

EITI NEWSLETTER

No 2/2008

EITI International Secretariat Oslo, 20 August 2008

Dear Friends of the EITI,

I am delighted to announce that the 4th EITI International Conference will be held in Doha 16-18 February 2009. The EITI Conference is the premier event in the EITI calendar. The last Conference in Oslo 2006 brought together over 400 participants and marked the transition from EITI design to EITI implementation. Following from the decisions made at the Oslo Conference the EITI has achieved much: 23 countries are underway in implementing the EITI. Our list of supporting governments, civil society organisations, companies, investors and development organisations is growing rapidly.

I believe that the Doha Conference will be a pivotal event in consolidating the EITI as the global standard for transparency in resource revenue management. The Conference will bring together the EITI community to demonstrate that EITI is working. It also presents an exciting opportunity to strengthen our engagement with countries in the Middle East. Iraq recently announced its intention to implement the EITI, which will further raise the profile of EITI in the region.

With many commodity prices at historically high levels, the need for the EITI grows, and so do the expectations! While we continue our outreach efforts, our attention is also turning to assessing the impact of EITI on the ground. In this spirit, this newsletter provides a briefing on EITI Validation, an article focusing on the question "Does EITI Work?", and updates from EITI implementing countries Azerbaijan and Equatorial Guinea.

In future issues of our newsletter we will provide more information about the Conference and the opportunities to participate.

Best wishes,



Peter Eigen, Chairman of the EITI

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The EITI Newsletter

The EITI Newsletter is sent out bimonthly from the International Secretariat. To subscribe to this newsletter, visit our website. There you will also find French and Russian versions of the newsletter, as well as earlier editions. Comments and questions about it can be sent to Anders Tunold Kråkenes.

Focus on EITI Validation

Is EITI working? – An essential and deceptively simple question that generates much debate. There are currently 23 countries implementing the EITI. While they share a common purpose and a shared commitment the principles of the EITI, the stakeholders participating in the EITI process at the national level are often attracted to the EITI for different reasons, e.g., to build capacity, to promote accountability, to attract investment, to reduce risk, enhance reputation and combat corruption.

Comprehensive disclosure by companies and government and regular EITI reporting are important intermediate outcomes. Ten Candidate Countries have already published EITI reports. But if the momentum in the EITI process is to be maintained, the longer term impact of this work needs to be conclusively demonstrated. EITI Validation will make an important contribution to this work.

Validation: Safeguard and learning tool

Validation is an essential feature of the EITI process. It serves two critical functions. First, it promotes dialogue and learning at the country level. Second, it safeguards the EITI brand by holding all EITI implementing countries to the same global standard. Validation is not an audit. It does not repeat the disclosure and reconciliation work carried out at the country level. Validation has broader objectives: it evaluates EITI implementation in consultation with key stakeholders, it verifies achievements with reference to the EITI global standards, and it identifies opportunities to strengthen the EITI process going forward.

Validation is also the mechanism that the EITI Board uses to determine a country's candidate or compliant status. The EITI requires that Candidate Countries complete Validation within two years to assess whether they have achieved EITI Compliance. Through Validation, countries that demonstrate their compliance with EITI (or demonstrate substantive progress toward achieving this goal) receive international recognition for their efforts and achievements. If Validation is not completed, or if the validation shows that there has been no meaningful progress toward achieving EITI Compliance, the EITI Board will revoke that country's Candidate status.

Led and overseen by countries

The Validation process is country-led, and is overseen by the Multi-Stakeholder Group at the national level. The implementing country appoints, procures and pays for the Validation, which is carried out by an independent EITI Validator accredited by the EITI Board. The Validator assesses EITI compliance in consultation with all the key stakeholders, taking into account prevailing circumstances and challenges. The Validator's Report is then submitted to the National Government, the Multi-Stakeholder Group, and the EITI Board for approval.

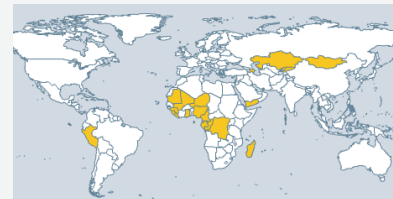
The EITI Secretariat is currently working with all 23 Candidate Countries

Qatar

Our 2009 Conference will be held in Doha, Qatar. Qatar has shown a clear Government commitment to transparency and anti-corruption following the country's ratification of the UN Convention on Anti-Corruption. Qatar is 32nd out of 180 countries in TI's 2007 Corruption Perception Index and has a stated vision to 'undertake a program to create effective processes to promote integrity and transparency' to be backed up by a new national anti-corruption strategy. The country has a strong interest in becoming a leader on these issues within the Middle East.

For information about the Conference, visit www.eitidooha.org.

EITI Implementing Countries



Validation deadlines

9 March 2010 Azerbaijan, Cameroon, Democratic Republic of Congo, Equatorial Guinea, Gabon, Ghana, Guinea, Kazakhstan, Kyrgyzstan, Liberia, Madagascar, Mali, Mauritania, Mongolia, Niger, Nigeria, Peru, Republic of the Congo, São Tomé e Príncipe, Sierra Leone, Timor-Leste, Yemen

8 May 2010 Côte d'Ivoire

to build awareness about the importance of Validation, and to ensure that all the candidate countries complete a Validation ahead of the 2-year deadline.

For further information about Validation, consult the EITI Validation Guide or contact Sam Bartlett at the EITI Secretariat.

Azerbaijan Prepares to Undertake Validation

Azerbaijan's revenue from oil and gas production has grown significantly in recent years. Major projects such as the Baku-T'bilisi-Ceyhan (BTC) pipeline and the Azeri-Chirag-Guneshli (ACG) project are expected to substantially increase the sector's share of GDP. The State Oil Fund of the Republic of Azerbaijan (SOFAZ) is one of the central components of the strategy for managing these revenues. Azerbaijan has been involved with the EITI since its inception.

A Committee on the Extractive Industries Transparency Initiative was established in November 2003. A coalition of NGOs Coalition for "Improving Transparency in Extractive Industries" was established in 2004. Azerbaijan has subsequently issued annual and semi annual reports. The 8th EITI Report was published in June 2008. Azerbaijan has also announced that it will proceed with Validation in 2008, and has established a working group for the coordination of the Validation process.

The NGO coalition recently held workshop and "retrospective review" of 5 years of EITI implementation. The participants at the meeting exchanged views regarding the challenges for maintaining the momentum in EITI implementation in Azerbaijan. The forthcoming Validation exercise will be a further opportunity to make an independent assessment of Azerbaijan's compliance with EITI requirements, and to engage all stakeholders in a broad discussion regarding the priority for further reforms and capacity building.

Further questions about Azerbaijan and the EITI can be directed to Regional Director Sam Bartlett at the EITI International Secretariat.

Equatorial Guinea is taking the first steps to implement the EITI

The National Coordinator with the support of the World Bank organised a Seminar for the members of Civil Society on 17-18 June. It covered the functioning of the international structure of the EITI and the process of validation.

At the meeting, the Inspector General for Taxation in the Ministry of Finance introduced participants to the Equatoguinean tax system and the National Coordinator Francisca Tatchouop briefed them on the

First EITI training seminars hailed as success, more planned

The EITI International Secretariat, with its partner InWEnt – Capacity Building International, successfully concluded the first of a series of seminars on 'Implementing the EITI – Best Practice and Tools'. 19 participants from seven African countries came together in Berlin for five days (9-13 June) to share their experiences in implementing the EITI, and to learn about latest trends and techniques from leading experts. The event had the support of the German government and the MDTF managed by the World Bank.

Participants gave positive feedback on the event and named validation, communications and the management of multi-stakeholder groups as the key topics of interest. To increase the multiplier effects of the seminar, participants prepared presentations about lessons learned from the seminar to share with their colleagues in the national EITI committees back home.

Two more such seminars are planned in Berlin in 2008, to allow all current EITI implementing countries to participate. Nominations for potential participants will be made by each of the three stakeholder groups in the national committees, following a call by the EITI International Secretariat. The organisers are planning to continue these seminars in 2009 and beyond to provide a long-term mechanism for learning and exchange.

current implementation' status. Both the World Bank and the Revenue Watch Institute, are finalising the process of hiring two facilitators who will assist the National EITI Commission and Civil Society in advancing the EITI.

The International Secretariat has set up a "Group of Friends of the EITI in Equatorial Guinea" to provide an additional tool for coordinating efforts among the various organizations willing to assist Equatorial Guinea in moving forward in its EITI implementation.

For further information, contact Francisco Paris at the Secretariat.

G8 confirms its backing of the EITI

In their final statement from the G8 Summit in Hokkaido Toyako, G8 leaders reiterated their support of the EITI, and encouraged emerging economies and their companies to support the initiative. In June, G8 Finance Ministers and G8 Energy Ministers expressed their backing of the initiative and called for broader implementation.

In the final statement the G8 leaders state that

To promote improved transparency, accountability, good governance and sustainable economic growth in the extractive sector, and to address the natural resource dimensions of armed conflict and post-conflict situations, we:

continue to support initiatives such as the Extractive Industries Transparency Initiative (EITI) and call for its full implementation and for candidate countries to complete the validation process in a timely manner. We encourage emerging economies and their companies to support the initiative;

The G8 Finance Ministers called for broader implementation when they met 14 June in Osaka, Japan. In the Statement from their meeting, they said:

We affirm the importance of good financial governance, including long-term fiscal discipline for resource rich countries, and of broader implementation of the Extractive Industries Transparency Initiative.

In addition to the G8, the EITI is supported or implemented by 37 extractive companies, 34 countries, 79 institutional investors and multilateral organisations. A document with endorsements and quotes from some of these endorsers is available on the EITI website.

For further information, contact Anders Kråkenes at the EITI Secretariat.

Broadening company support of the EITI

At present, 37 of the world's largest oil, gas and mining companies support and actively participate in the EITI process – through their

China, India, Korea, G8 Energy Ministers welcome EITI implementation

The Energy Ministers of G8 plus China, India and Korea met in Aomori, Japan on 8 June 2008.

They welcomed implementation of EITI in their Joint Statement:

We welcome the efforts of countries exporting oil and gas as well as minerals that are implementing the Extractive Industries Transparency Initiative (EITI) on a voluntary basis to strengthen governance by improving transparency and accountability in the extractives sector.

Africa Progress Panel

The Africa Progress Panel, an independent mechanism that monitors implementation of commitments and report on progress in Africa, recently launched its 2008 report. In the report, the panellists (including Kofi Annan, Tony Blair, Bob Geldof and Muhammad Yunus) conclude that together with the APRM, the EITI has been "successful, even groundbreaking", in its efforts to improve governance:

The G8 has repeatedly stated its support for the Africa Peer Review Mechanism and the Extractive Industries Transparency Initiative, which is designed to monitor the use of funds earned from oil and other natural resources. Both the APRM and the EITI have been successful, even groundbreaking, in their efforts to improve governance—and both have resulted in improvements on the ground.

country operations in implementing countries, through international-level commitments, and through industry associations. Now the International Secretariat is undertaking a campaign to widen this company support.

Until now, support of the EITI has been restricted to upstream extractive companies, but the EITI has lately noticed a growing interest also from other companies operating in the sector for a wide set of reasons. First of all the benefits for companies range from improved stakeholder and community relations, to better risk management, lower capital costs, and improved company reputation and staff satisfaction.

Furthermore service companies which provide much of the hardware and logistics to help get the oil, gas and minerals out of the ground, have service agreements with the extractive companies and a strong interest in the stability and transparency of their operations. The industrial and commercial mineral manufacturers who have supply agreements with the extractives, have a strong interest to ensure that their long term contracts are on a sustainable footing and that production is in accordance with good governance. And the numerous logistical, human resource, information service, transportation, security, public relations, management, accountancy and auditing companies involved, all have similar interests.

The support from non-extractive companies can take different forms; but all EITI supporters are required to make a public statement of support on their website and make a financial contribution to the international management of the EITI. In addition, supporting companies should promote support of the EITI in relevant forums and are welcome to negotiate EITI implementation as part of their service and supply contracts.

For information about company support of the EITI, contact Eddie Rich.

Can Transparency in Extractive Industries Break the Resource Curse?

By Susan Aaronson, Associate Research Professor of International Affairs, George Washington University. This text is an abridgement of a longer article that is available at <http://voxeu.org/index.php?q=node/1395>.

The resource curse has stymied development in numerous oil-rich economies. This column uses World Bank and UNCTAD data from 2006 to describe how the Extractive Industries Transparency Initiative might help business, government, civil society and citizens alleviate the curse. A longer version of this study is available from the author.

Policymakers in resource-rich countries often become addicted to oil industry revenues. They rarely use these funds to diversify their economy or to invest in other productive sectors such as agriculture,

EITI Parliamentarian Guide

With their representation, lawmaking and oversight responsibilities, legislatures can play an important role in ensuring the effectiveness and sustainability of the EITI process. Through public hearings and meetings with constituents, legislators can help build public awareness and support for EITI, while also ensuring that citizen perspectives are taken into consideration at appropriate stages of the process. As with the case of the Nigerian National Assembly's passage of the Nigerian Extractive Industries Transparency Initiative (NEITI) Act, legislatures can debate, review, amend, and pass legislation to institutionalize and strengthen the EITI framework in their countries.

The National Democratic Institute (NDI) are in the early stages of producing a legislative companion guide that describes the EITI process and how legislators can support and strengthen implementation in their countries. To produce the guide, NDI would draw on the findings and recommendations of its 2007 report and its 15 years of experience working with legislatures in more than 55 countries around the world.

Contact Anders Kråkenes for more information.

education, and manufacturing. Instead, these officials frequently pad their bank accounts and ignore the needs of their constituents as well as producers from other sectors. Moreover, these officials rarely disclose the royalties that oil companies pay to extract oil resources, increasing the potential for revenue misappropriation.

The Extractive Industries Transparency Initiative

The EITI can change the behaviour of oil exporters without conditionality or force. It empowers reformist interests in resource-rich countries and effectively acts as an incentive for oil company executives and petro-state policymakers to change their behaviour.

Moreover, the EITI is a holistic approach to governance. Extractive industry governments choose to participate in EITI, but participating governments insist upon certain behaviour from energy firms, policymakers, and their citizens in return. As of July 2008 some 23 countries, or almost half of the world's developing country extractive industry exporters, have chosen to implement EITI.

Does it work?

In 2007, I performed a preliminary review of governance and human rights statistics for EITI-implementing countries (24 countries) and compared their performance to 25 other developing country extractive exporters. Using UNCTAD, World Bank, and OECD data, I found that eleven countries were able to improve the business climate (economic growth regulations), and on average they performed better than their non-EITI peers (Figure 1).

Figure 1 EITI and "Doing Business" improvements

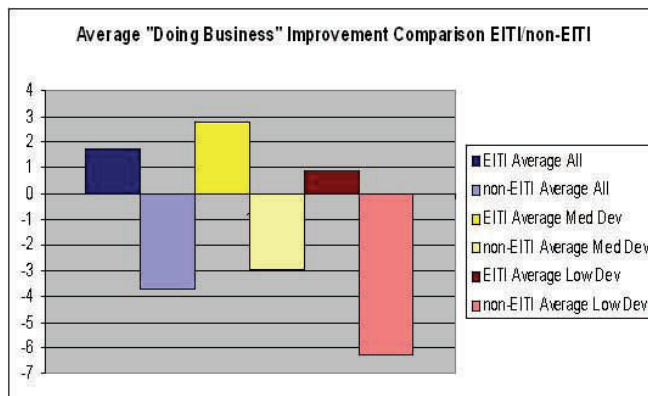
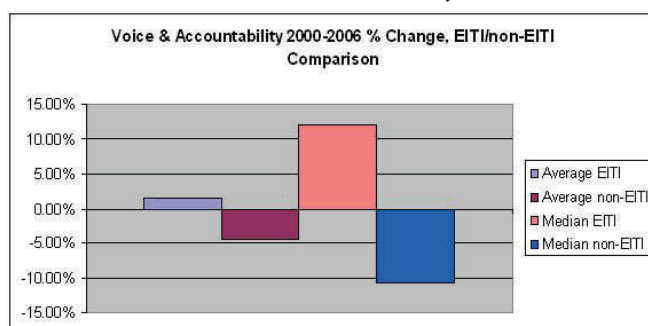


Figure 2 EITI's influence on voice and accountability



EITI Business Guide launch in London

Following the global launch in Houston in May, the Europe launch of the EITI Business Guide on how companies can help creating transparency in the extractive sector, took place in London on 8 July. The launch was hosted by British Petroleum (BP) in cooperation with the International Business Leader's Forum (IBLF) at BP's headquarters. Short addresses were made by the BP Head of Policy and Long-Term Strategy, Dr Atul Arya, the IBLF Director of Responsible Business Solutions, Mr Graham Baxter, and the EITI Chairman, Dr Peter Eigen. The integral role which in-country business managers can play in improving revenue transparency and implementing the EITI was emphasised by all.

To receive a hard copy of the EITI Business Guide, please contact Leah Krogsund or visit the EITI website. The Guide is available in English, French, Spanish, and soon Russian.

UN resolution on the EITI

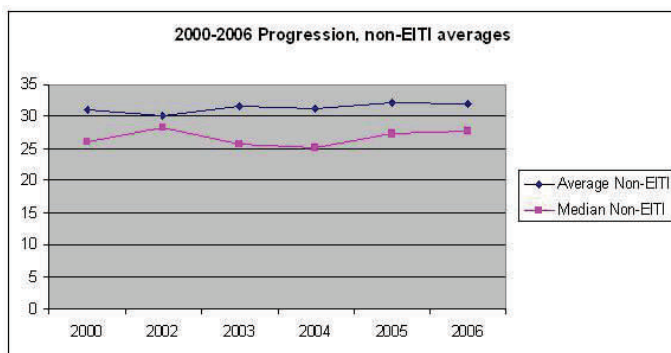
As reported in the last newsletter, Consultations for a UN resolution supporting the EITI are ongoing. We ask all friends of the EITI to urge their governments to support this UN resolution.

Contact Jonas Moberg for more information.

I also found the voice and accountability scores (the ability of citizens to influence government and hold it accountable) improved significantly more for EITI than non-EITI countries on average (Figure 2).

However, while some of the EITI countries such as Azerbaijan, Liberia, Cameroon, Kazakhstan and Mali have reduced corruption, many others have not yet been able to effectively change their countries' culture of opacity. However, I relied on a dataset that measures perceptions of corruption rather than actual corruption. As the EITI may facilitate greater public criticism of government, people may perceive corruption in rising in countries adopting EITI, as the EITI process may stimulate greater discussion of corruption (Figure 3).

Figure 3 Trends in corruption



This data does not show that EITI is causing these changes; but EITI is associated with these changes. The EITI seems to facilitate creation of a feedback loop between business, citizens, and their government, which could gradually spill over into the polity as a whole. As citizens learn to influence governance in one sphere, they may demand similar transparency and accountability in other aspects of governance. The World Bank and UNCTAD have just updated statistics for 2007; it will be interesting to see whether these trends hold.

It is rare when the business interest and the public interest are aligned. The EITI presents both an opportunity and a process to allow these often adversarial interests to collaborate to thwart the resource curse. It deserves greater international support.

The Atlanta Declaration and The Right To Know

In July, former U.S. President Jimmy Carter forwarded the *Atlanta Declaration and Plan of Action for the Advancement of the Right to Information* to all heads of state and leaders of the major international organizations and financial institutions. President Carter urged these leaders to ensure the right of access to information and its implementation and enforcement. *The Atlanta Declaration and Plan of Action* the product of the Carter Center's International Conference on

EITI Board to meet in Athens

The 6th EITI Board Meeting will take place in Athens, Greece on 29-30 October .

The Board will meet ahead of the 13th International Anti-Corruption Conference (IACC), which takes place in Athens 30 October - 2 November.

This conference will bring together some 1,500 high-level participants from various international organisations, governments, companies, financial institutions and civil society organisations.

Transparency International and the Secretariat are planning to feature the EITI prominently and are arranging an EITI workshop 31 October where members of the EITI community are invited to contribute and deliver presentations on transparency in the extractive industries.

More information about the conference and about registration can be found at the conference website www.13iacc.org.

the Right to Public Information, held February 27-29, 2008 in Atlanta, Georgia. Jonas Moberg, Head of the EITI Secretariat joined more than 125 participants, representing governments, civil society, international organizations and financial institutions, private sector, donors and scholars, from 40 countries who met to discuss the successes and future challenges to the establishment of a right of access to information.

The Atlanta Declaration and Plan of Action, serving as a framework for advancing this human right, finds that access to information is fundamental to dignity, equity and peace with justice, and that a lack of access to information disproportionately affects the poor, women and other vulnerable and marginalized societies. The Declaration calls on all states and intergovernmental organizations to enact legislation and instruments for the exercise, full implementation and effective enforcement of this right. It further encourages all stakeholders to take concrete steps to establish, develop, protect and promote the right of access to information. The Declaration is available in Spanish, French, and Chinese.

For additional information related to the conference and materials, please visit the Carter Center's Access to Information project website at <http://www.cartercenter.org/peace/americas/information.html> or contact Laura Neuman at The Carter Center (lneuman@emory.edu).

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Events ahead

PWYP African Regional Strategy Meeting,

7-10 September

EITI West-Africa Conference,

11-12 September

PWYP Media Seminar,

25 September (tentative date)

EITI Board Meeting,

29-30 October, Athens

13th International Anti-Corruption Conference,

30 October - 2 November

Global Organization of Parliamentarians

Against Corruption (GOPAC) annual conference,

17-20 November, Kuwait

PWYP Global Capacity Building Program,

1-9 December

EITI Training Seminars,

November/December, Berlin

PWYP Global Capacity Building Program,

1-9 December

4th EITI International Conference,

16-18 February 2009, Doha

More information about these events can be found on the EITI website.