IMPACT OF EITI IN AFRICA

Stories from the ground
This report presents examples from stakeholders on the ground, which illustrate how the EITI process has generated positive changes in the extractive sectors relating to trust building, governance, economic management, civil society engagement and improved business environment.
With all the resources taken from this district, Fumanah is the least developed part of the country, making it difficult to understand why. Why is there no transparency and democracy in Fumanah district?
The EITI has been growing strongly over the last two years and there are now 32 countries implementing the EITI around the world. Of these 32 countries, 20 are in Sub Saharan Africa, highlighting the unique governance challenges faced in many countries across the continent. As the initiative, so does the demand for stories about how the EITI is making a positive impact in the countries where it is being implemented. Measuring the impact of the EITI is a difficult task. In most cases, EITI activities are contributing to larger-scale efforts at reducing corruption, improving public financial management and improving the business operating environment.

From this paper it can be concluded that while the EITI in itself is not sufficient to eradicate corruption in the extractive sectors, it is an essential part of the solution. The multi-stakeholder approach of the EITI is creating a platform for dialogue and engagement which previously did not exist in many countries, while the EITI reporting process is generating data on revenues that was either previously not available or difficult to access for interested stakeholders.
Over the years the extractives sector has often become associated with mistrust, suspicion and hostility. Affected communities and ordinary citizens often assume that the government and companies are trying to keep the resource wealth for themselves and are undermining the economic development of the country through corruption and mismanagement. Conversely, extractive companies sometimes believe that governments and citizens are unaware of just how much they contribute to the greater economy through paying taxes and royalties, job creation and infrastructure development. Despite the stakes being high, dialogue about these problems is often lacking between stakeholders, contributing to a climate of suspicion, distrust and political tension. The EITI helps to address these problems through creating a platform for dialogue and information-sharing for governments, companies and civil society.

We can see from the story below how in Liberia the EITI is providing a tool for building confidence and trust inside this “curious coalition” and in communities affected by oil, gas and mining activities.

Community meetings between local leaders, civil society representatives, civil servants and government representatives in Liberia are providing a means to include citizens and disadvantaged communities in debates about the extractives sector which they never had before.

The EITI is also contributing to wider peace and reconciliation processes in post-conflict countries through creating transparency in the management of the natural resources which are often at the centre of conflicts.
Liberia EITI addresses the roots of the country’s conflict

Many Liberians are excited and intrigued by the simple but very insightful EITI process of publishing mineral and forest taxes and revenues. Finding in one document a detailed comparative data of what mining and logging companies paid to the government and what the government acknowledged receiving is like a dream to many Liberians who for several decades had no idea of the hundreds of millions of dollars that came to the government from exploitation of the country’s vast natural resources. The LEITI 1st Report, especially the summary version, has therefore emerged as a prized document that is being read and discussed all over the country. Discrepancies in the report are cited by some as evidence of corruption and fraud while many Liberians believe that the establishment of LEITI is in itself strong indication that the current government is committed to accountability and transparency. This created a significant amount of interest and discussion within the communities. Who is operating the mine down the road? What and who are they paying? Why was this payment made? How is this having an impact on our community? How can we raise our concerns with government and with the companies themselves? These questions are being discussed openly with the companies and government through local community meetings organised by LEITI all across the country. Communities are also using this opportunity to raise questions about how the money is being allocated and used, and whether the communities are receiving a fair return for their resources. Prior to the existence of LEITI, there was no real forum where these types of discussions could take place. However, now, through this process, suspicion and distrust are being reduced, helping to diffuse the tensions that led to conflict in the past. Sustainable implementation of LEITI therefore promises to bring radical positive changes to the way forest and mineral revenues are collected, used and accounted for in Liberia.

Negbalee Warner, LEITI National Coordinator and International EITI Board Member
The EITI Improves Governance

Transparency, participation, technical understanding and informed decision making, are all key characteristics of good governance. Through the EITI reporting process, the revenues accruing to governments from extractive sectors are well documented and publicly disclosed. Knowing how much money is coming into government from different sources is a necessary first step in ensuring adequate oversight and accountability of how those resources are being managed. The public disclosure of these figures allows for greater scrutiny of how revenues are being used and provides an important base for government and public debate on the management of public finances. Additionally, by providing detailed reporting and inviting public participation, a government demonstrates its commitment to good governance and builds confidence in public institutions. The EITI is helping to improve governance by creating a process and environment for figures from natural resource sales to be disclosed and discussed publicly.

In Nigeria the activities of NEITI are providing essential data to public institutions with an oversight mandate (elected assemblies, anti-corruption agencies, etc) and demonstrating government and company commitment to tackling corruption. At the same time NEITI reporting is giving citizens and the private sector a chance to become more involved in promoting good governance.
NEITI reporting is illustrating the case for better governance

The Nigeria Extractive industries Transparency Initiative (NEITI) has become a catalyst for the application of the principles of transparency and accountability in the management of extractive industries in Nigeria. It is today an ethical reference point for the ongoing reform in Nigeria’s Petroleum Industry: the Petroleum Industry Bill provides that all institutions in the industry as well as the National Oil Company, in achieving their functions and objectives, shall be bound by the principles of the NEITI Act 2007. Already, and specifically, mostly as a result of the valuable work of NEITI in identifying institutional and process deficiencies, and suggesting remedies, such key agencies as the Department for Petroleum Resources (DPR) and the Federal Inland Revenue Service (FIRS) have undertaken far reaching reforms aimed at building their capacity to perform their tasks more effectively.

Overall, NEITI has had a significantly beneficial impact on the Nigerian economy, state and society. Its periodic audits have opened up, widely, a hitherto opaque industry to public scrutiny.

The NEITI audit reports have placed immensely rich data and information in the public domain thereby strongly empowering civil society to hold government to account. The reports have facilitated the process of recovery of significant amounts of underpaid revenue for the state and helped to improve the domestic climate for foreign direct investment. By placing embarrassing facts and figures about the bulk of Nigeria’s public revenue in the public domain, NEITI has become both an instigator of civic interrogation of public officers and a social safety valve, redirecting youthful energies from resorting to violent conflicts to engagement in civil debate on sensitive issues.

NEITI has become both an instigator of civic interrogation of public officers and a social safety valve

The audit reports of NEITI will have even greater impact on the nation in the future, given the provision of the NEITI Act that the Auditor-General for the Federation shall, within three months after the submission of the report to the National Assembly, “publish any comment made or action taken by the Government on the audit reports”.

Humphrey Asobie, NEITI Chairman and International EITI Board Member
The EITI helps governments to manage and enhance growth and development

Between 2003 and 2008, over 150 companies and their affiliates have reported under the EITI process in Africa, covering over US$130bn in revenues paid to governments.

Accurate, reliable data is an essential tool for sound economic management and policy making. It helps governments make policy decisions and helps reduce mismanagement, red tape and the opportunities for corruption. Increased transparency also strengthens accountability and can promote greater economic and political stability. EITI training activities carried out by the World Bank and bilateral development partners help to build management capacity in government institutions involved in the extractive sectors, as well as inform civil society groups about key aspects of the sector. These factors can enhance the investment returns from companies operating in EITI countries for investors, boosting a country’s attractiveness as an investment destination.

In Nigeria and Cameroon we see how EITI reporting is boosting the capacity of government officials to collect and manage revenues and taxes efficiently. NEITI’s most recent report illustrates how EITI reporting can help to identify and recover wrongly paid or unpaid taxes.

In addition, the increased availability of information about revenues from extractive sectors is sending a strong signal to the investment community about a country’s intentions to improve transparency and provide a good business climate, by ensuring transparency standards that attract high quality investment.

Helping to build government capacity in Cameroon

The EITI process has been helpful in improving the monitoring and management capacity of the relevant government agencies. Through the EITI programme, the capacity of government officials and NGOs, and to some extent the general population, in Cameroon to understand oil operations, taxation, accounting, and audit and control has increased significantly. Furthermore, there has been an increased appetite for getting detailed information and explanations on the mobilization and the use of oil revenue. Through these activities, the EITI complements other capacity development efforts in Cameroon, especially public financial management. Before the EITI process, petroleum activity in Cameroon was completely opaque. Now Cameroon has seen the publication of EITI Reports for the years 2001-2004 and for 2005. Reports for 2006 and 2007 are soon to be produced.

Faustin-Ange Koyassé, Senior Program Officer, World Bank – Cameroon
Nigeria 2005 EITI Report identifies US$ billions in funds owed to the government

This latest NEITI Report has highlighted numerous issues that call for urgent attention and action by all stakeholders. The problems identified exist at all levels of the industry, from Federal and local government agencies, to state-owned and private companies to government regulators. The latest report has shown financial discrepancies and outstanding payments totaling over US$5bn for revenues generated by the sector in 2005. The major avenues of possible loss of revenue include the following: underpaid royalty and taxes; non-remittance by the NNPC of what it received from sale of domestic crude; underpayment to the Niger Delta Development Commission (NDDC) by the oil companies; underpayment to the Niger Delta Development Commission (NDDC) by the oil companies; underpayment to the Niger Delta Development Commission (NDDC) by the oil companies; difference in lifted quantities of crude between the terminal operators and the companies making the lifting; and in general poor record keeping on the part of the regulators.

Over US$800m of unresolved differences between what companies said that they paid in taxes, royalties and signature bonuses, and what the governments said it received were identified. Of this amount, US$560m was identified as shortfalls in taxes and royalties owed to the government and around US$300m in payment discrepancies relating to signature bonuses, payments of dividends, interest and loan repayments.

The largest amount owed to the government in the report is an estimated US$4.7bn by the state-owned, Nigerian National Petroleum Corporation (NNPC), for payments of domestic crude.

NEITI Reports serve an invaluable function in helping all stakeholders, NEITI, the oil companies, the regulatory agencies, office of the Auditor General for the Federation, the National assembly and civil society, to develop strategies to address problems in the oil and gas sector. NEITI has Presidential and Ministerial approval for the implementation of the report’s key recommendations. The report notes that “NEITI will ensure that the benefits due to the Nigerian government, agencies and above all the people of Nigeria, from the industry duly accrue to them, in accordance with the principles of transparency, accountability, and sustainable development... NEITI will facilitate this process of remediation, working in collaboration with all stakeholders”. The report is now contributing to the vigorous national debate on the proposed Petroleum Industry Bill, which pointedly proclaims transparency and accountability as the basic principles underpinning the proposed reform of the oil and gas industry in Nigeria, providing key factual evidence for the proposed reform.

NEITI Secretariat
The natural resource wealth of a nation belongs to its citizens. Exclusion of civil society in making decisions regarding natural resources has contributed to mismanagement, a lack of accountability and increased opportunities for corruption in public institutions. By requiring that civil society organisations play an integral role in the design, monitoring and evaluation of EITI reporting processes, the EITI provides a platform where civil society can engage with the companies and government institutions involved in the extractive sectors. Through the EITI process civil society organisations improve their understanding of the extractive industries, better equipping them to ensure that the revenues from the exploitation and sale of natural resources are being managed in the public interest. The EITI helps to empower civil society by:

In Gabon we are seeing how the EITI process is enabling individual citizens, and oversight and advocacy institutions, to access and monitor information on revenues from natural resources which they did not have before. The EITI has been key in creating a forum for the engagement of civil society and establishes their right to engage and building public understanding and awareness of the functioning of the oil, gas and mining sectors.

Through this increased participation it has been seen in several EITI countries how the initiative is increasing the capacity of civil society to engage in wider debates regarding public financial management and the management of extractive industries.
Creating a platform for CSO engagement in Gabon

In Gabon, the EITI was a stepping stone for civil society’s engagement on transparency and accountability issues, providing a platform for activists to point at challenges in the development and management of natural resources.

The initiative has given CSOs, particularly those working within the Publish What You Pay national coalition, the information, credibility and legitimacy to engage in policy debate on revenue management, which was previously a very sensitive subject. Civil society’s contribution has ranged from reporting analysis to devising effective communication strategies which raise awareness about governance issues. Strengthened expertise and increased visibility have enabled CSOs involved in EITI and PWYP to undertake sophisticated advocacy campaigns for more transparency and accountability in the extractive sector.

Although interactions between CSOs and the government have not always been easy, the EITI process is helping civil society and the government to better understand their complementary roles and develop a relationship based on cooperation, mutual respect and critical partnership.

Marie-Ange Kalenga, Africa Regional Coordinator, Publish What You Pay

World Bank Voice and Accountability Index: African EITI countries (average percentile ranking); 0 (worst)-100 (Best)
THE EITI ATTRACTS BUSINESS AND IMPROVES THE BUSINESS CLIMATE

In order to maximise the returns on their operations and investments, companies and investors want to invest in countries governed by transparency and fair rules. In order to generate stable and sustainable business activities, they also need to be part of the public discussions surrounding the extractive sectors and engage with their stakeholders and external audiences, including local communities and governments.

In the cases of Ghana and Liberia we can clearly see how the EITI process is creating a forum for greater engagement between companies and government on the effective management of the sector. Through the activities of the national EITI and the multi-stakeholder group, companies are being provided a means to engage with stakeholders and inform them about their full fiscal and social contribution.

As governments lead the EITI process, the initiative helps to demonstrate their commitment to promoting a more transparent business environment which improves governance, reduces corruption and enables companies and investors to better assess the stability and sustainability of their investments. This in turn helps in attracting companies with strong transparency and governance principles.
The taxes and other contributions to government that mining companies pay are an important contribution to the creation of sustainable development and stability in the countries in which they operate. However, the extent of this contribution is not always recognised, even within the direct community in which they operate. The first Liberia EITI report has been summarised and explained to communities in every district in Liberia. Significant interest has been demonstrated by affected communities at these meetings. There is a far higher understanding now by communities of the true contribution of the mining companies they see around them on a daily basis.

As the largest company operating in the extractive sector in Liberia, ArcelorMittal is under particular scrutiny. The company’s investment holds promise for transforming the iron ore sector of the country following years of conflict. The LEITI report shows that ArcelorMittal contributes three-quarters of the total tax and royalties from the oil, gas, mining and forestry sector in the country and are meeting all of our tax and royalty requirements. The EITI is playing a key role in our relations with stakeholders, helping us to connect with the communities where we operate and with the government. Participation in the EITI also helps us to uphold the strong principles of corporate responsibility we believe in through supporting fair and transparent business practices and ensuring that proper accounting is made of all payments in our operations in Liberia.

Joseph Mathews, ArcelorMittal

Ghana EITI enables Newmont to engage with local communities

Newmont Mining currently operates a major gold mine in the Brong-Ahafo Region of Ghana. Effective communication with local communities can often pose serious challenges to mine operators, owing to a lack of information and understanding, misconceptions of what a mine contributes to the economy and suspicions about how the money a mine generates is being spent. Involvement in the EITI has provided Newmont with a mechanism to debate and discuss revenue sharing and accountability with regional and local officials and with community leaders. Through the regular publication of royalty payments, the company can engage in a joint discussion about the use of the funds that make their way back to the community. In conjunction with Newmont’s other social engagement activities, the EITI process has therefore improved the quality of dialogue with local communities and created a more stable operating environment. This has, in turn, reduced suspicion and increased cooperation. This has also contributed to Newmont’s reputation as an open and fair mining operator in Ghana, which is an important asset when seeking new opportunities in the country.

Chris Anderson, Newmont

Liberia report helps companies explain their contribution to communities

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Joseph Mathews, ArcelorMittal
Getting started

FACT SHEETS are short documents explaining elements of the EITI policy:

EITI Fact Sheet www.eiti.org/document/factsheet

OTHER FACT SHEETS

How to support the EITI – Extractive Companies www.eiti.org/companyimplementation

How to support the EITI – Non-Extractive Companies www.eiti.org/companyimplementation

How to support the EITI – Countries www.eiti.org/supporters/countries

Endorsements from leaders and institutions supporting the EITI www.eiti.org/document/endorsements

Validation Fact Sheet www.eiti.org/eiti/implementation/validation

EITI Good Practice Notes
The Secretariat publishes a series of ‘Good Practice Notes’ providing examples of ways countries can improve implementation. The first issue is about how to improve EITI reporting.

www.eiti.org/document/good-practice-eiti-reporting

EITI Progress Report 2007-2009
This publication outlines progress made in EITI implementation following the EITI Global Conference in Oslo October 2006. It was launched at the EITI Global Conference in Doha February 2009.

www.eiti.org/document/progressreport

Talking Transparency
A guide for communicating the EITI

www.eiti.org/document/communicationsguide

EITI Business Guide
How companies can support implementation of the EITI

www.eiti.org/document/businessguide

EITI Source Book
A guide to assist countries that are implementing the EITI

www.eiti.org/document/sourcebook

Implementing the EITI
Applying early lessons from the field (by the World Bank)

www.eiti.org/document/implementingtheeiti

Further guidance

EITI Guide for Legislators
How elected officials can support and strengthen resource transparency

www.eiti.org/mpguide

Advancing the EITI in the Mining Sector
A report from consultations with mining stakeholders

www.eiti.org/document/mining

Drilling Down
A civil society guide to the EITI

www.eiti.org/civilsocietyimplementation

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EITI Rules
including Validation Guide

This publication brings together the EITI’s requirements for implementing the EITI. It includes the EITI Principles, Criteria, The EITI Validation guide and policy Notes issued by the EITI Secretariat, conveying decisions taken by the EITI Board. It does not change earlier agreed policies.

www.eiti.org/document/rules

Case Study – Liberia
This case study contains reflections on the contribution of the EITI process to the creation of sustainable development and post-conflict reconciliation in Liberia.

http://eiti.org/document/case-study-liberia

EITI Source Book
A guide to assist countries that are implementing the EITI

www.eiti.org/document/sourcebook

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