

Global oil and mining transparency initiative arrives at key deadline

Many countries yet to overcome validation hurdle

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LONDON — Twenty out of 22 countries have not met the two-year deadline they were given in 2008 to complete external verification of their progress under the Extractive Industries Transparency Initiative (EITI), a voluntary multistakeholder initiative which aims to increase transparency of natural resource revenues. Validation, as the process is known, is a critical quality assurance mechanism which underpins the credibility of the EITI. Progress in different countries varies but a large question mark now hangs over the EITI's effectiveness as an international standard for improving transparency and accountability in the oil, gas and mining industries, said global civil society coalition Publish What You Pay (PWYP) today.

Revenues from natural resources are critically important in more than 60 developing and transition countries. Opaque and unaccountable natural resource management can lead to corruption and mismanagement of what should be a source of economic prosperity and development. The EITI was established to ensure that revenue payments to governments from oil, gas and mining companies are fully disclosed to the public via the publication of a national EITI report so that citizens can check how the money is managed and reduce the risk of corruption and misuse.

“The EITI board established this deadline to provide a clear timeframe for each country to show how far it has come in implementing the EITI's Principles and Criteria,” said Radhika Sarin, PWYP International Coordinator and member of the EITI's multistakeholder board. “Although many countries are working hard to implement the EITI, without effective external verification, citizens are left wondering what the EITI is doing for them.”

Today's deadline, adopted by the EITI board largely as the result of civil society pressure, has undoubtedly focussed attention. Many countries have seen a spike in activity leading up to the March 9 deadline while in others a lack of political will has been a major barrier to progress. PWYP coalition members, who serve as local watchdogs for the EITI and participate actively in national EITI multistakeholder groups, are pressing for full adherence to the EITI's Principles and Criteria which include a commitment to civil society being able to work freely and without fear of interference or threats.

Liberia and Azerbaijan completed their validation processes within the deadline and have been designated as EITI compliant countries. Another eight countries have submitted draft validation reports to the EITI board. These countries are Mongolia, Gabon, Timor Leste, Kazakhstan, Cameroon, Kyrgyzstan, Ghana and Nigeria. Many of these draft reports have already undergone board review which is an essential step before they can be finalized. A further seven countries are at earlier stages of the validation process. The remaining five countries have not started validation.¹

Many of the countries facing the 9 March 2010 deadline have applied for extensions in order to complete their validation process. Decisions on these requests will be made by the EITI's board at its next meeting on 15-16 April 2010. Based on the evidence presented in the final validation report, the EITI board will deem whether a country is or is not compliant with the EITI's Principles and Criteria.

¹ See accompanying table for an overview of where countries with the 9 March 2010 deadline stand in the validation process.

Although the total number of EITI countries has risen to 32 this year, not all resource-rich countries have signed up to implement the initiative. PWYP believes that complementary mandatory measures are needed which do not only depend on the political will of the host country. Such measures include stock market listing requirements and international accounting standards that will strengthen and advance the agenda of resource revenue transparency.

One measure is the Energy Security through Transparency Act (ESTT) which was introduced in the United States Senate in September 2009 and would require oil, gas, and mining companies to disclose payments to all host countries in which they operate. PWYP is also campaigning for strong disclosure requirements to be introduced into a new international accounting standard which is under review this year. It is also becoming clear that transparency is needed in other areas to ensure citizens get a fair deal and benefit from their country's natural resources. Open licensing procedures, contract disclosure and a clear picture of how revenues are being spent are equally crucial.

"The EITI is at a crossroads. The way that EITI stakeholders handle this difficult situation is under great scrutiny. The PWYP coalition has worked tirelessly at making the EITI as robust as possible within the limitations of a voluntary initiative. PWYP, as a key stakeholder in the process, has a clear expectation that the board, in its approach towards the assessment of extension requests, will apply the EITI rules in a fair, equitable and transparent way which also protects the integrity of the EITI," Ms Sarin said. "Post-conflict Liberia was able to complete its validation process ahead of time due to support and ownership of the EITI at the highest levels. Similar levels of commitment are needed in all countries to ensure they too can credibly overcome the validation hurdle."

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Publish What You Pay (PWYP) is a global civil society coalition with over 300 member groups which work together for greater transparency and accountability in the oil, gas and mining industries.

www.publishwhatyoupay.org

PWYP has developed a short guide looking at 10 common questions and answers related to EITI Validation. Please see www.publishwhatyoupay.org

EITI countries given a deadline of 9 March 2010 in 2008 for completion of Validation process

Countries which have not commenced Validation process	Countries which have commenced Validation process but have not submitted a draft Validation report to the EITI board	Countries which have submitted a draft Validation report to the EITI board	Countries which have completed Validation process
Yemen** Sierra Leone** Madagascar** Sao Tome & Principe** Guinea*	Mali Mauritania Niger Peru Congo DR Congo Equatorial Guinea	Mongolia Gabon Timor-Leste Kazakhstan Cameroon Kyrgyzstan Ghana Nigeria	Azerbaijan Liberia

Information correct as of 9 March 2010

* As of 18 December 2009, Guinea has voluntarily suspended from the EITI for a period of up to one year.

** Country has not published a national EITI report reconciling company payments and government revenues. The production of a national EITI report is the central product of a country's EITI process.