

## factsheet 01



## The EITI sets a global standard for revenues from natural resources

3.5 billion people live in countries rich in oil, gas and minerals. With good governance, the exploitation of these resources can generate large revenues to foster economic growth and reduce poverty. However, when governance is weak, such resource revenues may result in poverty, corruption and conflict. The EITI (Extractive Industries Transparency Initiative) aims to strengthen governance by improving transparency and accountability in the extractives sector.

The EITI is a global standard that promotes revenue transparency. It has a robust yet flexible methodology for monitoring and reconciling company payments and government revenues at the country level. Each implementing country creates its own EITI process which is overseen by participants from the government, companies and national civil society. The international EITI Board and the International Secretariat are the guardians of the EITI methodology internationally.

## EITI implementation leads to a wide range of benefits

**Governments** benefit from following an internationally recognised transparency standard that demonstrates commitment to reform and anti-corruption, leading to improvements to the tax collection process and enhanced trust and stability in a volatile sector.

**Companies** benefit from a level playing field in which all companies are required to disclose the same information. They also benefit from an improved and more stable investment climate in which they can better engage with citizens and civil society.

**Citizens and civil society** benefit from receiving reliable information about the sector and a multi-stakeholder platform where they can better hold the government and companies to account.

**Energy security** is enhanced by a more transparent and level playing field. This increased stability encourages long-term investment in production – and thus improves the reliability of supply.

The EITI standard has two main elements:

Companies publish what they pay and governments publish what they receive in an EITI Report.

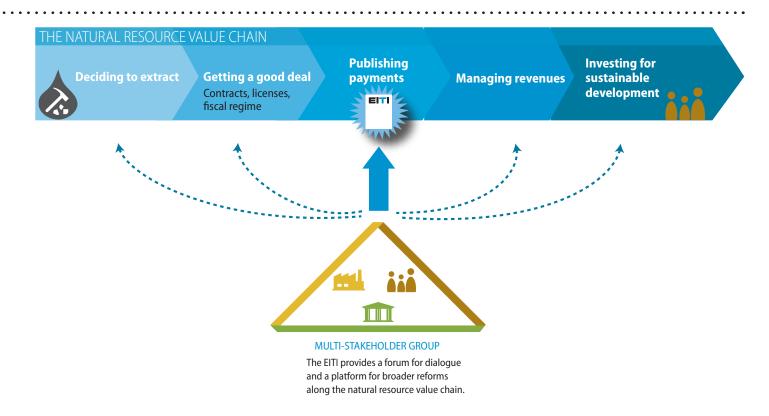


This process is overseen by a multi-stakeholder group of governments, companies and civil society.



The EITI standard is a robust mechanism that ensures transparency of revenues from oil, gas, and mining.

Yet, it is flexible and encourages adaptation to national circumstances and to other areas of the natural resource value chain.



#### EITI CONFERENCE STAKEHOLDERS Including Members' Meetings Implementing and supporting countries EITI BOARD (Key decision-making body for Companies and EITI – meets about 3 times a year) investors EIT MULTI-DONOR TRUST FUND Civil society (administered by the World Bank) INTERNATIONAL organisations SECRETARIAT

#### The global governance of the EITI reflects its multi-stakeholder nature

The EITI is overseen by the international EITI Board, chaired by Rt Hon Clare Short.

The Board consists of representatives from governments in countries implementing the EITI, extractive companies, civil society groups, investors, and supporting country governments.

The highest governing body is the Members' Meeting at the EITI Global Conference.

The latest conference in was held in Paris in March 2011.

To retain EITI Compliance:

# Implementation of the EITI process is assured by independent 'EITI Validation'

To become an **EITI Candidate**, a country must meet five sign-up requirements. It then has 1.5 years to publish an 'EITI report' that reconciles what companies say that they pay in taxes, royalties and signature bonuses, with what governments say they have received. To achieve **EITI Compliant** status, a country must complete an **EITI Validation**. It provides an independent assessment of the progress achieaved and what measures are needed to strengthen the EITI process.

If the international EITI Board considers a country to have met all EITI requirements, the country will be recognised as **EITI Compliant**. If a country has made good progress, but does not meet all of the EITI requirements, it may apply to retain its Candidate status. Where no meaningful progress has been achieved, the Board will revoke the country's EITI status.

The 21 EITI Requirements and the EITI Validation methodology are set out in the EITI Rules, which is available at the EITI website.

### In order to apply for EITI Candidacy:

#### SIGN-UP REQUIREMENTS

- The government is required to issue an unequivocal public statement of its intention to implement the EITI.
- The government is required to commit to work with civil society and companies on the implementation of the EITI.
- 3 The government is required to appoint a senior individual to lead on the implementation of the EITI.
- 4 The government is required to establish a multi-stakeholder group to oversee the implementation of the EITI.
- The multi-stakeholder group, in consultation with key EITI stakeholders, should agree and publish a fully costed work plan, containing measurable targets, and a timetable for implementation and incorporating an assessment of capacity constraints.

#### Before the end of the EITI Candidacy period:

#### PREPARATION REQUIREMENTS

- The government is required to ensure that civil society is fully, independently, actively and effectively engaged in the process.
- 7 The government is required to engage companies in the implementation of the FITI.
- 8 The government is required to remove any obstacles to the implementation of the EITI.
- The multi-stakeholder group is required to agree a definition of materiality and the reporting templates.
- 10 The organisation appointed to produce the EITI reconciliation report must be perceived by the multi-stakeholder group as credible, trustworthy and technically competent.
- 11 The government is required to ensure that all relevant companies and government entities report.
- 12 The government is required to ensure that company reports are based on accounts audited to international standards.
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#### **DISCLOSURE REOUIREMENTS**

- Companies comprehensively disclose all material payments in accordance with the agreed reporting templates.
- **15** Government agencies comprehensively disclose all material revenues in accordance with the agreed reporting templates.
- 16 The multi-stakeholder group must be content that the organisation contracted to reconcile the company and government figures did so satisfactorily.
- 17 The reconciler must ensure that that the EITI Report is comprehensive, identifies all discrepancies, where possible explains those discrepancies, and where necessary makes recommendations for remedial actions to be taken.

#### **DISSEMINATION REQUIREMENTS**

The government and multi-stakeholder group must ensure that the EITI Report is comprehensible and publicly accessible in such a way as to encourage that its findings contribute to public debate.

#### **REVIEW AND VALIDATION REQUIREMENTS**

- Oil, gas and mining companies must support EITI implementation.
- The government and multi-stakeholder group must take steps to act on lessons learnt, address discrepancies and ensure that EITI implementation is sustainable. Implementing countries are required to submit Validation reports in accordance with the deadlines established by the Board.

### RETAINING COMPLIANCE REOUIREMENTS

21 Compliant countries must maintain adherence to all the requirements in order to retain Compliant status.

# 35 countries are already well underway in implementing the EITI

14 countries are now EITI Compliant:
Azerbaijan, Central African Republic,
Ghana, Kyrgyz Republic, Liberia, Mauritania,
Mali, Mongolia, Peru, Nigeria, Niger,
Norway, Timor-Leste and Yemen. 21 other
countries have achieved EITI Candidate
status: Afghanistan, Albania, Burkina Faso,
Cameroon, Chad, Democratic Republic of
Congo, Republic of Congo, Côte d'Ivoire,
Gabon, Guatemala, Guinea, Indonesia, Iraq,
Kazakhstan, Madagascar, Mozambique,
Sierra Leone, Tanzania, Togo, Trinidad and
Tobago and Zambia.

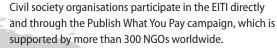
29 of these countries have disclosed their payments and revenues in an EITI Report. Several other countries, including the United States of America, have signalled their intent to implement the EITI and are working towards meeting the sign-up indicator requirements.

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## 60 of the largest oil, gas and mining companies are committed to supporting the EITI

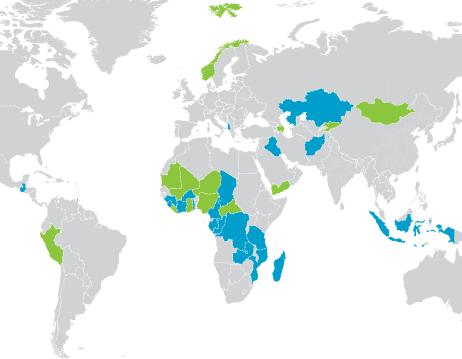
60 of the world's largest oil, gas and mining companies support and actively participate in the EITI process – through their country operations in implementing countries, international-level commitments and industry associations. The EITI has won the support of over 80 global investment institutions that collectively manage over US \$16 trillion.

A broad coalition of governments, civil society and international organisations supports the EITI



International organisations supporting the EITI include the World Bank, International Monetary Fund and the Regional Development Banks.. These organisations provide technical and financial support to implementing countries, and support EITI outreach.

A number of governments support the EITI including Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States. These governments provide political, technical and financial support, both internationally and at the country level. They also provide financial support through direct bilateral support to EITI implementing countries or through a multi-donor trust fund managed by the World Bank. The EITI has also been endorsed by the United Nations, G8, G20, African Union, the International Organisation of La Francophonie and the European Union.



Compliant countries

Candidate countries

To learn more, visit the EITI website www.eiti.org, sign up to the EITI Newsletter and follow us on Twitter @EITIorg.