History of EITI

In the late 1990s and early 2000s, there was an expanding library of academic literature around the resource curse by such acolytes as Jeffrey Sachs, Joseph Stiglitz, Terry Lynn Karl and Paul Collier detailing how the huge potential benefits of oil, gas and mining were not being realised and were associated with increased poverty, conflict and corruption. The problem went beyond just the well-known economic phenomenon of 'Dutch Disease' by which natural resource wealth made other export sectors uncompetitive. Other common effects were around the capturing of the revenues by elites, the stunting of the development of tax systems to capture revenue from non-extractive sectors, exacerbated regional and community tensions. These writings outlined out the complexities of the governance of extractive resources – from bidding, exploration, licenses, contracts, operations, revenues, supply chains, local content, transit, services, allocations, and spending. They noted environmental, social and political concerns. They each outlined remedies for addressing the curse, often noting that no single action would be capable of tackling all these challenges. However, the literature was clear – transparency and dialogue had to be part of the starting point.

Publish What You Pay and the Launch of the EITI

These academic analyses were followed by more and more journalistic pieces and a growing campaign by Global Witness, Human Rights Watch, Oxfam America, other civil society organizations. International financier George Soros established a “Revenue Watch” programme under his Open Society Initiative, to investigate the flow of funds from oil companies to governments in the Caspian region. The NGOs were stepping up their enforcement of corporate social responsibility rhetoric and were looking for a law for companies to report their payments to developing countries. The civil society campaign slogan of “Publish What You Pay” (PWYP) was drawn from a Global Witness report, “A Crude Awakening”. Launched in December 1999, it focused on the opaque mismanagement of oil in Angola. The report had concluded by calling on the operating companies to adopt “a policy of full transparency [in] Angola and in other countries with similar problems of lack of transparency and government accountability”.
Responding to the campaign in February 2001, BP published the signature bonus of US $111 million it paid to the Angolan government for an offshore license. It committed to publish more. This sparked a strong reaction from Angola. In his 2010 memoir, “Beyond Business”, Lord John Browne, the then Chief Executive Officer of BP, recalled how he received a cold letter from the head of the Angolan national oil company, Sonangol, stating that, “[I]t was with great surprise, and some disbelief, that we found out through the press that your company has been disclosing information about oil-related activities

in Angola". The backlash and threats from the Angola government, led Lord Browne to conclude "Clearly a unilateral approach, where one company or one country was under pressure to 'publish what you pay' was not workable".
The oil companies argued for a shift away from company reporting, as sought by PWYP and others, to reporting by governments, in order to reduce conflict with host governments and put contracts at risk. If company reporting was to be required they wanted a global effort to level the playing field that required all companies in a country to disclose.

The UK government – the Cabinet Office, the Department for International Development, the Treasury, the Foreign Office, and the Department of Trade and Industry - was listening both to the Publish What You Pay campaign and to the oil companies. They saw the opportunity to develop an initiative built on the notion of equal transparency from the governments and the companies.

The EITI is often thought to have been launched in 2002. It is true that the then UK Prime Minister, Tony Blair, outlined the idea of the EITI in a speech intended for the World Summit on Sustainable Development in Johannesburg in September 2002. However, the problematic relationship between Prime Minister Blair and President Robert Mugabe of Zimbabwe, meant that the British Prime Minister never actually delivered his prepared remarks as intended.

Bringing stakeholders to the table: agreeing the EITI Principles

Following the publication of the Blair speech, the UK Department for International Development (DFID) convened a meeting of civil society, company, and government representatives. There was agreement that some kind of reporting standard should be jointly developed. At a conference in London in June 2003, a Statement of Principles to increase transparency of payments and revenues in the extractive sector was agreed. These 12 EITI Principles centred on the need for transparent management of natural resources. They affirmed that there was a belief that "a workable approach to the disclosure of payments and revenues is required, which is simple to undertake and use". Over 40 institutional investors signed on to a statement of support for the EITI which argued that information disclosure would improve corporate governance and reduce risk. Following this meeting, a few countries, like Nigeria, Azerbaijan, Ghana, and the Kyrgyz Republic, explored how these principles might be applied. They were later joined by Peru, the Republic of Congo, Sao Tome e Principe, Timor Leste, and Trinidad and Tobago.

Transparency in natural resource development was championed at a series of G8 Summits – in 2003 in Evian, in 2004 in Sea Island, Georgia. The G8 subsequently, called on the International Monetary Fund and the World Bank to provide technical support to governments wishing to adopt transparency policies. This led to the establishment of the World Bank-administered Multi-Donor Trust Fund (MDTF) for the EITI in 2004. The MDTF has disbursed almost US $60 million in technical and financial assistance to EITI programmes in 37 countries.

Drawing from countries' first experiences with EITI: The EITI Criteria

In March 2005, the EITI stakeholders and implementing countries again met in London for the Second Conference. UK Secretary of State for International Development, Hilary Benn, summarized:

Our experience in the four countries that have piloted EITI… is that while different countries have taken different approaches to implementation, this needs to be backed up by clear international rules of the game for the initiative to be effective and credible.

These different approaches to the principles were boiled down to six EITI Criteria, which sought to establish "the rules of the game". Benn also announced the establishment of an International Advisory Group, which would include representatives of governments, companies, and civil society organizations, to take the EITI forward.

It became increasingly clear that the EITI was not evolving, as some had anticipated, into a voluntary corporate social responsibility standard for companies, but rather into a disclosure standard implemented by countries. The criteria focused on:

Regular publication of all material oil, gas and mining payments by companies to governments ("payments") and all material revenues received by governments from oil, gas and mining companies ("revenues") to a wide audience in a publicly accessible, comprehensive and comprehensible manner.

They also recognized that civil society had to be actively engaged in the process to ensure accountability.

How the EITI works

Assessing transparency: EITI Validation

By the time of the third EITI Global Conference in Oslo in October 2006, the implementing countries (now joined by Niger and Cameroon) were preparing their first EITI reconciliationreports. Azerbaijan had already produced reports covering revenue from 2003–2005 and Nigeria a report covering 1999–2004. Alongside the production of an EITI Source Book in 2005, which provided guidance on how to produce these reports, the International Advisory Group had sufficient emerging approaches to introduce the EITI Validation Guide, which set out the indicators that implementing countries had to meet in order to become EITI Compliant. The guide was introduced at the Oslo conference, effectively marking the end of the beginning for the EITI. The guide also included for the first time a formal process to sign-up to become an EITI "Candidate" country.

From 2002 to 2006, the EITI had been valiantly run by a small team in the UK Government's Department for International Development, with little administrative capacity or political support. It was therefore also agreed at this time that the EITI should have its own governance structure: a Board, Secretariat, and a members' Conference every two years to appoint the Board. Peter Eigen, co-founder and former Chair of Transparency International and hitherto the chair of the EITI's Advisory Group, was appointed as the first chair of the Board. The EITI International Secretariat was later established in Oslo in September 2007 with Jonas Moberg appointed at its Head. After two terms of office, Peter stepped down as Chair and Rt Hon Clare Short was appointed as Chair in Paris at the Fifth EITI Global Conference in March 2011.

With the principles setting out its aims, the criteria containing its minimum requirements, and the guide establishing its indicators, it was thought that the EITI had a structure in place that would clearly frame the expectations of implementing countries. The EITI, in effect, had evolved into a collective governance standard. In February 2009, Azerbaijan became the first country to be compliant with this standard, and was soon followed by Liberia, Timor Leste, Nigeria and Ghana.

Making the EITI meaningful: the EITI Standard

It quickly became clear that many issues had been left open, such as how long implementing countries had before they had to meet the standard and how regular and timely the reporting needed to be.

So, in 2009 (Fourth Conference in Doha) and 2011 (Fifth Conference in Paris), the EITI Board issued versions of the *EITI Rules.* Replacing the EITI Validation Guide, these included six "policy notes" that provided further clarification and guidance. The "indicators" became "requirements" and were addressed more as steps to be followed by implementers than as indicators to be assessed by external validators. The 2011 edition of the EITI Rules, for the first time, crucially included the need for the data to be both timely and regular.

Shortly after the 2011 Paris Conference, an evaluation of the EITI by Scanteam was published. The evaluation recognised exciting innovations from many of the

implementing countries – eg. Liberia had included forestry and agriculture; Nigeria's reports included physical and process audits, as well as financial audits; Ghana and Peru's reports included data on the amounts paid to subnational levels of government, etc. However, Scanteam concluded that "little impact at the societal level can be discerned … largely due to [EITI's] lack of links with larger public sector reform processes and institutions". It found that EITI's narrow focus was not systematically delivering on the Principles established in 2003. Following this, the Board and other stakeholders recognised that the EITI needed to do more to encourage countries to use the EITI as a platform for wider improvement of natural resource management.
The Board undertook an extensive strategy review to address three main challenges:

- How to ensure that the EITI provided more intelligible, comprehensive and reliable information;
- How to ground the process in a national dialogue about natural resource governance i.e. linking the EITI with wider government processes around tax collection, extractive policy and budget arrangements;
- How to incentivise continuous progress beyond Compliance.

The resulting EITI Standard launched at the Global Conference in Sydney in May 2013 therefore sought to:
1) Make the EITI Reports more understandable

EITI reports were required to contain contextual information such as the contribution of the extractive sector to the economy, production data, a description of the fiscal regime, an overview of relevant laws, a description of how extractive industry revenues are recorded in national budgets, an overview of licenses and license holders, and a description of the role of state-owned companies. Countries were encouraged to publish contracts and details of the beneficial owners of companies.
2) Making EITI more relevant in each country

Countries were required to agree a work plan with objectives that articulated what they wanted to achieve with the EITI and set out how they wanted to achieve it. The scope of EITI implementation and links to other reforms had to be tailored to contribute to these desired objectives.
3) Better and more accurate disclosure

The Standard required for the first that EITI Reports disclose the payments broken down by each company, and by each revenue stream and, in due course, by each project. EITI reports were also be made available electronically and codified to allow for international comparisons.
4) Recognising countries that go beyond the minimum

The Standard introduced more frequent and nuanced validations to create incentives for more innovative use of EITI to the benefit of the country.

5) A clearer set of rules

The EITI Standard was restructured, in order to condense the previous 21 requirements and policy notes into a shorter and more concise seven requirements.

Over 40 countries were implementing the EITI, with Colombia, France, Italy, Mexico, the United Kingdom, the United States, amongst others, preparing to begin implementation. Over 200 EITI reports had been published covering well over a trillion US dollars of revenues paid. While the International Secretariat has remained relatively small, with a staff of 18, over 400 people were working around the world on implementing the EITI.

In addition, various international institutions routinely cited their association with the EITI as evidence of their own commitment to good governance. The EITI's tenets were reflected and exceeded in US, European, Nigerian and Liberian legislation, the World Bank's International Finance Corporation's standards for extractive projects, and an increasing set of country-level policies such as the publication of contracts.
Before 2013, the authors were worried that EITI was going to become irrelevant by simply focusing on revenue transparency when the debate had moved on. By 2014, the concern was that everyone was trying to hang everything on it, because the EITI was the only game in town. In many countries, it was beginning to play host to some topics had previously been considered politically taboo: beneficial ownership, production and consumer subsidies, the role and behaviour of state owned companies, secretive contracts, aggressive transfer pricing, non-payment of taxes, smuggling, fraud, etc. The debate had clearly shifted and transparency was no longer an aspiration. It was an expectation. And through collective governance, it was beginning to lead to accountability.

Conclusion

In little over a decade, the EITI has developed from a vague initiative, to a multi-country multi-stakeholder forum, to a global rules-based transparency standard, towards an accountability process with minimum requirements. Each stage represented an important step in the progression. This experience with the EITI is another reminder of the importance of collective approaches to governance. It took civil society organisations campaigning as well as engagement; it took company leadership; it took representatives from supporting countries such as the UK to provide facilitation; and finally and arguably most importantly, it took leaders from implementing countries to respond and take ownership.

It is a story of a moving consensus; learning and adaption; increasing confidence; and strong leadership. Most of all it has been a story of governance entrepreneurship.

Timeline

2014	**March:** The United States becomes the 44th implementing country. 26 countries are Compliant.
2013	**July**: UK launches EITI process and USA MSG held its first meeting. **June**: World Leaders discuss the EITI during the G8 summit and commit to transparency: Italy and Canada announce its commitment to implement the EITI and Germany announces its pilot program. **June**: Commonwealth Secretariat announces its support to the EITI. **May:** Albania becomes the 20th EITI Compliant country. **May:** More than 150 fiscal periods covered in EITI Reports disclosing US$ 1 trillion revenues in 33 countries rich in oil, gas and minerals. Transparency is [now] becoming the global norm. **May:** France and the United Kingdom declare of its commitment to transparency and the EITI at the 6th EITI Global Conference **April:** EU reaches deal requiring EU companies to disclose tax payments.
2012	**February:** Extracting Data provided a statistical overview of more than 70 EITI reports produced by 30 implementing countries in six years.
	July: 10 years of EITI in Nigeria shows how the country has increased government take and shed light to important challenges in the governance of their oil and gas.
	October: 100th EITI reconciliation report published.
2011	**March**: Clare Short is appointed as Chair of the EITI during the 5th EITI Global Conference in Paris. The 2011 EITI Rules were adopted. **March:** Niger becomes a 10th EITI Compliant country. **September**: President Obama announces that the US will implement the EITI. Open Government Partnership program is launched. **October**: Australia announces that it will pilot the EITI.
2009	**February**: Azerbaijan became the first EITI Compliant Country and Norway admitted as EITI Candidate Country during the 4th EITI Global Conference in Doha. **May**: Four new countries were admitted as EITI Candidate Countries bringing total number of EITI implementing countries to 30.

	December: 97 fiscal periods amounting US$ 200 billion of fiscal revenues covered in the EITI reports.
2008	**February**: Validation methodology agreed by Board at meeting in Accra, Ghana. The EITI welcomes seven new Candidate Countries.
2007	**September**: International Secretariat opens in Oslo with a 'Transparency Week'. 15 countries welcomed as EITI Candidate Countries.
2006	**October**: Following the International Advisory Group report irst international EITI Board is formed consisting of 20 members representing implementing countries, supporting countries, civil society organisations, industry and investment companies during the 3rd EITI Global Conference in Oslo. Peter Eigen is appointed as Chair of the Board. **December**: Oslo was selected as the location of the International Secretariat.
2005	**March**: International Advisory Group (IAG) formed to decide on the governance and future direction at the second EITI Conference. **June**: EITI support and implementation recommended in the Commission for Africa Report at the G8 Gleneagles Summit.
2004	**February**: EITI Paris Implementation Workshop. **June**: EITI endorsed by G8 leaders at Summit at Sea Island.
2003	**June**: EITI Principles agreed at the first EITI Plenary Conference, Lancaster House in London.
2002	**October**: Tony Blair announces the Extractive Industries Transparency Initiative(EITI) at the World Summit for Sustainable Development in Johannesburg