

# Voices of Transparency



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THE WORLD BANK GROUP

EITI Multi-Donor Trust Fund



# Voices of Transparency



The Extractive Industries Transparency Initiative (EITI) is a global initiative established in 2003 to promote and support improved governance in resource-rich countries through the full publication and verification of company payments and government revenues from oil, gas, and mining. As a global standard, the Initiative is implemented by individual countries.

The EITI Board—which includes an elected chair and members representing resource-rich developing countries, donors, and supporting countries; international and national oil, gas, and mining companies; civil society; and investors—oversees the Initiative. A Secretariat based in Oslo, Norway, supports the work of the Board and coordinates the EITI's work.

International development agencies such as the World Bank Group, the International Monetary Fund, and the African Development Bank attend EITI Board meetings as observers.

More information can be found at: [www.eiti.org](http://www.eiti.org)

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## Multi-Donor Trust Fund for the EITI



In the context of EITI's global goals, the World Bank's Oil, Gas, and Mining Unit manages a Multi-Donor Trust Fund (MDTF) that finances technical assistance and grant support for the EITI's implementing countries, as well as global knowledge activities related to the EITI's work.

As of November 2010, the donors that contribute to and oversee the MDTF were as follows: Australia, Belgium, Canada, European Commission, Finland, France, Germany, Netherlands, Norway, Spain, Switzerland, United Kingdom, and the United States.

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More information can be found at: [www.worldbank.org/eiti-mdtf](http://www.worldbank.org/eiti-mdtf)



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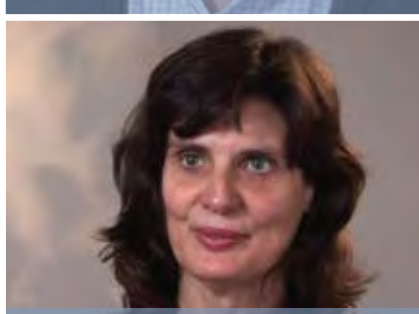
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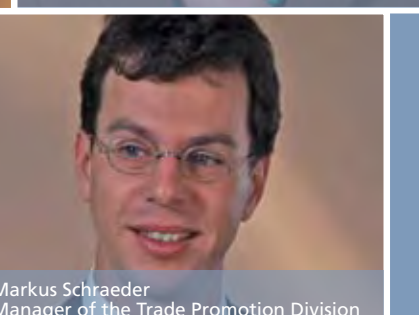
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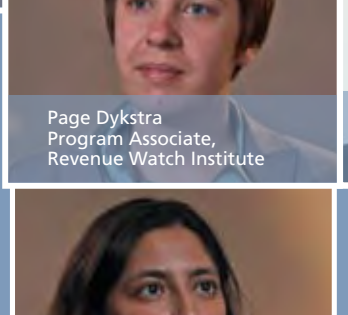
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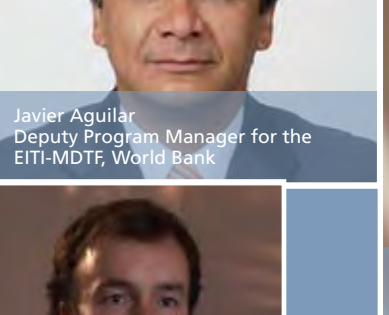
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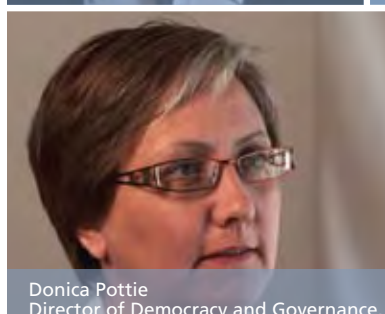
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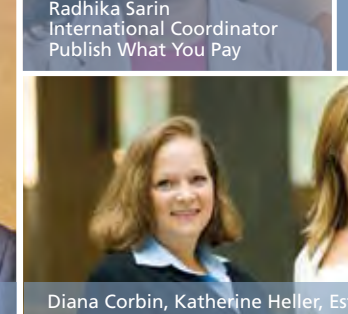
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*A core message of this publication,  
“Voices of Transparency,” is one of  
pride and hope.*

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# Voices of Transparency

## The role of the World Bank Group and partners in supporting the implementation of the Extractive Industries Transparency Initiative

### Acknowledgments

The primary source for this publication is a set of taped interviews conducted with various EITI country-level and global stakeholders on the occasion of the EITI Board and donors meetings in Berlin in April 2010. The cooperation of these stakeholders in producing this publication is gratefully acknowledged.

The publication was compiled by a team from the World Bank's Oil, Gas, and Mining Unit (SEGOM) including Anwar Ravat, Diana Corbin, and Esther Petrilli-Massey.

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# Foreword Giving Voice to Transparency

We are pleased to present this publication to a wide range of EITI stakeholders—government representatives of EITI countries, civil society, industry, donors and partners, development agencies, media, and other observers.

A core message of this publication, “Voices of Transparency,” is one of pride and hope. Pride because the EITI has achieved important milestones in a relatively short period since its launch in 2003. And hope because there is increasing evidence that countries, companies, and civil society around the world do appreciate the benefits of transparency.

From the various voices in this report, it is evident that the EITI *is making a difference*—especially in shaping policymakers’ thinking on the importance of transparency and good governance and in engaging with a broad range of participants.

It is also clear that in several countries the EITI process is moving beyond its original purpose, becoming a vital platform for building trust and promoting dialogue among relevant stakeholders so that both public and private sectors, along with civil society, can jointly ensure that revenues from the extractive industries do benefit all citizens of their countries and contribute to sustainable development.

On behalf of the World Bank Group, we share in this sense of progress being made by the individual EITI countries and global stakeholders, who collectively have helped create a working mechanism that is making the oil, gas, and mining sectors more transparent in EITI-implementing countries, thus enabling continued improvements in how natural resources are managed. Providing support for sound policies to help countries manage their oil, gas, and mineral resources sustainably and attract investment underlies much of the development and financing work of the World Bank Group.

Recent developments in EITI implementation—in which a core group of five



Ngozi Okonjo-Iweala  
Managing Director, World Bank



Mahmoud Mohieldin  
Managing Director, World Bank



Sri Mulyani Indrawati  
Managing Director, World Bank

countries have completed external validations to achieve EITI-compliant status, with others soon expected to join them—are an important milestone.

Meanwhile, EITI stakeholders have set their sights on the agenda for the next generation of improvements. Notable among these is continued strengthening of the EITI’s methodologies and processes to sharpen the focus on consistent and high-quality reporting of revenues and payments from oil, gas, and mining operations. There is no doubt that the results achieved so far need to be both sustained and improved.

In that context, it is also crucial to start working with countries to go beyond the validation stage since EITI compliance should not be just an end in itself but the beginning of a process to mainstream the principles of transparency, accountability, and good governance in resource-rich countries. In this context, the World Bank Group remains very supportive of the EITI and its goals, standing ready to partner with and support individual countries.

The support of the EITI Multi-donor Trust Fund’s partners to the World Bank’s technical assistance work has been invaluable—we see it as an excellent example of collaboration and joint investment in good development outcomes through a mechanism that places civil society participation at its core.

We do not want to close without expressing our special thanks to the MDTF partners and their respective teams for their close support and guidance in moving the EITI forward.

This joint collaboration shows once again that the potential for transparency is always there, and only needs to be unlocked by the voices and actions of all of us.

The various voices in this report are just a token of that effort, and hopefully represent an inspiration for others to follow.

# A track record to be proud of



Launched in 2003 as a multi-stakeholder initiative, the Extractive Industries Transparency Initiative (EITI) has already reached several milestones.

The Initiative's considerable progress is evident to all stakeholders—among them the EITI member countries, industry actors, civil society groups, development partners, and observers in the media and nongovernmental organizations.

Above all, the EITI, both globally and in individual countries, has established itself as a credible standard for revenue transparency and an equally credible vehicle for the participation of a range of stakeholders, including civil society. That is no small achievement—especially given the EITI's structure as a global voluntary initiative aimed at raising governance and transparency standards.

The label “a global standard—applied locally” truly does describe the EITI and the momentum it has generated. This momentum can best be illustrated by the following facts:

- To date, 33 countries are implementing the EITI in all regions of the world. Some of these countries have completed the EITI validation process and are now EITI-compliant, while several others are in advanced stages toward compliance.
- Fifty of the world's largest oil, gas, and mining companies support and participate in the EITI process—through their operations in implementing countries, their international commitments, and their industry associations.

- Similarly, hundreds of international and national civil society organizations and associations are active in the EITI process, through which they increasingly benefit from relevant capacity building.
- Most international development and financial institutions—including the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the European Bank for Reconstruction and Development, the World Bank Group, and the International Monetary Fund (IMF)—have endorsed or supported the EITI's goals at the country level.
- The EITI has also won the support of more than 80 global investment institutions that collectively manage billions in investment funds.

## Recognition of the EITI's credibility

The EITI methodology is proving to be robust at the country level and globally, with external validation of the EITI process a core part of the methodology.

At the global level, the robustness of decision making is evident in the firm actions taken by the EITI Board to uphold the Initiative's standards and to apply its rules at the initial round of review of the validation status of a large group of EITI-implementing countries in April 2010.

At the local level, EITI stakeholders are seeing specific, positive results being achieved in EITI countries, a trend that serves to pull new entrants

into the EITI. The EITI's growing impact is covered throughout this publication.

## Celebrating the momentum

Against this backdrop, this publication showcases and celebrates the EITI's progress by recording the views and perspectives of a diverse range of stakeholders, from various countries and organizations, who have made relevant contributions to the implementation of the EITI principles.

Through their views, we will learn what the EITI has meant to them and what a difference they believe it has made in their respective countries or organizations. Stakeholders from the World Bank Group and from the member countries of the Multi-Donor Trust Fund will offer a sense of what it has been like to contribute to the creation and growth of the EITI. And we will also get a glimpse of the challenges that lie ahead for improving the effectiveness of this important initiative.

EITI stakeholders are seeing specific, positive results being achieved in EITI countries, a trend that serves to pull new entrants into the EITI.



## The EITI has come a long way

The EITI's launch in 2003 as a multi-stakeholder initiative was in itself a major milestone. Following the advocacy efforts by a coalition of international and national civil society organizations, a diverse set of stakeholders came together to chart a way to strengthen the governance and accountability of oil, gas, and mineral extraction in producing countries by making revenues more transparent.

We started with the ambition that all companies would publish what they pay to their host governments.(...) But they (these companies) ran into difficulties because some of their host countries would not allow them to publish what they were paying in taxes and royalties and dividends and other payments. When President Obasanjo of Nigeria gave a speech in Berlin in which he said that Nigeria would allow the companies operating there to publish what they pay to the government, that was basically the creation of the Extractive Industries Transparency Initiative.

Those stakeholders—governments of resource-rich developing countries; oil, gas, and mining companies operating in those countries; civil society groups in producing countries; and a range of supporting countries and entities—have helped establish the EITI as the accepted international standard for revenue transparency.

As of January 2011, some 21 countries in Africa, Central Asia, East Asia, Europe, and Latin America have commissioned and published one or more EITI reports reconciling company payments and government revenues.

Internationally, the EITI is now recognized as an important and positive benchmark for transparency in the extractive sectors and has been endorsed in leading international forums such as the G20 as well as in a United Nations resolution. The major multilateral financial and development institutions have all endorsed the EITI or support it in one way or another.

**Peter Eigen**, Chair of the International EITI Board

For the World Bank Group, support for the EITI is an integral part of its strategy to promote the sustainable development of oil, gas, and mining, as well as to improve governance in member countries. The World Bank Group endorsed the EITI early on and has managed a very active and growing program of technical assistance and financing support to implementing countries and civil society organizations. In those efforts, the World Bank has acted with the support of several partners through the Multi-Donor Trust Fund (MDTF), which is administered by the World Bank's Oil, Gas, and Mining unit.

*Above all, it is the fact that we are making very good progress toward becoming a global transparency standard. That is a real achievement in that there is a uniform process implemented in so many countries that are rich with oil, gas, minerals, and metals.*

**Jonas Moberg**, Head of the International EITI Secretariat in Oslo

### The World Bank has supported the EITI from day one

Support for the EITI at the global and country levels has been a part of the World Bank Group's strategy for oil, gas, and mining since the EITI was conceived.

The Extractive Industries Review in 2004 and the Bank Group's management response to that review provide the strategic framework for the initiative's work in oil, gas, and mining. That framework explicitly supports country-led transparency and international initiatives like the EITI.

Similarly, the Bank Group's 2007 strategy for governance and anti-corruption notes that, "Where transparency and accountability mechanisms are weak or lacking, poor people's needs are often marginalized, and development outcomes suffer." The strategy makes an explicit commitment to support global reform coalitions, including the EITI.

Since the EITI is about transparency—and ultimately about helping to combat the effects of the "resource curse" through better management of oil, gas, and mineral resources for the benefit of all citizens—support for the EITI is a natural extension of the World Bank's work in resource-rich countries and its advisory work on transparency, accountability, and good governance.

Technical assistance (supported by the multi-donor trust fund) is integral to the World Bank's work for strengthening country systems to implement the EITI and promoting demand for accountability and good governance through stronger civil society organizations, and for actively supporting EITI global activities.

Complementary to these efforts, the International Finance Corporation (IFC) has required, since January 1, 2007, that all extractive industry investors that it supports must disclose their payments to governments from operations. As of January 2009, the disclosure of material payments must follow a standard template to ensure consistency in reporting. Disclosure is required in both English and any applicable local language. A Web site facilitates ready access to information.

In recent years, several multilateral financial institutions have followed the World Bank's and IFC's lead.



The EITI's accomplishments thus far—and its promise—are equally relevant in a broader development sense. As **Otaviano Canuto**, the World Bank's Vice President for Poverty Reduction and Economic Management, attests:

For the World Bank, good governance is a key priority and a major development imperative. With regard to natural resources such as oil, gas, and minerals, the Governance and Anti-corruption strategy recognizes that weak governance has often hurt the poor. Weak governance means that resources that could have moved millions of people from poverty to prosperity have instead served mainly to enrich corrupt elites. (...) We see the EITI as a functioning model of a collaborative approach that makes a difference and sets the platform for continuing governance reforms.

World Bank's Vice President for Africa, **Obiageli K. Ezekwesili**, adds her perspective on the importance of the EITI across the world:

The last two years of progress demonstrate that strong and committed leadership makes a real difference. Real impact has been achieved through effective implementation of the EITI principles. It is possible to build citizen trust in resource endowed nations; it is possible to build private sector confidence; and it is possible to deliver tangible improvement in economic well being. Now is the time for all of us—governments, private sector, civil society, and supporting countries and organizations—to accelerate our work to deliver faster and deeper benefits.

*Sustainable, long-term resources for poor people from extractive industries are crucial. So it is fundamental that we maintain the momentum of countries that have signed up for the EITI. It is very important that they stay with the process and continue their engagement with the EITI. Because what we hope to do is to move beyond EITI compliance—to get beyond the compliance agenda and see how we can actually deepen our understanding and address shortcomings with respect to management of extractive industries.*

**Inger Andersen**, Vice President for Sustainable Development, World Bank



## The EITI meets people's needs



The momentum of the EITI is evident. In 2011 several countries are expected to complete the external validation, joining the five countries that are already EITI-compliant. More and more countries—including significant resource producers such as Iraq, Indonesia,

and Afghanistan—are now EITI candidates or are preparing to seek EITI candidate status.

This momentum, however, is just the beginning of a larger process to implement the EITI principles of good governance and transparency.

In many ways, citizens have been left out of decisions, very important decisions for many of these countries. Extractive industry resources are the primary source of revenues for their governments, and those resources belong to the citizens of the country and contribute to their well-being. How much money the government is getting, how that money is handled, how that money is spent: these questions are critical to the day-to-day lives of citizens. Opening up channels of communications through the EITI presents a platform for dialogue where it may not yet exist.

*Page Dykstra*, Program Associate, Revenue Watch Institute (RWI)

The Extractive Industry Transparency Initiative is for TOTAL, which has been a supportive member from the very beginning, the expression of its strong will to act toward a more transparent world. It is not a mere question of reputation. In our opinion the EITI draws the way to secure long-term investments by allowing the mitigation of political risk, promoting better governance, and improving risk management and community relationships as well as shareholders confidence and staff satisfaction.

*Jean-François Lassalle*, Vice President Public Affairs - France and NGO, TOTAL

*The EITI is a remarkable attempt to deal with a difficult issue. It is an attempt to deal with a particular aspect of corruption in a very simple way. I say it is “simple” because the EITI is just trying to track the revenues generated by extractive industries. The EITI is a young organization. Is it succeeding? The EITI, I think, for the time that it has been operating, has succeeded beyond hope.*

*Anthony Hodge*, President of the International Council on Mining and Metals  
(Representing a key EITI stakeholder in the mining industry.)

# Civil society **engagement**, a pillar of the EITI

*What is equally important for us is that the Initiative has enabled the local civil society, particularly coalitions and members (Publish What You Pay, etc.), involved in a national EITI effort to have a platform for dialogue with the authorities and with the companies, freeing them from a relationship that was often one of confrontation in the past. The EITI provides a platform for dialogue, and we see that we are moving this relationship from face-to-face to “togetherness” in building something.*

**Michel Roy**, Director at Catholic Relief Services/ Caritas France and a member of the International EITI Board

Civil society engagement is a key element of the EITI process. An informed, capable, and engaged civil society is the third pillar—along with companies and governments publishing what they pay and receive—for ensuring and promoting transparency and accountability. Where civil society lacks the expertise, organization, and freedom to actively participate in EITI consultations, the value of the EITI process is undermined and may not meet the ultimate goal of improving development outcomes.

**Christian Mounzeo** of the Civil Society Group Encounters for Peace and Human Rights in Congo-Brazzaville and a member of the International EITI Board, reflects on this theme:

*We see now that the EITI came to fill a gap. It’s amazing—now we can know that oil, gas, mining, and forests produce and generate such-and-such an income. Today, issues related to mining are not taboo. In a country like mine, and many others, we could not talk before. Thanks to the EITI, we now have a platform for dialogue. All the actors involved in this issue can sit around a table to talk, share, etc.*

Responding to requests from various stakeholders, the Multi-donor Trust Fund (MDTF) established a \$1 million grant to support strengthening civil society engagement in the EITI process. In 2010 Revenue Watch Institute, selected as the implementing agency, started working in six countries: Afghanistan, Burkina Faso, Liberia, Mozambique, Peru, and Yemen. In each country, the program of activities includes:

- **Information dissemination:** Informing civil society about the EITI process, civil society’s role in EITI consultations, and how individual citizens can participate and demand accountability.
- **Capacity building:** Increasing civil society capacity to understand and organize/ advocate with the EITI by providing the basis for understanding the extractive sector and basic financial, accounting, budget analysis, and business development skills related to the EITI.
- **Mobilization, coordination, and networking:** Improving civil society networks and coordination mechanisms at the regional level and within selected countries.

For each country, activities include a baseline assessment and stakeholder analysis and a customized strategy of engagement, leading up to the implementation of specific activities across all six countries.

## Norway, first OECD country to implement the EITI

Many OECD countries support the EITI and contribute to the MDTF managed by the World Bank. But Norway is unique in being an EITI-implementing country as well as a supporter. It also hosts the international EITI secretariat in Oslo.

*The reason why we are an implementing country is that we feel that one should act the same way as one is speaking. It’s important to show that this is not only an initiative for developing countries, but a global initiative as well.*

*What we experienced when starting the EITI process in Norway is that it takes time. It took time to find the relevant NGOs, it took time to establish the multi-stakeholder group. It took time to find out what regulations had to be changed to accommodate the EITI, and so on.*

*The time issue is very important here, and that is the constraint or the problem or the challenge that a lot of implementing countries are facing. Of course, the challenge can be met if you have real political commitment, but there is a real time issue involved.*

**Bente Weisser**, Senior Adviser in Norway’s Ministry of Foreign Affairs



# What explains the EITI's momentum?

What is clear is that a foremost factor in the EITI's momentum is that the EITI meets a real need among countries and stakeholders who have a common goal to increase transparency. *The EITI is hence an effective solution once there is the political commitment to address the issues.*

Speaking of the EITI's role in Nigeria, **Onno Ruhl**, World Bank Country Director for Nigeria, observes that:

*Obviously, the process is extremely important for Nigeria, which is highly dependent on oil revenues—and one of the upcoming industries is mining, another important area for the EITI. So the EITI made Nigeria aware of the need for transparency in resource management. Through the audits, it provided some rather spectacular conclusions about the degree to which taxes were paid by the oil companies, and different branches of the Nigerian government were able to enforce legislation and regulations and get taxes paid. (...) So for Nigeria, the EITI process, having been taken on and owned by Nigeria, has been a very important driver of change in the oil industry, and I can't overstate the importance of that.*

In short, the EITI works because countries and stakeholders see the benefits of implementing EITI principles of good governance and transparency—as the growth of the EITI testifies. (see Table)

The EITI methodology is robust—and helps effectively meet the need for information sharing and open engagement among all actors, including civil society—and thereby provides countries with a key building block toward better management of natural resources.

EITI Compliant*	EITI Candidate: published 1 or more EITI reports	EITI Candidate: working toward 1 <sup>st</sup> EITI report
Azerbaijan Ghana, Liberia, Mongolia, Timor Leste	Cameroon, Central African Republic, Cote d'Ivoire, Democratic Republic of Congo, Republic of Congo, Guinea, Kazakhstan, Kyrgyz Republic, Madagascar, Mali, Mauritania, Niger, Peru, Sierra Leone	Afghanistan, Burkina Faso, Chad, Indonesia, Iraq, Mozambique, Tanzania, Togo, Yemen, Zambia

\*As of January 2011

**Page Dykstra**, RWI, sees the main gains from EITI as follows:

*The EITI has created a couple of very strong foundations. At this point, there has been quite a significant movement toward greater transparency. Many countries that did not make their revenue flow available to the public now do.*

*In addition to that, there has been a very strong opening for dialogue. The multi-stakeholder dialogue that occurs among civil society, the companies, and governments is really quite a neat platform—the EITI has opened up a dialogue where it did not exist before. It may be imperfect, but it is a foundation to build on. Certainly when we look at the situation before the EITI existed, that is quite a significant contribution.*

# The World Bank's role in **sustaining** EITI's momentum

*The IFC has been a strong supporter of the EITI since its inception. (...) To reinforce the message and work of the EITI, the IFC requires that for all the new oil, gas, and mining projects it finances, investors disclose their payments to governments.*

**Clive Armstrong**, Lead Economist in the IFC's Global Infrastructure and Natural Resources Department

Today, the World Bank-managed Multi-donor Trust Fund (MDTF) has **13 donor partners** and aggregate contributions of **almost \$31 million**.

The key guiding principles for allocating MDTF funds and setting priorities include:

- Expected results and the degree of the recipient's commitment (to increase the likelihood that MDTF funds will make a positive difference), and
- The degree of the recipient's need, as measured in part by capacity gaps within government and among stakeholders on transparency issues related to extractive industries.

## **An effective MDTF business model**

The MDTF's technical assistance programs and funding support in EITI countries have evolved into an effective business model, integrated into the Bank Group's country dialogue and technical assistance delivery. MDTF support is delivered mainly by Bank Group staff and consultants, many located in EITI countries.

MDTF support for EITI multi-stakeholder groups ranges from \$0.2 million to \$0.3 million.

## **At early stages of a country's interest in the EITI, the MDTF:**

- Helps build consensus by explaining the EITI to policymakers and national stakeholders
- Supports the engagement of potential stakeholders, especially civil society organizations.

- Helps the government and stakeholders create structures to manage and oversee the implementation of the EITI principles.

## **On the funding of technical assistance for EITI implementation, the MDTF:**

- Provides hands-on technical assistance to support end-to-end implementation of the EITI
- Supports capacity building, especially for civil society organizations, which constitute the demand side of accountability.

## **In the post-validation stage, the MDTF:**

- Helps make the EITI sustainable by promoting higher-quality reporting and participation by citizens
- Contributes to the mainstreaming of the EITI within national systems.

For us, it is very important that mining development is done right, that it helps the country to prevent the resource curse, and that it is done with a means to promoting the sustainable development of the country. One of the conditions is having a participatory approach, and that is exactly what the EITI is able to bring into the country: the capacity to bring civil society, private investors, and government officials to the table.

**Paulo de Sá**, Sector Manager of the World Bank's Oil, Gas, and Mining Unit (SEGOM)

Technical assistance, country dialogue, global knowledge and good practices funded in whole or part by the MDTF are now ongoing in **more than 50 countries**.

Similarly, IFC, the World Bank Group's private sector unit, has initiated its own parallel set of operational requirements that support the broader aims of the EITI.

From a country perspective, **Onno Ruhl**, remarks on the role of the MDTF and the World Bank in supporting the EITI in Nigeria in a way that emphasizes linkages to development and poverty reduction:

**We have an extensive policy dialogue with Nigeria on a host of issues that are linked to the EITI—things like support for the tax administration, support for the process of public expenditure management and budgeting, and, very importantly, the petroleum industry bill, where our concern is to ensure that the principles of the EITI are enshrined in the bill—that the lessons learned from the audits are in fact incorporated, leading to a fairer deal for the Nigerian taxpayer.**

**Onno Ruhl**,  
World Bank Country Director for Nigeria



## MDTF partners are actively engaged with the EITI

Close coordination and liaison with other EITI stakeholders—the International EITI Secretariat, international and national civil society groups, and other donor and development agencies—is a core part of how the MDTF and World Bank Group teams operate.

Besides contributing resources to the MDTF, several donor countries also provide direct bilateral support to the EITI process.

**Gabriele Zoeller**, of Germany's Ministry of Economic Cooperation and Development, illustrates some of these efforts:

*Via the German cooperation agreements, we support EITI efforts in several countries, including Ghana and the Democratic Republic of Congo. We help these countries to meet validation requirements and have experts on the ground to provide support. Support for civil society on the ground is key—that's our impression.*

**Markus Schraeder**, Manager of the Trade Promotion Division of Switzerland's Economic Development Cooperation, sums up his perspective on the EITI:

*Switzerland is very much involved on two aspects that have a close link to the EITI. First, we are supporting our partner countries in public financial management. (...) And second, we also cover trade*

*between developing countries and developed countries, including trade in oil, gas, and mining products. One focus has to be to see that these trades are going on in a transparent and sustainable way.*

From a global perspective, **Peter Eigen**, who has chaired the International EITI Board since 2006, notes that:

*Generally we believe that the World Bank [prioritizes the EITI] in its broader vision. Mr. Zoellick, for instance, is interested not only in what we are doing—that is, issuing reliable data about payments—but also in going upstream in the value-added cycle, for instance, to negotiations of investment agreements, to the implementation of operations, whether they are environmentally friendly, whether the people are treated well, and things like that. And also to go downstream in the use of the money. These are things that the EITI does not address. So the World Bank has the capacity to go beyond that in its operations and in a broader sector policy context. We are very grateful for that and support it as much as we can.*

*EITI's multi-stakeholder approach is an important model for improving public sector transparency and accountable governance. This initiative creates opportunities to coordinate our efforts to support transparent local processes in the high-stakes environment of the extractives sector.*

**Christina del Castillo**, Anti-corruption Advisor, USAID and representative in the MDTF Management Committee

## How does the EITI affect the poor?



By initially focusing on the transparency of payments made and payments received, the EITI is unlocking a process that ultimately aims to ensure that all people in a resource-rich country benefit from the exploitation of finite natural resources. The EITI is just a stepping stone into better revenue management, but most importantly better and more inclusive revenue sharing.

**Jonas Moberg**, Head of the International EITI Secretariat in Oslo, puts the question in perspective with his observation that:

*It is very important to remember that transparency is not an end in itself—it is a means to other things. As such, it is a vehicle toward improved accountability. (...) That is a very fundamental part of the EITI. We are seeing how it builds trust and confidence among citizens of countries where the EITI is implemented well. We would be the first to recognize that the EITI is not a panacea or a silver bullet. But it is part of the answer, and*

*it is a very important part of the kinds of reforms and efforts that are required to positively affect the lives of the poor.*

Echoing this theme, **Anwar Ravat**, Program manager for the MDTF at the World Bank, adds:

*Making a direct link between the EITI and individual citizens is a basic challenge, but one way is to envisage the reverse case. When the facts about oil, gas, or minerals in a given country are opaque, few citizens in that country have any knowledge of the facts about the sector. With transparency, and with the EITI in particular, one sees the first step on the path to helping citizens learn the facts—thereby setting in motion a process by which those citizens begin to enjoy more of the benefits of the resources in that country.*

*...the EITI is unlocking a process that ultimately aims to ensure that all people in a resource-rich country benefit from the exploitation of finite natural resources.*

## EITI stakeholders begin to see the real **impact**

*Any process that is new is sometimes difficult to start. But today, several years after the Initiative was launched, member states have claimed ownership and are making the necessary effort to effectively meet the utilitarian principles of the EITI.*

**Abdoul Aziz Askia,**  
EITI coordinator in Niger and a Member of  
the International EITI Board

The fundamental test of any program or initiative is its effectiveness in achieving its stated goals—and the results that it helps to bring about. As a young initiative, long-term results and attributed effects (such as stronger investment flows or better governance ratings) are by definition a work-in-progress. But much evidence already exists on how the EITI is making a difference.

The same type of impact is repeated in almost all EITI countries, and can be summarized as follows:

- The EITI is putting financial information in the public domain, often for the first time.
- Through its participatory and multi-stakeholder process, the EITI is helping to build trust among stakeholders and provide a real forum for collaboration and dialogue.
- As countries become EITI-compliant, the EITI is providing countries with an important platform to solidify the EITI and move toward broader gains in accountability and good governance.

**Negbalee Warner,** former head of the EITI national secretariat in Liberia and alternate member of the International EITI Board, gives a powerful sense of what the EITI means to Liberia:

I would say that public support for the EITI process has been so phenomenal that Liberia has been able to go beyond the minimum EITI requirements based solely on demand by the people. So it's being seen as a

custom-made governance mechanism for a post-conflict situation, given the fact that we went to war principally due to conflict and confusion over allocation of mineral revenues and other resources. Liberia is one of few countries that have passed dedicated EITI legislation. Why? The public demanded it. Helping people know what has been paid and what has been received is so good that it has to be sustained, and they demanded that it be put into law. That's one very good achievement we can cite!

**Morgan Mandeville,** Operations and Grants Manager for Revenue Watch Institute, observes:

Thanks to the MDTF's support, the Revenue Watch Institute provides training and resources to enable civil society to play a meaningful, independent role in the EITI process. We provide citizens with the tools they need to secure greater transparency and demand accountability from their governments.

*From our perspective, the EITI helps limit the space available for corruption. So by ensuring that revenues are published both by those that pay the revenues to companies and those that receive the revenues, mainly governments, we limit the space or close the space off for diversion of funds that should be going into treasuries and used for development priorities.*

**Donica Pottie,** Director of Democracy and Governance, Department of Foreign Affairs and International Trade, Canada  
(a donor country to the MDTF)

## Countries **respond** differently to EITI findings

### LIBERIA EXTRACTIVE INDUSTRIES **TRANSPARENCY** INITIATIVE (LEITI)

**YOU ARE ALL INVITED TO:**

**WHAT:**  
**WHERE:**  
**DATE:**  
**TIME:**

**LEITI COMMUNITY OUTREACH MEETING**  
**BONG BONG, BONG COUNTY**  
**TUESDAY, OCTOBER 6, 9:00 P.M.**



The EITI is a fundamentally national process, but one that adheres to a single international standard. The contours of national EITI processes—and of the follow-up actions that emerge—are tailored to national circumstances and hence will differ from country to country.

Countries map their own individual pathways in working with the EITI. In most implementing countries, policymakers and observers see the EITI as a platform for continued reforms on transparency and good governance.

For instance, as **H. Asisi Asobie**, chair of the Nigeria Extractive Industries Transparency Initiative, observes:

*For Nigeria the most critical thing that has happened is that we've discovered that the root is very deep, and that we need to tackle the issue of management incompetence and professional inefficiency, rather than just corruption. So we are placing a lot of emphasis on remediation [of deficiencies surfaced by the national EITI reports]. (...) I think that the Nigerian experience has shown that it is not enough to stop at revenue transparency. Many states in Nigeria have adopted expenditure transparency. For example, in Bayelsa State, you have the BEITI, that is Bayelsa Expenditure*

*Transparency, but more importantly the law of Nigeria stipulates that the states must deal specifically with this issue*

**Ingilab Ahmadov**, head of Azerbaijan's Public Finance Monitoring Center, a civil society group, and a member of the International EITI Board, explains:

*My organization was one of the first beneficiaries of the MDTF when we started our work in Azerbaijan in 2004–05. We had our first, very important training program to develop knowledge, skills, and capacity for civil society organizations and participants. I have to say that this is a very important, very necessary part of the EITI's infrastructure around the world.*



*In Niger, we have a World Bank-supported project that is proceeding well, despite some procedures that are somehow specific to international institutions. But I believe that the World Bank should be more present, since the sector is very complicated and needs to be supported, and since many countries base their growth on these sectors. And the support of the World Bank must be permanent, constant, shared, and discussed with the authorities, civil societies, and even the private sector.*

**Abdoul Aziz Askia**,  
EITI coordinator in Niger and a Member  
of the International EITI Board



# There is room for improvement

The implementation of the EITI process is not perfect. There is always room for improvement as stakeholders learn from past and current experiences. Making the EITI a more effective process needs the shared commitment of all—governments, private sector, international organizations, and civil society—to always do a bit more, and a bit better.



**Radhika Sarin**, international coordinator of the Publish What You Pay global coalition and member of the International EITI Board, comments on how she saw the EITI working in various countries:

*I think we've seen that the process has worked very well in countries where there is a tremendous political will to make it work and a tremendous respect for this tripartite process coming from very high levels. But in other countries this process is really not seen as a meaningful process. So you may have technical implementation of the EITI, but really where you don't have high-level political will driving the process I think it's questionable what impact it will actually have.*

Regarding the question of increasing the participation of countries in the EITI, including developed countries, **Peter Eigen**, notes:

*Of course, if the United States were to become an implementing country, this would be a tremendous symbol for countries like Brazil, China, or India also to become implementing countries, and that of course would be in the interest of everybody concerned. Therefore, we are basically holding our breath to see whether France, Germany, the United Kingdom, and the United States actually will begin to implement. We would find this a tremendous step forward to create a transparent governance system for extractive industries.*

Finally, **Bente Weisser**, of Norway's Ministry of Foreign Affairs, adds an important insight with her comments on how the MDTF works and on what often seems a slow process of getting MDTF funds to countries:

*I understand that sort of experience is frustrating for the country because it wants [MDTF] support to come faster. There is a trade-off here because, as donors, we want the MDTF grants to be used properly and the fiduciary arrangements to be according to regulations. At the same time, we want the countries to get the resources as fast as possible. We'll probably have to live with the trade-off, but I think it's important for the World Bank to explain the framework and why it is like this.*



## Support for the EITI, a **priority** for all



For the World Bank's policy advisory work with its partner countries, a particular focus of attention is good governance of oil, gas, and mining resources, and, by extension, the capacity of governments to manage those sectors sustainably and for the benefit of all their citizens.

The capacity issues are a major challenge, but the World Bank gives high priority to helping countries address the gaps and make progress on their reform goals.

As an example, and building on the EITI's success, the Bank's Oil, Gas, and Mining team also is addressing other aspects of the extractive industries' value chain. For instance, the team has recently launched the Extractive Industries Technical Advisory Facility (EI-TAF), which facilitates real-time advisory services and capacity building for resource policy frameworks and contract negotiations in extractive industries. EI-TAF also supports the production and dissemination of global knowledge products to help address the lack of an integrated body of good practice for sound governance and management in the extractive industries sector.

As **Paulo de Sá**, sector manager for the World Bank's Oil, Gas, and Mining Unit, notes:

*The EITI fits in well with our program's goal to support governments in the transparent and sustainable management of oil, gas, and solid mineral resources to maximize development gains and poverty reduction. As good governance becomes integrated into country systems, the*

*poorest citizens will benefit as resources are made available for local development programs.*

Also from the MDTF donors' perspective, **Markus Schraeder**, of Switzerland's Economic Development Cooperation, gives a sense of how a donor country views support for the MDTF and the EITI:

*What is really interesting and good is that EITI support is bringing together the experience of the World Bank staff in the oil, gas, and mining sector with the EITI Secretariat, which of course has to be a neutral convener. The Secretariat's technical know-how is complemented by that of the World Bank, helping to balance donors' needs for feedback and MDTF management committee mechanisms, which give us the feedback we need for our internal reports. It is a very delicate situation, one that has worked very well so far.*

*The World Bank is certainly, through the MDTF and through technical assistance, playing a strong role in encouraging companies and governments (particularly in new countries) to sign up with the EITI. I think it is safe to say that without that, many countries would not be capable of carrying out and implementing the EITI.*

Page Dykstra, Revenue Watch Institute

As seen from a civil society lens, there is a consistent thread of feedback for the Bank Group and MDTF, as **Radhika Sarin**, of Publish What You Pay, notes:

*One of the key areas that civil society has pointed out to the MDTF and specifically to the World Bank (because it is the administrator of the trust fund) is that this key resource needs to bolster civil society participation in the process. This isn't just a government-led process, although of course the political will is the fundamental and first step that's required. So I think that the MDTF has an exceptional role that it can play in really bolstering civil society capacity.*

**Christian Mounzeo**, of Encounters for Peace and Human Rights, notes that:

*From the perspective of civil society, it is really important that the World Bank continue its work in capacity building, because it has the expertise. [What is needed is] capacity building of civil society, capacity building of the various groups, with the mission of implementing the Initiative at the local level.*

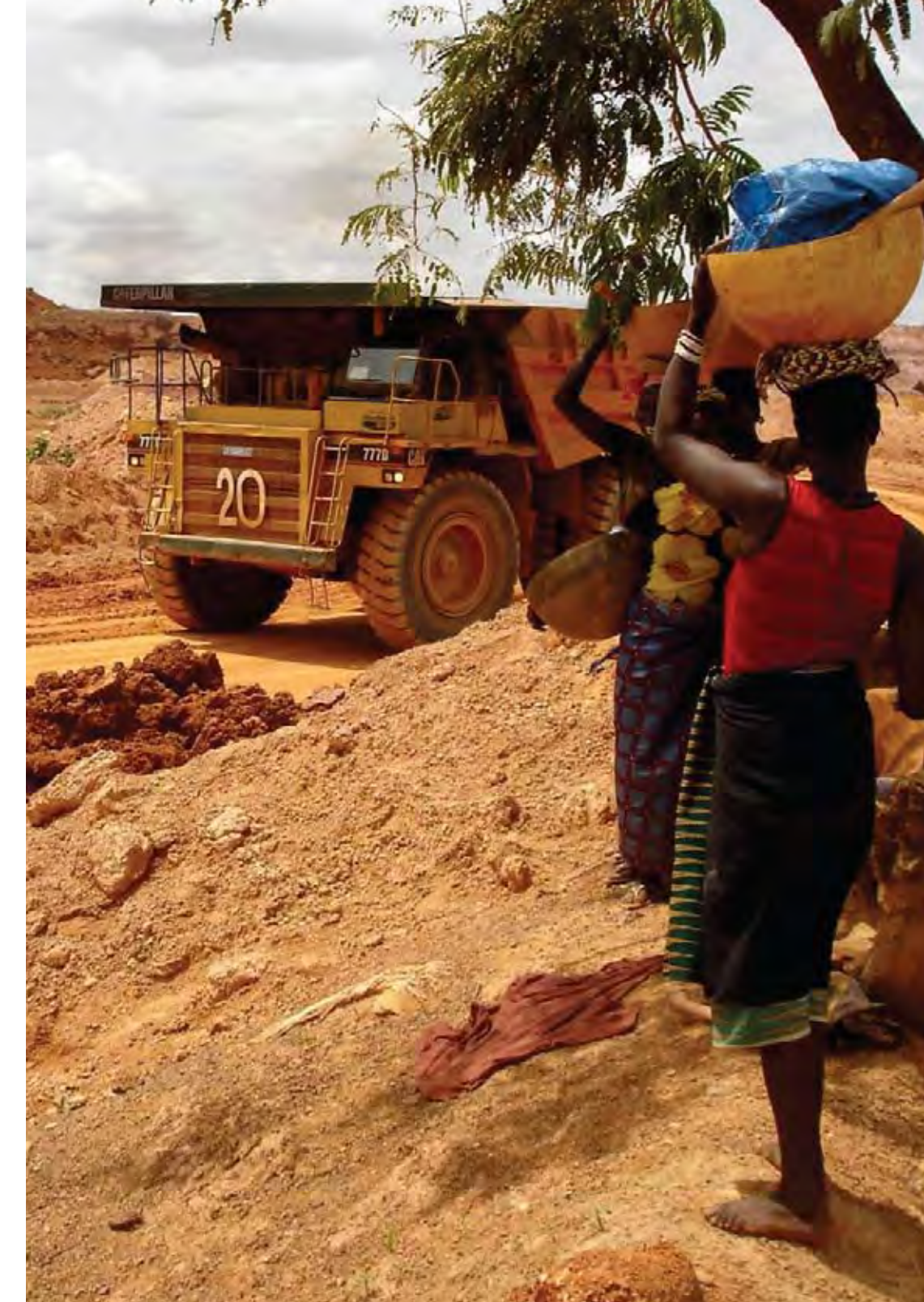


Also from a civil society perspective, **Dorjdari Namkhajantsan** of the civil society group Open Society Forum in Mongolia and a member of the International EITI Board, points out broader possibilities:

*The EITI is of course an important goal and entry point to much more. The World Bank can use the EITI model, involving different stakeholders in the process to address other issues in the mining sector, such as licensing, contracting, transparency, and accountability.*

Finally, as **Michel Roy**, Director at Catholic Relief Services/Caritas France and member of the International EITI Board, puts it:

*As far as civil society is concerned, the World Bank is often perceived by many as an obstacle to human development, not a support for human development. [But] I must confess that when colleagues were arrested and imprisoned, the Bank played a role [in their release], which was not negligible. I believe that together we move forward, so the Bank receives the reflection of civil society, and I think the Bank understands what civil society means.*



## A glimpse of the **future policy** agenda



With the milestones reached in the EITI's recent trajectory, the attention of EITI stakeholders has focused recently on so-called second-generation refinements to the EITI's goals and methodologies. Those refinements are aimed at consolidating the EITI as the recognized standard of revenue transparency and at moving the EITI to a higher strategic plane.

At the time of the EITI Board meetings in Berlin in April 2010, the international secretariat invited Board members and other stakeholders to a policy discussion on the future of the EITI. More than 45 different stakeholders from governments, companies, and civil society organizations participated in the meeting, which took place at the Humboldt-Viadrina School of Governance.

The discussions were structured around the following main topics:

- **Improving the quality of EITI reports.** The EITI reporting process needs to become a natural and integrated part of an implementing country's data collection and dissemination activities on a regular basis.
- **Improving the validation process.** Validation has taken longer than expected. All stakeholders need to work together to implement lessons learned and make it a better process.
- **Incentivizing countries implementing the EITI.** As a minimum standard, the EITI needs to do more to encourage countries that are compliant, or that are close to becoming

compliant, to continue strengthening their implementation.

- **Measuring the EITI's impact.** High expectations and the need to show the benefits of the EITI demand an effort to document local impact and to gauge the EITI's contribution to development.
- **Strengthening support of civil society in implementing countries.** Beyond current support, stakeholders need to ensure that civil society representatives are allowed to operate freely and have the political and financial support that they require.
- **Expanding the EITI to more countries in more regions.** Many resource-rich countries, as well as larger emerging economies and developed economies, remain outside the EITI.
- **Keeping the EITI relevant in the different circumstances in which it is applied.** Careful, appropriate, and incremental expansion of the EITI beyond its current coverage is important, and the multi-stakeholder environment creates a useful platform to address adequate coverage in each country.

From a development perspective, the key goal for any EITI-implementing country is to ensure that the **EITI is sustainable as a high-quality and participative national process** in that country, and that the **transparency gains from the EITI in that country are leveraged** into ongoing governance reforms and good management of oil, gas, and

*Globally, the EITI has proved itself as an effective example of a global voluntary initiative—with teeth.*

mineral resources to benefit the country and all its citizens.

Globally, the EITI has proved itself as an effective example of a global voluntary initiative—with teeth. The EITI appeals to a broad range of stakeholders and implementing countries because each sees the benefits of the EITI standard and of collective work toward a common goal.

In this context, the framework for the EITI's second-generation agenda as outlined above represents a sound agenda for action by the EITI Board and the EITI countries.

As noted earlier, support for the EITI is a priority for the World Bank Group and for the donor partners of the MDTF. It can be expected that this support will not only continue but also grow.

# A word from the early MDTF supporters



**Peter Van der Veen**  
Former Manager, World Bank's Oil, Gas, and Mining Unit



**Charles McPherson**  
Former Program Manager for the EITI-MDTF



**Michael Levitsky**  
Lead Energy Economist, World Bank's Oil, Gas, and Mining Unit

To close this publication, we wish to cite a few words from members of the original team that supported the launch of the Multi-donor Trust Fund (MDTF). Here is a glimpse of some of their early hopes and how they see the EITI and the MDTF today.

The World Bank Group was an early supporter of the EITI, going back to 2002. Its work with the newly established EITI, then housed at the DFID in London and led by **Ben Mellor**, involved a close liaison with the DFID team in designing and setting up the MDTF, with the DFID as the launch donor. The early World Bank and MDTF work focused on promoting the EITI within the Bank Group and among countries. It was indeed the MDTF that helped to scale up technical assistance from the World Bank Group and enabled the funding support for EITI implementation by donor countries—support that continues to be strong today.

The Bank Group's team in the Oil, Gas, and Mining Unit, then managed by **Peter Van der Veen**, worked closely with the nascent EITI right from the start. Van der Veen recalls:

*With our sector knowledge, our dialogue with and access to many governments, and our experience providing technical assistance and mobilizing funds through donor trust funds, it was decided that the best role for the Bank Group and its partners was to provide technical assistance to enable countries to adopt and implement the EITI in a multi-stakeholder way. (...) What was not anticipated so much at the beginning was that the EITI would become the beginning of a much broader dialogue on the issues surrounding not only transparency but the entirety of good governance across the extractive industries value chain.*

The World Bank Group's early cooperation with the EITI at the global level, and its tailored technical assistance and funding support for EITI countries, has continued to this day.

Charles McPherson and Michael Levitsky, the initial program managers of the MDTF who set out the Bank Group's technical assistance and global work programs, echo this sentiment.

**Charles McPherson**, now retired but well-known among EITI stakeholders, remarks:

*From the early years, one of the EITI's seminal achievements has been the difficult but successful cementing together of broad multi-stakeholder support, essential to the impact and sustainability of the Initiative. The MDTF has, in turn, proved critical to the EITI. It is, in effect, "where the rubber hits the road." Without the solid progress on the ground fostered by the MDTF, the EITI's momentum may not have been as it has since turned out to be.*

In a similar vein, **Michael Levitsky**, Lead Energy Economist in the World Bank's Oil, Gas, and Mining Unit, recalls that:

*From the very beginning, at the Lancaster House meeting in 2003, it was clear that this was something special. We had governments, civil society organizations, oil and mining companies, and international organizations, around the same table with an equal voice. (...) Many of these groups had never had an opportunity to deal with one another on equal terms with a common objective. And this is still one of the best things about the EITI, although perhaps people take it for granted now.*

# The World Bank's Oil, Gas, and Mining Unit

The World Bank Group's role in the oil, gas, and mining sectors focuses on ensuring that its current interventions facilitate the extractive industries' contribution to poverty alleviation and economic growth through the promotion of good governance and sustainable development.

The Oil, Gas, and Mining Unit serves as the Bank's global sector management unit on extractive industries and related issues for all the regions of the world. It is part of the Sustainable Energy Department within the Sustainable Development Network.

Through loans, technical assistance, policy dialogue, and analytical work, the Unit leads a work program with multiple sector activities in more than 70 countries, of which almost half are in Sub-Saharan Africa. More specifically, the Oil, Gas, and Mining Unit:

- Advises governments on legal, fiscal, and contractual issues and on institutional arrangements as they relate to natural resources, as well as on good governance practices.

- Assists governments in setting up environmental and social safeguards in projects in order to promote the sustainable development of extractive industries.
- Helps governments formulate policies that promote private sector growth and foreign direct investments.
- Advises governments on how to increase the access of the poor to clean commercial energy and assess options for protecting the poor from high fuel prices.

In essence, the Oil, Gas, and Mining Unit serves as a global technical advisor that supports sustainable development by building capacity and providing extractive industry sector related advisory services to resource-rich governments. The Division also carries out an advocacy role through the management of the following global programs:

- The Extractive Industries Transparency Initiative (EITI) Implementation Support Facility, which supports countries implementing EITI programs

- The Global Gas Flaring Reduction (GGFR) Public-Private Partnership, which brings governments and oil companies together to reduce gas flaring
- The Communities and Small-Scale Mining (CASM) Partnership, which promotes an integrated approach to addressing issues faced by artisanal and small-scale miners
- The Women and Extractive Industries Program, which addresses gender issues in extractive industries
- The Petroleum Governance Initiative (PGI), which promotes good governance.
- The Extractive Industries Technical Advisory Facility (EI-TAF), which facilitates "rapid-response" advisory services on a demand-driven basis to build capacity for extractive industry resource policy frameworks and transactions.

To learn more, visit:  
[www.worldbank.org/ogmc](http://www.worldbank.org/ogmc)  
[www.worldbank.org/eiti-mdtf](http://www.worldbank.org/eiti-mdtf)



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