

EITI Factsheet

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE - AUGUST 2005

What is EITI?

The Extractive Industries Transparency Initiative (EITI) is a coalition of governments, companies, civil society groups, investors and international organizations. The EITI supports improved governance in resource rich countries through the full publication and verification of company payments and government revenues from oil, gas and mining. Many countries are rich in oil, gas, and minerals and studies have shown that when governance is good, these can generate large revenues to foster economic growth and reduce poverty. However when governance is weak, they may instead cause poverty, corruption, and conflict - the so called “resource curse”. The EITI aims to defeat this “curse” by improving transparency and accountability.

What are the benefits of implementing EITI?

The primary beneficiaries of EITI are the governments and citizens of resource-rich countries. Knowing what governments receive, and what companies pay, is critical first step to holding decision-makers accountable for the use of those revenues. Resource-rich countries implementing EITI can benefit from an improved investment climate by providing a clear signal to investors and the international financial institutions that the government is committed to strengthening transparency and accountability over natural resource revenues. **Companies and investors**, by supporting EITI in countries where they operate, can help mitigate investment risk: corruption creates political instability, which in turn threatens investments which are often capital intensive and long-term in nature. **Civil society** can benefit from an increased amount of information in the public domain about those revenues that governments manage on behalf of citizens, thereby increasing accountability and improving transparency. In summary, implementing EITI as part of a programme of improved governance will help to ensure that oil, gas, and mining revenues contribute to sustainable development and poverty reduction.

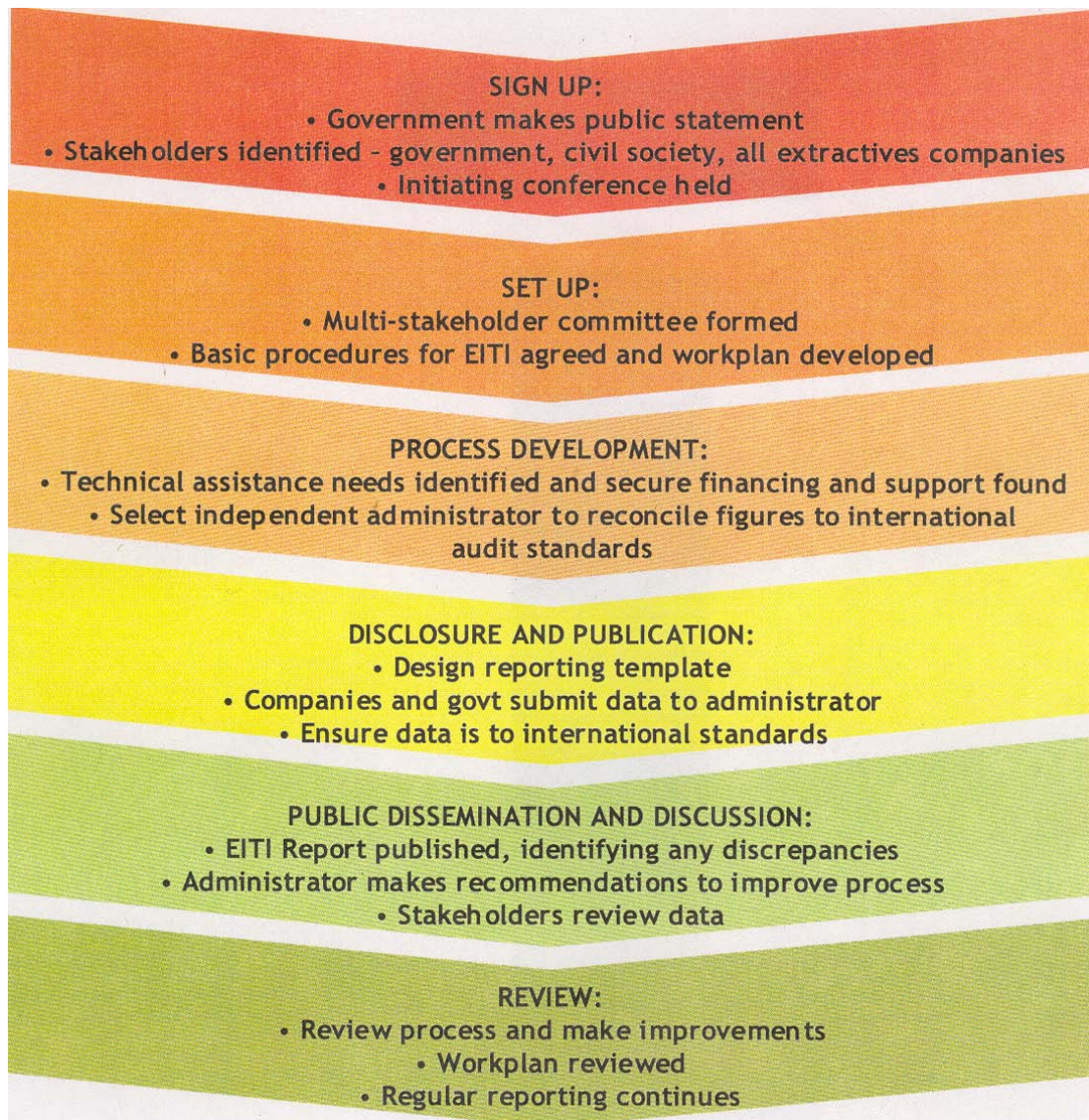
Which countries are implementing EITI?

Some twenty countries have either endorsed, or are now actively implementing EITI across the world - from Peru, to Trinidad and Tobago, Azerbaijan, Nigeria, and East Timor. For the most recent list of countries and information on what they are doing, look at the “Implementation” section of the EITI website at <http://www.eitransparency.org/countryupdates.htm>

How does it work?

The EITI Secretariat has developed an **EITI Source Book** that provides guidance for countries and companies wishing to implement the initiative. The Source Book can be found in different languages on the website at

<http://www.eitransparency.org/keydocuments.htm> or hard copies can be obtained from the Secretariat. The process shown in this diagram, combined with the EITI Principles and Criteria, shows how an EITI process would work:



Who else is involved?

EITI is supported by an International Secretariat presently based in the UK's Department for International Development. The Secretariat works closely with the World Bank and the IMF. In addition to the implementing governments, EITI is supported by donors; by many of the largest oil and mining companies in the world, as well as investors in those companies; and by different civil society groups who work under the umbrella of the Publish What You Pay Coalition. To find a full list of organisations involved in EITI, look at the "Participants" section of the EITI website at <http://www.eitransparency.org/participants.htm>

How can my organisation become involved?

The **EITI Source Book** that provides guidance to governments and companies that wish to become involved in the initiative. If your organisation wishes to state their support for the initiative, they should publish a statement of policy on their website, and send a copy to the EITI Secretariat.

The International Advisory Group

An **International Advisory Group** on the future of EITI has been established. The group is chaired by Peter Eigen, founder and chairman of Transparency International, and consists of a small number of representatives from EITI implementing countries, companies, civil society groups, investors, and donors. The group will work over the next year to make recommendations on how to validate different countries' implementation of EITI, and how the initiative should be organised in the future.

The EITI Principles

The EITI Principles, agreed at the Lancaster House Conference in June 2003, provide the cornerstone of the initiative. They are:

1. 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.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.

10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make - including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors, and non-governmental organisations.

The EITI Criteria

The EITI Criteria were agreed at the EITI London Conference in March 2005. Successful implementation of EITI requires countries to meet, or if possible, exceed the Criteria. They are:

1. 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.
2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator’s opinion regarding that reconciliation including discrepancies, should any be identified.
4. This approach is extended to all companies including state-owned enterprises.
5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

Key contacts and further information

If you have any questions, then you can email the Secretariat at eitiinfo@eitransparency.org or write to us at: EITI Secretariat, 1 Palace Street London SW1E 5HE, UK