



PROGRESS REPORT 2007-2009

Establishing resource transparency

EITI Progress Report 2007-2009

Edited by Christopher Eads and Anders
Tunold Kråkenes at the EITI Secretariat

Designed by Alison Beanland

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Message from the EITI Board

EITI Stakeholders and Supporters,
As the outgoing members of the EITI Board, we take this opportunity to review the achievements of the EITI during our tenure and reflect on the challenges ahead. We were appointed at the Oslo Conference in October 2006 to represent the core constituencies of the EITI: implementing and supporting governments, civil society, and extractive companies and investors. Our shared goal was to ensure that, through transparency, extractive industries lead to development and prosperity, not poverty and conflict.

Since Oslo, we have seen the transition of the EITI from a series of pilot projects to the EITI as the global framework for transparent natural resource revenue management. To achieve this, the Board has focused on three strands of work:

- Deepening the initiative;
- Widening the initiative;
- Developing the initiative.

Deepening the initiative. We have provided political, technical and institutional support to the countries implementing the EITI. As a result, we are beginning to see the benefits of more transparent governance of the extractive industry sector for ordinary people. However, ensuring progress continues to be made requires careful judgement and quality assurance. The EITI Board is the custodian of the EITI principles, criteria and methodology. As such, we must ensure that the integrity of the initiative and the EITI brand is protected and enhanced. We have accredited 24 countries as EITI Candidates and clarified the validation process that will be used to determine which are EITI Compliant. We have worked to maintain strong

implementing country ownership and to ensure consistent and equitable treatment between countries. The validation work, which is now underway in several Candidate countries, is an essential quality assurance mechanism for the EITI. We urge all EITI stakeholders to prioritise and support this work.

Widening the initiative. Support for the EITI standard is growing, as more and more companies, development agencies, national governments, the UN, and other international bodies endorse the initiative. Most importantly, the number of countries implementing the EITI has also continued to grow. The Board members and our organisations are proud that our active efforts have helped support the widening of the EITI initiative around the world.

Developing the initiative. We have also looked toward the future of the EITI. The EITI focuses on a specific part of the extractive industry “value chain”. We acknowledge that there are important transparency and accountability issues relating to other parts of this chain. In establishing the validation indicators, we, the EITI Board, have reiterated our view that the EITI is best served by a focus on and adherence to the agreed principles and criteria guiding the validation process. We are encouraged to see that in country after country, the establishment of national EITI programmes governed by well-functioning multi-stakeholder groups also provides a platform for broader debates about the management of and revenues from natural resources.

The achievements of the EITI and its stakeholders during the last two years attest to the dedication of our

stakeholders and supporters. We have recently conducted a review of how the Board works. Although our overall findings were positive, some areas for improvement have been identified, and we urge the incoming Board to act on these findings. It is our firm recommendation that our Chairman, Peter Eigen, is invited to serve for another and final two-year term. We would also like to thank the staff of the EITI International Secretariat in Oslo, who manage with great dedication and professionalism, the day-to-day operations of the EITI.

It is with great pleasure that we have served to guide and support the EITI's objective to provide a framework for transparency in the management of natural resources to support development in resource-rich countries. We are proud of what the EITI has achieved. We also recognise the importance of the challenges that lie ahead, especially as many EITI countries move into the key phase of validation. We remain fiercely committed to ensuring that the EITI and its partners are able to meet these challenges and continue on the joint mission of helping countries to maximise the benefits of their natural resource endowments for all citizens.

The EITI Board
2006-2008



Message from the EITI Chairman

It is with great honour that I have served as EITI Chairman these past two years. It has been an exciting but challenging time to be working in this field – with governance, energy and market issues coming under unprecedented scrutiny. The principles of the EITI have stood up well to this scrutiny, and the support for the initiative from governments, companies and civil society organisations has expanded enormously. This period has therefore been one of transforming the EITI from a mere “initiative” into a standard being implemented by many resource-rich countries. Watching this process, I am heartened by how much our

framework has been shaped by our early experience.

I have dedicated much of my life to the idea that good governance and transparency can improve the lives of people around the world, raise awareness and create an environment of trust. From this, it is clear to me that although each country faces different challenges, the need for a foundation of trust is the same for all. The EITI is built on broad local stakeholder participation to provide a forum for dialogue between governments and civil society. This dialogue has proved to be a key ingredient in establishing greater trust between these groups.

I have found great purpose and satisfaction in playing a leading role in the development of the EITI as its Chairman. I have had the privilege to work with an International Board that has guided the EITI process with dedication and expertise. I extend a warm thank you to the board members and to all our stakeholders and supporters, as I realise that everything the EITI has and will achieve rests entirely upon your efforts.

Peter Eigen
Chairman of EITI



Message from the EITI Head

The main purpose of this report is to illustrate the progress made in implementing the EITI following our October 2006 global conference in Oslo. That conference in many ways marked the end of the EITI's test and development phase and the beginning of EITI implementation. By the end of 2008, 24 countries had gone through the sign-up phase. The benefits of EITI are further highlighted by the fact that many more countries, including Norway, are also now poised to become Candidate

countries. The EITI continues to be deepened through improved and expanding implementation, especially as a growing number of countries prepare to complete the validation process.

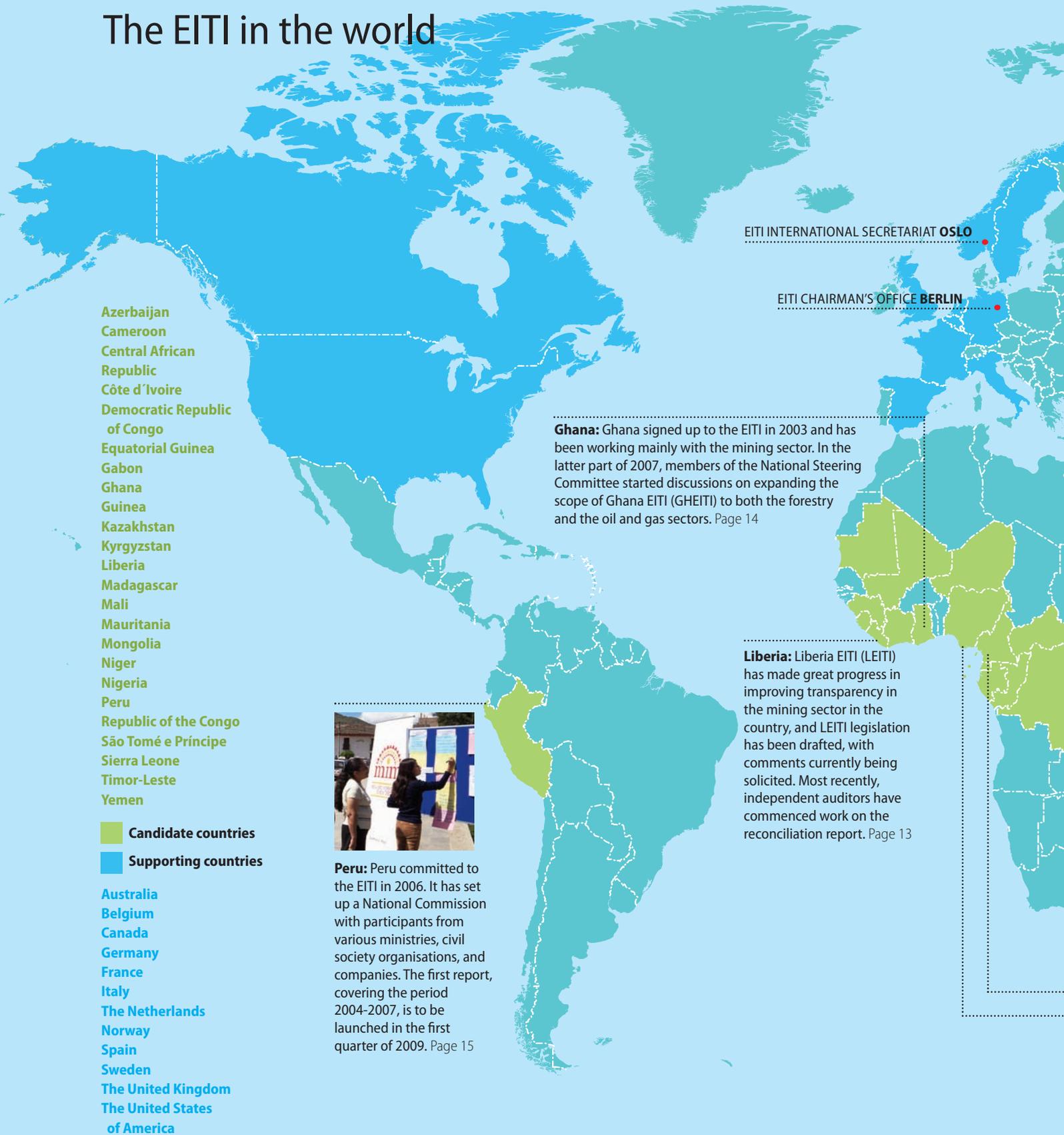
As with any coalition, the strength of the EITI resides solely in the collective will of its stakeholders. It is the role of the Secretariat to bring these stakeholders together to facilitate the cooperation that will translate the principles of the EITI into action and help to ensure that natural resource wealth leads to prosperity and

development and not to misery and decay.

This report contains contributions from over 40 countries, companies and civil society organisations from around the world. That is how it should be. Others report and tell their stories; we can only help by bringing them all together.

Jonas Moberg
Head of EITI International Secretariat

The EITI in the world



The EITI is becoming a global standard shared by more and more countries around the world. Currently, 24 EITI Candidate countries are implementing the initiative. These countries have completed the sign-up phase and are now working towards full implementation of all EITI principles and criteria, to pass Validation and become EITI Compliant countries. Many more resource-rich countries in Europe, Africa, Asia, the Middle East and Latin America have committed to joining this growing initiative. 12 Supporting countries provide political and financial support to promote the EITI.



Azerbaijan: In November 2004 Azerbaijan became the first country to introduce an EITI implementation mechanism. All 26 foreign and local extractive industry companies operating in Azerbaijan are participating in the EITI process. Azerbaijan has published two EITI reports per year since 2005. Page 13



Mongolia: The EITI Secretariat was established in June 2007, and has conducted several workshops working with company and government officials. For the second EITI 2007 reconciliation report more than 100 national and international companies in Mongolia are participating in the EITI reporting process. Page 14



EITI 4TH GLOBAL CONFERENCE
DOHA, QATAR

Kazakhstan: Kazakhstan published its first EITI report in 2007, in which 39 oil-producing companies participated. As a result of ongoing communications and outreach activities, 110 companies from the oil and gas and mining sectors have now joined the EITI. A second report is currently being prepared. Page 15

Madagascar: After regional awareness sessions in the mining areas, transparent elections were held to expand the Multi-Stakeholder Group, to ensure regional representation and to establish regional EITI Committees. These regional EITI Committees are now part of the General Assembly of the EITI Madagascar. Page 14

Cameroon: Committee meetings of Cameroon EITI, which include representatives of civil society, parliament, companies and the administration, are important opportunities for exchanges between its members. Page 15

Nigeria: Nigeria was one of the first countries to sign on to the EITI and remains at the forefront of EITI implementation globally. Nigeria is also the first EITI implementing country to establish a dedicated EITI law. Page 13



Establishing resource transparency

What the EITI is and how it works



The EITI is a global standard that ensures more transparent management of natural resources. The EITI is backed by governments, companies, civil society, investors and international organisations. Together they developed a robust yet flexible methodology for monitoring and reconciling company payments and government revenues. The EITI process is implemented by governments, while emphasising participation by governments, companies and civil society. The International EITI Board and the International Secretariat are the custodians of the EITI process.

When a country extracts natural resources, the development in the country has too often been hampered. This paradox has been referred to as “the resource curse” or “the paradox of plenty”. Stirred by detailed case examples of opaque payments between companies and governments, the EITI arose from a storm of campaigns earlier this decade as international civil society organisations campaigned under the banner of “Publish What You Pay”.

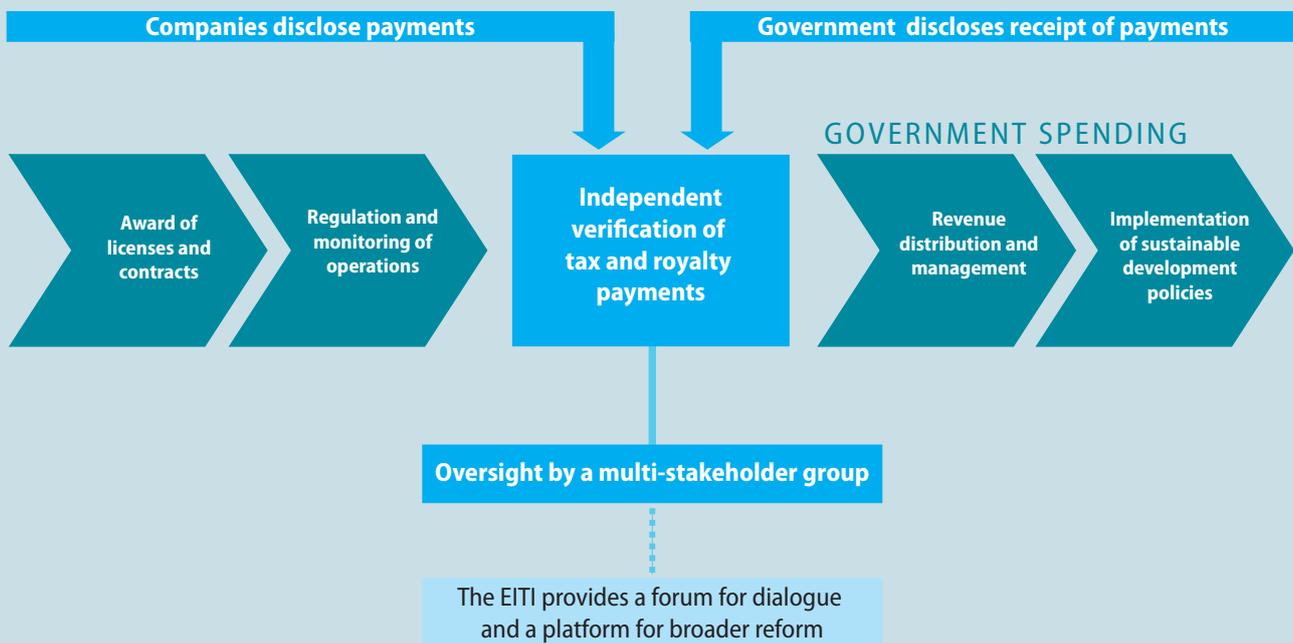
Governments of resource-rich countries recognised the potential benefits of this initiative for reducing mistrust and conflict, building their capacity to manage revenues and resources, enhancing their international reputation – especially on anti-corruption and economic management – and attracting investment. By early 2009, 24 were implementing the EITI.

Well-managed companies immediately saw not only the commercial case for the EITI, especially when other companies operating in a country were required to do the same, but also the reputational case for supporting more transparency in tax, royalty and signature payments. The role of institutional investors in encouraging this process was highly significant. Around 80 investors have

signed a statement supporting the initiative and have actively encouraged the companies in which they invest to participate in the EITI.

An increasing group of intergovernmental organisations and donor countries has been solidly behind this initiative – politically, technically and financially – since it was first put forward at the World Summit on Sustainable Development in 2002. In 2008, the UN General Assembly passed a resolution endorsing the EITI. In this way, it is rapidly becoming a global standard for transparency and accountability in the extractive industries.

The management of the EITI at the international level reflects the multi-stakeholder approach used in national EITI implementations. In September 2006, an EITI Board was established with the responsibility for the overall development, strategic direction and credibility of the EITI, as well as for outreach and advocacy. The Board is chaired by Dr Peter Eigen, founder of Transparency International, and consists of members from countries, companies and civil society. The Board makes recommendations on these issues to a biennial EITI Conference, and is supported by a small EITI Secretariat, which since September 2007, has been based Oslo, Norway.



To become an *EITI Candidate*, a country must meet four sign-up indicators, including the development of a work plan documenting how the country intends to achieve EITI Compliance. The plan is to be discussed with and agreed to by key stakeholders.

To achieve *EITI Compliant* status – or to extend Candidate status beyond 2 years – a country must complete an *EITI Validation* (see pages 18-19). Validation is an essential element of the EITI global standard. It provides an independent assessment of the progress achieved and identifies what measures are needed to strengthen the EITI process. The Validation is carried out by an

independent Validator selected by the Multi-stakeholder Group, using the methodology set out in the EITI Validation Guide.

If the EITI Board considers a country to have met all the indicators in the Validation grid, the country will be recognised as EITI Compliant. If a country has made good progress, but does not meet all EITI requirements, the country may apply to retain its Candidate status for a limited period. Where validation shows that no meaningful progress has been achieved, the Board will revoke the country's Candidate status.



For a quick introduction to the EITI please see the Fact Sheet at www.eitransparency.org/document/factsheet

Supporters of the EITI

40 of the world's largest oil, gas and mining companies support and actively participate in the EITI process, as they recognise the benefits of improved governance and transparency in the countries where they operate. In addition, the EITI is supported by 80 institutional investors.

Supporting companies include:

- Anglo American
- AngloGold Ashanti
- ArcelorMittal
- Areva
- Barrick Gold
- BG Group
- BHP Billiton
- BP
- Chevron Corporation
- ConocoPhillips
- DeBeers
- ExxonMobil
- Hess Corporation
- Norsk Hydro
- Katanga Mining Limited
- Lonmin
- Marathon
- Newmont
- Nippon Mining & Metals
- Oxus Gold
- Pemex
- Petrobras
- Repsol YPF
- Rio Tinto
- Shell
- StatoilHydro
- Talisman Energy
- TOTAL
- Woodside
- Xstrata



For countries rich in oil, gas and minerals, the management of a country's natural resource revenues for the benefit of a country's citizens is the domain of sovereign governments. However, if not managed well, these resources can create negative economic and social impacts. For the supporting companies of the EITI, this underlines the importance of transparency by both governments and companies. Rex W. Tillerson, Chairman and CEO, Exxon Mobil Corporation, and Peter Eigen, Chairman, EITI



80 institutional investors have signed up to an "Investors' Statement on Transparency in the Extractive Sector". In the statement, the investors call on the companies in which they invest to support the principles of payment disclosure developed by the EITI. It can be found at www.eitransparency.org/supporters/investors

The participation of civil society organisations is central to the EITI process. Both international and national civil society organisations provide essential support to the EITI through their advocacy, training, monitoring and facilitation efforts.

Many governments and intergovernmental organisations support the EITI. These governments and organisations provide political, technical and financial support to the initiative, and support implementation in countries around the world.

Supporting civil society organisations include:

- Catholic Agency for Overseas Development (CAFOD)
- Global Witness
- Oxfam
- Open Society Institute
- Publish What You Pay Coalition
- Revenue Watch Institute
- Secours Catholique (Caritas France)
- Transparency International



// The EITI is a leader in the movement toward a global standard for revenue transparency and accountability. The combination of EITI measures and the improved international accounting standards now being promoted by the Revenue Watch Institute and its partners in the Publish What You Pay Coalition can give investors and the citizens of resource-rich nations the protections and public disclosures necessary to hold government and industry accountable. George Soros, Chairman, Open Society Institute

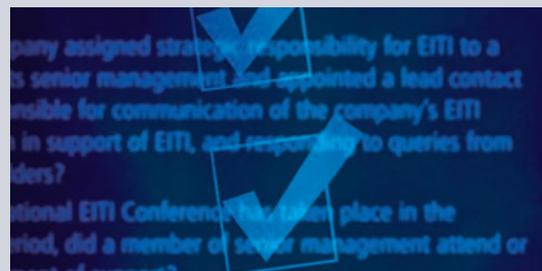
Supporting governments and intergovernmental organisations include:

- Australia
- Belgium
- Canada
- Germany
- France
- Italy
- The Netherlands
- Norway
- Spain
- Sweden
- The United Kingdom
- The United States of America
- African Development Bank
- African Union
- Asian Development Bank
- European Bank of Reconstruction and Development
- European Investment Bank
- European Union
- G8
- IMF
- Organisation internationale de la Francophonie
- United Nations
- World Bank



// The recent fall in international commodity prices reinforces the need for collective approaches to enhance transparency and accountability in extractive industries worldwide. That is why we continue to be a strong supporter of the EITI and are proud to host the International Secretariat in Oslo. Terje Riis-Johansen, Norwegian Minister of Petroleum and Energy

Achievements 2007- 2009



● Implementing the EITI

By the end of 2008, there were 24 official Candidate countries implementing the EITI. All Candidates have set up multi-stakeholder committees with representatives from government, companies and civil society to promote and manage the EITI process at the national level.

While the first countries to join the EITI mainly focused implementation in the oil and gas sectors, more and more countries are also now implementing the EITI in the mining sector. Liberia has included forestry in its national EITI process, and others are also considering the same step.

To date, 10 Candidate countries have published one or more EITI reports, disclosing the payments and revenues received from oil, gas and mineral sales, though some reports have gone further.

Validation serves as the final step of the EITI's quality assurance mechanism before a country can be certified as an EITI Compliant country, ensuring that all EITI principles and criteria are being successfully implemented.

The International Monetary Fund has defined 38 countries as "hydrocarbon-rich" and 18 as "mineral-rich". Currently, 11 hydrocarbon-rich countries (29%) and 10 mineral-rich countries (55%) are EITI Candidates.

● Supporting implementation

The Oslo-based EITI International Secretariat provides "coordinating energy" for the EITI globally, acting as a convener and facilitator of support to implementing countries, while providing guidance on the global EITI requirements as set out in the EITI Sourcebook and Validation Guide.

Financial and technical assistance for implementation is provided through the Multi Donor Trust Fund financed by 12 supporting countries and managed by the World Bank, regional development banks, bilateral aid agencies and non-governmental organisations.

Regional and global cooperation between EITI participants and supporters is fostered by the EITI International Secretariat and its partners. International, regional and national meetings take place on a regular basis and are announced in the calendar of events on www.eitransparency.org. The Secretariat hosted the first EITI National Coordinators meeting in Oslo in October 2008.

Training for EITI stakeholders is offered by the World Bank, international civil society and bilateral donors such as the Norwegian government. The EITI International Secretariat and its partner InWent (Germany) have provided a week-long course to all EITI implementing countries in 2008 and will repeat the exercise in 2009 and 2010.

● Validation

Validation is the EITI's quality assurance mechanism and an essential feature of the EITI methodology. In 2008, the EITI Board clarified the EITI's Validation requirements and set a Validation deadline of 9 March 2010 for the first 22 Candidate countries.

Validation exercises are being carried out at the national level to assess implementation of the EITI guidelines. The Validation work at country level serves to safeguard the EITI brand by holding all EITI implementing countries to the same global standard of transparency and accountability.

The EITI International Secretariat is providing technical assistance to implementing countries in preparing for the Validation process. At present, Azerbaijan and Liberia are the first countries to initiate the Validation process.



● Outreach to new implementing and supporting countries

The Secretariat and its international and national partners are jointly conducting outreach and advocacy work, to bring more resource-rich and other strategically important countries into the EITI. Several new countries have declared their intention to implement the EITI and become candidates in 2009, including Iraq, Indonesia, Tanzania, Mozambique, Zambia and Burkina Faso.

Advocacy with multilateral initiatives and forums have taken many different forms. These efforts include the gaining of United Nations General Assembly backing of the EITI, as well as repeated expressions of support from the G8 and G20 groups of countries. The African Union is amongst the regional organisations that advocates for the implementation of the EITI amongst its members. Examples of outreach directly to countries include:

- Intense dialogue with Chinese institutions and an EITI supported research project on Chinese companies' activities in Africa;
- The engagement of an advisor based in Jakarta coordinating Indonesian preparations for joining the EITI;
- The organising of the Mediterranean Roundtable in Tunis in November 2008, by the African Development Bank and the EITI International Secretariat.



● Building support

The EITI enjoys strong support across a wide range of stakeholders. At the multilateral level the G8 has repeatedly endorsed the EITI, while the Energy Ministers of G8, plus China, India and Korea, issued a joint statement of support for the EITI during the G8 Summit in June 2008; the European Union and the African Union recommended implementation of the EITI in a joint declaration in August 2008; and the United Nations General Assembly expressed strong backing for the EITI in a resolution passed in September 2008.

Support from the private sector is also robust, with 40 of the world's largest oil, gas and mining companies supporting the EITI. In addition, over 80 global investment institutions that collectively manage over US \$14 trillion (as of June 2008) are supporting the EITI. The Secretariat continues to work with private companies to expand this support.



● Promoting innovation and sharing experience

The EITI International Secretariat is working on a number of fronts to promote innovation in EITI implementation and to encourage implementing countries to exchange lessons learned. Regular meetings between EITI practitioners in different countries are helping to facilitate these exchanges of ideas and experiences, such as the West African EITI Conference in Abuja in September 2008, organised by the Nigeria EITI and ECOWAS.

Several EITI countries are also using the EITI as a platform for broader efforts to strengthen governance in the extractives sectors, including greater transparency in awarding contracts and in monitoring how revenues from the sector are being utilised by the government.

A key priority of the International Secretariat is to strengthen EITI communications so that the information generated by the EITI process is accessible and comprehensible to a wide audience of stakeholders.

Implementing the EITI

Local dialogue, global partnership



The EITI is a robust yet flexible standard which is built around strong national ownership, as each implementing country can shape its own process according to its needs. As a global standard for revenue disclosure, it uniquely couples transparency (reporting) with accountability (multi-stakeholder participation). Each Candidate country is implementing the initiative in slightly different ways: some require total disaggregation of revenues data, while others have determined low levels of materiality. Some countries have sought to extend EITI activities to include sectors outside oil, gas and mining, as well as transparency of contracts and operations and government expenditure. The differing models of EITI implementation is a reflection of the multi-stakeholder oversight mechanism used to decide these issues, build trust, monitor impact, and ensure the programme is designed to best serve a country's individual needs.

In the past year, there have been an increasing number of opportunities for the stakeholders from different countries to learn from one another and to share best practices:

- In September 2008 the Nigerian EITI Stakeholder Group and ECOWAS hosted a West African EITI Conference in Abuja;
- The EITI International Secretariat, with funding from the German government and the World Bank, hosted three training seminars in Berlin throughout 2008;
- With funding from the Norwegian government, the EITI International Secretariat hosted the first national coordinators meeting in Oslo, in October 2008; and
- The February 2009 Doha Conference is a further opportunity for lesson-learning, awareness-raising, and support-building.

Building ownership and sharing best practice – experiences from national stakeholders



[NEITI] has recorded major achievements in its four years of operations. Among other accomplishments, it commissioned and popularised the first comprehensive audit of the petroleum sector for the period 1999 to 2004; it conducted studies that swelled government's coffers by over \$1 billion; and it catapulted our country into a leading position among countries implementing the EITI.

OMAR MUSA YAR'ADUA, PRESIDENT OF NIGERIA

NIGERIA

Nigeria was one of the first countries to sign on to the EITI and remains at the forefront of EITI implementation globally. Nigeria is also the first EITI implementing country with a dedicated EITI law. The NEITI Act institutionalises process, physical and financial audits of the extractive sector, as well as disbursement and application of funds. Thus NEITI goes well beyond the basic requirements of the global EITI whilst conforming to its principles.

The first set of audits, covering 1999-2004, was published in 2006. An Inter-Ministerial Task Team led by NEITI was set up to develop and implement a remediation strategy for lapses identified by the NEITI Audits. This will enhance the capacity of agencies, which will lead to a more transparent monitoring of revenue flows.

The Nigerian government is supportive of the initiative, in line with other key reforms being pursued by it, and has provided financial support to enable the audits, Validation exercise, civil society engagement and remediation exercise, among other reforms.

NEITI recently hosted the first West Africa EITI Conference in Abuja. The event was successful and well attended by various EITI stakeholders.

Nigeria has made substantial progress in the quest for transparency and accountability in the extractive sector. NEITI will include solid minerals in future audits.

HARUNA SA'EED, EXECUTIVE SECRETARY, NEITI



Azerbaijan is an EITI pioneer. The then-President of Azerbaijan, Ilham Aliyev, committed Azerbaijan to implement the EITI and support the international efforts for higher transparency in the extractive industries at the first global Conference in June 2003. The National EITI Committee, including representatives of the ministries of foreign affairs, economic

Liberia EITI (LEITI) has made great progress in improving transparency in the mining sector in the country. They have involved local communities in the process by travelling to the regions to seek communities' input and mounting an extensive publicity campaign to increase awareness about the importance of transparency in the

development, fuel and energy, finance, tax, ecology and natural resources, and of the statistics committee, was immediately established, chaired by the state oil company. All foreign and local extractive industry companies, as well as civil societies and non-governmental organisations (NGOs), were invited to participate in the EITI implementation process.

In November 2004 the EITI Committee, the Coalition of NGOs for Improving Transparency in Extractive Industry (representing more than 130 Azeri NGOs) and all 26 foreign and local extractive industry companies operating in Azerbaijan, signed a Memorandum of Understanding (MOU). By signing the MOU, Azerbaijan became the first country to introduce an EITI implementation mechanism. Azerbaijan has published two EITI reports per year since 2005.

mining sector. LEITI legislation has been drafted, with comments currently being solicited. Most recently, the independent auditors (Crane, White & Associates) have commenced work on the reconciliation report.

LEITI's first EITI Report is due for publication in February 2009. Liberia will seek EITI Validation soon after.

AZERBAIJAN

LIBERIA



MADAGASCAR

The President of Madagascar has launched a major decentralisation and participation programme across the country. He has personally held leadership training for 17,000 village chiefs. The national EITI members have followed this approach. This reflects the desire to involve the local communities in and around the mining areas who feel the first effects of mining activities: the impact on their living standards, their environment, and their social life. In these situations, tensions between the communities, the companies and local government can run very high.

Members of the EITI agreed that transparency is the basis of genuine democracy and anti-corruption. To be transparent requires a change in behaviour and attitude at all levels. After regional awareness sessions in the mining areas, transparent elections were held to expand the Multi-Stakeholder Group, to ensure regional representation, and to establish regional EITI Committees. These regional EITI Committees are now part of the General Assembly of the EITI Madagascar.

HARIFIDY JANSET RAMILISON, EXECUTIVE SECRETARY OF MADAGASCAR EITI



MONGOLIA

From an early stage of the EITI process in Mongolia, the government, several leading companies and civil society worked together in an open and cooperative manner. The National Council is chaired by the Prime Minister, while a Working Group is chaired by the chief adviser to the Prime Minister. All stakeholders have signed a memorandum of understanding of EITI implementation. The EITI Secretariat was established in June 2007, and has conducted several workshops working with company and government officials. For the second EITI 2007 reconciliation report more than 100 national and international companies in Mongolia are participating in the EITI reporting process. These companies vary between state, private, joint ventures and

subsidiary companies, and represent activities in the extraction of copper, molybdenum, oil, gold, coal, fluorspar, zinc and polymetal. As result of EITI implementation, Mongolia is expecting that a standard and an environment for preventing corruption and improving mining industries revenue management will be created. Mongolian Minerals Law passed in 2006 has a specific article under which all companies having license in extractive industries are obliged to disclose and publicise all paid tax and payment to government. The government of Mongolia also issued a resolution, under which several central and local administrative bodies have tasks to implement the EITI, produce reports and form local Councils.

TSOLMON SHAR, EITI MONGOLIA

GHANA

Ghana signed up to the EITI in 2003 and has been working mainly with the mining sector. In the latter part of 2007, members of the National Steering Committee started discussions on expanding the scope of Ghana EITI (GHEITI) to the forestry, and oil and gas sectors. This discussion resulted in a two-day meeting between the GHEITI National Steering Committee and civil society organisations involved in the oil sector, in February 2008. The workshop discussed critical issues around the existing legal, regulatory and fiscal framework of the sector. It was agreed that the membership of the GHEITI National Steering Committee be expanded to include major players in the oil and gas sectors. Invitations will be extended to the Ministry of Energy, the Ghana National Petroleum

Corporation (GNPC) and the oil companies (Tullow and Cosmos Energy). It was also agreed that a scoping exercise be undertaken by the GHEITI Secretariat to recommend appropriate mechanisms to bring in forestry, and oil and gas. Extending EITI into the oil sector forms an important component of the GHEITI work plan for 2009/10. A series of sensitisation workshops to discuss constraints and opportunities facing the sector is planned. It is hoped that the extension of the EITI into the oil sector will facilitate the transparent, accountable and efficient management of the anticipated revenues from oil exploration in Ghana.

FRANKLIN ASHIADEY, HEAD OF GHANA EITI SECRETARIAT



Kazakhstan committed to the EITI in 2005. It became a Candidate in 2007 and published a first EITI report at the end of that year covering budget revenues for 2005, in which 39 oil-producing companies participated. Together with the mining sector, Kazakhstan's extractive sector includes more than 200 companies. Securing companies' participation has been a great challenge, especially from smaller ones. Amendments to the law "On subsoil and subsoil use" have included incentives to EITI participation. As a result, 110 companies have joined the EITI, 67 of them in the oil and gas sector and 43 in mining. Notably, TengizChevrOil, the largest oil-producing company, joined in April 2008. A second report is being prepared and the National Stakeholders Council continues to play a key role in advancing the EITI. Kazakhstan plans to start the process of Validation in the first quarter of 2009.



From a meeting in the MIM

Peru committed to the EITI in 2006. It has set up a National Commission with participants from various ministries, civil society organisations, and companies. The first report, covering the period 2004-2007, is to be launched in the first quarter of 2009. It will include tax information regarding direct corporate rights and royalties, as well as non-tax information such as licensing contracts and legal and tax stability contracts. It will also include amounts transferred to the sub-national level of government (regions, districts and municipalities), public universities and other public institutions that are entitled to national

collected royalties, and the formulae used to determine such transfers. Funded by the International Finance Corporation (IFC), two pilots have been implemented in Cusco and Cajamarca. In Cajamarca, a mechanism called *Mejorando la inversion municipal (MIM)* has been established to disseminate and monitor the use of royalties transferred to the region. It has increased efficiency and transparency in the process and proved that citizen participation is critical to improve accountability of those administering the resources obtained from natural wealth.

Committee meetings of Cameroon EITI, which include representatives of civil society, parliament, companies and the administration, are important opportunities for exchanges between its members. The decisions taken in general on the basis of consensus illustrate this ongoing dialogue. Thanks to the EITI, government officials and companies take the habit of working with civil society and appreciate the contribution of its representatives. Integration into the Committee of Parliamentarians of the majority and the opposition share this desire for dialogue to promote

transparency in the management of natural resources in Cameroon.

In view of its intentions to reach Validation, the EITI Committee of Cameroon met with the International Secretariat and the World Bank, as well as representatives from civil society, government, parliament, international organisations and other interested groups in September 2008 to discuss implementation of the initiative.

ALFRED BAGUEKA ASSOBO, CAMEROON EITI NATIONAL COORDINATOR

Country progress

In Candidate countries the EITI is helping to promote wider reforms and dialogue on revenue transparency, the fight against corruption, and resource allocation, through helping to establish an environment of trust between groups and providing a more open forum for discussion and debate. However, although all Candidate countries share a common commitment to EITI principles, the ways in which the impact of the EITI manifests

itself vary across different EITI constituencies. The production of EITI reports provides one measure of progress in a country and also a benchmark from which to begin improving reporting standards and technical capacities. Other more tangible measures of EITI progress can be found through: the level of support for EITI within a Candidate country; examining the institutional reforms taking place in line with EITI practices;

	Admitted as a candidate	Validation deadline	Industries covered	MoU	Established multi-stakeholder group	Agreed disclosure requirements	Appointed EITI administrator / reconciler	Reports published	Last EITI report published	Validation plans
Azerbaijan	27/09/2010	09/03/2010	Oil & Gas	MoU	✓	✓	8	Feb 2008	Underway	
Cameroon			Mining, Oil & Gas	✓	✓	✓	2	March 2007	Q2 2009	
Gabon			Mining, Oil & Gas	✓	✓	✓	3	March 2008 Aug 2008	Q3 2009	
Ghana			Mining	✓	✓	✓	3	2008 Feb 2008	Q3 2009	
Guinea			Mining	✓	✓	✓	1	Oct 2004	Q4 2009	
Kazakhstan			Oil & Gas	✓	✓	✓	1		Q1 2009	
Kyrgyzstan			Mining	✓		✓	1	Jul 2007	Q4 2009	
Liberia			Mining and Forestry	✓	✓			Feb 2008	Underway	
Mali			Mining	✓				2006	Q4 2009	
Mauritania			Mining, Oil & Gas	✓	✓	✓	2		Q4 2009	
Mongolia			Mining	✓	✓	✓	1		Q2 2009	
Niger			Mining, Oil & Gas	✓					Q4 2009	
Nigeria			Oil & Gas	✓	✓	✓	1		Q2 2009	
Peru			Mining, Oil & Gas	✓					Q3 2009	
Yemen			Oil & Gas	✓					Q4 2009	
Congo	Mining	✓					Q4 2009			
DR Congo	Mining, Oil & Gas	✓					Q4 2009			
Equatorial Guinea	Oil & Gas	✓					Q4 2009			
Madagascar	Mining	✓					Q1 2010			
São Tomé and Príncipe	Oil & Gas	✓					Q4 2009			
Sierra Leone	Mining	✓					Q4 2009			
Timor-Leste	Oil & Gas	✓					Q2 2009			
Côte d'Ivoire	12/05/2008	11/05/2010	Mining, Oil & Gas	✓				Q3 2009		
Central African Republic	21/11/2008	20/11/2010	Mining	✓				Q2 2010		

● This assessment of progress will be verified by Validation

working method and support networks of national EITI operations; monitoring of relevant government policies; and the scope and clarity of a country's EITI workplan. The less tangible, though more fundamental, contributions of EITI to improving the governance environment are more difficult to quantify. In many countries, EITI efforts contribute to a larger context of improving transparency and supporting good governance.

The various aspects of EITI can be seen to benefit reform across a range of sectors including public financial management, civil society development, natural resources management, improving the investment climate, anti-corruption efforts, and poverty reduction programmes. The table below illustrates the progress made by EITI Candidate countries to date and highlights key objectives for the year ahead.

Progress and priorities
current as of December 2008

First country to undertake Validation. Reports are produced every six months.
Preparations of the third and fourth EITI reports are currently underway. Website and communications strategy is under development. A pre-Validation exercise has been completed and consensus reached on next steps to be taken.
Reporting discrepancies have continued to narrow, though further discussions about enhancing reconciliation are needed. Scope for further integration of mining sector into the EITI is being examined.
Steps being taken include addressing problems identified in reports relating to sub-national flows and communications. Undertaking scoping exercise to include oil & gas sector.
The multi-stakeholder group is being simplified. Efforts underway to narrow time lag between reporting period and the issuing of reports.
Communication activities underway, while production of a second EITI report is planned for early 2009. Efforts to ensure full company participation in the EITI process are ongoing.
A new multi-stakeholder group has been appointed and work on publishing the next EITI report is a priority.
First EITI report and Validation preparations are underway. Efforts to broaden private sector participation are ongoing and the drafting of an EITI law is under consideration.
Preparations for the first report underway; securing funding is a priority.
The need to maintain momentum in an uncertain political environment remains paramount. Main priorities include increased involvement of all stakeholders on a more regular basis.
Disclosure templates have been updated and the second reporting cycle is currently underway in preparation for Validation in 2009.
Preparations for the first report underway; securing funding is a priority.
Priorities include addressing issues identified in the first EITI report, publishing the 2005 EITI report and commissioning reports for 2006 and 2007.
Reconciler has been selected and first EITI report is expected in early 2009. Priorities include working to ensure full company participation in the EITI process.
Agreeing governance processes and scope of initiative are a top priority. Commissioning process of the first EITI report has been initiated.
All three stakeholder groups represented in leadership roles of the National Committee. Communication and capacity-building activities are underway. Terms of reference for the first EITI report have been agreed and process moving forward.
Competition for natural resources continues to be a major factor in ongoing conflict in the country. Plans are being made to restructure the multi-stakeholder group and the opening of regional EITI offices has commenced.
Priorities include the finalisation of the terms of reference for the reconciliation exercise. Consultants facilitated by World Bank and RWI are continuing to work with civil society in implementing the EITI.
Securing funding for the EITI programme remains a priority, while work on agreeing on scope and governance arrangements continues. Process to commission first EITI report to be started soon.
Oil production has not yet begun, though work on agreeing what payments to cover in the first EITI report is planned to start soon. Work on Implementing capacity-building programme to support the EITI process is also slated to begin in 2009.
Setting up of Secretariat and modifying governance arrangements are top priorities. Once a scoping study on transfer pricing is completed, the first EITI report will be commissioned.
Completion of the first EITI report is expected in 2009 followed by steps towards Validation to establish Compliance status.
Preparations for the first EITI report are currently underway. Reporting process will benefit from three years of data from previous revenue-reporting initiative.
The most recent EITI Candidate. A multi-stakeholder group has been established and preparations for the first EITI report are currently underway.

Validation

The EITI's quality assurance mechanism



Within two years of attaining Candidate country status, an implementing country is required to complete the process of Validation. Validation is a standardised aspect of the EITI methodology that serves as the EITI's quality assurance mechanism. The two most important functions of the process are safeguarding the EITI brand by holding all EITI implementing countries to the same global standard and promoting dialogue and learning at the country level. Validation is not an audit. It does not repeat the disclosure and reconciliation work that is carried out to produce EITI reports. Validation has broader objectives as it evaluates EITI implementation in consultation with stakeholders, verifies achievements with reference to the EITI global standard, and identifies opportunities to strengthen the EITI process going forward. The EITI Board will use the

Validation Report to determine if a country has fulfilled the requirements to be granted EITI Compliant country status.

Countries that demonstrate their compliance with EITI (or demonstrate substantive progress toward achieving this goal) will receive international recognition for their efforts and achievements. If Validation is not completed, or if the Validation shows that there has been no meaningful progress toward achieving EITI Compliance, the EITI Board will revoke that country's Candidate status. Validation thereby ensures that "free riders" do not undermine the EITI.

The Validation process is undertaken at the country level, overseen by the Multi-Stakeholder Group. The implementing country appoints, procures and pays for the Validation.

This ensures that there is strong implementing country ownership of the process. At the same time, the EITI Board requires that the work be carried out by one of seven accredited firms. These firms were selected to serve as Validators by the Board via a competitive international bidding process. This approach ensures that the work is carried out to a consistently high standard across all countries.

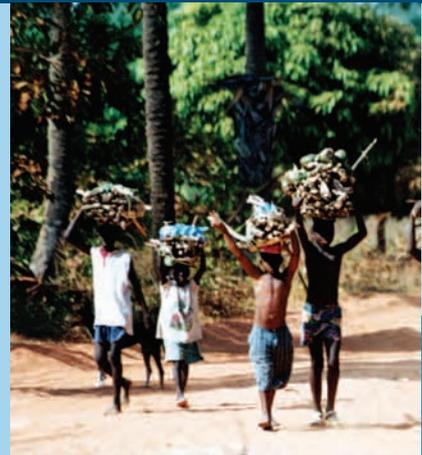
The Validation methodology is set out in the Validation Guide. The Validator meets with the Multi-Stakeholder Group, the organisation contracted to reconcile the figures disclosed by companies and the government and other key stakeholders (including companies and civil society organisations not part of the Multi-Stakeholder Group). The Validator's final report is submitted to the national government, the Multi-Stakeholder Group and the EITI Board for approval. If there is disagreement regarding the Validation process, then this is dealt with in the first instance locally, with the EITI Board only becoming involved in cases of serious dispute. Following agreement, the Validation Report is submitted to the EITI Board to decide country status.

Validation in 2009-10

The EITI Board agreed the procedures for procuring a Validator in March 2008. It subsequently established a Validation deadline for the first 22 Candidate countries of 9 March 2010. Two candidate countries – Azerbaijan and Liberia – have formally initiated the Validation process with a view to completing the process in the first half of 2009.



The objectives of the EITI seem almost to have been designed purposely for Liberia. For many decades Liberians have witnessed their natural resources being exploited by companies that provided little or no meaningful benefits while polluting their communities and environment, corrupting their government, and fuelling conflicts and war. This has led to the present strong political will and support for EITI implementation in Liberia. However, while Liberia has embraced the EITI and even gone beyond its minimum requirements, the pressing desire of Liberia is the successful Validation of the Liberia EITI (LEITI) in order to achieve the distinction of being an EITI Compliant country. Accordingly, the LEITI will soon recruit a Validator, and Validation will begin in February 2009. The LEITI Steering Group has decided to complete Validation in the first half of 2009 for two



LIBERIA

major reasons: to assure adequate time to discuss the findings of the Validator, including addressing any observed deficiencies; and for flexibility to initiate and conclude a second Validation effort, if necessary, before March 2010 – the deadline for the final completion of our Validation.

NEGBALEE WARNER, EITI NATIONAL COORDINATOR, LIBERIA

Azerbaijan is the first country to go through EITI Validation. In December 2008, Azerbaijan entered into a contract with Coffey International Development to produce a Validation Report in February 2009. To prepare for the Validation, government institutions, companies and civil society groups have conducted awareness-raising workshops and assessments of the EITI indicators. As

the first country to go through this process, they have helped to identify the strengths and opportunities, as well as the challenges, of both the reporting and the Validation processes. It is expected that the Validation Report will contain some useful lessons which can then be used to help other EITI implementing countries as they move toward Validation.

AZERBAIJAN

For a detailed description of the Validation process, please see the Validation Guide at www.eitransparency.org/document/validationguide.





Supporting implementation

The role of companies in the EITI

Supporting companies

Alcoa
Anglo American
AngloGold Ashanti
ArcelorMittal
Areva
Barrick Gold
BG Group
BHP Billiton
BP
Chevron Corporation
ConocoPhillips
DeBeers
Eni
ExxonMobil
Freeport-McMoRan Copper & Gold
Gold Fields
Hess Corporation
Lihir Gold
Norsk Hydro
Katanga Mining Limited
Lonmin
Marathon
Mitsubishi Materials
Newmont
Nippon Mining & Metals
Oxus Gold
OZ Minerals
Pemex
Petrobras
Repsol YPF
Rio Tinto
Shell
StatoilHydro
Sumitomo Metal Mining
Talisman Energy
Teck Cominco
TOTAL
Vale
Woodside
Xstrata

The implementation of the EITI is first and foremost the responsibility of national governments. However, it has been shaped and progressed by the active participation of enlightened companies, who have seen the case not only for transparency, but also accountability, of government and their own operations. They want to be part of public discussions and engage with their stakeholders, including local communities and governments. Their involvement in EITI highlights the feeling of companies that they have a responsibility to make this happen. At present, 40 of the world's largest oil, gas and mining companies support and actively participate in the EITI process – through their country operations in implementing countries, through international-level commitments, and through industry associations. In addition, the EITI is supported by 80 institutional investors who collectively manage assets in excess of US \$14 trillion.

Supporting companies are required to publicly declare their support for the EITI and help to promote the initiative internationally and in countries where they operate. However, some companies, often working collectively, have gone beyond this. They have educated their staff, their shareholders and the media on the importance of the EITI; they have published country-by-country data in their global reports; they have advocated for disaggregated data in countries; and they have helped other companies, government officials and civil society to make good sense of the data.

The company supporters of the EITI are diverse. Most of the major publicly listed international oil and gas companies are supporters, but we also have the support of progressive national companies such as StatoilHydro (Norway), Petrobras (Brazil) and PEMEX (Mexico). The major mining companies are also well represented, and are well organised behind the industry association, the International Council for Metals and Minerals. These alone represent 18 of our supporters.



We know that our position as the leader in the steel industry brings unique responsibilities. The EITI's principles regarding the prudent use of natural resources, transparency, accountability, and stakeholder dialogue complement ArcelorMittal's own corporate values and Corporate Responsibility policies.

LAKSHMI MITTAL, CHAIRMAN AND CEO, ARCELORMITTAL



PETROBRAS

Emerging markets and the EITI

Commitment to transparency and anti-corruption is a value inherent to Petrobras's corporate governance and culture that goes beyond fulfilling legal obligations. For instance, even before the EITI existed, Petrobras had been publishing payments to the government in Brazil and abroad.

Petrobras has been engaged with the EITI since 2005 when it was invited to take part in the International Advisory Group (IAG). As an EITI Board member, Petrobras has also committed to spread this initiative to other companies and to work with host governments that have

decided to go through the EITI implementation process.

The company's policies and practices on transparency led to Petrobras being in the top quartile on the 2008 Report on Revenue Transparency for Oil and Gas Companies. Moreover, as a publicly traded company controlled by the Brazilian government, transparency has been a key element for Petrobras to achieve an improved investment level, and to attract investors and partnership to develop the huge opportunities present in our portfolio.

MILAS DE SOUSA, PETROBRAS

ROYAL DUTCH SHELL

EITI and contributing to sustainable development

For Shell, contributing to sustainable development means helping meet the world's growing energy needs in economically, environmentally and socially responsible ways. In short, helping secure a responsible energy future.

While it is important to secure the demand side of the energy equation responsibly, it is equally important to ensure that the revenues associated with hydrocarbon exploration benefit citizens of those countries rich in natural resources. While energy prices have been volatile, they are nonetheless higher than in the past, representing a

good opportunity for governments to use those funds to increase access to health, education and poverty reduction measures.

The relevance of the EITI for companies wishing to contribute to development in a wider society is that the publication of payments to governments provides information to the public, which can lead to an informed discussion about the use of revenue from natural resources. Supporting the EITI transforms corporate responsibility from a general theory to a specific practice, which is a very valuable contribution to sustainable development.

ROYAL DUTCH SHELL

If, for example, members of one of our host governments pocket the revenues which we generate, rather than spending them for the public good, it simply is not enough for us to deny all responsibility. Whilst we may not be technically responsible, many people will view us as complicit if we remain silent.

[The EITI] is intended to guard against embezzlement, increase accountability and to lead to a wider debate about the use to which these time-limited revenues are put. It is not a silver bullet for dealing with all corruption but it is beginning to produce some worthwhile results.

CYNTHIA CARROLL, CEO, ANGLO AMERICAN PLC

ANGLO AMERICAN PLC

Becoming an EITI supporting company

The EITI Secretariat has developed a number of materials for engaging new supporting companies – both for extractive and also non-extractive companies: the two-page 'How extractive companies can support the EITI' and 'How non-extractive companies can support the EITI' brochures are available at www.eitransparency.org/companyimplementation. For more information on how the EITI is implemented by supporting companies, please read the EITI Business Guide available at www.eitransparency.org/document/businessguide.



It is easy to agree with the twelve principles underlying the EITI. That the wealth generated by the exploitation of natural resources will lead to sustainable development and be an engine for the reduction of poverty is a goal to which all parties must help to achieve.

ANTONIO BRUFAU, CEO, REPSOL YPF

Supporting implementation

International financial institutions

International financial institutions play an increasingly important role in supporting the EITI. Several major international financing institutions support the EITI, including the Asian Development Bank, African Development Bank, European Bank of Reconstruction and Development, European Investment Bank, International Monetary Fund and World Bank Group. These organisations are active in providing technical assistance to implementing countries and outreach to resource-rich countries. A number of these organisations have committed to mainstreaming the EITI in their lending activities and there is a growing interest in exploring the potential for harmonisation of EITI standards and requirements. To this end, the EITI International Secretariat hosted a conference on the role of international financial institutions and credit and investment insurers in the Extractive Industries Transparency Initiative in Athens in October 2008. Below are statements from some of our key supporters in the international community about the EITI and our work together.

Supporting financial institutions and international organisations

- African Development Bank (AfDB)
- Asian Development Bank (ADB)
- European Bank for Reconstruction and Development (EBRD)
- European Investment Bank (EIB)
- International Monetary Fund (IMF)
- World Bank Group
- United Nations (UN)
- African Union (AU)
- International Organisation of La Francophonie (OIF)
- Organisation for Economic Co-operation and Development (OECD)
- G8 group of countries

Well-managed extractive industries can make a significant contribution to economic development and job creation. EIB is convinced that improved transparency and accountability in the extractive industries are essential elements for underpinning economic development, poverty reduction, and for political stability in resource-rich countries ... EIB will support EITI's work in resource-rich countries in which the Bank operates, by working with its project sponsors to introduce greater

The European Investment Bank and the Asian Development Bank joined the list of supporting organisations in 2008. "It is widely recognised that while large public sector revenues from extractive industries hold great potential for economic growth and poverty reduction, if transparency and accountability are weak, extractive industries can lead to exacerbation of poverty, corruption, and conflict ... ADB's support of this initiative will help ensure that wealth generated from natural resources is used to enhance a country's economic development."

**URSULA SCHAFFER-PREUSS,
VICE-PRESIDENT FOR KNOWLEDGE
MANAGEMENT AND SUSTAINABLE
DEVELOPMENT, ASIAN DEVELOPMENT BANK**

transparency and consistency in reporting on payments at a project level. At the same time, EIB will promote the initiative in its contacts with governments and national authorities and encourage them to adopt the EITI principles for reporting and publishing extractive industry revenues. EIB will also actively support the work of the EITI International Secretariat based in Oslo.

EUROPEAN INVESTMENT BANK (2008)

The EITI Multi-Donor Trust Fund (MDTF), managed by the World Bank, provides countries with grant resources and technical assistance to implement the EITI Principles and Criteria. The MDTF enables the Bank to provide technical assistance to EITI implementing countries in the establishment of national EITI committees, working in cooperation with government, private sector and civil society stakeholders. Donor countries may join the MDTF to assist and fund the Bank's efforts in support of the EITI. Current donors (and members of the MDTF Management Committee) are: Australia, Belgium, Canada, the EC, France, Germany, the Netherlands, Norway, Spain, and the UK.

The EITI is an important tool in the broader context of the World Bank's Governance and Anti-Corruption Strategy. As a result, the Bank also works with governments on EITI-related issues through its programmes focussing on extractive industries reform, natural resource management and good governance/anti-corruption. In 2008, the World Bank, the Management

There is no gainsaying the fact that discovery of natural resources in a country does not automatically translate into economic growth and sustainable development. A reason why, for too long, revenue from natural resources has been the bane of rather than a boon to the cause of sustainable development. Nearly half of Sub-Saharan Africa's population of 800 million people lives in countries with abundance of oil, gas or solid mineral resources. The recent commodity boom allows us to reflect upon the record revenue windfalls for many countries and the new opportunities and possibilities for channelling natural resource wealth for accelerating the fight against poverty, malnutrition, ignorance and disease that it engenders. It also calls into question the macroeconomic environment within which these resources are harnessed.

It is evident that NOW is the time to promote transparency and accountability in the natural resources sector, and begin laying the foundations of



Anwar Ravat, Program Manager at the World Bank at the 6th EITI Board Meeting in Athens

Committee members and the EITI Board/Secretariat signed a Memorandum of Understanding (MOU) outlining the intent and commitment of the three groups to work together towards the achievement of common objectives and the establishment of what roles each group could play. In addition, the Bank and the International Secretariat coordinate and cooperate on various levels, through regular discussions and joint staff meetings as well as knowledge and learning activities.

long-term economic growth in Africa that is inclusive and sustainable. The World Bank commends the Extractive Industries Transparency Initiative (EITI). We recognise the crucial and supportive role that civil society has played in this important area of revenue transparency. We have stepped up our engagement with about 40 resource-rich countries across the world – of which 16 'Candidate' countries are in Sub-Saharan Africa – through our involvement with and support to the EITI. By promoting a comprehensive value-chain approach – the EITI++ – we are confident that resource wealth can be spent effectively for achieving sustainable economic growth and reducing poverty.

We look forward to strengthening our partnership with the EITI for the benefit of the world's poor people, both in Africa and beyond.

OBIAGELI K. EZEKWESILI,
VICE PRESIDENT, AFRICA REGION,
WORLD BANK



Public financial management is the one of the most important instruments for the creation of capable states in Africa. It enhances the sound implementation of economic policy by influencing the allocation and use of public resources. Transparency is a necessary but not sufficient step towards good public financial management. The Governance Strategic Directions and Action Plan for 2008-2012 is the African Development Bank's guide for support to regional member countries' efforts to improve governance and fight corruption, including the EITI and the African Peer Review Mechanism.

Transparent reporting of extractive industries revenues is essential, as is the entire chain of managing extractive industries resources. In addition to the EITI, several complementary initiatives have evolved to improve governance of the extractive industries, including the African Legal Support Facility and the World Bank's initiative to support the entire governance chain. Efforts to support tax reforms include initiatives such as AFRITAC, the International Tax Dialogue and the African Tax Administrators Forum. Regional organisations such as the African Organisation of Supreme Audit Institutions supervise the implementation of international auditing standards. The African Development Bank is supporting all these initiatives and striving to ensure better complementation and coordination between them.

GABRIEL NEGATU, DIRECTOR, GOVERNANCE, ECONOMIC AND FINANCIAL MANAGEMENT DEPT, AFRICAN DEVELOPMENT BANK

Supporting implementation

Governments

A number of governments, including those of Australia, Belgium, Canada, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the United States, support the EITI. These governments provide essential political, technical and financial support to the initiative. Country support for the EITI has continued to grow, as evidenced by the declaration of support from the Energy Ministers of G8, plus China, India and Korea, issued during the G8 Summit in June 2008. Below are statements from some of our supporting countries regarding the work of the EITI and the important role it is playing in improving transparency standards in the extractive industries.



Supporting countries

- Australia
- Belgium
- Canada
- Germany
- France
- Italy
- The Netherlands
- Norway
- Spain
- Sweden
- The United Kingdom
- The United States of America

SENATOR LUGAR, USA

The United States, other major commodity importers, and the exporters as well, all have important economic, security and humanitarian interests in seeing that revenues from oil production and other extractive industries are well managed. Discovery of large oil reserves should be a benefit to a poor country, but history shows that the opposite is often the case. It can lead to fraud, corruption, wasteful spending, military adventurism, and instability. That's why the work of the Extractive Industries Transparency Initiative is so important.

In an effort bring attention to the importance of transparency work, as well as the potential of the EITI, I asked the Foreign Relations Committee minority staff to examine how the US can improve its work in this area. Their recently published report, "The Petroleum and Poverty Paradox: Assessing US and International Community Efforts to Fight the Resource Curse", identifies a number of bilateral and multilateral ways to help reduce mismanagement and corruption in developing countries enriched by oil revenues. It urged the G8 industrialised

countries to give transparency and anti-corruption efforts a higher profile in their foreign and economic policies and to encourage their corporations and financial institutions to promote disclosure and financial accountability in oil-exporting nations. It commended the countries that have signed up for the EITI and recommended that the World Bank and other aid donors make anti-corruption and fiscal management programs a priority in their lending to oil producing nations.

International objectives for energy security, good governance and economic development reinforce the importance of the issues before the EITI Global Conference, and I look forward to further progress by all stakeholders.

US SENATOR RICHARD LUGAR, UNITED STATES SENATE COMMITTEE ON FOREIGN RELATIONS



France supports the EITI in many different ways, from funding technical assistance through the World Bank EITI Multi-Donor Trust Fund, to providing political support on the international stage through the Organisation Internationale de la Francophonie. Serving in a country that has recently committed to the EITI, I have had the privilege to see first hand that the EITI can be a platform for change and improved governance.

JEAN-PIERRE VIDON, AMBASSADOR, HIGH REPRESENTATIVE OF THE FRENCH REPUBLIC TO THE CENTRAL AFRICAN REPUBLIC



OIL FOR DEVELOPMENT, NORWAY

Norway, through its Oil for Development Programme (OfD) and through direct financial support from the Norwegian government, strongly supports the EITI by encouraging all its cooperating countries to implement the EITI principles. OfD operates in 25 countries worldwide and its overall aim is to assist developing countries, upon their request, in their efforts to manage petroleum resources in a way that generates economic growth and promotes the welfare of the population in an environmentally sustainable way. Good governance and transparency are key elements that have to be implemented to fight the “resource curse”.

There is also a wider practical cooperation between our two organisations. In Ghana and the West African region, both OfD and EITI together highlight the importance of transparency and good governance in the development of a sufficient policy.

Both Norway and the EITI were represented at the National Forum on Oil and Gas Development in Ghana 2008. The Forum was initiated by the government to ensure open and broad debate on how Ghana could benefit most efficiently from the oil and gas resources that have recently been discovered offshore of Ghana.

Here, the Norwegian Minister of Development and Environment, Erik Solheim, together with both the Chair of EITI Board, Peter Eigen, and Prof. Humphrey Assisi Asobie, Chair of Nigeria EITI, were key contributors to the Forum. Subsequently, a declaration was published by representatives from Ghanaian civil society groups. The Forum gathered approximately 500 participants, representing a wide range of stakeholders, and addressed overarching questions related to petroleum activities.

PETTER NORE, DIRECTOR, OIL FOR DEVELOPMENT, NORWAY

DFID, UK

Since the British Prime Minister announced the EITI at the World Summit on Sustainable Development in September 2002, more than 20 countries have started to implement the EITI. Until 2007, the DFID, UK, hosted the EITI Secretariat. We continue to provide active support to the EITI, now that the Secretariat is in Oslo.

There is a close correlation between countries rich in natural resources and countries with high levels of poverty. We promote the EITI in all the resource-rich countries we work in, and provide direct support for implementation to a number of them including Nigeria, Ghana and Azerbaijan. We are supporting outreach in countries such as Indonesia. We also

support the EITI at the international level, both politically, by co-sponsoring last summer’s UN Resolution recognising the EITI, and financially, through the Multi-Donor Trust Fund.

Increasing transparency and knowledge of revenues empowers citizens to hold governments to account and makes mismanagement of funds more difficult. We are committed to supporting the EITI and have established similar schemes in other sectors – construction (CoST), and the procurement, distribution and supply of drugs in developing countries (MeTA).

MIKE FOSTER, PARLIAMENTARY UNDER-SECRETARY OF STATE FOR INTERNATIONAL DEVELOPMENT

BMZ, GERMANY

Support for EITI is an important part of Germany’s development cooperation within its overall approach to promote good governance in its partner countries. In particular, Germany is promoting good governance in the extractive sector multilaterally (e.g. United Nations, G8) and bilaterally. Germany is an active member of the EITI Board and provides funding for the EITI Multi-Donor Trust Fund and the EITI Secretariat. Germany also offers bilateral support to the implementation of EITI and has resident experts in various African countries, including the DR Congo and the Central African Republic. In Ghana, the German government provides assistance to the Ministry of Finance and Ghana’s EITI steering committee within the wider framework of Good Financial Governance. The aim is to establish transparent, efficient and development-orientated management of revenues generated from the mining sector. The German government also funds a large EITI training programme to strengthen ownership and peer-learning between EITI practitioners. Related programmes are underway to test innovative methods for natural resource certification.

D. ULLA MIKOTA, DEPUTY DIRECTOR GENERAL AT THE GERMAN FEDERAL MINISTRY FOR ECONOMIC COOPERATION AND DEVELOPMENT

Supporting implementation

Civil society



Civil society meeting with Spanish parliamentarians

The work of civil society organisations such as Global Witness, Revenue Watch Institute and the Publish What You Pay Coalition has been key in bringing the issues of transparency and good governance to the forefront of international debate, and largely the driving force behind the creation of the EITI. The continuing participation of civil society organisations is central to the EITI process. Both international and national civil society organisations provide essential support to the EITI through their advocacy, training, monitoring and facilitation efforts.

Supporting organisations include:

- Catholic Agency for Overseas Development (CAFOD)
- Global Witness
- Oxfam
- Open Society Institute
- Publish What You Pay Coalition
- Revenue Watch Institute
- Secours Catholique (Caritas France)
- Transparency International

In under six years, the Extractive Industries Transparency Initiative has become a powerful vehicle for new and universal standards of transparency in revenue flows between extractive industries and governments. The EITI has also spurred more open and frequent dialogue between companies, governments and citizens through its mandatory multi-stakeholder process. The combination of increased transparency and a culture of dialogue together can bring a new level of accountability to the management of these vital public resources. In some countries, the EITI has given citizens their first opportunity to ask questions about the country's central economic activity and source of government revenue.

The Revenue Watch Institute is a founding member of the EITI. Revenue Watch is strongly committed to widening EITI participation and assisting governments, parliamentarians and, above all, civil society in effective EITI implementation. In 2009 Revenue Watch and its colleagues in the worldwide Publish What You Pay Coalition will begin a drive to add the United States to the growing list of implementing countries. The increased availability of revenue data is only the first step towards securing the use of non-renewable resources for the public good in the countries where these resources matter most, but it is a vital step and the EITI is central to this effort.

REVENUE WATCH INSTITUTE



GLOBAL WITNESS

In many countries, little information has been published in the past about revenue payments to governments by extractive companies. As a result, gross corruption and mismanagement has gone unchecked. International companies, and the governments of consumer countries, have too often been part of the problem. However, the growth of the EITI demonstrates a growing acceptance that citizens of countries rich in oil and minerals are entitled to more accountability for the use of these revenues. The EITI can ensure that full information about oil and mining revenue flows is made public. It can also build trust between citizen groups, governments and extractive companies. The EITI still faces several tests. The Validation process must be seen to be genuine. Civil society groups must be free to take part in the EITI without threats or censorship. Governments and companies need to show that their commitment to the initiative is sincere, deep and ongoing. EITI needs to grow broader, and include the big economies of Asia and the producers of the Middle East. The support of the State of Qatar for the EITI Conference is a groundbreaking step in this direction. In time, EITI implementation may also need to grow deeper, to include the award of oil and mining rights, contracts with companies, and even the spending of revenues. At the same time, countries that support the EITI must do more. There is no fundamental reason why the United States, Britain, Canada and Australia, all of which have large oil or mineral reserves, cannot join Norway in



implementing the EITI. The EITI is only the first step towards ensuring that the rewards of natural resources truly benefit the citizens of the countries that produce them. But this step is practical and possible, and growing numbers of countries and companies are choosing to take it.

GLOBAL WITNESS

Publish What You Pay (PWYP) members in resource-rich countries help to implement the EITI through their participation in the national multi-stakeholder groups. They are also the local watchdogs of EITI, often the first to capture the realities of EITI on the ground. Sometimes these efforts put civil society campaigners at risk of harassment and intimidation, and it is central to the credibility of the EITI international brand that civil society activists are able to work freely and without fear of interference or threats. The EITI is a reporting standard, but equally importantly, it is a process that allows a country to engage in a broader national dialogue on the better management of natural resource wealth for the benefit of its citizens. This process has led to several countries opting for more detailed, 'disaggregated' financial reporting; the inclusion of forestry in the EITI in Liberia; the monitoring of how mining revenues are distributed and spent in Peru; deliberations on how to capture social and environmental costs in Ghana; and a groundbreaking national EITI law in Nigeria. At the level of global EITI policy, civil society has been at the forefront of the efforts to establish clear rules for assessing a country's EITI status through the Validation process.

Going forward, the EITI may need to expand into other areas of the extractive sector where transparency is crucial, notably the award of exploration and production rights and the contractual relationships between companies and states. We are also working to 'mainstream' revenue transparency by promoting regulatory measures, including stock-listing rules and a new global accounting standard for the extractive industries. These mandatory disclosure mechanisms complement the EITI by strengthening company reporting worldwide and promoting a level playing field.

RADHIKA SARIN, INTERNATIONAL COORDINATOR, PUBLISH WHAT YOU PAY

WHO'S WHERE IN THE WORLD OF EITI SUPPORT

This table is an overview of the support the EITI receives from countries and organisations. It is the result of a survey the EITI International Secretariat conducted in 2008, asking EITI supporters to identify the different ways in which they support the EITI. Please note that the table is indicative only and is not exhaustive. It does, however, illustrate the wide extent of support the EITI receives. The Secretariat hopes the table will provide stakeholders with an indication of who to approach when engaging in EITI activities to better facilitate coordination between groups.

	EITI Secretariat	World Bank	OTHER INTERNATIONAL FINANCIAL INSTITUTIONS					BILATERAL SUPPORTING COUNTRIES/AGENCIES						CIVIL SOCIETY ORGANIZATIONS				
			AfDB	EBRD	EIB	IMF	Australia	Canada	European Commission	France	Germany	The Netherlands	Norway	UK	United States	PWYP	RWI	TI
GLOBAL ENGAGEMENT	●	●	-	-	●	-	●	●	●	-	●	●	●	●	●	●	●	●
REGIONAL ENGAGEMENT	●	●	●	●	●	-	●	●	●	-	●	-	●	●	●	●	●	-
G8 ENGAGEMENT	●	-	-	-	-	-	-	-	-	-	-	-	●	●	●	●	●	-
Algeria	●	-	●	-	-	●	-	-	-	●	-	-	-	-	-	-	●	-
Angola	-	●	●	-	-	●	-	-	●	-	●	-	-	●	●	-	-	-
Azerbaijan	●	●	-	●	-	-	-	-	●	-	-	-	-	●	●	●	●	-
Bahrain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	●	●	-
Bolivia	●	-	-	-	-	-	●	-	-	-	-	●	-	-	●	●	●	-
Botswana	●	-	●	-	-	-	●	-	-	-	-	-	-	-	-	●	●	-
Brunei Darussalam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	●	-	-	-
Burkina Faso	●	●	-	-	-	-	●	-	-	●	●	-	-	●	-	-	-	-
Cambodia	●	●	-	-	-	-	-	-	-	-	●	-	-	-	-	●	●	-
Cameroon	●	●	-	-	-	●	-	●	-	●	-	-	-	-	●	●	●	-
Central African Republic	-	●	●	-	-	●	-	-	-	●	-	-	-	-	●	-	-	-
Chad	-	●	●	-	-	●	-	-	-	●	-	-	-	-	●	-	-	-
China	●	●	-	-	-	-	●	-	-	●	-	-	●	-	-	●	-	-
Chile	-	-	-	-	-	●	-	-	-	●	-	-	-	-	-	-	●	-
Colombia	●	●	-	-	-	-	●	-	-	●	-	-	-	-	-	-	-	-
Congo, Republic of	●	●	-	-	-	-	●	-	-	●	-	-	-	-	●	-	-	-
Côte d'Ivoire	●	●	-	-	-	●	-	-	-	●	-	●	-	-	●	●	-	-
Dem. Republic of Congo	●	●	●	-	-	-	●	-	-	●	-	●	-	-	●	●	-	-
Ecuador	●	-	-	-	-	-	-	-	-	-	●	-	-	-	●	●	-	-
Equatorial Guinea	●	●	-	-	-	●	-	-	-	●	-	-	-	-	●	●	-	-
Gabon	●	●	-	-	-	●	-	-	-	●	-	-	-	-	●	●	-	-
Ghana	●	●	●	-	-	●	-	-	-	●	-	●	-	-	●	●	-	-
Guinea	●	●	●	-	-	●	-	-	-	●	-	-	-	-	●	●	-	-
Indonesia	●	●	-	-	-	-	-	-	-	●	-	-	-	-	●	●	-	-
Iraq	●	●	-	-	-	●	-	-	-	-	-	●	●	●	-	●	-	-
Jordan	●	-	-	-	-	-	-	-	-	●	-	-	-	-	-	●	●	-
Kazakhstan	●	●	-	●	-	-	-	-	-	●	-	-	-	-	-	●	●	-
Kuwait	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	●	●	-
Liberia	●	●	●	-	-	●	-	-	-	●	-	-	-	-	●	●	-	-
Libya	●	●	●	-	-	-	-	-	-	●	-	-	-	-	-	-	-	-
Madagascar	●	●	-	-	-	-	●	-	-	●	-	●	-	-	●	●	-	-
Mauritania	●	●	-	-	-	-	●	-	-	●	-	●	-	-	●	●	-	-
Mexico	●	●	-	-	-	-	-	-	-	-	-	-	-	-	●	●	-	-
Mongolia	●	●	-	●	-	-	-	-	-	●	-	-	-	-	●	●	-	-
Namibia	-	-	●	-	-	-	●	-	-	●	-	-	-	-	-	-	-	-
Niger	●	●	●	-	-	-	-	-	-	-	-	-	-	-	●	●	-	-
Nigeria	●	●	-	-	-	●	-	●	-	-	●	●	●	●	●	●	●	●
Norway	●	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oman	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Papua New Guinea	●	●	-	-	-	●	●	-	-	-	-	-	-	-	-	●	●	-
Peru	●	●	-	-	-	●	-	-	-	●	-	-	-	-	●	●	-	-
Qatar	●	●	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	-	-	-	-	●	-	-	●	-	-	-	-	-	●	●	-
Sao Tome and Principe	●	●	-	-	-	-	-	-	-	-	-	●	-	-	-	-	-	-
Saudi Arabia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senegal	-	-	-	-	-	-	●	-	-	●	-	-	-	-	●	-	●	-
Sierra Leone	●	●	●	-	-	●	-	-	-	●	-	●	-	-	-	●	●	-
South Africa	●	●	-	-	-	-	●	-	-	-	-	●	●	-	-	●	●	-
Sudan	●	●	●	-	-	●	-	●	-	●	-	●	●	-	-	-	-	●
Syria	-	-	-	-	-	-	-	-	-	●	-	-	-	-	-	-	-	-
Tanzania	●	●	-	-	-	●	●	-	-	●	-	●	-	-	-	●	●	-
Timor-Leste	●	●	-	-	-	●	●	-	-	-	-	●	-	-	●	●	-	-
Trinidad and Tobago	●	-	-	-	-	-	-	-	-	-	-	-	-	-	-	●	●	-
Turkmenistan	●	●	-	-	-	-	-	-	-	-	-	-	-	-	-	●	●	-
Uganda	●	●	●	-	-	●	●	-	-	●	-	●	●	-	●	●	●	-
United Arab Emirates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uzbekistan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-	-	-	●	●	●	-
Vietnam	-	-	-	-	-	-	●	-	-	●	-	●	-	-	-	-	-	-
Yemen	●	●	-	-	-	-	-	-	-	-	-	●	●	-	-	-	-	-
Zambia	●	●	-	-	-	●	●	-	-	●	-	●	●	-	●	●	●	-
Kyrgyzstan	●	●	-	●	-	-	-	-	-	-	-	-	-	-	●	●	-	-
Mali	●	●	-	-	-	●	●	-	-	●	-	-	-	-	●	●	-	-
Mozambique	●	●	-	-	-	●	●	-	-	-	-	●	●	-	●	●	-	-
Oil/Gas	●	●	●	●	●	-	-	-	-	●	-	●	●	●	●	●	-	●
Mining	●	●	●	●	●	-	-	-	-	●	-	●	●	●	●	●	-	●
Public Financial Management	-	-	●	●	●	-	-	-	-	●	-	●	●	●	●	●	-	-
Anti Corruption and Transparency	●	●	●	●	●	-	-	-	-	●	-	●	●	●	●	●	-	●
Outreach	●	●	●	●	●	-	-	-	-	●	-	●	●	●	●	●	-	●
Civil Society	●	●	-	●	-	-	-	-	-	-	-	●	●	●	●	●	-	●
Parliament and political parties	●	●	-	-	-	-	-	-	-	-	-	●	●	●	●	●	-	●
Media capacity building	●	●	-	-	-	-	-	-	-	-	-	●	●	●	●	●	-	●
Conflict reduction	-	●	-	-	-	-	-	-	-	●	-	●	●	●	●	-	-	●
Subnational Revenue flows	●	●	●	-	-	●	●	-	-	●	-	-	-	-	●	●	-	-
Corporate Social Responsibility	-	●	●	●	●	-	-	-	-	●	-	-	-	-	●	●	-	●

Looking forward

EITI – global minimum standard, a catalyst for change

With the foundations of the EITI firmly in place and 24 countries implementing the EITI, we remain ambitious towards the ultimate goal of having the EITI “mainstreamed”, with its criteria and principles becoming the standard way of working in all the relevant extractive industries. Three main objectives have been identified which will be key to ensuring that the EITI reaches its full potential:

1 Deepening implementation
A key EITI priority will be to continue assisting EITI-implementing countries in achieving Validation of their EITI programmes and moving from Candidate status to Compliant status;

2 Widening implementation
Reaching out to countries that have not yet committed to implementing the EITI will also remain at the core of EITI activities. These efforts to increase the number of participating countries will need to be enhanced by garnering greater support from companies, partner countries and civil society organisations worldwide. Increasing the participation of institutions based in large emerging markets is a key priority;

3 Developing the EITI
The EITI Board writes in its foreword to this publication that the EITI is best served by a close focus on the agreed agenda reflected in the EITI principles and criteria. Beyond this focus the Board feels encouraged that the EITI, in country after country, provides a platform also for broader debates about the management and use of revenues derived from natural resources. In this way, implementation of even the global minimum requirements of the EITI often becomes a cornerstone for broader reforms. The EITI International Management can and will do more to

facilitate the sharing of good practice and experiences from progressive implementation between partners.

In 2008, the World Bank launched an initiative that was initially called EITI++. While this initiative is separate from the EITI, we value this important effort as a logical companion to the work of EITI: it is a manifestation of the World Bank’s desire to offer its member countries support all along the extractive industry development chain. The World Bank’s support to countries implementing the EITI through the EITI Multi-Donor Trust Fund will remain unaffected. Alongside this support of EITI implementation, the Bank also plans to provide technical assistance to partners in the process of granting concessions, monitoring operations, and also in revenue allocation and spending. The EITI welcomes increased support to sound natural resource management. It is also recognises that allowing the initial use of the term EITI++ may have contributed towards confusion.

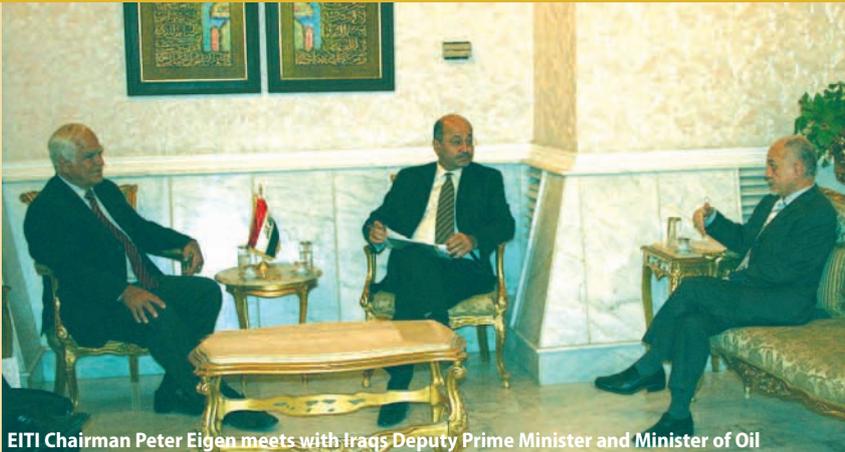
As we learn more from the implementation of the EITI, there will be a need to consider the initiatives guidance on issues such as company-by-company disaggregation and on materiality. We will, in short, become a resource centre of both academic and empirical information to improve natural resource management.

It is of vital importance that the momentum built up during 2007-09 is

maintained into the future if the EITI is to become the mainstream global standard in the extractives industry. By ensuring that EITI countries get the support they need, through expanding awareness and support of EITI principles among relevant groups, and by ensuring that the maximum benefits of EITI are being realised, the EITI can continue to be an effective catalyst for change in the years to come.

Expanding the EITI

Outreach to new partners



EITI Chairman Peter Eigen meets with Iraq's Deputy Prime Minister and Minister of Oil

The EITI International Secretariat engages in direct, high level advocacy. It also relies on and encourages supporters to use their diplomatic and commercial influence in support of EITI principles. In setting priorities for its outreach work, the Secretariat considers the following:

- Does a country have challenges with respect to resource revenue transparency (weak capacity, perceptions of corruption, conflict, etc) and risks associated with what may be described as a resource curse;
- Does the country have a government that is welcoming and eager to discuss EITI implementation including meaningful engagement with civil society organisations; and
- Is the country strategically important, such as a major emerging economy or in an otherwise strategically significant region?

Looking ahead, a major focus of outreach work is strengthening engagement with emerging economies, particularly China and Indonesia. Further outreach work is needed in Brazil, Mexico, South Africa and India. At all times, the Secretariat maintains a close working relationship with other supporting governments and organisations, and seeks to respond effectively to outreach opportunities that arise.

Cooperating with government and companies

As the fastest growing consumer of energy and mineral commodities, China is a major actor in natural resources markets. The Chinese Government and its state-owned companies have followed a strategy aimed at meeting with its mounting energy and mineral commodities needs. China has implemented this strategy in varied ways, from traditional foreign investments to providing infrastructure development in exchange for natural resources. The Chinese Government has issued clear directives for its companies to ensure that they are socially responsible corporate actors. In June 2008 in Aomori, Japan, China, together with Korea, India and the G8, signed a declaration endorsing the EITI. The EITI Secretariat, together with partner organisations and supporting governments such as the United Kingdom, Norway and the Revenue Watch Institute, will continue its efforts to engage Chinese authorities and companies to advance the agenda of transparency, especially in those countries that are key to China's needs. Chinese companies are already reporting within the EITI framework in countries such as Gabon and Mongolia and the Secretariat remains committed to working with Chinese stakeholders to further this collaboration.

CHINA



SUB SAHARAN AFRICA

Expanding membership in the region

Although not as dominant as in other parts of Africa, natural resources are a very significant part of the economies in Eastern and Southern Africa. The International Secretariat has visited Botswana, Ethiopia, Mozambique, Namibia, South Africa, Tanzania, Uganda, and Zambia to discuss the benefits of the EITI with the governments and stakeholders. With the support of the World Bank and African Development Bank, many of these countries have made considerable progress. Zambia, Mozambique, and Tanzania, all held

EITI launch workshops in 2008 and are expected to complete EITI sign-up in the coming months. The International Secretariat has sought to establish the EITI among the standards and codes used in the African Peer Review Mechanism (APRM). The Uganda APRM report includes a recommendation to implement the EITI, and there was significant coverage of NEITI in the APRM report for Nigeria. The Commission of the African Union is now recommending EITI implementation to its resource-rich member countries.

MIDDLE EAST AND NORTH AFRICA

Engagement in the world's largest oil producing region

An estimated 66% of global oil reserves are in the Middle East and North Africa. There are considerable efforts in the region to improve security of energy supplies, increase transparency, and to open up markets for inward and outward investment. To date, Yemen is the only EITI Candidate Country in the region, though the Government of Iraq officially committed to becoming an EITI implementing country. In Iraq, the significant security and political challenges, as well as regional tensions (especially around the oil sector) and low government capacity, will make the initiative both more difficult, but also more important, to implement. Iraq has therefore been a particular focus of the EITI's outreach efforts. Peter Eigen and the International Secretariat held talks with Deputy Prime Minister, Barham Salih, and Minister of Oil, Husayn al-Shahristani, in Baghdad in November 2008. The hosting of the 2009 EITI Global

Conference by the Government of Qatar is acknowledged as a major contribution to the initiative and Qatar Petroleum has recently become an EITI supporting company.

Within the North African countries, a key step in engagement with the EITI was the Mediterranean Roundtable, co-hosted by the EITI Secretariat and the African Development Bank (AfDB) in Tunis in November 2008. It provided a platform for senior government and company representatives from North African countries (Morocco, Tunisia, Algeria, Egypt and Sudan) to meet with Northern partners (France, Italy, Spain, Norway), to discuss the opportunities which the EITI can bring for further enhancing resource management, economic growth, and secure energy supplies in the region. For most it was their first significant engagement in the initiative, and many outlined concrete follow-up steps. The EITI International Secretariat and the AfDB will support and encourage these efforts.



LATIN AMERICA

Strong support from companies, growing interest from governments

Latin America is rich in minerals and energy resources and continues to be an important region in global natural resource markets. Brazil's newly discovered deep-waters oil reservoirs are deemed to be one of the world largest oil fields. At present, Peru is the sole EITI implementing country in the region, while Colombia and Trinidad and Tobago have expressed their interest in joining the EITI. Bolivia also demonstrated its support through backing the passage of a UN resolution by the General Assembly declaring support for the EITI. At the same time, countries such as Bolivia and Ecuador have gone through a significant reshaping of their institutional frameworks and energy sectors making EITI engagement difficult at this stage. Venezuela has sought to follow an independent policy and it is yet to consider associating with international initiatives such as the EITI. Many companies with considerable operations in the region are strong supporters of the EITI, including Pemex and Petrobras, which serve on the International EITI Board.

Mining

Deepening the EITI

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We are deeply committed to the value of productive partnerships, and the EITI can serve as a platform for building trust within civil society that governments, companies and local authorities are working together to ensure that mining revenues contribute to broader-based social and economic benefits.

ANTHONY HODGE, PRESIDENT, ICMM



At present, 14 Candidate countries are implementing the EITI in the mining sector, while 58% of the companies supporting the EITI are from the mining industry. The EITI methodology makes no distinction between mining and hydrocarbons, though the economic significance of the oil and gas sectors can often overshadow the mining sector in some countries. In fact, a consultation with mining stakeholders in 2006 showed that they felt the mining sector to be lagging behind in the EITI. Later, the International Advisory Group, recognising this, recommended that *“the EITI should pay more attention to the specific context of the mining sector”*. The EITI International Secretariat has worked with more than 20 stakeholders in identifying and discussing those specific issues that distinctly affect the mining sector. The first output from these consultations is the publication *Advancing the EITI in the Mining Sector*, to be launched at the EITI International Conference in Doha, Qatar. This volume compiles valuable lessons from ten case studies and discussions from civil society, companies and implementers on how to improve the application of the EITI process in the mining sector.

The case for the EITI in the mining sector continues to be strong. The EITI is a platform to address how revenue management, both at local and national level, is conducive to growth and sustainable development. The EITI, together with other initiatives such as the Global Reporting Initiative (GRI), the Kimberley Process, and the Voluntary Principles (VPs), reinforces efforts to alleviate the negative environmental and social impacts of mining.



GHANA

In Newmont's first engagement with EITI in Ghana in 2003, community stakeholders and local authorities noted in passing the importance of the EITI's primary aim in publishing the amount of royalties paid by mining companies to central government. However, they very quickly moved on to the need for an open, transparent and efficient system of knowing how much was due to be returned to the local communities, when and how it would be paid, and what it would be used for. Subsequently Ghana

became a leader in implementing a sub-national template and reporting system within its EITI programme. Newmont is now working with civil society organisations, local government and traditional authorities in the Brong Ahafo region where the company operates to make the local reporting as robust and as open and efficient as our system for reporting national government payments.

NEWMONT MINING CORPORATION



INDONESIA

Indonesia is the world's most populous extractives-rich state. It has both significant mining and oil and gas sectors. The process of considering adherence to the EITI has been an extended and patient one. Different stakeholders, especially in the government, have led the discussions about what the EITI could bring to Indonesia. Initial concerns that developed countries were not fully implementing (as opposed to supporting) the EITI have been overcome, as the government concluded that the EITI is in itself a useful tool for Indonesians. Reform-minded officials have led the deliberations reaching this conclusion, and an official announcement is expected in the near future. No doubt much remains to be done in Indonesia to implement the EITI, but bringing Indonesian stakeholders together to make it work will undoubtedly benefit the nation, including its poorest citizens.



"Advancing the EITI in the Mining Sector" is a report from consultations with mining stakeholders and was launched in February 2009.

Communications



The EITI has helped reduce the distrust and hostility that existed between the government, the mining and forestry companies and the affected communities in Liberia ... I therefore see Liberia's EITI communications strategy as part of Liberia's wider natural conflict-reduction strategy.

**ELLEN JOHNSON-SIRLEAF,
PRESIDENT OF LIBERIA**



Creating disclosure of revenue streams is in itself meaningless unless there is public awareness and understanding of what the figures mean. Effective communication is therefore a crucial element of the EITI process, and a requirement in the EITI Validation methodology.

This question of how to communicate the results of the EITI has become more important as implementing countries are producing EITI reports and reaching a more advanced stage of the EITI process. These countries have undertaken a range of activities to disseminate the findings from the EITI.

Countries in the early stages of EITI implementation are also thinking strategically about how to communicate in order to secure participation by all stakeholders and to engage constructively with them. To make this happen, they aim to consult widely and early on with all groups. In order to facilitate this process many EITI countries have established a sub-group of their main multi-stakeholder steering group to specifically focus on communications issues; developed a communications plan; and appointed a person to work specifically with communications.

Most national EITI programmes have their own websites. While many countries implementing the EITI have low levels of internet usage, a national EITI website can still be useful in order to make information available to media organisations, provide information to international stakeholders who are interested in a country's EITI progress, and act as a public repository of key documents relating to a country's EITI process. Links to these national websites can be found on the EITI International website www.eitransparency.org.

MADAGASCAR

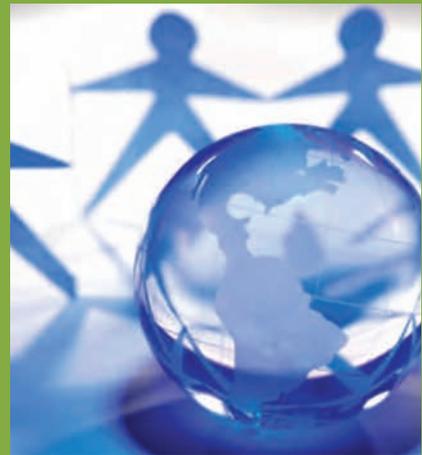
Genuine transparency must be assessed by the existence, completeness and accuracy of published data and its full access to everyone, anywhere and at any time. The successful implementation of the EITI is therefore heavily dependent on the quality of communication. To achieve this, a dynamic website has been set up for the EITI Madagascar to:

- publicise the EITI Madagascar at national, international, regional or community levels;
- inform the widest possible public about the EITI;
- communicate reliable and timely data on the activities of the extractive industry including licenses, types of minerals, quantity and quality extracted, mining royalties, etc.;
- enable online discussion among all parties; and
- provide a tool for monitoring and evaluating participation in the process.

Much of this information and the Work Plan EITI Madagascar (in French and English versions) are available on the website of Madagascar: www.eiti.mg
RAMILISON HARIFIDY, MADAGASCAR EITI



WWW



Good communications is central to the EITI

External communication is critical for widening and deepening support for the EITI internationally. Strong communications has multiple benefits. First, it raises awareness and understanding of the initiative. Second, it guides and improves on implementation. Third, it assures credit to those stakeholders who are actively supporting the process and provides an incentive for others to do so.

The EITI International Secretariat has developed a three-year communications strategy to achieve this. It is intended to bring an overall vision to our communication work and help us to set priorities. We set out our messages, stakeholders, audiences, communication materials and channels, priorities, resource implications, risks/mitigations, and some success criteria. The International Secretariat has brought together an EITI Communications Advisory Group to advise them on delivering this strategy.



EITI International website

Keeping stakeholders constantly informed is a key challenge and responsibility of the International Secretariat. Our website, www.eitransparency.org, was launched in November 2007, having been hosted by the World Bank for three and a half years. The site receives on average over 7,000 visitors a month. This is testament to how much people rely on it for clear information, guidance and news about the EITI. The Resource Centre menu leads to a comprehensive list of our main publications as well as a research library about revenue transparency and extractive industries. In late 2008, we developed French and Russian translations of all the major pages.

EITI International Newsletter

The bimonthly EITI Newsletter has over 1,000 subscribers who wish to follow developments in the EITI community. The Newsletter seeks to inform its readers about the key issues and challenges facing revenue transparency in the extractive sector and upcoming activities, events and materials. The newsletter is produced in English and in French. To sign up to the newsletter, visit www.eitransparency.org

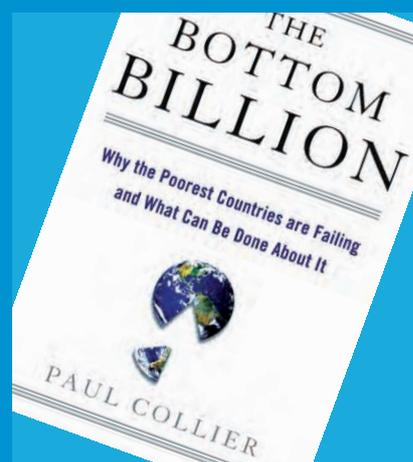


“Talking Transparency: A guide for communicating the EITI” was launched in February 2009. It is a tool for national EITI secretariats and other EITI stakeholders who are involved with communicating the EITI to a national audience.

Research



The activities of the EITI receive considerable attention in academic and development circles. Initially, the innovative multi-stakeholder character of the initiative was a key area of interest. It is the need to gauge its developmental impact, however, that has now become the focus of researchers' attention. The EITI International Secretariat has used its small research budget to commission studies on exploring the links between adherence to EITI principles and broader developmental, governance and business climate indicators. Two studies looked at how the EITI could be extended to small-scale mining operations and the cooperation of Chinese companies in EITI implementing countries—the latter was commissioned to the Centre for Chinese Studies at Stellenbosch University in South Africa. Additionally, we have commissioned small pieces on the impact of EITI in lending requirements, mapping-out companies in countries with significant mining and hydrocarbon reservoirs, and on the implications of changing economic conditions on the future of the transparency agenda. Similarly, the Secretariat collaborates with numerous external research projects and academic interests in the functioning and impact of the EITI. Universities in Paris, Gothenburg, Oslo, Princeton and elsewhere are conducting research on EITI-related topics. The Secretariat welcomes this great interest and will continue to work together with research partners on improving the EITI model. Please visit www.eitransparency.org/research to see more on the research activities of the EITI and its partners.



The EITI's growing role

In an EITI-commissioned paper, *"Implications of the Changed International Conditions for EITI"*, Professor Paul Collier (author of *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*) draws important links between the EITI's guiding principles and three main shifts in international attitudes: awareness of climate change, awareness of growing energy scarcity, and the geo-political implications of the current financial crisis. He concludes that "the financial crash has considerably increased public recognition of the importance of international cooperative regulation in asset markets ... the EITI can surely build on this shift in public perceptions by making the analogy". In short, he states that the need for more transparency and open scrutiny throughout the natural resources management chain has never been greater. The full paper can be found at www.eitransparency.org/research

EITI governance, management and administration

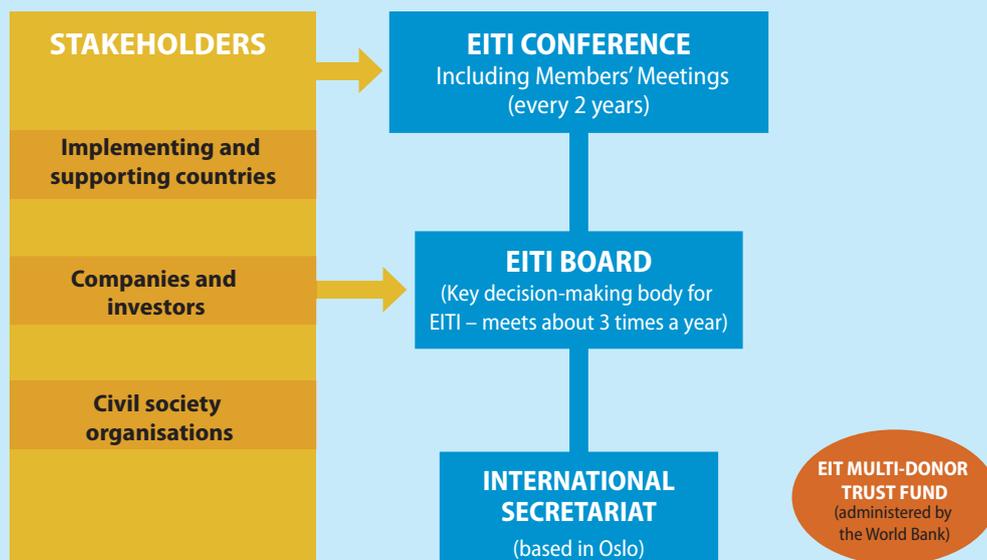
The EITI has evolved from an idea into an initiative with detailed rules and procedures. The governance of the EITI itself has also evolved: following the International Advisory Group's reporting to the Global Conference in Oslo in 2006, the EITI International Board and EITI International Secretariat were both established. Since 2006, the EITI International Board has further refined the structure and is proposing that the current structure of the EITI Association as a not-for-profit organisation under Norwegian law, be altered to include member countries and supporters. As a result, a new and expanded EITI Association is set to be adopted at the

Doha Conference in February 2009.

The new arrangements will provide for the EITI to continue to hold a global conference once every two years, bringing together all stakeholders. Alongside these conferences, a smaller Members' Meeting with the three constituency groups – countries (implementing and supporting), companies (including institutional investors) and civil society organisations – will take place, with all groups equally represented. The main task of the Members' Meeting will be to appoint an EITI International Board for the next two years. Between the global conferences, the EITI International Board will continue to oversee the Initiative. The Board has

20 members, with the different constituencies being entitled to representation. The Chairman, currently Peter Eigen, should be independent. All implementing and supporting countries are entitled to be members of the EITI Association. It is up to the respective constituencies to agree among themselves their membership of the Association and who they wish to nominate to the Board.

The EITI International Secretariat will continue to operate as a not-for-profit organisation under Norwegian law, now as part of the new Association.





The EITI Board at their meeting in Oslo

The EITI Board 2006-2008

Dr Peter Eigen, **Chair**

Implementing Countries

Prof Humphrey Assisi Asobie
Chairman of NEITI, Nigeria

Madikaba Camara
Minister of Finance, Guinea

Alternate: Bolat Akchulakov
Vice Minister, Ministry of Energy and Mineral Resources, Kazakhstan

Kairat Djumaliev
Head, Energy and Mineral Resources Dep., Office of the Prime Minister, Kyrgyz Republic

Shahmar Movsumov
Executive Director, State Oil Fund, Azerbaijan
Alternate: Alfred Bagueka Assobo
Head of EITI Tech. Sec., Ministry of Economy and Finance, Cameroon

Fidèle Ntsissi
Director of Cabinet, Gabon

Alternate: Dr Akoto OSEI
Deputy Minister for Finance and Economic Planning, Ghana

Supporting Countries

Stephen Gallogly
Director for International Energy and Commodity Policy, State Dep., United States

Alternate: Sonja Litz
Director Governance and Anti-Corruption Group, AusAID, Australia

William Kingsmill
Acting Director, Policy & Research Division, DFID, United Kingdom

Alternate: Kamilla Kolshus
Section for Human Rights, M. of Foreign Affairs, Norway

Jean-Pierre Vidon

Ambassador, Fight Against Organised Crime, Ministry of Foreign Affairs, France

Alternate: Ingrid Gabriela Hoven
Federal Ministry for Economic Cooperation & Development, Germany

Civil Society Organisations

Anton Artemyev
Kazakhstan Revenue Watch

Alternate: Radhika Sarin
Coordinator, Publish What You Pay

Bennett Freeman
Oxfam America/Oxfam International

Alternate: Michel Roy
International Advocacy Director of Secours Catholique

Gavin Hayma
Global Witness

Alternate: Gilbert Maoundonodji
Coordinator, GRAMPCTC

Dr Carlos Monge
Grupo Propuesta Ciudadana

Alternate: Kalia Moldogazieva
Director, Human Development Centre Tree of Life – Kyrgyz Republic

Christian Mounzeo
Coordinator PWYP Congo/Pres. Rencontre Pour la Paix les Droits de l'Homme – Congo

Alternate: Ingilab Ahmadov
Director of the Public Finance Monitoring Centre in Baku, Azerbaijan

Companies

Pedro E. Aguirre
Coordinator, Pemex

Alternate: Mr Milas Evangelista de Sousa
Petrobras

Edward Bickham
Vice President External Affairs, Anglo-American

Alternate: Olivier Loubière
Corporate Business Ethics Advisor, AREVA

Dr John Kelly
Coordinator, Planning and Issues Upstream Public Affairs, Exxon Mobil

Alternate: Stuart Brooks
Manager, International Relations, Chevron

Dr R. Anthony (Tony) Hodge
President, International Council on Mining and Metals

Mike Wilkinson
Vice President Sustainable Development, Shell

Alternate: Jean Francois Lassalle
Vice President of E&P Public Affairs, Total

Karina Litvack
Head of Governance & Socially Responsible Investment, F&C Asset Management

Alternate: Julie McDowell
Head of Socially Responsible Investing, Standard Life Investments



The National EITI Coordinators met in October 2008



National EITI Coordinators

- Adil Mammadov
State Oil Fund of Azerbaijan Republic,
Azerbaijan
E: adil.mammadov@oilfund.az
- Alfred Bagueka Assobo
EITI Cameroon, Cameroon
E: abaguekaassobo@yahoo.fr
- Robert Moïdokana
Technical Secretary, Central African Republic
E: robertmoidokana@yahoo.fr
- Koffi N'Dri
Cabinet du Ministre de l'Economie et des
Finances, Côte d'Ivoire
E: n2x_koffi@yahoo.fr
- Jean-Pierre Muteba
President Technical Committee, DRC
E: jpmuteba@hotmail.com
- Francisca Tatchouop Belope
Directora General – Jefe de Gabinete Ministerio
de Hacienda y Presupuestos, Equatorial Guinea
- Fidèle Ntsissi
Coordinateur ITIE, Gabon
E: fntsissi@yahoo.fr
- Franklin Ashiadey
Ministry of Finance and Economic Planning,
Ghana
E: fashiadey@yahoo.com
- Mamadou Diaby
EITI Guinea, Guinea
E: diabytie@yahoo.fr
- Bolat Akchulakov
Ministry of Energy and Mineral Resources,
Kazakhstan
E: akchulakov_b@memr.kz
- Kairat Djumaliev
Kyrgyz Republic
E: k.djumaliev@mail.gov.kg
- T. Negbalee Warner
Head of the LEITI Secretariat, Liberia
E: negbalee@yahoo.com

- Ramilison Harifidy
Madagascar EITI, Madagascar
E: r.harifidy@moov.mg
- Sidi Mohamed Zouboye
Permanent Secretary, Mali
E: zedes_m@yahoo.fr
- Sidi Ould Zeine
Mauritania
E: szeine@primature.gov.mr
- Shar Tsolmon
Mongolia EITI Secretariat, Mongolia
E: eiti.secretariat.mn@gmail.com
- Abdoul Aziz Askia
ITIE Niger, Niger
E: az_askia@yahoo.fr
- Haruna Saeed
NEITI, Nigeria
E: hysaeed2002@yahoo.com
- Jose Luis Carbajal
Peru
E: jcarbajal@minem.gob.pe
- Florent Michel Okoko
Ministere de l'Economie, Republic of Congo
E: msokoko@yahoo.com
- Genoveva Costa
Ministério dos Recursos Naturais e Meio
Ambiente, São Tomé and Príncipe
E: genocosta@hotmail.com
- Kenei Lamin
Ministry of Presidential Affairs, Sierra Leone
E: keneilamin@yahoo.co.uk
- Manuel de Lemos
Secretariat of State for Natural Resources,
Timor-Leste
E: delemos.manuel@gmail.com
- Mohammed Al-Najar
YEITI, Yemen
E: mhdalnajar@yahoo.com

The EITI Secretariat

- Jonas Moberg, **Head of Secretariat**
- Eddie Rich, **Deputy Head/Regional Director**
Implementation and Outreach in
Anglophone/Lusophone Africa and Middle
East, and Stakeholder relations
E: erich@eitransparency.org
- Samuel R Bartlett, PhD, **Regional Director**
Implementation and Outreach in Asia,
and Validation
E: sbartlett@eitransparency.org
- Tim Bittiger, **Regional Director**
Implementation and Outreach in
Francophone Africa
E: tbittiger@eitransparency.org
- Sofi Halling, **Intern**
E: shalling@eitransparency.org
- Leah Krogsund, **Executive Secretary**
Contact with Head of Secretariat,
Jonas Moberg, and Board logistics
E: lkrogsund@eitransparency.org
- Anders T Kråkenes
Communications Manager
Requests for interviews, media enquiries,
website, publications, use of logo
E: akrakenes@eitransparency.org
- Christine Nowak
Chairman's Office Manager
Contact with Chairman of the EITI
E: cnowak@eitransparency.org
- Francisco Paris, PhD, **Regional Director**
Implementation and Outreach in Latin America,
Caribbean, China and Equatorial Guinea, and
Mining
E: fparis@eitransparency.org
- Ingvill Rørvik, **Intern**
E: irorvik@eitransparency.org
- Pablo Valverde, **Conference Manager**
The 4th EITI International Conference
E: pvalverde@eitransparency.org

How we are funded

The funding of the international management of the EITI reflects its multi-stakeholder support. About US \$3m a year covers the salaries and associated costs for a team of six to nine staff, a small Chairman's office, Board meetings, travel and conference costs, consultants, and communications. This budget is raised from all the supporters of the EITI according to a funding formula. The principles of the funding formula are as follows:

1 The private sector and supporting countries share the principle responsibility for the international management costs of the EITI with the support of civil society organisations and the host government, Norway. The companies and supporting countries should pay the same.

2 The costs of the Validation are to be met by the governments of the countries being validated.

3 The Board will ensure that no single constituency or single stakeholder dominates the level of funding.

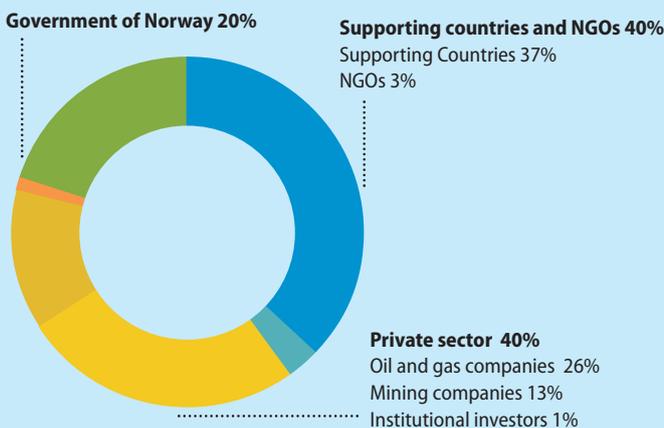
Based on these above principles, the charts below show how the costs of the EITI international management have been, and are due to be, funded. A considerable effort went into widening the funding base in 2008. We received funding from 35 organisations and countries, up from 19 in 2007. Further widening is planned for 2009.

These efforts are funded from a wide range of sources, including the implementing country governments, the World Bank-administered Multi-donor Trust Fund and other multilateral agencies, and bilateral development agencies.

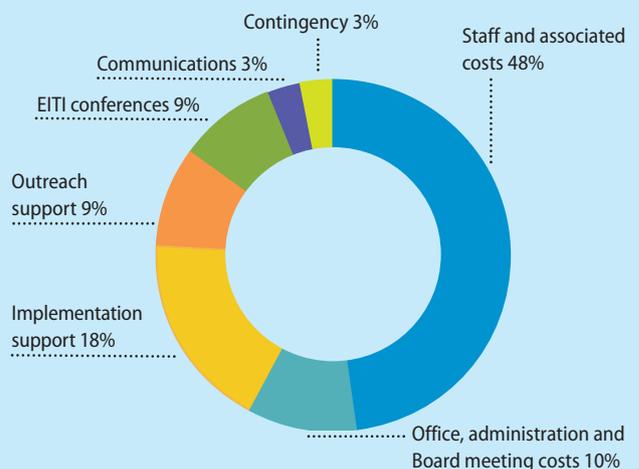
The EITI also receives a considerable number of EITI off-budget and in-kind support, such as the funding of a meeting of all the National Coordinators

in Oslo in October 2008, the translation of the Business Guide, three training seminars for the multi-stakeholder groups from implementing countries, and much of the preparations for the Doha Conference.

Sources of funding



Allocation of funding



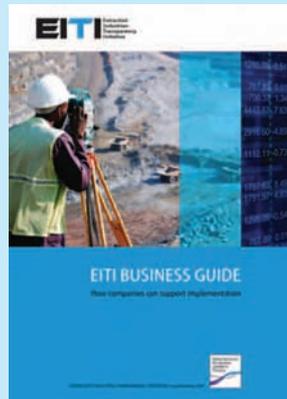
1. These figures are indicative only. Audited accounts and budgets are available on www.eitransparency.org

2. These figures do not cover the considerable costs of funding the EITI at the national level. In Nigeria, for example, the National Secretariat has around 20 people. In other countries, it is much smaller.

EITI publications



EITI Rule Book including Validation Guide
This publication brings together the EITI's requirements for implementing the EITI. It includes the EITI Principles, Criteria, The EITI validation guide and policy Notes issued by the EITI Secretariat, conveying decisions taken by the EITI Board. It does not change earlier agreed policies.
www.eitransparency.org/document/rulebook



EITI Business Guide
How companies can support implementation of the EITI
www.eitransparency.org/document/businessguide



Talking Transparency
A guide for communicating the EITI
www.eitransparency.org/communication



FACT SHEETS are short documents explaining elements of the EITI policy:

EITI Fact Sheet
www.eitransparency.org/document/factsheet

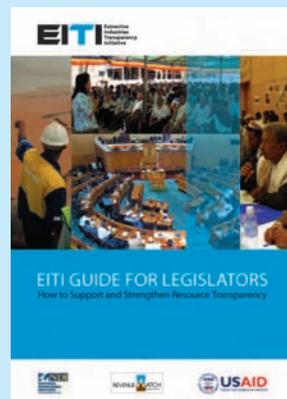
How to support the EITI – Extractive Companies
www.eitransparency.org/companyimplementation

How to support the EITI – Non-Extractive Companies
www.eitransparency.org/companyimplementation

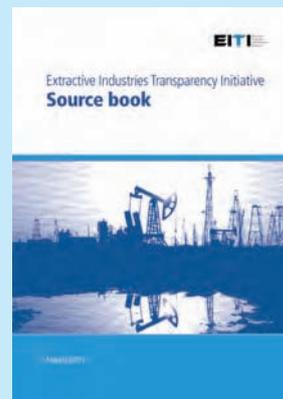
How to support the EITI – Countries
www.eitransparency.org/supporters/countries

EITI Endorsements
www.eitransparency.org/document/endorsements

Validation Fact Sheet
www.eitransparency.org/eiti/implementation/validation



EITI Guide for Legislators
How to support and strengthen resource transparency
www.eitransparency.org/parliament

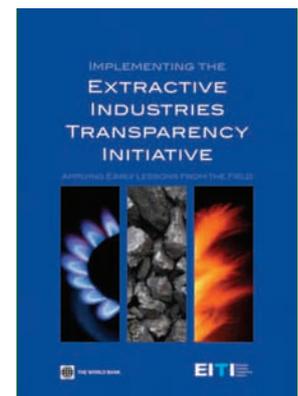


EITI Source Book
A guide to assist countries that are implementing the EITI
www.eitransparency.org/document/sourcebook

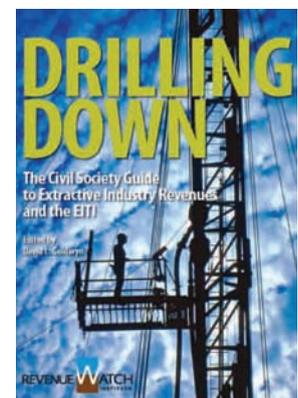


Advancing the EITI in the Mining Sector
A report from consultations with mining stakeholders
www.eitransparency.org/mining

Further guidance



Implementing the EITI
Applying early lessons from the field (by the World Bank)
www.eitransparency.org/document/implementingtheiti



Drilling Down
A civil society guide to the EITI (by RWI)
www.eitransparency.org/civilsocietyimplementation

The EITI International Secretariat would like to thank all those who contributed to the making of this report. From leaders such as President Johnson-Sirleaf of Liberia, George Soros of the Open Society Institute, and World Bank Vice President, Africa Region, Obiageli K. Ezekwesili, to EITI national coordinators, company supporters, civil society partners, and supporting and implementing country governments. It is the committed efforts of these stakeholders that provide the foundation and the momentum necessary to make the EITI the global standard for transparency in the extractive industries. This report contains contributions from over 40 countries, companies and civil society organisations from around the world and serves to illustrate the progress EITI's candidate countries have made with implementation and validation during the last two years. Input into the progress report has contributed to the wider discussion of the global challenges and opportunities now facing the EITI.