

## **Selected Research Briefs on EITI**

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It is now well acknowledged that natural resources as oil, natural gas, and minerals can be powerful forces for economic development; yet, many resource-rich countries have failed in this pursuit of reaching economic success; this paradoxical experience is recognized as the ‘resource curse’ (Okada and Shinkuma, 2022). These researchers noted that the Extractive Industries Transparency Initiative (EITI), a global standard to increase transparency and accountability in resource-abundant countries, represents a bold initiative to resolve this resource curse.

The founding of the EITI in 2003 has produced tremendous improvements in disclosures of revenues, royalty payments, and the legal and regulatory framework in the good governance of the extractive sector in EITI countries. The foundational basis of EITI lies on two strategic voluntary mechanisms: industry reporting of payments they deliver to governments, and governments reporting the amounts they obtain from industry. This disclosure information on payments and revenues becomes a platform for monitoring and public debate, of which the multi-stakeholder Group (MSG) can be a major driver of this public engagement to advance transparency toward accountability.

Nevertheless, the EITI is not the only initiative that pursues better transparency and accountability in the extractive sector (Alstine and Andrews, 2016). In fact Van Alstine (2017) argued that standards on transparency and governance in the extractive sector have been impacted by, among others: the Publish What You Pay (PWYP) coalition; the Natural Resource Governance Institute (NRGI); the International Monetary Fund Guide on Resource Revenue Transparency; the International Finance Corporation Social and Environmental Performance Standards; the Equator Principles; the International Council on Mining and Metals Principles for Sustainable Mining; the UN conventions on human rights and corruption; and the development of mandatory disclosure laws. Alstine (2017) contended that the impact of EITI could be assessed within the context of other international initiatives, along with who benefits from these policies and practices.

While there is room for improvement, let us be clear that the EITI is acknowledged as a hallmark anti-corruption scheme in the extractive sector, and that corruption scores are better significantly among EITI member countries, especially those countries compliant with the requirements of the EITI standard (Fenton Villar, 2022).

The EITI global standard is intended to establish and promote good governance through transparency and accountability within the oil, gas, and mining sectors. Nevertheless, the research literature has identified factors explaining the failure of improved transparency to generate the desired accountability to the public and communities impacted by the extractive sector (Andrews, 2016, Smith et al., 2012, Sovacool, 2020). EITI governance, at both the global and national levels, endeavors to resolve multifaceted challenges, while applying unclear meanings of the fundamental concepts of transparency and accountability, along with factoring in the diverse motivations of participants (Andrews, 2016, Ofori and Lujala, 2015, Sovacool et al., 2016). And EITI’s primary efforts to generate effective public disclosure, piloting its emphasis on revenue rather than on expenditure transparency, have persisted as a strategic weakness (Carlitz, 2013, Idemudia, 2013, Kolstad and Wiig, 2009). For instance, the EITI 2019 standard at Para. 5.3 speaks to encouraging rather than demanding expenditure transparency, which may facilitate accountability.

In fact, for Ghana's EITI (GHEITI), a founding member of the global EITI, with its emphasis on disclosure of revenues and royalties, accountability continues to be an evasive goal; but accountability will not happen without awareness in the first place (Dashwood et al., 2022). Developing awareness as a prelude to realizing accountability certainly requires a vigorous and sustainable outreach program, where each activity is costed within a holistic budget for a national secretariat.

That said, achieving transparency and accountability can be problematic. For instance, the EITI suggests that citizens are responsible for responding to the transparency of revenue disclosures and to demand that government is accountable; nonetheless, politically marginalized communities and weak community groups, frequently do not have the capacity to respond to the revenue information disclosure (Awortwi and Nuvunga, 2019). Under such conditions, policies and practices should address how people cope with structures that may impede collective action for change, and what should be done about it, instead of depending on the expectation that transparency and public information by themselves will generate effective accountability (Lujala and Epremian, 2017).

Why is accountability so problematic? Based on a literature review (Rustad, 2022), some explanations for lack of accountability included, viz. disclosure information was not effectively disseminated to the public; the EITI neither provided citizens with tools to demand accountability, had authority to prosecute, nor delineated a mechanism to deliver accountability; and so, the outcome enabled governments to manage the extractive sector and expended revenues without much accountability.

One study (Sovacool, 2020) compared the performance of the first 12 countries to reach EITI Candidacy Status with a dataset comprising 218 countries over the period 2000 to 2020 on several social, economic, and political metrics - foreign direct investment, energy investment, interest rates, and national poverty gaps, accountability, political stability, government effectiveness, regulatory quality, rule of law, and corruption. This study found that EITI countries achieved better scores than the average on metrics linked to regulatory quality, rule of law, control of corruption, foreign direct investment, and interest rates. Nonetheless, these EITI Candidate countries did not perform well on metrics associated with economics and investment, and political governance and democracy. This study raises the question of whether EITI compliant countries carry considerable impact on correlations with political governance, democratic outcomes, or poverty reduction.

The natural resources of a country are owned by its people. And so, the people and their communities must benefit from the revenues emanating from oil, gas, and mining. The EITI's focus mainly on revenue transparency may not lead to accountability. It is the expenditure transparency, and, indeed, disaggregated expenditures, that could deliver accountability to the public and communities, while holding governments accountable. Disaggregated expenditures will display the contributions of the extractive sector toward fulfilling the Sustainable Development Goals of the United Nations.

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