

## SECURING PUBLIC ENGAGEMENT IN NATURAL RESOURCES MANAGEMENT

EITI is supported by international civil society organizations such as Transparency International, the Publish What You Pay coalition and the Revenue Watch Institute, as well as a range of other civil society organizations that have a role to play in stakeholder engagement in the EITI process.

One of the requirements of an implementing country government is the commitment to work with civil society. Civil society can be involved by joining a country Multi-stakeholder group mandated to oversee EITI implementation. Multistakeholder Group activities include helping to establish an implementing country's EITI work plan, analyzing the country EITI report on payments and revenues, or being involved in a review of the EITI implementation process.

Once the EITI country revenue disclosure reports are in the public domain through the EITI report, it is important that the government be proactive in arranging a public discussion around the reported results. For EITI to be effective, key stakeholders, including civil society, need to be able to discuss, evaluate and interpret the results. This discussion signals the willingness of the government to be responsible and accountable for extractive industry revenues.

## BENEFITS FOR CANADIAN SOCIETY

- Increased availability of information in the public domain about revenues that governments manage on behalf of citizens
- Increased ability to hold governments accountable
- Improved governance contributing to sustainable development and poverty reduction
- Strengthened relations with companies and governments

## WHERE TO FIND ADDITIONAL INFORMATION

<http://www.eitransparency.org>



## THE EITI: IMPROVING GOVERNANCE AND TRANSPARENCY

The Extractive Industries Transparency Initiative (EITI) aims to increase transparency in financial transactions between governments and companies within the extractive industries. The EITI involves the full publication and verification of company payments made to governments, and of government revenues received from oil, gas and mining activities. These activities seek to strengthen governance in resource-rich countries, with the spinoff effect that revenues from natural resources will be directed to government spending on health, education and other development priorities.

At the national level, the EITI is a government-led initiative, however, the EITI process calls for the active involvement of extractive industry companies and other partners from wider society. Broad local leadership and participation are essential, and active public engagement from a range of stakeholders is required for EITI success.

## CANADA'S ROLE IN THE EITI

Canada is an EITI supporting country which means that it helps promote more effective resource revenue management by providing policy advice and technical assistance to host country governments. Canada also gives support to the EITI Multi-Donor Trust Fund which provides technical and advisory support to countries seeking to implement the EITI.

Canadian participation in the EITI involves roles for the Federal Government, for companies operating overseas, and for civil society. Canada participates in the EITI in recognition of the potential development benefits it can bring to resource-rich developing countries, and because of the importance Canadians attach to transparency.



## **AN INTERNATIONAL COMMITMENT TO IMPROVED GOVERNANCE**

Canada's official support to EITI includes an initial contribution of \$750,000 to the EITI Multi-Donor Trust Fund, as well as \$200,000 per annum over the years 2008-2011. The Multi-Donor Trust Fund was established to provide financial support to countries seeking to implement EITI. It is administered by the World Bank, but the work plan of the Fund is set by a Management Committee consisting of the World Bank and governments who have contributed in excess of \$500,000. Canada is one of several countries that have made this contribution, and therefore sits on the MDTF Management Committee.



The EITI is governed by a Board of Directors that consists of the five constituent groups involved in the initiative - implementing countries, supporting countries, civil society organizations, the extractive industry, and investment companies. The Board has responsibility for oversight of the overall development, strategic direction, and credibility of EITI. The Board is supported by a Secretariat that is responsible for the day-to-day running of EITI and communicating with stakeholders.

## **MAPPING THE BENEFITS OF REVENUE TRANSPARENCY**

Country governments sign up to participate in EITI and then determine the parameters of implementation at the domestic level, including requirements for company reporting. If the country in which a company is operating has chosen to implement EITI, then the company will be expected to implement the initiative through the reporting of payments to the host government on approved templates.



For EITI reporting to be effective, it is important that it is implemented by all extractive industry companies (including international, national, and state-owned companies) operating in that country. Moreover, as stakeholders in the process, companies may choose

to be involved in the country's efforts by playing a supporting role in the EITI initiation, implementation and review, particularly through joining the Multi-stakeholder Group. Participation in the EITI can result in a number of potential benefits for companies.

## **BENEFITS FOR CANADIAN COMPANIES**

- Investment risk mitigation
- Mitigating political instability
- Reduced operational risks
- More predictable operating environment
- Reduced cost of capital
- Improved access to market through the creation of a level playing field, and the prevention of corruption
- Improved social license to operate
- Improved shareholder relations and access to capital
- Reputational benefits - leader status, acknowledgement for transparency, demonstrated contribution to country's economy

## **FEATURES OF COMPANY EITI IMPLEMENTATION**

- Collaborating with host government regarding EITI, including helping to establish the country's EITI implementation work plan, agreeing on a common reporting template, currency and reporting period
- Involvement in diverse forms of stakeholder engagement
- Providing support to capacity building
- Promoting the EITI initiative freely, under no compulsory discussion obligations
- Publicly disclosing all payments made to host governments:
  - based on cash accounting as opposed to accrual
  - regarding cash payments already made (e.g. royalties, taxes, petroleum transportation fees - indirect economic benefits such as construction of infrastructure or employment of local personnel are not included)
  - limited to details that are agreed upon with implementing host country
  - No expectation to break confidentiality
  - No expectation to disclose payments from non-implementing countries
- Ensuring payment data is independently auditable (i.e. an external auditor must confirm that the information submitted to the EITI is consistent with company financial statements)