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**EITI as a Tool for Reducing Corruption**

by

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The views expressed are those of the author and do not necessarily reflect the views of  
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# EITI as a Tool for Reducing Corruption

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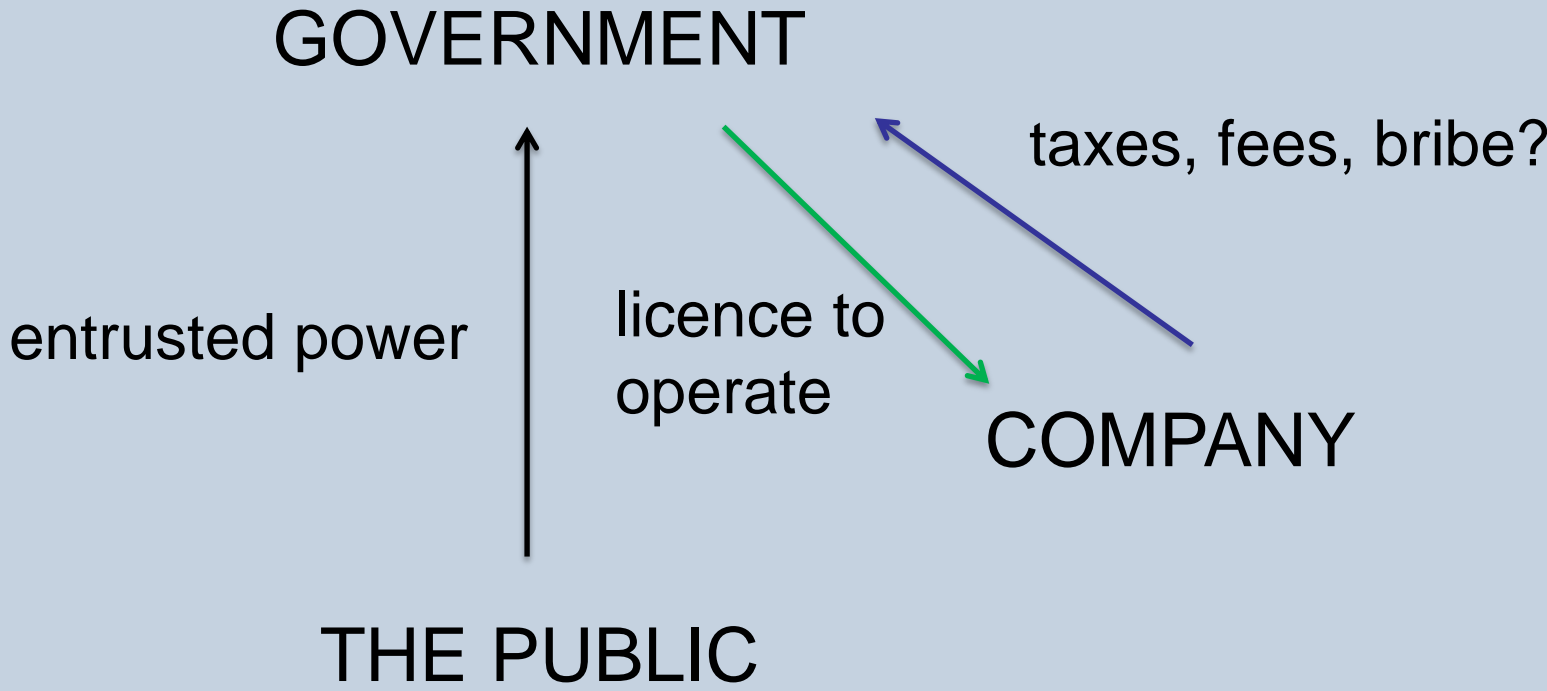
# Why care about corruption in the extractives sector?

- Problem: The Resource Curse
- Is corruption part of the explanation?
  - Resource-rich countries tend to be highly corrupt
  - The extractives sector is one of the most corrupt sectors

# Theory about when corruption occurs

- CORRUPTION = DISCRETION + MONOPOLY – ACCOUNTABILITY

# How does Transparency change the dynamics of transactions?



# EITI

GOVERNMENT

licence to  
operate

taxes, fees, bribe?

COMPANY

**EITI:** Governments make revenues earned from extraction transparent and **require** companies to 'publish what they pay'

# How does Transparency change the dynamics of a corrupt transaction?

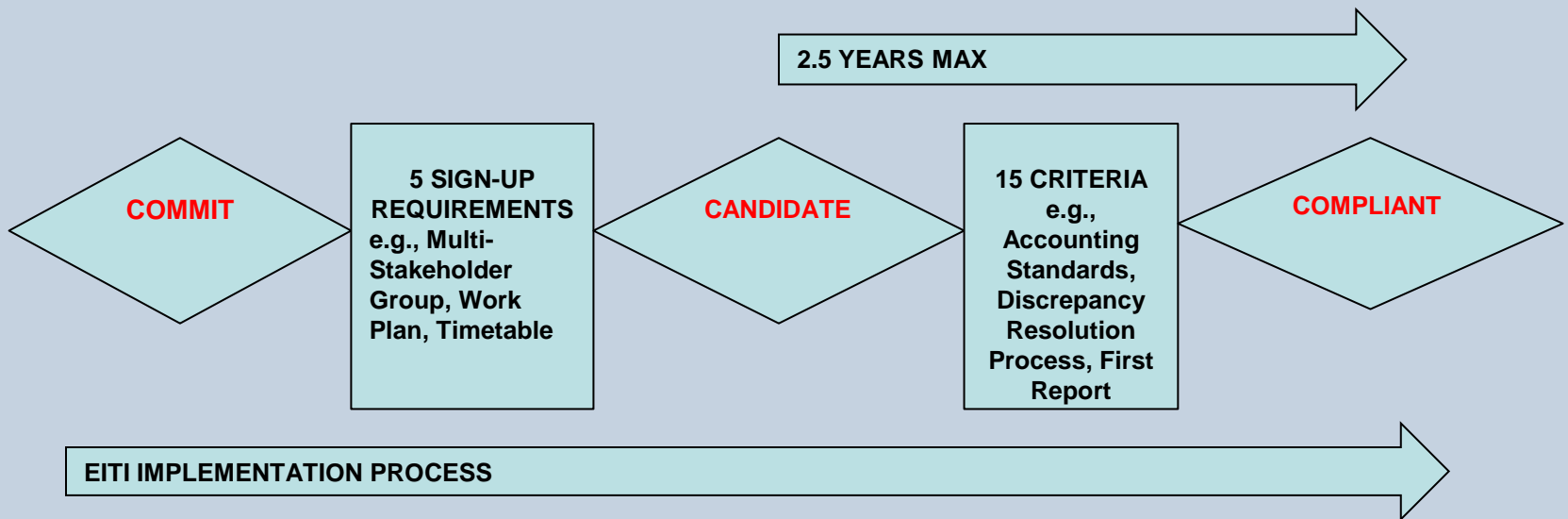
- **GOVERNMENT:**
  - Weakens ability to control information
  - Increases risk of being caught, which may act as deterrent
- **COMPANY:**
  - Increases risk that bribe will be revealed, may deter offer
- **THE PUBLIC:**
  - Can check whether procedures were followed correctly and seek answers if not
  - Can spot patterns that might suggest undue influence
  - Sub-sets of public (incl. other companies) can raise questions to challenge aspects of process or debate how resources should be distributed

# Does Transparency Reduce Corruption?

- Necessary conditions
  - Availability of **relevant** kinds of data
  - Active and expert **intermediaries**, able to utilise information
  - Commitment on part of authorities to **investigate** suspicious activity



# Multi-stakeholder group is critical



# Does EITI implementation improve accountability (and curb corruption)?

## **YES, because it:**

- Builds expertise among intermediaries, improving their ability to access and evaluate data
- Institutionalises dialogue with civil society
- The methodology has spillover effects, e.g., FOIAs, MSGs in other policy areas
- Prompts donor support for accountability initiatives

## **BUT...**

- It reduces corruption more in countries with more active civil society, political and media freedom
- Has little leverage over highly corrupt highly resourced countries (where oil rents are high)

# EITI as a model for other sectors?

- Voluntary standards backed by international community
- Structured tripartite dialogue
- Incentives for all parties to participate

