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THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE: A NECESSITY FOR UGANDA

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Source: ACODE Digital Library, 2010

The Extractive Industries Transparency Initiative (EITI) is an independent, internationally agreed upon, voluntary standard for creating transparency within the extractives sector. A brainchild of the British government, EITI was launched in June of 2003 as a way to tackle corruption within those industries that engage in the commercial development of oil, natural gas, and minerals. When a country joins EITI, it agrees to publicly disclose the money it receives from the extractive companies that operate within its borders. EITI does this by having independent auditors publicly reconcile company payments with government receipts. Ideally, such transparency helps empower all major stakeholders, including civil society, to hold governments and oil companies accountable for the management of those resources. As DFID puts it, "By reducing the opacity of transfers, it [EITI] cuts the opportunities for funds to be misappropriated."[1]

EITI is a transparency program that targets corruption in the extractives sector. Under EITI, companies publish what they pay, and governments publish what they receive. The receipts are independently audited and released to the public.

—EITI Fact Sheet

1 For information on DFID's work with EITI, see http://webarchive.nationalarchives.gov.uk/+/http://www.dfid.gov.uk/Working-with-DFID/Funding-opportunities/Business/Extractive-Industries-Transparency-Initiative EITI/. Accessed November 14, 2011

In principle, the Ugandan government has already committed itself to joining EITI. The National Oil and Gas Policy for Uganda, which the government finalized in 2008, explicitly directs the government to join the Initiative, and mentions it as a way to help "ensure collection of the right revenues and use them to create lasting value for the entire nation," and as a way of "ensuring development and harmonization of accounting standards in oil and gas activities."[2] In October of 2011, Uganda's Parliament passed a resolution re-affirming the need to join EITI.

Yet despite these stated commitments, as of November 2011 Uganda has made little progress (if any) towards joining EITI. Currently, Uganda is not yet even considered an EITI candidate, which means that the government has yet to complete the five steps necessary to formally begin the process of joining. The fact that the government hasn't yet begun this process is all the more glaring, not just because of the goals put forward within the National Oil and Gas Policy, but also because Uganda's Albertine neighbor to the west, the Democratic Republic of Congo, is already on its way to EITI compliant status, despite being much less further along in the oil exploitation process than Uganda itself.[3]

Why is EITI important for Uganda?

One of the theories underpinning EITI is that increased transparency will lead to better governance—or at the very least, will make it more difficult for private companies and government officials to engage in behavior that hinders good governance. Insofar as Uganda is concerned, joining EITI will provide the following benefits:

- EITI can help strengthen budget monitoring and oversight. In recent years, EITI's reports have helped citizens and legislators throughout the world understand how much money their governments collect. In 2005, in instance, EITI in Nigeria managed to uncover approximately US$560 million in back taxes and royalties that oil companies owed the government.[4]

- EITI can promote transparency and ideally curtail incidences of corruption in an industry that has been the target of numerous international anti-bribery prosecutions. According to a recent study by the research and consulting firm, Ernst & Young, oil and gas companies accounted for 18 percent of all prosecutions under the U.S. Foreign Corrupt Practices Act, making it the industry with the greatest proportion of bribery charges in the United States.[5]

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- EITI can help reduce secrecy and mistrust between governments, citizens, and oil companies. In many oil-producing countries, secrecy in the extractive sector has heightened suspicion among citizens who assume that such secrecy exists to hide corruption on the part of government officials and/or oil companies. EITI can help create forums for dialogue, understanding, and resolution that

2 The first reference to EITI appears as an action step under Objective 6 (iii) of the Policy. The second reference appears as a responsibility of the Ministry Responsible for Finance, Planning and Economic Development (7.2.6.1 [b]).
3 For information on DR Congo's status within EITI, see http://eiti.org/DRCongo. Accessed November 14, 2011

4 EITI. "Impact of EITI in Africa: Stories from the ground." Available at http://eiti.org/files/EITI%20Impact%20in%20Africa.pdf. Accessed November 15, 2011
5 Ernst & Young (May 9, 2011). "Oil and gas sector most at risk from investigation under the UK Bribery Act, warns Ernst & Young." Available at http://www.ey.com/UK/en/Newsroom/News-releases/Assur---11-5-9---Oil-and-gas-sector-most-at-risk-from-investigation-under-the-UK-Bribery-Act. Accessed November 15, 2011.

illuminate the sector for all players involved.[6]

- EITI can also help create an improved investment climate for those countries that participate. Among other things, participating in EITI can signal to investors and international financial institutions that the government is committed to greater transparency and the rule of law.

- EITI helps oil companies demonstrate the contribution that their investments make to the countries in which they work. The Initiative can also help demonstrate the contribution of the resource to the economy as a whole.

While Tullow Oil and Total both publicly support EITI, the other three companies operating in Uganda—CNOOC, Neptune/Tower, and Dominion—do not.

6 EITI. "Impact of EITI in Africa: Stories from the ground."

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