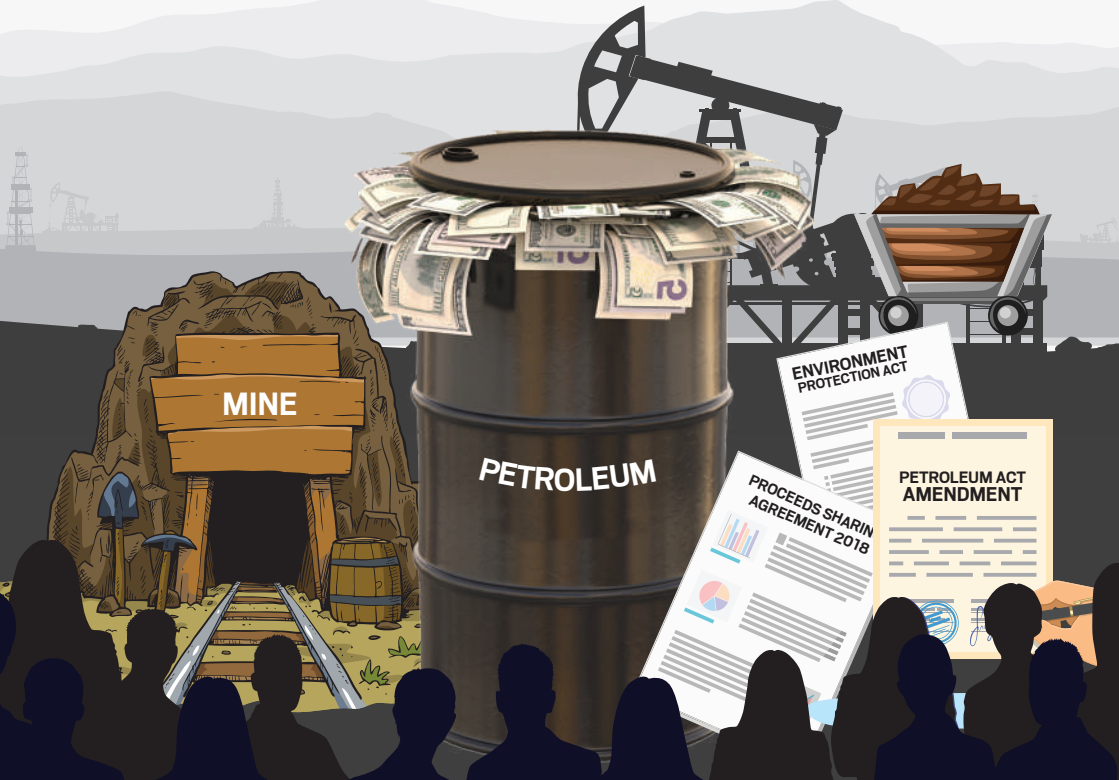




ADVOCATES COALITION FOR DEVELOPMENT AND ENVIRONMENT

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)

UNDERSTANDING THE PRINCIPLES AND BENEFITS



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UNDERSTANDING THE PRINCIPLES AND BENEFITS

ACODE

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What is EITI?

Extractive Industries Transparency Initiative (EITI) is a global standard for the good governance of oil, gas and mineral resources. The EITI Standard requires disclosure of information along the extractive industry value chain from the point of extraction, to how the revenues make their way through the government and how they benefit the public. This includes the process by which licenses and contracts are allocated and registered, who the beneficial owners of those operations are, what the fiscal and legal arrangements are, how much is produced, how much is paid by companies and received by government, where the revenue is allocated, and its contribution to the economy, including employment.

The primary objective of the EITI is to increase transparency over payments and revenues in the extractives sector in countries that are dependent on

these resources.

In pursuit of this objective, a diverse group of countries, extractives companies and civil society organizations attending the Lancaster House Conference in London in 2003, agreed to a Statement of Principles to increase transparency over payments and revenues in the extractives sector. These came to be known as the EITI Principles. These Principles are the cornerstone of the EITI. These principles, when signed by a Government of a country in which extractives are exploited, constitute National Commitment of that country. The signed up governments pledge to uphold these 12 commitments s. Uganda is yet to subscribe to these principles.

Every Ugandan has a responsibility to call upon government to subscribe to these principles.

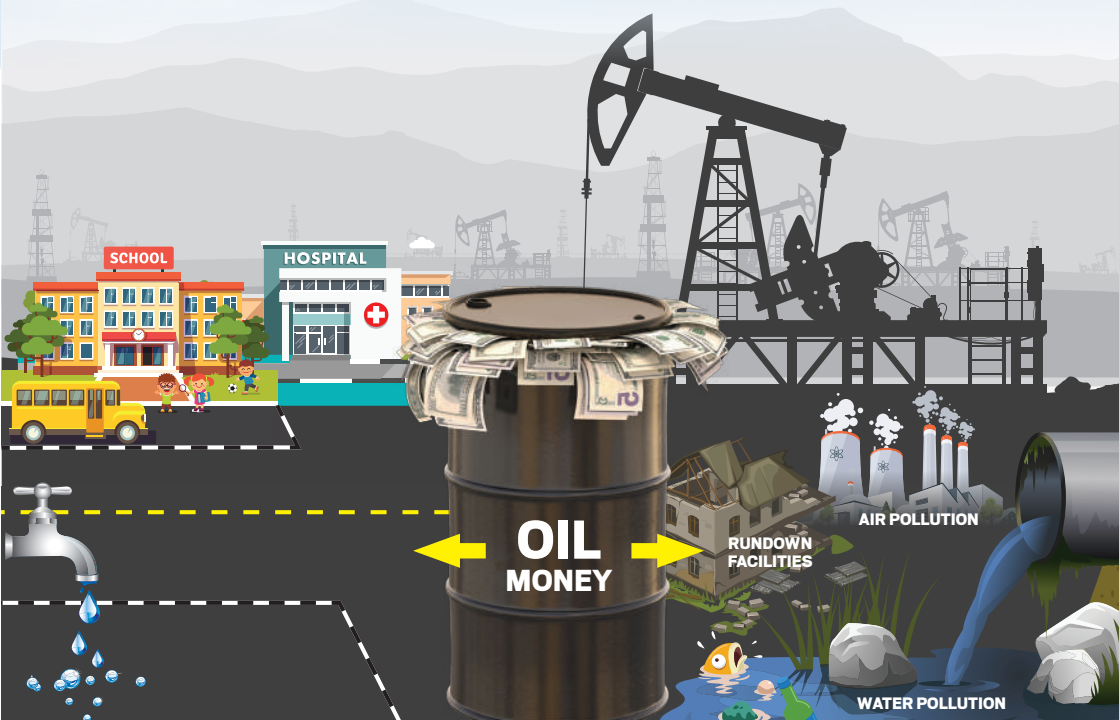


EITI Standard: The EITI Standard requires disclosure of information along the extractive industry value chain from the point of extraction, to how the revenues make their way through the government and how they benefit the public. This includes how licenses and contracts are allocated and registered, who the beneficial owners of those operations are, what the fiscal and legal arrangements are, how much is produced, sold, revenues generated, and how these revenues are spent.

EITI 01

PRINCIPLE

Prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly will create negative economic and social impact



Oil, gas and mineral resources are fixed and non-renewable. Revenues generated from these resources ought to be invested in productive sectors with multiplier effect and forward and backward linkages so that the benefits from the resources are intergenerational.

EITI PRINCIPLE 02

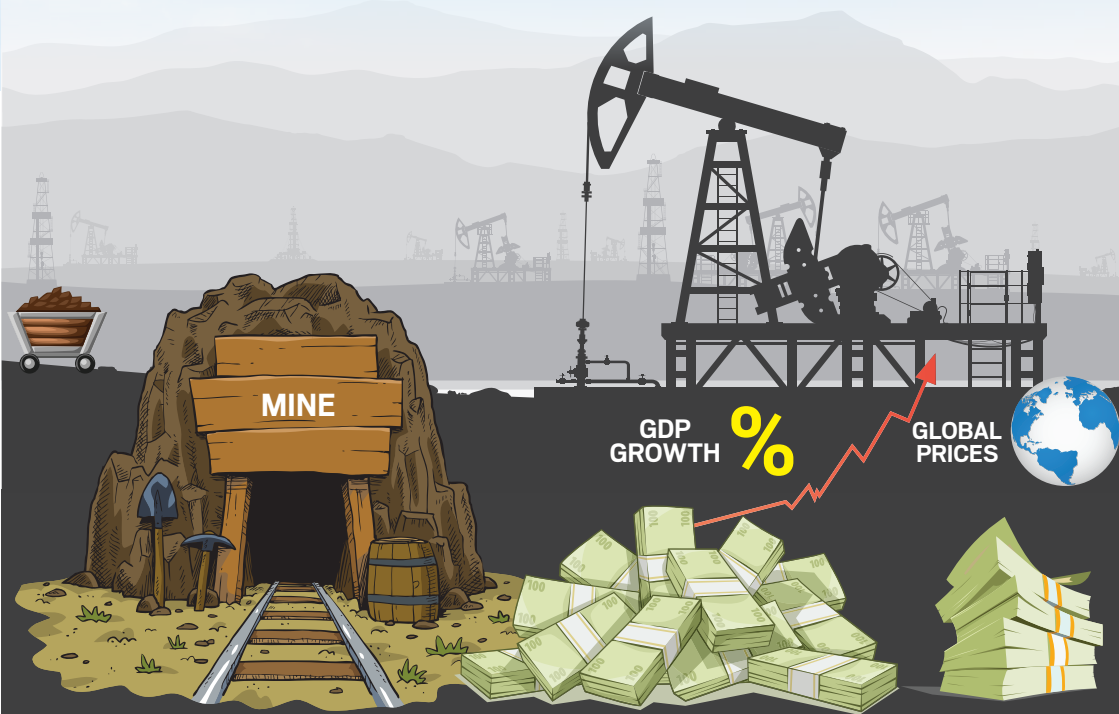
Management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of its national development



Government has mandate to regulate extraction of minerals and petroleum resources, and collect and utilise revenue to deliver quality services for its citizens. Government exercises its mandate by making and implementing good policies and laws that promote equity, transparency, accountability, and participation of all stakeholders.

EITI
PRINCIPLE **03****Benefits of resource extraction occur as revenue streams over many years and can be highly price dependent**

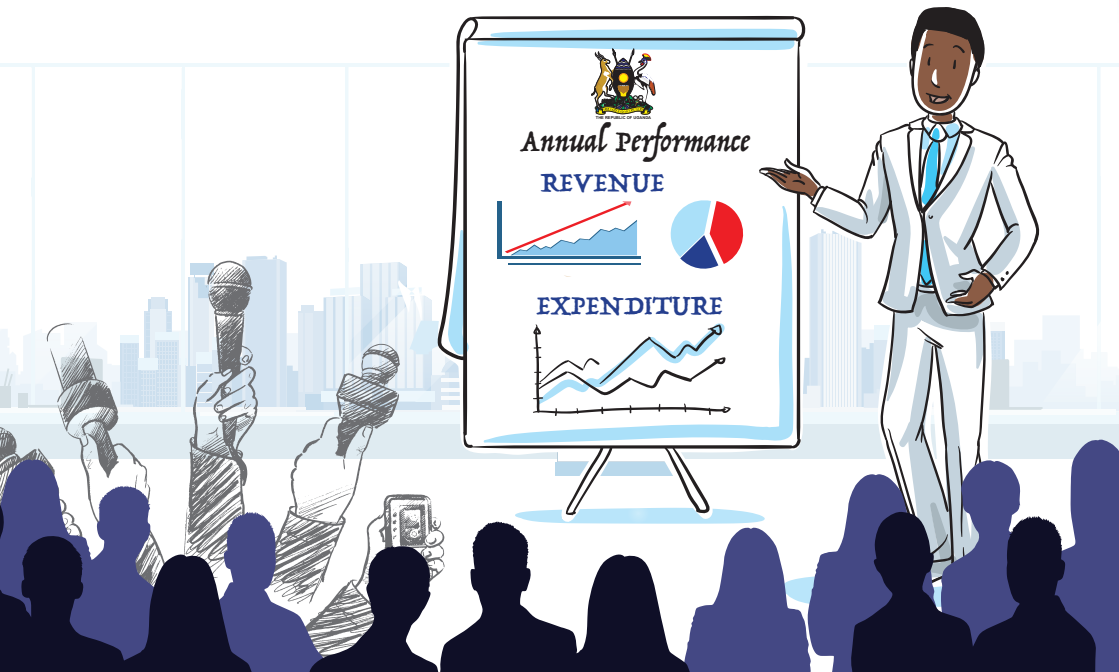
Revenues from oil, gas and mineral are received over a long period of time and are dependent on global prices which fluctuate from time to time. Countries have a responsibility of creating income stabilization mechanism to limit the economic shocks resulting from the rise and fall of prices.



EITI PRINCIPLE 04

Public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.

The principle implies that information relating to resource extraction, revenue generation and utilization (EITI Reports) should be comprehensible, actively promoted, publicly accessible, so as contribute to public debate. Disclosing information on the extraction and development of petroleum and mineral resources to the public empowers citizens to engage in a debate with their leaders and government technocrats. Participation of citizens improves decision making and expand investment options for the country.



EITI 05

PRINCIPLE

Transparency by governments and companies in the extractive industries is critical and there is need to enhance public financial management and accountability

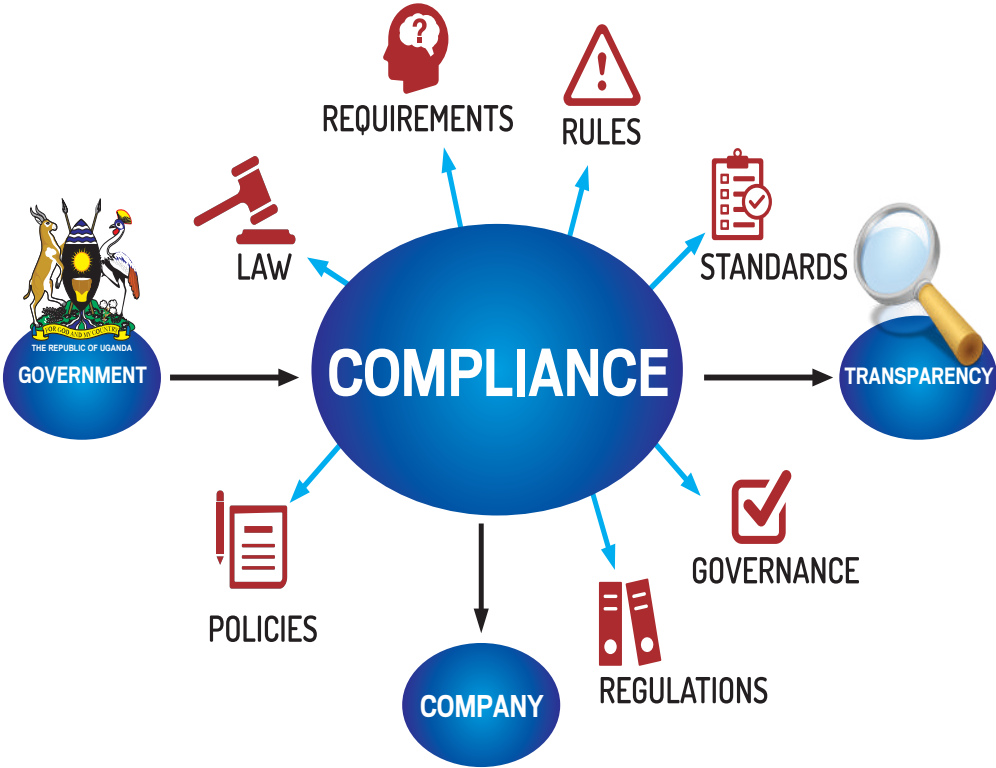
Disclosure of mineral, oil and gas payments by companies and receipts by government facilitate citizens to demand for accountability and in turn improves financial management. Disclosure of revenues also minimizes the risk of corruption and misuse of government funds. By allowing independent verification of company and Government disclosures, both Governments and Companies enable extractive transparency and accountable management of extractive revenues.



EITI PRINCIPLE 06

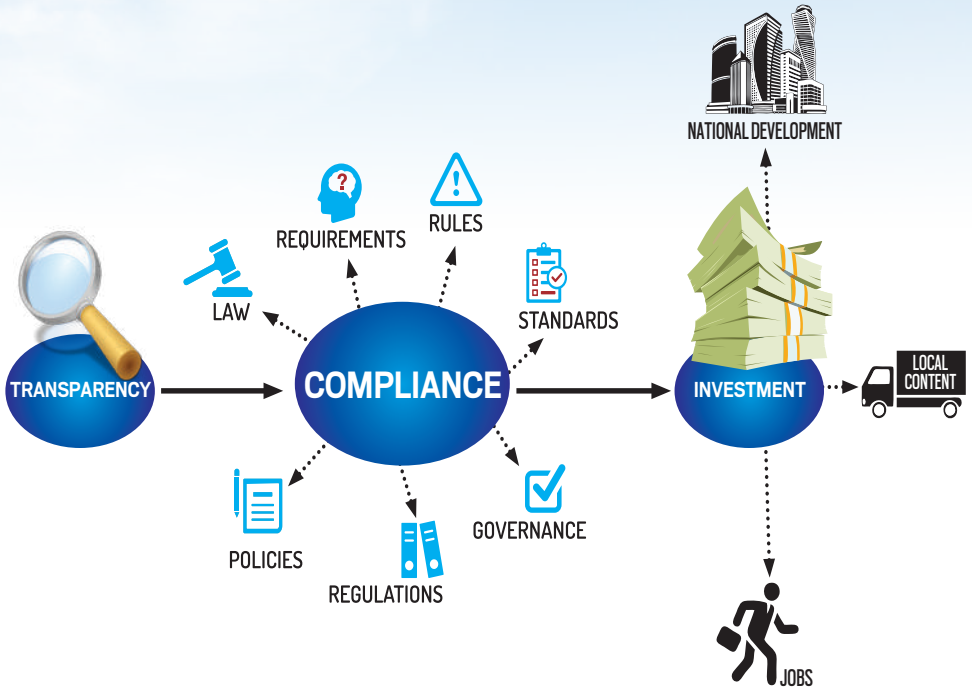
Achievement of greater transparency must be set in the context of respect for contracts and laws.

For countries to promote transparency in extractives, they must have policies, laws, regulations and best practices that provide for open contracting, disclosure of contracts and revenues, creates and empowers accountability institutions, promotes citizen and civil society participation. Both government and companies should comply with these policies, laws, regulations and best practices.



EITI
PRINCIPLE **07**

Financial transparency enhances the environment for domestic and foreign direct investment (FDI).



Disclosure of financial information by government improves investment climate by providing a clear signal to investors and international financial institutions that the government is committed to transparency and accountability.

EITI PRINCIPLE 08

The principle and practice of accountability by government to all citizens is vital for the stewardship of revenue streams and public expenditure



Since government holds natural resources in trust for the citizens of the Republic of Uganda, government must be accountable to the citizens for the revenues and expenditures that accrue from extractives.

EITI
PRINCIPLE **09**

Commitment to high standards of transparency and accountability in public life, government operations and in business is encouraged

The government ought to exhibit commitment to ensuring that public officials uphold the highest standard of transparency and accountability in all government operations. Cultivating the culture of transparency among public officials guarantees proper management of extractives revenues.



EITI 10 PRINCIPLE

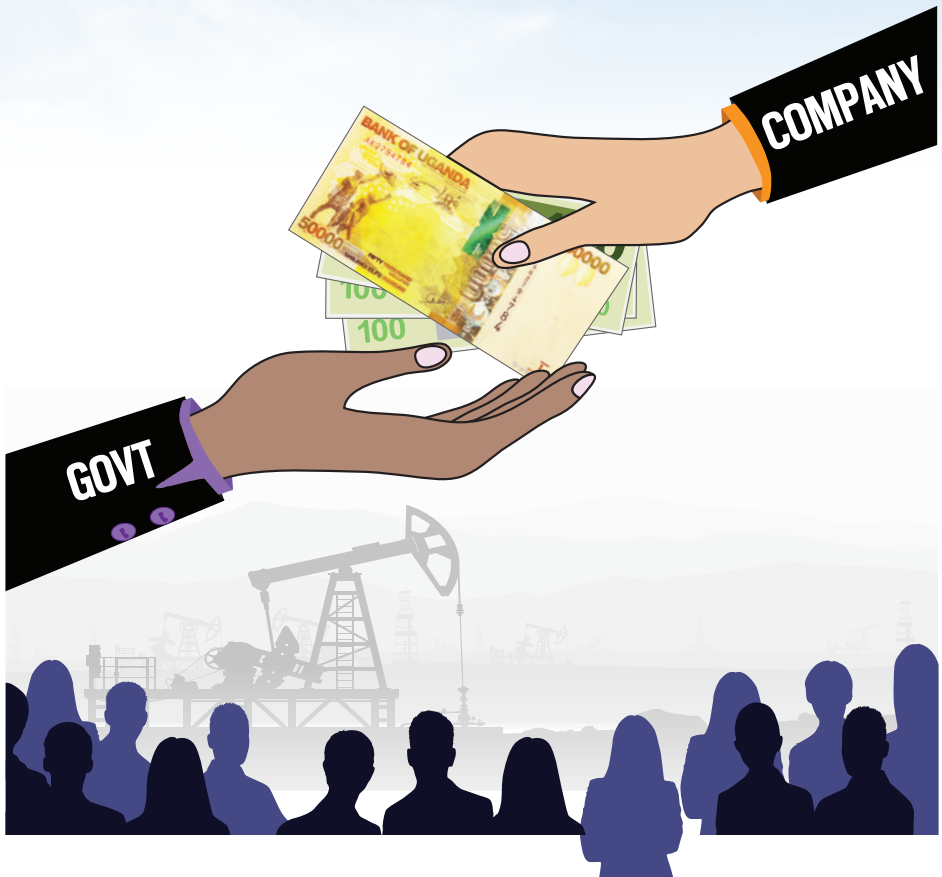
A broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use

Government and extractives companies should constitute use of various media and strategies to avail information to all the stakeholders in a form that is easy to understand and simple to access.



EITI 11
PRINCIPLE

Payments' disclosure in a given country should involve all extractive industry companies operating in that country



All companies operating in the country's petroleum and mining sectors must - without exception - comply with the requirements for disclosure of all revenue payments made to Government.

EITI PRINCIPLE 12

All stakeholders have important and relevant contributions to make in seeking solutions to challenges in the extractives sector

All-stakeholders, including governments and their agencies, extractive industry companies, service companies, multilateral organizations, financial organizations, investors and non-governmental organizations, the citizens and all civil society groups, have a role to play in ensuring proper management of extractives revenues. They should thus be availed space to participate in the sector.



Why Uganda should adopt EITI principles and implement EITI standards

There are several benefits of adopting EITI principles and implementing EITI standards. These benefits include:

● Improving in investment climate

Implementation of EITI improves investment climate by sending out a clear signal to investors and international financial institutions that the government is committed to greater transparency. EITI also strengthens licensing, record keeping and tax collection systems, and legal and fiscal frameworks.

● Preventing extractives conflicts

The EITI national platforms for accountability improve reforms and governance, as well as promoting greater economic and political stability. This, in turn, can contribute to the prevention of extractives-related conflicts. Political instability caused by opaque governance is a clear threat to investments. In extractive industries, where investments are capital-intensive and dependent on long-term stability to generate returns, reducing such instability is beneficial for business.

● Improves revenue collection process and boosting public finances

Countries implementing the EITI standard publish reports that disclose how much revenue governments actually receive from the extraction of natural resources. In the EITI report, companies disclose what they have paid in taxes and royalties, and the government discloses what it has received. These two sets of figures are compiled and compared by an independent reconciler, chosen by a multi-stakeholder group in each EITI implementing country. With EITI reports, citizens can acquire how much their government is being paid

for the natural resources in their country¹. The seemingly simple exercise of publishing what companies pay and what governments receive has already helped uncover irregularities in the extractive sector.

Some of the success stories in other countries include:

- **Ghana:** Through its 2012 and 2013 EITI reporting, Ghana identified a US\$55 million discrepancy in payment reporting from the oil company Anadarko WCTP Ltd to the Ghana Revenue Authority. In this case, the EITI process was able to recover the revenues that would have otherwise been lost by government.
- **Nigeria** has also recovered US\$2.4 billion from missing tax payments and royalties (see EITI 2012 and EITI 2016); and
- **The Democratic Republic of Congo** highlighted that US\$88 million are missing and found that one tax collecting company was unable to account for royalty payments totaling another US\$26 million.² Similar situations have been uncovered in Nigeria, Indonesia and the Democratic Republic of the Congo.

● Minimizing corruption and mismanagement of revenues from extractives

There is also ample evidence that improved transparency and accountability in extractives has the potential to minimize corruption and mismanagement of revenues. Involvement of various stakeholders, including civil society, in the implementation of EITI, facilitates information sharing and oversight hence minimizing corruption.

¹ Roberto, M. (2016) The potential of EITI in fighting Corruption and IFFs. U4 Expert Answer. Transparency International, Anti -Corruption Resource Centre and CMI. Accessed on 20th March, 2019. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=2ahUKEwjEmeens5PhAhVtxYUKHenkCIEQFjABegQICxAF&url=https%3A%2F%2Fwww.u4.no%2Fpublications%2Fthe-potential-role-of-eiti-in-fighting-corruption-and-iffs.pdf&usg=AOvVaw33cYCga5pyjyf-_4G09XhH

² Kasimova, S. 2014. "Generating 'Ripple Effects' in DR Congo". EITI. Accessed on 30 August 2016. <https://eiti.org/node/4276>



About ACODE:

Advocates Coalition for Development and Environment (ACODE) is an independent public policy research and advocacy Think Tank based in Uganda, working in the East and Southern Africa sub-regions on a wide range of public policy issues. Our core business is policy research and analysis, policy outreach and capacity building. Since the organisation was formed 19 years ago, ACODE has emerged as one of the leading regional public policy Think Tanks in Sub-Saharan African. ACODE has been recognised among the Top-100 Think Tanks worldwide by the University of Pennsylvania's 2017 Global-Go-To Think Tank Index Report.

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