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**Limited Partnership: Business, Government, Civil Society
(NGOs) and the Public in the Extractive Industry Transparency
Initiative (EITI)**

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Nigeria is awash in oil; Mali is flush with gold reserves; and Peru has abundant copper. These resources belong to the people, and thus, Nigerians, Malians, and Peruvians should benefit from their extraction and sale. But in many resource rich developing countries, policymakers lack the skills, will, or expertise to effectively manage the funds derived from these resources. Officials may funnel mining or petrodollars to their allies and families to stay in power. In some nations with weak institutions, a lack of accountability and transparency about resource revenues can exacerbate poor governance, and lead to corruption, conflict, and inequality (Karl, 1997, Ross: 2001; and Auty: 2001). Meanwhile, citizens of these resource rich countries have little say over how the revenues are spent or invested. This affliction is known as the resource curse (Lederman and Maloney: 2007, and Sachs and Warner: 1995).

Extractive industry companies, civil society activists, and some developing county policymakers have collaborated to help people from resource rich nations such as Nigeria govern more effectively. They have joined in a multisectoral partnership called the Extractive Industry Transparency Initiative (EITI). Because the EITI partnership attempts to create a feedback loop between the government and the governed, its record may provide insight into the role of democracy and public participation in stimulating economic development and in serving as a counterweight to corruption (Ahrend: 2002; Reinikka and Svensson: 2006; and World

Bank, UNCTAD and ICCM: 2006).

Although EITI is a voluntary initiative, the partners in EITI are expected to take specific actions. First, the governments must require extractive firms operating within their territory to “publish what they pay” policymakers for the right to explore and extract energy or minerals. Second, government officials must record the revenues they receive and entrust an independent administrator to compare extractive sales and revenues. Then governments must create a multistakeholder group which includes representatives of the organized public (civil society). The multistakeholder group is tasked to evaluate the information provided by business and government and review the independent evaluation. Finally, an outside organization checks or validates the reports. Validation “evaluates EITI implementation in consultation with stakeholders” (EITI: 2010). In so doing, EITI is designed to create a feedback loop between the government and the governed, acting as a counterweight to corruption.

Some 32 nations have adopted EITI, and the numbers are rapidly increasing. However, I hypothesize that the EITI partnership is not as effective as it could be for two reasons: First, the partners (governments, civil society, and business) have different visions of EITI. Second, some implementing governments have not allowed civil society to fully participate in the process or consistently provided civil society with the information they need to hold their governments to account. In this regard it is a limited partnership. In many participating countries, the public and legislators may not be aware of EITI. Thus, although public participation is essential to the success and potential positive spillovers of EITI, the public is essentially a silent partner, limiting the ability of EITI to succeed as a counterweight to corruption. Herein I define corruption as the use of entrusted power for private gain at the expense

of the public interest. Counterweights empower people to act against corruption; they include checks and balances, accountability, an independent judiciary, free press, and civil society participation.

To examine this partnership, I interviewed EITI Secretariat staff, participants and supporters; surveyed EITI's business supporters; and did primary and secondary source research on EITI, public private partnerships, and anticorruption counterweights.

The survey was conducted in 2008, and focuses on the 23 nations and 38 firms committed to the initiative at that time. Where updated information was publicly available I included it. The survey is in Appendix 1.

This article is organized as follows: I first review the theoretical literature on the role of the public and civil society as a counterweight to corruption, and specifically in public private partnerships. I then briefly survey the history of EITI and focus on the EITI partners' divergent views of the initiative they created. I next discuss how states have implemented EITI. I conclude with comments about EITI's potential to involve its relatively silent partners, the people for whom it was designed.

Corruption, Civil Society, and Public-Private Partnerships

Extractive firms often have little choice but to operate in countries where corruption and inadequate governance are a way of life. They must go where the resources are.¹ The extractive sector is particularly prone to corruption. Even when commodity prices are high, executives must develop large mines or forest plots to achieve economies of scale. These firms must borrow heavily and/or attract multiple investors, and move quickly to reduce interest costs (UNCTAD: 2007). Moreover, host governments are deeply involved in the resource extraction process; policymakers weigh whether to approve exploration, development, construction,

operation, exporting etc... As a result, extractive companies frequently interact with government officials, increasing the opportunities for corruption.

Many firms have adopted voluntary initiatives to reduce corruption, but such strategies aren't sufficient to truly address the political and economic environment in these countries. Some competitors will still use bribes and payoffs to gain market advantage. Other companies may act as free riders, saying that they worry about corruption, but doing little to reduce it. ²

Executives are increasingly aware that corruption not only increases business risk, it can have negative effects for the bottom line. Corruption also dramatically affects the public at large, undermining their access to public services such as education, healthcare, and roads among other services. Corruption can undermine governance and democracy, and make corporate social responsibility even more complicated (Frynas: 2005 and Aaronson: 2009). Table 1 summarizes the impact of government corruption on citizens.

Table 1: Corruption's Impact on Citizens

Affected Aspect of the Polity	Government Behavior	Effect Upon Citizens including Corporate Citizens
Exercise of Authority	Government responds only to special interests.	Citizens experience government as unfair and unresponsive.
Distribution of resources	Governments provide resources based on bribes rather than demand and supply, thus distorting markets. Inefficiency thrives.	Citizens do not have consistent ability to obtain public goods or opportunities. Such resources may become scarce and/or more expensive. Only individuals who can bribe have access to opportunities, policies, and resources. Citizens experience government as inept, biased, and unresponsive. May lead to social unrest.
Ability to Manage the economy	Government may misread or simply not read the market. Without depending on citizens for taxation/ revenue generation, government is less inclined to	Poor market economy, limited employment opportunities, and poor health and education services and outcomes. Without effective market management, market failures and negative externalities further impact

	invest in people and in the productivity of citizens.	citizens in terms of price gauging, product availability, free competition, and health and environmental impacts.
Rule of law	Inconsistent enforcement.	Citizens distrust and fear government. Lax protection of property rights creates incentives to exploit resources and discourage capital investment.
Information Deficit	Policymakers are disconnected from citizens and receive limited, if any, feedback on policy design, implementation, and evaluation.	Citizens lack the information they need to influence government decisions and ensure responsiveness to public concerns. The policy making process is obscured so citizens cannot know where or from whom to seek redress.

As indicated, the impacts of corruption extend far beyond a particular extractive industry or the community within which a firm operates.

Countries with high levels of corruption often have a poor investment climate for firms, devastating effects on administrative performance in the private sector and government, and deleterious effects on development (Klitgaard: 1988 and Lambsdorff: 2007).

Many extractive firms have adopted voluntary initiatives to reduce corruption, but such strategies are not sufficient to alter the political and economic environment in these countries (Frynas: 2005 and Aaronson: 2009). In recent years, scholars have found nations with more democratic freedoms, greater acceptance of democratic norms and more effective democratic institutions are better positioned to thwart corruption (Treisman, 2000; World Bank 2000; Stapenhurst and Kpundeh 1999; and Sandholtz and Gray: 2003). Public-private partnerships, inclusive of extractive firms, governments, and civil society, may prove more effective in addressing endemic corruption and its extensive and negatively reinforcing impacts. PPPs that seek to connect governments with the citizenry may be particularly important to improving governance. Firm managers are increasingly more willing to collaborate with NGOs in the developing world to counter corruption and/or to improve governance (MMSD: 2001 and ICCM: 2006).

Public-private partnerships are multi-organizational and/or multi-sectoral institutional arrangements that capitalize on the respective comparative advantages of their members in terms of resources, skills, and mission (Brinkerhoff 2002). Beyond effectiveness and efficiency improvements, actors may pursue partnership approaches for the purpose of conflict management, when conflict-related costs become greater than those associated with cooperation. Partnership as a conflict management tool structures accountability. As Jennifer Brinkerhoff notes, “The potential for conflicting motivations and objectives forms the basis for accountability in upholding the pursuit of common goals or at least agreements on goals, when the diverse actors are sufficiently engaged” (Brinkerhoff, 2002, 4). Partnership may also be pursued more explicitly to open decision-making processes (Ibid.).

EITI is an example of such collaboration; it is a public private partnership (PPP) designed to reduce corruption and improve governance (Transparency International: 2010; and Islam: 2008). While the partners may not see eye to eye on everything, EITI is based on mutuality (Austin: 2000; Brinkerhoff: 2002). Accountability and coordination is horizontally organized, rather than dictated by a subset of participating actors, and decision making is shared (Brinkerhoff 2002). EITI is an interesting case for examining PPPs since its stated aim is to improve the transparency of decision making processes, even as the participants may be strongly driven by self-interest (e.g., revenues, profits, and/or governance improvements).

The Evolution of the EITI

The EITI is a product of scholarly research, civil society activism and policymaker initiative related to the problem of the resource curse (Giles: 2010 and Bracking: 2009). Scholars and NGOs such as Global Witness and Catholic Agency for Overseas

Development (CAFOD) brought the resource curse issue to public attention and later pressed the World Bank to examine whether funding extractive investment was consistent with development. The Open Society Institute and other international foundations began to provide funds to NGOs in developing countries to fight corruption. These developments led British Prime Minister Tony Blair to launch the Extractive Industries Transparency Initiative in September 2002.

By 2007, 23 countries had agreed to adopt EITI, but only 14 of these countries actually required firms to publish what they paid, published what they received, and set up a diversified multistakeholder group to evaluate such accounting. The EITI Board and Secretariat (a group of officials housed in Norway that manages the EITI) decided EITI needed teeth. They began to tighten its requirements, and they asked several countries to leave the initiative.³ In December 2007 the EITI divided countries in two groups: candidate and compliant countries. A country that has taken the *minimal* four steps is a *candidate* country. Candidates have committed to EITI, committed to work with NGOs and the private sector, selected an official to lead EITI implementation and published a work plan. Implementing countries must become *compliant* within two years or they will be asked to leave. As noted earlier, compliant countries have not only disclosed and engaged with the multistakeholder group, they also have validated the required stakeholder consultation process.

These compliance standards were an improvement, but they were not sufficient to ensure that the EITI process created an anticorruption counterweight. Governments could still pack the multistakeholder groups with government cronies or prevent these groups from operating effectively and communicating with citizens. In short, EITI does not obligate an implementing government to be open, accountable, and engaged with its citizenry on extractive revenues.

By 2007, it also was clear that many adopting countries needed help to effectively implement EITI. World Bank staff and donors developed two trust funds at the World Bank. Adopting countries could apply for such monies if they agreed to use funds to meet the needs of their poorer citizens. The World Bank also set up another program, EITI++ to provide governments with technical assistance to improve decision making, manage price volatility, and invest revenues effectively for national development.”⁴ The World Bank also monitors country behavior under EITI and researches how to encourage these countries to do more to take advantage of EITI.⁵

The Essential but Vague Role of Citizens and Civil Society in the EITI

EITI partners include governments, extractive firms, civil society organizations (NGOs) (international and domestic), and, for governance purposes, the public, or citizens, who will act upon the information made available. In general, citizens participate in the discussion over governance in EITI with the intermediation of NGOs, legislatures and the press (usually radio in Africa) (Bryan and Hoffman: 2008; UNDP: 2004; and Brunetti and Weder: 2003).

Under EITI procedures, civil society groups monitor government and business reporting of revenues and royalties and assure outside validators that they received full and accurate information. However, civil society cannot play this role unless policymakers provide access to information and citizens can organize, comment upon, and challenge public policy (Warren: 2005). Civil society must be effective at communicating with citizenry. Finally, the people must be able to comprehend what the multistakeholder group is saying about how the government uses and records resource revenues. In many countries, however, citizens are illiterate or struggling

to provide for their families. Extractive industry financing may not be their top concern.

Cultural and political factors may also hamper effective public participation in EITI. For example, in many developing countries, public discussion of oil and mining revenues is considered taboo or is discouraged, particularly in Africa (National Democratic Institute: 2008). In other countries, citizens may not see these groups of organized interests as forces for good (Slim: 2002). Also, individuals working for NGOs may engage in corruption.⁶

NGOs in the industrialized world have a complicated relationship with the EITI. While many such groups encourage, finance and train developing country activists to be active in EITI-related activities, many of the same NGOs that support EITI also see it as only one step towards mandated and much more extensive processes and requirements. NGOs such as Global Witness (a British NGO which was one of the earliest civil society groups examining this issue) and Publish What you Pay (a multinational NGO coalition) ultimately want governments in the industrialized as well as the developing world to adopt regulations that require extractive firms “to publish what they pay” and to enact laws establishing the public’s right to information about public revenue and budgeting.⁷ These NGOs recognize that without mandates, a government’s commitment to EITI could be ephemeral. Many activists also would like to see mandated government use of resource rents for investing in essential services for the poor.⁸ Others argue that EITI must demand greater reporting from state-owned extractive industry companies (Rubin: 2009).

Donors and NGOs alike seek to advance these aims. The World Bank recently began to fund capacity building grants to civil society groups (World Bank: 2009). NGOs active in the developing world on such issues, for example, Publish What You Pay and

Transparency International, train budget activists. The Revenue Watch Institute has developed resources for journalists and citizens on the resource curse and on EITI. In recognition that a free press is also necessary to ensure that civil society can inform the public, governments such as the U.S. and Australia funded projects to strengthen independent media in candidate countries such as Timor-Leste (Senate Foreign Relations: 2008). The reach of these activities, however, does not extend to civil society or citizens in all of the implementing countries.

EITI and Governance Progress

In the EITI Business Guide, authors Peter Eigen, Chair of the Secretariat, and Rex Tillerson, Chairman Exxon Mobil, claim that adherence to the EITI signals an intention to improve the business climate.⁹ Investors see effective EITI implementation as an important reform. In my survey of EITI implementing firms, 71% of those responding noted that EITI sends a signal regarding the host government's credibility in addressing corruption and attracting investment. A similar percentage also said it gave these firms leverage over the government on transparency issues. Sixty four percent said it had increased transparency, but only 43% said it increased citizen monitoring of government activities.

The World Bank also views EITI as sending a “clear signal to all stakeholders and investors on national commitment to transparency.”¹⁰ The Bank (and the EITI) argues that the results of EITI will be an improved governance platform, improved trust, a better investment climate, and more foreign investment.¹¹ The Deputy Oil Minister of Indonesia also thinks such signaling is important. He argued in 2010, “We believe EITI enhances the investment climate by lowering information and transaction costs for

firms by more clearly defining what revenues they are supposed to pay and why.”¹² Around the world, investors are responding to these developments. Some 50 extractive companies state they actively participate in EITI. In June 2008, 80 institutional investors with collective assets over \$14 trillion endorsed EITI and stressed that it could increase legitimacy in adopting countries (EITI: 2010).

If numbers are a useful metric of EITI’s success, the numbers are compelling. In its short existence, the initiative has attracted 32 countries with almost 1.5 billion people. Implementing nations now include several of the world’s largest oil and mineral producing nations; these countries have produced some 47 reports. In the majority of these countries, NGOs have issued public comments to government-issued reports on extractive revenues. Citizens living in these countries now can see what their government earns from their resources. Five governments have validated. However, sixteen countries missed their March 2010 deadline for validation, and 22 countries must show they are compliant by November 2010.¹³

Table 2 summarizes the impact of EITI as of October 26, 2010, with an overview of civil society’s effectiveness as a corruption counterweight. The analysis delineates the status of EITI reporting, role of civil society and access to information through an environment supportive of a free press and civil political liberties. I derived the analysis from the websites of EITI, Publish What you Pay, Revenue Watch Institute, the World Bank EITI site, Department of State Human Rights Reports, Reporters San Frontières (Reporters without Borders) , and interviews with EITI Secretariat Staff. The information provided is not always consistent as these

sources do not cover every country. Moreover, the country specific information on the EITI websites is self-reported by EITI countries; these nations do not always provide full information. Finally, each country reports differently and some countries include state or provincial results, others don't.¹⁴

Table 2: Assessment of EITI Actions by Candidate Countries October 2010

Country	History, Legal Status, and Report Status	NGO submitted comments?	Assessment of commitment to transparency and NGO involvement Civil political liberties context
Compliant Countries—Countries which have been validated by an Outside Auditor (5)			
Azerbaijan Launched in 2003 COMPLIANT	Although EITI adherence is not mandated by law, strong political buy-in from executive and legislature as well as civil society. Issued 12 reports (the most of any nation) but multistakeholder group not established until 2010.	Yes	Authoritarian regime with weak enforcement of political/civil rights. However, active NGO involvement, accepted by government. Limited press freedoms.
Timor Leste Launched 2008 COMPLIANT	EITI adherence is built on legislation requiring transparency.	Yes	Democratic state with strong commitment. Active civil society and media presence. Press freedom limited.
Liberia Launched 2007, COMPLIANT	EITI adherence built on legislation. Issued 2 reports. Includes rubber and forestry sectors. Reports showed corporate reporting discrepancies. ¹⁵	Yes	Democratic state with strong commitment from government and civil society. Seen as key to building trust and establishing peace. Press relatively free but declining.
Ghana Launched 2003 COMPLIANT	Although EITI adherence not mandated by law, strong political buy-in. Ghana is focusing on expenditures as well as transparency. Ghana's 4 report included payments to sub national governments.	Yes	Democratic state with strong commitment. Strong civil and political liberties and press freedoms. Civil society is relatively weak.

Country	History, Legal Status, and Report Status	NGO submitted comments?	Assessment of commitment to transparency and NGO involvement Civil political liberties context
Mongolia, Launched 2005 COMPLIANT	Although EITI adherence not mandated by law, strong political buy-in at Prime Ministerial level (unique). Mongolia's report included payments to sub national governments. Reports found major discrepancies.	Yes	Democracy with strong commitment to EITI. Active NGO involvement. Press freedom and civil and political liberties improving.
Candidate Countries Moving Towards Validation (13) Includes Cameroon, Gabon, Kyrgyzstan and Nigeria deemed "close to compliance"			
Cameroon Launched 2005 Under review for validation.	Two reports. Deemed close to compliance.	Yes	Fragile democracy with longstanding leader, with active NGO and government support. Political and civil rights relatively weak; press freedom weak and declining.
Nigeria Launched 2004 Under review for validation.	Adherence to EITI mandated under law. 4 reports. Deemed "close to compliance."	Yes	Republic with active NGO involvement and central government commitment. Weak and declining press freedoms and civil and political liberties. Press harassment.
Kyrgyz Republic Launched 2004, validate by 9/ 2010.	Issued one report. Process stalled 2006-2007. Multistakeholder group formed in 2008. Deemed close to compliance	Yes	Authoritarian republic with weak and declining press freedoms and civil/political liberties.

Country	History, Legal Status, and Report Status	NGO submitted comments?	Assessment of commitment to transparency and NGO involvement Civil political liberties context
Gabon Launched 2006, validate by 9/ 2010	Ministerial decree, government has issued three EITI reports. Housed in Ministry of Economy, Finance and Budget. Beginning validation. Deemed close to compliance	Yes, but government tried to arrest/ ban critics.	Republic with longstanding “strongman.” Weak press freedoms and civil/political liberties. In 2010, government seems more willing to respect political discussion of extractives due to international pressure. ¹⁶
Central African Republic Launched 2007. Under review for validation.	Two reports.	Yes	Fragile democracy but government appears committed. Press freedoms and civil liberties weak and declining.
DR Congo Launched 2008. Under review for validation.	Two reports.	Yes	Fragile democracy with weak civil and political liberties, weak freedom of the press and press harassment.
Norway Launched 2009 Has until 2011 to validate	Adherence to EITI mandated under law, moving quickly. 1 report.	Yes	Industrialized democracy with very strong commitment to EITI. Strong press and civil political liberties.
Mauritania	Issued 4 reports. Due to coup in 2008, EITI progress halted but restarted in 2009.	Yes	Republic put in place after coup. Active NGO involvement. Government appears committed

Country	History, Legal Status, and Report Status	NGO submitted comments?	Assessment of commitment to transparency and NGO involvement Civil political liberties context
Launched 2005, under review for validation.			but weak civil and political liberties. Weak freedom of the press.
Peru Launched 2007, Under review for validation.	EITI adherence not mandated under law. However, Peru has a law guaranteeing citizens access to information about mining revenues. 1 report	Yes	Multiparty republic with legal commitment to budget transparency and accountability Moderate civil and political liberties. Press harassment. Ironically, slow progress.
Kazakhstan, Launched 2005. Under review for validation.	MOU signed with World Bank. Significant civil society involvement, website. Published four reports. Preparing for validation. High level support, as EITI is jointly housed Ministry of Finance and Power, Engineering and Mineral Resources	Yes	Repressive government with weak civil and political liberties. However, government strongly committed to EITI and NGOs are allowed to speak out on this issue. Weak and declining press freedom and press harassment.
Cote D'Ivoire Launched 2008 Has until 11/2010 to validate	Work plan, multistakeholder group, and information campaign developed in 2008. Made television program to inform public. 1 report.	Yes.	Fragile democracy with weak and declining freedom of the press. Uneven and declining civil and political liberties.
Sierra Leone Launched 2008 Validate 9/2010.	Launched Aug. 2007. Multistakeholder committee. 1 report.	Yes	Fragile democracy with some government commitment. Improving press freedoms and civil and political liberties. .

Country	History, Legal Status, and Report Status	NGO submitted comments?	Assessment of commitment to transparency and NGO involvement Civil political liberties context
Tanzania, Launched 2009 Must validate 2/ 2011	No reports yet.	Not yet.	Strengthening democracy with improving political and civil liberties. Limited but improving press freedoms.
Minimal Progress (3)			
Yemen Launched 2007. Validate by 3/ 2011.	Web site and multistakeholder committee established. No reports yet.	Not yet	Republic with weak and declining press freedoms and civil/political liberties.
Rep of Congo Launched 2008 Validate by 9/ 2010	Two reports. Active NGOs. Deadline extended. Validation underway.	Yes	Parliamentary republic/fragile democracy with weak political/civil liberties, but improving freedom of the press, but some press harassment. ¹⁷ Budget advocates were arrested but government attitudes may be changing.
Mali Launched 2007 Validate 9/2010.	1 report.	Yes.	Constitutional democracy with improving freedom of the press and civil liberties.
Problems in Implementing EITI due to recent coups (3)			

Country	History, Legal Status, and Report Status	NGO submitted comments?	Assessment of commitment to transparency and NGO involvement Civil political liberties context
Niger Validate 9/2010	Slow moving, 1 report. Coup in 2010. Active NGOs	Yes	Weak and declining civil and political liberties and declining press freedoms.
Madagascar Launched 2008 3/2011 to validate	Slow to gain momentum. Coup in 2010 but multistakeholder group is functioning.	Yes	Declining civil and political liberties. Some press freedom, but increasing attacks on press. Web site does not indicate request for delay due to coup.
Guinea ¹⁸ Suspended for one year. No validation date.	First report 2005. After 2008 coup, EITI suspended, situation remains volatile.	Yes	Weak and declining civil and political liberties. Limited press freedoms.
Initial Stages (8)			
Afghanistan Launched 2010. Validate by 9/2012	No multistakeholder group yet. No reports	Not yet	Just beginning. Due to political violence, some restrictions on freedom of press and speech. Weak but slightly improving press freedoms, weak and declining civil/political liberties.
Iraq Launched 2010	Web site, work plan, multistakeholder body, no reports yet.	Not yet	Just beginning. Due to political violence, some restrictions on freedom of press and speech.

Country	History, Legal Status, and Report Status	NGO submitted comments?	Assessment of commitment to transparency and NGO involvement Civil political liberties context
Validate 2/2012 to validate			
Albania Launched 2009 Validate May 2011	Multistakeholder group, no reports. Must validate by May 2011.	Not yet	Just beginning. Parliamentary democracy with improving civil political liberties and press freedoms.
Burkina Faso. Launched 2009 Validate May 2011.	Decree for Multistakeholder group but no evidence of group, no reports, no web site.	Not yet.	Weak democracy with some government commitment. Some press freedoms, uneven civil and political liberties.
Mozambique Launched 2009 5/2011 to validate	Slow moving. No reports yet.	Not yet	Weak democracy. Political liberties weak, declining civil liberties. Limits to press freedom.
Zambia Launched 2009 May 2011	No reports yet. NGOs actively involved. No reports yet.	Not yet.	Weak democracy with improving civil and political liberties and press freedoms.
Indonesia	Just announced, October 2010.		
Togo	Just announced, October 2010.		

As the chart illuminates, there is no roadmap for EITI success. The compliant nations include democratic and authoritarian regimes. But the context for implementing EITI matters. The states that have validated have put political will behind EITI adoption and they accommodate NGO activism on extractive industry revenues. Thus, repressive states such as Azerbaijan remain repressive, but they let NGOs participate in the EITI and used the web and allowed the media to inform citizenry about EITI activities.

Some countries simply don't have the governance expertise or consistent will to progress rapidly with EITI. Nigeria, as example, has been implementing EITI since 2004, but some 6 years later still has not achieved compliance. On October 26, 2010 the EITI Secretariat issued a special 'dispensation' for Nigeria, Gabon, Kyrgyzstan, and Cameroon. It "agreed that the validation reports did not conclusively demonstrate that all of the validation indicators have been met." The EITI delineated specific actions that these countries must take to achieve compliance, but it didn't repudiate these countries or go public with the specifics about why these countries were not yet compliant.¹⁹

Although numbers are useful, the most interesting metric is how some governments have used the EITI process to change the dialogue between policymakers and their citizenry about how resources should be used. For example, Liberia, Sao Tome, Nigeria and Ghana have begun to encourage their citizens to get involved in discussions about extractive issues. The feedback loop goes both ways. In Sierra Leone, activists pressed the government to sign on to EITI; in 2008 it finally agreed to do so. Activists are trying to prod the Ugandan government to adopt EITI.²⁰ The Liberian government uses the EITI reports as a basis for discussions with citizens about accountability, corruption and the division of benefits from revenues.²¹ The

head of EITI in Liberia stated, “Liberia is a resource-rich country....our natural resources have effectively impoverished us and fueled our conflict.” She noted that the government could succeed at managing these resources only if it involved its citizens.²² In Nigeria, the National EITI organization conducted road shows where NGOs made presentations and asked for public comment. Columbia University worked with the government of Sao Tome to organize seminars where participants learned that oil revenues can be a curse if not well managed; all citizens have a right to know how this money is used; and oil money cannot solve all of the country’s problems (Albuquerque et al. 2004).

Some governments have used the EITI process to debate how to govern more effectively. For example, Mongolian officials conducted a public discussion over whether the government should acquire an equity stake in mining activities or tax it and receive royalties. The national debate helped policymakers rethink the relationship between government and the mining sector and led to a decision to adopt EITI.²³ Ghanaian officials used their reports to examine the efficacy of the redistribution of revenues to district assemblies and other local authorities. Officials and citizens also discussed how local governments used the revenues (Darby and Lempa: 2007). EITI’s role in these discussions varies; some countries used the EITI adoption process to facilitate such discussions; others used these discussions to gain broader approval of EITI.

However, EITI is not well understood, even in relatively successful democracies where there is an ongoing public debate about how resources should be used. For example, the Government of Ghana recently announced a large oil find off the Ghanaian coast. Ghana is a development success story; it has had five successive democratic elections, sustained high rates of economic growth, and policymakers have dramatically reduced the numbers of people

living in poverty. But many Ghanaians fear that the oil wealth could lead to mismanagement and corruption. EITI could be helpful; it has strong buy-in in Ghana.²⁴ However, even in Ghana with a strong free press and rising literacy rates, the National Democratic Institute reported that many Ghanaian legislators were unaware that Ghana was participating in EITI. The public is even less aware.²⁵

Several EITI countries are promoting greater transparency, including disseminating their EITI-related efforts. As of July 2010, 17 countries had set up public web sites on their EITI efforts. At many of these sites, these countries proudly document their EITI obligations and tout the contributions of civil society. (However, none of these sites ask for public comment). Some of these countries, such as Azerbaijan, Gabon, and Kazakhstan, are not widely considered role models for openness, freedom of speech or public participation. However, they seem to want to signal to the world that they are comfortable letting foreigners and their citizens see their resource revenues.²⁶ Five EITI countries—Norway, Nigeria, Sao Tome, Liberia, and Timor-Leste—mandate extractive revenue transparency. Ghana is encouraging a public debate over its approach to transparency and regulation of new petroleum fields.²⁷

EITI reports may be used by civil society and government officials alike to improve governance. In many of the countries that have issued reports, civil society has used these findings to improve governance. The reports document whether the government records on extractive industry revenues were complete, computerized, and whether the transactions were tested. They also report if relevant government agencies verify records, collaborate, and effectively reconcile their differences. For example, as reported by Revenue Watch Institute, Ghana's multistakeholder group found that tax and regulatory agencies responsible for collecting mining payments did not collaborate; in Nigeria, the auditors found that the auditor general

did not keep accurate records of accounts; and in Azerbaijan the report revealed incomplete reporting by companies and discrepancies in inflows (Goldwyn: 2008). Such information can empower officials who want to do a better job of maximizing resource rents, providing them with greater leverage to demand changes from extractive firms. Moreover, the multistakeholder group is tasked with investigating if the government systems in place for recording payments and auditing are clear, effective, and meet international standards. Civil society could use this information to challenge government budgeting and distribution of funds. Activists may learn more about how government works and how to make it work better. Over time, the governance skills learned under EITI could gradually spill over into the polity as a whole (Rodrik: 2004 and Aaronson: 2009).

Despite progress and potential, many EITI-adopting nations struggle to work consistently and effectively with civil society. Publish What you Pay/Revenue Watch Institute reported that in Cameroon and Mauritania, important documents were not distributed in advance of meetings, leaving civil society members of the multistakeholder group ill prepared to participate and make decisions.²⁸ Madagascar, Guinea, Mauritania, and Niger had coups in recent years, but the EITI Secretariat remains optimistic about the governments' ability to implement EITI. Despite changes in leadership, the World Bank reported that civil society groups in Mauritania and Sierra Leone persuaded policymakers to continue EITI (World Bank: 2009). But in other countries, civil society has not been able to effectively participate in the EITI process. Mongolian officials appointed the stakeholder groups rather than letting citizens and NGOs choose their representatives. After domestic and international protest, Mongolian policymakers reversed course.²⁹ In other countries, the situation is much worse. The multistakeholder group in Kyrgyzstan has rarely met.³⁰ The government of Congo has

at times harassed activists and not let the EITI process work.³¹ Even in the EITI success story Azerbaijan, the multistakeholder group did not meet until 2010 (PWYP Coalition Spotlight: 2010).

In late 2007, Gabon banned NGOs and suspended them after they criticized government spending. In January 2008, Gabon lifted the ban on 22 non-government organizations. However, on June 6, 2008 Gabon prevented the Coordinator of Publish What you Pay Gabon from traveling abroad to a Revenue Watch meeting in NY. His office had been burglarized several weeks earlier.³² Such problems may be more widespread. In a survey by the author of 14 of the 38 firms supporting EITI, 71% of those responding (or 10 companies) said they did business in countries where civil society was arrested or hampered from participating. The World Bank admitted it has at times spoken out to protect civil society representatives to ensure effective participation in EITI (World Bank: 2009).

The World Bank recommended that governments view NGOs as collaborators rather than “watch-dogs,” facilitating the flow of information as well as its accuracy and timeliness (Otto: 2005). In assessing the performance of Cameroon on revenue transparency, the IMF suggested that “providing information on the production sharing agreements would complement existing initiatives to improve the perception of governance...Further public scrutiny would contribute to changing public sentiment on government accountability” (Cosse: 2006, 22-23). The EITI Secretariat should make it clear that if governments are to be validated, they must provide citizens with the information they need to comment effectively on resource management and then allow them to comment.

The EITI Secretariat appears reluctant to tell governments how to implement EITI. Nonetheless, after pressure from NGOs and some donor states, the Secretariat warned the

governments of Congo and Gabon that the process requires citizenship participation. In both of these instances, the recalcitrant government backed down under diplomatic and/or NGO pressure. However, senior EITI officials note that demanding political participation and due process rights as part of EITI will not work in countries where there is no civil society (e.g. Equatorial Guinea) or where civil society has little influence over business (as in Timor Leste).³³ Hence the EITI Secretariat has adopted a strategy of trying to encourage these countries to allow NGOs and citizens access to information and to protect citizen/NGO right to political participation. Hence, the ‘dispensation’ for Gabon, Krygystan, Nigeria and Cameroon.

Despite their concerns, the non-state partners in EITI are influential advocates for the initiative. As noted above, NGOs pushed Sierra Leone to join EITI. Publish what you Pay is active around the world encouraging more governments to join EITI. Exxon Mobil pushed Equatorial Guinea (now no longer involved) to join EITI and has worked to build knowledge of EITI within the government and among the people. BP and other firms played a similar role in Azerbaijan. Of the firms I surveyed, 64% stated that they used their influence to prod a government to consider EITI.

EITI: Divergent Partner Objectives

The EITI partnership provides a framework for citizens, policymakers, and business executives to act upon their shared interest in improving resource revenue governance. As noted above, to some extent EITI has empowered citizen and citizen groups by allowing developing country stakeholders to influence decisions that business executives and policymakers make about extracting resources. The EITI partnership is a tool to improve corporate governance, but is without mandates (Blowfield and Frynas, 2005). However, EITI is limited by the different objectives of the partners and by the failure of many implementing

states to involve and educate their citizens about what they are doing and why they are doing it. One unifying element among EITI's stakeholders is the rhetoric of resource transparency, which has increasingly become a norm not just among NGOs and policymakers, but among corporate executives and leaders of many developing countries.

EITI does not obligate an implementing government to be open, accountable, and engaged with its citizenry on extractive revenues. Thus, it is effective only in those countries willing to inform groups of citizens and to allow these citizens to use this information to challenge government. Democratic states adopt EITI to signal investors and citizens that they want to act responsibly regarding resource revenues. But why might leaders of repressive states adopt EITI? EITI has costs—by empowering NGOs, they could challenge elite authority or reveal corruption. Yet these leaders also believe they can use EITI to diversify their economy, attract more investment, and enhance the welfare of their citizens. Such leaders may use EITI to signal that the government is trying to be effective, even-handed (UNDP: 1997; and Golub: 2003) and respectful of property rights (Jensen: 2006; Wei: 2000; and Li: 2005.) These leaders are acting rationally, concluding EITI's benefits outweigh its costs (Keohane: 2002; Elkins, Guzman and Simmons: 2006; Dobbins, Simmons and Garrett: 2007).

Developing country policymakers seem to like EITI because it is voluntary and relatively cheap to implement. This corresponds with the findings of rational choice scholars who argue that governments view the positive investment spillovers from EITI as outweighing the costs of compliance. Industrialized country policymakers like EITI because it helps them try to change conditions in some developing countries without direct conditionality. Extractive industry executives like EITI because it is not a mandate and it does not impede their competitiveness as they seek new sources for oil and minerals. And developing country NGOs (along with the

World Bank) like EITI because it stimulates governance learning, and by extension, ultimately can improve governance.

Yet these same partners have serious questions about the initiative, and support for EITI among key stakeholders is far from universal. While generally positive about EITI, many NGOs from the industrialized world would like to see corporate governance rules mandate firms publish what they pay governments. Extractive industry executives are divided about EITI. Some see EITI as too weak and others criticize EITI for not focusing sufficiently on the entire chain of extractive industry revenues and payments. Still others argue that this model is not helpful for oil, forestry or rubber. Some executives assert that EITI will not be effective unless national oil/mining companies become more supportive of EITI and transparency.³⁴ Influential national oil companies such as China National Petroleum Company; Lukoil (Russia) or Petronas (Indonesia) have not expressed their support.³⁵ Governments, too, are ambivalent about EITI. Some argue that EITI needs greater support from India and China. Some NGOs including Global Witness and policymakers such as Senators Richard Lugar and Benjamin Cardin want industrialized countries such as Australia and the US that export minerals to implement EITI. In that way, EITI will not be a “global double standard.”³⁶

Thus, the EITI partnership clearly has limits. Because it is voluntary, participating governments can ignore or abandon EITI or implement it selectively or slowly. Policymakers in several adopting countries (particularly those where civil and political rights are not respected) have not let the public or civil society groups play a role in its implementation. The partners in EITI and the EITI supporters (international organizations and donor governments) have not come to a consensus on how to handle these issues. Moreover, while host governments and extractive firms are satisfied with the voluntary nature of EITI, NGOs and some donors would like to see

the EITI process mandated. However, the voluntary nature of EITI, coupled with the lure of donor assistance and increased foreign investment, are the lures that attract extractive exporting nations to try EITI.

EITI as a Struggling Partnership

EITI is struggling to satisfy all partners. While host governments and extractive firms are satisfied with the voluntary nature of EITI, NGOs and some donors would like to see the EITI process mandated, which would compromise the mutuality inherent to partnerships. Conflict-based partnerships are successful where the partners perceive that compliance with the partnership outweighs the cost of noncompliance. Moreover, EITI has no teeth to ensure that governments with broader resistance to democratic practices feel the true penalties of noncompliance. The situation poses somewhat of a circular argument in that it implies that good governance will beget good governance. However, experience to date, as reviewed above, suggests that EITI presents important learning opportunities for governments and civil society alike, which can yield improved governance generally, as well as thwart the efforts of individuals who would otherwise engage in or free ride on corrupt practices.

CONCLUSION

Partnerships such as EITI may have some important unanticipated spillovers. First, they are way for firms to listen to and effectively respond to stakeholder concerns. Secondly, the EITI, like other such partnerships helps to facilitate governance learning. It can help local NGOs with little funds or few connections learn how to work with policymakers, business leaders, and journalists and become part of a larger community interested in good governance (Dobbin, Simmons and Garret: 2006). According to one World Bank official, “The EITI can encourage

government and industry to set up parallel discussion spaces where environmental and social and other issues of concern can be addressed in an orderly and structured manner with both women and men well represented (Strongman: 2010). In this way, the EITI is a capacity building PPP, as well as a PPP designed to serve economic development and policy goals (Brinkerhoff and Brinkerhoff: 2009.)

However, until all participating governments allow citizens and civil society to fully participate, EITI will remain a limited partnership in many countries. A growing number of governments, NGOs, and development organizations are now vested in EITI's success. But for EITI to succeed as an anticorruption counterweight, the partners must do more to ensure that more of the people participate in decisions about resource rents. Only then will the public move beyond being a silent partner in the discussion EITI purports to encourage.

Annex 1: Questionnaire Surveying EITI Business Supporters.

In 2008, I developed a short questionnaire for business leaders supportive of EITI. The survey was placed on survey monkey, a confidential web site for surveys. I relied on contacts provided by EITI staff and telephoned each corporate supporter of EITI in 2008. As noted above, 14 of the 38 companies responded to the 10 questions, which are listed below. The survey remains the only public survey of firms involved with EITI.

1. How does EITI (Extractive Industries Transparency Initiative) help your company? (Check all that apply)

- Provides a means to engage with stakeholders
- Minimizes corruption
- Sends a signal regarding the host government's credibility in addressing corruption and attracting investment
- Allows firm leverage over government on transparency issues
- Reduces damage to company reputation
- Other (please specify)

2. Would more governments adopting EITI give your firm greater leverage to push EITI in

other countries?

Yes

No

3. How has your firm promoted EITI? (Check all that apply)

- Used its influence to prod a government to consider adherence to EITI
- Trained government officials in financial reporting or economic analysis
- Urged other firms with whom it partners to support EITI
- Trained colleagues from other firms in EITI procedures
- Built EITI procedures into ethics, strategic planning and CSR processes
- Other (please specify)

4. What do you perceive to be the most significant impact of EITI in implementing countries?

- Increases transparency
- Increases accountability
- Increases citizen monitoring of government/government accountability
- Increases political participation
- All
- Other (please specify)

5. Does EITI help your firm make connections with the local citizenry by aligning host country public interest in accountable effective governance with your firm's interest in accountable effective governance?

Yes

No

6. Does your company view EITI as an alternative to national regulations mandating disclosure?

Yes

No

7. Do you have contracts in EITI countries where the government forbids the disclosure of certain payments?

Yes

No

8. Have you done business in EITI countries where civil society was arrested or hampered from participating?

Yes

No

9. What is the greatest threat to mainstreaming EITI as a global standard?

Nonparticipation of national oil companies such as Chinese National Petroleum Company (CNPC)

National laws mandating reporting

Nonparticipation of smaller extractive companies

Nonparticipation of Richer Energy exporters such as the US, Saudi Arabia, Russia, UK or Kuwait

Other (please specify)

10. How important is it that EITI secure the endorsement and participation of state-owned extractive industry firms and governments in the BRIC (Brazil, Russia, India and China) countries?

Very Important

Important

Somewhat important

Of marginal importance

Irrelevant

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