Building Transparency and Accountability in the Oil Industry in Africa: What Next for the Extractive Industries Transparency Initiative (EITI)?
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ABSTRACT

This paper seeks to contribute to the debate about EITI’s effectiveness and future. In particular, it assesses EITI’s track record in sub-Saharan Africa, and analyses whether and how the multi-stakeholder initiative can remain relevant, particularly in this post-Arab Spring era. The relevance of these questions derives from two main findings: 1) that all across Africa, citizens and civil society groups are becoming more vocal, and are forcing gradual change in the debate on and actual management of their natural resources; but 2) that as the Arab uprisings and anti-corruption movement show, these changes and debates are, for the most part, taking place outside the EITI platform. These findings emanate from desktop research and field visits undertaken between January 2008 and January 2013.
The issue of oil-led development has wider implications for sub-Saharan Africa. Since the mid-1990s, several economies from the region have experienced high growth rates thanks largely but not solely to their natural resources, and in particular, oil. As participants at a recent meeting on Africa’s economic growth remarked, the resources boom experienced in the sub-continent has sustained and/or increased governments’ tax receipts and revenues, attracted investment in the sector and the region, and to some extent, cushioned the effect of the global financial crisis in the region. Furthermore, the resources boom has done something fundamental; it has challenged the perception that African countries, especially resource-rich ones, cannot grow substantially or are likely to grow slower than their resource-poor peers over a period of time.

The “resources story” as most enthusiastic commentators and investors see it, has a flipside, and this is that human development has been slow to catch up. In fact, the most recent United Nation’s Human Development Index shows that in 2011, sub-Saharan Africa continued to have the lowest aggregate level of human development indicators. Take the case of Nigeria, sub-Saharan Africa’s largest oil exporter. Ranked 156 out of 187 countries in the index, it has an average life expectancy at birth of less than 52, and up to 60 percent of its population - almost 100 million people - are living in poverty. According to analysts, these conditions represent the most fitting illustration of the phenomenon known as the “resource curse” or the “paradox of plenty” caused in part by political and economic governance deficits.

EITI was created more than ten years ago as a response to this complex issue and as a policy tool that could stimulate or encourage the effective management of natural resource revenues for pro-poor development. In essence, it is an international standard-setting multi-stakeholder initiative comprising governments, companies, investors, civil society and international organizations. Its main thrust is that by strengthening transparency of natural resources, this “can reduce corruption, and that the revenues from extractive industries can transform economies, reduce poverty and raise the living standards of entire populations in resource-rich countries”. However, has it achieved its much touted developmental outcomes? If not, where does its future lie?

This paper seeks to contribute to the debate about EITI’s impact and future. In particular, it assesses the EITI’s track record in sub-Saharan Africa, and analyses whether and how the multi-stakeholder initiative can remain relevant, particularly in this post-Arab Spring era. The relevance of these questions derives from two main findings: 1) that all across Africa, citizens and civil society groups are becoming more vocal, and are forcing gradual change in the debate on and actual management of their resources.

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1 The meeting, “Africa Africa’s Economic Growth: Transitional or Transformative?”, was held at Chatham House, London, United Kingdom, on April 20, 2012. See the meeting summary online, at http://www.chathamhouse.org/sites/default/files/public/Research/Africa/200412summary.pdf.
2 R. Khan, Regional Head of Research, Standard Chartered, speaking at the aforementioned conference.
7 EITI Article of Association, Article 2.2.
8 The paper is part of a doctoral study on oil governance in Angola that received funding from Coventry University and the Funds for Women Graduates (FFWG).
natural resources; but 2) that as the Arab uprisings and the anti-corruption movement - the two latest cases in point - show, these changes and debates are for the most part, taking place outside the EITI platform.9

The article considers whether, and to what extent African civil society organizations and citizens groups have built on the initiative to demand more transparency and accountability from their governments, as well as extractive industries (EI) corporations operating in the sub-continent. It also looks at the innovative methods through which these groups are showcasing their self-agency, using among others, the unexpected case study of Angola. The final section of the article reflects on these and proposes a way forward.

**EITI - The What and How**

EITI is a voluntary, multi-stakeholder initiative (MSI), contingent upon governments meeting five sign-up requirements in order to gain “candidate” status: 1) committing to implement EITI; 2) committing to work with civil society and the private sector; 3) appointing an individual to lead on the implementation of EITI; 4) since 2011, establishing a multi-stakeholder group (MSG) with representatives from governments, companies and civil society, which should oversee the implementation of EITI; and 5) in connivance with other stakeholders, producing a fully-costed work plan containing measurable targets and a timetable for implementation, and incorporating an assessment of capacity constraints.10

Once countries earn their “candidate” status, they should go through the following process. First, governments should require EI companies - private or state-owned - to make public all material revenues paid to them, including in-kind payments, infrastructure provisions and barter-type arrangements made to or with the host country government. They must then record these payments and entrust an independent and credible administrator to reconcile the figures disclosed by both government and companies applying international auditing standards, albeit not defined; publish the reconciliation report and opinions on any discrepancies that may have occurred and as of July 1, 2011, do so within 18 months. Finally, once the MSG has evaluated the information provided, an external organization/individual or “validator” is tasked to verify or “validate” the reports and produce a validation report.11

Under EITI Rules, 2011 edition, validation should be completed within two and a half years from the date of the country’s admission as a candidate country. The governance of this process is overseen by an international board comprising an independent chair, an international secretariat and five representatives from each stakeholder group, namely, implementing countries, civil society organizations, and industry and investment companies. Its implementation is funded through a country’s government, a World Bank-managed Multi-Donor Trust Fund, or by multilateral and bilateral donor agencies.

EITI has gained high international visibility and consolidated its status as a global standard-setting initiative, due in part to the high-level endorsement received from investors, the G8 and G20 member states and major donors such as the World Bank. More importantly perhaps,

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9 These findings are drawn from desktop research on, and field visits in, Angola, Cameroon, the Republic of Congo and Nigeria between January 2008 and January 2013. As such, the reader should be mindful of the fact that the author speaks entirely from her experience of these countries, and recognizes that these findings may be different in other contexts.

10 [http://eiti.org/eiti/implementation/signup](http://eiti.org/eiti/implementation/signup)

is its acceptance among producing states. As of January 25, 2013, EITI had 70 oil, gas and mining participating companies, among which 24 are oil companies; and 37 member countries, of which 18 are compliant countries and 19 candidate countries.

Assessing the Effectiveness and Future of EITI: A Few Notes

This paper argues that EITI has not brought the societal transformation that was arguably its much touted objective. To be sure, this is not a new finding. The same point was made in a 2011 evaluation, and in subsequent blogs posted on the International Secretariat’s website. One of the factors that pushes this issue right to the forefront of discussions on resource governance now, and actually demands more attention than it seems to be receiving, is the current revolutionary wave that has been sweeping across the Middle East and sub-Saharan Africa. Whilst not romanticizing this popular movement, there is no doubt indeed that it has wider implications for current governance approaches promoted by initiatives such as EITI. In particular, the fact that the most dramatic changes happened in countries like Libya and Egypt - non-EITI member states, whose repressive governments were somewhat accommodated, increases the importance of the question about the relevance and future of the MSI.

In their - largely state-centric - analysis of the challenges of measuring the effectiveness of transparency, Gillies and Heuty of Revenue Watch Institute (RWI) argue that “EITI countries cannot be compared with those producers that stay out.” This paper disagrees fundamentally with that argument. Taking a people-centered approach, it argues instead that it is precisely because of the reasons and events cited above, and because of the increasing political instability experienced in places like Mali and Nigeria, both EITI implementing countries, that EITI’s standard setters need to start thinking outside the EITI box, in order to build on the progress made in the social arena by others, more so, by some of its intended beneficiaries.

One point Gillies and Heuty rightly make, and one the reader should be mindful of though, is that transparency tends to be tracked alongside other governance reforms and as such, it is difficult to attribute gains made solely to transparency initiatives.

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15 Ibid.

16 Ibid.
trigger for national debates about the use of natural resources for pro-poor development and broader reforms. To reflect these perceptions, the paper therefore treats the changes mentioned here as a consequence, albeit indirect, of EITI and/or the public discourse about its benefits.

**Assessing EITI’s Track Record:**

**Positive Outcomes Raising Hope**

One of the greatest successes of EITI is that through its multi-stakeholder approach, it has enabled governments, companies, and civil society - that would not otherwise be sitting or

**Figure 1** The impacts of transparency on the political economy of decision-making in resource-rich countries.

Source: Gillies and Heuty, 2011.
want to sit around the same table - to debate on matters of public interest. Although this approach offers the promise of benefits for each of the aforementioned stakeholder groups, EITI’s “win-win” model presents governments and citizens of resource-rich countries as its primary beneficiaries.

There is, in effect, enough evidence to suggest that African citizens have benefited greatly from the initiative, notably through civil society’s participation in the EITI process and the embrace of the oil revenue transparency agenda in general. For example, citizens have benefited from the increased availability in the public domain of EIT data, which was previously considered to be a matter of national security in some contexts. However, it is clear that this information would not be meaningful without the support of African civil society. Indeed, ever since the inception of the debate and implementation of EITI in Cameroon and Congo-Brazzaville, organizations such as RELUFA and RPDH have been monitoring and evaluating EITI reports; disseminating information about these as well as general information about natural resources - mostly through posters,17 drama, roadshows; and organizing awareness campaigns in order to mobilize the public to demand accountability. The African media is also increasingly showing a keen interest in issues related to extractive industries, even though coverage of such matters tends to be irregular, sometimes biased, and the jargon used often too technical for the “man on the street.”18

These activities have contributed to create more awareness around extractive industries and strengthen the voice of civil society. They have also enhanced civil society’s legitimacy among the populace and its reputation vis-à-vis its EITI “partners” - especially in places like Ghana where decisions at the national steering committee are reached by consensus and not by voting; or in Chad where they are elected following several consultative meetings of the CSOs.19

EITI: A Platform for Broader Reforms?

EITI promoters claim that EITI can serve as a platform for broader governance reforms. Interestingly, some African civil society activists agree. A Congolese activist noted for instance, that:

“... This democratization of information on income is leading to more accountability from the government vis-à-vis citizens. It is true that accountability is not yet radical, in the sense that the government has put in place some mechanisms to show that it governs in an effective manner (...). However, there is still a way to go, because these structures do not yet have the independence and efficiency needed to establish effective accountability (...) All things considered, the critical mass of data available in the public domain in Congo, through initiatives such as EITI, should allow elected officials to demand accountability. Moreover, the freedom of speech of citizens, who no longer hesitate to speak publicly, reminds us of the appropriation of this topic by a great number.”20

There is also a sense that the effect of EITI goes beyond EITI implementing countries. This is certainly the view of a number of Angolan and international activists, who believe that

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17 RELUFA’s poster on how much Cameroon gains from its natural resources can be found at [http://www.relufa.org/partners/jhnewsletter/documents/BDRELUFAA44ANGLAIS-LIGHT.pdf](http://www.relufa.org/partners/jhnewsletter/documents/BDRELUFAA44ANGLAIS-LIGHT.pdf)


21 Communication with the author, August 31, 2012; author’s translation.
the debate on the potential benefits of joining the EITI for Angola, and the international transparency campaign in general, is in part behind the increase of transparency in public financial management in the country.\textsuperscript{22}

**Challenges... But the Tide is Turning**

As expected, EITI’s stakeholders have had different expectations of the MSI, and often divergent - normative and material - interests influenced by their own “sector-specific rationales.”\textsuperscript{23} Unfortunately, these self-interest motives turned out to be much stronger than the common goal pursued through the EITI process, and subsequently led to detrimental unintended consequences. Oft-cited challenges of EITI include civil society’s reliance on governments’ publication of information and/or funding,\textsuperscript{24} and these governments’ attempts to use EITI as a tool for reconfiguring “the constellation of social forces in the very communities which they initially seek to represent and include.”\textsuperscript{25}

Incidentally, therefore, at the same time that it appears to be reinforcing power asymmetries that analysts say lead to rent-seeking and other patterns identified in the “resource curse” literature, EITI is seen to improve the international relations of many implementing states, even those that merely pay lip service to it. As a direct result of their implementing EITI, these countries are able to gain access to international finance - in the form of foreign aid or direct investment, tax income and lower borrowing costs or debt relief - and shore up their and their leaders’ international reputation. The same is true of EI companies, consumer states and international donors whose reputation have equally been protected and even enhanced, despite the fact that their support for the MSI has often been ambiguous and/or inconsistent.

\textbf{It is young people who are leading anti-government and anti-corruption protests across Africa. And their voices are definitely not to be undermined}

The abovementioned dynamics gave rise to a sense that “none of these key players has had an overriding interest in changing the way things are”\textsuperscript{26} and a sense that EITI is still an elitist agenda, detached from citizens. The “civil society” that participates in the EITI process includes mostly organizations linked to the Publish What You Pay (PWYP) Coalition, almost all of which are located in capitals or big cities, while actors with critical voices and a greater understanding of issues that matter to citizens, including trade unions and grassroots organizations, are excluded and pushed to find new avenues to express themselves and put across their grievances.

Perhaps it is not surprising that the “second degree” of the international campaign to build transparency and accountability in the EI - that focuses on “publish where you spend and how you spent the money”\textsuperscript{27} - in the sub-region has come from this latter set of actors. One notes

\begin{itemize}
  \item \textsuperscript{22} Author’s interviews with several Angolan and international NGO officials, and analysts.
  \item \textsuperscript{26} Interviews with former EITI Board member, 26 April 2010, and NGO Official, 18, August 2010. See also M. Abutudu and G. Dauda, “Natural Resource Governance and EITI Implementation in Nigeria,” Nordiska Afrikainstitutet, Uppsala 2011.
  \item \textsuperscript{27} Words of an Angolan NGO official interviewed on August 4, 2010.
\end{itemize}
the work done by Dynamique Citoyenne and CANADEL, two Cameroonian NGOs and non-members of PWYP, on budget transparency28, and the activism of oil and gas workers from Nigeria, in trying to keep oil companies honest about production quotas.29 In fact, across the sub-continent, through art, music and street demonstrations, young people along with other social groups, have taken it upon themselves to ask difficult questions about the use of public resources and the levels of unemployment while politicians “fill the streets with Prados”30.

This citizen-led activism is witnessed elsewhere in Africa, including in some of the unexpected places like Egypt, Libya and Angola, whose case is as insightful as the two previous ones. Once considered a poster child of the resource curse and a “state without citizens”31 - because of the effect of tight presidential control on the political system and the exercise of citizenship rights -, Angola has indeed been “changing with the times”32, in the most dramatic way. Reputational concerns, economic interests and the need to gain legitimacy among its people led the Angolan government to provide some degree of transparency into its earnings from the oil sector, and gradually allow for the political opening up and participation of civil society. However, these improvements did very little to fill the big gap between the poor section of society which makes up the majority of the Angolan population; and the rich one, made up of a small number of political and economic elites that have ruled the country ever since its independence in 1975. If anything, by increasing public scrutiny, they threw open more windows for Angolans to be willing to, and actively take part in, the process of change in their country. The resulting outcome was the mushrooming of individual and youth-led initiatives which, it should be said, was facilitated among other factors, by the spread of information and communication technologies and lately, influenced by the Arab uprisings.

One such initiative that is gaining prominence is Maka Angola, an online-based anti-corruption utility set up and spearheaded by the Angolan award-winning journalist and human rights defender Rafael Marques. It “collects and investigates complaints by Angolan citizens regarding acts of corruption.”33 More recently, one of its investigations - later taken on by the Financial Times - led to the US investigation into corruption allegations surrounding Cobalt International Energy’s oil dealings in Angola and a case lodged before Angola’s Supreme Court.34 As for the disenchanted youth, it has used, amid violent government crackdown, street protests, music - rap in particular - and the internet to speak about issues that matter to ordinary Angolans: from high levels of youth unemployment, corruption and mismanagement, government demolitions of set...
tlements without compensation, to elections fraud.\textsuperscript{35} Websites like Eleições Angola (Angola Elections)\textsuperscript{36} and Central 7311\textsuperscript{37} were created to serve these purposes. A great deal still remains to be done in building transparency and accountability in Angola. However, there is no doubt that by gradually gaining legitimacy,\textsuperscript{38} this citizens’ movement is putting pressure on the ruling elite and re-shaping the nature of citizens’ engagement in the management of state affairs.

EITI: Taking Clues from the Current Citizens-Led Anti-Corruption Movement?

The paper sought to examine EITI’s track record in sub-Saharan Africa. It showed how through the MSI, African civil society has had a say in the management of the natural resources of their countries. It also explained that the EITI platform is seen in certain corners, as the trigger for advances in transparency in affiliated and non-affiliated states. Lastly, although it is difficult to establish a clear causal chain between these transparency improvements and accountability, the paper has sought to convey the belief of various civil society actors interviewed, that citizens have used the opening of the public sphere, pushed through in part by discussions of EITI implementation in their countries, to impact other public policy decisions.

Yet, one of the key issues that remain to be solved is that of citizens’ engagement in the MSI. This is the case not least because after an initial period during which its participation was allowed, civil society is now trapped in a conflict between its own interests, and those of powerful vested interests which managed to a certain extent, to appropriate the standard and tame its effectiveness. The corollary is that rather than empowering the watchdogs, EITI has mostly empowered those who are supposed to be watched. There is a danger that the aforementioned dynamic might render the MSI ineffective and reverse the gains made during its early years. To prevent this from happening, the main question is not so much how EITI can give its figures a “human face”\textsuperscript{39} but rather, how it can give itself a human face. Responding to the former, Katende proposes the creation of another mechanism that would compensate for the fact that the validation process is not effective in this regard.\textsuperscript{40} This mechanism, he adds, should enable the evaluation of the impact of EITI on living conditions; and at the national level, the assessment of whether money derived from the EI sector is invested in priority social sectors.\textsuperscript{41}

The argument here is that the EITI could be improved in order to deliver on its original promise of bringing about transformational social change – in other words, that the starting point should be to revisit EITI, not replace it – but that in order to achieve this, it needs to learn from the current wave of popular uprisings. In Africa, in addition to context-specific elements, this movement is influenced by the rise of mobile phones usage, of the middle class that plays an important role in helping to drive cultural progress, and by demography.\textsuperscript{42}

It is young people who are leading anti-government and anti-corruption protests across


\textsuperscript{36} “MCK,” “Ikonoklasta” and “Carbono” are some of Angola’s most famous protest rappers.

\textsuperscript{37} \url{http://eleicoesangola2012.com/}

\textsuperscript{38} \url{http://centralangola7311.net/about/}

\textsuperscript{39} Quoted in J.C. Katende, above n13.

\textsuperscript{40} J.C. Katende, above n13.

\textsuperscript{41} J.C. Katende, above n13.

Africa. And their voices are definitely not to be undermined, for they constitute more than 20 percent of the overall African population. In Angola alone, more than half of the country’s population is under the age of 20, and according to Ana de Sousa, this “burgeoning youth have neither the fear of their parents, nor their allegiance to the party that brought independence to Angola.”

The key for EITI in the coming years will be how to build on this phenomenon: how can it move from promoting its brand and what it represents for states and companies, to creating a bridge between itself and this segment of the population that will shape Africa’s future; or better still, to enabling citizens to use its global platform in order to speak for themselves on issues that matter to them through the medium they feel most comfortable with. Its sustainability depends on it.

EITI is evolving, as the revision of the 2011 rules show. The recent public video competition launched by the International Secretariat further indicates that it has taken notice of recent trends. The hope is that rather than being a stand-alone project, it becomes the launch pad for more initiatives aimed specifically at empowering ordinary citizens. Only this way can EITI become a truly global “multi-stakeholder” initiative.

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Websites

• http://eiti.org/public-video-competition
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Interviews and Communications

• Interview with former EITI Board member, April 26, 2010
• Interview with Angolan NGO official, August 4, 2010.
• Interview with NGO Official, August 18, 2010.
• Communication with a Congolese Activist, August 31, 2012.
• Interview with Journalist D., January 17, 2013.

Other

• Lettre au President (Letter to the President), a song by the Cameroonian Rapper nicknamed “Valsero”