

Long WORKSHOP REPORT FORM

Number and title of workshop:

WS 2.4: From the Underground to the Sunlight. Ensuring Transparency of the Extractive Wealth

Coordinators: Francois Valérian, Transparency International

Date and time: Friday, 12 November, 9-11am

Moderator: Francois Valérian, Transparency International

Rapporteur: Ann-Sophie Schmitt, Intern, GTZ Anticorruption and Integrity Programme

Panellists

Peter Eigen, Chair EITI
Juan C. Quiroz, Revenue Watch Institute
Eduardo Bohorquez, Managing Director, TI Mexico
Baiba Rubesa, Head of Corporate Social Responsibility, Statoil
Isabel Manilla, Director, Publish What you Pay, USA
Gabriele Zoeller, Federal Ministry for Economic Cooperation and Development, Germany

Summary

The context of the 14th International Anti-Corruption Conference in Bangkok gives us the possibility, to get informed about the topic of Corruption and to collect further experience and knowledge concerning the fight of Corruption. This workshop's Intention was to bring more light into the specific and complex topic of Corruption in the extractive industries.

We all know, that the extractive sector is one of the main fields for big Corruption and it therefore is a very important task, to fight this and to propose strategies to overcome the stumbling effects.

EITI was founded in this sense, to enhance more transparency in the extractive sector. EITI is working for the necessary interaction between the exploring industries, the governments of the specific countries as well as civil society organisations. EITI is bringing the different parties together in order to create a multi-stakeholder engagement and to produce an effective value sharing in the extractive industries sector as well as to guarantee the free access to information.

Despite the efforts of the EITI-Initiative, corruption in the extractive industries nevertheless stays a very complex and difficult challenge. The workshop of today likes to inform about the challenges EITI is confronted with, but above all, by having invited panellists of all three sections involved in the extractive industries process, representatives of civil society as well as from the extractive industries and governments, it likes to facilitate mutual learning and likes to demonstrate once more, that mutual accountability is one of the most important tasks concerning the fight of Corruption.

The aim is to find solutions concerning the challenges of anti-corruption measures and to strengthen the opportunities of multi-stakeholder engagement by producing strategies to overcome specific obstacles. The concrete objectives are:

- a) Produce strategies to overcome the effects of corruption on human security, climate governance, natural resources and energy markets and in the corporate world
- b) Propose strategies to overcome the stumbling blocks impeding effective multi stake holder engagement
- c) Find solutions to implementation challenges of anti-corruption instruments from a global to local level
- d) Showcase and facilitate effective partnership building and collective action
- e) Incorporate new actors and innovative strategies in the fight against corruption
- f) Map out and assess emerging trends and future scenarios in the fight against corruption
- g) Enrich the global debate by showcasing the experiences of the host country and the region.

Summary of presentations

Peter Eigen, Chair of EITI, highlighted the process and work of EITI and pointed out the actual position of the EITI-Initiative. EITI is a coalition of governments, civil society groups and international organisations as well as of investors, consisting actually of 5 compliant and 27 candidate countries. To get a compliant member of EITI, countries have to fulfill a specific catalogue of principles, inter alia the commitment to publish all payments and financial receipts, as well as being reviewed and evaluated via an external validation process and thorough the EITI-board, consisting of EITI-members, organisations of civil society as well as investors. Furthermore, he mentioned the importance of a further awareness raising process in general, to clarify to all stakeholders how important mutual accountability and the freedom of information for all parties are. In conclusion, Eigen pointed out, that it is very important for the future of EITI to continue with the settlement of agreements between the different stakeholders, to improve those and to create an equivalence between mandatory and voluntary attempts, in order to overcome the given barricades and risks.

Juan C. Quiroz from the Revenue Watch Institute, presented the latest Revenue Watch Index (RWI) 2010 and described the specific value given by this Index, considering that only 29 out of 41 countries provide limited public information on their natural resource sector and only 5 countries (Colombia, Liberia, Peru, Timor-Leste and the USA) provide their contracts in full. The RWI describes how much the 41 governments disclose publically about the money they receive for oil, gas and minerals exploitation, and about contracts and other basic data. Quiroz was emphasizing the importance of this ranking, as it corresponds to the most important step in achieving transparency and in order to overcome obstacles in the fight of corruption in the extractive sector: the disclosure of information. Moreover, it is not only given to civil society the possibility to get informed and to identify major weaknesses in the countries they are operating, but the RWI also serves as a very important control tool for governments and investors to get informed about the progress forward or backwards amongst themselves. But Quiroz also mentioned the problems correlated to the Index and its need for further improvement. As a consequence, he recommended that governments should continue to publish regular and timely reports on their income and on the management of the oil, gas and mining sector, also in reference to their state-owned companies operations and finances. Furthermore, corresponding to Quiroz, it is of highest importance to continue to convince governments that they might publish their contracts, but above all, governance mechanisms themselves have to be enforced and monitored to be effective.

Eduardo Bohorquez is the Managing Director of TI Mexico and gave in his talk specific information about the improvement of the information access in countries of Latin America, particularly Mexico. Mexico passed a Freedom of Information Act in 2002, and as a consequence, further similar tools got developed and many countries in LA followed the

Mexican example. However, there is the basic trend in thinking, that all relevant issues, especially concerning the specific field of fiscal transparency, are already sufficiently covered, which is after Bohorquez in fact not the case. To make progress in regard to this specific situation in LA, Bohorquez points first of all the necessity of a global and not only national reference of the named measures in the area of fiscal transparency out, as the extractive industry is engaged in an international context. Furthermore, there have to be developed more tools in order to get an even more effective framework to achieve transparency in the extractive industries. But above all, the countries of LA need to get away from the only theoretical and discussion based status and have to start to act systematically in terms of real freedom of information. That means, that in order to precipitate freedom of information, civil society on the one hand has to use the given instruments and rights, but on the other hand, governments have to answer frankly to peoples questions and correspond to the democratic principles concerning the freedom of information.

Gabriele Zoeller, Federal Ministry for Economic Cooperation and Development, Germany, represented the position of the German government and explained the motivation of the German Government to support the EITI-Initiative. She pointed out that it is of highest importance to continue the already started process, as it is of every stakeholders' interest to achieve confidence and transparency, and the EITI is working perfectly as a catalyst for reforms and is therefore a stepping stone to good governance. Moreover, she named as a successful outcome of the EITIs work an initiative of the German Government, started three years ago: the German Government hosted a conference on transparency in the extractive sector and thereby created great interest and the will of cooperation between the different stakeholder groups.

Baiba Rubesa, Head of Corporate Social Responsibility, Statoil, demonstrated as a representative of the industrial sector, in which ways it is possible, also on the part of the extractive industry, to play a responsible and transparent role in the whole EITI-Initiative. Rubes showed, in which ways Statoil as a Norwegian state company accomplished the tasks of achieving transparency: by publishing amongst others since 2008 an annual report on all financial revenues. Moreover Rubes emphasized the specific importance of the contribution of the oil sector to more transparency in order to establish a general confidence between the different stakeholders and especially towards civil society. Nevertheless it is clear, that the oil industry is settled in a very competitive environment, therefore it is a difficult task to balance between the goals of the companies to gain big success on the one hand, and to correspond to the disclosure of information and the need to be transparent on the other hand. Corresponding to Rubes, the main goal of the future rests to detect that equivalence between these two parts, always recognising the importance of governments and civil societies role in general; and ultimately, being aware of the fact, that transparency itself also should not be overestimated, as it is only one important component in the whole process.

Murilla, Director of Publish What You Pay, USA, enriched the workshop by presenting the position and hitherto achievements of civil society organisations, namely "Publish What You Pay." As most important success concerning the engagement of PWYP in order to push for more transparency in the extractive sector, Murilla named the Cardin-Lugar Provision in the Dodd Frank Act of the USA. The initiative towards this Law Act was started 5 years ago and Murilla underlines the results of this campaign as very important outputs for NGO's to strengthen and expand EITI processes in implementing countries in general. And there is moreover a very important effect for parliamentarians included, because it helps them to hold ministries of energy and minerals to account and to help them to push for contract transparency. One of the most important contributions of this law is furthermore, that it will help to contribute to the development of a new global standard for oil, gas and mining disclosure. But to achieve this, it is after Murilla very important, that other markets will adopt similar laws, which in fact stays a critical point, especially in regard to those companies not covered by the US legislation. Ultimately, Murilla mentioned a started initiative at the EU-level, which despite of the still existing obstacles, is a further important step towards mandatory transparency in the extractive sector: the EU has launched a public consultation on country-by-country reporting, with a deadline settled on 22 December 2010.

Main Outputs (200 words, narrative form)

As main outputs can be held that It is highly important to continue the updating of tools such as the RWI, as well as not only use it as a tool for civil society, but also extend it to governments and companies.

The case studies of Latin America demonstrate that it is in general important to continue to develop tools, because the more tools you have, the more effective you can enhance progress and the more specific you can react towards a specific country context in order to create more transparency. Moreover, it is important to get aware of the missing links: who is using information and what kind of dialogue is needed. Ultimately, it is very important to get into the specific operating areas of the different stakeholder groups in order to detect in which ways there has to be progressed and which specific adaptations of the instruments and mechanisms are needed.

Recommendations, Follow-up Actions

For the future and to guarantee further success of the EITI-Initiative, it is important to continue to develop guidelines to strengthen the cooperation between the different stakeholder groups in order to achieve effective multi-stakeholder engagement. This means, that it is essential to sensitize governments and companies concerning the fact, that transparency in the budgetary process serves to all of the different parties, as it creates confidence and control mechanisms for each area itself. Another recommendation is that the already existing tools and the already existing knowledge have to be updated and there have to be developed further tools and strategies to enhance the transparency process (see conclusions of case studies in Latin America-the more tools, the more the whole process can be strengthened). But most of all, there has to be started to USE these tools, as they are for example giving the important opportunity for countries to compare what other countries are undertaking concerning the achievement of Transparency in the Extractives (RWI-Index, TI-Indexes, PWYP action outcomes etc.).

Highlights

In the following discussion, representatives of Anti-Corruption Institutions as well as of NGO's of natural resources countries were interested in how to implement the described instruments on the national level. It became evident, that there is great interest in getting a Candidate member of EITI and that there is highest recognition of the work of the EITI- Initiative.

Specific examples such as the Cardin-Lugar provision in the Dodd-Frank Act, as well as the explained action undertaken by side of the oil-companies such as statoil (annual reporting etc.), demonstrate the effective work by EITI and the already achieved linkages between the different stakeholder groups and therefore demonstrate how EITI-standards are implemented or followed, as well as multi-stakeholder engagement was already and can be prospectively created.