



Extractive Industries Transparency Initiative (EITI) and the Role of Stakeholders



Sebastian R. Rwengabo, PhD | Onesmus Mugenyi

ACODE Info-Sheets, 2019

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1.0 EITI: Evolution and How It Works

1.1 Brief description of Extractive Industries Transparency Initiative (EITI)

The EITI is a global standard for the good governance of oil, gas, and mineral resources.¹ The EITI Standard requires disclosure of information along the extractive industry value chain from the point of extraction, to how the revenue makes its way through the government and how these revenues benefit the citizens. This includes information on: (i) how licenses and contracts are allocated and registered, (ii) who the beneficial owners of those operations are, (iii) what the fiscal and legal arrangements are, (iv) how much is produced, (v) how much is paid by companies and received by government, and (vi) where the revenues received by government are allocated, and their contributions to the economy, including employment. The primary objective of the EITI is to increase transparency over payments and revenues in the extractives industry in countries heavily dependent on these resources.



Source: www.eiti.org

The Initiative was launched in 2002 and structured as a transnational public–private partnership (PPP). It brings together resource-rich countries, private-sector multinational corporations (MNCs), investor associations, and independent actors like civil society, academia and media. As one of the global standards advocating “governance by disclosure” in the extractives industry, the EITI has voluntary standards for extractive-revenue transparency. Its *core belief* is “*free, full, independent, and active assessments*” of how companies interact with states and impact communities and societies where they exploit petroleum and minerals. The initiative consists of many global development institutions and is endorsed by the European Union (EU), African Union (AU), G8 and G20, and the United Nations (UN).²

The EITI stresses a simple process and disclosure procedure. The EITI process has four phases—sign up, preparation, disclosure, and dissemination—which should be started and completed within two years for the country to be designated as fully EITI-compliant.³

Sign-up and preparation phase: First, government is required to issue an unequivocal public statement of its intention to implement the EITI. The statement must be made by the head of state or government, or an appropriately delegated government representative. The government is required to appoint a senior individual to lead the implementation of the EITI. The appointee should have the confidence of all stakeholders, the authority and freedom to coordinate action on the EITI across relevant ministries, departments and agencies, and be able to mobilise resources for EITI implementation. Second, government is required to commit to work with civil society and companies, and establish a multi-stakeholder group to oversee the implementation of the EITI with specific terms of reference. Third, the multi-stakeholder group is required to develop and maintain a work plan, fully costed and aligned with the reporting and validation deadlines established by the EITI Board. Lastly, the government is required, on fulfillment of these requirements, to submit the candidature application to the EITI International Secretariat. Thereafter, the EITI Board will conduct a validation exercise before admitting the country.

Disclosure and dissemination phase: When the EITI Board admits an EITI-candidate country, the Board establishes deadlines for publishing the first EITI report and undertaking validation. An implementing country's first EITI report must be published within 18 months from the date that the country was admitted as an EITI candidate. EITI candidate countries will be required to commence validation within two-and-half years of becoming an EITI candidate. This phase involves disclosure of payments by companies and revenues received by government. The EITI report is required to ensure that payments and revenues are reconciled and that any discrepancies that are found are disclosed. The report is then widely disseminated. The report is expected to be discussed to generate a debate, allowing citizens and in-country CSOs to hold their governments accountable for any discrepancies.

1.2 Evolution of EITI

The EITI has evolved from its beginnings as a narrow set of rules focused on revenue collection into an international standard covering the wider governance of extractive resources. It now encompasses beneficial ownership disclosure, contract transparency, the integration of the EITI into government systems, transparency in commodity trading, and the recently-introduced reporting on gender balance and environmental impacts of extractive activities.

The EITI was launched in 2002.⁴ Influenced by Publish What You Pay (PWYP) campaign, Tony Blair, then UK Prime Minister, outlined the idea of EITI as the future global transparency standard in his speech to the World Summit on Sustainable Development in Johannesburg, South Africa, in September 2002. Following the publication of the Blair



speech, the UK Department for International Development (DFID) convened a meeting of civil society groups, companies and government representatives. There was agreement that some kind of reporting standard should be jointly developed. In June 2003, at a high-level meeting in London, representatives of governments, companies, and civil society groups, endorsed a common set of “EITI Principles”.⁵

The G8 summit in 2004 later endorsed the process. In 2005 an “EITI Criteria”, supported by the World Bank and International Monetary Fund (IMF), led to appointment of an International Advisory Group (IAG), chaired by Peter Eigen (Transparency International), to manage the EITI process. The Interim International EITI Secretariat, earlier formed within the UK’s Department for International Development (DFID), developed a Sourcebook of “Guidance for EITI Implementation” in January 2005.⁶

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, summarised:⁷

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 implementation of EITI 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 organisations, to take the EITI forward.⁸

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. This led to more work that finally resulted in EITI Standard 2013. The resulting EITI Standard was launched at the Global Conference in Sydney in May 2013. The Standard sought to:

- (i) Make the EITI Reports more detailed and understandable.
- (ii) Make EITI more relevant in each country: Countries were required to agree on a work plan with objectives that articulate 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.
- (iii) Achieve better and more accurate disclosure: The Standard required, for the first time, that EITI reports disclose the payments broken down by each company, and by each revenue stream and, in due course, by each project.
- (iv) Recognise countries that go beyond the minimum: The Standard introduced more frequent and nuanced validations to create incentives for more innovative uses of EITI to the benefit of the implementing country.



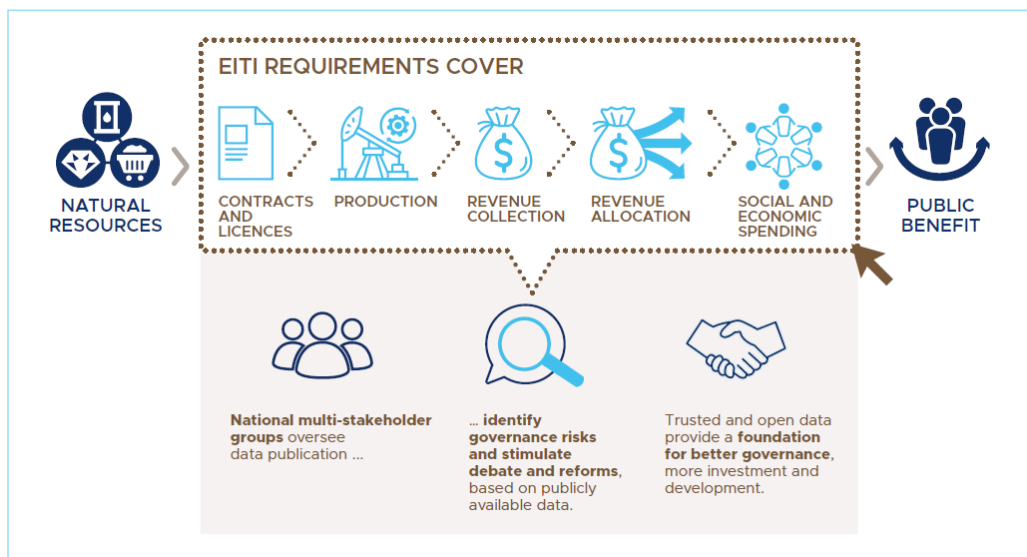
- (v) Achieve a clearer set of rules: The EITI Standard was restructured, in order to condense the previous 21 requirements and policy notes into shorter and more concise requirements.

The EITI standard 2013 evolved into EITI standard 2016. The EITI Standard 2016 was formally launched at the EITI Global Conference in Lima, Peru, on 24-25 February 2016. It was at this conference that Fredrik Reinfeldt was named EITI Chair. The Standard encouraged countries to build on their existing reporting systems and practices for EITI data collection and sought to develop the EITI's growing status as a platform for progress that was bringing greater transparency and accountability to all aspects of natural resource management, including tax transparency, commodity trading and licensing.⁹

The 2016 Standard included ground-breaking disclosure requirements on beneficial ownership, ensuring that the identity of the real owners of the oil, gas and mining companies operating in EITI countries would be public by 2020. The 2016 Standard introduced a new validation system which aimed to better recognise efforts to exceed the EITI requirements and set out fairer consequences for EITI countries that had not yet achieved compliance with the EITI requirements.¹⁰

The EITI Standard 2016 evolved into EITI Standard 2019 that was launched in Paris, France, in June 2019 (see Info-Sheet #2, 9).

1.3 How EITI Works and achieves impact



Source: EITI, 2019, *The EITI Standard 2019*



A national **multi-stakeholder group** (government, industry & civil society) in each country decides how their EITI process should work. Key information about the governance of the sector is reported annually alongside **recommendations for improving sector governance** and this information is widely disseminated to **inform public debate** and ensure recommendations are followed up.

From the foregoing, the EITI sets principles and standards that the countries voluntarily commit to implement. The extractive companies are required to disclose payments and government to disclose revenues received. An independent administrator with the oversight of the multi-stakeholder group is required to reconcile payments and receipts and produce a country report. The country report is then debated and recommendations made and implemented for improvement.

Notes

¹ EITI Secretariat. (March 2019) EITI Fact Sheet, 2019. Retrieved from www.eiti.org on 24th July 2019.

² Benjamin K. Sovacool, Gotz Walter, Thijs van de Graaf, and Nathan Andrews, 2016, 'Energy Governance, Transnational Rules, and the Resource Curse: Exploring the Effectiveness of the Extractive Industries Transparency Initiative (EITI)', *World Development*, 83, pp. 179-192

³ This deadline was agreed in February 2008 as a response to the slow implementation in many candidate countries. Olcer, p. 14

⁴ EITI Secretariat. (March 2019). History of EITI. How it all started, Where we went and where we are. Retrieved from www.eiti.org on 24th July 2019.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid

⁸ Ibid

⁹ Ibid

¹⁰ Ibid

2.0 The 2019 EITI Standard and Key Elements

The EITI Standard 2019 was produced for the 8th EITI Global Conference in Paris, France, held in June 2019 on the theme: “Open Data, Build Trust”.¹ The Standard was formally launched by the outgoing EITI Board Chair, Fredrik Reinfeldt. The 2019 EITI Standard represents a further evolution in transparency.² The focus is on making disclosure and open data a routine part of government and corporate reporting, providing information to stakeholders in a timeframe and format that can support its widespread use in analysis and decision making. It created *new transparency requirements on environmental reporting and gender balance* among other new issues. It is considered a more refined and more comprehensive Standard.

2.1 Elements

The EITI Standard 2019 has the following new elements:³

Environment: The environmental impact of the extractive industries is a focal point of public debate. The 2019 EITI Standard has reiterated that the EITI should cover material environmental payments by companies to governments, and encourage disclosures of contextual information related to environmental monitoring.

Gender: The 2019 Standard requires Multi-Stakeholder Groups (MSGs) to consider gender balance in their representation and disclose employment data by company, gender, and occupational level. It also addresses gender considerations in the dissemination of EITI data, and encourages MSGs to document how they have taken gender considerations and inclusiveness into account.

Mainstreaming transparency: The 2019 EITI Standard continues to shift the focus from publishing EITI reports toward encouraging systematic and more nuanced disclosure, opening up new opportunities for MSG discussion and oversight. The Global Conference is showcasing progress in this area.

Contract transparency: In many EITI implementing countries, contracts signed by the state and companies establish the fiscal terms that determine how much tax is paid for resource extraction. The 2019 Standard requires disclosure of contracts signed after 1 January 2021. MSGs will be expected to integrate contract disclosure into their EITI work plans.

State participation and commodity trading: The EITI Board agreed to strengthen the disclosure requirements regarding state participation, transactions related to state-owned enterprises and quasi-fiscal expenditures. Working together with commodity traders, the EITI also improved its requirements regarding the disclosure of “first trades”, i.e. the sale of the state’s share of production or other revenues collected in kind.

The Standard also reinforces the implementation guidelines on EITI governance principles. Chapter one of the Standard covers the implementation of the standard and outlines the EITI principles, EITI requirements, EITI Board oversight role, validation processes, civil



society participation, expectations from EITI supporting companies and open data policy. Chapter two addresses EITI governance and management principles which include the articles of association. These aspects covered in chapter one and two are summarized below.

EITI Principles: The twelve principles were agreed to during the 2003 Lancaster House Conference in London which laid out the general aims and commitments by all EITI stakeholders. The principles document constitutes the “Cornerstone” of the EITI.⁴

EITI Requirements: These are the requirements which must be adhered to by countries implementing the EITI. The requirements include:⁵

- (i) **Pre-admission formalities:** Government commitment, company engagement, civil society engagement, systematic disclosure feasibility study or addressing opportunities for systematic disclosures, establishment of MSG, internal governance rules and procedures, agreement on an EITI workplan, and submission of a EITI application to the EITI Board.⁶
- (ii) **Legal and institutional framework,** including allocation of contracts and licenses;
- (iii) **Exploration, production and sale/export** of oil, gas, and minerals;
- (iv) **Revenue collection:** complete disclosure of company payments and government revenues, sale of State’s share of production or other revenues collected in kind, infrastructure provisions and barter arrangements, transportation revenues, transactions made by State-Owned Enterprises (SOEs), subnational payments (e.g. royalties and other payments made to local governments and other sub-national authority structures), level of disaggregation, data timeliness, and data quality of the disclosures;
- (v) **Revenue allocations:** distribution of revenues, subnational transfers, and management and expenditures of revenues;
- (vi) **Outcomes & impact:** public awareness about, understanding of, what the figures mean; public debate about how resource revenues can be effectively used; open data and accessibility; review of outcomes and impact of EITI processes on society.

Board oversight of EITI implementation: This section outlines time frames that implementing countries must adhere to, consequences of non-compliance with EITI requirements, and outcomes/consequences of validation.

Overview of validation: This is intended to assess compliance with EITI requirements. Validation provides stakeholders with impartial assessment of progress in EITI implementation toward meeting EITI Standards. It follows a validation guide.

Participation of civil society: The protocol on civil society participation specifies requirements and expectations about civil society participation in EITI implementation processes, so as to “*produce more relevant, more reliable and more usable information,*



and better link [the information] to wider reforms in the governance of the extractive sector or... management of public accounting and revenue management.”⁷

Expectations for EITI-supporting companies: These include declared support for EITI principles, promoting transparency throughout the extractive industries worldwide, public disclosure of taxes and payments, and support for operationalisation of countries’ decisions to disclose future licenses and contracts that govern the exploration and exploitation of oil, gas and minerals.

Open data policy: This requirement recommends open data in the implementation of the EITI within the agreed scope of EITI implementation at the national level. It seeks to improve transparency in government and business activities and increase awareness about how countries’ natural resources are governed, shedding light on *who owns extractive companies, who holds licenses and permits, what the relevant fiscal terms are, and what extractives revenues are levied and spent.*⁸ Countries are encouraged to follow open data policies.

EITI governance & management: This entails, and depends upon, articles of association; EITI openness policy; constituency guidelines; and the code of conduct for all EITI Board members, their alternates, members of the EITI association, national and international secretariat staff, and members of MSGs.

Notes

¹ EITI, 2019, The EITI Standard 2019, Oslo: EITI International Secretariat.

² EITI Secretariat. (June 2019). EITI Launches 2019 Standard. Retrieved from www.eiti.org on 24th July 2019.

³ Ibid, p.1

⁴ The principles have been outlined and made easy to understand. See ACODE, 2018, Extractive Industries transparency initiative (EITI): Understanding the principles and Benefits, Kampala: ACODE

⁵ See EITI Standard, 2019 Chapter1 for detailed requirements.

⁶ The Board reviews the application, while the Secretariat works with an assigned government official to clarify any outstanding issues. The Board’s Outreach and Candidature Committee makes a recommendation to the EITI Board on whether a country’s application should be accepted, and the EITI Board meeting decides on admission, establishes deadlines for the country to publish its first EITI Report and undertake Validation (in 18 months from admission)

⁷ EITI Standard 2019, p. 44

⁸ Ibid. Author’s emphasis



3.0 The Role of Parliament in the Implementation of EITI

3.1 The role of Parliament

Legislative bodies, such as elected Councils, Parliaments, Houses of Representatives and of Lords, Congresses and Senates, play legislative, representative, and oversight roles, through which they engage their countries executive, bureaucracies, judicial, and coercive institutions. The *legislative role* is concerned with making and/or reforming laws. The *representative role* consist representation of interests of electors and lobby groups from their constituencies. *Oversight* is performed to ensure that executive organs of government perform in accord with the national interest. While these functions are crosscutting, the extractive industry is most appropriate for these roles for it necessitates developing and enforcing *rules* of natural resource exploitation in natural-resource-rich countries. Understanding these roles enables the legislature to enhance the industry's benefits to the national economy and mitigate the damage, upon the environment, society, and economy, arising from extractive industry operations.

The legislative role

Petroleum and mining laws, regulations and guidelines are vital pieces of legislation in the industry. They are intended to open investments in new extractive areas, encourage private sector development in selected extractives sectors, or exclude investor interest in given areas. The legislature participates in *drafting, reviewing, debating, consultations about, and passing laws*.

Exclusion of interest is based on the desire to *ring-fence* certain areas from investments, reserve it for local/domestic investors, and/or *prevent investor rush in areas where government is not yet prepared to invest*, such as *exploitation of sensitive minerals like uranium* or oil and gas from *highly-sensitive, rich biodiversity, or conservation areas*. Legal frameworks specify *how* private corporations operate in the country's extractives industry and *whether or not to subscribe to EITI processes*.

The legislature can make *laws requiring companies to disclose the revenue they earn as a condition for being listed on stock exchanges*. This *strengthens the implementation of EITI principles* by enshrining it in the law. EITI principles are not yet fully integrated in extractives industry Ugandan laws and Parliament has the mandate to do it.

Uganda's oil and gas policy promised to "ensure collection of the right revenues and use them to create lasting value for the entire nation" by, among others, participating "in the processes of the Extractive Industries and Transparency Initiative (EITI)"². None of the laws attendant to this policy provides for EITI.³ Even the *Public Finance Management Act, 2015*, *does not compel Uganda to* "participate in the processes of the [EITI]" as the National Oil



and Gas Policy had promised.⁴ Lack of a compelling clause in the petroleum and mining laws creates an incentive for non-implementation of EITI principles.⁵



Parliament can make laws that enhance transparency and accountability. Source: ACODE, 2018

Laws can **specify procedures and rules** for granting concessions, conditions for exploitation, and payment of royalties and taxes. This is contained in Uganda’s oil and gas laws⁶, and in Mining Regulations, 2004. The **legislature also ensures that other laws reflect cognizance of the relationship with extractive industry processes**: corporate tax laws, employment laws, laws on environment, conservation, management of natural resources, land-use planning and management, and local content, all have implications for extractive industry management. Through lawmaking function, legislature can **support legal-reform processes** to create an environment that is suitable for an accountable and transparent extractives industry. **Reforming laws** enables the legislature to coordinate with different government entities to address gaps in existing laws, which **supports implementation of EITI**. **Comprehensive legislations**, which create a coherent legal and regulatory framework for the implementation of EITI processes at national level, can emerge through law making function of the legislature.⁷



The representative role

This is played through the broad spectrum of legislation or lawmaking, but goes beyond law making. Representation consists of bridging the gap between the government, private sector, and civil society. It entails ensuring that the voices, preferences, interests, fears and apprehensions of the public are brought to the executive, private companies and bureaucracies, and that, in turn, these “voices” are articulated, heard, respected, and responded to. Legislators representing constituencies where oil, gas, and minerals are located have a direct interest: Member of the Ugandan Parliament from Karamoja, Albertine Graben, Rwenzori Region, Mubende, Bugiri-Namayingo and Lwera-Masaka, where oil and gas and mining activities of different levels and permutations are taking place, come to mind.

The legislature can conduct public hearings, interviews with media, constituency outreach, consultative engagements with researchers, and other methods, in order to assess utilization of extractive revenues in accordance with EITI. Citizen feedback is then incorporated into policy making, budgeting, and lawmaking around the extractives industry. This increases public awareness about the challenges and opportunities associated with utilization of extractive revenues in their respective areas.⁸ These processes can be conducted by the whole Parliament or Committee of Parliament, or by constituency MPs facilitated to do so or on their own in order to enrich individual contributions to legislations related to revenue management.

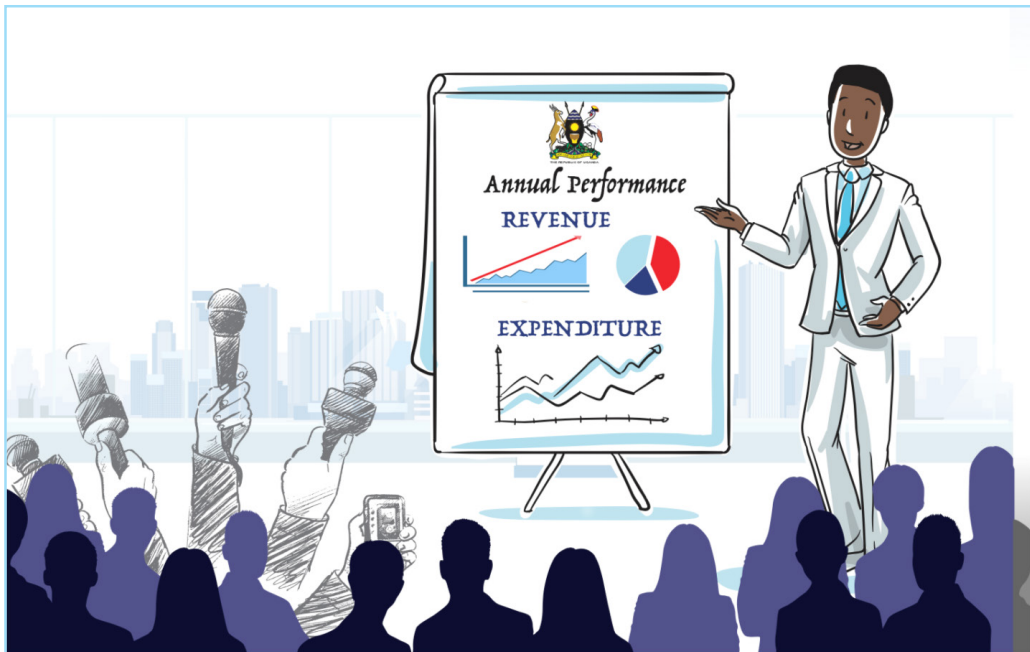
Key to representation is consensus building. In multi-party Parliaments, the legislature ensures that consensus is generated among the different parties, whether or not they are represented in Parliament, about extractives revenue allocation. Without consensus, budgeting and revenue allocation, as well as appropriation policies and laws, are as uncertain as the political terrain itself. This may increase business-risk considerations by private-sector investors while blocking civil society engagement in EITI processes. Consensual rules are also crucial for crafting a long-lasting and multi-dimensional exit strategy from an extractives-industry activity that threatens to dominate the economy, such as oil and gas sector.⁹

The oversight role

In democratic regimes, legislatures scrutinize the executive and address recommendations of the judiciary about executive malfunctions, gaps and ambiguities in laws and legal proceedings about EITI processes. This is called “exercising oversight” over the implementation of EITI-related frameworks and commitments. It is done to almost all state entities to boost performance, accountability, and responsiveness to people’s needs. The oversight role includes conducting parliamentary inquiries in company disclosures about payments and taxes, and in government revenue and expenditure disclosures related to EITI processes, and/or responding to executive-initiated processes, such as



reports by executive-assigned inquiries. Parliament can also initiate a process leading to an Inquiry in any processes in order to enforce compliance with EITI standard.



Parliament can make inquiry into government revenue and expenditure. Source: ACODE, 2018

Involvement in monitoring and evaluation of ongoing extractives processes ensures that commitments under EITI, and attendant laws, are implemented in accordance with national and international standards. This ensures legal consistency of operations, proper accountability for public funds, and appropriate investment of extractives revenues. The legislature can use such tools as: the *question period*, where MPs interface with representative of the Executive; *committee hearings*, where MPs interface with technical and policy leaders; *recommending* reform based on committee work; *raising issues* derived from EITI monitoring and validation.



Notes

¹ Republic of Uganda, 2008, *National Oil and Gas Policy for Uganda*, Kampala: Ministry of Energy and Mineral Development, Obj. 6, pp. 25-26. This policy, now more than 10 years, and should be evaluated and/or reviewed.

² See: Republic of Uganda, 2013a, *Petroleum (Exploration, Development and Production) Act 2013*, Act Supplement No. 3 (April), Entebbe: Uganda Printing and Publishing Corporation (UPPC); Republic of Uganda, 2013b, *Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act*, 2013, Act Supplement No. 4 (July), Entebbe: UPPC.

³ See: Republic of Uganda, 2015, *Public Finance Management Act, 2015*, Act Supplement No. 2 (March), Entebbe: UPPC

⁴ This is besides possible similarities, if any, between EITI Principles and some provisions in Uganda's extractive-industry governance frameworks. Since EITI principles were articulated in 2002, Uganda's Mining Act of 2003 mentions nothing about the EITI. See: Republic of Uganda, 2003, *The Mining Act 2003*, Entebbe: UPPC; Republic of Uganda, 2004, *The Mining Regulations, 2004*, Statutory Instruments No. 71/2004, Supplement No. 38 (November), Entebbe: UPPC

⁵ See: (a) *Petroleum (Exploration, Development & Production) Act 2013*; and (b), *Petroleum (Refining, Conversion, Transmission & Midstream Storage) Act*, 2013.

⁶ World Bank, *Op Cit*, p. 6

⁷ *Ibid*, p. 7

⁸ Sabastiano Rwengabo, 2017, *Efficiency, Sustainability and Exit Strategy in the Oil and Gas Sector: Lessons from Ecuador for Uganda*

4.0 The Role of Civil Society and Extractive Companies

4.1 The role of civil society

Civil Society Organisations play a critical role in building productive, vibrant and transparent oil and gas and mining sectors, through: mobilization and dialogue with industry-affected communities; policy research, advocacy and informed stakeholder engagement; lobbying, sponsorship, activism and petitioning of relevant actors on most-pressing issues, such as violation of land, property and livelihood rights during extraction processes. Other roles entail: representation and articulation of people's views, interests, fears and concerns to relevant stakeholders; legal representation, through legal aid broadly conceived; mobilization, utilization of resources to enrich partnerships, joint efforts and collaborations with different stakeholders; and engagement of regional and international development partners, lending institutions, arbitral and adjudicative tribunals on extractive-industry processes that require their attention.

In the EITI processes, CSOs can play several roles:

EITI codes: Development, domestication, of international multi-stakeholder codes in accord with EITI principles [(viz Voluntary Principles on Security and Human Rights in the Extractive Sector (VPSHR))]



Civil Society can play an important role of stakeholder consultations. Source: <https://www.gsa.europa.eu/newsroom/news/sign-h2020-space-programme-stakeholder-consultation-and-raise-your-voice>



EITI structures: Establishment of, and participation in, activities of, country EITI working groups—such as national Multi-Stakeholders Working Group (MSWG), which governs the country’s EITI processes

EITI rules: Drafting, review, and/or reform of EITI legislation.

Multi-stakeholder engagement: Ensuring coordination and regular interface with CSO Liaison Officers in Government agencies and companies, membership to steering committees, and consolidating the symbiotic relationship between different stakeholders.

Issue articulation: Identify, publicize, and articulate major issues of public interest that are central to the EITI process.

Agenda setting for EITI process: Ascertain issues relating to EITI mandate in the country and using the issues as premises for national and international engagement with multinational corporations (MNCs) and government to improve transparency and accountability via the EITI process.

Public/civic education: Through outreach programs, workshops, conferences, road shows, and town-hall meetings, info-sheets, brochures, television and radio talk-shows, social-media engagements, so as to inform the [otherwise illiterate, uninformed, uninterested, and marginalized members of the] public on issues of transparency and accountability in the industry and to reach areas and constituents who may view state activities with suspicion and trepidation due to loss of government legitimacy.

Agents of change, social mobilization: in respect to EITI and extractive-industry processes, through mobilization of public opinion to support EITI processes and extractive-industry developments, acting to influence policy formulation and legislative processes, engaging in protests, writing petitions, and representing the voiceless.

Monitoring: Extractive policies, processes, and reporting objectively, comprehensively, concisely, and in a community-based and people-centered manner, to reveal facts that can improve governance of the industry.

Advisory role: Through the provision of impartial advice to EITI management/board, state agencies and extractive-industry MNCs.

Whistle-blowing: By exposing all problems related to transparency and accountability in the oil and gas and mining sectors, whether it relates to contracting and licensing, payments by companies, revenues generated or transmitted to government, management and expenditure of revenues, and more. Whistle-blowing also entails *exposing areas where the EITI is failing*, showing why and by whom, and what may be done to revive the process and/or improve it—using adequate information, integrity, and competence.

Field observation & monitoring: Together with EITI secretariat/board officials—including budgeting, projects design, EIAs and ESIs, stakeholder consultations, community-engagement conferences and meetings, and revenue expenditure plans.

Feedback and reporting on EITI: As part of the core attributes of the EITI process in order to inform stakeholders of CSO engagement with the process—that is, promoting intra-EITI and extra-EITI transparency and accountability.



4.2 The role of extractive companies

Extractive companies or Multi-National Companies (MNCs) play an important role in the EITI processes. Such companies can do the following:

Supporting legislations on prudent use of extractive revenues: It is in the interest of MNCs to ensure that extractive revenues are properly managed, as reflected in relevant laws, to increase public beneficial from the industry. When states fail to provide services and development to citizens, citizens become disaffected with the extractives industry. This erodes the relationship between MNCs and citizens, which worsens business-risk ratings, stock-market positioning, and business security.

Extractive companies can support legislation by contributing to:

- **EITI codes:** Companies take an active part in developing intra-national EITI rules which govern the activities of MSG and other EITI stakeholders.
- **EITI structures:** Companies are part of EITI country working groups—such as MSWG—which govern EITI processes.
- **EITI laws:** In case of new legislation on EITI, or reform of existing laws to reflect EITI principles, companies are consulted and inform the content of new laws.

Stakeholder engagement: Interface with government, shareholders, funders, CSOs, international institutions, and the public, enriches relations with stakeholders. This is achieved by employing Stakeholder Liaison Officers, membership and/or joining EITI committees, and joining monitoring teams.

Articulation issues: Identify, publicize, and articulate issues that affect the EITI process.

Agenda setting. Companies can contribute to ensuring that country EITI processes reflect and/or are consistent with international EITI principles.

Public education: Through CSO and media engagements, MNCs inform the public about their policies and practices that reflect transparency and other EITI values.

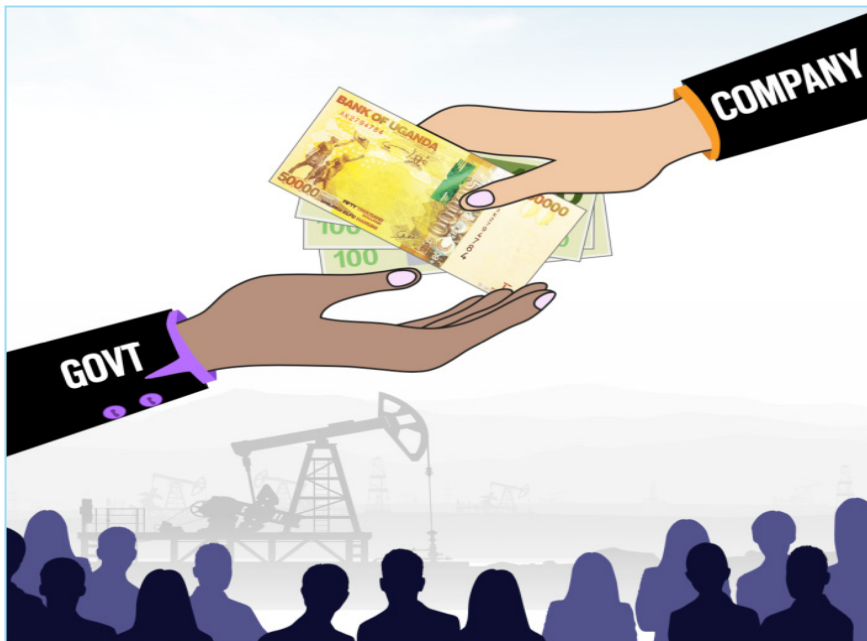
Revenue disclosure and openness: Companies are required to pay appropriate taxes, royalties, benefits. Payments to Government and other entitled actors should be disclosed, and based on actual revenues, so as to increase public awareness about government revenue. Collusion with corrupt officials may fuel non-disclosure of profits and non-payment of tax revenues, and other levies, denting company image.

Support independent monitoring: Cooperating with independent monitoring of oil and gas and mining operations enables CSOs and independent monitors to uncover possible information needed to promote accountability and transparency. This enhances company image, easing responses to challenges facing the EITI process. Companies are required to support these efforts.

Respect contracts and laws: Companies enter contractual obligations to exploit natural resources, make profits, pay taxes, employ citizens, develop local capacity, transfer technology, and promote domestic innovation, invention and creativity. There are other laws the respect of which has direct implications for company operations. Well-meaning



companies respect their contractual obligations and relevant laws to prevent costly conflicts with different stakeholders.



Companies are required to pay revenue to government and make full disclosure. Source: ACODE, 2018.

Support Global EITI: Extractive companies and MNCs in EITI-implementing countries are expected to support global efforts to promote EITI in the extractives industry in order to achieve worldwide standardization of transparency and accountability in the extractives industry.

Notes

¹ See: Eghosa Osa Ekhaton, 2014, 'Civil Society in Africa: The Roles of Civil Society Organizations in The Extractive Industries Transparency Initiative in Nigeria', *International Journal of Not-for-Profit Law*, 16, no. 2, pp. 47-52



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About ACODE:

ACODE is an independent public policy research and advocacy think tank registered in Uganda. Its mission is to make public policies work for people by engaging in contemporary public policy research, community empowerment to demand for improved service delivery and advocacy. ACODE has for the last four consecutive years been ranked in the Global Go To Think Tank Index as one of the top think tanks in the world.



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