The EITI in Africa

Twenty-five countries in Africa are implementing the EITI, some of which have made remarkable progress in making natural resource management more transparent. Twenty-two of these countries have disclosed a combined total of USD 565 billion in government revenues over the last decade. This means that about 605 million citizens in Africa now have access to information about how their natural resources are managed.

Implemented by 49 countries around the world, the EITI is increasingly becoming a forum where companies, civil society and governments meet to reach compromises that further a common agenda of transparency and accountability in the extractive sector. When the Board adopted the new Standard in 2013, the EITI evolved from a narrow revenue reconciliation exercise to a global transparency standard. The Standard now covers many elements of the extractive industries’ value chain including license information, beneficial ownership, and arrangements of state-owned companies, social payments, and transfers to subnational levels of government. The challenge now is to put the information and data to use to ensure that transparency leads to accountability and ultimately to better governance of these resources for the benefit of the country’s citizens.

EITI implementation is gaining momentum and showing some tangible results. Some countries are using the information and data provided through the EITI to build trust between stakeholders and ensure a level playing field of transparency and accountability for all companies. In a growing number of countries, the EITI provides valuable information on contracts and licenses as well as the real beneficial owners, helping reduce the risk of corruption and tax evasion. The EITI also offers credible insights into the institutional strength and governance of its implementing countries and can thus help attract investments.

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EITI in Africa

- 25 African implementing countries
- 19 have compliant country status
- 22 countries have published reports
- 605 million citizens in Africa have access to information on their country’s extractive industries
- USD 565 billion government revenues from oil, gas and mining have been disclosed

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1 Burkina Faso, Cameroon, Central African Republic, Chad, Côte d’Ivoire, Democratic Republic of the Congo, Ethiopia, Ghana, Guinea, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Republic of Congo, Sao Tomé e Principe, Senegal, the Seychelles, Sierra Leone, Tanzania, Togo and Zambia.
IMPACT OF THE EITI IN AFRICA

The 25 African countries implementing the EITI face different challenges and have established different objectives for their EITI work. To understand the impact of the EITI, one has to dig into the detail at the country level. The EITI multi-stakeholder group (MSG) in each country determines its own objectives, by which it measures progress. These objectives are shaped by the national priorities for its extractive industries and the EITI Principles.

Burkina Faso has translated a simplified version of the EITI Report into six local languages to make the contextual and revenue data on its mining sector more accessible to its citizens. The Tax Authorities in Cameroon have started using data from the country’s EITI Reports to prepare its audit missions. The Democratic Republic of the Congo listed the legal owners of 40 privately held companies in its 2012 Report. The next step is to ascertain the beneficial ownership underneath this legal ownership. More often than not, the beneficial owners are hidden behind a chain of corporate entities. Providing information about the owners allows the public to understand the ultimate beneficiaries of extractives deals.

Ghana’s 2013 EITI Report provides improved information on how the 10% of mineral royalties, intended for regional governments, are being used by the local governments. Having identified that the local districts were not receiving the revenue due to them, reforms were implemented to monitor these transfers and how they are spent. In Guinea, the EITI is supporting the creation of an inventory for investments by mining companies in fenceline communities. This information would be useful in informing government policy and complements recent work in increasing transfers to local communities.

Liberia has developed an online data repository to strengthen the collection of revenue figures from companies and government institutions. In Madagascar, the EITI is supporting sensitization campaigns of the sector through a range of media including TV documentaries, public debates on the radio and quarterly newsletters. With the finalisation of Mali’s mining cadastre, updated company information is now available with a couple of clicks. Mauritania has established EITI focal points in designated mining regions and a network of young journalists covering the extractive industries. In Niger, the EITI is helping to build the government’s institutional capacity in negotiating contracts and in conducting audits of the oil, gas and mining companies.

Although the EITI has evolved over the past decade, revenue collection and allocation are still at the core of the EITI process. Over USD 300 million has been collected in education tax from oil companies in Nigeria. In addition, the national petroleum company remits funds to the government account from the Nigeria Liquefied Natural Gas Company’s dividends. Revenues in Tanzania from PanAfrican Energy Tanzania Limited are now being paid to the Kilwa region where the gas is extracted instead of to the municipality in Dar es Salaam where the company’s main headquarters are located. This correction was made after the 2009/10 EITI Report showed the misallocated revenue flow.

Sierra Leone has developed an online repository to provide the public with payment information in the extractive sector. In Togo, the EITI is funding the dissemination of EITI Reports to fenceline populations.
THE EITI WORLDWIDE

The Extractive Industries Transparency Initiative (EITI) is a global Standard to promote open and accountable management of natural resources.

Countries implementing the EITI Standard publish EITI Reports that disclose the revenues from extraction of the country’s natural resources. These EITI reports have become a diagnostic tool for monitoring governance of the oil, gas and mining sectors in Africa.

Over the past year we have seen a marked improvement towards wider and deeper disclosure of extractive revenue and sector information. EITI reports now provide readers with a more complete account of the extractive industries in a country.

- For the first time, all reports disclose disaggregated revenue figures, broken down by the individual companies and revenue streams. Four countries provide data on a project by project basis.
- Almost all countries now publish data about production and licensing.
- Ten have started to disclose 'beneficial ownership' information, showing the real owners of the extractive companies operating in the country.

A step change towards wider and deeper disclosure

![Graph showing changes in reporting categories between previous and new reports.]

Website www.eiti.org  Email secretariat@eiti.org  Telephone +47 22 20 08 00  Fax +47 22 83 08 02
Address EITI International Secretariat, Ruseløkkveien 26, 0251 Oslo, Norway
49 countries now implementing the EITI Standard, of which 31 have become ‘compliant’

In 2015, the number of EITI countries increased to 49. Colombia, Malawi, Myanmar, Seychelles, and the United Kingdom were all accepted as EITI candidate countries in the past year.

Meeting the EITI transparency requirements has been challenging in many countries. Nevertheless, over half of the EITI countries are now recognised as compliant with the EITI Requirements. In the past 12 months, six countries were designated as compliant: Chad, Democratic Republic of the Congo, Guinea, Indonesia, Sierra Leone and Trinidad and Tobago. These countries are now transitioning to the more demanding EITI Standard.

Amongst the new transparency requirements, disclosure of the state’s sales of oil and gas is required under the 2013 EITI Standard. There are 24 EITI countries in which a state-owned enterprise (SOE) is active in the oil and gas industry. Over the past year, a growing number of EITI countries have started to disclose the ‘first trade’ – the transaction between an SOE and an oil trader.

Read the full annual overview of the progress to improve transparency and governance of natural resources in the EITI countries around the world: www.progrep.eiti.org.
CASE STUDIES FROM CHAD AND THE DRC

Chad: Oil payments traceable for the first time

“Today, we can say with confidence that oil payments from companies enter into the government budget and are appropriately monitored.”

Mr Deboumra Kordje, Minister of Finance of Chad

A new unit created in response to recommendations by previous EITI Reports in the country is dedicated to tracking government revenues from oil, gas and mining companies. The unit called Cellule de Collecte et Centralisation des Recettes du pétrole (CCCR) monitors that company’s payments are adequately recorded and the revenues flow to the right accounts.

Oil revenues into a black box

Chad discovered oil in the 1970s, but the poor and unstable, landlocked country lacked infrastructure to export its oil to market. A three-decade long civil war from 1960 to 1990 ravaged the country and made it all but impossible for a single company to undertake the investment to develop the oil fields, the pipeline and the export terminals necessary for taking Chad’s oil out of the ground and transport it to oil refineries in Europe and North America.

To address this issue, the Government of Chad and the World Bank reached an agreement, in June 2000 with a consortium of companies, led by Exxon, to share the risk of investing in the necessary infrastructure. The partners wanted to ensure that the government’s revenues from the oil sector would contribute in reducing poverty and pay back international creditors such as the World Bank (IBRD) and the European Investment Bank (EIB). As part of this agreement, all direct and indirect government revenues from oil and gas companies first flowed into a transit account held at Citibank in London.

After the international creditors were paid, the remaining revenues moved to the government’s treasury account. This clever design reduced the risk borne by the international investors, as lenders did not depend on the weak legal and institutional structure in Chad to get paid.

The problem with the design was that almost no one in Chad knew what company paid how much for what activity into this London transit account. In other words, the transit account at Citibank in London was a black box.

Money started to flow into this transit account in 2003 when Chad started exporting oil. For the past ten years, there has been no record keeping system in the country to monitor the flow of oil...
revenues from companies to government accounts. The lack of oversight of revenue flows through the transit account represented a significant risk of corruption and mismanagement. Without adequate record keeping, the government was not able to monitor the extent to which companies paid what they were supposed to pay in accordance with their contractual obligations.

The EITI reporting process identified this issue in 2012 and called for remedial actions.

**A fresh start**

In order to produce reliable figures for the EITI Report, the government created the revenue-tracking unit, CCCR, at the Treasury with a robust mechanism for recording and monitoring effective payments from all oil and gas companies. As part of this reform, the government launched a project to computerise the record system of government revenues and expenditures to ensure real-time monitoring of the budget. This also improved the record keeping and audit system at the customs office to ensure that customs duties are correctly declared, assessed and paid in a timely fashion.

Dr Hamit Ali Moutay, advisor to the President on mining, energy and oil, and member of the EITI Steering Committee in Chad said:

“In the past, the secrecy which shrouded agreements between companies and government and the revenue flows arising from these agreements allowed corruption to take place. As Chad makes progress in implementing the EITI, the risk of corruption has been significantly reduced”

Chad published its most recent EITI Report, covering 2012, in March 2014. The US $2 billion of government revenues from the oil, gas and mining sector accounted for 70% of the government budget in 2012. The first reports (2007, 2008 and 2009), published in 2012, were not disaggregated. The reporting process, whilst limited, was effective in identifying weaknesses in the record keeping system, potential areas of reform and a more coherent system for revenue traceability.

The 2010 and 2011 Reports published on 15 May 2013 were disaggregated by company and by revenue stream but did not meet EITI requirements for data reliability.

Recommendations from the latest EITI report include closer collaboration between the revenue tracking unit and the national EITI Secretariat as well as the regular maintenance of a public cadastre of companies. In keeping with the new EITI Standard, Chad’s next EITI Report must include a summary description of license registers and oil sales by the nationally owned company, SHT, in a bid to make the reports more comprehensive and useful to the public.
DRC leads the way in disclosing owners of companies

The Democratic Republic of Congo’s EITI Report goes further than any other to list the natural persons who, directly or indirectly, ultimately own or control a company, a license or other property (‘beneficial owners’) in its country. The 2012 report lists the owners of 40 privately held companies. This task is especially noteworthy for mining companies, whose ownership structures can be difficult to obtain.

Opacity around the real owners of entities can contribute to corruption, money laundering and tax evasion in the extractive sector. Providing information about the owners allows the public to understand the ultimate beneficiaries of extractives deals.

Jonas Moberg, Head of the International Secretariat, said that “as encouraged in the EITI Standard, the DRC determined the names of the beneficial owners of companies operating in the country.” He continued: “The data in this first publication is not complete, but it is a remarkable achievement, given the sector’s complexity. This will no doubt better inform the national debate around the extractive industries.”

Of the 118 companies reporting to the EITI, 66 are publicly listed on stock exchanges in Australia, Canada, Hong Kong and the United States and therefore do not have to separately disclose their ownership. Of the 52 private companies, 40 disclosed and 12 did not.

Further, the report includes detailed information on licenses and links to publicly accessible contracts.

Increased revenues for the government

The extractive sector continues to play an important role in the country. Oil, gas and mining accounted for 99% of total Congolese exports, 64% of the government budget, 24% of formal employment, and 13% of GDP in 2012. Compared to 2011, reported revenues increased by 12% to US $1.5 billion. This increase was due to an increase in production in the mining sector and the inclusion, for the first time, of social payments. Industrial scale gold production increased almost tenfold in 2012. There were substantial rises in the production of copper (24%) and diamonds (8%). As a result, the sector’s direct contribution to the government budget increased by 22%, from US $0.9 billion in 2011 to US $1.1 billion in 2012. State owned enterprises received a smaller share of government revenues (12%) than in previous periods (25%).

Mineral smuggling remains a challenge

Despite the positive trend, the reports showed that mineral smuggling from artisanal mining was still costing the government significant revenue. Lost revenues due to mineral smuggling were estimated at US $8 million per year for gold alone. The export of the “conflict minerals” tantalum, tin and tungsten (the ‘3Ts’) goes largely undetected in the eastern provinces of Maniema, Nord-Kivu, and Sud-Kivu. This makes artisanal mining a key priority for EITI DRC in 2015.
The EITI (Extractive Industries Transparency Initiative) is a global standard that improves transparency and accountable governance of oil, gas and mineral resources.

The standard is implemented by governments, in collaboration with companies and civil society. Countries implementing the EITI disclose information on issues such as tax payments, licenses, contracts, production and national oil companies.

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