

Trip Report

EITI: Not a silver bullet – but a step towards greater stability

More transparency in raw materials policy

Participation in the 4th Global Conference of the Extractive Industries Transparency Initiative (EITI) 16 - 18 February 2009, Doha (Qatar).

Over the course of two days, the Conference offered me the opportunity to learn a great deal about the EITI, its successes, the progress made so far and the challenges ahead, as well as the limits and problems it faces. The host country and also one of the sponsors of the event was Qatar.

Germany is a member of the EITI Board and supports the initiative in a variety of ways, including by co-financing the International Secretariat in Oslo and by contributing to the Multi-Donor Trust Fund.

My trip was carried out on behalf of the Committee on Economic Cooperation and Development of the German Bundestag. Unfortunately, my colleague, Sascha Raabe (SPD), was forced to pull out at the last minute.



What is special about the EITI?

The EITI is a voluntary instrument set up to combat corruption in the raw materials sector and to ensure transparency with respect to revenues. While the NGO Transparency International (TI) is dedicated to tackling corruption on all levels and in all sectors, the EITI has a different structure and a clearly defined and narrow mandate. The sole aim of the EITI is to require that companies in the extractives' sector publish what they pay to governments and that in return governments disclose what they receive. Comparison of the two sides, with the involvement of civil society, helps to ensure that the money flowing from the extractive industries into the public purse in the producing country is made public. Discrepancies in the two sets of figures are an indication of corruption. What may seem like a minor task, however, is an important step in fighting corruption in the raw materials sector.

The EITI was established at the World Summit on Sustainable Development in Johannesburg in 2002 on the basis of the G8 Africa Action Plan adopted in the same year under Tony Blair. Pressure for the creation of the EITI also came from NGOs who, under their umbrella organisation "Publish What you Pay", called for more transparency with respect to expenditure on oil, gas and mining. The EITI is now a registered association under Norwegian law with its headquarters in Oslo. Its chairman, re-elected in Doha, is Dr. Peter Eigen, who maintains a small office in Berlin.

The EITI consists of 26 implementing countries (Qatar announced its candidacy in Doha), almost 40 extractive companies and representatives of civil society. There are also 12

supporting governments (including Australia, Germany, France, Canada and the USA), as well as investors.

Summary:

The EITI is currently the only global instrument involving governments, companies and civil society set up to combat corruption in the raw materials sector. All those who spoke at the Conference endorsed the importance of the EITI and pledged to continue working within it. It is striking, however, that major producing countries such as the USA, Russia and the Arab States are (still?) not among the implementing countries. The fact that 39 of the biggest oil, gas and mining companies support and take an active part in the EITI, on the other hand, is evidence that a good start has been made – although this does not in itself mean that social and ecological conditions in the countries themselves have improved.

Ensuring that resource extraction does not infringe human rights or environmental protection standards or that the revenue from the exploitation of resources is used in an appropriate way to fight poverty and help shape development for the benefit of the population as a whole is not part of the EITI's remit. The EITI was set up solely to ensure that the revenue streams flowing between extractives companies and the state are published and therefore subject to audit. A further intended step in the EITI process, however, involves tracking revenue to ensure it reaches the public purse and is used to fight poverty, but responsibility in this respect rests with the countries in question.

This is crucial when it comes to judging the success and the future of the EITI. As someone who has been intensively involved in examining the impact of resource extraction on people and the environment, who has read many reports and found out for myself what conditions are like in countries such as Nigeria, Chad, Cameroon and Ecuador, I feel that the important work of the EITI is merely the prelude to ensuring that resource extraction is no longer carried out at the expense of people and the environment.

Recommendations:

1. The EITI is only the first step towards greater transparency with respect to revenue streams between companies and states. There is still a long way to go, however, before this first step is implemented by the 26 countries who have signed up. Only one country so far (Azerbaijan) has fulfilled the relevant criteria. Pressure on those involved to make payments public and transparent and to meet the EITI criteria must be ramped up.
2. Many resource-rich countries have still not joined the EITI. Companies which operate in such countries are not obliged to reveal their payments to the governments of these countries. More pressure therefore needs to be applied in these countries, including through statutory regulations, to force companies to disclose their payments.
3. Civil society needs more support. In the triangular relationship between state, companies and civil society, the latter is the weakest link. The members of civil organisations are often intimidated and persecuted in these countries. It is essential for them to have legal protection to allow them to do their work. They need more support than they have hitherto had and their work needs to be accompanied within the countries themselves by a broad political dialogue.
4. More transparency leads to more stability. More OECD countries should therefore implement the EITI criteria and take a lead from Norway. It is important to support calls for the USA to implement the EITI. Germany should also take this step.
5. In the coming months, the Extractive Industries Transparency Disclosure Act (EITD Act) will be tabled again in the US Congress. If it is adopted, this will mean that all companies registered with the US Securities and Exchange Commission (SEC) would have to disclose how much they pay the governments in question for access to oil, gas and minerals. This would have consequences for around 30 companies

operating, for example, in Canada, Europe, Russia, China and Brazil. The EITD Act would represent a statutory measure sitting alongside and complementing the voluntary instrument of the EITI. The Federal Government should monitor and give positive support to further developments here.

6. The financial market, too, needs to be adjusted to ensure greater transparency in the extractives' sector. All financial institutions – including the African Development Bank, the Asian Development Bank and the Inter-American Development Bank – should therefore make publication of payments a precondition of funding.

Details of the Conference:

This 4th Conference bringing together the various players in EITI was the first to be held in an oil-producing country like Qatar. The Conference, attended by over 600 delegates creating an impressive backdrop in the Ritz Carlton, was successful in achieving the aim of setting international standards and highlighting progress in implementation in the various countries.



The Conference was a great success for the EITI organisation under its re-elected chairman, Peter Eigen. Yet major countries such as China, Russia and the Arab Emirates are missing from the EITI, although the USA at least features as a supporting country. Qatar's Deputy Prime Minister, H.E. Abdullah Bin Hamad Al-Attiyah, in a surprise announcement to the Conference, stated his country's wish to take part in the EITI.

I was present for the two most important days of the Conference, Tuesday and Wednesday (see attached programme). Speakers such as President Ellen Johnson-Sirleaf and George Soros stressed the importance of the EITI and the progress now achievable because of it. Representatives of Shell, BP and ExxonMobil, too, spoke about the importance of what has been achieved so far.

The Conference provided an important forum for discussion, but I can well understand that representatives of civil society were disappointed at the lack of critical debate on what real successes have been achieved for the population. With the exception of Azerbaijan, no country has yet succeeded in fulfilling all the criteria.

Norway has now joined the EITI as an implementing country as well as a supporter. This makes Norway the first OECD country to join this process. Deputy Minister of Petroleum and Energy Monica Stubholt made it clear that more transparency also meant more stability during the financial crisis.

The NGO Publish What You Pay called on the EITI to redouble its efforts to support civil society since civil society activists are frequently arrested, thrown in jail or prevented from leaving their countries. This shows how dangerous it continues to be for civil society to fulfil the critical role of monitoring the EITI.

Proposals were also put forward at the Conference for expanding the EITI to cover the areas of forestry, fisheries, the construction trade and also the transportation of oil and gas.

On Tuesday afternoon, the German delegates accepted an invitation from the German Ambassador, Dr. Dirk Baumgartner, to exchange views about the Conference. The Federal

Government supports the EITI politically and financially and advocates greater transparency in the extractives' sector, but it is not one of the implementing countries. Neither are German companies yet directly involved in the EITI although some companies are represented through their foreign parent companies. The Federal Government and the BDI (Federation of German Industries) have joined together to express support for the EITI as a building block for Germany's resource security (see press release issued by the Federal Ministry of Economics [<http://www.bmwi.de/BMWi/Navigation/Presse/pressemitteilungen,did=288080.html>] on 28 January 2009).

On Wednesday both a discussion and a breakfast meeting were devoted to a subject which is of particular interest to me, namely the role of the legislature within the EITI process. Up to now parliaments have played only a subsidiary role in the implementation of the EITI. This is partly because parliaments are not sufficiently aware of how they can bring their influence to bear. Another reason, however, is that there is still not enough information in circulation about the EITI, and here governments are in control. Dr. Naser Al Sane made reference in this context to GOPAC, the Global Organisation of Parliamentarians against Corruption, which supports greater transparency in the budgetary process.