

## Extractive Industries Transparency Initiative (EITI) - EITI



### Objective and features

#### 1. Objective

EITI aims to strengthen public and corporate governance, promote understanding of natural resource management, and provide the data to inform reforms for greater transparency and accountability of government revenues from natural resources.

#### 2. Institutional coverage

National governments (of countries implementing the EITI Standard), including any national or subnational government entity that invests in upstream oil, gas, and mining projects and/or receives material payments from extractive industry companies.

#### 3. Technical coverage

*EITI Standard* covers the following areas from the extractive sector:

- Legal and institutional framework
- Revenue collection
- Revenue allocation
- Social and economic spending.

#### 4. Application method

Self-assessment or any external stakeholder to collect the data. Custodian validates the data.

### Methodology

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Implementation of the EITI Standard requires adherence to the following:

- EITI Principles, agreed by all stakeholders in 2003, which lay out the general aims and commitments by all stakeholders.
- EITI Requirements, which must be adhered to by countries implementing the EITI, including the establishment of national multistakeholder groups (MSGs) that oversee EITI implementation at the national level.
- EITI Board oversight of EITI implementation, which outlines the timeframe that implementing countries must adhere to and the consequences of lack of progress with meeting the EITI Requirements.
- Overview of Validation. Validation provides stakeholders with an impartial assessment of progress in EITI implementation toward meeting the requirements of the EITI Standard.
- The protocol “Participation of civil society,” which sets out requirements and expectations regarding civil society participation in EITI implementation.
- Public disclosure of taxes, payments, and beneficial ownership details by EITI supporting companies.
- The Open Data Policy, which provides recommendations on open data for implementing the EITI within the agreed scope of EITI implementation at the national level.
- EITI *Code of Conduct*, which sets out the kind of conduct expected of those involved with the EITI, including EITI Board members, members of the EITI Association, secretariat staff (national and international), and members of multistakeholder groups.

Every country that joins the EITI as a member is assessed against the EITI Standard in a process called Validation. This review is conducted by an MSG, after which, it is presented to the EITI Board for final comments. The EITI Validation reviews the country’s progress against the EITI Requirements, analyzes the impact, and makes recommendations for strengthening the process and improving the governance of the sector.

The Validation procedure was recently updated.

#### 6. Benchmarking system

The EITI Standard provides a framework and acts as a benchmark for promoting greater transparency and accountability in the oil, gas, and mining sectors. The standard incorporates emerging practices at the national and international levels. Revenue streams are classified according to IMF’s Government Finance Statistics (GFS) Manual 2014 framework to track changes over time for a country.

#### 7. Linkage to PEFA framework

EITI covers issues broadly falling into the following performance indicators of the PEFA framework: central government operations outside financial reports (PI-6), transfers to subnational governments (PI-7), public asset management (PI-12), revenue administration (PI-19), and accounting for revenue (PI-20).

#### 8. Complementarity with PEFA framework

EITI reports are a source of important information on natural resource revenue management in countries that are dependent on natural resources.



### Development and use

#### 9. Development and coordination

EITI was launched in September 2002 as a response to demand from civil society organizations (CSOs) for disclosure of revenues of companies in the extractive sector worldwide. EITI further established six criteria based on the principles in 2005. In 2011, the criteria were developed into a set of 23 requirements known as the EITI Rules. EITI Rules had a narrow scope and were used as a revenue reconciliation tool. The EITI Standard replaced the EITI Rules in May 2013. The EITI Standard has an increased value chain approach incorporating aspects such as licensing framework and revenue management. The standard was revised with small changes in 2016 and again in 2019, taking feedback from implementing countries as well as MSGs. The funding for developing and implementing the EITI Standard comes from three different sources: donor community, implementing countries, and companies in the extractives sector.

The EITI Board consists of 20 members representing implementing countries, supporting countries, civil society organizations, and industry and institutional investors. The Board defines the EITI Standard and oversees its implementation worldwide.

#### 10. Assessment management

A national MSG (comprising the government, extractive companies, and civil society) decides how the EITI process in their country should work. In addition to publishing an EITI report, implementing countries must submit a summary data to the EITI International Secretariat every fiscal year, according to a standardized template, called summary data file. Summary Data is EITI’s tool for collecting and publishing data from EITI reports in a structured way. The national secretariats submit one Excel file for each fiscal year covered by an EITI report.

The EITI International Secretariat supports the implementation of EITI Standard at the country level, including oversight of the Validation process.

The custodian provides quality assurance with input from participating governments. Implementing countries are responsible for ensuring that the data is accurate. The MSG reviews the outcomes and impact of EITI implementation on natural resource governance. The EITI International Secretariat verifies the data and corrects any errors encountered.

#### 11. Uses by the government and members of the PFM community

Through participation in the EITI, government, industry, and civil society stakeholders agree to a common set of disclosure standards and oversight procedures as outlined in the EITI Standard. The EITI is used by member countries in reform agendas, such as to create interactive data portals with various features, and to publish downloadable data files containing information on natural resources to increase transparency in the extractives sector. In addition to publishing data, the EITI convenes discussions at the national, regional, and local level to promote public debate.

#### 12. Sequencing with other tools

The Resource Governance Index of the Natural Resource Governance Institute, which provides information on the quality of resource governance in countries, can complement the EITI Standard to a certain extent.

#### 13. PFM capacity building

Several EITI supporting countries provide bilateral support to EITI implementation. In addition, the Extractives Global Programmatic Support (EGPS), a multi-donor facility managed by the World Bank, provides technical and financial assistance to countries implementing the EITI Standard. The support includes providing consultants to governments to assist them in implementation, sharing international best practices, and providing grants to governments to help support EITI implementation. Capacity-building initiatives such as online training and webinars are undertaken by the EITI International Secretariat. Workshops are also conducted for supreme audit institutions to build their capacity.

#### 14. Tracking of changes and frequency of assessments

EITI reports include recommendations that can address gaps in on-the-ground implementation of policies. The MSGs meet annually to evaluate whether the EITI objectives are in line with the national priorities.

The EITI Board, through the EITI Secretariat, oversees the Validation process. The Board then ascribes the country as having made satisfactory progress (sometimes referred to as “compliance”), meaningful progress, inadequate progress, or no progress. Examples of progress in the EITI implementation in member countries are highlighted in the progress reports.

The first assessment is done two and a half years after a country joins EITI. The frequency of reassessments is 3 to 18 months depending on the “Validation” outcome of the prior assessment.

#### 15. Resource requirements

The cost of implementing the EITI Standard and the resources required vary between member countries based on the size and complexity of the extractive sector in the country. The cost of conducting the initial assessment is around US\$1 million. The cost of every “Validation” is about US\$50,000. The time taken from desk review to compilation of initial assessment is around three months. Validation or review takes two more months. Review by the MSG may take three weeks after which it is presented to the EITI Board for final comments.



### Transparency

#### 16. Access to methodology

Methodology is [available](#). The website of EITI is transparent and provides information on the EITI Standard, guidance on implementing the EITI Standard, the data published by EITI implementing countries, and the decisions taken by the EITI Board. Guidance on signing up to EITI, oversight of the EITI process, guidance note on preparing for Validation, Pre-Validation self-assessment booklet for countries preparing for Validation, other guidance notes and Standard Terms of Reference, among others, are [available](#).

#### 17. Access to assessment results

Reports are published on EITI website as well as on the local EITI websites. Country reports are available [here](#).

Summary Data, one of the open data requirements of EITI Standard, can be accessed [here](#).

