This note has been issued by the EITI International Secretariat to provide guidance to implementing countries on meeting the requirements in the EITI Standard. Readers are advised to refer to the EITI Standard directly, and to contact the International Secretariat to seek further clarification. Contact details can be found at www.eiti.org.

Guidance for corporate support to national EITI processes

Guidance note 6

1. Guidance

The EITI Board has decided as per 1 February 2014 to issue the following guidance:

Corporate funding for national processes should be welcomed. This can include both funding from companies and from entities owned by companies such as Joint Ventures, and from company associations. Contributions can be both financial and in-kind. The following should be considered when agreeing contributions from companies at the national level:

- Corporate funding should not relieve government from its lead responsibility for funding the national EITI process. Companies may wish to make their contributions dependent on whether the government meets its funding commitments;
- One-off and short-term financial and in-kind contributions that meet specific needs, such as field trips, printing and logistics support might be most suitable;
- Companies should avoid providing funding if there is a risk of actual or perceived conflicts of interest, or put the donor in a favourable position towards the national EITI process or the EITI generally;
- Funding should be provided transparently and information about the size of contributions by individual companies should be made publicly available;
- Companies and the national EITI structures should agree procedures for how and by whom the funds are managed, and how the funds are accounted for and audited, or be satisfied that existing procedures are adequate.;
- Companies should be free to decide whether or not they fund an EITI process. Any notion of coercion, for example by creating company EITI fees, should be avoided;
- Contributions should be shared as equally as possible amongst the companies in order to avoid a single company monopolising or being perceived as monopolising the EITI process. Contributions may be in proportion to the size of the company’s operations in the country. In cases where a single company or consortium dominates a country’s extractives sector, company funding is discouraged;
- National stakeholders are encouraged to draw on the mechanisms for corporate funding of the EITI international structures in creating their own mechanism.

2. Background

At its 21st meeting in Lusaka on 25-26 October 2012, the EITI Board requested the Governance Committee to develop draft guidance for cases where governments or multi-stakeholder groups from EITI Implementing Countries request financial or in-kind contributions of companies operating in the country.

Companies and other stakeholders have sought guidance whether corporate contributions to national EITI processes are appropriate.

Only one EITI Implementing Country, the Democratic Republic of Congo, has so far received corporate funding on a large and long-term basis. The recommendations made here draw on lessons from this and other country experiences, on the funding mechanisms for the EITI international management, and on general funding principles.

3. Corporate support to the EITI international management

The EITI International Secretariat has encouraged EITI Implementing Countries considering corporate funding for their EITI process to draw on the accepted and tried-and-tested example of corporate funding for the EITI international structures.

Funding of the EITI Association (international management) is specified in Articles 18 and 19 of its Articles of Association. These can be drawn on by EITI Implementing Countries:

ARTICLE 18 FUNDING

1) The EITI Association is a non-profit association. Its funds consist of voluntary contributions from EITI Members and grants from bilateral and multilateral donors, international financial institutions and other agencies, organisations and entities.
2) The EITI Association may also operate through voluntary contributions in kind.

ARTICLE 19 EITI ACCOUNTS, FUND MANAGEMENT AND PAYMENTS

1) The EITI Association holds a separate bank account in its own name, the "EITI International Management Account". The EITI Board may elect two or several Board Members to carry the right of signature, of which any two can sign jointly. The EITI International Management Account can be used for any activity falling within the objectives of the EITI Association and the work plans approved by the EITI Board. The funds may be applied to administration and governance costs, country-specific activities and multi-country activities.
2) The EITI Board shall appoint an external, independent auditor to annually audit the EITI International Management Account, and to present a written audit report to the EITI Board. The EITI Board shall develop reporting and auditing arrangements with respect to the EITI International Management Account which shall be set forth in the supplementary operating rules and procedures of the EITI Association.

After taking out the special contribution rom the Norweigan government, about half of the funding for the EITI International Secretariat is made up of contributions from the supporting companies, the other half from contributions by supporting countries and organisations. Most of the currently 70 supporting companies make annual voluntary payments either directly or through their industry body (i.e. the ICMM). Extractive companies with a market capitalization of over above US $10bn are encouraged to make an annual voluntary contribution of $60,000 (market capitalisation between US $5bn and $10bn: $35,000; and market capitalisation below US $5bn: $10,000 per annum). Non-extractive companies may contribute 5,000 per year.

4. Corporate support to national EITI processes

In EITI Implementing Countries, only DRC and Guinea have so far asked companies to co-finance their national EITI processes.

The technical secretariat in the **DR Congo** raised funds among the major companies reporting under the EITI in 2012. The immediate motivation to call for funding was a lack of both government and donor funding for the EITI process at the time (2011/12). The technical secretariat consulted the EITI International Secretariat before fund-raising started. EITI DRC invited the majority of companies operating in the DRC's oil and mining sectors to make contributions of the same amount, following the recommendation that no single company dominate and potentially create a monopoly. EITI DRC's website transparently features the statements of commitment (http://www.itierdc.org/). The EITI International Secretariat conveyed that it was important that there were clear rules for how the money was managed and by whom. The national secretariat developed in-depth management procedures for the funds (available from the EITI International Secretariat). However, it appears that the EITI DRC Executive Committee never adopted them. Some stakeholders complained that it was difficult to understand and trace how company contributions were managed and spent.

Guinea invited company funding in 2011/12, but the invitation was not thoroughly prepared and explained and no companies contributed .

In **other countries**, companies have not formally funded the EITI process, but have made in-kind or one-off financial contributions. For example, in the **Republic of Congo**, companies organised visits to their oil platforms and accounting offices for EITI Executive Committee members, and financed the printing of EITI dissemination materials.

5. Follow-up

The EITI Board is committed to review this guidance by February 2016.