

Transparency in Extractive Industries, EITI Conference, Oslo, Norway

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Mr. Wolfowitz: Thank you Minister Støre, Minister Solheim, Minister Ezekwisi from Nigeria; President Donald Kaberuka from the African Development Bank, actually this is a very impressive gathering of so many people and not just officials but even more important civil society.

It's a real pleasure for me to be able to attend this third meeting of the Extractive Industries Transparency Initiative. I would like to convey a special thanks to the Government of Norway not only for hosting this event but for the example that you and your government have been setting in how to manage the revenues from extractive industries. I was in Timor Leste in May and it was impressive to me how much they looked to the Norwegian experience in trying to develop their own. I want to thank the Government of the United Kingdom for having launched this initiative and giving it's continued support. I want to personally thank Peter Eigen who has done such outstanding work as the founder of Transparency International and as the leader of this initiative; Peter thank you, it is good to see you here.

I thought I would begin with a reminder of why we are here, and I noticed that I am not the first person who thought of that, that is what the little slide show said at the beginning, that's what minister Støre said a few minutes ago but when we go home tonight to comfortable rooms in nice hotels or to nice Norwegians houses with the curtains drawn, it's worth remembering that around the world a billion people are going to bed having tried to survive the day on just one dollar. They go to bed hungry, they go to bed sick, they go to bed in inadequate houses. Their children wake up the next morning with no schools to go to or poor schools, with inadequate health.

The last twenty five years in some respects have been a story of good news in the fight against poverty; thanks particularly to the growth in a number of East Asian countries but also elsewhere in the world, 400 million people have escaped poverty in the last twenty five years but in other parts of the world the picture is not nearly so good. In Sub Saharan Africa things are actually going backwards.

Twenty years ago 150 million people in that part of the world lived in extreme poverty today that number has doubled to roughly 300 million, nearly half the Sub Continent. During that same period of time or a slightly longer period of time, over the last three decades it is estimated that Africa has seen some 500 billion dollars of oil revenues, very little of which is gone to help the people of Sub Saharan Africa. Those revenues will grow in the future. They're estimated over the next five to ten years to be five to ten times official development assistance numbers, but too often the people of Africa don't see that.

In Nigeria, over the last thirty years, \$300 billion of oil revenues have virtually disappeared, leaving Nigeria as one of the world's poorest countries. 70 percent of the people of Nigeria live on less than a \$ 1 a day, despite enormous oil wealth that could have been put in to different use. The question is, can that oil, can the benefits from extractive industries be a blessing for countries or is it in fact perhaps sometimes a curse? I think the jury is still very much out and the effort of the Extractive Industries Transparency Initiative is to try to turn that situation around.

I remember reading a long time ago, in the 1960's, about South Korea. People said this country was hopeless, it had no natural resources, it could not possibly succeed. We have seen over the course of forty years that South Korea did quite well without natural resources. It had the blessing of a population which became increasingly well educated thanks to some policies and good governance.

I was in Burkina Faso last year and I was struck in this country with 64 different ethnic groups, roughly evenly divided between Muslims and Christians. But Burkina Faso has one extraordinary blessing: that is the blessing of social harmony and peace, something, that is unequivocally a blessing.

Oil and the revenues from extractive industries are much more questionable.. I served as American Ambassador in Indonesia for three years, twenty years ago, and I remember being told at the time you could seek quite a considerable amount of investment that it come from the oil sector into the agricultural sector in Indonesia. People said Indonesia was an example of a relatively wise use of those resources. When I saw the amount of corruption, I said I can't believe that is true and Minister Obi would say go and look to Nigeria.

Fortunately things have changed. In Nigeria particularly, they have changed. The good news is that there is new leadership there, leadership that is taking on the challenge of fighting poverty, leadership that is taking on often, with enormous courage, the challenge of fighting corruption. You will be hearing later from minister Obi, who is been one of the key members of that Economic Team in Nigeria.

We heard at the Annual Meetings in Singapore from one of her colleagues Nuhu Ribadu a remarkable man who heads the Economic and Financial Crimes Commission in Nigeria. He is leading the efforts by that government to fight corruption and to recover assets stolen by corrupt officials. They estimate that they already recovered some \$5 billion in assets that have been looted.

Nuhu Ribadu said to us in Singapore, and I quote, "*We know what corruption has cost us—it has denied us the value of our resources, both human and natural. It breeds injustice. It causes killings; it causes the diseases that ravage us almost everywhere.*"

Indeed corruption and waste leads to more than waste of resources. It's tragic as it is. It also distorts all the economies, it demoralizes the society and teaches that the way to success and the way to wealth is simply through abusing power. And at its very worst, in fact, it makes the government itself an object of plunder and leads to civil war and social chaos.

I was in Liberia in July and I think is fair to say that Liberia is a country that was nearly destroyed by the fight over its extractive wealth. Fortunately Liberia has a chance to get into a different course today thanks to the successful international intervention that has brought that country the peace that it deserves. And the people of Nigeria have elected leadership that they deserve and hopefully it can put that country on a different course.

We see that in many places and I think the Extractive Industries Transparency Initiative is an important and very welcome response to the desire of some many in civil society in the developing countries to see their countries get on track and to see their resources used for the people they belong to.

Across the world, in rich and poor countries alike, there is a growing recognition that the path out of poverty has to rest on a solid foundation of good governance.

Without transparent and accountable governance based on checks and balances, based on participatory processes, based on the rule of law, policy reforms aimed at improving people's lives simply won't work.

That I believe is the fundamental principle underlining EITI. It focuses on transparency, which is one important aspect of governance—but it is an important step towards transforming resources into real development impact, to real effect - on the lives of the poor. Although this is a relatively new initiative, EITI was the product of years of campaigning by very determined civil society organizations and advocacy groups. They believed that governments that disclosed their incomes from oil, gas and from minerals were much more likely to spend those resources wisely. It would mean more children can get

the education they deserve, more mothers can receive the healthcare they need, more young people can find jobs to be able to escape poverty.

EITI advocates also believed that less money would be lost to corruption, because people can access the information needed to hold their governments accountable. They are right. Information is the cornerstone of a well-functioning, transparent system of governance. Knowledge is indeed power. Without it, we cannot hope to beat the disease of corruption.

EITI has evolved into an international coalition of developing countries, donors, extractive industry companies, civil society, investors and multilateral organizations, like my own. A few years ago, it would have been difficult to think that such a diverse group would agree on anything.

But more than twenty countries have now signed up, and more still are expected to join. These countries are setting a global benchmark of good governance. They are working toward a future in which profits from extractive industries will be used to build schools and bring water to rural villages, instead of being squandered by corrupt officials.

EITI always starts with a decision by the country to implement the initiative. But once that first step is taken, however, the World Bank and organizations like ours can work with governments to support their efforts. Because even when countries have the will to do the right thing, they often lack the capacity to do so.

Today, we in the World Bank are supporting EITI programs in 22 countries, and we have started dialogue in over 10 more. We have special funds dedicated to supporting civil society groups working on EITI through our Development Grant Facility.

Guinea is one example where we are providing assistance. Mining accounts for a quarter of their fiscal revenues and 90 percent of their exports, so Guineans have a strong interest in ensuring those revenues are used wisely. Two years ago, they asked the World Bank to assist them in implementing EITI. They now have a permanent multi-stakeholder implementation committee, and they have been progressing rapidly, including publishing revenue data. We are proud to have been part of that process.

We also funded regional forums and capacity building workshops in Cameroon, and in Azerbaijan, so that NGOs working on EITI issues can share their experiences and better understand extractive industries and EITI implementation.

I am told that a number of other countries have made impressive progress but Nigeria definitely deserves a special mention. They established a best practice benchmark for EITI in both scope and speed of implementation. They have gone well beyond EITI requirements by addressing other governance issues such as awarding licenses and the revenue management process. Minister Ezekwili, I congratulate your country and your president particularly for such strong dedication.

EITI is difficult work. Improving and expanding global standards must be matched by equal commitment from the international community.

Let me take a moment here to convey my thanks to the governments of France, Germany, the Netherlands, as well as Norway and the UK who I mentioned earlier, for demonstrating such strong commitment. They have contributed to a multi-donor trust fund, so that we can continue to provide technical and financial support to EITI implementing countries.

Enthusiastic support for EITI in Nigeria and in other developing countries, is a promising start. But as with any new endeavor, the EITI process still faces many challenges ahead. Let me mention a few.

First, if EITI is to succeed, it must engage every group that has a stake in the country's future—most importantly it must include civil society. EITI begins when governments and companies produce credible statements of payments and revenues. But the true challenge is to ensure that that information is put to good use. And that can't happen without the active involvement of civil society.

Information that merely sits on a shelf gathering dust has little value. It needs to be made widely available. Only then can people use the information to hold their governments and companies to account and to help make informed decisions about how to use their country's EI revenues.

That's why the mandatory participation of civil society has been fundamental to the EITI process. Involving civil society is not an optional extra. Not only must civil society be included, but they also must be supported, encouraged, and, in some cases, unfortunately, they need to be protected.

Second, in many cases, the EITI process requires governments to significantly increase their capacity while coping with other pressing demands. For EITI to work, donors must sustain their support to countries that want to improve and implement the standards. The good news is that relatively small, up-front investments in improving transparency can have multi-billion dollar impacts in resource-rich countries.

Not quite in the EITI area but close – I was really stunned in Singapore when Minister Ribadu mentioned that a small 5 million dollar grant from the World Bank had gotten the economic crimes and corruption commission started in its early years. If I do the calculation he said they have now recovered 5 billion dollars in stolen assets. That's pretty good return on a 5 million dollar initial grant. I can't see how we could claim all the credit, by any means, I don't see how we could say that, but just helping people get that first step on the ladder is crucial.

Third, making EITI succeed of course means going beyond just EITI. Making revenues more transparent is a critical first step. But converting resources into real results that matter in the lives of the poor requires more. Governments need to hold themselves accountable for the use of those revenues, to manage the extractives sector efficiently, to manage the revenues wisely, and to build strong controls to ensure the money is used as it should be.

Fourth, I believe we need to begin a vigorous effort in the area of helping countries recover stolen assets. Again Nigeria has led the way in many respects with a landmark recovery of 500 million dollars - money stolen by the former dictator Abacha, that was returned from Switzerland last year.

Still that's only a fraction of what that one man stole and a much smaller fraction of the assets that are stashed away most often in developed countries. By helping countries recover their assets, we not only give people access to the wealth they deserve, but we create disincentives for asset stripping, and disincentives for theft. I believe it's an area where a great deal more could be done, by the international community and particularly by the developed world.

Fifth, in most countries EI revenues by themselves will not be enough by themselves to guarantee higher living standards for all citizens. Managing the extractive industries sector well is important, but countries must go beyond this. They need to invest in physical capital outside the extractive sector and most importantly they need to invest in that most valuable resource that any country has: its people. There is no more - there is no investment that pays off more in the long term than investing in the health and education of future generations. And finally they need to give the private sector a chance to thrive and to create the jobs that are essential if poor people are going to escape poverty.

All of that is another way of saying that EITI, by itself, won't eliminate the so-called resource curse, but it is a crucial first step. With it, we can help improve the odds that vast natural resources will go where they should go, toward enabling the poor to build a better future for themselves, and for their children.

Many countries like our host Norway, but also Chile or Botswana, have succeeded in doing so, and many more countries are stepping up to take on that challenge. I would like to leave you once again with the words of Nuhu Ribadu who has literally put his life on the line in this struggle to help the people of Nigeria achieve their birthright.

Speaking of corruption, he said: “*Some of us are saying ‘Enough is enough.’ [...] It is we, those who are at the receiving end, who are calling for a change—change, first of all, in how we run our affairs, how we manage our affairs, and then also, change in the world—let the world listen to it.*”

Your excellencies, distinguished guests—millions of poor stand to benefit from countries that have been blessed with oil and mineral wealth. We here in this room, and when we go outside must do everything we can to help these countries transform their wealth into a brighter future for every citizen.

Thank you.