We, the officials of local government units, hereby state our commitment to transparency in the extractive industries in the Philippines. Towards this end, we commit to:

1. Uphold the principles of EITI by promoting transparency in the extractive industries.
2. Exert all efforts, to the best of our ability, to make all EITI-related information available to the public.
3. Ensure that all relevant data coming from our office will be reported to the EITI in a timely manner.
4. Maintain an ongoing dialogue with stakeholders in our localities to ensure proper implementation of the EITI.
5. Upon proper consultation, fully support and cooperate with all stakeholders in the implementation of the EITI.

We state this commitment in recognition of the benefits that the implementation of EITI can bring to our localities, and our shared goal of promoting good governance through transparency and accountability in the extractive industries.
PROGRESS REPORT
2014 → MAKING TRANSPARENCY MATTER
We are reforming Nigeria, one audit at a time.

Zainab Ahmed, Nigeria EITI
EITI countries are this year agreeing new goals as part of implementing the revised EITI Standard.
Welcome to EITI Progress Report 2014, drawing together data from 200 national EITI Reports that the 44 implementing countries have produced so far. It compiles the key results from each country’s EITI Reports and processes. These reports are increasingly useful for following the resources from under the ground to how the resource revenues from them are being put to use. This Progress Report highlights how countries are using their EITI processes, and provides a snapshot of the state of extractives transparency in the growing number of EITI countries.

It is little more than a decade ago that leaders from governments, companies and civil society came together and stated that the "prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction". The EITI Principles also state that “public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development”.

The 2011 EITI Rules went a long way to generate information, but did not go far enough to create a wider and deeper public understanding to inform policy choices. That’s why the EITI Standard was adopted in 2013, requiring more comprehensive, relevant, reliable, used, and usable data across the full scope of a country’s management of natural resources. The EITI is no longer just a revenue transparency tool, but is increasingly equipped to live up to its principles.

The fact that each country owns its EITI process is part of the fabric of the EITI. With implementation of the 2013 EITI Standard this is further strengthened, with each country deciding what it wants to do with its EITI. This combined with implementation in the United States and other OECD countries, is leading to further diversification in how countries go about achieving more transparency.

Armed with payment and revenue information, it is up to citizens, community leaders, civil society organisations and the media to hold public officials accountable for the use of their country’s extractives revenue to improve services, infrastructure and other public goods.

This report complements our website http://www.eiti.org and data tool http://data.eiti.org, where the data from all the EITI Reports can be accessed.

We still have a long way to go before we globally have practically useful and relevant transparency leading to improved accountability. As this report illustrates, progress is however being made. We hope you will find it useful.

Clare Short
Chair of the EITI Board

Jonas Moberg
Head of the EITI Secretariat
SEEING BENEFITS FROM OUR NATURAL RESOURCES

WHAT THE EITI DOES

Extraction of natural resources is unlike other economic activity in important ways. Natural resources such as oil, gas and mining minerals are only extracted once, and in most countries they by law belong collectively to the citizens of a country. Therefore, citizens expect to be able to follow the value from the resources in the ground all the way to how it is being put to use. However, in too many resource-rich countries this has not been possible.

In the 44 countries that now implement the EITI Standard, citizens have - or will have - an instrument to follow the revenues from the natural resource wealth of their country. All the EITI countries disclose revenues from extraction of natural resources in annual EITI Reports. This year, the number of such reports surpassed 200.

A key reason why the EITI has been successful in many countries is that it has had this clear focus is that implementation leads to real and measurable results: in each country and each year, government agencies and companies have to disclose payment data, which are then reconciled and published.

Developing high standards of transparency

Developing high standards of transparency and accountability is at the very core of the EITI’s mission. The main driver for these high standards has been the stakeholders in the EITI countries.

In 2013, they came together and agreed a strengthened set of requirements, named the EITI Standard. Encourages more relevant, more reliable and more usable information, as well as better linkages to wider reforms.

It is based on the need to ground implementation in the national dialogue about how the country’s natural resources are being governed. Each country, through its multi-stakeholder group (MSG), is required to agree a workplan with clear objectives and activities linked to national policies and reforms. This workplan should articulate what the stakeholders in the country want to achieve with their EITI, how they plan to realise these objectives, and how they will measure results and that the objectives have been met.

To date, EITI Reports that disclose government revenues from natural resources have often been difficult to read and interpret. They often require that readers have technical expertise about the extractives sector. The Board has therefore agreed that EITI Reports should include more contextual and explanatory information. The EITI Standard requires information about the contribution of the extractive sector to the economy, a description of the fiscal regime, an overview of relevant laws and a description of how extractive industry revenues are recorded in national budgets.

The EITI Standard also requires that the country discloses production figures, the ownership of license holders and government participation in the extractive sector. The Standard encourages countries to disclose ultimate beneficial ownership as well as production contracts.

Finally, countries are encouraged to make all their EITI data available in open formats so that citizens, journalists and analysts can use the information to analyse, visualise and compare it with other data sources.

The EITI Requirements have been restructured to more clearly emphasise the importance of timely, comprehensive and reliable information. It is required that the EITI Report contains full government disclosure of all revenues received from the extractive industries. Reporting at project level is required, provided that it is consistent with the United States Securities and Exchange Commission rules and the forthcoming European Union requirements. The Standard includes provisions for reporting on infrastructure and barter arrangements, social expenditures, transportation and transit payments, and subnational payments and transfers. The reporting procedures have also been strengthened, requiring the MSG and the Independent Administrator, who prepares the EITI Report, to assess prevailing auditing practices and agree the procedures for assuring the data to be disclosed in the EITI Report. These changes seek to ensure that the EITI Report provides a complete picture of the revenues received, and that the EITI Report more clearly addresses the reliability of the data.

The EITI Standard can be downloaded at www.eiti.org/document/standard.

WHAT THE EITI DOES
WHERE THE EITI COUNTRIES ARE

As of mid-2014, 44 countries with natural resources have been admitted as EITI countries by the international Board. 17 of them were EITI Candidate countries, while 27 have been found to be EITI Compliant. To become or remain compliant, the country must meet the transparency requirements of the EITI Standard and perform an independent assessment of their EITI process, called EITI Validation.

PROGRESS IN EITI COUNTRIES

Admitted as Candidate | Compliant | Suspended
--- | --- | ---
Afghanistan | Albania | Azerbaijan
Burkina Faso | Cameroon | Central African Republic
Chad | Côte d’Ivoire | Democratic Republic of the Congo
Ethiopia | Ghana | Guinea
Honduras | Indonesia | Iraq
Kazakhstan | Kyrgyz Republic | Liberia
Liberia | Madagascar | Mali
Mauritania | Mongolia | Mozambique
Nigeria | Niger | Nigeria
Norway | Papua New Guinea | Peru
Republic of the Congo | São Tomé and Príncipe | Senegal
Sierra Leone | Sierra Leone | Solomon Islands
Tajikistan | Tanzania | Timor-Leste
Togo | Trinidad and Tobago | Ukraine
United States of America | Yemen | Zambia

27 countries are now recognised as EITI Compliant.
### BETTER DISCLOSURES FROM THE EXTRACTIVES SECTOR

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<th>Gas</th>
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<th>Other sectors</th>
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<th>Disaggregated by company</th>
<th>Revenue Stream</th>
<th>Social Payments</th>
<th>Disclosing electronic file</th>
<th>Government Revenue (million US$)</th>
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#### The importance of natural resources for government revenue in EITI countries

Figures from latest EITI Reports and IMF World Economic Outlook.

- **Revenue from extractive industries**
- **Other revenue**

**Countries and Revenue:**
- Congo, Republic
- Timor-Leste
- Nigeria
- Iraq
- Azerbaijan
- Chad
- Yemen
- Kazakhstan
- Trinidad & Tobago
- Zambia
- Liberia
- Democratic Republic of Congo
- Mongolia
- Mauritania
- Cameroon
- Guinea
- Indonesia
- Norway
- Mali
- Ghana
- Peru
- Burkina Faso
- Niger
- Kyrgyz Republic
- Madagascar
- Côte d’Ivoire
- Tanzania
- Zambia
- Democratic Republic of Congo
- Afghanistan

**Revenue Distribution:**
- **Revenue from extractive industries**
- **Other revenue**
EITI REPORTING IS BECOMING MORE TIMELY

Disclosing financial information in a timely fashion is a challenge in many countries. It is still common practice in some countries to publish audited government accounts several years after the fiscal year. Equally, disclosing extractives revenues from EITI reporting has happened late in many countries.

Timely reporting is key for ensuring EITI data is relevant and informs public debate. Fresh data on revenues and payments is more interesting for citizens and the media and is more likely to have an impact on policy choices.

This is why the EITI has strengthened its requirements for the timeliness of publication of EITI Reports. The 2011 edition of the EITI Rules introduced the requirement for countries to publish data that was less than two years old.

Already, this has resulted in more timely EITI reporting in most countries. The graph below shows that this has resulted in the time between the end of the financial year and the publishing of the EITI Report becoming shorter.

The EITI Standard which replaced the EITI Rules in 2013 also requires that the EITI Report is published within two years from the end of the financial year. Many countries are ahead of this schedule. For example, five countries, including Mongolia and the Republic of the Congo, have already published EITI Reports covering year 2012. Nevertheless, timely reporting will remain a challenge in many countries, especially as they work to meet the additional transparency requirements in the EITI Standard.

Timeliness of EITI reporting improved by over 40% between 2007 and 2011

“‘Financial manager’ determines the pay of those artisanal miners who hit gold here in Savanes, Côte d’Ivoire.”

Markella Mantika, Côte d’Ivoire
KEY EVENTS IN 2013-2014

**MAY 2013**
- 1200 participants from 96 countries met at the 6th EITI Global Conference in Sydney, Australia.
- Honduras seeking a sound foundation for its expanding extractives sector. The country was accepted as EITI Candidate.
- Reforming the Philippines’ mining sector is a key priority for its EITI. The country was accepted as EITI Candidate.

**JUNE 2013**
- France and UK declared their intention to sign up to EITI at a joint press conference in Paris. Italy also declared to implement EITI.
- G8 leaders discussed tax and transparency and announced “fast-track” partnerships to support extractive industries governance.

**MARCH 2014**
- United States accepted as EITI Candidate becoming the second OECD country to implement the EITI.
- Papua New Guinea and Ethiopia accepted as EITI Candidate countries.
- Guatemala will use the EITI to curb distrust that had halted the development of additional mining projects. The country was recognised as EITI Compliant.

**MAY 2014**
- US $443 million in missing tax payments were discovered by Nigeria EITI and have been returned to the state coffers. Clare Short met with President Jonathan to discuss Nigeria EITI’s reform proposals.

**OCTOBER 2013**
- First meeting of the UK EITI multi-stakeholder group agreed to ensure that it leads to real benefits for the UK.
- Senegal to measure contribution of its mining sector with their EITI. Senegal and Ukraine were accepted as EITI Candidates.

**OCTOBER 2013**
- US $443 million in missing tax payments were discovered by Nigeria EITI and have been returned to the state coffers. Clare Short met with President Jonathan to discuss Nigeria EITI’s reform proposals.
- 88 major oil, gas and mining companies support the EITI at the international level. Eight companies joined in 2013.
- 250 delegates exchanged ideas and learned how to implement the EITI Standard at EITI training workshops in 2013.
We hope to use the EITI to track the licensing process and monitoring contracts between the government and companies. Using this information people can challenge the government,” says Mirwais Sarrah from Afghanistan EITI. Here is the Afghanistan EITI team at the EITI National Expo in Sydney.
In the Democratic Republic of the Congo, EITI Reports have generated a debate about the accountability of tax collecting agencies.

One of the tax collecting agencies, DGRAD, was found in the EITI Report to be unable to account for US $26 million of royalty payments. The case is under close public scrutiny and observers expect it to lead to judicial action.

In Congo, they have found that a key benefit of their EITI is that they now ensure that the taxes collected by government entities actually reach the accounts at the Central Bank. Other oversight institutions are also strengthened, such as the auditor general’s office (IGF), which is now investigating discrepancies identified in EITI Reports, and referring cases to the court as necessary.
Mongolia is the miners’ dream come true: vast reserves of gold, copper, coal and other minerals in the world’s least densely populated country and with resource-hungry China next door. However, with its nomadic culture and tribes traversing country, people in the country are weary about environmental degradation as a consequence of mining activities. Therefore, Mongolia’s EITI decided in 2009 to require transparency about payments companies are making to protect and rehabilitate the environment. Each year, companies are required by law to pay an advance for costs for environmental protection into the Environmental Protection Special Fund, special bank accounts held by government.

This year, Mongolia EITI required disclosure of “environmental protection and remediation activities.” This included an indication of technical remediation; topsoil remediation; biological remediation; and declared cost of work performed by extractives companies. Although these surveys are not introduced further, including this information provides a potentially powerful way to start and feed discussions on environmental aspects of natural resource extraction and management. These flows are included in their EITI report as a means of making companies accountable for how they manage the environmental aspects of mining activity.

Rising yet volatile revenues from Mongolia’s mining sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Company Payments</th>
<th>Government Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>500</td>
<td>700</td>
</tr>
<tr>
<td>2007</td>
<td>700</td>
<td>900</td>
</tr>
<tr>
<td>2008</td>
<td>900</td>
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</tr>
<tr>
<td>2009</td>
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<tr>
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</tr>
<tr>
<td>2011</td>
<td>1,500</td>
<td>1,700</td>
</tr>
<tr>
<td>2012</td>
<td>1,700</td>
<td>1,900</td>
</tr>
</tbody>
</table>

32% of the government’s income comes from Mongolia’s mining sector.

Learn more about Mongolia’s EITI: www.eiti.org/Mongolia
NIGERIA

RECOVERING MISSING PAYMENTS

Disclosure of government oil revenues in Nigeria uncovered vast discrepancies between what the government has received and what they should have received. Nigeria EITI has spearheaded efforts to recover the missing revenue—funds that are critical for the country’s socio-economic development.

For the three-year period 2009-2011, these Nigeria EITI Reports revealed that a company owed tax payments adding up to US $8.3 billion. That is more than the Federal Government spent on education in the same period.

As a consequence of Nigeria EITI shining the spotlight on these missing oil revenues, US $443 million have already been recovered into state coffers. Nigeria EITI is committed to conduct further investigation of the missing payments in collaboration with tax collection agencies.

US $0.4 billion of missing tax payments have been recovered to date

$8.3 billion in tax payments revealed missing by EITI Reports

$443 million of these payments have already been recovered

Investigations are still ongoing to recover remaining funds

Government revenues rising for Africa’s leading oil producer

Nigerian cartoonist Maaroof drew this illustration wanting to see the younger generations engage with how the country’s natural resources are being used.

Learn more about Nigeria’s EITI: www.eiti.org/Nigeria
Liberia: Uncovering Improper Awarding of Contracts

After disclosing the revenue payments through their EITI for a number of years, and more recently disclosing their oil and mining contracts, Liberia EITI discovered that the procedure for awarding contracts appeared not to be consistently followed. They therefore decided to perform what they called a “Post Award Process audit”, which looked at 68 contracts that had been awarded. The results were even graver than suspected.

The Economist wrote about the findings: “The audit, published last May, found that 62 of the 68 concessions ratified by Liberia’s parliament had not complied with laws and regulations. The government has yet to take action after a string of recommendations emerged from an EITI retreat in July.”

62 out of 68 concessions were found to not be in compliance.

Infographic using data from Liberia’s EITI, produced by Jennifer Ayala.
A skeleton is all that is left of the DRC’s state-owned mining company’s plant in Lubumbashi, Katanga Province. Mismanaged for decades, the company now attempts a revival. The new EITI Standard will help shed light on the allocation of the parastatal’s revenues.
MAKING TRANSPARENCY MATTER

The EITI Standard was developed to ensure meaningful transparency and accountability in the extractives sector. When introducing it, the EITI Chair Clare Short explained that the Standard aims to “better achieve the objectives we set ourselves when the EITI principles were adopted. Most importantly, we need to progress from a process that encourages the meeting of our requirements to one that encourages better governance of the extractive sector.”

Under the EITI Standard, the country’s EITI workplan provides the basis for how the Standard is to be implemented in the country. The workplan has to establish the country’s objectives with EITI implementation. This aims to embed the idea that the EITI Standard is not a tick-box exercise, but rather a platform for encouraging reforms that are nationally relevant and that EITI practices become more embedded in national systems. While maintaining the requirements and aspirations in the Standard, implementing countries should have more ability to determine which areas of the EITI Standard to prioritise with a view to making implementation more relevant at country level.

When the Philippines decided to implement the EITI, President Benigno Aquino III made it clear that the EITI was part of his government’s broader agenda to institutionalize reforms in the mining sector. As required by the EITI Standard, the Philippine EITI multi-stakeholder group formulated its objectives for EITI implementation, which served as the framework for its workplan. The overarching consideration behind this process was the multi-stakeholder group’s vision that the impact of the EITI must be felt and seen in the governance of natural resources. According to Gay Ordenes, Philippine National EITI Coordinator, there is now a growing interest in EITI implementation in the country. A business representative in the Philippines welcoming the EITI process said: “before the EITI, we did not have a table to sit around and talk to each other”. People are curious to learn how EITI can address recent issues in the country, such as the proper management of funds coming from the oil and gas sector and the adoption of the proper fiscal regime for mining.

The EITI Reports already contain a wealth of figures and information. The primary purpose of the EITI Reports is to inform the debate within each country. For that purpose producing and spreading paper copies of the EITI Reports is still important in many EITI countries. However, with disclosure of new types of information, EITI countries are seeing the need to move towards collecting and disclosing this data in new ways.

At the same time, citizens’ expectations are changing. They expect to be able to access information from governments in more advanced ways, on websites and through apps. Equally, investors are calling for accessible data to inform investment decisions. A prerequisite for meeting these expectations is that EITI reporting delivers open and structured data that can be meaningfully compared across countries.

Over the past year, several key steps have been taken towards addressing these issues. The EITI Standard introduced a recommendation to publish the figures and information from the EITI Reports in digital form, such as in a spreadsheet or database. Several countries have already started to do this, as shown in the table in the previous chapter. Furthermore, the Standard recommends countries to consider online systems to collect and make available the data. Countries such as Ghana, Mongolia and others are piloting such approaches.

In collaboration with the EITI, the IMF has proposed a template for reporting of natural resource taxation, based on the existing GFS Manual. This is a key step towards ensuring that EITI data on the various kinds of revenue streams, such as taxes and royalties, can be structured in standardised categories.

Using the data that can be gleaned across the 200 first EITI Reports, the EITI International Secretariat has built an online data tool, available at http://data.eiti.org. Here, all the reports can be downloaded, and summary information from reports compared. The table on page 12 uses data from this database, showing the latest EITI Reports from each of the 35 countries that have published EITI Reports to date. As countries start to publish reports in-line with the revised EITI Standard, this database will be further developed to ensure that the richness of the new EITI Reports can be captured.

In parallel with the work on developing better ways of collecting and disclosing EITI data, developers and EITI stakeholders have been looking at how the EITI data can be used to develop more advanced yet user-friendly tools.

Last year UK’s Department for International Development worked together with the EITI, the World Bank Institute and Revenue Watch Institute on a project to build apps using data from the EITI Reports. Teaming up with software developers in Lagos, London, and Sydney, a set of ‘hack events’ was organised which resulted in online apps that use the data in innovative ways. A variety of these apps were showcased at the 2013 Open Government Partnership, and can be found at http://followthedatablog.wordpress.com.

USING EITI DATA

The Philippines multi-stakeholder group visited a mine at one of its meetings last year. The photo shows Jerry Brimo explaining the rehabilitation projects around the mine.
PILOTING DISCLOSURE OF BENEFICIAL OWNERSHIP

Through the EITI and many other initiatives, real strides have been made towards transparency of financial flows. Transparency about company and government payments is important for accountability, but tells citizens little about who owns extractive companies and ultimately benefits from the companies’ activities. In many cases, the identity of the real owners – the ‘beneficial owners’ – of the companies that have acquired rights to extract oil, gas and minerals is unknown, often obscured behind a chain of corporate entities. This opacity can contribute to corruption, money laundering and tax evasion in the extractive sector.

In recent years campaigners, investors and policy-makers have started to focus on tracking financial flows end up in complex corporate ownership structures. They call for public registries of the real ‘beneficial’ owners of all companies, trusts and foundations, saying that this openness improves investment decisions and that it should be able to know who owns and controls companies.

2013 will go down in history as the year when transparency of ‘beneficial ownership’ came to the top of the policy agenda. Notably, the G8 committed to an action plan to improve access to ownership information, and the UK government committed to disclose company ownership in a public registry.

Meanwhile, the EITI Standard had been revised to require disclosure of state ownership and recommend that implementing countries maintain public registries of the beneficial ownership of the corporate entities that operate in the country’s extractives sector.

Since then the EITI has launched a pilot on beneficial ownership. The objective of the pilot is to assess the feasibility of requiring beneficial ownership disclosure through the EITI, including reviewing existing disclosure practices and identifying suitable approaches for disclosure.

Twelve EITI countries, Burkina Faso, Democratic Republic of the Congo, Honduras, Iraq, Kyrgyz Republic, Liberia, Niger, Nigeria, Tajikistan, Tanzania, Trinidad and Tobago and Zambia, have signed up to the pilot and will disclose the identity of the real owners behind the extractive companies operating in their countries. The pilot will run until late 2015, with the hope to lead to an agreed procedure for reporting on beneficial ownership that can be widely applicable.

To learn more about the pilot, please visit http://eiti.org/pilot-project-beneficial-ownership.
WORKING TOGETHER: SUPPORTING IMPLEMENTATION

A broad coalition of governments, companies, civil society and international organisations support countries implementing the EITI.

GOVERNMENTS

Governments supporting the EITI include Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, the United States, and the European Union. They provide technical and financial support to the EITI internationally and implementing countries directly or through an EITI Multi-Donor Trust Fund administered by the World Bank. However, supporting governments have made the most difference at the political level. Supporting governments have promoted extractive industry transparency across the world.

COMPANIES

Extractive companies are at the core of EITI implementation. 88 companies publicly support the EITI, including international, state owned, extractive and non-extractive. The EITI is supported by over 90 institutional investors with total assets under management of more than US $19 trillion.

CIVIL SOCIETY

Pressure from international civil society organisations such as Global Witness and the Publish What You Pay coalition led to the creation of the EITI. Civil society organisations remain a driving force behind the EITI, playing three key roles: advocacy, analysis and capacity building. As well as encouraging a broadening agenda for the EITI, civil society organisations are increasingly making active use of the data to draw out lessons for governance of the extractive sector. At the country level, they provide technical and financial support to local civil society in the areas of training, advocacy and analysis.

INTERNATIONAL ORGANISATIONS

All major international financial institutions (IFIs) support the EITI. They are key suppliers of technical and financial support in many countries implementing the EITI and serve to promote the EITI Principles in their project-financing and country programmes. Several IFIs have committed to mainstreaming the EITI in their lending and technical assistance activities, while some have adopted compulsory disclosure requirements for projects in the extractive industries. The World Bank is the main technical assistance provider to implementing countries through a Multi-Donor Trust Fund. A number of other international organisations collaborate with the EITI.

THE EITI BOARD

The EITI Board oversees the activities of the EITI and has representation from countries (implementing and supporting), companies and civil society. The respective constituencies agree amongst themselves how they are represented on the Board. The Board has 20 members, including an independent chair. Several Board members are active in various committees to prepare recommendations for the Board.

THE EITI INTERNATIONAL SECRETARIAT

The Secretariat is responsible for turning decisions of the EITI Board into action. Its role includes: supporting implementation, outreach and advocacy, communicating and sharing lessons learned with stakeholders and oversight of the Validation process.

The Secretariat is funded by supporting governments, companies and civil society. For the audited accounts, please visit http://eiti.org/document/accounts

The funding of the international management of the EITI reflects its multi-stakeholder support. About US$ 4m a year covers the salaries and associated costs for 20 staff, Board meetings, travel and conference costs, consultants, and communications.
Awarding licences & contracts
Monitoring production
Collecting taxes
Allocating the revenues

Value Chain

Natural Resources

Public Benefit

EITI Extractive Industries Transparency Initiative