

Extractive Industries Transparency Initiative – EITI



Possibilities for Armenia



Structure of Presentation



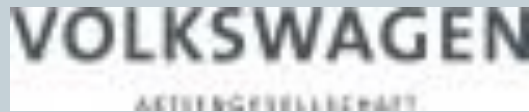
- Introduction
- What does EITI do, and why might it be useful?
- What are the potential economic gains and transparency benefits of EITI for Armenia, based on other countries' experiences?
- What is the World Bank role in supporting countries who are considering the EITI process?
- Annexes

What is EITI?



- The EITI Initiative is a global coalition of governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources.
- The EITI Standard is an international standard to improve transparency and accountability of revenues coming from natural resources through the full publication and verification of company payments and government revenues from oil, gas, and metal mining.
- EITI was launched by then UK ex-Prime Minister Tony Blair during the “Sustainable Development” Summit in Johannesburg in 2002

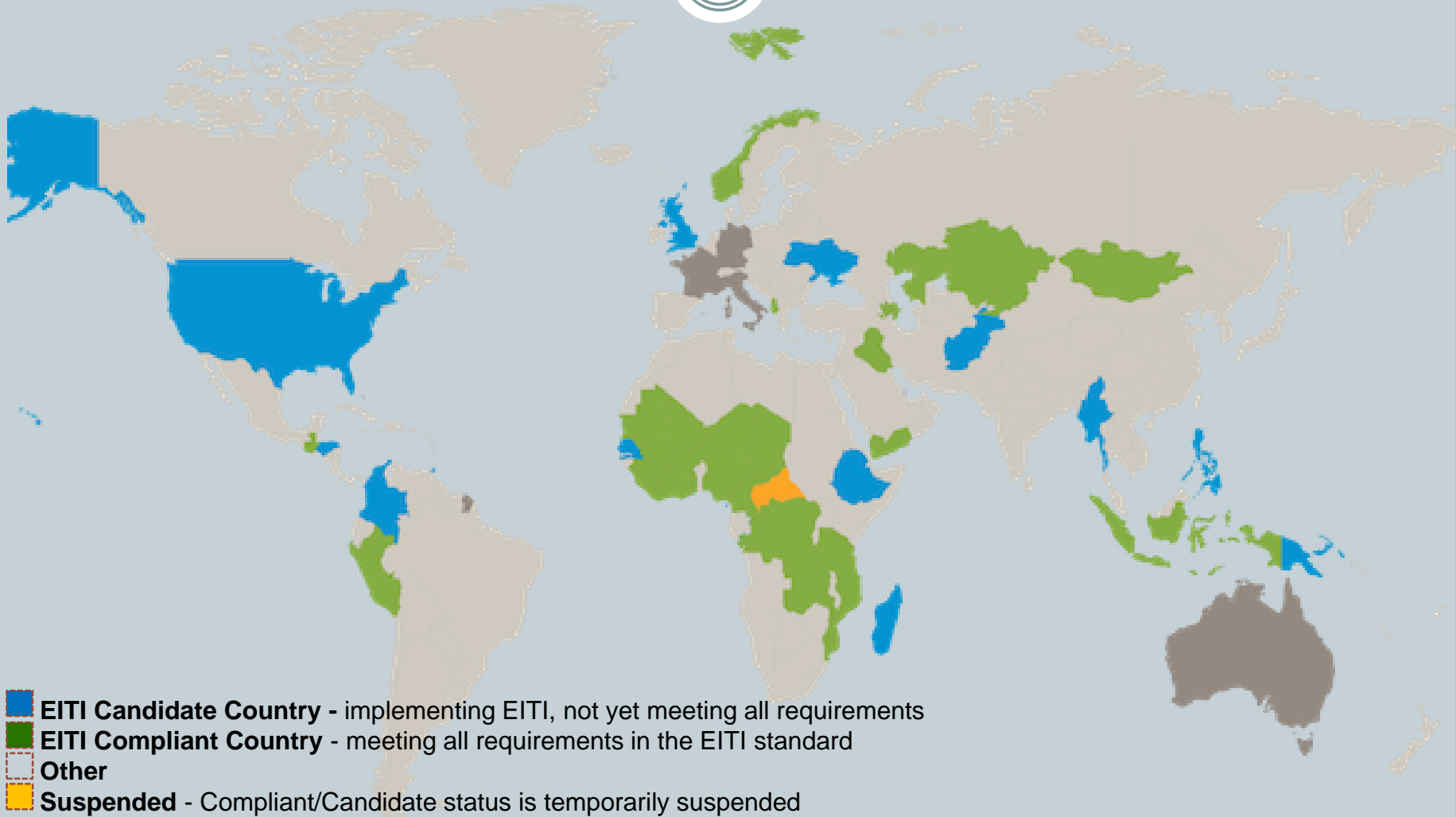
Some of EITI's Industry Supporters



Some of EITI's Partner Organizations



Map of EITI Countries



Who is in EITI? (1)



- There are 48 countries currently in EITI: 31 are Compliant countries and 17 Candidate countries
- Examples of Compliant countries: Albania, Kazakhstan, Norway, Indonesia, Azerbaijan
- Examples of Candidate countries: USA, UK, Ukraine, Philippines, Tajikistan
- Amongst countries who have announced they are considering or planning to implement EITI are large resource-rich countries like Germany and Australia

Who is in EITI? (2)



Full List of EITI Countries

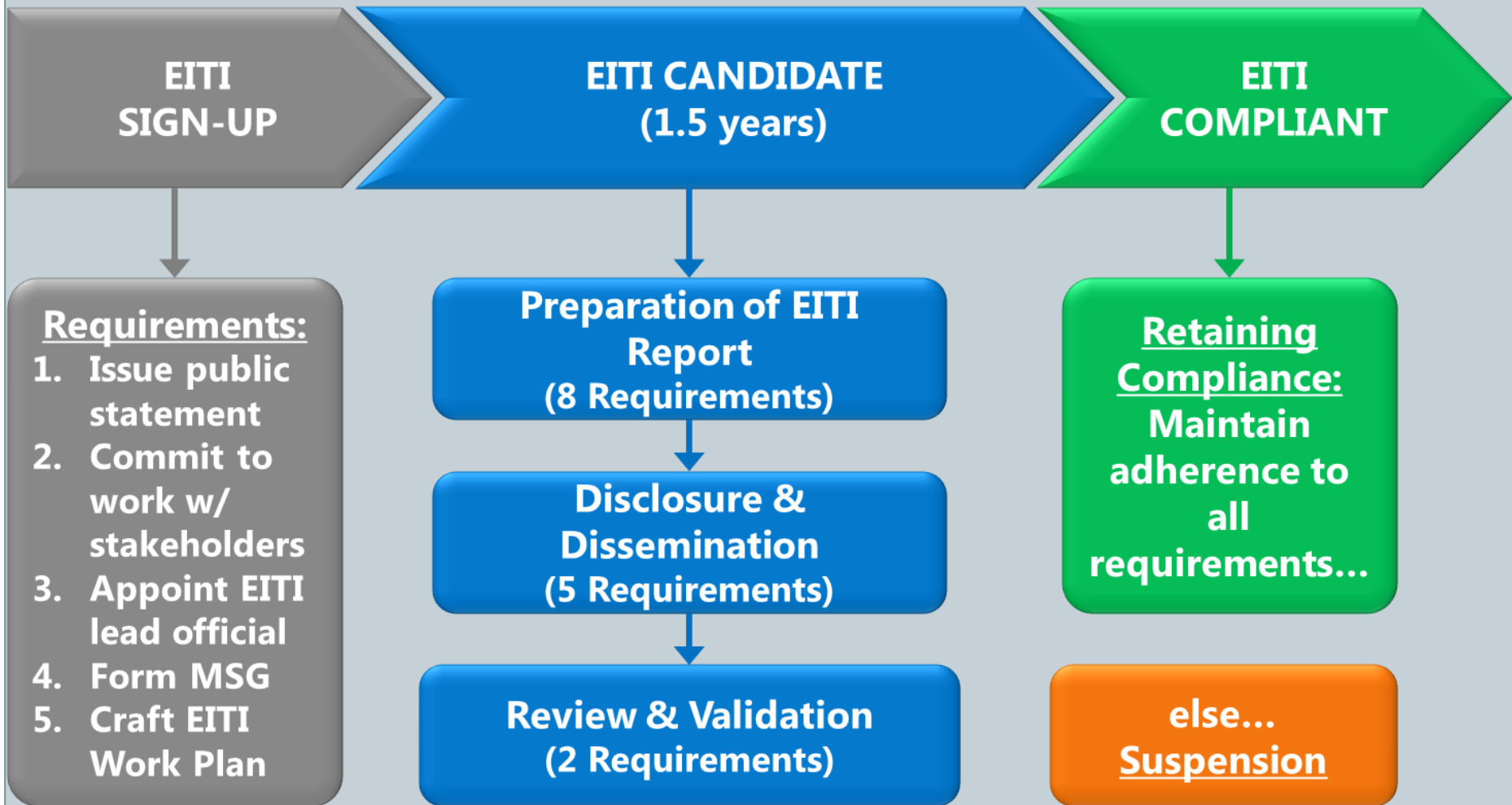
Compliant Countries		Candidate Countries	Planning to Implement
Albania	Mali	Afghanistan	Australia
Azerbaijan	Mauritania	Colombia	France
Burkina Faso	Mongolia	Ethiopia	Germany
Cameroon	Mozambique	Honduras	Italy
Chad	Niger	Madagascar	
Cote d'Ivoire	Nigeria	Myanmar	
Democratic Republic of Congo	Norway	Papua New Guinea	
Ghana	Peru	Sao Tome and Principe	
Guatemala	Republic of the Congo	Senegal	
Guinea	Sierra Leone	Seychelles	
Indonesia	Tanzania	Solomon Islands	
Iraq	Timor-Leste	Tajikistan	
Kazakhstan	Togo	The Philippines	
Kyrgyz Republic	Yemen	Trinidad and Tobago	
Liberia	Zambia	Ukraine	
		United Kingdom	
<i>Source:</i> www.eiti.org		United States of America	

Steps to Becoming an EITI Country



1. Meet sign-up steps to submit Candidacy application.
2. Be accepted as a Candidate country and publish the first EITI report within 18 months
3. Achieve EITI Compliant status through EITI Validation, demonstrate compliance with the EITI Requirements.

EITI Compliance Process



Why Join EITI?

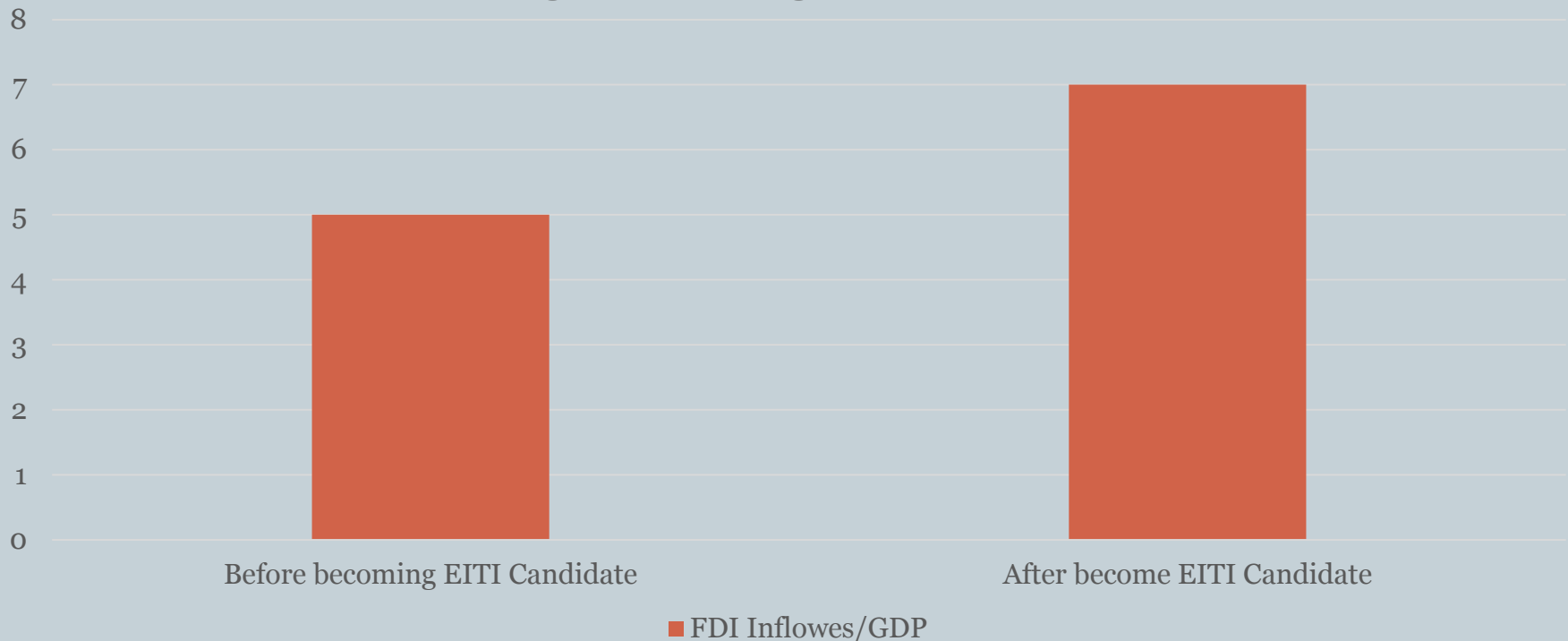


- EITI increases trust and interests of investors and financial institutions towards the country showing that the government is open and transparent
- EITI helps to strengthen the Government anti-corruption and transparency programs
- EITI sometimes discloses underpayments by companies
- EITI helps to understand extractive value chains better and find new possibilities
- EITI reports make it easier for countries to compare their extractive fiscal regimes with other countries
- EITI implementation contributes to improved partnership and coordinated action by three major players in the field: government agencies, civil society and extractive industries

Global Evidence on Investment Benefits of EITI



Figure 1. Average FDI Inflows



Sources: Enhancing Foreign Direct Investment via Transparency? Evaluating the Effects of the EITI on FDI, Maya Schmaljohann, Discussion Paper Series No. 538, University of Heidelberg, January 2013, <https://eiti.org/document/enhancing-foreign-direct-investment-transparency-evaluating-effects-eiti-fdi>

What do Developed Countries gain from EITI? (1)



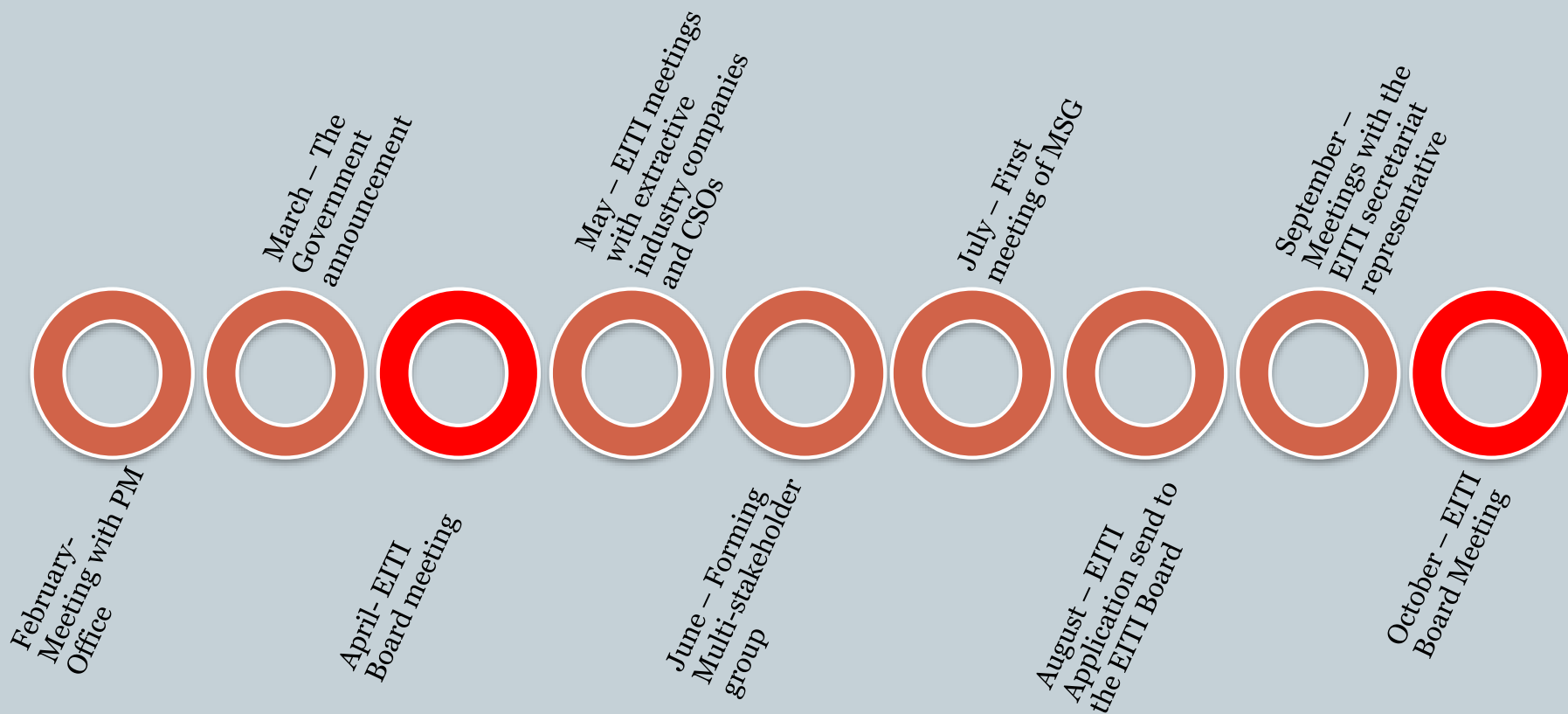
- Countries such as US, UK and Norway – whose existing legal and financial frameworks make available much of the data in question – also joined EITI ... **why?** So that public policy will be better informed, and public trust will be strengthened.
- EITI makes it possible for investors and citizens to get access to comprehensive and accurate information about extractive industry activities **in one place** providing accessible and useful information about public resources and their associated revenues.

What do Developed Countries gain from EITI? (2)



- The USA created a web-site www.useiti.doi.gov making possible for beneficiaries to learn about extractive industry revenues, royalties, bonuses, etc. Even though all of this information was available in other places previously, it's now possible for an investor or citizen to visit one website instead of searching through more than 10.
- For countries whose official operating language is not one of the major global trading languages, like Norway, having information available **in English** in one accessible location means investors and funds from major financial markets have easy access just as Norway's citizens do.

Milestones on the road to EITI Membership: October 2015, ambitious but possible



Benefits of Kazakhstan from EITI



- FDI in Kazakhstan increased from 0,75% of GDP in 2005 to 2,58% in 2011.
- Total revenues of extractive industries collected in 2011 amounted to US\$27.8 billion, up from US\$20 billion in 2010 and US\$12 billion in 2009.
- CSOs are actively involved in the process of distributing social-economic information based on extractive industries incomes; this interaction between government and industry, and communities, is changing the level of trust and confidence in the economy.

Source: International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, and World Bank and OECD GDP estimates.

Examples of EITI Experience: Countries with Governance Challenges



- In Nigeria, EITI generated massive public debate about extractive revenues and the Government recovered US\$443 million worth of uncaptured revenue.
 - In the three-year period 2009-2011, Nigeria EITI Reports revealed that companies owed tax payments adding up to US\$8.3 billion – more than the Government spent on education in the same period.
 - Nigerian citizens saw their government acting to recover monies that could be used for the public good rather than private gain.
- Mongolia enjoyed a significant improvement in Transparency International's Corruption Perception Index from 120th in 2011 to 94th in 2012 partially as a result of implementing EITI.
- Azerbaijan enjoyed an upgrade by Fitch Ratings when it became EITI-compliant.

Examples of EITI Experience: Middle-Income Countries Gain More



- In Ghana the EITI report showed that corporate tax can be increased from 25 to 35 % and the country can still be internationally competitive and attract new FDI.
- In Zambia the EITI process highlighted Government's poor revenue returns compared to neighbouring countries
 - This information led to new tax and mineral royalty rates, which, together with improved administrative systems for revenue collection, saw mining receipts nearly double over a two year period.

Examples of EITI Experience: Helping governments increase citizen trust



- The Philippines, a country with strong local opposition towards extractive industries, has a well functioning multi-stakeholder group that has helped stakeholders discuss ways of improving extractive operations in the country. While EITI is new to the country, stakeholders feel that by bringing a platform for constructive dialogue to the sector, they can increase sustainable extractives investment in the future and still help communities.
- In Indonesia, the EITI process highlighted and is helping to solve challenges around non-tax payments such as royalties and land rent, which were previously opaque.

Thank you for your attention!

