

Improving Transparency and Accountability in the Extractives Sector: the Extractive Industries Transparency Initiative (EITI)

WHAT IS EITI?

The EITI is a coalition of governments, companies, civil society groups, investors and international organizations. The EITI Board and the international Secretariat are the guardians of that methodology, both of which sit in Oslo, Norway. Implementation itself, however, is the responsibility of individual countries. The EITI, in a nutshell, is a globally developed standard that promotes revenue transparency at the national level.

The Initiative was launched by the UK's former Prime Minister Tony Blair in 2002 in recognition that countries dependent on oil, gas, and mining are often susceptible to conflict, corruption, and poverty. It seeks to address these problems by increasing accountability between governments, civil society, companies and citizens. Its ultimate aim is to ensure that the revenues from extractive industries contribute to economic growth, sustainable development and poverty reduction.

As a global standard (supported by 28 countries worldwide), EITI requires governments and companies to publish a reliable statement of what the companies have paid to governments, and what the governments have received from those companies. The regular provision of quality information enables 'checks and balances' on the institutions within and outside government to hold the agencies that collect extractive industry revenues accountable. Once an EITI country report is out, there will be questions on how its data compare to budget execution data the government submitted to parliament - this encourages a government to become accountable, especially with regard to its fiscal planning and policy. The ultimate gain should result in improved economic performance, political stability and investment climate. Improved accountability and transparency in the mining sector has great potential to lessen the suspicion and tension between government, industry and communities.

HOW TO IMPLEMENT?

Implementation of the EITI results in regular publication of extractive industry reports. To get there, several steps (criteria) must be taken to achieve international **candidate** and **compliant** status:

- I. 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.
- II. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.

- III. 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.
- IV. This approach is extended to all companies including state-owned enterprises.
- V. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes toward public debate.
- VI. 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, timetable for implementation, and an assessment of potential capacity constraints.

A country that has fully and to the satisfaction of the EITI Board met the four sign-up criteria becomes a **Candidate** country. It then has two years to be validated as a **Compliant** country.

Periodically, EITI implementation in the country will have to be validated against the EITI Criteria, for which authorities (e.g. EITI committee and Government of Sierra Leone) must hire an independent Validator.

The steps required to become a Compliant country are:

- * The country needs to appoint a credible, independent administrator
- * The country needs to disclose and disseminate information on all the material revenues received by Government from the oil, gas and mining sectors.

Status of EITI Implementation in Sierra Leone

Sierra Leone announced its intention to implement EITI in June 2006. A steering committee was established including industry, government and civil society and an official launch of the Sierra Leone EITI was held in June 2007. Sierra Leone's EITI is only focused on mining; as such the Law Reform Commission has included a legal provision in its review of the Mines and Minerals Act. The EITI Committee is giving serious consideration to including the forestry sector like its neighbor Liberia. A work plan was agreed by the steering committee in February 2008. Sierra Leone was accepted as an EITI candidate country on 22 February 2008 and has until 9 March 2010 to undertake validation.

Key EITI Contacts in Sierra Leone

SLEITI National Coordinator and Focal Point
Hon Alpha Bakarr Sahid Kanu
Minister of Presidential and Public Affairs
State House
Freetown

Allison George
World Bank
13a Howe Street
Freetown