

# CHAPTER 4 – [www.eisourcebook.org](http://www.eisourcebook.org)

## 4.4 Transparency Initiatives

The past ten years have seen a significant proliferation in transparency forums and initiatives focusing on the EI sector.<sup>1</sup> EI transparency has been a regular item on the agenda of UN agencies, country groupings (such as the G8), and regional groupings (such as the New Partnership for Africa's Development (NEPAD)). However, in terms of dedicated EI sector transparency initiatives, there are currently four major, but varied forums that have been developed and each approaches the subject from a slightly different platform. They include the Publish What You Pay (PWYP) campaign, the Extractive Industries Transparency Initiative (EITI), the Kimberley Process Certification Scheme (Kimberley Process), and the World Bank Governance of Extractive Industries (GOXI) online platform. Each is described below.

**Kimberley Process.** Established in 2003, the Kimberley Process<sup>2</sup> was one of the very first initiatives to use transparency requirements to track so-called 'blood diamonds' (rough diamonds used by rebel movements to finance wars against legitimate governments) and restricting their import from states where they were used to support conflict. Under this scheme, member states can certify their diamonds as conflict-free before entering the international market. This initiative was developed from UN resolutions aimed at limiting conflicts and atrocities linked to diamonds in states such as Angola, Cote d'Ivoire, Sierra Leone, and the Democratic Republic of Congo (DRC).<sup>3</sup> It has provoked controversy in its implementation with opinions differing on its effectiveness (**Box 4.3**).

**Kimberley Process.** Established in 2003, the Kimberley Process<sup>4</sup> was one of the very first

**PWYP Campaign.** Established in 2002, the PWYP<sup>5</sup> campaign is an international coalition of civil society organizations from more than 650 organizations in over 30 states that undertakes public

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<sup>1</sup> World Bank (2010). *The World Bank Group in Extractive Industries: 2010 Annual Review*. Washington, D.C.: World Bank Publications, p. 18.

<sup>2</sup> *Kimberley Process Certification Scheme* (Kimberley Process) website. Available at: <http://www.kimberleyprocess.com> (last accessed 7 March, 2016).

<sup>3</sup> It must be recognized the Kimberley Process has not been without its setbacks, such as the 2011 arguments over the scheme's approval of resumption of selling diamonds from the Marange mines in Zimbabwe: this decision was condemned by both the EU and the US.

<sup>4</sup> *Kimberley Process Certification Scheme* (Kimberley Process) website. Available at: [www.kimberleyprocess.com](http://www.kimberleyprocess.com) (last accessed 5 December 2013).

<sup>5</sup> *Publish What You Pay (PWYP)* website. Available at: <http://www.publishwhatyoupay.org> (last accessed 6 March 2016).

campaigns and policy advocacy to achieve greater transparency in EI revenue reporting and contracts. Its two main goals have been: (1) to encourage companies to publish what they pay and for governments to publish what they earn as a necessary first step towards a more accountable system of resource revenue management; and (2) to encourage public disclosure of EI contracts and transparency of licensing procedures in accordance with best international practice.

**EITI.** Established in 2003, the EITI<sup>6</sup> is a voluntary, multi-stakeholder initiative intended to promote accountability and good governance in resource-rich states through the generation and publication of credible data on payments made by EI sector companies to host state governments. The number of petroleum and mining states compliant with or candidates for the EITI is now 44 (March 2014). Committed stakeholders include host and home governments, investors, industry, international organizations, and civil society. Its operation in relation the EI Value Chain is illustrated in **Figure 4.4**. Criteria for compliance with the EITI process have been agreed (**Box 4.4** below), and procedures for validation of country performance have been established and are currently being applied (see **Figure 4.5**).

The EITI was essential in turning around EI sector administration in Nigeria and provided the framework for NEITA. Other countries such as Azerbaijan, Ghana, Liberia, and Norway have also achieved EITI compliance and there are many candidate countries working toward satisfying the EITI standard.<sup>7</sup> EITI reports from the recently confirmed EITI compliant Peru show that since the country began implementing the initiative, reported figures on revenues received from EI projects has increased six-fold, a testament to the positive benefits of transparency and a boon to Peruvian citizens.<sup>8</sup> However, important gaps remain among non-signatories in the energy and mining sector: Russia, Venezuela, and most Middle East producing states.

Moreover, after more than a decade of operation, expectations of EITI's future contribution to transparency and accountability and to extractive sector governance more widely are a matter of debate. Transparency is of course not an end in itself. However, in terms of the transparency that the EITI had achieved, one interesting outcome is the volume of data that is now available in its reports. If properly analysed, they offer the potential for contributing to policy-making and public debate. This is discussed in **Section 4.7** below.

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<sup>6</sup> EITI website: <https://eiti.org/> An EITI factsheet is available at: <https://eiti.org/document/factsheet> (last accessed 6 March 2016).

<sup>7</sup> Id.

<sup>8</sup> "President Humala: Transparency and EITI Needed to 'Heal the Wounds' in Peru", EITI website. Available at <http://eiti.org/new-events/peru-president-says-eiti-needed-to-heal-the-wounds> (last accessed 5 December 2013).

#### Box 4.4: EITI Criteria in Brief

1. prudent use of natural resource wealth as an engine for sustainable economic growth;
2. effective management of resource wealth by sovereign governments;
3. regular, easily accessible publication of payments made and revenues received;
4. recognition of the fluctuation of benefits of resource revenue streams due to price volatility and the need of governments to manage such;
5. transparency of government and corporate financial management and accounting of EI revenues, including credible audit of payments and revenues;
6. accountability of the government to all citizens for resource revenue management
7. disclosure of all EI payments to a host country;
8. greater transparency in the context of both contracts and laws; and
9. engagement of civil society and all stakeholders in seeking solutions to problems stemming from EI sector projects.

It should be noted that this is an abbreviated version of the Criteria; unabbreviated criteria are also available (..).

Figure 4.4: EITI and the Natural Resource Value Chain



Figure 4.5: EITI Process



**GOXI.** As of April 2015, GOXI membership was approaching 3,400. GOXI is “a space to share, learn and connect for action towards greater accountability and, in turn, better development outcomes of extractive industries.”<sup>9</sup> For this greater accountability, enhanced transparency is a vital precursor, and hence transparency functions alongside accountability as the core focus of the GOXI. While the initial focus of GOXI was Africa, it is now a truly global initiative. The EI Source Book website and the GOXI website are strongly aligned and mutually supporting in terms of content, links, and shared understanding.

**Public-Private Alliance for Responsible Minerals Trade (PPA).** This is a new, joint initiative among governments, companies, and civil society to support supply chain solutions to conflict minerals challenges in the Democratic Republic of Congo (DRC) and the Great Lakes Region (GLR) of Central Africa. Leaders worldwide are calling for action to address conflict mineral concerns while delivering solutions that benefit those involved in responsible minerals trade in the Great Lakes Region. The PPA aims to demonstrate that it is possible to secure legitimate, conflict-free minerals from the Great Lakes Region;

**Fair Trade.** Specifically operating in the context of ASM, Fair Trade has been defined as "a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade." The Communities and Small-Scale Mining (CASM) document Certification and Artisanal & Small-Scale Mining, considers a detailed analysis of ASM in the context of Fair Trade, including practical detailing steps for community-based mining engagement and drivers. The report considers issues of: definition; extent; participation; certification; and next steps.

<sup>9</sup> UNDP/World Bank, *Governance of Extractive Industries* (GOXI) website. Available at: <http://goxi.org> (last accessed 6 March 2016).