

PUBLISHWHATYOU PAY

EITI: A “Publish What You Pay” Coalition Perspective

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Natural resources, corruption and poverty

- Oil, gas and mining revenue critical to over 50 developing and transition countries
- Lack of transparency \Rightarrow “resource curse”
 - = conflict
 - = economic instability
 - = tarnished company reputations
 - = threat to energy supply
- Corruption and poverty \Rightarrow large number of oil and mineral dependent developing countries at bottom of the CPI and UNDP Human Development Index
- Meanwhile, Norway, one of the world’s largest exporters of oil, is among the top countries on both indexes

“Publish What You Pay”

- International 280-member NGO coalition
- Founded by Transparency International, Global Witness, Save the Children UK, CAFOD, and the Open Society Institute in June 2002
- Calling for mandatory disclosure of company payments and for governments to “Publish What You Receive”. Voluntary disclosure problematic.
 - ⇒ International Accounting Standards
 - ⇒ Stock Exchange Listing Rules
 - ⇒ Export Credit Agency and banks: transparency as a condition for project finance and guarantees
 - ⇒ World Bank and IMF: mainstream revenue transparency across lending and technical assistance portfolios vis-à-vis resource-rich countries
- National civil society coalitions across Western Europe, US, Indonesia, Africa and Central Asia working towards greater revenue transparency
 - ⇒ Eventual goal is “Publish How You Spend it!”

Extractive Industry Transparency Initiative

- Launched by UK Prime Minister Tony Blair in response to calls from the PWYP coalition
- Multi-stakeholder initiative involving...
 - ⇒ payers of revenues (companies)
 - ⇒ recipients of revenues (governments)
 - ⇒ users of revenue information (civil society)
 - ⇒ donor governments
 - ⇒ IMF, World Bank, EBRD
 - ⇒ investors
- Voluntary for governments to sign up to
- Mandatory on all companies once a host-government decides to join
- Housed within the British Department for International Development (DFID) and the World Bank at an international level

Why EITI? (1)

Investment fund managers worth US\$8.3 trillion state:

'legitimate, but undisclosed, payments to governments may be accused of contributing to the conditions under which corruption can thrive. This is a significant business risk, making companies vulnerable to accusations of complicity in corrupt behaviour, impairing their local and global "licence to operate", rendering them vulnerable to local conflict and insecurity, and possibly compromising their long-term commercial prospects in these markets'.

F&C Asset Management et al.

Why EITI? (2)

BP:

Improving accountability in the societies where we operate strengthens governance and reduces corruption, conflict, and poverty. This is good for society, and good for business. It reflects responsible business.

RioTinto:

Transparency and accountability are the pre-requisites of an enabling environment into which long term extractive investment can be made. Such an environment is based on political stability, the rule of law and good governance.

Why EITI? (3)

Developing countries:

- Show anti-corruption credentials
- Attract investment
- Access to cheaper capital
- Alleviate “resource curse”

“Home” or “donor” governments:

- Energy security
- Fight against corruption
- Millennium Development Goals

Why EITI? (4)

Publish What You Pay:

- Creates level playing field at country levels
- Good progress in Nigeria and Azerbaijan providing opportunity for local PWYP coalitions to start tracking revenue flows and expenditures. Positive knock-on effects in Timor-Leste and Sao Tome e Principe. Other key countries coming on board (Kazakhstan, Kyrgyzstan, Mongolia, Peru, and several others across Africa) with more to follow...momentum building
- Mobilising force for civil society in resource-rich developing countries
- Effective means of engagement with companies, home governments (including US and other G8 members) and donor agencies at local and international levels

EITI Criteria

In response to concerns about “free-riders” a set of minimum implementation criteria was agreed at March 2005 EITI Conference:

1. Regular publication of company payments and government revenues in a publicly accessible, comprehensive and comprehensible manner.
2. Figures are the subject of a credible, independent audit
3. Payments and revenues are reconciled by a credible, independent administrator
4. All companies including state-owned enterprises must comply
5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
6. A public, financially sustainable work plan and timetable for all the above is developed with capacity building constraints identified and addressed by donors/IFIs

Some positive progress so far....what next?

Host governments: Adherence to criteria by implementing countries now needs monitoring with particular emphasis on civil society consultation and capacity building.

How to get more countries from South America, North Africa and Middle East on board?

Home governments: More international ownership and buy-in from US, Canada and Australia, Spain etc is needed. G8 recently endorsed EITI but will commitments be met?

- Needs sustained diplomatic outreach and real international leadership by governments, NGOs and companies. UN General Assembly Resolution would help give international credibility.
- International Advisory Group, chaired by Peter Eigen, to develop a plan for the future governance arrangements of EITI
- Other mechanisms (IFRS, ECAs etc) will complement and re-enforce progress made by EITI ⇒ international “joined-up” approach that will ensure long-term change

EITI: Issues of concern

- Ongoing concerns of free-riding governments and companies
 - ⇒ it will take some time yet for the IAG to develop an effective verification methodology so we know who's in and who's not
 - ⇒ EITI website: information can be misleading, so how to ensure quality control?
- Aggregation of company payments at country levels ⇒ masks revenue flows from each company into government coffers
- How to ensure best practice models (Nigeria, Sao Tome e Principe, and those illustrated in the IMF "Guide on Resource Revenue Transparency") are applied elsewhere
- Engagement of civil society:
 - ⇒ how to ensure open, meaningful and constructive dialogue between government, industry and NGOs at country levels?
 - ⇒ how to deal with threats made to our partners?
 - ⇒ Resource constraints

Going forward - EITI in Trinidad & Tobago (1)

Government:

- Action plan for implementation to meet criteria?
- Status of multi-stakeholder working group to oversee EITI?
- Reporting framework for companies and the government? Need clear and comprehensive templates for disclosure
- Embedding EITI provisions into law?
- Transparency of petroleum funds...

Industry:

- Uphold best practice on payments disclosure
- Engage constructively and openly with government and civil society bodies
- Ensure international commitments are met at local levels

Going forward - EITI in Trinidad & Tobago (2)

Civil society:

- Network with PWYP internationally and with local NGOs, associations, academic institutions etc. in monitoring EITI compliance
- Speak out to the media in doing so
- Identify capacity building needs for both short- and long-terms
- Use tools like “Measuring Transparency” to track company and government performance and policies over time

Donors:

- Promote best practice on payments and revenues disclosure, and revenue management (e.g. IMF Guide)
- Provide capacity building assistance to civil society groups (media, NGOs, associations) who want to monitor EITI progress

Transparency & lifting the “resource curse”

Revenue transparency is only part of wider reforms. It will not address corruption over night but is...

- Critical in resource-rich countries that depend on resource revenues as a major source of money
- Good for sustainable business and good for sustainable development by promoting a more stable investment climate.
- Key to energy security objectives – to reduce risks to businesses and threats to supply of resources from politically and socially unstable oil and mineral producing regions.
- Fundamental if the international community is meet the Millennium Development Goals – two-thirds of the world’s poorest people live in resource-dependent countries.

Coming soon...

“Eye on the EITI”

Thank you

www.publishwhatyoupay.org