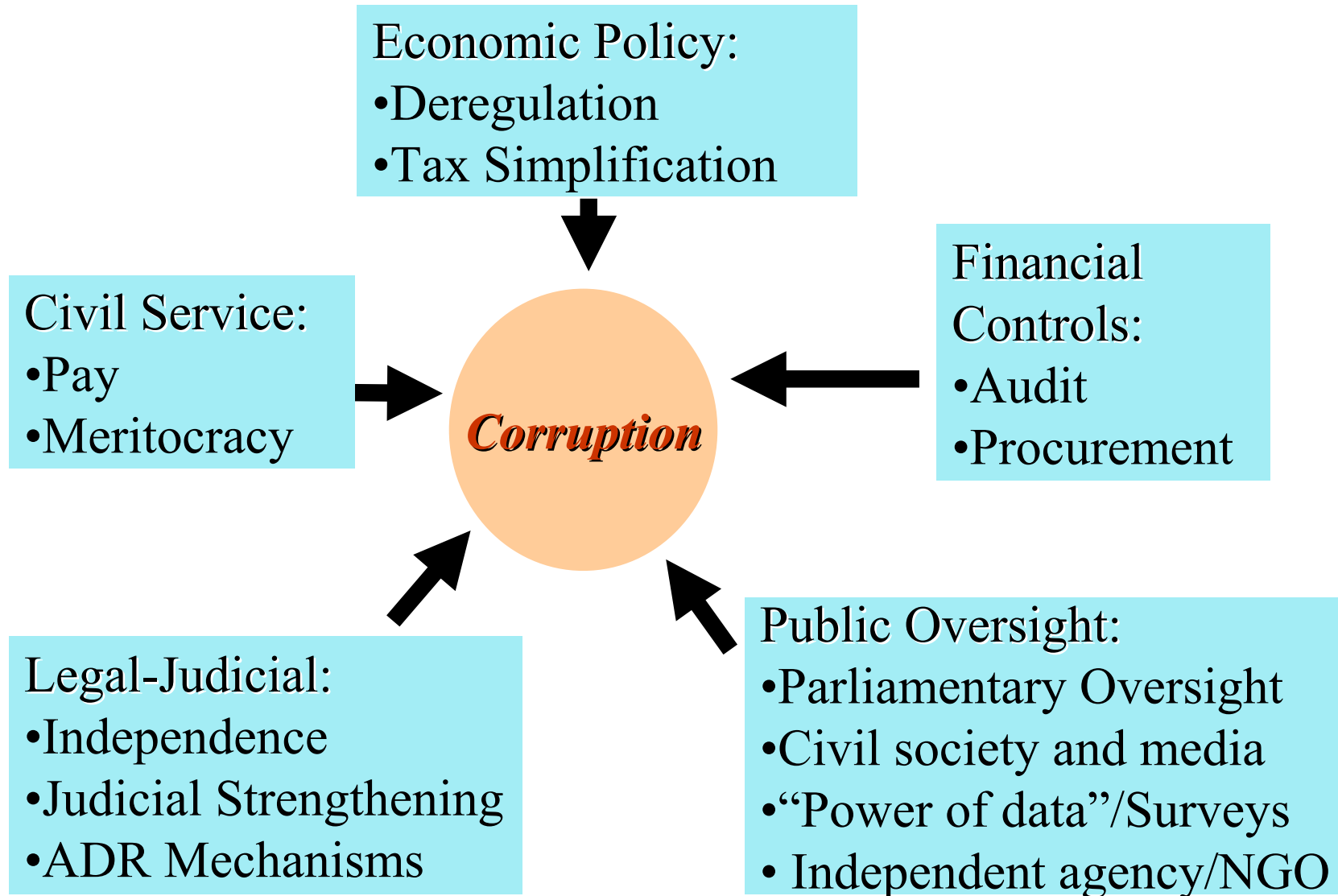
# *Corruption Perception By Regions*



# *Multipronged Strategy for Combating Corruption*



# *Multipronged Strategy for Combating Corruption*



# *The Response*

## **Constitutional and Civil Service Reform:**

Transparent Privatization in Ecuador  
Salary Reform in Bolivia  
Disclosure of Assets in Bolivia and Georgia

## **Economic Policy:**

- Deregulation and Delicensing in Bolivia
- Revamping Customs in Ecuador and Latvia
  - Tax Administration in Latvia and Ecuador
  - Tax/Customs Code Reform in Albania

**Corruption**



## **Financial Controls:**

Procurement Reform in Bolivia, Ecuador and Georgia

## **Legal-Judicial:**

Revamp of Supreme Court in Bolivia  
Competency test of judges in Albania  
Mediation in Albania

## **Public Oversight and Civil Society:**

Ombudsman in Albania and Bolivia

- Private Sector Coalition in Bolivia
- Diagnostic Surveys and NGO monitoring in Ecuador and others

# Latin American Anti-Corruption Tool Kit

- **Welcome**
- **News**
  
- **TI's Structure**
- **Info Centre**  
Corruption Perceptions Index
- **What TI Does**
- **Fight Corruption**  
Best Practice Documentation
  
- **Search & Links**
- **Contacting TI**

## Introduction

As the TI movement passes from a period of awareness raising to one where concrete actions are taken to fight corruption, there is an accompanying need to document the activities of the National Chapters in order to demonstrate best practices and lessons learned. Civil society has enormous potential to create mechanisms for social control, demanding and promoting action for accountable and responsive public administrations. The Latin America Anti-Corruption Tool Kit is an effort to highlight this potential and provide inspiration for others within the TI movement and beyond.

The Latin America NCs have articulated a desire to systematise their practical experiences and to share the anti-corruption tools they have developed. The Latin American Anti-Corruption Tool Kit presents a range of anti-corruption activities in an accessible and concrete format. The cases draw attention to the importance of collaboration with the public and private sectors and the need for coalition building within civil society.

The write-ups situate the tools in the specific national socio-political context and in the context of the responsible organisation. You will find detailed descriptions of the stages of implementation, sections on tangible positive and negative results and lessons learned. The Latin American Anti-Corruption Tool Kit covers a range of activities, in different areas, including:

- **Corruption control in public procurement**
  - [Integrity Pacts, Colombia](#)
  - [Integrity Pact, Panama](#)
  - [Public Hearings, Argentina](#)
  - [Price Comparison, Colombia](#)
  
- **Transparency in Election Processes**
  1. Visible Candidates
    - [Argentina](#)
    - [Colombia](#)
    - [Ecuador](#)
    - [Panama](#)
  2. Monitoring of Election Campaign Financing
    - [Argentina](#)

[www.transparency.org/activities/lac\\_tool-kit/intro.html](http://www.transparency.org/activities/lac_tool-kit/intro.html)



# *The Response*

## **Price Comparisons**

- Professional Coordination
- Homogenous products
- Primary data (invoices, contracts)
- Information analysis (price ranges, averages)
- Bulletin, Publications, Dissemination
- Monitoring Results



# *The Response*

## **Public Hearings**

- Meeting with Stakeholders, including media
- Levelling Playing Field; Technical Experts
- Agenda, Trade-Offs Assessment, Discussion, Minutes
- Explicit Resolution of Issues



# *The Response*

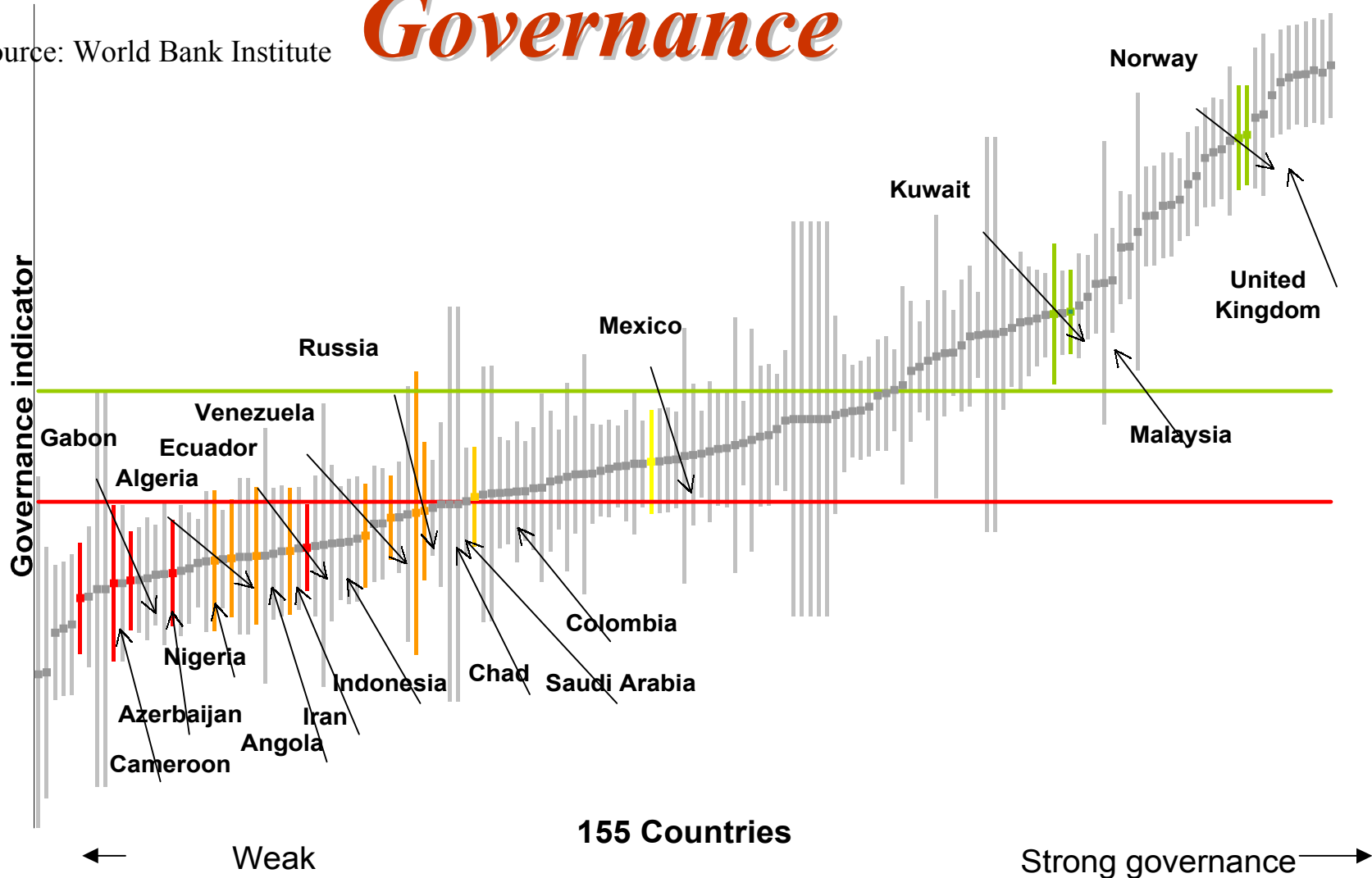
## *Integrity Pacts*

- No-bribery commitment by bidders
- Commitment of government to prevent extortion and acceptance of bribes
- Disclosure of payments
- Sanctions against bidders who violate their no-bribery commitment
- Involvement of civil society in monitoring bid evaluation, award decision process and implementation of the contract



# *Ominous Correlations: Governance*

Source: World Bank Institute



# *Mining Sector: Issues*

- Sudden wealth, easy money
- Location limitations
- Conflicting interests between mine finders, mine builders and operators, local community, governments, civil society.
- Government regulations, taxation regime, incentive structures.



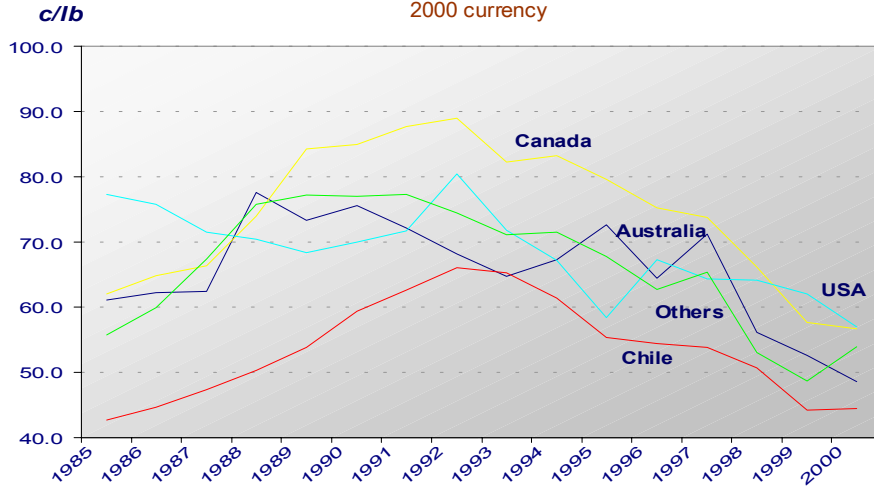
# *Mining Sector: Emerging Supply & Demand Forces*

- **Supply-side:**
  - OECD Convention
  - Corporate Codes of Conduct
  - Industry Standards
- **Demand-side**
  - Local Governance Framework
  - Institutional & Policy Evolution
  - Role of Multilateral Organizations

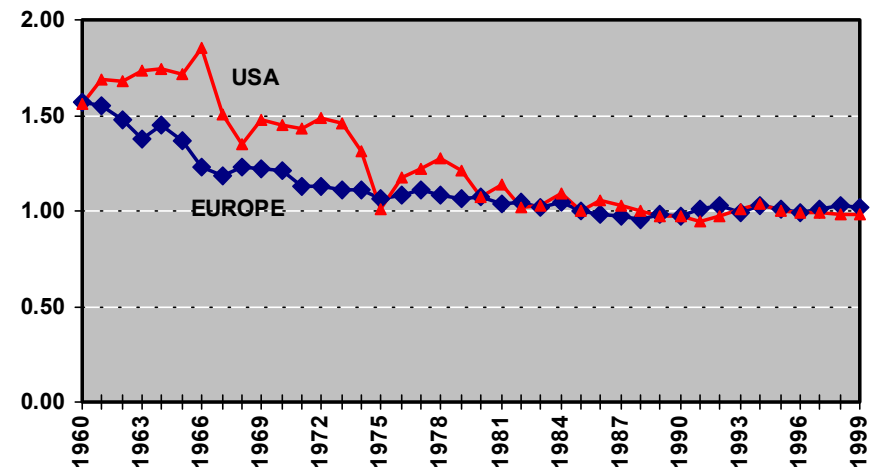
# Mining Sector: Economics

**Cash Costs: Selected Countries**

2000 currency



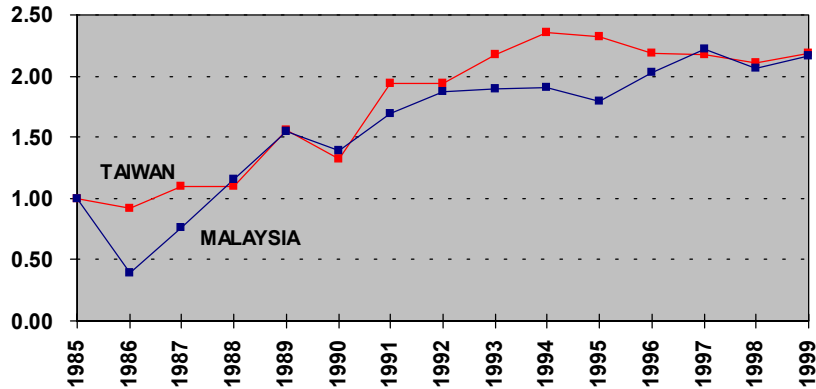
**Intensity of Copper Use<sup>1</sup> in Selected Developed Countries (1985=1.00)**



1: Copper Consumption Index to Industrial Production Index Ratio

# Mining Sector: Economics

Intensity of Copper Use<sup>1</sup> in Selected Developing Countries (1985=1.00)

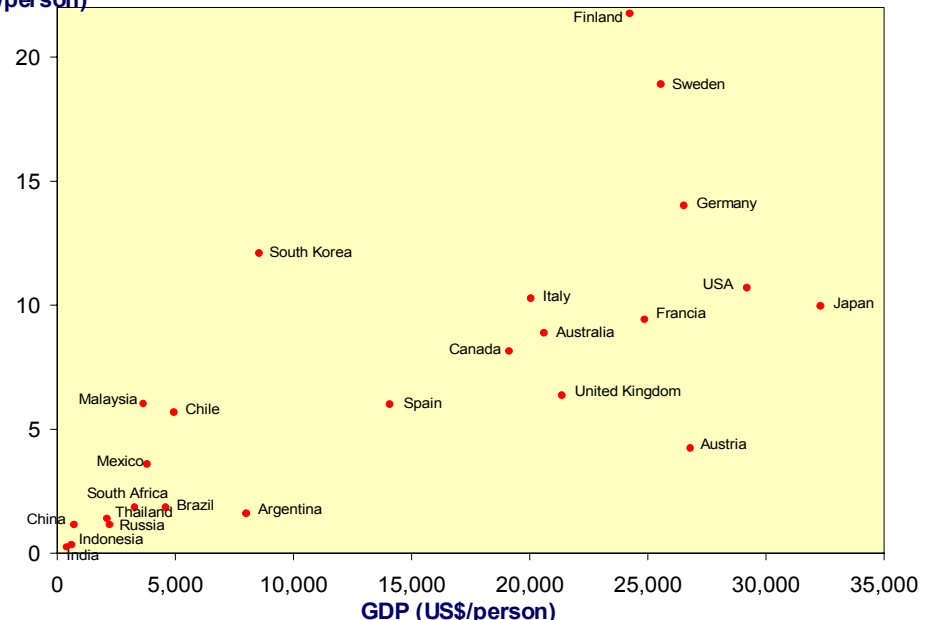


1: Copper Consumption Index to Industrial Production Index Ratio







Per Capita Refined Copper Consumption, 1998

Consumption (kg/person)





# *Mining Sector: Dynamics*

- Order takers  Decommoditising
- Cost cutting  Downstream, End-User Strategy
- Productive focus  Partner-approach (manufacture, regulators, complementors)
- Enterprise manager  Structural support (environment, human health, transparency, scrutiny)

# ***Mining Sector: Dynamics***

## ***SEGMENTATION***

Production Lock-in; proprietary standards

Best Product; cost-advantage

Customer Solutions; promotion

Global Integration; scrutiny

## ***GLOBALIZATION***



# *Addressing the Issues*

- Efficient Collection of Revenues
- Extractive Industries Revenue Management
- Budgetary Discipline
- Public Expenditure Management
- Institutional Strengthening
- Transparency and Accountability
- Civil Society Participation & Tracking



# ***Revenue Management***

- **Revenues Flow through Off-shore Audited Escrow Accounts**
- **X % Royalties and Dividends to Special Accounts (examples):**
  - 80% Poverty Reduction
  - 15% Government Expenses
  - 5% Local Region
- **10% Future Generations Fund**



# *Civil Society Participation & Tracking*

- Information Campaign
- Surveys / Consultations
- Poverty Reduction Strategy
- Integrity Pact, Monitoring Arrangements
- Public Access; Feedback; Diagnosis



# *Conclusions*

## *Levelling the Playing Field*

- *Establish Coalitions*
- *Support / Build National Chapters*
- *Encourage Research*
- *Enhance Networks, Transfer Know-how*
- *Experiment Integrity Pacts*
- *Support Reforms & Monitor*



# *Conclusions*

## • *A Time for Optimism and Commitment*

- Greater focus and attention: irreversible commitment
- Increasingly open and participatory dialogue
- Innovation: New ideas and experimentation

## • *Need for rigor and concrete actions*

- Empirical and Analytical Rigor: Diagnostics
- Reforming misgoverned institutions (e.g., judiciary, tax)
- Political obstacles: powerful losers

## • *A Need for Realistic Expectations*

- Complex challenge: institutionalization
- Improvement, not perfection

# *Conclusions*

## *A Role for Everyone*

- **Competition rest on superior products/services at competitive prices.**
- **Businesses establish and implement codes of conducts.**
- **Businesses engage governments and civil society (PBEC Charter, need for work with TI).**
- **Build-up civil society for sustainable development.**

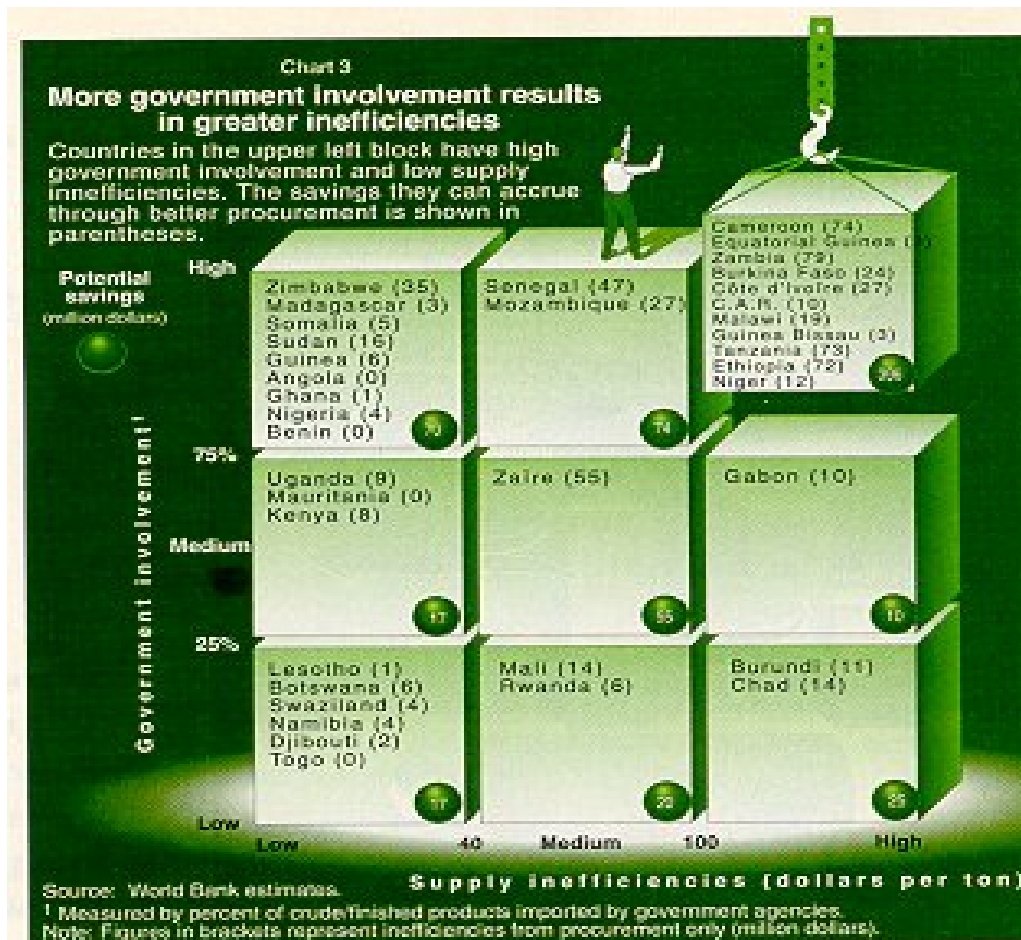




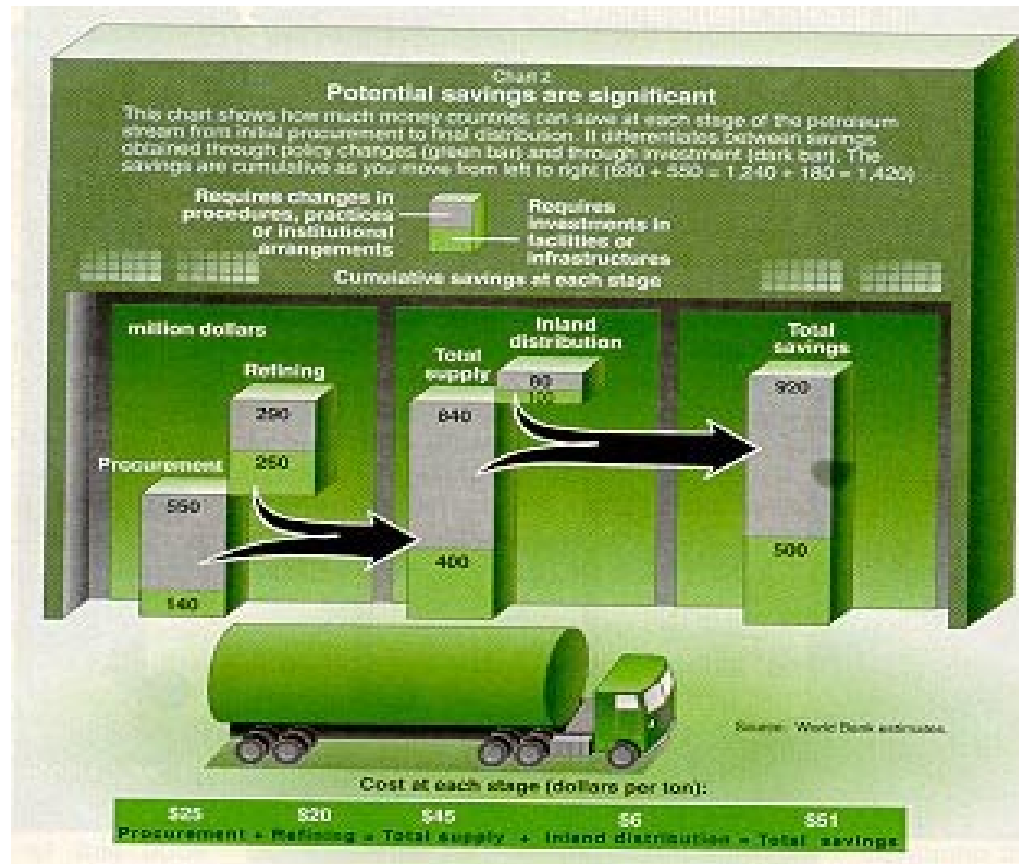
*Back-ups*



# Government Involvement and Levels of Inefficiency



# Potential Savings



# *Oil Rents in Selected Countries*

## **Estimated Annual Rent (\$Billion)**

Country	@ \$10/BBL	@ \$20/BBL	@ \$30/BBL
Nigeria	5.6	13.6	21.7
Norway	2.3	13.6	24.9
Indonesia	2.4	7.1	11.9
Algeria	1.8	6.1	10.5
Venezuela	8.2	19.1	30.1
Mexico	9.8	22.4	35.1

# *Blessing or Curse?*

## Average Annual GDP Growth (%)

Country	1980-90	1990-98
Nigeria	1.6	2.6
Norway	2.8	3.9
Indonesia	6.1	5.8
Algeria	2.7	1.2
Venezuela	1.1	2.2
Mexico	1.1	2.5
World	3.2	2.5
Mid Income	2.8	3.9
Low Income	6.5	7.4