

Publish What You Pay and the Extractive Industries Transparency Initiative: A comparison of their approach to revenue transparency

Publish What You Pay (PWYP)

Extractive Industries Transparency Initiative (EITI)

1. What is it?

PWYP an international campaign led by a coalition of non-governmental organisations from over 50 countries, launched in June 2002 by Global Witness, CAFOD, Oxfam, Save the Children UK, Transparency International UK and George Soros, Chairman of the Open Society Institute.

The **EITI** is an international multi-stakeholder initiative that was prompted by the PWYP campaign and then announced by UK Prime Minister Tony Blair at the World Summit for Sustainable Development in Johannesburg, September 2002. The EITI is now convened primarily by the Department for International Development (DFID)

2. What is its objective?

The PWYP campaign calls for the mandatory disclosure of tax, fee and royalty payments made by oil, gas and mining companies to governments for the extraction of natural resources on a country-by-country basis. This is a necessary first step towards a more accountable system for the management of revenues in resource-rich developing countries, and for the reduction of poverty and corruption in these places.

The EITI aims to increase transparency over payments by companies to governments and government-linked entities in countries heavily dependent on extractive industries, as well as transparency over government revenues in those host countries.

3. Who is participating?

Over 230 non-governmental organisations working in the fields of international development, poverty alleviation, human rights, corporate social responsibility and environmental protection are members of the international PWYP coalition.

The EITI is a multi-stakeholder initiative involving multinational and state-owned extractive companies, host governments, home governments, business and industry associations, international financial institutions, investors and civil society groups.

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4. What kind of approach?

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PWYP calls for adjustments to existing company law, accounting standards, stock market listing rules, and lending conditions of financial institutions and banks, such that both multi-national and state-owned companies are required to disclose their revenue flows to governments. PWYP believes that disclosure on an individual company basis is necessary for corporate accountability reasons and to allow civil society and other observers to properly cross-check company data with government revenues.

Extractive Industries Transparency Initiative (EITI)

The EITI takes a voluntary, country-by-country approach whereby host governments are encouraged to adhere to the principles and objectives of the initiative and to implement the reporting guidelines. Donors and the international financial institutions provide capacity building and technical assistance to support countries willing to implement EITI. Thus far in the EITI process, the aggregation of company payments at country levels has been generally accepted as the norm.

5. Strengths and Weaknesses of both approaches

PWYP appeals for a level playing field that would enable companies to disclose without being exposed to any competitive risks at country levels. The various "cocktail" of mechanisms would capture both multinational and state-owned companies.

It is difficult to harmonise and coordinate all the various different mandatory approaches to transparency on an international level such that all companies are required to disclose coherently and consistently. Some options alone, e.g. stock market listing rules, could competitively disadvantage some companies (however, this is why PWYP calls for the cocktail of mandatory mechanisms to be incorporated into the EITI process).

The voluntary approach depends on political and business will to a significant extent. Whilst this may succeed in some countries where such will exists, often political and business elites have vested interests in lack of transparency over revenues, and therefore the EITI approach would not render any results or meaningful change within a reasonably short timeframe.

If a government does decide to implement the EITI, the process has local ownership. The rewards from donors and the international community would be plentiful and improve the country's international standing. However, once again this depends on whether a government is genuinely open to greater transparency.

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6. What actions are being taken to achieve their objectives?

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PWYP continues to work towards the implementation of the various international policy “cocktail” of mandatory mechanisms through individual lobbying efforts and public/media advocacy. PWYP is also in dialogue with EITI stakeholders to push for these measures to be incorporated into the EITI process. This would involve regulators overseeing financing of the extractive industries and accounting standards being involved in policy development to promote a more systematic approach to revenue transparency worldwide.

Extractive Industries Transparency Initiative (EITI)

The EITI, led by the UK Government and IFIs, is working at country levels to implement reporting guidelines consistent with the EITI principles, agreed between each host government and companies working in the countries, and along with support from civil society, international institutions and other relevant players.

The UK Government along with some of its G8 allies, other donor countries and the IFIs are encouraging resource-rich developing countries to implement the EITI and offering incentives and support.

7. Results so far

Both Publish What You Pay and the Extractive Industries Transparency Initiative have the support of the G8, international financial institutions (IMF, World Bank, EBRD), the European Union, the industry and its representative bodies, and many parliamentarians from across the world.

PWYP has established national NGO coalitions in several resource-rich developing countries, including Congo-Brazzaville and Nigeria, with other key partners in Angola, Azerbaijan, Cameroon, Kazakhstan etc. lobbying their national stakeholders and promoting the issue of transparency in the public and media. Such coalitions are also active across Western Europe and in the USA.

PWYP has been successful in pushing for the World Bank to introduce revenue transparency conditionality into its financing of extractive industry investments by its private sector arms, the IFC and MIGA.

Currently, several countries are implementing the EITI, namely Azerbaijan, Ghana and Nigeria, whilst others are actively working towards it, such as Kyrgyzstan, Gabon, Timor Leste and Trinidad & Tobago. Others in the Gulf of Guinea region of Africa are considering their next steps. There has been very little progress in Latin America and South East Asia and no indication that any Middle East or North African country will seriously consider implementing in the near future.