GLOBAL COMMODITIES FORUM
7-8 April 2014

EITI as a Tool for Reducing Corruption

by

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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?

GOVERNMENT

entrusted power

licence to operate

THE PUBLIC

COMPANY

taxes, fees, bribe?
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

COMMIT

5 SIGN-UP REQUIREMENTS
  e.g., Multi-Stakeholder Group, Work Plan, Timetable

CANDIDATE

15 CRITERIA
  e.g., Accounting Standards, Discrepancy Resolution Process, First Report

COMPLIANT

2.5 YEARS MAX

EITI IMPLEMENTATION PROCESS
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