

FUTURE MANAGEMENT OF EITI: SUPPORT TO INITIATION & IMPLEMENTATION OF EITI IN COUNTRIES

A paper prepared for the EITI International Advisory Group (IAG) by the EITI Secretariat

1. Key questions for IAG

- 1.1 How to ensure coordination of activities in the initiation stage under EITI's new management structures?**
- 1.2 Are the current ad hoc arrangements for supporting activities in EITI implementation sufficient?**
- 1.3 Should the EITI Secretariat play a role in quality assurance of EITI-related programmes?**

2. Introduction

2.1 Responsibility for implementation of EITI rests with the implementing country itself working in partnership with representatives of local civil society and companies operating in the local industry. However, the two International EITI Conferences and the EITI Source Book identified that political, technical and financial support is also required from the international community (defined here as including donors, IFIs, international NGOs and international organisations such as the UN) for countries in the initial stages of EITI implementation. So far this has been provided on an ad hoc basis through a combination of: bilateral donor dialogue in country; World Bank, IMF and EITI Secretariat technical missions; World Bank-administered Trust Fund interventions and international NGO support to local civil society groups. At the last IAG, members asked the EITI Secretariat to prepare a short paper providing an overview of the different organisations involved in support to implementation, and the main support functions required, to inform discussion on the future management of EITI.

2.2 This paper makes a distinction between the support that the international community provides at two different stages of EITI – initiation (or prior to a country's commitment to implementation of EITI) and during implementation. The aim should be to ensure that the finite resources available to support EITI implementation are effectively and efficiently deployed. It also touches briefly on how to ensure that in providing support, policy is applied consistently across countries; and how experience in providing such support can inform the development of that policy over time, but these 'global' support functions are covered in more depth in the separate '3rd Technical Paper on the Future Management of EITI'.

3. Core Principles

- 3.1 Four core principles should underpin all international community support to EITI implementation in countries. Support should be:
- i) country-driven - the support should not in any way undermine the ownership of the process by implementing (host) Governments and local civil society
 - ii) results-oriented - focused on outcomes (EITI reports, capacity building etc)
 - iii) partnership-oriented - involving coordinated participation of all elements of the multi-stakeholder approach (participation by Government, civil society and companies in all operational steps)

- iv) sustainable – designed with up front consideration of how the process will be sustained beyond the initial externally support effort, as far as possible building on existing organisations and capacity, and should avoid creating new structures

4. Support in the Initiation stage

4.1 Initiation refers to the stage during which a government is considering whether to adopt EITI. There are a large number of external and local actors involved at this stage. These play different but overlapping roles:

- Donor Governments: Donor Governments (such as Norway, US, UK, France etc) have variously promoted EITI implementation to the Governments of resource-rich countries. The voluntary nature of EITI means diplomatic and political advocacy plays an important role. However, this influence needs to be deployed sensitively so as not to imply that EITI is “imposed” upon or “conditional” for countries
- International Financial Institutions (IFIs): In resource rich countries the issues of transparency and management of resource revenues are part of the ongoing IMF, World Bank and other IFI discussions about governance, fiscal policies and macro-economic management. So references to EITI and its potential role in a country’s policy in this area should legitimately be raised in their regular country dialogues. This includes both the formal processes such as World Bank Country Assistance Strategies (CASs) or IMF Article IV reviews, and less formal exchanges that occur more frequently.
- EITI Secretariat: The Secretariat can act directly to encourage countries to take up EITI, for example in the distribution of generic publications, providing advice to in-country donor consultation efforts, issuing invitations to Conferences and providing speakers to regional forums or training events; or it can act indirectly through coordinating action of other entities and promoting EITI at the international level.
- Civil Society (international): International civil society broadly plays two important roles: a) raising the profile of the Initiative in many countries and in global fora; and b) supporting the role and capacity of local civil society in lobbying Governments to implement EITI. These roles vary between countries according to the degree of focused campaigning they have attracted, with in general the less transparent a country’s economic governance, the greater attention it attracts.
- Civil Society (local): Local civil society groups play a critical role in the initiation phase. The better organized, informed and more coherent local civil society, the more likely they are to be able to influence Government decisions to endorse and begin implementing EITI. However, in many countries local civil society is constrained by political pressures or identified extremely closely with political opposition. In such cases recognition of civil society’s role in EITI may in itself be a major step for Governments and an issue in deciding adherence. Where Governments are hostile to civil society, or where civil society is highly politicized, full multi-stakeholder implementation of EITI may not be possible without wider reform of the political climate.
- Companies: Companies (and investors) may play a role in the initiation of EITI, but this is unlikely to be high profile since it may be seen as interference by companies

in areas beyond their strict commercial mandate. Even where companies do not lobby openly for EITI in a country, they can do so to some degree in off-the-record meetings with important officials. Also, the knowledge that companies investing in a country are strong supporters of EITI internationally will affect a host government's perception of whether to implement EITI.

- **Trust Fund:** The multi-donor Trust Fund administered by the World Bank has financial resources to be deployed for a range of technical assistance and programme activities (e.g. audits, civil society training workshops, Secretariat costs etc) in the establishment of EITI, both in countries who have endorsed the EITI principles, objectives and criteria; and countries which have given the EITI Trust Fund Management Committee reasonable grounds to believe that they will endorse and begin implementation of EITI before the closing date of the Trust Fund (September 2007 for new commitments, January 2008 for final disbursements).

Critical to the success of these supporting efforts in the initiation stage are strong communication links between all parties involved: international community, local civil society, companies and the host Government. Where possible all contacts with host Governments should be harmonised and shared with all interested actors. The EITI Secretariat has a role in coordinating these contacts at this, early, stage.

5. Support in the Implementation stage

5.1 Once a country begins implementation of EITI, the nature of the support functions change. Whilst many of the same external actors are involved as during initiation stage, often additional members of the international community (e.g. UN, EBRD etc) become involved, particularly in the higher profile implementing countries; and companies become more able to publicly engage in support of the process.

5.2 The critical success factors in providing support during implementation so far have been the identification of a clear lead for the international support function and then effective coordination of this support among all parties. The coordinating role of the lead support point should include:

- (i) leading the implementation of support (e.g. consulting on funding modalities, encouraging country Governments and local civil society to take the lead in identifying support needs, supporting strategic work-programming etc.)
- (ii) informing all development partners about progress in country and ensuring consistency of policy
- (iii) acting as main interlocutor with Government
- (iv) coordinating financing and activities among partners (donor Governments, international organisations, international NGOs etc)
- (v) liaising with funding sources including the Trust Fund.

Experience has shown that this lead function is best carried out in-country, to ensure the process is pursued with sensitivity to the local political context.

5.3 The nature of support provided for EITI implementation has varied significantly depending on the capacity of the country; the motivations of the Government in endorsing EITI, and its relationships with different parts of the international community. It can be expected that greater consistency in approach to implementation will emerge over time. However, some common functions can already be identified:

- political messaging to ensure that the process remains on track (and to ensure that transparency leads to accountability);
- support to the process (and in particular to multi-stakeholder engagement)
- support to the technical aspects of EITI
- coordination (see 5.2 above)

Description of key support functions:

- Political messaging: This continues to be required to ensure that the political context (both internationally and domestically) in which EITI implementation is taking place is fully reflected; and to help ensure consistency of approach in countries over time. For example, the electoral cycle in a country can impact negatively or positively on implementation depending on contexts. The consistent raising of implementation issues by Ambassadors and representatives of international organizations in official discussions can bolster the profile of EITI and help ensure consistency of commitment across different parts of a Government.
- Process support:
 - Government: The requirement to engage local civil society, publics and companies in consultation, disclosure and dissemination of revenue figures is often one which is new to host Governments. Technical assistance and training may be required to build their capacity to manage this obligation, which will usually form part of an assistance package from IFIs, donors or the Trust Fund.
 - Companies: For multinational companies, Head Offices will need to ensure their local representatives are able to play their role. National state-owned companies can be expected to need more support to understand the role of responsible business. This support could come from multi-national companies or others and should encourage new approaches to, for example, multistakeholder engagement.
 - Civil society: Except in a few very transparent countries experience has shown that continued support from the international community is required to ensure enough space is given for civil society to participate effectively in EITI working groups and discussion of data disclosure and dissemination. This may come from any member of the international community (donors, Trust Fund, IFIs, iNGOs etc).
- Technical support:
 - State Companies: Capacity building is often required to ensure that state-owned extractive companies have requisite systems in place to ensure their participation in EITI and, at the very least, that their accounts are audited to international standards. In the case of some state companies, EITI implementation may occur in parallel with restructuring (or in some cases privatisation) of those companies. Such support is most often provided by the IFIs as part of a wider macro-economic programme, but in some instances is also supplemented with bilateral donor support to international or national expert consultants.
 - Governments: Capacity constraints and lack of expertise in host Governments is often identified as the key constraint to increasing transparency. This has therefore been a focus of in-country support thus far. Such activities are eligible for finance from the Trust Fund (for example tailored training, operating costs of EITI country Secretariats, data publication etc) but are also often picked up by

bilateral donors or IFIs. Harmonisation of externally-financed activities in this area becomes particularly important given the range of potential needs.

- **Civil Society:** Since few members of civil society are likely to have, from the outset, the technical competence to understand financial accounts they are likely to need both financial and technical support (e.g. training) to allow them to play their envisaged role. This has also been a focus of support so far (for example, PWYP have done considerable work on the issue of identifying suitable NGOs in West Africa and OSI on capacity building for local civil society in the Caspian region). This needs to be done in a targeted manner to ensure complementarity with technical support to Government agencies and state companies).
- **Coordination:** As is clear from the plethora of functions outlined above, a single lead point to coordinate activities is very important. Experience has shown that this is best carried out by - or at least with the support of - someone in-country to ensure the process is pursued with sensitivity to the political context. Implementation in some countries would not warrant a full-time position in this role and it is possible that coordination could be played by someone covering a number of countries (either regionally or completely external). This model has worked in Nigeria, Azerbaijan and Kazakhstan so far, and the World Bank and EITI Secretariat are investigating how to determine and appoint a lead point in a number of other EITI implementing countries.

6. Support at the global level

6.1 Ensuring consistency (top-down):

In the medium term this will mostly come from the International EITI Secretariat, working with the EITI Executive Board. The aim will be to build consensus among stakeholders at the global level and express this as clearly as possible for practical use in implementation of EITI. The EITI Secretariat will provide and update online a 'Franchise Pack' of useful documentation for countries to learn from¹. It will be easier to provide such guidelines once the validation mechanism is in place and as country experience in developing and strengthening EITI strategies evolves. Two technical panels – one for Oil and Gas, and one for Mining – made up of practitioners to advise on technical issues arising from implementation should be set up to inform this supporting documentation, and to act as a point of advice for country-level implementers and lead supporting agencies.

6.2 Informing policy development (bottom-up): EITI will continue for a while to be a "learning by doing" Initiative. It will therefore be essential to ensure lessons from implementation in any one country are captured and inform both implementation in other countries and the overall policy development of the Initiative. Capturing these lessons should be a key function of the Secretariat, as discussed in the separate '3rd Technical Paper on the Future Management of EITI'.

¹ The EITI Sourcebook is the basic guide to assist countries in the development of their EITI strategies at the moment. Chapters on core techniques (oil revenue management diagnostics, monitoring and evaluation, IMF Guide on Resource Revenue Transparency etc) and on cross-cutting issues (MOUs signed between stakeholders, civil society capacity building logical frameworks, EITI Action Plans etc) will be further developed. It will be important to note that these are intended only to be suggestive and to be selectively used as a resource to provide information about possible approaches. It does not provide "the answers". Those can emerge only as a result of analysis and dialogue at a country level