

We talk about petrol

Interim assessment of the Extractive Industries Transparency Initiative (EITI) in the Central African Region*

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"We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts" (EITI Principle 1)

In 2000, Civil Society Organisations (CSOs) launched the Publish What You Pay (PWYP) campaign to oblige corporations and governments to disclose payments in the context of natural resource extraction and oil and gas production. The aim was to raise the transparency of financial flows, reduce the level of corruption and increase funds for poverty eradication in those countries that are rich in natural resources but are nevertheless poor. The Extractive Industries Transparency Initiative (EITI) took up this idea and created a corresponding framework for action. For transparency in the natural resource sector was regarded as an important, albeit not sufficient, means of enhancing natural resource governance. Launched by the government of the United Kingdom at the World Summit on Sustainable Development in Johannesburg in 2002, the initiative has enjoyed rapidly growing political support. EITI is now backed by an unusually broad alliance of governments, civil society organisations, corporations, investment funds as well as the World Bank and the International Monetary Fund.

Now that almost ten years have passed, it is time for an interim assessment. Has EITI really contributed to raising the transparency of financial flows, reducing the level of corruption, widening the scope for civil society to take action, strengthening natural resource governance and, ultimately, reducing poverty in the countries exporting natural resources?

Together with partners, Brot für die Welt (Bread for the World), Misereor and Global Policy Forum Europe have examined some of these issues concerning the implementation of EITI in the Central African Region (Democratic Republic of Congo, Republic of Congo, Gabon, Equatorial Guinea, Central African Republic, Cameroon and Chad). Our study is meant to be complementary to civil society voices from implementing countries.

* This publication is an abstract of a detailed report that is to be published in May 2011.

Table: EITI in the countries of the Central African Region

Country	Joined EITI ⁽¹⁾	EITI status ⁽¹⁾	Number of published reports ⁽¹⁾	RWI Transparency Index (in %) ⁽²⁾	Corruption Perception Index (ranking of total of 178 countries) ⁽³⁾
Cameroon	2005	Close to compliant	3	41.8	146
Rep. of Congo	2007	Candidate	2	NIA	154
Dem. Rep. of Congo	2007	Close to compliant	1	22.5	164
Chad	2010	Candidate	-	NIA	171
Gabon	2005	Close to compliant	3	41.8	110
Central African Republic	2007	Candidate	1	NIA	154

(1) Source: www.eiti.org

(2) Source: Revenue Watch Institute: Revenue Watch Index 2010 (www.revenuwatch.org/rwindex2010/rwindex.html). 100% means complete transparency of revenue from extractive sector, 0% complete lack of transparency.

(3) Source: Transparency International: Corruption Perceptions Index 2010 (www.transparency.org/policy_research/surveys_indices/cpi/2010).

1 Context: EITI in the Central African Region

The implementation of EITI in the individual countries of the Central African Region has attained varying levels of progress (cf. Table).

All the countries in the region have joined EITI, with Cameroon and Gabon already having done so in 2005. The youngest accession country is Chad, which was officially recognised as a Candidate in 2010. The Democratic Republic of Congo (DRC), Cameroon and Gabon enjoy the status "close to compliant". Equatorial Guinea was adopted as an EITI Candidate in 2007 but excluded again in 2010 owing

to its failure to meet the deadline for compliance with the EITI Standards (validation).

In Cameroon, Gabon and in the Republic of Congo, several EITI reports have been published so far. As yet, the Central African Republic and the DRC have published one report each. The basic requirements for the EITI Process, such as setting up a Multi-Stakeholder Committee and compiling and financing work schedules, have been fulfilled in these EITI countries.

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2 Interim assessment: EITI impact in the Central African Region

In order to assess the impact of EITI in the Central African Region so far, the following three hypotheses were tested that can be deduced from the PWYP declaration of principles and form the basis of civil society involvement in the EITI Process.*

Hypothesis 1: EITI stabilises or widens the political scope that civil society has in the extractive sector of developing countries that are rich in natural resources

Evaluation criteria

- » CSOs are full members of the respective EITI Multi-Stakeholder Committee. They are invited to all meetings, are appropriately represented in the structure and determine who represents them themselves. The civil society members can freely express themselves in the EITI Committee and openly voice criticism.
- » CSOs have unrestricted access to the press and are quoted in connection with EITI.
- » Contacts between government, corporations and CSOs have been established and consolidated and are also being used to address other problems.

Results

Civil society as a part of the EITI structure

The representatives of civil society in the national EITI committees regard themselves as recognised members. They are integrated in the structures and PWYP representatives from Cameroon, Gabon, Congo, DRC, Chad and the Central African Republic are part of the respective EITI committees. In the Republic of Congo and in Chad, civil society and the private sector send vice-presidents to the EITI committee. In Chad, civil society chairs the "Comité de pilotage" (steering committee). Civil society's participation is governed by decree. However, CSOs only elect their representatives in Chad and in the DRC. Partly, this also

applies to Cameroon and the Republic of Congo, although here, some CSO representatives are directly appointed by the government. This results in different positions being represented within the CSO group.

Access to national and international media has improved in the DRC, Congo, Cameroon and Chad. The press reports on the initiative and activities of CSOs in the extractive industry sector, which, thanks to this, are also being given increasing attention by the public.

EITI as a discussion platform

According to the interviewed CSO representatives the greatest achievement of EITI is the provision of a platform to address problems of the extractive sector in general.

It was EITI that had enabled a discussion over mineral oil, revenue from natural resources and its use. Ten years before, the topic had still been taboo, whereas nowadays, it could no longer be suppressed. For example, today, it is at least possible in the Republic of Congo to ask: "Why are we still so poor in spite of the profits that the extractive sector yields?"

The protective role of EITI for activists

In spite of their extended scope for action, open repression of civil society representatives has occurred again and again in the past, for example in the DRC, Gabon and the Republic of Congo. That the number of such attacks on civil society has been considerably reduced is regarded as an achievement of EITI and the power to mobilise of the PWYP networks and their world-wide membership, who have made a considerable effort to have their activists protected. Without this protection, their work would have been strongly jeopardised, and active involvement of civil society in EITI would have been much more difficult.

Danger of co-option

However, some CSO activists perceived the problem of civil society gradually being co-opted by the governments. Here, they point to the "per diem" payments for meetings

* The implementation of EITI in Cameroon, the Republic of Congo and the DRC was at the centre of testing hypotheses for our survey. In addition, we dealt with the situation in Chad, the youngest accession country, in which the EITI Process displays a certain level of dynamics. In Cameroon, during an investigative visit in December 2010, guided interviews were conducted with all the stakeholder groups of the EITI Process. The analyses of the other countries in the Region (Republic of Congo, Chad, Democratic Republic of Congo, Gabon and Central African Republic) are based on personal interviews and responding to a questionnaire that was sent to the civil society representatives in the EITI Process. In addition, documents and literature were evaluated, including the national EITI Reports and Validation Reports.

of the national EITI committees and their working groups as well as to participating in journeys to international conferences. In addition, the governments are exerting “soft” pressure on many CSOs in the EITI countries by calling for “patriotic” behaviour. For example, CSO members have often been advised that they were welcome to level criticism internally whereas when the multi-stakeholder committee had taken a decision and their position had not been considered, they should not make this public and criticise it.

Many CSO representatives are aware of the danger of co-option. However, several interviewees have stated that no open discussion is held on this issue.

Conclusions

- » EITI has stabilised the scope for political action on the part of civil society in the extractive sector. CSOs are accepted as stakeholders, they are participating in the process, and they can present their positions within EITI. While they are subject to “soft” government pressure in most countries of the region, arrests, denying permission to leave a country and other forms of open repression have been reduced thanks to the intervention of the international EITI board, the PWYP network and international organisations.
- » While the CSOs are able to perform their watchdog role, they perceive a danger of co-option.
- » The best protection from co-option is an open and reflected addressing of the threat that co-option poses. Therefore, this issue ought to be openly discussed in the context of a mutual exchange of experience within PWYP.

Hypothesis 2: EITI contributes to more transparency of financial flows in the extractive sector – and therefore, in the medium term, to more government accountability and, in the long term, to more resources for poverty eradication.

Evaluation criteria

- » CSOs make use of the EITI reports to press for more government accountability.
- » Based on the EITI reports, CSOs can track the payments from the extractive industry in the state budget.
- » In the context of the EITI Process (e.g. in the EITI reports) discrepancies between payments and declared

state revenue are exposed. The discrepancies become smaller over the years.

Examining whether EITI leads actually to increased public resources for poverty eradication in the countries was beyond the scope of this survey.

Results

Announcing and spreading the initiative

Thanks to EITI, for the first time in the history of the respective countries, statistics on the mineral oil and mining sector have been officially published. This is regarded as an important step on the way towards more information and transparency in the natural resources sector. However, EITI continues to be unknown to the public at large in these countries. So far, information has been restricted to a small group in the population.

Quality and significance of the EITI reports

The national reports are a central element of the EITI process. All stakeholder groups generally regard the submitting of statistics and accounting for income from the extractive sector as a big step forward. However, the reports compiled so far are regarded by the representatives of civil society as not very meaningful since they only contain aggregate and incomplete data. The report from the DRC is an exception since it lists all financial flows according to the corporations involved. In contrast, aggregate numbers on income and expenditure had “nothing to do with the lives of the country’s people” (NGO representative in Cameroon).

The reports rarely reflect true income from natural resources in the countries. In the Republic of Congo, the Central African Republic and Cameroon, several corporations are not involved in EITI. Moreover, while the informal sector plays an important role in the DRC and the Central African Republic, it has so far not been considered in the EITI reports – also for technical reasons. Moreover, the figures in the reports show major discrepancies between corporation payments and government revenue that are not commented on in the reports.

Thus the figures published have only little to do with real income from the sector. Neither can these figures be further tracked in the state budget, nor can any statements be made on how the payments from the extractive sector are used. Moreover, it is not possible to assess whether corruption has lessened in the sector owing to EITI reporting or not with the aid of the EITI reports.

Conclusions

- » The lack of relevance that the EITI reports have borne for the population in the respective countries so far can become a central problem for EITI. De facto, the reports are made hardly any use of outside the small EITI community. If transparency is not meant to be the goal but a means to achieve better governance in the natural resource sector, then there has to be a considerably wider dissemination of information on EITI in the countries.
- » On the part of civil society, demands have above all been raised to publish not only aggregate data but also project- and corporation-related data. After all, EITI has to be implemented not only at national but also at local and regional level (closer to the people).
- » In order to be able to carry out the monitoring of income and expenditure in the extractive sector, it makes sense to link EITI with more comprehensive budget monitoring activities. In Chad, for example, there is a monitoring committee for income from the mineral oil sector that operates on a complementary basis to EITI.

Hypothesis 3: EITI encourages further necessary reforms in the extractive sector

The aim of EITI is the transparency of financial flows in the natural resources sector as an initial important step towards improving governance in this sector - bearing in mind that transparency alone is not enough to improve the development impact of wealth in natural resources. Therefore, the hypothesis is that EITI is encouraging further reforms in the extractive sector that are regarded as necessary for the development of the countries.

Evaluation criteria

- » In addition to regulations regarding the disclosure of financial flows, further reform legislation has been implemented in the countries or at least proposed and discussed by parliaments.

Results

Generally, it can be noted that so far, EITI has not encouraged any significant reforms in the extractive sector of the Central African countries.

However, initiatives and reforms have again and again been put on the agenda by civil society, such as drafting an EITI law (as is the case e.g. in Nigeria), integrating EITI in new agreements with oil and mining companies or es-

tablising EITI in the constitution. These discussions are in progress in the various multi-stakeholder committees and can result in changes in this area. However, this above all depends on the political will of the respective government.

In individual cases, the EITI process has contributed to further-reaching reforms being initiated in the extractive sector, as is the case, e.g. in the DRC. There, the CSOs maintain that a review of the agreements in the mining sector is also being carried out thanks to the EITI Process.

At regional level, the Central African Economic Union (CEMAC, Communauté Economique et Monétaire de l'Afrique Centrale) intends to harmonise mining legislation in its Member States. Here, too, EITI is regarded as having contributed to paving the way for reform.

Conclusion

- » Even though EITI has not led to substantial reforms in the extractive sector so far, the various stakeholders do regard EITI as a platform in the Central African Region for preparing further reforms in the extractive sector.

3 Recommendations on the future of EITI

1. The future of EITI crucially depends on whether improving the relevance, meaningfulness and dissemination of the national EITI reports will be successful. This would require the following steps:

- » Without any exception, all enterprises operating in a country's extractive sector have to participate in the EITI process. Only then can complete and comprehensive data be established. This will only be possible by creating the corresponding legal foundations at national level.
- » The publishing of data disaggregated according to projects and enterprises is necessary in order to enable a minimum of traceability of payments.
- » Discrepancies between the declared payments of the enterprises and the published revenue of governments have to be clarified by EITI.
- » The reports must be translated into a language understandable to a wider public so that they are not only accessible to a small community of insiders. This is already addressed by the EITI criteria but requires improved implementation.
- » Wherever it makes sense, EITI also ought to be implemented at local and regional level and thus be brought closer to people's day-to-day lives.
- » The informal sector ought to be considered in the reports because it represents a very important branch of the economy in some countries and generates a major share of natural resource income.

2. The surveys in the Central African Region have shown that improving the transparency of financial flows in the context of EITI only addresses a small part of the problems facing countries rich in natural resources. What is necessary is increased transparency along the entire value-added chain in order to disclose the relations between enterprises in the natural resources sector and state authorities and make corruption more difficult. Also, powerful institutions are required that are in a position to sanction corruption. So far, this has not been part of EITI. The World Bank already intended to increase transparency along the entire value-added chain with its "EITI++" model. But so far, it has not implemented the concept correspondingly. So it would be necessary to further develop EITI so

that the initiative can support national processes aimed at eliminating corruption and improving natural resource governance. This could, for example, be achieved via the introduction of a "premium standard" within EITI. One basic precondition for this is the corresponding political will of the governments in the countries supplying natural resources.

3. The PWYP groups that are members of EITI committees and play an active role there require continued support. This applies both to capacity development and to financial support. This is the only way to ensure that they will be able to perform their watchdog role and promote the initiative in a constructive manner.

Protecting civil society activists in the national EITI Committees is the key prerequisite for the civil society organisations to perform their monitoring role and thus be in a position to give the process a necessary degree of credibility. Therefore, the governments – both those of the countries supplying natural resources and those of the countries supporting EITI – have to unrestrictedly guarantee the protection of the civil society activists in the national EITI committees.