

Joint Review, EITI and EITI Multi-donor Trust Fund Resourcing of EITI

Technical and Financial Support to an
Evolving Global Governance Mechanism

SCANTEAM

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Joint Review, EITI and EITI Multi-donor Trust
Fund Resourcing of EITI:

Technical and Financial Support to an Evolving Global Governance Mechanism

Final Report



Project: Joint Review, EITI and EITI Multi-donor Trust Fund
Resourcing of the Extractive Industries Transparency
Initiative

Client: EITI International Secretariat and World Bank

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Acronyms and Abbreviations

DAC	Development Assistance Committee (of the OECD)
EITI	Extractive Industries Transparency Initiative
EITI-IS	EITI International Secretariat
ICMM	International Council on Mining and Metals
MDTF	Multi-Donor Trust Fund
MSG	Multi-Stakeholder Group
NEITI	Nigeria EITI
NRGI	Natural Resources Governance Institute (formerly RWI)
OECD	Organisation for Economic Cooperation and Development
PWYP	Publish What You Pay
RWI	Revenue Watch Institute
TOR	Terms of Reference
TTL	Task Team Leader (World Bank)

1 Executive Summary

The Extractive Industries Transparency Initiative (EITI) International Secretariat (IS) and the World Bank commissioned a joint study of the technical and financial support to EITI implementing countries. The **objective** of the joint review is “to assess if support to EITI implementing countries is appropriately *organized and resourced*”. The Terms of Reference ask the review to look at both the financial and technical support being provided.

Methodology and Informational Basis

Most of the issues to be addressed have to do with how satisfied EITI bodies in the member countries have been with the technical and financial support provided. The team has therefore largely relied on interviews with a wide range of stakeholders supplemented by visits to three countries for more in-depth conversations, and a review of the relevant literature. Chapter 3 discusses the methodology, approach and information sources, Annex B provides the list of persons spoken with and Annex C lists the documents reviewed.

Technical Support

The EITI International Secretariat: at the centre of the system. The main *content* of the technical support has been advice on EITI Rules/Standard for achieving Compliance though increasing attention is now being paid to EITI’s role in reform processes. The main *form* of technical support has been telephone and E-mail correspondence, and more in-country visits, usually with some training tailored to the particular country. The Secretariat is increasingly using regional workshops for experience exchanges and peer learning, letting those countries in the region that are recently joining EITI learn from their neighbours and build networks with them. The IS is also an important source of web-accessible publications, and the web-site is being developed to become a “one-stop-shop” for EITI relevant information. The main *audiences* for the work have been national coordinators, national secretariat staff, MSG members, national decision makers, the public in general. Greatest *praise* has been for the Secretariat staff’s technical knowledge on all EITI issues; the very short response times; the ability to address specific questions being asked; their updated information of the situation in country; the close contact and that it is easy to approach them and ask for assistance. The *concerns* are that IS staff seem stretched – though the recent recruitments have eased this constraint somewhat – and that activities are not well enough planned and coordinated with the field. Given the rapid increase in the demands on the IS, which will continue to grow, there is a need to review the Secretariat’s roles, size, skills, structure, systems and linkages to other actors.

The World Bank: unrivalled technical resources but need more organic links with EITI. The main *content* of the technical support has been advice on MDTF implementation, ensuring contractual compliance and results focus regarding activities funded, as well as capacity building for EITI bodies. The main *form* of support has been Bank supervision missions, phone and E-mail contacts with Bank task team leaders (TTLs), in some countries through local Bank staff, with training in conjunction with supervision missions. The Bank has an unrivalled group of technical experts but they tend to focus on sector loan tasks rather than building possible bridges to EITI implementation. The Bank is also a leading

knowledge producer through its studies and empirical work on a wide range of issues of relevance to EITI implementation, including co-hosting the GOXI web-site, but this is a resource that most EITI bodies are not aware of nor use very much. The Bank basically works with national coordinators, as responsible for MDTF grants management, the national secretariat staff that work on the MDTF grant, national authorities that signed the MDTF agreement – often the Ministry of Finance or a sector ministry – thus having access to decision makers at quite senior level, but often without linking these various national actors back to EITI bodies. Greatest *praise* has been for clear guidance on the MDTF and the close follow-up that is often provided in this connection. The most common *concern* was that Bank staff were focused on the MDTF and funds usage, and that EITI thus only had access to MDTF TTLs and not the larger universe of Bank expertise in the sector (though the MDTF TTLs are normally also responsible for the Bank's sector work, so the lack of linkages may be due to incomplete information and communications).

Other technical support providers (RWI/NRGI, PWYP): vital to civil society. Main *contents* of the support is to civil society actors on EITI implementation broadly speaking, with focus on ability to understand issues, read reconciliation reports and use these to strengthen public debate on extractives revenues and their use. Main *form* of support is formal in-country training, publications, technical staff available for addressing issues especially through regional hubs, and active web-sites with news sections that are constantly updated. While the main *audiences* are civil society actors, primarily members of the MSGs, both RWI and PWYP try to reach well beyond this formal grouping to reach the larger community of engaged actors. Greatest *praise* has been for the good and clear courses and the course materials; the broader view/context that is provided regarding the sector and the issues; the support to strengthening the voice and quality of civil society; the broad concept of civil society where they try to include media, unions, parliamentarians, faith-based organisations, tradition leaders and not just classic CSOs/NGOs. The most common *concern* was that the training tended to be too short; there was too much material; often not enough contextualisation and adjustments to local needs and understanding of the starting point for many of the local actors; and not enough time to share experiences and adapt the material to own needs and concerns.

Technical support: the heart of EITI implementation. Because EITI is being implemented in such a large and diverse group of countries, technical support must adapt to a range of differing circumstances. This requires dedicated and flexible technical support bodies, and the group of actors mobilised for this purpose is seen as answering to these criteria, and have overall been critical to national implementation of EITI. The **effectiveness**, focus and relevance of the technical support is seen as good, while the **efficiency** of the delivery is questioned: it is often too little, too *ad hoc* by being tailored to the specific requests rather than as part of a longer-term approach to building lasting capacity on the ground.

Coordinators, secretariats and MSGs strengthened: civil society remains the weakest link. The core actors in national implementation – national coordinators and secretariats – have the most direct and continuous links to the knowledge centres in the EITI system, and thus also the more permanent capacity building dynamics. The support to MSGs seems to vary by country and perhaps by level of pro-activity by the MSGs themselves. The weakest party remains civil society, both the CSO representatives on the MSGs – often because the links back to their own constituency is problematic and suffers from resources and skills to

maintain close communication – but also because what is termed the CSO community is very heterogeneous, within and across countries. The demand for continued and strengthened capacity development for civil society thus has many different sources – but the need is undoubtedly there and far from addressed.

The private sector: capacity development needs. National companies and private sector groupings such as local mining associations and chambers of commerce have noted the need for more capacity development activities, including branches of international companies. Much of this has to do with the need to understand the specificities of national EITI processes that head offices of larger corporations do not know. . But it is also important to include these actors in local trainings in order to foment common understandings, networks and joint commitment to EITI implementation. The big difference to CSOs is that the private sector generally has lower staff turn-over, so over time training needs are less. At the same time, the business community also has important knowledge and skills that both civil society and government would benefit from, and for that reason should also become a more visible part of capacity development processes also on the provision of knowledge: *“both government and civil society need to understand the basics of resource economics much better”*.

Financial Support

The EITI MDTF: critical source for continued EITI funding. The World Bank has mobilised USD 72 million from 15 donors to support EITI implementation. So far, USD 19.2 million has gone to recipient-executed projects in 32 different countries, with a further USD 12.7 million committed to similar grants in the coming period. USD 12.2 million has gone to Bank-executed technical assistance, with USD 4.1 million for knowledge and learning activities and nearly USD 3.2 million for CSO activities. Over the coming period, the profile of expenditures will shift more towards recipient-executed and CSO activities, which also happen to be the activities that require the most management attention from the MDTF. The MDTF approval process is experienced as extremely slow. The Bank is currently undertaking reforms to ensure that small-scale grants like the EITI MDTF can be processed quicker. Despite the high costs of accessing MDTF funds, most actors see this as the most realistic fund-raising and disbursement mechanism, so the interest is to make it more efficient and effective, not to substitute or substantially alter it.

National Governments: increasing importance, need to address reliability. National governments are increasingly providing funds for EITI implementation, though with great variations across countries. The amount and availability of the funding is often uncertain, however, so the government funding is often not realistic. On the other hand, when a national EITI body like Nigeria’s NEITI is totally dependent on public funding, the independence of the secretariat may be questioned as it becomes seen as part of the state’s control system rather than an independent tri-partite oversight mechanism.

Other Funding Sources: complementary but complicated. Bilaterally funded programmes, stand-alone EI governance initiatives often provide valuable complementary resources to EITI efforts, particularly in areas of capacity development and communication and dissemination. These resources tend to be managed directly by these other bodies, however, and are normally not available for free programming by the national EITI, nor can be counted on over time. In order for national EITI bodies to be able to mobilise and coordinate external resources, more administrative and management capacities and systems would

normally have to be in place in order to provide the fiduciary services and quality assurance such funding agencies require.

MDTF is core funding partner: predictability must be improved. MDTF funds are clearly directed to EITI core tasks and as such the funds are used *effectively*. Results frameworks for further channelling funds to tasks that are expected to deliver the most important Outputs have only recently been put in place, providing the MDTF with further tools. The high transaction costs for approving and disbursing funds means the MDTF financing is seen as not very *efficient*, and the delays cause serious uncertainty costs – key issues all stakeholders agree must be addressed.

MDTF governance: in line with standard “good practice” procedures and structure. The EITI MDTF is set up as numerous other trust funds and thus raises no particular issues in terms of its organisation and functioning. The decision making body, the Management Committee, meets as a follow-on to EITI Board meetings, thus ensuring up-to-date policy guidance from the EITI for MDTF allocation decisions. As with most trust funds it is the donors who make decisions without the intended beneficiaries having any voice, an anomaly that should be addressed.

Looking Ahead: Summing Up

EITI Financing: EGPS addresses the chains. The World Bank-administered EGPS can fund activities along the value chain and delivery chain. While other funding sources exist, the EGPS is likely to remain the key EITI funding vehicle as it has the best developed donor support, widest geographic coverage and good fiduciary management. Since the Bank has a world-wide system of country offices and a strong head office capacity, it can manage the EGPS as a unified and fairly centralised system.

EITI technical support: facing increasing complexity. The increasingly diverse and country-defined national programs mean the need for capacity development along a growing number of dimensions will require a broader skills-base that is at the same time locally relevant. This points to a three-level technical support/capacity development system:

- **National EITI Bodies:** The core of the EITI system remains the national EITI bodies: Secretariats, the MSG, and linked-in stakeholders. As the EITI agenda expands, the governance *structure* remains appropriate, but *capacities* may be inadequate as compared with ambitions. The EITI Standard requires broader vision and understanding and invites broader alliances since the aspiration is governance reforms. While country-defined, this more demanding agenda should be monitored based on a clear results framework and a monitoring and evaluation system. All of this will require systematic technical support and capacity development that at the same will increasingly need to be based on locally generated knowledge and experiences.
- **National/Regional Knowledge/Training/Facilitation Centres:** EITI bodies may need to contract an increasing number of information collection exercises and analyses. But they also need to improve own knowledge and insights on the increasing range of issues. This should be provided by regional/national knowledge centres because no *international* hub can address the range of technical expertise while also adapting answers to local context. Contracting such knowledge centres to service several national EITI programs will allow for peer learning and experience sharing, which is an effective learning approach.

- **International Secretariat:** The increasing diversity across the EITI system may lead to fragmentation of efforts and focus. But the EITI is based on a set of fundamental principles – the core of the system. The EITI Board and International Secretariat remain the central bodies of knowledge, quality assurance and “defender of the brand”. The IS will therefore also require capacity development over time, though in which direction will depend on how the larger EITI system grows and transforms, and how partnerships and divisions of labour with bodies like national/regional knowledge centres and the World Bank develop.

Recommendations

The EITI International Secretariat should:

- Building on EITI’s recent strategy review, develop a rolling three-year capacity development strategy for consideration and approval by the EITI Board that should include putting in place at least one contract with a reputable regional knowledge centre/training facility, piloting its capability of handling first-level capacity development and technical support needs in the region and develop the contract for this service that details the support, oversight and control functions that will remain with the IS. The contract itself should be used as a pilot and submitted to the EITI Board for comment and approval since it will entail an important both financial and technical commitment by the EITI International Secretariat;
- Develop a funding strategy with the World Bank/EGPS whereby funding for external services contracted directly by the EITI IS – validation, regional/national capacity building centres – are included;
- Strengthen its web-site to become the “go to” site on EI information for all stakeholders engaged in EI governance matters, and in particular make it a site for well-organised live discussions on topical matters in collaboration with other knowledge centres (World Bank, NREGI etc.);
- Develop a strategy for supporting local knowledge production and assisting in sharing the new insights generated.
- Two years from now, when all the Validations foreseen for 2015 and 2016 are available and first experiences with the capacity development strategy can be assessed, the EITI Board should carry out an organisational review of the IS in light of the increasing demands for support, to assess needs in terms of size, skills, structure, procedures, formal roles and links to other actors and national EITI bodies.

The World Bank as MDTF administrator should:

- Ensure that within the new EGPS MDTF, there are mechanisms that can allow strong preferencing for EITI support, and a strong commitment by the Bank to ensure that a minimum predictable funding for EITI implementation is in place;
- There should be particular attention to ensuring that recipient-executed and small-scale CSO grants are channelled through mechanisms that are flexible, responsive and predictable so that MDTF funding will be available at the times foreseen;
- The Bank should, in dialogue with the EGPS donors and the EITI Board, develop a general funding strategy for EITI support that will assist new EITI members during a

first 3-5 year period with more predictable funding, structured in phases against performance criteria but under one integrated project document, and an exit strategy that includes support to national EITI bodies to develop new funding streams.

National EITI MSGs/Secretariats should:

- Develop a national capacity development strategy that (i) addresses the training needs and contributions of all constituencies, (ii) is sensitive to the labour market realities CSOs face in training and retaining staff, (iii) has a medium-term outlook building the skills and collaboration required to achieve policy changes and societal impact, (iv) contains an approach to more local knowledge generation and dissemination.
- Move to three-year rolling work plans as a means to (i) focus on EITI's strategic objectives, (ii) include wider groups of stakeholders and build linkages to and alliances with relevant reform processes, (iii) invite in key external partners such as the EITI IS and World Bank in the planning process so as to generate maximum benefits from available resources, (iv) contains a monitoring and evaluation framework that will allow for performance tracking.
- As part of work plan development, prepare a medium-term financing strategy that (i) provides a three-year financial frame for core activities, (ii) reviews means for more efficient and effective delivery of EITI activities, (iii) considers new financing mechanisms – basket fund, ring-fenced budget support, national MDTF – and the management and control mechanisms required to manage these.

The EITI International Secretariat and World Bank as knowledge centres should:

- Develop a common programme of support for EITI implementation at country level. Attention should be on how to address strategic and sector reform issues, develop the value chain focus, and identify other areas of common interest.
- The two actors should in particular see how they can jointly support any regional/national knowledge centres that are contracted to take on capacity building roles for national EITI implementation.

2 Introduction

The Extractive Industries Transparency Initiative (EITI) is a coalition of governments, companies and civil society organizations working to promote transparency and improved governance in the gas, oil and mining industries. Established in 2002, there are currently 48 countries that have signed up to the EITI principles, and this number continues to grow.

The coalition nature of EITI requires that implementation is based on the joint support and understanding by all three parties in each of the member countries. This in turn means that all the partners should have the skills and capacities necessary to play their roles properly. This poses a number of challenges, since the starting point as far as sector understandings and resources to participate fully vary considerably from one party to another, and across countries. In order to address such capacity gaps, the EITI system has been tasked to support the implementation in the countries by providing financial and technical support in those countries and to those actors that request this.

The two main partners providing this support are the EITI International Secretariat (EITI IS) and the World Bank – the latter as administrator of the EITI Multi-donor Trust Fund (MDTF) and through the support from its technical staff, both Washington and country based.

The financial support is largely through the EITI MDTF, from bilateral donors and own governments. Much of the initial funding is meant to come from the MDTF. Financing has been provided for setting up and running national secretariats, implementing reconciliation exercises, financing multi-stakeholder group (MSG) activities, and other operating costs.

The technical support comes from the EITI Secretariat, the World Bank, from bodies contracted with funding from the MDTF, particularly the Revenue Watch Institute, RWI (now the Natural Resources Governance Institute, NRGi), to support civil society actors through training and production of teaching materials, and from bilateral programs (see section 4.3).

At the same time, the EITI regulations that underpin the implementation of the compact, were changed considerably at the EITI Global Conference May 2013 to the new EITI Standard (EITI 2014, “EITI Standard”). Moving further out the sector value chain and covering more issues that are also more complex means that future support will have to address these larger challenges.

The EITI-IS and the World Bank therefore commissioned a study to look at the lessons learned from the support to country implementation, with a view to recommending how this support might be improved in the future, including in light of the new EITI Standard.

2.1 The Objectives of the Review

The **objective** of the joint review is *“to assess if support to EITI implementing countries is appropriately **organized and resourced**. It should address the extent of capability in technical assistance partners operating in support of these activities”* (Terms of Reference p. 1). That is, the review shall assess both structure and resource level of support to EITI implementing countries from the EITI-IS and the EITI MDTF. It shall further look at the technical support provided by the various actors: the EITI IS, the EITI MDTF and others such as RWI/NRGI contracted for this purpose.

Section 2 of the TOR, termed “Objectives”, contains the statement of objectives quoted above, followed by the questions that are to be addressed. These are essentially grouped into two sets of issues: generally about the funding and technical support system, and then a set of questions more specifically on the MDTF (see Annex A for the full Terms of Reference, TOR).

2.2 Structure of the Report

This Report presents the team’s findings, conclusions and recommendations to the questions posed. It is structured as follows:

- Chapter 3 presents the Background, Approach and Methodology for this joint review.
- Chapter 4 discusses the technical support to EITI implementation, looking first at the main actors providing such support, and then addressing the issues raised in the TOR.
- Chapter 5 provides a similar discussion of the financial support to EITI implementation, with particular attention to the EITI MDTF and the issues surrounding the trust fund.
- Chapter 6 then looks ahead, looking at technical and financial support in light of the findings and conclusions in the preceding chapters but in particular due to the new EITI Standard, before providing recommendations for consideration.
- Annex A presents the complete Terms of Reference for this task.
- Annex B contains the list of persons spoken with.
- Annex C provides the documentation the team has consulted in connection with this task.
- Annex D is the conversation guide used for the three country visits. Modified versions of this were used when contacting other stakeholder groups: EITI IS staff; World Bank staff; EITI Board members; MDTF Management Committee members.
- Annex E is the country visit report from Indonesia.
- Annex F is the country visit report from Nigeria.
- Annex G is the country visit report from Peru.

3 Background, Approach and Methodology

Covering the dimensions: technical and financial support. This joint review was to address the two complementary forms of support to country implementation: technical and financial. The basic piece of information is thus degree of satisfaction among the intended beneficiaries. This study has therefore largely relied on *perception information*.

Beneficiary survey: not feasible. In the tender, Scanteam proposed to use a web-based survey to all multi-stakeholder group (MSG) members in all 46 EITI member countries – potentially 800 respondents. Reviewing the experiences from other EITI-based surveys, it was found that response rates have been extremely low because EITI members are becoming increasingly sceptical of the surveys and the time needed to answer them.

Information sources: more focus on phone interviews. This meant that the team has focused more on three other information sources: (i) available documentation, (ii) visits to countries agreed to with the EITI IS and the World Bank; and (iii) one-on-one interviews, generally by telephone though some face-to-face, with a wide range of stakeholders.

Using qualitative data: applying Contribution Analysis. Given the more qualitative data basis, Scanteam has relied on Contribution Analysis as the main approach to analysing the information, as presented in the original tender.

- Section 3.1 introduces the analytical approach and how this has been applied here.
- Section 3.2 presents the document universe that has been consulted, and how this has contributed to the study.
- Section 3.3 provides the background to the country visits, the countries selected, and the main implementation gains and challenges.
- Section 3.4 walks through the most important information source, the interviews, providing the universe of stakeholders consulted, the instruments used, and the main advantages and disadvantages of this data collection approach.
- Finally, section 3.5 provides the timeline for the task.

3.1 Analytical Approach: Contribution Analysis

Accepting complexity: relying on Contribution Analysis. When identifying consequences of an intervention, a Theory of Change (TOC) has usually been used in the design of the steps in the delivery chain from initial resource application to the final expected result. The rigour with which each step along this chain can be attributed primarily to this assumed sequence of causal factors is more difficult the more complex the social phenomenon is. In the case of technical and financial support to EITI implementation, the number and importance of intervening factors is substantial: country socio-political context and history matters; level of political support to actually implement varies; EITI knowledge by civil society may be totally different from one country to another; size and complexity of own society to be reached by dissemination and communication activities varies, etc. This means that identifying direct consequences of external technical and financial support cannot be assumed to be simple. Instead, the review team recognizes that not all steps are known or equally important, and has therefore relied on the more open approach afforded by Contribution Analysis (Box 3.1).

Box 3.1: Contribution Analysis (CA)

CA typically involves seven iterative steps to build an evidenced contribution story. In this case, applying CA to looking at the civil society dimension of EITI, it might include the following:

- 1) Set out the cause–effect question(s) which must be addressed (“*technical assistance to local CSO will **increase** their understanding of the issues, thus their **ability** to critically **contribute** to the debate and hence **increase** their voice in the **policy** debates on extractives revenues*”).
- 2) Draw up a reasoned **theory of change**, identifying potential **influencing factors** and outlining the different **links** in the theory of change and the **risks** and **assumptions** associated with them (“*CSOs are engaged in EITI because they represent beneficiary interests and thus are committed to investing own resources into becoming better representatives of these beneficiary interests.*” “*CSOs are weak and may not have the own-time to invest*” etc.).
- 3) Gather existing evidence on the theory of change (i) for **observed results**, (ii) for each of the **links** in the results chain, and (iii) for the other **influencing factors** (“*concerning CSOs in MSGs, what has been their performance, how can this be explained, which other factors beyond EITI can explain changes?*”).
- 4) Assemble and assess the **contribution story**, outlining whether an intervention was implemented as planned, what the role of **external factors** was, and whether the **predicted theory of change** and expected **results** occurred (“*what exactly were we able to find out in this country case?*”).
- 5) Seek out additional evidence to reinforce the credibility of the contribution story (“*what did the other country case say? What do external informants who know the situation – i.e., EITI Secretariat staff, national parliamentarians, others – say? How do these pieces of information confirm or contradict the story line we already have?*”).
- 6) **Revise and strengthen** the contribution story (“*based on the work above, do we need to revise our contribution story regarding EITI resources and technical assistance? Would adding the gender dimension that is often forgotten add important elements to the accountability story? Should broad social inclusion concerns be added to get a more correct picture of accountability?*”).
- 7) In complex settings, assemble and assess the complex contribution story (“*do the other T&A initiatives in-country influence/impact our story line/contribution analysis? If so, how, and how should we modify our contribution analysis?*”).

Contribution Analysis: confronting data and theory. The application of CA essentially requires critical reflection around what data are able to explain, and challenging this by looking for other possible explanations. This is why the open-ended nature of the questions in the Conversation Guide is important, since different stakeholders often give quite different answers to the same question regarding the “why” and “how” certain results were achieved or not. The strength of CA is thus its constant questioning of what can really be explained and looking for the most reasonable answer, while a weakness becomes that the analyst has to take a decision regarding what is considered “most likely” or “most reasonable” explanation and accept that this is as far as current information can take us.

The EITI universe: highly diverse. The EITI universe includes very poor and highly industrialised countries with all variations in between. The oldest members have more than ten years’ experience, the most recent member was admitted in June 2014. Given this reality and the fact that the team was only able to speak to a small fraction of relevant stakeholders, the team has tried to cover all important stakeholder groups, but selection *within* groups has been more random. In part to address this reliability issue, information collection took place over a longer time period than foreseen, allowing team members to go back and verify earlier information with new respondents, triangulating the views and at the same time seeing if the underlying assumptions – a weak Theory of Change – indeed could provide a frame of reference or common understanding. In the end, the basic point of view that had to

be relied on was that of those implementing EITI on the ground – national coordinators, secretariats and MSG members – complemented by a wider range of stakeholders in the three countries visited.

Putting it all together: providing it in pieces. Because the set of issues, actors, explanatory factors and findings are so diverse, the team has selected to highlight key “informationals” as stand-alone elements rather than try a unified linear presentation. The analysis suffers from this as there is no continuous analytical thread underpinning each “informational”, but each one is rather argued on its own, the underlying Theory of Change thus being more implicit. For a study that is to lead to practical improvements and recommendations, this however was seen as the most practical way of presenting the findings and conclusions.

3.2 Background Documents

Background documents: four basic sources. The team has looked largely at four sets of documents: (i) EITI documents produced by the EITI IS; (ii) the documents regarding the MDTF; (iii) technical and teaching documents prepared by RWI (NRGI); (iv) documents relevant for the three country visits.

EITI documents: important foundations. One of the most important services provided by the EITI IS is the production of documents regarding EITI standards, guidance notes, as well as the links to and dissemination of national EITI performance documents (validation reports, reconciliation reports etc.). The team has gone through the core documents to understand what kinds of advisory support national EITI actors can find through accessing the EITI site and the ease with which they can then access other countries’ experiences.

World Bank and MDTF documents: large document collection. The team has looked at two types of World Bank produced documents. The first concerns the MDTF, which covers general policy documents regarding the Bank’s management of multi-donor trust funds, the papers produced for Management Committee meetings, and agreements and some reporting on specific MDTF grants including some of the recent results frameworks for current grants. The other group of documents are the more technical publications that the Bank produces on extractive industries and related topics (governance, gender).

Revenue Watch Institute: reference library for civil society. RWI, now NRGI, is well known among civil society actors around the world as the producer of a number of the most used publications and self-teaching manuals on extractives. Through its MDTF-contracts RWI has undertaken a large number of skills development workshops around the world focusing primarily on civil society organisations (CSOs), whether these are members of MSGs or are part of the wider CSO community engaged in extractives governance issues.

Documents for country visits: variable. The team visited three countries (see section 3.3) and in that connection reviewed the documents that had been produced by the local EITI bodies. Indonesia only joined EITI towards the end of 2011 and submitted its first reconciliation report early 2013 and its validation report was submitted mid-2013 though final validation is not expected till 2015. Peru joined EITI four years earlier and published its first reconciliation report for the 2004-2007 period towards the end of 2009. The next reconciliation reports for 2008-2009 and then for 2010 came almost at the same time towards the end of 2012, while the validation report was submitted end 2010 and Peru declared

compliant early 2012. Early 2014 the reconciliation report included sub-national transfers, so overall documentation is richer than in Indonesia. But Nigeria is the country which by far has produced the most documentation. The first reconciliation report in 2006 covered revenues back to 1999, the validation report was presented mid-2010, the first solid minerals report covering the 2011 fiscal year was presented in 2014, and a first report on fiscal allocations and funds use for a number of bodies that receive direct petroleum funds was produced in 2014 covering the five years 2007-2011. NEITI produces a newsletter and a number of other publications for the public about the organisation, its aims and activities.

3.3 Country Visits

Country visits: few countries, interesting cases. The TOR asked that two countries be visited, but Scanteam proposed that with the same funds and team size it would be possible to cover four. This was agreed to but then one of the proposed countries turned out to be badly affected by the Ebola-epidemic, by which time it was not possible to identify a substitute country. The team therefore ended up visiting three countries where the reasons for country selection were that all three countries elicit interesting aspects of EITI implementation:

Indonesia:

- Indonesia is a vast archipelago having extractive activities on many of the islands regulated under a decentralised governance system. A key question is how the EITI process is able to cover and adjust to this vast territory and complex governance context, and the extent to which the EITI system has the resources to provide appropriate assistance.
- The EITI process has faced some twists and turns, and another question is the extent to which external support has contributed to keeping the process running as intended.

Nigeria:

- Nigeria has been part of the EITI process since February 2004 and thus can celebrate 10 years of active engagement. NEITI has gone through a series of changes over this period, including adding in the minerals sub-sector in its annual audits, so one issue is the extent to which external support has been appropriate as the NEITI process has expanded and become more demanding.
- Another question is how NEITI interacts with other processes promoting transparency and accountability in the extractives sectors. There is a particular interest in looking at the DFID-funded Facility for Oil Sector Transparency and Reform (FOSTER) and the possible lessons that can be learned from FOSTER's work to support the public debate on petroleum sector revenue use.

Peru:

- In Peru, the sub-national dimension is quite unique with 50% of extractives revenues going to the regions, with efforts to address this dimension by EITI (MIM/IFC project, Cajamarca Pilot in 2010-2012, new pilots in 2014 in Moquegua, Piura and Loreto). How this sub-national dimension has been addressed is of interest.
- Peru has received sizeable funding from the international community (MDTF, GIZ, CIDA, USAID) and yet the feeling is that the full potential of the EITI process has not been exploited, and this could be looked into.

- The potential for EITI as an interlocutor in conflicts in the mining and petroleum sectors has been raised, and could perhaps also be explored.

Country visits: valuable opinion, unclear representation. With about one week of field work in each country, there was time to interview most of the central actors in the secretariats and MSGs, and in the case of Peru also sub-national level activities. The range of informants outside the immediate the EITI system was limited. More importantly, these three countries cannot be said to represent the “average” or “typical” EITI country. The views collected have therefore been used to provide in-depth opinions on some of the key issues, and as validation of material collected from the other sources of information.

3.4 Individual Interviews

Informant interviews: a wide range of actors. The team interviewed a range of stakeholders: (i) EITI Board members, (ii) MDTF Management Committee members, (iii) EITI IS staff, (iv) World Bank staff – management, MDTF task team leaders, both Washington and field based, (v) national EITI coordinators, (vi) national EITI MSG members, (vii) staff at organisations providing technical support such as RWI and PWYP (see Annex B for list of persons spoken with). The interviews were based on variations of the basic Conversation Guide, with most interviews lasting 45 to 90 minutes. Most of these were one-on-one, though some group discussions took place (for example with EITI IS staff). While most were by telephone, some interviews were face-to-face.

Identifying differences, triangulating the basics. The individuals spoken with often had differing opinions on a number of issues, not least of all as a function of their locations in the EITI system: as provider of support, as a user of support, as a decision maker regarding support services, working in a country that had a lot of own capacities and not so dependent on support from the outside versus start-up situations where external assistance was critical. As conversations progressed, however, there was considerable convergence of views on many of the issues, regarding the value of the support and results from these, as well as how these results could be explained. In the end, it is the rich and varied yet fairly consistent pictures from the interviews that form the foundation for the analysis, findings and recommendations in this report.

3.5 Process and Timeline

Tight timeline: providing inputs to decision points. This joint review has meant two contracts, one with the World Bank and the other with EITI IS. The task began with participation at the joint EITI Board/ MDTF Management Committee meetings in Mexico City 30 June–2 July. The draft report was presented at the subsequent EITI Board/MDTF Management Committee meeting in Nay Pyi Taw, Myanmar, 14-16 October for discussion and with final written comments from stakeholders submitted two weeks later. The overall timeline is presented in table 3.1 below, where steps marked with green refer to deliverables by the consultant.

Table 3.1: Timeline

Step	Activity	Dates
1	Contract signed, World Bank	29 June
2	Contract signed, EITI International Secretariat	29 July
3	Participation EITI Board, MDTF Committee - Mexico City	30 June-2 July
4	Interviews/visit World Bank, NRGI - Washington, New York	4-8 July
5	Preparatory work - Oslo	9-25 July
6	Inception Note to EITI, MDTF	28 July
7	Preparatory work: (i) field work, (ii) interviews	20 July-10 August
8	Field visits: Indonesia, Nigeria, Peru	7-24 August
9	Participation, regional workshop, Ethiopia	20-22 August
10	Interviews, EITI and World Bank staff	28 July -30 August
11	Phone interviews, national coordinators/MSG members	11-30 August
12	Analysis and drafting	1 – 20 September
13	Draft report handed in	3 October
14	First comments received by EITI, Bank stakeholders	7 October
15	Revised draft report	8 October
16	Presentation to EITI Board	14 October
17	Presentation to MDTF Management Committee	14 October
18	Final comments from EITI, Bank, Stakeholders	31 October
19	Scanteam replies to comments	07 November
20	Final report handed in	21 November

3.6 Findings and Conclusions

Document basis: rich but variable relevance. The total document universe is considerable, and shows the variety of technical and sector documentation available, the richness in actual experiences concerning EITI implementation as well as the considerable range of publications that are available for those looking for information. Most of the documentation did not directly address the questions in the TOR, with the exception of the documentation on MDTF management since those questions ask about the internal workings and efficiency of the instrument as such rather than the results of the trust fund.

Country visits: not representative but generated in-depth insights. While the three countries visited do not in any way provide a good picture of the universe of EITI implementing countries, the ability to pursue the questions with a wide range of stakeholders in the same country provided more in-depth understanding on how financial and technical support is perceived across the key intended beneficiaries in these countries. The visits thus filled in the picture on a number of issues that the shorter one-on-one interviews could not.

Individual interviews: the key information source. Because of the number and range of stakeholders interviewed this source of information was by far the most important in terms of identifying the value of support and most common results. The interviews also constantly

raised new issues and perspectives on the questions that the team had not thought of, thus providing a continuous critical reflection on information and viewpoints already received.

Contribution Analysis: appropriate for the information universe. At the end of the process it was clear that the CA approach to the task was a more appropriate avenue than trying to model a more rigorous Theory of Change explanation. While a number of findings and conclusions are to a certain extent impressionistic, this is also largely how the universe of respondents experience these issues. Until there are more and better empirical data that can document findings, this is presumably as close to relevant conclusions that it is possible to arrive at, at this point.

4 Technical Support to EITI Implementation

Understanding technical support: actors and results. This chapter is structured into three segments: a discussion of the technical support providers; a review of the questions posed in the TOR regarding this support; and finally the team’s findings and conclusions.

The reason for looking at the questions by first reviewing the source of the technical support is because it is only the supply actors that can be held accountable for delivery, and thus should be understood before looking at results on the ground.

Regarding the concept of *technical support*, this covers all forms of knowledge transfer to local EITI bodies, whether through *supply-driven activities* – courses, publications, technical assistance from sector specialists based on wide experience – or *demand-driven responses* when answering requests from the field or providing hands-on help to solve particular problems.

4.1 EITI International Secretariat

The EITI International Secretariat: from servicing the Board to serving national EITIs. The EITI IS was originally conceived as a small body that would service the Board and its committees in their work, as the technical advisory services to national EITI implementing bodies were to be provided by the large pool of technical staff in the World Bank. It quickly became apparent, however, that many of the issues that arose were not regarding the resources sector as such but questions concerning the EITI requirements and how to fulfil them. The Board and its committees developed a body of knowledge concerning how to apply the EITI requirements, and this became codified in the form of notes and explanatory documents. The IS thus became the central source for up-to-date and easy access answers to EITI implementation challenges. There was also a need to contextualise the answers, so country knowledge became more important, meaning the IS had to expand to deliver both correct but also appropriate answers as the EITI family expanded.

EITI IS: building and defending “the brand”. While the EITI requirements were key to a country being declared Compliant or not, there was at the same time a need to maintain a clear and consistent interpretation of the requirements so that “the brand” did not become debased. The demands on EITI – Board, committees and Secretariat – therefore required an increasing professionalization to avoid accusations of disparities in assessments. This also meant the Secretariat had to understand the actual situations in the various member countries well, not least of all because requirements such as the ability of civil society to play its expected role within the EITI system required quite detailed understandings of what formal and actual framework conditions were. Secretariat members, often with the Board Chair or other members of the Board, thus began visiting countries, often providing workshops or other forms of knowledge transfer events on the ground. The Secretariat thus found itself expanding its knowledge dissemination and advisory services – across more countries, having to address more specific and refined concerns regarding the EITI requirements, and having at times to intervene in serious disputes between the partners in some countries.

From EITI Requirements to EITI Standard: a more strategic focus. The EITI Standard approved in May 2013 provides a much more broader vision for EITI work: *“the requirements for national EITI work plans are designed to ensure that EITI reporting is better grounded in national priorities and reforms”* (EITI 2013, p. 6). The technical support by the EITI IS has thus moved towards encouraging MSGs to develop a medium-term outlook, and to build the skills and collaboration required to achieve their desired policy changes and societal impact.

Knowledge dissemination: supply and demand driven. The Secretariat maintains an active dialogue with EITI implementing countries. This is often through telephone/skype and E-mail, either answering questions or requesting updates on processes. The interaction is normally most intense in the run-up to publication of EITI Report and validation when certain requirements may be viewed differently by members of the MSG and where the IS was required to clarify the issue. But visits to the field have become a more common part of this dialogue, often used not only to provide training and answers to issues but also to interact with policy level actors in the country, at times assisting national EITI bodies in their dialogue with national authorities when challenges arise, such as lack of political support to the national EITI process, or perceived problems for civil society members to carry out their work.

The EITI Secretariat: knowledge hub and responsive advisor. The number of guidance notes has increased, not least after the new EITI Standard was approved at the Global Conference in May 2013. Because the new Standard is more ambitious but also with a number of optional dimensions, there has been a need for stepping up the factual information available to the EITI partners, both at national and international levels. The EITI web-site has therefore been upgraded with more publications but also better links to national EITI bodies and their web-sites, providing information and experience sharing over the web. This is a trend the Secretariat intends to develop further to allow for more directed search for specific information or national experiences. At the same time, the Standard has led to more requests for clarification. The Secretariat is thus the obvious knowledge centre for all matters regarding EITI implementation. It has at the same time established a reputation for being very responsive and service oriented: the message from the national EITI bodies is that Secretariat will either provide guidance there and then, or if in doubt will confer internally but will let the national EITI actor know when they will come back with the requested information – usually within 24 hours.

Moving towards experience sharing: the growth of regional learning events. As the number of EITI countries increases, the pressure on the Secretariat for providing tailored advice is stretching resources thin. At the same time, as the global EITI community itself expands and develops own experience, the potential for sharing and peer learning is increasing and being developed and exploited more. Regional workshops with national EITI bodies presenting own experiences while Secretariat staff function as facilitators have become important and popular learning arenas, with networking and informal experience sharing chats between sessions constituting important value-added aspects of the events.

4.2 The World Bank

The World Bank: unrivalled sector experience. The World Bank is unique in its geographic coverage and technical sector expertise regarding extractive industries (EI). It has

implemented a number of sector reform programmes in EI countries, and it is this focus on sector work linked with larger public sector reforms – in particular public finance management and private sector modernisation – combined with its financial muscle that has given the Bank its unique capacity for addressing complex reforms in controversial sectors like mining and petroleum. The idea was therefore that EITI would rely to a large extent on the Bank's long presence in most countries and its history of pushing for governance reforms as part of its engagement in the EI sectors.

Bank staff: varying agendas. In practice three different categories of Bank staff have been engaged with the EITI. At the core were Bank staff directly managing the multi-donor trust fund (MDTF) that was established for EITI implementation. This was both on the general management side of the MDTF, and Bank task team leaders (TTLs) that supervised the particular grants provided to EITI countries from the MDTF. Their work focused on assisting the national EITI bodies apply the funds well, covering both the formal procedures that needed to be followed in order to comply with Bank rules and procedures, but also on the substance side regarding what the funds were to produce. – The second category were Bank technical staff who were engaged on Bank lending operations, particularly in the mining sector (there have been fewer Bank operations in the oil and gas sector, apart from programmes such as reducing gas flaring). The extent to which technical staff engaged with EITI implementation seems to have been a function of two issues. The first is the extent to which the sector program itself had a governance component where EITI figured prominently, and with potential gains from working with EITI – for example in accessing a broader range of stakeholders or decision makers outside the direct EI sector itself. The other was the personal interest that the TTL took in EITI, where some Bank staff obviously spent a lot of their Bank-paid time working with EITI actors. Since this was largely a decision by the individual TTL, it therefore did not amount to a *policy* on the side of the Bank, and actors on the ground could not count on this as a systematic source of support. Another issue was that over time, the perception on the ground has been that Bank TTLs seem to have less knowledge about and perhaps less interest in EITI – in part because a number of the EITI processes are considered to be rather marginal towards an overall EI sector governance agenda and not providing the impetus to sector development that some TTLs had expected. – The third category is local staff in some Bank offices where their job description contains direct EITI responsibilities. These can be local staff – as in Nigeria – or shorter-term consultants – as in Peru. These staff are appreciated because they have strong local knowledge and thus can provide advice that is tailored to the particular circumstances. Often, however, their focus remains on the compliance with Bank procedures rather than on strengthening the EITI as such, and the links of these local staff to the larger universe of Bank knowledge and practices is often surprisingly weak¹. Bank offices have often made their facilities available for events such as video-conferences and learning events, which has been appreciated, so at an *institutional* level there clearly still is strong support for EITI as a national process.

¹ One local staffer noted that the links were with Washington and the MDTF TTL based there. There was little if any interest by local Bank staff on the PFM side with EITI, basically because the EITI reconciliation reports were so out of date by the time they were published that the figures were not useful for own macro-economic

MDTF support: focus on procedures as well as results. Much of Bank MDTF time has been centred on operational issues, ensuring compliance with Bank procedures for funds usage (see chapter 5). In terms of technical support to EITI implementation, much focus was thus on administrative and procurement issues. The support to the contents of EITI implementation varied, but generally the funds have been critical to activities on the ground: setting up a secretariat and making it operational in terms of equipment, facilities and basic skills; financing of first reconciliation activities/ reports; funding of MSG activities such as training, providing operational costs for MSG meetings etc. The Bank TTLs have therefore discussed with the national EITI coordinator and secretariats the deliverables that the MDTF grant was to produce: the grant has been approved to finance specific activities in the annual work plan. MDTF supervision missions therefore often provided guidance both on results delivery issues as well as grants management compliance matters, often with training related to these matters, but only recently have there been clear results frameworks guiding the actual production of deliverables².

World Bank: key knowledge producer. The World Bank Group, including internal units such as the World Bank Institute or external parts like the International Finance Corporation, produce a lot of research-based knowledge products in the EI field. These can be discussion papers or more formal studies, covering issues like gender, governance challenges, links to sector reforms etc. – the library of available materials is extensive. In addition the World Bank Institute hosts the GOXI web-site (as of November 2013 in collaboration with UNDP), which is meant to be *“a space for dialogue and platform for innovation and collaboration serving those actively working on governance issues in the extractive industries”* (GOXI web-site, www.goxi.org/page/about-us). In discussing with EITI bodies in a number of countries, there seems to be limited awareness about the considerable documentation that EITI bodies could be able to access from the World Bank, and the use of the GOXI web-site clearly varies from one individual to another: some are active members, others are not aware of it.

4.3 Other Technical Support Providers

MDTF funding: important for technical support. While much of the technical support for EITI implementation was expected to come from Bank staff, MDTF funding has in fact provided what may be a more important support for EITI implementation: consultants who worked directly with and for national EITI bodies, and framework contracts with civil society knowledge centres that support capacity development across the globe (see below). The consultants were individuals who were familiar with EITI rules, procedures and requirements, and thus acted as advisers to local implementation and in some instances became part of local EITI bodies for a period. This helped kick-start a process and a program that many countries were unfamiliar with both on content and structure. The tripartite collaborative structure took time to become functional in environments where this form of

² The issue of how to track MDTF grants performance has been a complicated one, where the first attempts at formalizing this were taken already back in 2007, with a first results framework proposed in 2008. Now country-specific frameworks are elaborated in connection with grants processing, providing a clear link between funding and specific deliverables in the annual work plan, thus meant as a support also to national EITI bodies to monitor their own performance: many EITI bodies do not have formal results framework for their work.

interaction between parties that historically might have had quite antagonistic relations was new. Having external consultants facilitate getting the EITI in place and get work plans and priorities sorted out was seen as very helpful in a number of countries.

Revenue Watch Institute (RWI): strong partner for civil society. In emergent petroleum and mining economies the need for training and capacity development from basic concepts to more sophisticated topics that would allow civil society members to play constructive roles in the MSG meetings was urgent. The 240-page handbook, “Drilling Down”, published early 2008, was the first in a series of well-documented publications that addressed issues of non-renewable resources and their management as seen from a civil society/rights-holder perspective. This quickly established RWI as the “go-to” source for non-state, non-company actors that wished to understand the sector, the economics and the challenges of managing EI. In addition to such reference works, RWI has published a number of self-teaching materials in modular form so that groups and organisations can develop skills on their own. RWI has provided training in the form of workshops and shorter seminars for MSG members and larger groups of civil society organisations in a series of countries, established regional hubs to build knowledge centres that could assume responsibilities for first-level training and support peer-learning and local exchanges of experiences. In addition to funding from the EITI MDTF, which was specifically for such civil society training under the EITI, RWI has received funding from other sources for civil society support³.

Box 4.1: Strengthening the DRC EITI by building the CSO Coalition

The DRC joined EITI in 2005 at a time when the enabling environment for civil society work was very challenging. Civil society itself was divided. There was little understanding from other actors what the civil society organisations did within the EITI, where a number of actors believed the CSOs on the multi-stakeholder group had been co-opted by government. Civil society in general lacked technical knowledge, which led to the government and private sector actors to lose patience during the MSG meetings as most of the time was spent explaining the issues and facts to the CSO members.

PWYP started a participatory process of regular evaluations of what the civil society organisations achieved within the EITI. They brought in a number of different community-based organisations, local NGOs and other local groups. The process compelled the various participants to meet and discuss the EITI issues, leading the participants to come up with proposals and agree on what the CSO representatives on the MSG should put forward as the civil society point of view.

The evaluation exercise takes place every three months and has proven to be an important process not just for the CSOs but also for the larger EITI process. One thing is that the MSG meetings are now more productive as all parties come better prepared and discuss the issues based on more coherent views and understandings. This has led to a stronger MSG with more local ownership due to the more productive internal discussions and negotiations. Civil society has also contributed to shifts in the direction of the EITI, and was important in discussing why the DRC did not achieve Compliance status the first time around, and came up with measures to address this that the MSG agreed to. This has further increased the CSO credibility as an important EITI partner, both within the EITI itself, but also within the larger CSO community.

³ RWI’s tax form from 2011, which is the last one available, lists contributions of nearly USD 13 million, some of them for multi-year programs. MDTF funding is only USD 430,000. The largest contribution by far is the USD 6 million from the Open Society Institute, Hewlett Foundation USD 2.75 mill, Norad USD 1.1 mill and the USD State Department USD 1 mill (all figures approximate).

Publish What You Pay (PWYP): building local coalitions. The EITI MDTF has also provided funding for PWYP⁴, which has been engaged in building local civil society coalitions around EITI implementation. While RWI has provided knowledge and skills to understand and contribute to the EITI process, PWYP has focused on the mobilisation and organisation required for civil society to have a voice that is heard. Both kinds of support are critical if the intention of moving from transparency to accountability is to be achieved: civil society must have the knowledge that allows it to make informed analyses and form considered opinions, and then must have the organisational ability to mobilise around the core concerns that it intends to hold government and industry accountable to. PWYP, like RWI, is at heart an advocacy and solidarity body that also produces knowledge products that are widely shared. One approach that has proven successful in several instances is linking a South PWYP coalition with a North PWYP, which can then often provide continuous support. Another advantage is that the PWYP as an international network is active in supporting and defending the local activists in their work to promote and strengthen local accountability processes and mechanisms.

Box 4.2: Assistance to EITI Implementation in Ghana

Ghana's EITI, GHEITI, joined EITI in 2003, and has been an innovative and active member since. During the early years the reconciliation reports addressed the mining sector, but as of 2010 also include the growing oil and gas sector. Ghana has received considerable support for its extractives sector that reflects some of the challenges the expanded EITI Standard may face.

Germany's GIZ has a global allocation of nearly EUR 96 million over the 2005-2016 period for its *Technical Cooperation in Extractive Sector/Good Financial Governance* programme that is heavily focused on EITI support. The largest single partner country is Ghana, with an allocation for the 10 years 2006-2015 of nearly EUR 25.4 million (nearly USD 32 million). This funds many procured inputs, such as the new IT system for the GHEITI annual aggregation exercises; technical assistance in the form of trainings, including an annual Summer School on the EI sector for participants across Anglophone Africa. Apart from support to GHEITI, the programme addresses larger public finance management issues and thus funds activities with the Ministry of Finance and the Ghana Revenue Authority (GRA) as well. Most of the funding is managed directly by GIZ.

The World Bank's USD 38 million gas and oil capacity building project initiated in 2010 was given an additional USD 20 million in June 2014 with the objective to (i) improve management and regulatory capacity while enhancing transparency; and (ii) strengthen local technical skills. Much of the funding has been for necessary hardware and infrastructure, thus providing critical complementary inputs to the pure technical support projects supported by other donors such as Norway.

Norway's *Oil for Development* began supporting the petroleum sector in 2008, and during 2010-2014 provided NOK 90 million (USD 14 million) for capacity development in resources, environment and revenue dimensions.

All three programmes address aspects of EI revenue management, several work with the same public institutions (such as GRA, Ministry of Finance), but the linkages to Ghana's own planning and accounting systems vary, with the World Bank being best linked.

Other actors: important support but coordination often an issue: Other actors such as bilateral donors also provide technical support or funding for technical assistance to bolster

⁴ The processing of grants proposals from both RWI and PWYP have been lengthy and costly processes for the applicants. PWYP was approached three years earlier by the MDTF regarding their interest in supporting civil society, the process took two years to finalise, and the organisation then ends up as a "World Bank vendor" – supplier to the World Bank – which becomes somewhat problematic when trying to establish credentials with local CSOs. The funding is for only one to two years at a time.

local EITI capacities. This has often been in the form of training provided by agency-hired staff either directly on EITI issues or on related matters, to MSG members and/or civil society actors in the sector. The reactions have generally been two-fold: an appreciation for the support, which is badly needed, but sometimes a concern that some of the training has not been quality-assured and not always well-coordinated with other EITI-related activities⁵. The *extent* of such third-party technical support is difficult to gauge since it varies considerably from one country to another, and itself may not be well coordinated (see Boxes 4.2 and 5.3).

4.4 EITI Implementation

Answering the questions: seeing the right picture? The diverse universe of respondents (see Annex B) provided at times quite different perspective on a number of the questions in the TOR (see Annex A). The perspective presented below is thus primarily based on the comments received from the national EITI actors spoken with, by phone or through country visits.

4.4.1 Effectiveness of Technical Support to Local Actors

Technical support is largely appropriate: what is needed is a lot more! The consensus view is that the EITI Secretariat provides appropriate answers to EITI implementation issues, and constitutes a key source of information that is also easily available over the net. The IS is highly appreciated by all (*“While everything else might be unclear, the IS is the one stable force”*), and all national secretariats report about regular and stable communications. Training is well received and found to be professional and contextually relevant to the countries visited. IS also helps unblock political bottlenecks and create higher awareness, interest and ownership of EITI in the countries they visit. Several examples were given on how IS staff and Board members have addressed complicated political situations between EITI and the political establishment or wider public, or within the MSG. IS staff meet with the MSG and explain their roles and the role of the secretariat to help them establish a set-up that is as functional and running with as little tension as possible. The IS also liaises with donors to support funding of the local EITI-processes. Several MSG members also appreciated that IS staff often meet the various stakeholder groups separately. IS furthermore invites people to visit the EITI offices in Oslo, something that is regarded as very useful by those who have been able to take advantage of this invitation, because the visitors get to know other aspects of the EITI system as they meet more staff and are exposed to other country situations. – The consistent lament is that they would like to have more support because the EITI Standard is complex, there is constant rotation of members on the MSGs and there are always new stakeholder groups that ought to be brought up to speed on the EITI and its objectives.

World Bank support: EITI generally non-core. EITI implementing countries interact mostly with World Bank TTLs. The TTLs, however, do not have EITI as their core concern. The perception is that TTLs focus a lot on MDTF compliance issues. However, a number of examples of helpful technical support were mentioned. In the Philippines, staff from both

⁵ The bottom line is the need for the actors on the ground to manage/ coordinate external support to ensure appropriate phasing and coordination of all efforts, and that they also are assured that whatever is provided as EITI training is appropriate and quality approved – issues to be addressed in the last chapter.

Washington and Manila have provided training, giving presentations to Congress, Senate, MSG members and others on EITI and the new Standard. The Bank funds the national coordinator and assisted with the scoping study. In Ethiopia the local Bank office has allocated a person to work in the EITI office three days a week, in other places the Bank has financed exchange visits between EITI implementing secretariats, while in Trinidad and Tobago there was appreciation for the Bank support to their youth arm. The MDTF/EITI Community of Practice online support website was noted as very useful, and the facilitation of horizontal learning through this much appreciated.

Civil society support: strategic yet tailored. The technical support from RWI and PWYP was seen as critical to building the capacities of civil society actors because they both understood where local actors came from – lack of capacity, often lack of space and voice, a history of not being invited in as a legitimate actor – and how to interact with them in a manner that improved CSOs’ ability to learn and understand. Here the major concern was that there was so much more that was needed and that CSOs often felt they were still struggling to play their roles the way they would like to, and that the new Standard clearly poses further challenges for them in this field.

Technical support: critical, constructive, insufficient. The bottom line is that the EITI *system* – understood as the totality of actors that are providing support to national EITI bodies – are fundamental for current performance and will be needed even more as national EITI bodies have to deliver against the new EITI Standard. The worry is if there will be sufficient support when the increasing number of national EITI bodies need it.

4.4.2 Efficiency of Technical Support to Local Actors

Technical support: often experienced as *ad hoc*, supply dependent. The *specific* requests for support – answers to implementation queries, requests for documentation – are handled in an expeditious manner by almost all external partners. The more *structured* interventions – MDTF supervision missions, EITI IS field visits – were often seen as coming at short notice and not necessarily at the most appropriate times for the field. There were thus a number of comments on the desirability of programming these major events better.

4.4.3 How is the EITI International Secretariat Performing?

General performance review: very positive. National EITI bodies were unanimous in their praise of the International Secretariat, its diligence and attention to requests from the field. The recent expansion in Secretariat staffing was seen as positive, as well as the more international composition of the staff – there were comments on staff having had a Eurocentric view on a number of issues. The Secretariat has changed some of its internal procedures to improve consistency and quality of advice provided (see Box 4.3). The interactions with the field remain largely as before, however, with staff responding to inquiries but where MSG members would have liked more and better planned and predictable visits to the field, where annual travel plans could be programmed to coincide with larger local/regional activities such as important capacity development events.

The Secretariat and its many roles: conflict of interest issues? As part of the reforms to the Validation process, procurement of Validators will now be done by the Secretariat. This has raised the question if the Secretariat might be wearing too many hats: advising national EITI bodies on how to fulfil the obligations of the EITI Standard; then contract the validator who

is to some extent verifying if the advice has been good; and then comment on the validation report to the Validation Committee on whether the validator's observations are appropriate and correct. – The revised guidelines for validation are currently being discussed and tested (EITI: "Draft Terms of Reference for validators and revised civil society protocol", 21 October 2014), but some possible vulnerability points remain. The most important concerns the selection of Validator. The EITI Board, based on an competitive tendering process, has approved a list of qualified validators, all of whom are invited to bid for each validation task based on stated criteria⁶. The critical point is the selection of the winning bid. The IS develops a shortlist of potential Validation teams and presents a recommendation to the MSG, which is invited to give its consent to the proposed Validator. If the MSG disagrees, it must set out its objections, and the IS will then consider whether to appoint one of the other shortlisted Validators. What might be worth including is (i) an explicit rating of all tenders forwarded to both the MSG and the bidders, and (ii) a complaint period where bidders can both

Box 4.3: International Secretariat Internal Procedures

With the increase in staff numbers, the International Secretariat has put in place procedures to improve coherence of technical support:

- There is a system of tagging e-mails so that e-mails automatically become archived in a country archive on the server (though this seems to be used only by some);
- Staff write "internal progress reports" that assess country situations. These are available for all on a server and are regularly updated.
- A lot of issues are coming up in various countries – they ask each other to use the same procedures. Open-door culture. They forward e-mails to each other.
- Every two weeks there are internal implementation meetings for all country staff where they discuss follow-up matters and share cases with colleagues.
- In addition there are regional - monthly or so - meetings (timing differs from region to region) – these meetings could become more consistent.
- IS staff are organised in teams where time intensive countries have up to three staff involved ("easy countries" may still be handled by only one person).
- There is an "induction week" for the newcomers – everything from travel policy, standards, roles, secretariat. The newcomers travel with other senior staff to learn on-site. There is a transition phase /handover of countries to new staff where old staff work closely together with the new staff to make sure that communication is kept consistent. Old staff are perceived by new staff to be very conscientious about receiving and "bringing on board" the recent arrivals.

challenge ratings on their own bid and ask to see non-confidential aspects of the winning tender (standard for public tenders in Norway, where the EITI is incorporated). – The process of commenting on the draft Validation report by the MSG and the Validation Committee with support from the IS is fine, but the requirement that the Validator should document how each comment will be handled should be stronger⁷. The one remaining issue is to what

⁶ The first validation that was put out to tender under the new Validation Guidelines was for Azerbaijan, where the bidders competed through a technical and financial proposal, the first one weighted as 70% and the financial at 30%. The technical proposal in turn will be judged on experience (40%), methodology and work plan (40%) and qualifications of team (20%) – a fairly standard weighting of factors. Scanteam is in fact an approved Validator but did not compete for this contract as it took place while this review contract was valid.

⁷ It is recommended that the Validator first provides a structured response to each comment documenting how each issue will be handled in the revised report. This would give the parties a chance to react if they feel the

extent comments from the IS to the Validation Committee on the Final Report should be publicly available and open to comments from the MSG and the Validator. This is in principle an internal secretarial service to the Committee. If the IS comments on issues raised by the Committee, there should be no problem. If instead the IS is providing its own inputs/views to the deliberations of the Committee, this is something the Validation Committee should provide clearer guidance on. At the same time, the IS is the permanent, professional staff of the EITI system, and as such should be called on to provide its technical expertise for the key decisions that the system has been set up to resolve. The question is what an alternative model might look like, and what would be the costs. One option is that the IS has a small validation unit detached from the other IS officers, and which would thus provide its independent views directly to the Validation Committee. – In practice such a system of “Chinese walls” would not work in a small Secretariat like the IS, and would be dysfunctional to the corporate culture of the IS as such. Instead it would make sense that IS staff who are not involved in that particular country be used as the support staff to the Validation Committee. This would provide some level of independence. But it would also act as a useful cross-country experience exchange for staff who would have to study issues and views on countries they otherwise are not familiar with. – While validation is central to the EITI system, and independence, quality and consistency across validations are critical to the credibility of the system, there needs to be maximum transparency at the critical junctures in the process to avoid perceptions of possible biases in decision making and outcomes. The Validation Guidelines might therefore tighten the formal process on the points noted above.

International Secretariat: Time for an Organisational Review. The demands on the EITI system are undoubtedly going to continue increasing. The number of member states is growing, and there are expectations that some major countries will join, which will require a lot more attention and resources. The complexities of the EITI standard require more and better targeted training and advice. The countries themselves will increasingly tailor their programmes to country specific issues: cover more levels of government/ decentralisation; increase the coverage for example through lowering the materiality threshold; increase the number of resources covered (forestry, fisheries ...). This will all require more support from the core of the system, meaning the IS will have to further develop its systems, find ways of decentralising and devolving certain responsibilities (like training), or take other steps to address the demands for assistance. Through the course of this review, a number of options have been put forward for how the IS might meet this expected demand, such as the establishment of regional or “satellite” offices. Given the importance and probable scale of the shifts in demand, the EITI Board should probably carry out an organisational review to look at necessary changes to the IS in terms of size, skills, structure, systems, roles, links to other actors and processes promoting transparency and accountability, and the relations to national EITI bodies.

response is not adequate. Such dialogue during the finalization process is likely to ensure that the final report can be processed faster and with fewer comments/ objections.

4.4.4 Is Technical Support to Civil Society Adequate?

Technical support to CSOs: relevant, varies across countries, highly insufficient – and often not based on the realities of the CSO community. The demand for capacity development among CSOs is generally way beyond the currently available supply. But while the desire for training is virtually universal, the actual training capacity is quite skewed and concentrated among only some of the EITI member states. One reason is that there is no overall fund and strategy in place that allows for long-term training and – more importantly – development of local training capacity over time. The assistance currently provided, while highly appreciated, is limited in terms of duration, themes, coverage of the potential CSO community in a country, and depth of study of the various topics. There is not much training that goes beyond the basic issues, so the climbing up the skills ladder is quite slow. This, however, is also a function of the weak state of civil society in many EITI countries: there is often high rotation of staff in the organisations so there is little cumulative skills development. Once a cadre of staff have been trained, several of them may leave for better job opportunities elsewhere as the NGO labour market is more an entry point rather than a career move for many. In a number of countries the experience is that even civil society networks, coalitions and MSG members that have received adequate training stop performing according to expectations when financing of CSO-meetings, community-consultations, dissemination of information and funds to organise debates and discussions are no longer available. How to address these structural characteristics of many CSO situations obviously is beyond a programme like EITI to address – but a strategy to provide capacity building for CSOs needs to have this as an important factual starting point in order to produce a more sustainable result.

Box 4.4: EITI as Transformational Actor

EITI is fairly unique in providing an internationally accepted standard for “good governance” that obliges participating governments to accept and in fact support activist civil society bodies that may be openly critical of government policy. Even within authoritarian states, EITI provides a space where these activists not only have a protected arena for their activities and thus are given a platform for their views and voice to their demands, but also bring together what may historically have been antagonistic forces in society to find common ground and joint solutions to complex problems. In weak governance situations, this approach to developing collective action is a commendable model and one which other organisations are beginning to replicate.

When the demand for capacity development among civil society actors therefore comes across as being very high, it is to a large extent due to the unique position that EITI has with regards to opening up room for critical thought and debate. Based on the EITI Principles, EITI has cajoled recalcitrant authorities to provide space to critical voices and give access to the media and the public in general. Furthermore, EITI provides technical support and thus legitimacy and credibility to the organisations.

While EITI is careful not to be seen as a general “human rights” body, it is “a coalition of the willing” in the field of good governance in the extractives sector. This provides EITI with unique abilities of persuasion for aligning actors in the direction of more transparency, more accountability, more inclusiveness, more collaboration.

Because the tripartite nature of the EITI coalition requires a certain balance in capacities and knowledge, EITI continues to be committed to strengthening the party that everybody agrees tends to be the weakest one, namely civil society. And this is an entry point for building voice and skills that is quite a unique opportunity for CSOs in many societies – and hence the demand for continued and strengthened EITI support.

RWI/NRGI: when the star leaves, who carries the show? All CSO representatives were pleased with the quality and relevance of the RWI (now NRGI) trainings. Those who have gone through the EITI Gap-analysis appreciated that exercise. In regions where NRGI has a

presence, the organisation is commended for its accessibility, and the material is highly appreciated, as are their studies/research reports. The big concern is that with NRGI's new strategy of concentrating their efforts on about a dozen countries, an ever-increasing number of EITI member states will no longer be able to benefit from RWI/NRGI training – and for the time being there is no obvious candidate/s to replace that CSO training capacity. The lack of a strategic instrument in this field accentuates this concern.

4.5 Findings and Conclusions

4.5.1 Actors

The EITI International Secretariat: the core of the system. The main *content* of the technical support has been advice on EITI Rules/Standard for achieving Compliance though increasing attention is now being paid to EITI's role in reform processes. The main *form* of technical support has been telephone and E-mail correspondence, and more frequent in-country visits, usually with some training tailored to the particular country. The Secretariat is increasingly using regional workshops for experience exchanges and peer learning, letting those countries in the region that are recently joining EITI learn from their neighbours and build networks with them. The IS is also an important source of web-accessible publications and the web-site is being developed to become a “one-stop-shop” for EITI relevant information. The main *audiences* for the work have been national coordinators, national secretariat staff, MSG members, national decision makers, the public in general. Greatest *praise* has been for the Secretariat staff's technical knowledge on all EITI issues; the very short response times; the ability to address specific questions being asked; their updated information of the situation in country; the close contact and that it is easy to approach them and ask for assistance. The *concerns* are that IS staff are stretched though the recent recruitments have eased this constraint somewhat, and that activities are not well enough planned and coordinated with the field. Given the rapid increase in the demands on the IS, which will continue to grow, there is a need to review the Secretariat's roles, size, skills, structure, systems and linkages to other actors.

The World Bank: unrivalled technical resources but need more organic links with EITI. The main *content* of the technical support has been advice on MDTF implementation, ensuring contractual compliance and results focus regarding activities funded, as well as capacity building for EITI bodies. The main *form* of support has been Bank supervision missions, phone and E-mail contacts with Bank TTLs, in some countries through local Bank staff, with training in conjunction with supervision missions. The Bank has an unrivalled group of technical experts but they tend to focus on sector loan tasks rather than building possible bridges to EITI implementation. The Bank is also a leading knowledge producer through its studies and empirical work on a wide range of issues of relevance to EITI implementation, including co-hosting the GOXI web-site, but this is a resource that most EITI bodies are not aware of or use very much. The Bank basically works with national coordinators, as responsible for MDTF grants management, the national secretariat staff that work on the MDTF grant, national authorities that signed the MDTF agreement – often the Ministry of Finance or a sector ministry – thus having access to decision makers at quite senior level, but often without linking these various national actors back to EITI bodies. Greatest *praise* has been for clear guidance on the MDTF and the close follow-up that is often

provided in this connection. The most common *concern* was that Bank staff were focused on the MDTF and funds usage, and that EITI thus only had access to MDTF TTLs and not the larger universe of Bank expertise in the sector (though the MDTF TTLs are normally also responsible for the Bank's sector work, so the lack of linkages may be due to incomplete information and communications).

Other technical support providers (RWI/NRGI, PWYP): vital to civil society. Main *contents* of the support is to civil society actors on EITI implementation broadly speaking, with focus on ability to understand issues, read reconciliation reports and use these to strengthen public debate on extractives revenues and their use. Main *form* of support is formal in-country training, publications, technical staff available for addressing issues especially through regional hubs, and active web-sites with news sections that are constantly updated. While the main *audiences* are civil society actors, primarily members of the MSGs, both RWI and PWYP try to reach well beyond this formal grouping to reach the larger community of engaged actors. Greatest *praise* has been for the good and clear courses and the course materials; the broader view/context that is provided regarding the sector and the issues; the support to strengthening the voice and quality of civil society; the broad concept of civil society where they try to include media, unions, parliamentarians, faith-based organisations, tradition leaders and not just classic CSOs/NGOs. The most common *concern* was that the training tended to be too short; there was too much material; often not enough contextualisation and adjustments to local needs and understanding of the starting point for many of the local actors; and not enough time to share experiences and adapt the material to own needs and concerns.

Box 4.5: Industry and EITI: The Business Case

In many countries, the resistance to disclosing information may be considerably greater within the public sector than in industry. A key reason is that the public is usually not aware of the sums that extractive industries (EI) pay to the state – and what happens to these amounts in corrupt environments. Many EI companies, especially large international ones, therefore embrace the EITI as a means to improve the transparency regarding fiscal contributions, as this has made public opinion shift somewhat from attacking business for resource robbery to also asking how revenues have been applied – “*moving the monkey off industry's back to government's*”. Beneficial ownership disclosure is also not an issue for larger companies – their ownership structure is already public knowledge through stock exchange reporting – but is useful for them in revealing conflict-of-interest ownership structures in national industries they may have to work with or compete against.

For some companies, EITI is seen as an opportunity to build bridges to civil society, offer training and thus insights about the industry to fellow MSG members both in government and CSOs, and – for some – to also understand better where the sharp criticism of industry comes from. Companies provide funding for EITI activities in a number of countries, especially, it seems, in countries with few donors around. At the same time, companies talked with would like more training opportunities, both on general EITI matters, but also on issues like how to be an active MSG member, how to represent industry within the EITI context, and also to understand better where the new EITI Standard and the more open Value Chain approach is likely to take them.

4.5.2 Results

Technical support: the heart of EITI implementation. Because EITI is being implemented in such a large and diverse group of countries, technical support must adapt to a range of differing circumstances. This requires dedicated and flexible technical support bodies, and the group of actors mobilised for this purpose is seen as answering to these criteria, and have overall been critical to national implementation of EITI. The **effectiveness**, focus and relevance of the technical support is seen as good, while the **efficiency** of the delivery is

questioned: it is often too little, too *ad hoc* by being tailored to the specific requests rather than as part of a longer-term approach to building lasting capacity on the ground.

Coordinators, secretariats and MSGs strengthened: civil society remains the weakest link.

The core actors in national implementation – national coordinators and secretariats – have the most direct and continuous links to the knowledge centres in the EITI system, and thus also the more permanent capacity building dynamics. The support to MSGs seems to vary by country and perhaps by level of pro-activity by the MSGs themselves. The weakest party remains civil society, both the CSO representatives on the MSGs – often because the links back to their own constituency is problematic and suffers from lack of resources and skills to maintain close communication – but also because what is termed the CSO community is very heterogeneous, within and across countries. The demand for continued and strengthened capacity development for civil society thus has many different sources – but the need is undoubtedly there and far from addressed.

The private sector: capacity development needs. National companies and private sector groupings such as local mining associations and chambers of commerce have noted the need for more capacity development activities, including local branches of international companies. Much of this has to do with the need to understand the specificities of national EITI processes that head offices of larger corporations do not know. But it is also important to include these actors in local trainings in order to foment common understandings, networks and joint commitment to EITI implementation. The big difference to CSOs is that the private sector generally has staff turn-over, so over time training needs are less. At the same time, the business community also has important knowledge and skills that both civil society and government would benefit from, and for that reason should also become a more visible part of capacity development processes also on the provision of knowledge: *“both government and civil society need to understand the basics of resource economics much better”*.

5 Financial Support to EITI Implementation

Financial support: actors and results. Like the previous chapter, this chapter is divided in three: a discussion of the funding providers; a review of the questions posed in the TOR regarding this support; and then the findings and conclusions.

5.1 The EITI MDTF

EITI MDTF: largest funding source for EITI implementation. The World Bank-administered MDTF has so far mobilized about USD 72 million for supporting EITI implementation around the world, from a total of 15 different donors (see table 5.1). The four largest donors contribute nearly 73% of the total – a donor concentration that may pose some questions regarding financial viability over time.

Table 5.1: Donor Funding for the EITI MDTF as per 1 July 2014 (USD '000)

Donor	Total
Australia	15 508
Belgium	1 395
Canada	12 520
Denmark	458
EU	1 496
Finland	1 062
France	1 811
Germany *	3 365
Japan	500
Netherlands	1 500
Norway	1 728
Spain	4 925
Switzerland	1 500
United Kingdom	10 849
USA	13 476
Total	72 087
World Bank admin fee	-1 314
Total available funding for EITI	70 773

Source: World Bank table, July 2014

*: Includes commitment of USD 680,000 not paid in as of 1 July.

MDTF financing: Bank and recipient-executed activities. The MDTF funds have largely been used for Bank-executed activities to support EITI implementation, or as grants to the countries themselves for their activities on the ground, so-called recipient-executed grants⁸.

⁸ The main difference between Bank and Recipient execution relates to procurement and contracting of consultants. In Bank execution, the Bank does this based on Bank rules. With Recipient-execution, the

The Bank executed activities have funded consultants to assist local EITI bodies in their early phases, and technical assistance to local civil society organisations through bodies like RWI and PWYP (see section 4.3 above). The recipient-executed grants are the ones partners on the ground are most familiar with and that have raised the most questions. – During the last couple of years the small-scale grants for local CSOs have been added as a third funding stream, with its own challenges.

Recipient-executed grants: complex path to approval. The main challenge for the Bank in administering the EITI MDTF is the general guidelines for handling trust funds. While the recipient-executed grants tend to be small – the average size was just over USD 380,000 (only 6 of 50 grants were over USD 500,000 – see table 5.2), the procedure to approve them is cumbersome. The host government has to request the grant with a costed work plan attached. The Bank’s task team leader (TTL) then prepares a project concept note that is reviewed before going to the MDTF Management Committee (MC) for approval. The TTL and the government prepare an Integrated Assessment Framework that includes a procurement plan and the fiduciary assessment/due diligence. This is submitted to the EITI Core team for review, and also commented on by the Bank’s Country Manager. The grant proposal then goes to the Bank’s country lawyer for preparation of the draft agreement before being submitted to procurement, finance, trust fund accounting, and then to the loan department which prepares the draft disbursement letter. This process is supposed to take only 2-6 months if everything runs smoothly, but in the cases heard from the field this seldom happens. In some cases the host government needs to clear the agreement with Parliament, which would typically delay the process, and in other cases a change of government might necessitate the process to start over. Since this is grants funding, not reimbursable loans, the Bank retains a lot of oversight and control responsibilities, which means that even on minor procurements a formal *No objection* from the Bank is required, so implementation of the grant also includes a number of steps. On top of this comes the overall risk assessment, where the broader country risk picture carries over also to the small MDTF grant assessment.

Recipient-executed grants: critical to implementation, uncertain availability. The MDTF funding was meant to ensure early support for EITI implementation so that critical steps – getting a secretariat in place, organising early MSG meetings, contracting the first reconciliation exercise – could happen as quickly as possible. Because the approval process would take months, changes to framework conditions could occur such that for example the original work plan that the Grant was based on was no longer valid. The parties would then have to start over again based on the new work plan. Most examples from national EITI bodies claimed that the MDTF process took 12-30 months before first disbursement! This created budget gaps and held back implementation since alternative funding often could not make up for the entire MDTF funding expected. The key concern expressed was the unpredictability this introduced: it was often possible to mobilize other resources or change the work plan, but it required a lot of administrative effort that should have been spent on other things. The frustration was equally great on the side of Bank staff, who had to spend

government does procurement and contracting applying World Bank Procurement standards/rules. It is the Bank’s verification of procurement procedures and quality controls that takes time.

an inordinate amount of time processing insignificant sums, addressing issues that were originally meant for clearing multi-million dollar loans to high-risk projects.

Table 5.2: Trust Fund Grants to Recipient Countries (in USD '000)

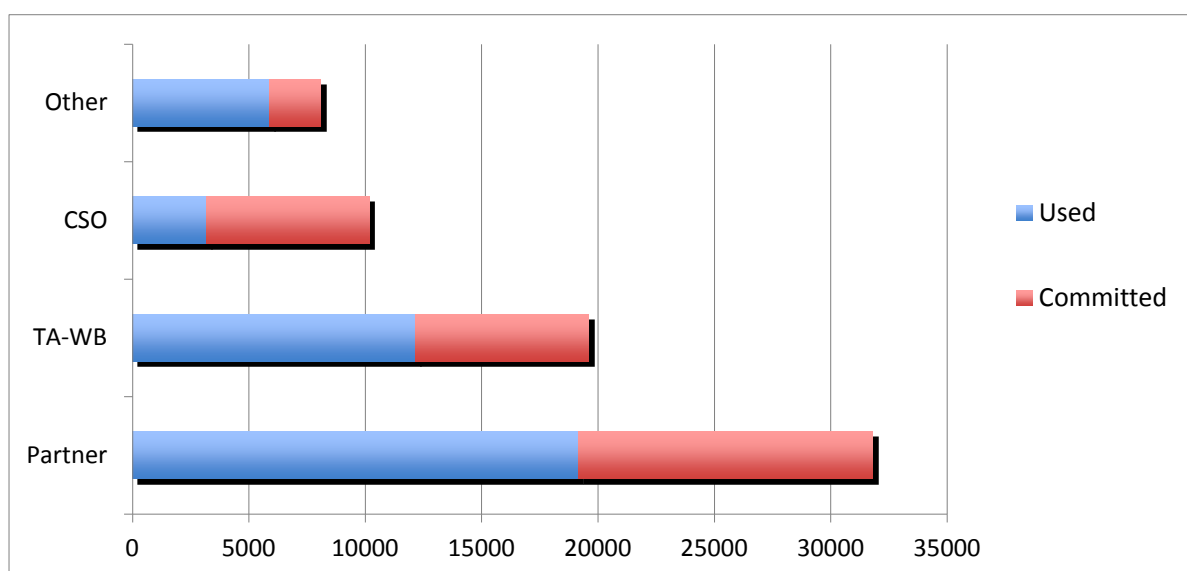
Country and grant-number	Amount
Afghanistan (TF099986)	275
Albania (TF096009) - \$0.280 m allocated; closed 6/30/12	272
Albania II (TF012148)-\$0.110 m allocated; closed 12/22/12	79
Burkina Faso (TF094795) - \$0.245 m allocated; closed 10/22/12	224
Cameroon (TF056698) - \$0.130 m allocated; closed 6/30/08	99
CAR (TF093887) - \$0.300 m allocated; closed 10/22/12	291
Congo Republic (TF011465)	350
Cote d'Ivoire (TF093112) - \$0.1743m allocated; closed 6/30/12	130
DRC (TF091920) - \$0.500 m allocated; closed 8/31/11	495
DRC II (TF013846)	495
Ghana (TF057337) - \$0.249 m allocated; closed 12/31/09	218
Ghana Post Compliance I (TF010102)	400
Guatemala (TF010050)	300
Guinea (TF056637) - \$.569 m allocated; closed 10/22/12	419
Indonesia (TF099302)	1 050
Indonesia II (TF014993)	1 050
Iraq (TF097358)	840
Kyrgyz Rep (TF090545) - \$0.266 m allocated; closed 6/30/11	264
Kyrgyz Rep Post Compliance I (TF099968)	200
Liberia (TF091608) - \$0.400 m allocated; closed 6/30/09	399
Liberia II (TF094794) - \$0.175 m allocated; closed 12/31/10	165
Liberia PC I (TF015188)	200
Madagascar (TF093111) - \$0.350 m allocated; closed 9/30/12	344
Mali (TF094007) - \$.210 m allocated; closed 10/22/12	185
Mauritania (TF056657) - \$0.240 m allocated; closed 6/30/08	148
Mauritania PC I (TF097286)	275
Mongolia (TF058156) - \$0.304 m allocated; closed 12/31/09	304
Mongolia II (TF094658); \$0.275 m allocated; closed 10/31/11	275
Mongolia Post Compliance I (TF099918)	250
Mozambique (TF096920) - \$0.375 m allocated; closed 5/31/12	361
Mozambique II (TF010226)-\$0.350m allocated; closed 12/31/12	350
Mozambique PC I (TF015142)	450
Niger (TF093888) - \$0.245 m allocated; closed 6/30/12	240
Niger PC I (TF099427) - \$0.2 m allocated; closed 10/22/12	200
Nigeria (TF056072) - \$2.2 m allocated; closed 3/28/08	1 665
Nigeria II (TF095381);\$0.900 m allocated; closed 3/31/12	761
Nigeria PC I (TF014025)	900
Peru (TF057870) - \$0.350 m allocated; closed 9/30/10	337
Peru PC I (TF15428)	350
STP (TF093113) - \$0.110 m allocated; closed 6/30/10	1
STP (TF015551)	285
Senegal (TF016205)	500
Sierra Leone (TF093541) - \$0.310 m allocated; closed 4/30/11	279
Tanzania (TF096777); \$0.425 m allocated; closed 3/31/12	336
Tanzania II (TF012532)	350
Timor-Leste (TF093143); \$0.230 m allocated; closed 12/31/11	186
Togo (TF098712)	275
Trinidad & Tobago (TF011834)	325
Yemen (TF091467)	350
Zambia (TF095437) - \$0.320 m allocated; closed 6/30/12	309
Zambia PC I (TF013154)	350
Total	19 157

Source: World Bank table, July 2014. Two grants never disbursed not listed.

MDTF grants: heavy concentration on Africa. Of the just over USD 19 million in MDTF grants so far disbursed, just over 75% have gone to African countries, with a further 15% to the Middle East and Central Asia. This disbursement profile is both in line with what the membership profile of EITI looks like, but clearly also shows a concentration of support to low-income countries.

MDTF funding profile: shifting towards CSO and recipient execution. With a total of nearly USD 40 million disbursed so far, MDTF management has committed just under USD 30 million for the coming period. There is a noticeable change in the structure of the expected disbursement streams, with an increasing share of the funds going to recipient executed grants, and in particular a large increase in CSO funding⁹ (see figure 5.1). When it comes to the increase in funding for CSOs, it should be noted that this covers two different categories: direct Bank managed – small direct disbursement to country-based CSOs – and then the contracts with major NGOs like RWI and PWYP. While disbursement to the latter category was USD 2.2 mill with a further USD 4 mill foreseen, small grants are expected to grow from just under USD 1 million so far to over USD 3 million in the coming period. This means that the two most management-intensive and problematic forms of MDTF funding – recipient execution and small-scale local CSO funding – are the two categories that will be expected to increase the most in the coming period, posing some obvious challenges to the management of the fund.

Figure 5.1: Disbursed and Foreseen MDTF Expenditures, by Category (in USD '000)



⁹ The actual disbursements and planned expenditures according to main categories are as follows, in USD '000:

	Disbursed	Planned	Total
TF grants to countries	19 157	12 655	31 812
World Bank TA	12 152	7 449	19 601
CSO grants	3 176	7 009	10 185
Knowledge and learning	4 124	1 916	6 040
Fiduciary, prog management	1 705	260	1 965
			69 603

Box 5.1: Importance of MDTF Funding

In **Nigeria**, the early years of NEITI were largely financed by DFID. Over time, the Nigerian government took over, and MDTF became the only significant external funding source. The first grant was provided in 2007, and of the USD 2.2 million approved, just under USD 1.7 million were spent on equipment, office furniture, basic consultancy services and the first audit. The second grant was signed in November 2009 for USD 900,000 and was channelled towards (i) capacity building of NEITI, (ii) design of an M&E framework for the follow-up work to the audit report's recommendations, (iii) an assessment of remediation options, (iv) support to communication and dissemination of the 2005 audit reports and validation findings. A procurement specialist was contracted to train NEITI staff in Bank procurement rules and procedures, and the scoping study for the minerals audit was paid for. A third grant signed May 2013, also for USD 900,000, is to fund (i) capacity building of NEITI, (ii) improving the efficiency of EITI implementation, including initiation of automation of audit data submission and analysis, and (iii) piloting of implementation of select remediation measures.

There were a number of joint meetings during the MDTF programming process, but NEITI staff still expressed a number of concerns: (i) the Bank has cumbersome procedures that take a long time, experienced as rigid as they are Bank and not client oriented, must be cleared by different offices within the Bank that sometimes return with different answers, (ii) feel that the Bank does not always listen to NEITI needs and not willing to accommodate NEITI constraints but stick to rigid timelines for carrying out tasks even when this is not optimal, (iii) due to the long formalistic procurement process, promised inputs are not always available when needed and expected. The extreme example was the scoping study NEITI had asked for in preparing its first-ever Fiscal Accountability and Statutory Disbursement (FASD) study. While the funding for this was from another Bank-funded program, the procedures meant that by the time the consultant was contracted, the FASD study itself was virtually done. Finally, monitoring is seen as excessive and thus a burden, though a number of the monitoring missions have been useful due to the training and observations on programme implementation.

Peru has received two MDTF grants, each of about USD 350,000. The first one was approved in 2007, the second one in September 2013, reflecting the uneven process of EITI implementation but also the considerable spacing that might occur between MDTF grants. Nearly 60% of the funding is for two reconciliation studies, reflecting a concern by a number of EITI bodies that these exercises take so much of their scarce resources. About USD 70,000 is for formulating 3 sub-national EITI plans, reflecting Peru's innovative approach to this (see annex G), while a further USD 60,000 is for public exposure and social consensus-building around EITI/Peru.

Indonesia has received two grants, both just over USD 1 million, where the second one has just begun implementation.

One tendency seems to be towards funding more innovative and strategic issues for EITI implementation, strengthening NEITI's focus on integrating into larger reform processes and efficiency of EITI implementation through better use of ICT, and similarly in Peru where the sub-national work is being supported. To the extent this is a deliberate strategy, this is highly commendable, with the MDTF then taking on more risky and innovation-oriented activities within the EITI family.

MDTF-funded activities: synergies to a broader EI agenda? Many of the Bank TTLs believe that the MDTF funding has built bridges between the sector loans and the sector reform agendas that the Bank pursues, and the EITI processes in a country. From the TTL perspective this is reflected in things like greater visibility of the EITI process in the reform agenda, and more attention by the sector to the EITI requirements and procedures. From the point of view of the EITI bodies, the link is less obvious, in part because the EITI as such is often not involved in the sector loan negotiations and therefore not very aware of these discussions. But the classic EITI requirements also do not address EI sector governance issues – they look at EI sector *revenue* issues, which is a different matter. This disjuncture between a national EITI process and EI sector governance matters is being addressed with the new EITI Standard, an issue that will be returned to in the last chapter. But in many countries, the perceptions regarding sector value-added from MDTF funding may currently be quite different between EITI bodies and Bank EI staff.

MDTF financing: still needed, still provided? Despite the complaints about delays and unpredictability regarding MDTF funding, the overwhelming view is that this funding will continue to be a critical part of EITI implementation support. There are several reasons to believe that the demand for MDTF funding will in fact increase in the period to come. The number of EITI member states continues to increase, so the universe of recipients will grow. The new EITI Standard is in many fields more demanding than the old EITI requirements, so technical support and financing for addressing the Standard will increase, including in countries that have already implemented the former EITI requirements and achieved Compliance status. The big question is if the donor community is willing to continue funding EITI implementation at the same or increasing rate, an issue returned to in the last chapter, but critical to the ability of many countries to implement the new Standard.

World Bank as administrator of MDTF: addressing the criticism, finding solutions? The Bank is increasingly relying on donor-funded trust funds for many of its technical advisory services, and all MDTFs face the same criticism: the transaction costs for accessing the funds are much too high because these small grants-providing mechanisms have to adhere to the same procedures and standards as large-scale risky sector loans. During the course of 2014 a reform process has been undertaken where several steps will address some of the problems faced by the EITI MDTF. There is a greater focus on thematic fields rather than geographic regions, so the EI competencies are now grouped in a larger *Energy and Extractives Global Practice* network (GEEDR). Many administrative services are now centralised rather than delegated to the regions, so that different interpretations of the same administrative rules across regions – a constant irritant to global programs like EITI – will be removed. The EITI MDTF specifically, given the size of its grants, will be considered as belonging to the lowest risk category, independent of whether the country itself may be considered high-risk, simplifying internal processing. MDTF proposals will be able to simplify the safeguards review. The process will be fully automated both making information available to all concerned actors in real-time, but also cutting down on approval steps and inter-office communications. While not all steps are fully in place, by the end of 2014 it is expected that new rules and procedures will have been approved and the more agile system made operational.

5.2 National Governments

National governments: picking up the funding challenge? EITI implementation is a national responsibility. While it is based on a tripartite collaboration, it is at the end of the day the nation-state as a political entity that is being assessed and that needs to prove that it satisfies the EITI Standard. This also puts a particular responsibility on national authorities to ensure that the process can be implemented as foreseen among other things by having the financial resources necessary for the EITI process. In a number of countries national authorities are stepping up to the plate with promises of funding, either through earmarked budget lines in the annual budget, or through extra-ordinary contributions. EITI MSGs are to prepare annual work plans with realistic budgets attached, and in many cases activities are foreseen to be funded by government. As reported from a number of countries, in many cases the promised funds either do not arrive, or arrive late so that activities have to be rushed at the end of the fiscal year or cannot be implemented as foreseen, or funding is reduced compared with the original promise. This variability in government funding may

vary from one year to the next, so overall predictability is often poor. This in turn means that what may appear as a reasonably well designed annual work plan for EITI may largely be a compilation of wishes because the funding base is so uncertain. This constitutes a major challenge for long-term EITI implementation that will be returned to in the last chapter.

Nigeria: the shining exception – and the downside? With the passing of the so-called NEITI Act in 2007, Nigeria’s EITI was given both a very broad legal mandate and at the same time a formal position within the state structure. NEITI is to report both to the Presidency and Parliament, thus having direct links to the pinnacle of the Executive and the Legislature. With this legal statutory status, while not formally part of the state, the line between being an independent body that has a watch-dog and dissemination role in society, and basically being part of the state’s own control apparatus, is not always easy to draw. This dilemma is heightened by the fact that NEITI receives an annual funding from the Presidency of about USD 8 million per year, fully paying for the 50-person plus Secretariat, the MSG and its activities, and the various studies, reports and communication/dissemination activities that an ever-expanding NEITI is delivering. External funding for NEITI is currently almost nil, making NEITI management look hard at what this total dependence on state funding implies in terms of space for independent action, and how it is perceived by the public and thus its legitimacy in the public discourse regarding resources management. The need for both generating more independent revenue streams, and more research-based knowledge for the public debate, is therefore leading NEITI towards more innovative thinking along both lines (see next chapter).

Box 5.2: Local EITI Transparency

While national EITI bodies are to publish fully costed annual work plans, the requirements for financial reporting in the annual activity reports are more advisory: “*The multi-stakeholder group may wish to include information about costs of implementation. This could include a comparison of outturn costs with the work plan costs, broken down by contributor and budget lines. It could also include information about the number of staff in the national secretariat* (Guidance Note 5, 13 November 2013, point 6). This review would suggest that national EITI reports should provide audited accounts, for several reasons.

One thing is that it undermines a financial watch-dog’s credibility if the organisation itself is not fully transparent and accountable with regards to its finances. What would be useful is for an annual report – published at the latest three months into the new fiscal year – that provides an overview of activities undertaken and results produced over the preceding year, compared with the original work plan. Then there should be fairly detailed audited accounts, also compared with the budget of the work plan, which explains actual outturns and analyses deviations from the original budget.

The need for fairly detailed and audited accounts is both for the sake of transparency, but also because in several countries stakeholders are raising concerns about the costs of implementing EITI. Issues that have come up are what are seen as excessive costs for training events (expensive hotels, costly resource persons), “sitting fees” for participants, high per diems when travelling etc. Providing clear accounts of what various events cost, what the unit costs are, and presenting issues like training events in light of particular challenges that the country is facing may both defuse unfair criticism, but may also lead to reflections around costs of various activities and thus contribute to a more cost-efficient and hence sustainable EITI process over time.

5.3 Other Funding Sources

Bilateral donors: important but variable predictability. Bilateral donors have often provided critical support for EITI processes in various countries. In some cases the support is well structured and coordinated, such as the early support by DFID to NEITI and

Germany's multi-year support to GHEITI (see Box 4.2). Other support has been more *ad hoc*, at times in response to funding gaps that have emerged and where the local EITI body needed urgent funding and a given donor has been able to support. Both local EITI bodies and at times the Bank as MDTF funder have tried to mobilize more structured support for example for particular interventions, but there seem to be few examples of this happening over time. Most donors that wish to provide long-term support to EITI seem to channel their funding through the MDTF, not least of all for reasons of administrative and fiduciary expediency.

Box 5.3: Donor Funding for EITI Implementation

A number of donors provide direct support at country level to national EITI implementation, including some of the regional development banks, UNDP, the EU and bilateral donor agencies like CIDA, Australia's DFAT, DFID, Norad, USAID. The major exception to this country-by-country approach – apart from the EITI MDTF – is Germany's ten-year framework programme covering 15 countries, a regional component in Central Africa, and a couple of global interventions (see Box 4.2).

The level of donor support is highly variable, both *between* countries but also *within* countries over time. The determinants for the level and continuity of support seems to be the actual presence of donors in the country, and each donor's own thematic priorities – which tend to shift over time. CSO members of MSGs seem particularly aware of this problem, as most CSOs have to a large degree kept their traditional donors after joining EITI but have not been able to identify any new funding partners due to the EITI. A number of MSG members complained that some donors were “cherry picking” which activities to finance, thus creating distortions within the priorities decided by the tripartite structure of the MSG.

National EITI bodies thus seem as susceptible to the vagaries of “donor darling” versus “aid orphan” funding as general development assistance, leading to instances of both over- and under-funding. Underfunding of course limits activity levels and makes it hard to produce results, while over-funding tends to be cyclical and may thus scale up activities to a level that are not sustainable over time.

In Tanzania, civil society funding died almost from one day to another when the country reached compliance, as a number of donors seem to have decided “job well done” and moved funding to other areas. This brought civil society from being very active in disseminating the report and creating national debate, to not being able to carry out any dissemination activities.

In Ethiopia, there is a long list of donors that wish to support the Ethiopia EITI even though the country hardly has any revenues yet, and as such the support could easily become very inefficient.

In countries with less donor presence, like Azerbaijan or Trinidad and Tobago, the EITI bodies must seek funding for each activity, mobilising support from organizations, institutions, campaigns and industry. This is itself quite resource intensive, but also leaves the EITI vulnerable to the attractiveness of the particular event and the whims of the individual sponsor.

Sector programmes: complementing EITI processes. Australia's *Mining for Development*, Norway's *Oil for Development*, Germany's *Good Financial Governance* and other bilaterally-funded sector programmes often complement national EITI processes in important ways, such as through capacity development activities that include MSG members. Some programmes, such as Norway's, have support to national EITI implementation as one of their areas for assistance. This kind of aid is often in the form of direct services rather than financing, so may not be as flexible and useful (training events may be structured according to the *Oil for Development* timeline rather than EITI's). As EITI expands its remit along the EI value chain and the Standard tries to address the larger agenda, these kinds of complementary programmes may take on added importance and finding ways to link them better will be increasingly important. Other examples are more independent programmes that are clearly complementary to EITI, such as DFID's *Facility for Oil Sector Transparency and Reform* (FOSTER) in Nigeria. FOSTER has a good working relationship to NEITI and has provided support for specific NEITI activities such as in the communications area or joint

training of parliamentarians, but generally runs its own activities though very much in support of the same overarching objectives as NEITI (see box 5.4).

Box 5.4: FOSTER Approach

While NEITI has communication, dissemination and national debate as an important area of attention with the objective of furthering stronger public accountability in the EI sector, FOSTER has put most of its recent attention into this field, to get clearer results from more focused programming.

One step has been to define more clearly what the expected results are to be from interventions funded. More careful investigation and planning has been undertaken to increase the likelihood of success.

They have identified *media* as a particular field for attention, and developed strong and continuous support to a limited number of actors who they believe are likely to deliver meaningful journalism and can develop/provoke a content-rich public dialogue. Technical expertise as well as experience sharing events have provided capacity development inputs that are translated into publishable deliverables.

Thematic roundtables have helped highlight particular issues – oil theft, petroleum sector subsidies – with solid factual information, sectoral relevance, interesting journalistic angles.

As part of this work, FOSTER assisted NEITI to put together user-friendly versions of its 10-year and 13-year summaries, focusing on relevant topics and understandable numbers/figures.

In the CSO field, FOSTER has identified a limited number of organisations that are considered strong and look like they will be sustainable on their own, and then provide them with further capacity development. Success is seen as more likely, and the expectation is that this group of CSOs will constitute a solid-enough core that they and local partners they wish to collaborate with will be able to grow on their own, without becoming or remaining dependent on FOSTER funding.

EI programmes by regional bodies: increasing importance. The African Union is promoting the African Minerals Geoscience Initiative (AMGI), which is also an important part of the World Bank's new more comprehensive sector trust fund. The African Development Bank is setting aside funds for more support to EI governance issues. While these and other regional initiatives such as in Latin America so far do not seem to have been important for national EITI processes, with the new EITI Standard linkages to such regional initiatives will undoubtedly become more relevant and can provide national EITI some additional legs to stand on. – What is common across most of these other forms of support is that they so far have been driven more by their own agendas rather than in support of larger sector reform processes. As national EITI bodies begin focusing more on this with the new Standard, one of the tasks might be to develop a more pro-active strategy for bringing the various actors and resources closer together for more joint or synergistic work.

5.4 MDTF Implementation

Answering the questions: addressing the issues? The TOR (Annex A) asks a series of questions regarding the MDTF where some are not related so much to the EITI as such but look more at the MDTF as a funding mechanism. This has required a better understanding of the trust fund management issues that the Bank is currently reviewing, and where therefore some of the information and views here may be somewhat dated.

5.4.1 Effectiveness of MDTF

MDTF as funding mechanism: mobilising support, allocating resources. The general lessons regarding the advantages of a multi-donor trust fund clearly hold in the case of the EITI fund. An MDTF is in principle an instrument for improving resource efficiency and

effectiveness by reducing overall transaction costs. This is in part done by handing most of the risk of allocating and disbursing funds into a range of different environments to a body that has been set up to handle this diverse risk portfolio. For donors, MDTFs thus reduce information, coordination, administrative and various other costs. They provide a way to support an important reform agenda in a joined-up manner. MDTFs reduce fiduciary and political risk exposure when some of the recipients are known to have capacity problems or governance challenges. For national authorities, MDTFs can increase and untie funding and provide political visibility. International support can bring legitimacy to the national agenda – a topical concern in EITI – but at the same time exposes the country to international scrutiny in a way that bilateral funding would not. For the Bank, the MDTF is another instrument for strengthening institutions and processes of governance since the funds have to be handled by national authorities according to certain standards and procedures. The Bank as administrator of the MDTF has a credibility within the donor community that enables it to mobilize more funding at lower cost than probably any other actor, and the governance mechanisms for MDTFs include “good practice” transparency and reporting instruments. The counter-factual to an EITI MDTF is probably direct bilateral EITI funding, which would imply skewed funding profiles (“donor darlings” versus “aid orphans”); high administrative costs for both donors and recipient governments; lack of rational funding allocations and across-donor consistent performance criteria; and a probability of particularistic bilateral agendas being pursued¹⁰.

Allocating funds: who decides? A common criticism of MDTFs is that they mobilize resources *on behalf of* intended beneficiaries, but without giving them an own voice in final decisions. In the case of the EITI MDTF, the Management Committee consists mostly of donors, so funds allocations are not decided by the full stakeholder community. To what extent this reduces final effectiveness of funds use is not possible to say.

MDTF funds: clearly targeted but fuzzy results? The MDTF has a set of criteria for funds allocations that allow for prioritization among competing applications. To what extent it is possible to weight the different factors correctly across different project proposals is a different matter – there will always be subjective assessment involved. But it is clear that funding is always targeted at EITI implementation and in that sense is in line with intended objectives. The more particular targeting – what specifically are different activities to produce – is more problematic. While there has for a long time been a discussion on how to monitor MDTF performance, it is only over the last year or so that more rigorous results frameworks have become an integral part of the grants proposals (see footnote 2). This now provides a more factual basis for deciding the specific size and object for funding. Whether this in the end will in fact produce more and better Outputs and subsequent Outcomes remains to be seen, but should help push the MDTF towards greater effectiveness.

¹⁰ Scanteam 2007, “Review of Post-Crisis Multi-Donor Trust Funds” is the most comprehensive review of MDTFs, and which was used for reforms within both the Bank and UN system, as well as the final agreement between the two bodies on how to improve their collaboration regarding such complex funding mechanisms.

5.4.2 Efficiency of MDTF

Efficiency on the side of the Bank: a lot remains to be done. As was clear from the comments from the national EITI bodies, the transaction costs and uncertainties that surround accessing MDTF grants are seen as serious, something the Bank itself recognizes and is trying to address. Compared with most other funding sources – bilateral donors, international NGOs and foundations, even government budget funds – the EITI MDTF is thus seen as inefficient in terms of a quick-disbursing, small-grants channel.

National actors: also an important source of inefficiency. Particularly when it comes to Recipient-executed grants there are often major delays caused by national processes and lack of dynamic leadership. Many of the national actors that are to manage such grants have not handled Bank funds previously. While the country as such and in particular the ministry of finance may be familiar with Bank lending operations, procurement standards, etc., the particular agency handling the MDTF – such as a ministry of mines - may not. Checking the systems (see footnote 7) and building the national capacities required for recipient execution takes time and is costly, and it has happened that a local ministry has decided it is not worth the hassle because they do not expect to have further Bank programs: investing a lot of staff time to be able to administer a USD 300,000 EITI grant is not seen as worth it.

EITI countries with broader EI programs: lower transaction costs. In other cases MDTF funding can be quite cost efficient. This is particularly the case if the Bank has a related lending operation in place, for example a mining sector restructuring loan. Then the Bank not only has technical staff who know the country and industry well, but most of the costs of handling the MDTF fund is then normally borne by the sector operation. Furthermore, the support to EITI is then done in the frame of larger sector policies, which itself is a major value-adding dimension that the Bank can bring to the EITI that the EITI International Secretariat cannot. The intention in the new Standard of linking EITI with larger reforms is thus an area where the Bank is an important partner and where the direct transaction costs of MDTF funding need to be weighed against also potential policy reform gains.

5.4.3 Structure and Governance of MDTF

MDTF governance structure and process: standard and efficient. The MDTF Management Committee (MC) operates under standard guidelines for Bank trust fund operations, and thus presents no particular issues in this regard. The donor community is familiar with these since most of them contribute to a number of such funds within the Bank. The Bank's responsibilities are perceived to be clear, with no issues or complaints raised in this regard. The decision-making processes at the MC are seen as transparent, but turn-over of donor country representatives poses a problem for the Bank since new donor members are often not aware of earlier discussions and decisions. The one observation made was that documentation for MC meetings is often submitted too close to the meetings to allow for solid preparations. The MC meetings normally take place immediately after EITI Board meetings. This allows EITI staff to attend MC meetings as observers and to answer questions, and also ensures that the MC itself takes decisions based on the latest Board deliberations, so that funding choices can be based on the broader governance matters decided by the EITI Board.

5.4.4 Coordination of EITI Funding

Everybody wants coordination: nobody wants to be coordinated. The MDTF is the most coordinated EITI funding mechanism – and apart from that there seem to be very few if any other operational coordination experiences. Funding that comes in to a country for EI governance purposes usually has some specific objectives that make full coordination with the EITI difficult. This goes for larger programmes like *Mining for Development/Oil for Development* or more specific initiatives like FOSTER/Nigeria, or the efforts by the PWYP coalition and similar. Once money has been approved by a donor, the constraints are already in place: the objectives, intended beneficiaries, expected results, geographic coverage, etc. Trying to coordinate approved funding is therefore usually a lost game. The only body on the ground that would have legitimacy to mobilise fresh funding is the national EITI itself, but which would then need to have a credible vehicle for mobilizing, administering, reporting and auditing the funds – an administrative set-up that most EITI bodies so far do not have. This may, however, have to be the way forward for a number of countries, as discussed in the following chapter.

5.5 Findings and Conclusions

5.5.1 Funding Providers

The EITI MDTF: critical source for continued EITI funding. The World Bank has mobilised USD 72 million from 15 donors to support EITI implementation. So far, USD 19.2 million has gone to recipient-executed projects in 32 different countries, with a further USD 12.7 million committed to similar grants in the coming period. USD 12.2 million has gone to Bank-executed technical assistance, with USD 4.1 million for knowledge and learning activities and nearly USD 3.2 million for CSO activities. Over the coming period, the profile of expenditures will shift more towards recipient-executed and CSO activities, which also happen to be the activities that require the most management attention from the MDTF. The MDTF approval process is experienced as extremely slow. The Bank is currently undertaking reforms to ensure that small-scale grants like the EITI MDTF can be processed quicker. Despite the high costs of accessing MDTF funds, most actors see this as the most realistic fund-raising and disbursement mechanism, so the interest is to make it more efficient and effective, not to substitute or substantially alter it.

National Governments: increasing importance, need to address reliability. National governments are increasingly providing funds for EITI implementation, though with great variations across countries. The amount and availability of the funding is often uncertain, so government funding is often not realistic. On the other hand, when a national EITI body like Nigeria's NEITI is totally dependent on public funding, the independence of the secretariat may be questioned as it becomes seen as part of the state's control system rather than an independent tri-partite oversight mechanism.

Other Funding Sources: complementary but complicated. Bilaterally funded programmes, stand-alone EI governance initiatives often provide valuable complementary resources to EITI efforts, particularly in areas of capacity development and communication and dissemination. These resources tend to be managed directly by these other bodies, however, and are normally not available for free programming by the national EITI, nor can be counted on over time. In order for national EITI bodies to be able to mobilise and coordinate

external resources, more administrative and management capacities and systems would normally have to be in place in order to provide the fiduciary services and quality assurance such funding agencies require.

5.5.2 MDTF Assessment

MDTF is core funding partner: predictability must be improved. MDTF funds are clearly directed to EITI core tasks and as such the funds are used *effectively*. Results frameworks for further channelling funds to tasks that are expected to deliver the most important Outputs have only recently been put in place, providing the MDTF with further tools. The high transaction costs for approving and disbursing funds means the MDTF financing is seen as not very *efficient*, and the delays cause serious uncertainty costs – key issues all stakeholders agree must be addressed.

MDTF governance: in line with standard “good practice” procedures and structure. The EITI MDTF is set up as numerous other trust funds and thus raises no particular issues in terms of its organisation and functioning. The decision making body, the Management Committee, meets as a follow-on to EITI Board meetings, thus ensuring up-to-date policy guidance from the EITI for MDTF allocation decisions. As with most trust funds it is the donors who make decisions without the intended beneficiaries having any voice, an anomaly that should be addressed.

6 Looking Ahead

Looking ahead by looking back: strong guidance from lessons learned. This chapter discusses the ideas that have been presented regarding future technical and financial support before providing recommendations for the future.

6.1 Technical Support

Technical support demand will increase: resources must be shared more intelligently. The new EITI Standard will require a lot more technical support and advice, in more countries, in more depth on a wider range of issues (see Box 6.1). But the EITI Standard is first and foremost a more open set of concerns, where learning from own and close-to-home experiences may be as important as knowledge transfer of “international good practices”.

The EITI Standard: from compliance to impact. While the EITI process has been driven by the desire to achieve and maintain compliance, the new EITI Standard poses the more dynamic question, “How can this become better”? While validation will remain an important benchmarking exercise, the larger objective may now move towards continuous capacity development for achieving better results, more accountability, more solid reforms. So at the heart of the new EITI may therefore be longer-term capacity development that has societal impact as the verifiable objective.

Using scarce resource well: shifting EITI IS towards strategic tasks. The Secretariat is under a lot of time pressure due to the demands for capacity building, which most likely will continue to grow. One solution is obviously to increase the size and skills composition of the Secretariat, but this may not be a good option. One thing is cost and realism: hiring highly-qualified staff to reside in Oslo is both expensive and for many international experts not the preferred choice. The EITI Board might instead focus the Secretariat’s existing capacities on those tasks that are of greatest strategic value to the organisation, structure these tasks in a systematic pre-planned way to enable the IS to work more efficiently, and let other actors assume some of the capacity building responsibilities.

Capacity development: producing a strategy. EITI as an organisation needs a capacity development strategy that clarifies which tasks are to be handled at international level, which are to be handled at national/regional levels, and how the IS is to support and supervise capacity building responsibilities that are devolved to the national/regional levels. At least two kinds of capacity building can obviously be devolved: first-line training (basic knowledge about the sector, about EITI, managing national processes, etc.), and national/regional peer learning and exchange of own lessons learned. An important dimension of the overall strategy should be a requirement for national EITI bodies to develop a national strategy, for example in connection with moving from Candidate to Compliant country status.

Building capacity: clarifying needs and comparative advantages. A number of points were raised during the consultations regarding both what actors on the ground see as their needs but also what can be done to address them:

Box 6.1: How the EITI System may be Evolving

With the more open EITI Standard, national EITI bodies are free to expand the scope and depth of their concerns. A number of developments were pointed out to the team:

- **Extending along the value chain:** The most common consideration is to move out along the value chain, from “collection of taxes and royalties” as the core of EITI reconciliation reports. One move is down-stream, towards public finance management (PFM) issues of revenue management and to allocation and distributional consequences of revenue use. Another move is upstream, looking at contracting and regulatory issues. The first step requires more PFM knowledge and alliances, the second demands much more sector-technical and legal knowledge.



Modified World Bank (2012): “Implementing EITI for impact. A handbook for policy makers and stakeholders”.

- **Following the delivery chain:** Another option is follow the delivery chain from production of key EITI Outputs (the reconciliation reports) towards the accountability and societal impact that actors ultimately want. This normally requires that the EITI body develops a Theory of Change that would help develop strategic choices and alliances necessary to achieve such results.



Source: Various project planning handbooks

- **Expanding the number of sectors:** A number of countries are considering or have already included renewable resources such as fisheries and forests. While the recording of revenues from renewables may be similar to extractives, the sector rationale is different and requires further skills.
- **Covering additional administrative levels:** Several countries already include regional and local administrative levels in their studies, where the differing forms of PFM decentralisation/devolution may require considerable knowledge and work to correctly identify and capture local revenue flows.
- **Non-financial benefits:** Some countries wish to capture non-revenue benefits from companies such as infrastructure services, barter arrangements, local CSR projects. This again poses challenges for how to identify and price such non-revenue benefits streams appropriately.
- **Capturing externalities:** In cases where environmental consequences of extractives are considered serious, there are suggestions for carrying out full social cost-benefit studies to identify “polluter pays” fines or reward those who take effective remediation steps, to ensure that society provides the right incentives and burden-sharing mechanisms for maximum benefits to society. Such studies are of a very different magnitude of complexity compared with the basic revenue-recording reconciliations.

EITI countries will presumably only add new dimensions once they can successfully manage this. But there is a felt need to move out along both the value and delivery chains. The *contents* of these will be largely country-specific, and which *parts* of the chains to focus on is for each country to decide.

At the same time the *number* of countries is growing and the *diversity* of country situations is presumably increasing: the importance of extractives varies; the scale and intricacy of administrative systems vary; the political will and implementation capacity is diverse.

The EITI IS is thus likely to face a growing number of requests on increasingly diverse and complex issues from national EITI bodies attempting to address more ambitious EITI agendas.

- There is broad agreement regarding the need to intensify training on the ground. This should rely a lot more on local capacities, for cost reasons, contextual understanding, ability to adapt to local situations, continuity/institutional memory of training progression etc. Local capacities can be found in regional or national knowledge institutions that have an established record in these fields – local think tanks, university institutes, training colleges – that have institutional solidity and administrative capacity. The exact arrangements for contracting capacity development activities need to be discussed, but a key issue will be building these institutions’ own knowledge and capacities regarding EITI. Medium-term contracts with the EITI of at least two-three years with options for renewal should include resources for upgrading their staff and development of locally adapted materials regarding EITI.
- Additional standardised material on key issues should be developed by the EITI IS under the supervision of the EITI Board. These could be made available as self-teaching modules accompanied by explanatory training guides (WBI, UNDP, NREGI and others have good examples of this). Attention should be paid to creating dynamic and diverse learning situations where the objective is being able to apply the material to own situations with group exercises, quick two-on-two discussions, case presentations, discussions of local examples to ensure relevance of the more generic materials.
- *Gender* needs to come much higher on the local EITI agendas. There are an increasing number of empirical studies that show the adverse effects on women from expansion of extractive industries. It is imperative that this becomes a pronounced priority in EITI capacity development programmes and work plans.
- Training modules for the different functions in a national EITI set-up (coordinator, secretariat staff, MSG, government, affected communities) is needed because of rotation of staff and thus a constant need for providing basic information and reducing the learning costs for new entrants.
- Regional learning events are given high priority by all: presentation of international cases for discussion; sharing of local experiences where all countries provide examples; identification of common concerns and solutions. In general all stakeholders asked for more peer learning based on regional and thematic topics.
- Regional and national learning events need to be planned as part of multi-year capacity development programmes. There should be progression in skill levels over time in core fields. EITI countries in a region should take turns hosting such events to promote sharing of experiences and discussion of common challenges to a greater extent than is being done today.
- Longer planning horizons allow participants to prepare the cases better, build ownership to the event and the contents of the training, and also to invite in a broader group of participants where this is desirable.
- While one should not overload capacity building events with too wide an agenda, using them also as platforms for strengthening the tri-partite nature of EITI, identifying successful trust- and solution-building experiences, identifying topics and concerns of the different constituencies, is important. Using such learning events to present issues from constituents’ perspective is often a productive way to forge stronger collaboration.

- The wider training agenda can cover a lot more than the EITI Standard, such as how to strengthen accountability; how to build alliances for reform; how to enrich communication and dissemination strategies through utilising social media; how to support more knowledge production and critical/investigative journalism – the list of relevant topics under the new Standard is virtually limitless.
- The key is identifying partners for such training/learning roles. In parts of Asia and Latin America, this should not be difficult, and Africa is also seeing a growing number of skills centres that focus on governance issues. The experience is that this is a medium-term proposition: it takes time to build the understanding and commitment to EITI that is necessary for the training to be appropriate. As part of an increasing global commitment to improved natural resources management, however, EITI, the World Bank and other actors need to make the investments necessary to shift these responsibilities closer to the actual beneficiary groups and in general strengthen the role and voice of actors in the South.

EITI International Secretariat: policy and quality assurance responsibilities. The IS should be able to free up time to focus on supporting such learning/training centres in the various regions, monitor their performance, serve as resource persons at major training events (as they do today), while addressing policy and strategy issues facing EITI, and then focus in-country visits for tackling and unblocking issues and political challenges. One proposal noted in this regard was whether the EITI IS should establish regional offices. Given its current size, this is probably not a good solution since the number of staff is so small that each office will not have the necessary “critical mass” of knowledge and experience required for sustained quality of work.

EITI web-site: a “one-stop-shop” for information, examples and discussion. The EITI web-site is becoming a more important arena for exchanging information and ideas, but EITI might increase its investments in this considerably since it can provide low-cost access to a much wider range of informational and experiential material that can be of great use to a wide range of stakeholders:

- The document collection could be made more transparent and searchable by key dimensions such as topic, language, region, sector, authoring institution, and provide quick links to other key sites: World Bank collections, NRGI, PWYP, others.
- The site could assist local EITI bodies by collecting “must read” lists of key documents and make them directly available on the EITI site, so that national EITI offices do not themselves have to carry out complicated searches (the IS could have users rank or identify documents they themselves have found particularly good).
- When a new or particularly useful document is added to the collection, a quick mail to the EITI community should go out – a number of national EITI members complain that they never know when a new and useful document has become available.
- The site should have a collection of searchable “good practice” documents: templates for collecting sub-national data; examples of rules, guidelines, internal management codes for MSGs, secretariats; how the contextual analysis was used for capacity development purposes; how to screen local candidates to compile a quality-assured short-list of reconcilers; “lessons learned” from various kinds of training events; and so on.

- The web-portal function should be strengthened for on-line discussions, posting FAQs on different topics, publicise regional events, encourage mini-competitions (“best example of successful dissemination”, “best example of investigative journalism in the mining sector”, “best example of a local study in the field of extractives”, ...).
- The work that the Communications unit in the EITI IS has begun on providing more real-time learning and debates should be developed further. This can include facilitated discussions – either over a limited period such as a couple of weeks based on written exchanges, tweets etc., or live discussions with programmed on-line debates on various topics. This can bring in expertise from the World Bank or from outside the system in a cost-effective way, expanding the knowledge community that EITI can draw upon.

From reconciliation to responsiveness: shifting the focus towards context and reforms. Much of current capacity development addresses the ability to understand the annual reconciliation reports and manage and contract the reconciler. The new Standard is more demanding. Producing a good contextual understanding can be structured as a worthwhile learning exercise which may help the MSG and its constituencies to identify the key challenges they might wish to include in their coming work plans. Inviting in other actors, such as Bank EI staff working on sector reforms, may enrich the exercise, providing ideas about links to reform processes that the MSG may decide to include in its own work plan.

Box 6.2: EITI in Peru: Decentralised fiscal transparency

Peru has a favourable normative framework for public finance transparency and accountability. The challenge is the use of extractive-based funds transferred to decentralized levels of government. Three regional governors are presently in jail, a fourth has escaped to avoid prosecution, and several others are questioned for corruption. In order to make EITI a relevant transparency instrument, Peru is trying to carry the EITI process to decentralized governance levels: departments and municipalities. Three departments have been selected for pilot implementation, where regional EITI commissions have been formed in two departments and is being established in a third. Capable NGOs are present in the three departments, and leading companies have positive attitudes towards the process.

The major source of corruption appears to be in the execution of the provincial and municipal budgets. Some of the CSO stakeholders are making active use of the vigilance committees that formally are supposed to exist in every municipality, as a follow-up to another legally institutionalized phenomenon in Peru: participatory budgeting. The purpose is to hold local politicians and officials accountable for works and projects that are included in the budget. There is a relevant experience to build on as EITI moves in this direction: the IFC-sponsored *Mejorando la Inversión Municipal* - Improving Municipal Investment, MIM. This program has covered 30 municipalities in 8 departments during eight years, promoting transparency in resource allocation, accountability of expenditures and good overall financial governance at local level. The project has taken place within the spirit of EITI, though the collaboration is between local chambers of commerce, professional associations, NGOs and universities but without a formal principles agreed to beforehand, such as those that EITI builds on.

MIM goes one step further than EITI by asking local governments about the *quality* of their resource use. It has thus become a powerful tool for local communities to hold mayors and local assemblies accountable. It has established a team of local extension personnel – 2-3 in each region, recruited through a national think-tank, *Instituto de Estudios Peruanos* that trains local leaders such as the *vigilance* committees, journalists and local government officials. A compilation of 12-14,000 press clippings show how local media use the information provided through MIM to question local authorities. The local population, also sensitized through cartoon-like pamphlets and other popularized information, has become increasingly active requesting information about budgets and resource use from their local authorities, where mayors have lost office when not being able to answer such queries. MIM has also developed an index of good governance, ranking the 30 municipalities according to key indicators, and updating the ranking every 3 months. This has become a standard reference for the quality of the local government. It is recommended that Peru EITI should look to MIM when rolling out its own decentralization plans, creating links to the local apparatus built by MIM.

The EITI Standard: the need for local knowledge production. With the more open EITI Standard and the importance of local context and adaptation, there is a need to build a more locally-grounded knowledge base. This can be done through a number of steps, such as linking up with universities, encouraging graduate students to use EITI data, hold national competitions for best MSc thesis on EI, building a more solid research base at universities by encouraging scholarships from government and industry in the EI governance field. The regional dimension of learning and exchanging should be strongly encouraged – the existence of “national research silos” that do not look at the neighbours for results and sharing reflects a wastage of opportunities and costs. International and regional bodies like development banks and foundations should be encouraged to promote and fund such cross-border knowledge production.

Key knowledge: who benefits? A key concern that has been raised in a number of countries is the need for EITI – as a body and in each country specifically – to document the results of EITI implementation. In particular it is important to show what kinds of benefits can be identified for different stakeholder groups. The commitment to EITI remains weak in some places because it is not obvious who the major beneficiary is. This issue has an important political dimension, since in several countries civil society actors worry that regimes that are not fully transparent regarding the distribution of gains from extractives activities may be using the EITI process and validation as a justification for not taking further steps down the path of sector reforms and accountability. Independent analyses and debate on these issues are thus seen as important tasks for future knowledge production.

Box 6.3: Securing Community Commitment: What information is of interest?

The success of EITI relies to a large extent on the active interest by civil society in the information disclosed in the EITI Reports, since this is expected to create *public awareness that foments debate* about how to manage the documenter resources better (EITI Standard 2013). But not all information is equally interesting. What is important is to understand what motivates commitment to improved governance of non-renewable extractive resources.

Ghana provides an interesting example. When GHEITI started up in 2003, the starting point was years of tensions caused by displaced livelihoods and pollution from mining. The problems and needs were well known, while government action to address them was absent. Local communities wanted to know *how* funds were used to address their immediate concerns. This meant that reconciliation alone did not attract much interest. Instead, an additional goal for GHEITI was to improve development outcomes from revenues paid to governments by the extractive industries. The GHEITI audits now disclose how mining revenues are used in the local mining communities. And 10 years of GHEITI implementation provides a clear conclusion: it is the *use* of the revenues from the mining industry that engages.

In the **Philippines**, the MSG decided that the EITI Report would concentrate on reconciling industry payments with reported state revenues from the industry. However, civil society decided to undertake a separate, parallel reporting process that looked at the revenue distribution from the national to the local level, including *how those funds are used*. The report tracked the extent to which government adhered to the mining law’s requirement that 1.5 % of the local mining taxes are transferred to the social development fund. Although not part of the EITI Report scope of transparency, the conclusion was the same as in Ghana: it is the *use* of the revenues from the extractive industries that is of interest to local communities and civil society, and this information is directly relevant for strengthening local accountability.

Technical support: strengthening joint action on the ground. As EITI member states develop their own action plans based on the more open EITI standard, the need but also possibilities for more and better collaboration with the EITI IS and the World Bank increases.

By being invited into national EITI planning processes early on, the IS and the Bank can program their inputs better for supporting the strategic planning of national EITI plans that have focus on policy changes, sector reforms, society-wide impacts, and help get longer-term funded programmes in place so that more ambitious objectives become realistic. This requires that strategic instruments at country level – EITI annual (or multi-annual) work plans and Bank country or sector strategies – be developed with involvement of the other, so that linkages can be identified as activities are planned.

6.2 Financial Support

The new trust fund: placing EITI in a broader context but with weaker guarantees. The EITI MDTF is to expire on 31 December 2015. In its place the Bank is setting up an MDTF for Extractives Global Practice Support (EGPS) whose *development objective* is “to finance technical assistance and analytical work to support current and emerging resource-rich developing nations in using their oil, gas and mining resources sustainably and transparently for poverty alleviation and sustainable economic growth”. The EGPS will fund five areas of activities termed components, where component 1 is “Supporting revenue transparency and implementation of the Extractive Industries Transparency Initiative (EITI) under the new EITI Standard”. This more encompassing MDTF is in line with the restructuring process the Bank is carrying out to reduce the number of TFs and provide for broader, more strategic thematic funds. The EGPS is to become operational 1 January 2015. Donors to the trust fund will be allowed to preference their financing, so that funds can in principle be directed towards for example EITI implementation. But at the end of the day, it is the MC of the EGPS MDTF that will decide resource allocations, as in the current EITI MDTF. The ability to have beneficiary voice heard on the new EGPS is clearly slimmer than on the single-purpose EITI MDTF, so this is an issue EITI should review. Another challenge is how to ensure at least minimum funding for EITI implementation since the Bank’s general policy does not allow direct earmarking of funds, only donor preferencing, and this is in principle only advisory.

Addressing transaction costs: operational alternatives. There is agreement regarding the continued role of the Bank as the overall administrator of trust funds for EITI implementation. However, the Bank needs to address the problem of making the small-scale funds more easily accessible to users on the ground. With the new EGPS, some components will be funding quite large-scale projects, thus further exacerbating the differences in average transaction costs per dollar disbursed that *one* management must cope with. The Bank is thus looking at various alternatives to having to manage all disbursement streams itself. One way of addressing this is considering the four disbursement streams under the current EITI MDTF that in principle will continue under the EGPS (see footnote 9): (i) Bank-executed technical assistance, (ii) knowledge and learning activities, (iii) recipient executed grants, and (iv) CSO grants. As noted earlier, it is the two latter categories that are problematic for the Bank and which therefore may be outsourced to other actors. One option is to contract a private sector company that has strong administrative and financial capacities, where a number of such firms have contracts with the World Bank for providing such services. Another is to apply the Fiduciary Principles Accord (FPA) between the World Bank and the UN system (see box 6.3). The World Bank can then hand over the funding for these two sets of activities to the Multi-Partner Trust Fund Office (TFO) of the UNDP. The TFO is set up to establish and administer MDTFs, and has established a solid reputation as a

good and transparent manager of a range of MDTFs (see <http://mptf.undp.org/>). The major advantage of the TFO option is that it does not go through a competitive process. The FPA means that the two parties sign an MOU whereby the Bank hands over full fiduciary and administrative responsibilities to the TFO in certain fields, based on agreed-upon criteria and principles, so that the entire issue of for example local CSO grants would be hived off, not just some of the administrative and procurement tasks. The FPA is formally addressing MDTFs and inter-operability of fragile and post-crisis trust funds, but the same agreement can presumably be used for any TF as long as the parties agree - the fundamental principles of mutual acceptability of procedures are generic.

Box 6.4: Fiduciary Principles Accord

A review of the performance of MDTFs for post-crisis situations included a fairly strong criticism of the World Bank and UN for not collaborating better on MDTFs set up for similar purposes (see Scanteam 2007). At a conference in The Hague in December 2006, the organisations agreed to find a solution to this problem, which ended with the Fiduciary Principles Accord signed in December 2008.

The UN Development Group (UNDG) notes that: “as part of the efforts to strengthen the collaboration between the WB and the UN in crisis and post crisis situations, a number of UN agencies, funds and programmes - WHO, ILO, UNESCO, FAO, WFP, UNDP, UNICEF, UNFPA, UNHCR, UN-Habitat and UNOPS - and the World Bank have developed an instrument designed to facilitate the transfer of funds from a World Bank-administered trust fund for crisis and post-crisis situations to a UN organization, or from a UNDG trust fund for crisis and post-crisis situations to the World Bank.

This instrument, which allows the recipient of the money to apply all its own regulations, rules and procedures -- including those relating to procurement, audit, programme support cost, and the like -- when using these funds, includes: the Fiduciary Principles Accord (FPA); the Disbursement Agreement (DA), which is be used to transfer resources from a WB Trust Fund to UN agencies, funds and programmes; and the MOU that will be used to transfer resources from a UNDG Trust Fund to the World Bank. In accordance with the provisions of the FPA, the instrument became effective on 04 December 2008” http://www.undg.org/content/post-crisis_transition/financing_for_transition/fiduciary_principles_accord .

Addressing needs on the ground: two models of outsourcing. One scenario is therefore that the Bank will outsource the management of the two on-the-ground disbursement streams. With the TFO option, the Bank can off-load the entire task due to the principles of inter-operability: the TFO can be considered to perform to the same accepted standard as the Bank. When it comes to private sector actors, there may be certain responsibilities as funds administrator that the Bank cannot hand over and thus will still have to handle internally. But all the time-intensive logistics of preparing, monitoring, procuring etc. can be handled by a private actor under supervision of Bank staff. When comparing the two options with the current set-up, some of the elements that should be considered are listed in the table below. The simplest option is undoubtedly to go with the TFO model, though recognising that TFO itself is not operational on the ground. The TFO would in turn have to sub-contract an agency like the UNOPS. For the Bank this would not matter since it is still the TFO that assumes all fiduciary and management responsibilities. But it might affect the overhead rates. On the other hand, having the UN system handle funds to CSOs will undoubtedly be seen in a positive light by most CSOs, so there is an additional gain to be had in this respect.

Table 6.1: Three models for organising MDTF functions.

	Current MDTF model	Market-based MDTF	TFO Collaboration
Solidity of fiduciary obligations (procurement and financial management)	Bank assumes full fiduciary responsibility - complete solidity	Not possible to outsource fiduciary obligations. Need for specific procedures as part of service agreement. Monitoring mechanisms and audits need to be put in place	In principle TFO fiduciary standards interchangeable with Bank's, TFO assumes full fiduciary responsibility for funds under their management
Administrative costs – overhead	Same as current or may increase if the admin intensive disbursement streams become a larger share of the total, as now seems likely.	Higher than current.	Higher than current – TFO will add overhead. However, actual costs of administering each dollar of the CSO and recipient executed streams will most likely be lower under TFO
Speed of decision-making	Will be reduced with the reforms currently under way.	Potentially faster than current.	Faster than current as can provide faster on-the-ground decision making.
Synergies with the broader EI support of the World Bank	Might increase as the new EITI Standard provides stronger links to other Bank and EGPS components.	Will probably not be able to build positive synergies with broader EI and EGPS interventions...	Will probably not be able to build positive synergies with broader EI and EGPS interventions.
Ease of coordination	Same as current. Coordination in-country in place when TTL is conscious about importance. Could be strengthened.	MDTF maintains liaison with donors. Coordination in-country weaker since will not have the strong links to Bank's EI work	MDTF maintains liaison with donors. Coordination in-country weaker since will not have the strong links to Bank's EI work
Workload of Task Team Leader	Might increase some but due to more synergies being developed through the broader scope of the EGPS and the new EITI Standard.	Reduced.	Significantly reduced since TFO will handle the complex in-country operations.
Overall managerial risk assessment	Remains the same.	Increased, depending on quality of monitoring mechanism.	Reduced for the Bank since this is now transferred to TFO

The MDTF exit strategy: national financing. At the same time, it is clear that the international community cannot continue funding EITI implementation as it is doing now. There needs to be a clear exit strategy, with alternative funding streams being phased in that can take over and assure the continuation of EITI activities till the time comes when the EITI itself may no longer be needed in that country. Three funding streams can be envisaged:

- **National Basket Funding:** Donor and other external funding is entered into a common fund (a “basket”) that is managed by one of the donors under their procurement, disbursement and financial reporting standards, but in close collaboration with the national EITI. This approach can be used when national systems remain weak or if the national EITI body does not have a legal status that allows it to manage funds directly itself. This mechanism allows for transparent relations and reporting between donors

and EITI nationally, supports multi-year commitments, and a supportive relationship between donors and EITI nationally. The weakness is the lack of sustainability and the vulnerability to sudden shifts in donor support. As a bridging mechanism between when MDTF funding ceases and national funding is not yet fully in place, this may be a very useful mechanism.

- **National Budget Support.** An agreed share of the revenues from the extractive industries can be channelled into an annual “*control and oversight fund*” that in principle should be overseen/allocated by Parliament. Certain rules-based allocations can then be made to key actors/activities: (i) national EITI body/activities – secretariat, reconciliation, communications and dissemination, (ii) a general capacity building fund to a civil-society managed umbrella fund for onward funding of capacity building activities, perhaps based on project proposals, or based on the EITI multi-annual work plans. By having the fundamental decisions taken by Parliament there will be more transparency in the decision making process hopefully based on a political debate, and the accountability will be to Parliament and not to the government, thus ensuring more independence for the EITI. This will also strengthen the statutory oversight and control function of Parliament, which is itself usually a positive step¹¹.
- **National MDTF.** Another option is to establish a national MDTF managed by an independent local MDTF Board separate from the EITI secretariat. National and international companies, donors, foundations could contribute, and where membership on the Board would have to be based on clear rules on independence/ transparency of the Board, and where a balanced mix of the funding constituencies would be important. The Board would be responsible for fund-raising and allocation decisions, the administration could be handled by an independent body under a management contract. The key is that the MSG remains the decision making body for the EITI, and thus is the actor that will decide which activities should go to the MDTF for possible funding. The MDTF Board therefore looks at the particular activities to see if they are well designed, look at the financial management and reporting arrangements put in place for tracking funds use and results, but should not question the actual prioritisation established by the MSG. There should therefore be full transparency on funding sources and allocations/ uses, and arms-length relations between the funding partners, and the decisions on funds allocations. The specific rules on how such an MDTF Board is put together, the relations between such a Board and the MSG etc. should be subject to debate and testing, to be sure that conflict of interest and possible undue influencing are clearly addressed. In countries where a Basket Fund has been set up, the transition to a national MDTF may be fairly simple.

¹¹ The problem with this proposal is that it assumes that Parliament plays its constitutional role as watch-dog properly. Many studies note that Parliaments in a number of countries are an integral part of the rent-seeking political elite that exactly is not interested in stronger oversight and control. The proposal still makes sense, however, because the decisions and the consequences will be more transparent and in the public domain, and thus subject to possible political processes.

6.3 Summing Up and Recommendations

EITI Financing: EGPS addresses the chains. The World Bank-administered EGPS can fund activities along the value chain and delivery chain. While other funding sources exist, the EGPS is likely to remain the key EITI funding vehicle as it has the best developed donor support, widest geographic coverage and good fiduciary management. Since the Bank has a world-wide system of country offices and a strong head office capacity, it can manage the EGPS as a unified and fairly centralised system.

EITI technical support: facing increasing complexity. The increasingly diverse and country-defined national programs mean the need for capacity development along a growing number of dimensions will require a broader skills-base that is at the same time locally relevant. This points to a three-level technical support/capacity development system:

- **National EITI Bodies:** The core of the EITI system remains the national EITI bodies: Secretariats, the MSG, and linked-in stakeholders. As the EITI agenda expands, the governance *structure* remains appropriate, but *capacities* may be inadequate as compared with ambitions. The EITI Standard requires broader vision and understanding and invites broader alliances since the aspiration is governance reforms. While country-defined, this more demanding agenda should be monitored based on a clear results framework and a monitoring and evaluation system. All of this will require systematic technical support and capacity development that at the same will increasingly need to be based on locally generated knowledge and experiences.
- **National/Regional Knowledge/Training/Facilitation Centres:** EITI bodies may need to contract an increasing number of information collection exercises and analyses. But they also need to improve own knowledge and insights on the increasing range of issues. This should be provided by regional/national knowledge centres because no *international* hub can address the range of technical expertise while also adapting answers to local context. Contracting such knowledge centres to service several national EITI programs will allow for peer learning and experience sharing, which is an effective learning approach.
- **International Secretariat:** The increasing diversity across the EITI system may lead to fragmentation of efforts and focus. But the EITI is based on a set of fundamental principles – the core of the system. The EITI Board and International Secretariat remain the central bodies of knowledge, quality assurance and “defender of the brand”. The IS will therefore also require capacity development over time, though in which direction will depend on how the larger EITI system grows and transforms, and how partnerships and divisions of labour with bodies like national/regional knowledge centres and the World Bank develop.

6.3.1 Recommendations

The EITI International Secretariat should:

- Building on EITI’s recent strategy review, develop a rolling three-year capacity development strategy for consideration and approval by the EITI Board that should include putting in place at least one contract with a reputable regional knowledge centre/training facility, piloting its capability of handling first-level capacity development and technical support needs in the region and develop the contract for this service that details the support, oversight and control functions that will remain with the

IS. The contract itself should be used as a pilot and submitted to the EITI Board for comment and approval since it will entail an important both financial and technical commitment by the EITI International Secretariat;

- Develop a funding strategy with the donors and in agreement with the World Bank/EGPS whereby funding for external services contracted directly by the EITI IS – validation, regional/national capacity building centres – will be provided directly to the EITI and not channelled through the MDTF;
- Strengthen its web-site to become the “go to” site on EI information for all stakeholders engaged in EI governance matters, and in particular make it a site for well-organised live discussions on topical matters in collaboration with other knowledge centres (World Bank, NRGi etc.);
- Develop a strategy for supporting local knowledge production and assisting in sharing the new insights generated.
- Two years from now, when all the Validations foreseen for 2015 and 2016 are available and first experiences with the capacity development strategy can be assessed, the EITI Board should carry out an organisational review of the IS in light of the increasing demands for support, to assess needs in terms of size, skills, structure, procedures, formal roles and links to other actors and national EITI bodies.

The World Bank as MDTF administrator should:

- Ensure that within the new EGPS MDTF, there are mechanisms that can allow strong preferencing for EITI support, and a strong commitment by the Bank to ensure that a minimum predictable funding for EITI implementation is in place;
- There should be particular attention to ensuring that recipient-executed and small-scale CSO grants are channelled through mechanisms that are flexible, responsive and predictable so that MDTF funding will be available at the times foreseen;
- The Bank should, in dialogue with the EGPS donors and the EITI Board, develop a general funding strategy for EITI support that will assist new EITI members during a first 3-5 year period with more predictable funding, structured in phases against performance criteria but under one integrated project document, and an exit strategy that includes support to national EITI bodies to develop new funding streams.

National EITI MSGs/Secretariats should:

- Develop a national capacity development strategy that (i) addresses the training needs and contributions of all constituencies, (ii) is sensitive to the labour market realities CSOs face in training and retaining staff, (iii) has a medium-term outlook building the skills and collaboration required to achieve policy changes and societal impact, (iv) contains an approach to more local knowledge generation and dissemination.
- Move to three-year rolling work plans as a means to (i) focus on EITI’s strategic objectives, (ii) include wider groups of stakeholders and build linkages to and alliances with relevant reform processes, (iii) invite in key external partners such as the EITI IS and World Bank in the planning process so as to generate maximum benefits from available resources, (iv) contains a monitoring and evaluation framework that will allow for performance tracking.

- As part of work plan development, prepare a medium-term financing strategy that (i) provides a three-year financial frame for core activities, (ii) reviews means for more efficient and effective delivery of EITI activities, (iii) considers new financing mechanisms – basket fund, ring-fenced budget support, national MDTF – and the management and control mechanisms required to manage these.

The EITI International Secretariat and World Bank as knowledge centres should:

- Develop a common programme of support for EITI implementation at country level. Attention should be on how to address strategic and sector reform issues, develop the value chain focus, and identify other areas of common interest.
- The two actors should in particular see how they can jointly support any regional/national knowledge centres that are contracted to take on capacity building roles for national EITI implementation.

Annex A: Terms of Reference

1 Background

The EITI is a coalition of governments, companies and civil society working to promote transparency and improved governance in the gas, oil and mining industry. Initially a pilot with a handful of countries, the EITI has grown rapidly, and continues to grow. There is a need therefore to review existing arrangements for the provision of technical assistance and to review their adequacy given the increased number of member countries and the increased demands of the new standard.

A number of different institutions are involved in supporting EITI implementation. At the core is the EITI International Secretariat, providing support, guidance and coordination. Of the 41 implementing countries, some 35 have grant agreements with the World Bank, funded mainly through the World Bank EITI Multi-Donor Trust Fund (EITI MDTF). Australia, Germany's BMZ/GIZ, Norway, the United Kingdom Department for International Development (DFID) and the United States are amongst the many bilateral development agencies that also provide direct support in a number of countries.

2 Objectives

The objective of the review is to assess if support to EITI implementing countries is appropriately organised and resourced. It should address the extent of capability in technical assistance partners operating in support of these activities.

The review should therefore assess and make recommendations on the following elements:

- How well has the support to implementing countries worked? What has worked well and what has worked less well? Strengths and weaknesses of the existing support structures provided through the International Secretariat, the MDTF and other development partners?
- Are adequate resources provided to ensure appropriate support for effective implementation of the EITI? Are the current arrangements with a relatively small international secretariat providing guidance to implementing countries, and grant-making provided primarily by the World Bank appropriate and sufficient to meet the technical assistance needs associated with the new EITI Standard? Are there any additional types of support required? Should the International Secretariat or any other structure channel any funding to implementing countries? Is there a potential of perceived conflict of interest between the role of the International Secretariat as the provider of technical assistance and representing the international management overseeing the following of the Standard?
- Are available resources provided in the best possible way? Could more be done to minimise delays in the delivery of technical assistance? Are the best administrative procedures used, ensuring expedience while minimising risks for mismanagement?
- Is the support for civil society participation in implementation adequate and coordinated?

- Is there adequate coordination between the various organisations supporting implementation? Is there a role for non-traditional supporters such as industry or foundations?
- Is it desirable to significantly increase peer learning across implementing countries?

Specifically in the case of the MDTF, the review should address the following topics:

- Effectiveness: How well is the MDTF performing in terms of its overall objective of supporting EITI goals and its implementation? Should its role be enhanced or alternatively should some of its current functions be outsourced? This assessment should take into consideration aspects like:
 - Clarity of the World Bank role and ability to leverage its comparative advantage on the delivery of technical assistance; global advocacy; knowledge and mobilization of resources;
 - Degree to which developing country voice is effectively reflected in partnership strategy and work program priorities and work program delivery; and
 - Strength of engagement and depth of partnership: the growth in the initiative resulting from the Bank's and Donor coalition's ability to engage new partners and maintain or strengthen the engagement of established ones.
- Efficiency: The degree to which the MDTF has achieved its specific quantifiable objectives (via indicators or metrics), through well-designed work programs and results at country and global levels taking into account:
 - Linkages to country-level activities: demonstrated linkages with country programs at the activity-level, with country ownership for sustainability.
 - Scale-up potential: creation of platform for follow-on work by the country or other partners, which scales-up or deepens the initial activity or generates other linkages.
 - Quality assurance: processes for activity design, funding, execution and completion.
 - Awareness-raising: increased visibility of the relevant issues the EITI is trying to address.
- Based on the previous points, the review should assess the advantages and disadvantages of keeping the current MDTF functions against alternative scenarios where, for example, the MDTF would limit its core mandate to global functions like policy dialogue, knowledge management and donor coordination, and outsource the administration of financial support to MSGs and grants to CSOs?
- The review should also evaluate what alternatives would be advisable for the potential outsourcing of the World Bank's fiduciary obligations (procurement and financial management) in the implementation of MDTF Recipient Executed grants?
- Program Management and Governance: the review should evaluate the degree to which the MDTF has well-functioning governance mechanisms and management functions internally in the World Bank, taking into account:
 - Clarity of roles and responsibilities of the World Bank, with transparency of decision making and reporting processes.

- Engagement by and with donors, and accountability to stakeholders and countries.
- Information flows: processes for progress and financial reports to donors and partners and other exchanges of information, ensuring good quality and timely information flows enabling two-way dialogue.
- Fiduciary and operating oversight by the World Bank management of program operations, resource allocation, management and compliance; quality assurance; knowledge dissemination and; M&E and results measurement processes.
- What could be done to facilitate decision making processes, including types of representation of donor members in the Management Committee?
- The review should also take stock of the most important efforts conducted by the key development partners and recommend ways to enhance partnerships with relevant stakeholders to leverage any of the suggested alternatives.
- Exit strategy for the MDTF and increased ownership and funding by implementing countries.

3 Scope of Activities

The Consultant will be required to conduct interviews with key stakeholders including Board members, World Bank staff, members of the World Bank EITI MDTF Management Committee, national coordinators, representatives of the various stakeholders and the International Secretariat. The Consultant will also review EITI national work plans, the EITI International Secretariat’s work plans, World Bank EITI grant agreements and World Bank reporting to the EITI MDTF Management Committee.

Visits to the International Secretariat, World Bank in Washington and at least to two implementing countries are foreseen. The consultant should observe an EITI Board meeting, EITI MDTF Management Committee meeting, and ideally a meeting of EITI national coordinators and/or training for national stakeholders. The consultant should interview relevant CSOs, development partners, industry representatives and independent Administrators in select countries.

4 Delivery Schedule and Reporting

The tentative timetable is as follows:

Timeline	Deliverable
4 weeks from the effectiveness	Submission of the draft report for MDTF
6 weeks from the effectiveness	Submission of the draft report for including Outlines in Annex 1
8 weeks from the effectiveness	Submission of Final evaluation report for MDTF
10 weeks from effectiveness	Submission of Final evaluation report for EITI including Outlines in Annex 1 and Annex 2
12 weeks from effectiveness	Consultant presents findings to EITI Board and MDTF Management Committee

The Implementation will be effective upon the signing of the contracts. The estimated level of efforts are 20 weeks over a time span of 3 months (12 weeks). The consultant’s payment

would be dependent on the achievements of the milestones and submission and acceptance of relevant reports per each contract.

The Consultant will sign two separate contracts—one with the World Bank for producing MDTF report and another with the EITI Secretariat for producing EITI related reports. The consultant will communicate with and report to the EITI Board through the Governance and Implementation Committees, and to the MDTF Management Committee through the Manager of SEGOM at the World Bank. The administrative and financial matters pertaining to the contract with the World Bank will be administered by the World Bank. However the administrative and financial matters pertaining to the contract with EITI Secretariat will be administered by the EITI Secretariat. The consultant should be available for a presentation of preliminary/final findings to the Board and EITI MDTF Management Committee.

The budget for the review is estimated at **20 staff-weeks**. The consultants shall use the Financial Proposal template, named **EITI Joint Financial Proposal** and not the standard one uploaded under the selection. For evaluation purpose only the total amount of financial proposal will be taken into account.

The consultant will need to treat evaluation documents and information in a confidential manner, and not use or publish internal documents or evaluation findings without permission from the EITI Board and the MDTF Management Committee bearing in mind potential for conflicts of interest. The evaluation team will be supported by the EITI International Secretariat and SEGOM, including providing key documents and facilitating contacts with relevant stakeholders and country officials.

5 Required profile of Consultant(s)

The review will be undertaken by an external, independent team of evaluators, comprising a lead evaluator and 3 other team members. The lead evaluator will have at least ten years of experience in development cooperation including in sustainable development and extractive industries, and in the evaluating donor-funded programs and other development efforts. A strong understanding of the EITI and other international governance initiatives is required, as well as and familiarity with World Bank systems and processes.

Annex B: Persons Interviewed

EITI Board Members

Mr. Stuart Brooks, Manager, International Relations, **Chevron**
Ambassador Pekka Huka, Ministry of Foreign Affairs, **Finland**
Mr. Daniel Kaufmann, President, **Natural Resources Governance Institute**
Ms. Marinke van Riet, **PWYP International**
Ms. Faith Nwadishi, **PWYP Nigeria**
Ms. Debra Valentine, Group Executive, **Rio Tinto UK**
Mr. Olivier Bovet, **Switzerland**, former EITI Board Member
Mr. Eelco de Groot, **CordAid**, former EITI Board Member

EITI MDTF Management Committee Members

Mr. Paulo de Sá, Manager, SEGOM, **World Bank**
Ms. Dorthe Chortsen, **Denmark**
Ms. Jessica Collingwood, Policy Officer, Resources and Energy Section, Department of Foreign Affairs and Trade, **Australia**
Ms. Michela Luzzi, Policy Officer, Resources and Energy Section, Department of Foreign Affairs and Trade, **Australia**
Ms. Rebekah Grindlay, Director, Resources and Energy Section, Department of Foreign Affairs, Trade and Development, **Canada**
Ambassador Pekka Huka, Ministry of Foreign Affairs, **Finland**
Ms. Ingrid Dana, Ministry of Foreign Affairs, **Norway**
Mr. Harald Tollan, Ministry of Foreign Affairs, **Norway**
Mr. Jonathan Atkinson, Extractives Advisor, DFID, **United Kingdom**
Ms. Justine de Davila, Senior Extractives Advisor, DFID, **United Kingdom**
Mr. Danny O'Mahony, DFID, **United Kingdom**
Mr. Olivier Bovet, **Switzerland**, former MDTF Management Committee Board Member

EITI Staff

Mr. Jonas Moberg, Head of Secretariat
Mr. Eddie Rich, Deputy Head of Secretariat
Mr. Sam Bartlett, Technical Director
Ms. Dyveke Rogan, Regional Director
Mr. Francisco Paris, Regional director

Mr. Richard Dion, Regional Director
Mr. Bady Balde, Country Manager
Mr. Pablo Valverde, Country Manager
Ms. Shemshat Kasimova, Country Officer
Ms. Gisela Granada, Country Officer
Ms. Lyydia Kilpi, Country Officer
Mr. Sam Tokpah, Country Officer, former National Coordinator Liberia EITI

World Bank Staff

Mr. Javier Aguilar, Program Manager
Ms. Diana Corbin, Manager, EITI MDTF
Ms. Kristina Svensson, MDTF TTL
Ms. Hilda Y. Harnack, MDTF TTL
Mr. Andrew Brian Schloeffel, MDTF TTL
Ms. Ekaterina Mikhaylova, MDTF TTL
Ms. Guranda , MDTF TTL
Mr. Morten Larsen, Mining Specialist
Mr. Edon Vrenezi, Energy Specialist

Other EITI Country Offices (telephone interviews)

EITI Coordinators and Secretariat Staff

Mr. Farid Farzaliyev, National Coordinator, **Azerbaijan EITI**
Mr. Florent Michel Okoko, National Coordinator, **DRC EITI**
Ms. Marga Kenea, National Coordinator, **Ethiopia EITI**
Mr. Mamadou Diaby, national coordinator, **Guinea Conakry EITI**
Mr. Abdoulaye Soumah, communications officer, **Guinea Conakry EITI**
Ms. Maria Gay Alessandra Ordenes, National Coordinator, **Philippines EITI**
Ms. Mina Horace, acting National Coordinator, **Sierra Leone EITI**
Ms. Josephine Saidu, Communications Officer, **Sierra Leone EITI**
Ms. Cathrine Mbatia, Communications Officer, **Tanzania EITI**
Ms. Alice Swai, Legal officer, **Tanzania EITI**

Multi-Stakeholder Group members

Mr. Gubad Ibadoghlu, CSO, Coordinator of CSO platform; Coalition for “Increasing Transparency in Extractive Industries of the Republic of Azerbaijan”, **Azerbaijan**

Mr. Araz Yusubov, representative Industry (BP), **Azerbaijan**

Mr. Alpha Abdoulaye Diallo, representative CSO, **Guinea**

Mr. Ronaldo Recidoro, CSO Industry member, **Philippines**

Ms. Tess Tabada, CSO member, **Philippines**

Dr. Mustapha Thomas, MSG CSO coalition representative, **Sierra Leone**

Mr. Ibrahim Kamara, representative Mining Chamber, **Sierra Leone**

Mr. Bubelwa Kaiza, representative CSO, PWYP, **Tanzania**

Other Informants

Mr. Rogier Marchand, **Cordaid**

Ms. Claudia Forero, **Cordaid**

Ms. Emma Irwin, **EITI Technical Adviser/consultant**

Mr. Jeremy Weate, **EITI Technical Adviser/consultant**

Ms. Amelia Evans, **MSIntegrity** (Institute for Multi-Stakeholder Initiative Integrity)

Ms. Alexandara Gillies, **Natural Resources Governance Institute**

Ms. Erica Westernberg, EITI Policy Officer, **Natural Resources Governance Institute**

Ms. Asmara Klein, **PWYP International**

Ms. Carol Kiangura, **PWYP Nairobi**

Indonesia country visit

EITI National Secretariat

Ms. Ambarsari Dwi Cahyani, Extractive Industry Revenue Specialist, EITI Indonesia

Mr. Ronald Tambunan, Regulatory Specialist, EITI Indonesia

Civil Society

Ms. Dhanny Tantri, NRGi Indonesia

Ms. Roslita Arsyad, NRGi Indonesia

Mr. Emanuel Bria, NRGi Indonesia

Ms. Maryati Abdullah, National Coordinator, Publish What You Pay Indonesia

Mr. Jensi, Member of Staff, Publish What You Pay Indonesia

Ms. Meli, Member of Staff, Publish What You Pay Indonesia

Ms. Ari, Member of Staff, Publish What You Pay Indonesia

Private Sector

Mr. Supriatna Suhalam, Executive Director of Indonesian Coal Mining Association (APBI-ICMA)

Government

Mr. I. Taukhid, General Directorate of State Treasury, Ministry of Finance

Ms. Desti Melanti, Senior Manager General Accounting, SKK Migas

Ms. Retno Damayanti, Director Program Development, General Directorate for Minerals and Coal

Ms. Erna, Head of Mining State Revenue, General Directorate for Minerals and Coal

Mr. Erman Jaya Kusuma, Director of Non Tax Revenues, General Directorate of Budget, Ministry of Finance

Other persons interviewed

Mr. Erry Riana Hardjapamekas, Founder of EITI Indonesia Secretariat /Former EITI Board Member

Mr. Ade Ikhwan, EITI Indonesia Reconciler

Mr. Arvind Nair, World Bank

Mr. Andrew Schoeffel, Task Team Leader, World Bank

Nigeria country visit

NEITI Secretariat

Ms. Zainab Ahmed, Executive Secretary

Mr. Peter Ogbobine, Legal Adviser

Mr. Donald Tyoachim, Director, Admin and Finance

Mr. Tariye George, Director, Technical Department

Mr. Orji Ogbonna Orji, Director, Dissemination and Communications

Ms. Obiageli Onuorah, Team leader, Outreach team

Ms. Fatima Ciroma-Umar, Team leader, Human Resources

Civil Society Committee

Ms. Faith Nwadeshie, EITI Board member international, NEITI Board member, chair of PWYP Nigeria

Mr. Ushie Henry, Oxfam Nigeria

Mr. Ogwu Paul, PWYP Nigeria

Mr. Vincent Dania, African Centre for Leadership

Ms. Doris Ikpeze, International Federation of Women Lawyers Nigeria

Mr. Kolawole Banwo, Civil Society Legislative Advocacy Centre

Other persons interviewed

Prof. H. Assisi Asobie, former Chair, EITI Board

Ms. Amanda Feese, Operations Manager, World Bank

Mr. Henry Adigun, Project Manager, FOSTER

Mr. Dauda Garuda, Revenue Watch Institute

Peru country visit

EITI National Secretariat

Mr. Fernando Castillo Torres, National Coordinator

Mr. Rolf Perez

Mr. Marco Olivos

Ms. Brenda Rodríguez

Ms. Aina P. Aamot (until recently on secondment from EITI International Secretariat)

EITI National Committee

Mr. Carlos F. Aranda, Director of Technical Services, Southern Copper, Southern Peru

Mr. Pilar Camero, Coordinator, Derecho Ambiente y Recursos Naturales

Mr. Jorge Luis Mercado, Deputy Director External Relations, Repsol Peru

Ms. Caterina Podestá Mevius, General Director, Sociedad Nacional de Minería Petróleo y Energía

Mr. Eduardo Rubio Roach, External Affairs Manager, COPPER Anglo American Peru

Other persons interviewed

Mr. Javier Aguilar, Regional Coordinator; Extractive Industries LAC Region, World Bank/ Washington (by Skype)

Ms. Anik Fournier, Second Secretary, Government of Canada Foreign Affairs, Trade and Development Canada

Ms. Caterina Jochmann, Advisor, GIZ

Mr. Fernando Ruiz Mier, Senior Operations Officer Sustainable Business Advisory, International Finance Corporation, World Bank Group

Mr. Carlos Monge, Regional Coordinator for Latin America, Natural Resource Governance Institute/NRGI

Mr. Roger Grández Ríos, Economist, Instituto de Estudios Socioeconómicos

Ms. Claudia Rohrhirsch, Program Manager, Office of Democratic Initiatives, USAID

Mr. Oscar Shiappa-Pietra, World Bank Consultant

Mr. Renzo Valera, Director, Advisory Services, Ernst & Young

Ms. Maria del Carmen de Vereau, Director of Economic and Social Studies, Sociedad Nacional de Minería Petróleo y Energía

Mr. Epifanio Baca, Grupo Propuesta Ciudadana (NGO)

Mr. Maura Lopez García, President of Regional Council, Department of Loreto

Ms. Wendy Pineda, Observatorio Petrolero, PUINAMUDT (Loreto)

Ms. Asunta Santillán, DAR / Loreto

Mr. Hugo Cabieses, ex-Vice Minister of the Environment (2011)

Ms. Carla Díaz, IFC

Mr. Numa Arellano, Partner, Ernst & Young

Mr. Eduardo Ballón, Grupo Propuesta Ciudadana / Centro de Estudios y Promoción del Desarrollo (DESCO)

Mr. Sacha Lavasseur-Rivard, ex-Secretary, Canadian Embassy in Lima (by Skype)

Annex C: Documents Consulted

EITI Documents

EITI (2014), "Progress Report: Making Transparency Matter". Oslo, May.

EITI (2014), "International Secretariat 2014 Workplan". Oslo, 23 January.

EITI (2014), "Terms of Reference for beneficial ownership pilot". Oslo, 4 March.

EITI (2013), "The EITI Standard". Oslo, 11 July.

EITI (2012), "International Secretariat 2013 Workplan". Oslo, 20 November.

EITI (2006), "Validation Guide". London.

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World Bank (2014), "Multi-Donor Trust Fund for Extractives Global Practice Support: Program Concept Document". Draft. Washington DC, June.

World Bank (xxx), 16 contracts for MDTF-funded grants. Washington DC.

World Bank (xxx), Various documents in the *Extractive Industries for Development Series*. Washington DC.

MDTF working documents provided from most recent MC meetings including financial tables.

Indonesia Documents

Coordinating Ministry for Economic Affairs (2013), "Extractive Industries Transparency Initiative – EITI Indonesia: Annual Report 2013". Secretariat of Extractive Industry Transparency Team, Deputy of Energy and Mineral Resources. Jakarta, December.

KAP Gideon Adi & Rekan (2014), "EITI Reconciler's Report 2010 and 2011 – Oil and Gas Sector". Jakarta, April.

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Nigeria Documents

GEUS (Geological Survey of Denmark and Greenland) and associates (2011), "Scoping Study on the Nigerian Mining Sector". Copenhagen and Abuja.

Haruna Yahaya & Co (2014), "Audit Report 2011 – Solid Minerals Industry – Financial Flows". Minna and Abuja.

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NEITI (2013), "NEITI Handbook: Promoting Transparency, Enabling Prosperity". Abuja.

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Peru Documents

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- DAR (Derecho, Ambiente y Recursos Naturales) (2013): "Transparencia en el sector energético peruano" (CD). Lima.
- EITI Peru (2012): "Plan de acción segunda fase de implementación de la iniciativa para la Transparencia de las Industrias Extractivas en el Perú 2012 – 2014". Lima
- EITI Peru (2013), "Estudio de Conciliación Nacional Transparencia 2011-2012". Lima.
- ICMM (International Council on Mining and Metals) (2013): "Responsible Mining in Peru". Lima
- IFC (2013, 2014): "Como está tu municipalidad en el ranking del MIM? Índice del buen gobierno municipal". Lima
- IFC (2013): "Como va el Presupuesto Participativo en tu municipalidad?". Lima
- Jochmann, Caterina (2013): "*La descentralización de EITI en el Perú: una mirada hacia atrás y al presente para seguir adelante*" (Pontificia Universidad Católica del Perú y Revenue Watch Institute, Master Thesis). Lima.

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- Barma, Naazneen H.; Kai Kaiser; Tuan Minh Le and Lorena Viñuela (2012), "Rents to Riches? The Political Economy of Natural Resource-led Development". The World Bank, Washington.
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- Publish What You Pay (2013), "Strengthening the participation and engagement of civil society organisations in the Extractive Industry Transparency Initiative". London, December.
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- Revenue Watch Institute and Vale Columbia Center (2014), "Managing the Public Trust: How to make natural resource funds work for citizens". Editor: Andrew Bauer. New York.
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Annex D: Conversation Guide – Country Implementation

Scanteam has been contracted by the World Bank and the EITI International Secretariat to review the resourcing of the EITI and in particular assess if support to EITI implementation is appropriately organised and resourced. *This is therefore a review of the support to national EITI processes, not a review of country implementation.*

We are interested in hearing the views of national stakeholders on these issues, and look forward to your frank opinions on these matters. All interviews are confidential, no names, quotes or institutional references will be used in the report unless explicitly agreed to.

Financial Support

Funding for EITI country implementation usually is from (i) World Bank administered Multi-donor Trust Fund (MDTF), (ii) government, (iii) bilateral donors, (iv) international NGOs.

- **General:** Who has funded EITI implementation in your country over the last three years? (could we get a table showing funding for the last three years by source?)
- **MDTF Funding:** Has your country received MDTF financing? If so:
 - How many MDTF grants have you received? What have been the amounts?
 - What has the funding been for (running costs for Secretariat, salaries for staff, consultancy services, reconciliation exercises, workshops, MSG meetings, other?)
 - Have MDTF resource levels been more or less as requested? If not, why not?
 - What have been the conditions for receiving MDTF resources? Have you fulfilled the requirements and delivered the promised results? If not, what have been the short-falls, and what have been the reasons for these?
 - What do you see as the advantages of MDTF funding? How do they compare with other sources of funding?
 - What have been the costs and disadvantages of MDTF funding? How do they compare with other sources of funding?
 - **Overall:** What has been good and what has not been good about MDTF funding?
- **Government Funding:** Does the EITI receive funding from government? If so:
 - How is the funding provided (earmarked funds explicitly on the budget, lump-sum allocations on an annual basis, ad-hoc funding as needs arise?)
 - What is the funding for (specific activities such as salaries, office rental for Secretariat, funding for reconciliation exercises, or block grants that can be managed by the EITI Secretariat fairly freely)?
 - What have been the advantages and disadvantages of government funding?
- **Bilateral and NGO Funding:** Does the EITI receive funding from any bilateral donors or international NGOs? If so:
 - How is the funding provided (annual budget support, project based funding)?
 - What is it for (specific activities such as reconciliation exercises, MSG activities, dissemination, or grants that can be managed by the EITI Secretariat fairly freely)?
 - What have been the advantages and disadvantages of funding from (i) the various

bilateral donors, (ii) the various NGOs?

- **Summing up:** Has funding for EITI implementation been *sufficient*? Has it been available *when it was needed* (have late disbursements led to delayed processes)? Has funding been *predictable and stable*? Is funding becoming more predictable, *sustainable*? Is the country itself assuming a greater share of the funding, and what are the perspectives for the next five years?

Technical/Advisory Support

Technical/advisory support for EITI implementation has been from (i) EITI International Secretariat, (ii) World Bank staff (country or Washington based), (iii) international NGOs (Revenue Watch Institute, Publish What You Pay), (iv) bilateral donors or funded bodies (GIZ, DfID-funded FOSTER), (v) firms contracted for reconciliation or validation exercises.

- **General:** Who has provided technical/advisory support to EITI implementation the last three years? (could we get a table showing actors and kinds of support provided?)
- **EITI International Secretariat (IS):** How has EITI-IS supported implementation?:
 - There are specific EITI-IS staff assigned to each implementing country. Have you had any interactions with these staff over the last year? If so, in what way?
 - EITI-IS Staff often stay in touch by telephone. Have you had any telephone conversations with EITI staff? What has been the contents of the conversations (checking up on issues, providing answers to questions, checking on your performance, giving advice)?
 - EITI-IS Staff often visit the field. Have you met them during field visits? What were the activities/ topics for the visit? In what way did the visits support implementation (did they provide training, answer questions, facilitate discussions, inform, advise ...)?
 - What forms of interaction with EITI-IS Staff have been most helpful? Why?
 - What forms of interaction with EITI-IS Staff were not very useful or disappointing? Why?
 - The EITI Secretariat advises on EITI implementation but also plays a role in verifying performance (contracting validators, commenting draft validation reports,...). Do you think the EITI Secretariat has too many roles – are there conflicts of interest? If so, how could these be addressed?
 - In light of the new EITI Standard, do you think the interactions with EITI-IS need to change? In what ways (more interactions, more training, more stand-by advisory services,)?
 - Does the EITI Secretariat have the right skills and sufficient capacity to play its advisory and support roles? If not, what should change (Secretariat size, competencies of staff, shift responsibilities from Secretariat to others – who)?
 - **Overall:** What is good and what is less good about EITI-IS staff support? Has it been *constructive, timely, relevant, cost-effective*?
- **World Bank staff:** How have World Bank staff supported implementation?:
 - Does the World Bank have staff in its local office that supports EITI implementation? If so, what has that support consisted of (funding, technical/sector advice, training, linking with other processes, answering questions,)?

- Have World Bank staff from Washington supported EITI implementation? If so, how?
- What forms of interaction with World Bank staff has been most helpful, and which forms were not very useful? Why?
- Do World Bank staff have the right skills and sufficient capacity to assist with EITI implementation? If not, what should change?
- **Overall:** What is good and what is less good about World Bank staff support? Has it been *constructive, timely, relevant, cost-effective*?
- **International NGOs (RWI, PWYP, others):**
 - Which NGOs have provided support to EITI implementation? What specifically have they provided (training, training materials, facilitation services, network building...)
 - What forms of support from these NGOs have been most helpful? Which forms were not very useful? Why?
 - Did these NGOs have the right skills and sufficient capacity to carry out their intended tasks? What was particularly good, and what was disappointing?
 - Have you received any further support from these NGOs (availability to answer questions, further training, more and/or better materials, ...)? Was the follow-up support good?
 - Are there other areas you think the NGOs should support? Are there ways in which their current/traditional support could be improved?
- **Donors, other international support (regional development banks, others):**
 - Which donors have provided advisory support to EITI implementation? What specifically have they provided (training, materials, technical advisers/ building...)
 - What forms of technical/advisory support from these actors have been most helpful? Which forms were not very useful? Why?
- **Reconciliation firms, Validators:** The firms/consultants contracted to carry out validations and reconciliation exercises often provide technical training particularly in revenue aspects of EITI when implementing their tasks.
 - Has the reconciler provided technical training/skills upgrading as part of its task? Was this support useful? What was good, what could be improved?
 - Did the validator provide technical training/skills upgrading as part of its task? Was this support useful? What was good, what could be improved?
- **Summing up:** Has technical/advisory support for EITI implementation been *sufficient*? Has it been *planned, coordinated*, or could this be improved? Could other actors be used (industry, local knowledge centres)? Should more of the technical support be *regional* – peer learning, joint workshops,...? How can technical support be made more sustainable?

Annex E: Country Report – Indonesia

1. Brief country context:

Governance

Indonesia is a republic with a presidential system comprising an elected legislature and president. As a unitary state, power is concentrated in the central government, with considerable devolution of central power after 1998.

Administratively, Indonesia consists of 34 provinces. Each province has its own legislature and governor. The provinces are subdivided into regencies and cities, which are further subdivided into districts, which are finally divided into administrative villages.

In terms of governance context, Indonesia scores below average on the 2012 Worldwide Governance Indicators for its six measured dimensions. Among all countries in the world, Indonesia ranks accordingly:

- Voice and Accountability: 51.18
- Political Stability and Absence of Violence: 27.49
- Government Effectiveness: 44.02
- Regulatory Quality: 43.06
- Rule of Law: 34.12
- Control of Corruption: 28.71

Looking at the 2012 Natural Resource Governance Index for Indonesia, the three factors Disclosure of information, Legal Frameworks (intended governance) and Practice (actual governance) are assessed between 0-100 (100 = best) across five governance areas called ‘categories’:

- Access to Resources: Disclosure (44); Legal Framework and Practice (80)
- Revenue Generation and Collection: Disclosure (47); Legal Framework and Practice (71)
- State Owned Companies: Disclosure (87); Legal Framework and Practice (83)
- Natural Resource Funds: Disclosure (N/A); Legal Framework and Practice (N/A)
- Subnational Transfers: Disclosure (47); Legal Framework and Practice (100)

Governance reform context

The post-Suharto period from 1998 has seen Indonesia undergo comprehensive reforms to the formal state institutions. The reforms have introduced a system of checks and balances as well as a shift of the formal power balance through the so called ‘big bang decentralization’, which rather than building required governance capacities before a gradual decentralization pursued the idea that required capacities would follow from the immediate formal change.

The experiences so far with decentralization do not show the theoretically imagined benefits due to improved governance. Rather, decentralization in Indonesia appears to have had a

different beneficial effect, notably on easing tensions between the centre and the periphery and thereby strengthen state stability.¹²

As regards the governance context, devolution of power may have increased stability but at the cost of creating new opportunities for non-growth-enhancing rent-seeking behaviour, patronage and corruption at the local level.¹³ The previous centralized control over rent allocation and collection largely disappeared with the ‘big-bang decentralisation’. That undermined the previous ‘New Order’ government capacity to coherently and on a broad scale invest parts of the collected rents in long-term industrial policies.¹⁴ The recently adopted Master Plan for Acceleration and Expansion of Indonesian Economic Development sets out the course for the Indonesian longer-term industrial policy. It may turn out to be a platform for negotiated countrywide action that can help bring Indonesia into the club of advanced economies, as it envisages.

The experiences of the Indonesian decentralization offer important lessons for the future of EITI following the new 2013 standards, expected to put greater emphasis on the value chain beyond resource collection. Whether one prefers to look at reform constraints from a historical, rational choice or socio-cultural perspective, to understand why such sweeping governance reforms succeeded is important for any attempts to reform the relevant sectors of non-renewable natural resource extraction. A 2011 governance progress assessment of Indonesia ascribed the reasons for success to contextual realism and the practice of *accommodation*:¹⁵

That ‘the art of the possible’ has been realised in a way that accommodates some of the less savoury characters and practices of the old order is testament to the fact that institutional change needs to be grounded in the political structures (including power structures) of the state...it is precisely because change incorporated the interests of powerful, potentially disruptive, political forces that it was possible at all... Indonesia’s willingness and ability to compromise some aspects of an ‘ideal’ set of institutional arrangements in the face of the practical realities of reform provides us with a good example of how to pursue institutional change without falling into the trap of wholesale transplantation of institutions and political settlements from one country to another. Reforms had to be suited to the Indonesian context or they would not have navigated the complex set of incentives facing both reformers and potential spoilers.

EITI

Indonesia became EITI candidate in October 2010, established by [Presidential Decree no. 26th of 2010](#). The governance structure of EITI is divided in two levels: the Steering

¹² Overseas Development Institute (2011) *Indonesia’s Progress on Governance: State Cohesion and Strategic Institutional Reform*. London: ODI, p. 11.

¹³ *Ibid*, p. 17.

¹⁴ *Ibid*, p. 4; Booth, D. et al (2012) *Development as a collective action problem: Addressing the real challenges of African governance* (Synthesis report of the Africa Power and Politics Programme). London, UK: Overseas Development Institute; Khan, M. H. (2010) *Political Settlements and the Governance of Growth-Enhancing Institutions*. London: LSE, p. 1.

¹⁵ Overseas Development Institute (2011) *Indonesia’s Progress on Governance: State Cohesion and Strategic Institutional Reform*. London: ODI, pp. 17-18.

Committee Chaired by the Coordinating Minister for Economic Affairs, and the Implementation Team (also called the Technical Team), which corresponds to the MSG. The National Secretariat has the mandate to assist both bodies with whatever is needed to ensure implementation of the EITI process, and is located at the Ministry for Coordination of Economic Affairs.

After a completed validation process in 2013, the EITI Board concluded that progress has been made but that candidate status will remain until Indonesia succeeds in completing [five corrective actions](#) by 15 January 2015.

One observation as regards Indonesia's implementation of EITI concerns the lack of timeliness of reporting. Only in June 2014 was the second EITI Report published covering financial years 2010 and 2011. Another observation concerns the relatively low level of coverage of total revenues in the mining sector. Although the report has been recognized for its high level of detail at project-level, revenue transfers, and volume sales data, the mining section of Indonesia's EITI reports covered only around 70 percent of the total revenue from the coal and minerals sector respectively. Good practice requires a level of 95% or more of total revenue.

One explanation for this has to do with the specific governance context of Indonesia, which makes data collection particularly cumbersome. There are currently approximately 11,000 mining licenses active across the archipelago and hundreds or thousands of companies individually generating relatively small levels of revenue for the government, but collectively adding up to a significant percentage of the total revenue in the sector.¹⁶ Another contextual issue concerns the unlawfulness of accessing income tax information and how that impacts on the accuracy of data. To ensure that all material companies are included in the scope of EITI reporting, it is therefore not possible to use income tax payments as a method of determining that in Indonesia. From a strict compliance perspective, these contextual factors are obstructive.

2. Financial support:

Up until now, besides the salary costs for civil servants working with the EITI, there has been no government funding component of the EITI. Costs have so far been covered by the World Bank administered MDTF. There are two staged recipient executed trust funds for Indonesia of around a million USD each. The first MDTF finished last year, and currently the second MDTF is open. The funding is intended to back the activities of the National Secretariat, with goals set by the MSG and the National Secretariat. The new MDTF (IDEITI) has a joint management committee including the Ministry for Coordination of Economic Affairs, the World Bank and Canadian government representation, due to a Canadian USD 1 million contribution to the MDTF.

Approximately 70 % of the funds are World Bank executed, coordinated with recipient executed funds following the Work Plan developed in cooperation between the National

¹⁶ World Bank (2014) "Additional information for "Assessment of EITI Indonesia", corrective action 3", unpublished internal note. Washington D.C.: The World Bank.

Secretariat, the MSG and the International Secretariat. Although stakeholders are primarily content with the financial support for various activities, the main criticism concerns slow disbursements.

Concerns

The main concerns of the EITI Secretariat and the EITI Board relate to the timelines of approval of funding, as for example for the salaries for the National Secretariat staff. The fear is that with the arrival of Canada (CIDA) as a new MDTF donor, there will be further delays as an additional representative is involved in decision-making. Beyond that, there are no specific concerns.

Speed of approval

The requirements for disbursements cover full organisational capacity assessment, fiduciary risk management issues, mitigation approaches, and safeguards. Additionally, funding needs to be aligned with the World Bank country strategy and with the national development strategy, as well as commitments to aid effectiveness principles. However, these are all requirements that donors have signed up to on their own and accepted in channelling funds via the World Bank. Nevertheless, there is one principle missing in the normative regime that applies to the MDTF: *proportionality*.

The fundamental question is whether donors are ready to *accept larger risk given the smaller grant amounts that the MDTF cover*. Another problem pointed out by stakeholders is that approval is done on a grant-by-grant basis, requiring a repetition of the arduous process. Rather, a shift to approve on an initiative-by-initiative basis can provide a more streamlined process. Should the rigorous initial assessments change as indicated by breaches, reviews can be conducted on a needs basis.

Usefulness of the MDTF/Conclusion

According to the interviewees during the country mission, **the MDTF has been very helpful** in many respects. During the start-up of the initiative in Indonesia, it was the support funded by the MDTF that got the initiative off the ground. Partly through the funding of consultants within the National Secretariat, the technical assistance needs were met. Consultants hired covered specific capacity needs such as communication, information technology, stakeholder cooperation, finance, and law. Initially, the MDTF also funded the Head of the Secretariat (now vacant). The MDTF also funded the institution building requirements of the National Secretariat as well as the participation of the multi-party stakeholders in the Implementation Team meetings, as well as their capacity building under their mandates. As reported by the National Secretariat, no other external funding source apart from the MDTF has contributed.

Also for the civil society actors PWYP and NRGI, grant funding from the MDTF has been useful to fund their activities as well as their participation in the multi-stakeholder mechanism. PWYP has received a USD 100,000 grant including five subnational grants for specific regions. NRGI received a grant for the Asia Pacific through its head office. The funding has covered training for civil society as well as research on the context for using the EITI reports, and on the contexts of specific sectors: mining, oil and gas, bauxite, and nickel. One subnational grantee worked on developing a community communication strategy and 'SMS gateway' in Papua. Other MDTF funded activities have concerned raising the

awareness of local governments of the payments in the concerned sectors, as well as to stimulate local academics to look into the questions highlighted by EITI. None of the fund recipients consider the funding insufficient, and nor have the requirements for accessing MDTF funding been difficult. Further, reporting, communication and spending requirements have been flexible in relation to circumstances. Both NGOs receive funding from several other sources as well.

3. Technical support:

The technical support for the initiative has originated from the World Bank as well as the International Secretariat of EITI. PWYP and NRGi have also provided technical support, directed at civil society. Although NRGi is currently expanding its scope of audience to also encompass government that has so far only taken place to a very limited extent.

International Secretariat support

The support from the **International Secretariat** has been provided in the forms of e-mail exchanges, telephone conversations, training sessions during missions, as well as support to increase political attention to the initiative via official letters and IS visits with high level meeting agendas. The International Secretariat has also been supporting with trouble spotting, aiming at preventing delays in government processing. The NGOs perceived International Secretariat advice on the interpretation of the EITI standards and on how to revise scoping and materiality of the EITI report as very useful. Sharing insights on the Board's thinking about compliance was also deemed very useful.

The support offered by the International Secretariat is highly praised by the National Secretariat as quick, helpful and comprehensive. Lately, the satisfaction with the responses to the expressed demand for technical support has increased. Still, there is a concern that there is a stronger need for the International Secretariat to be able to offer effective support in analysing strategic options in the context. The envisaged support would be better at advising on developing and implementing a strategy that results in stronger backing of the initiative across the constituencies and ensures effective implementation of the EITI Requirements, as well as whatever comes out of future MSG decisions. Several suggestions emerged during stakeholder interviews:

- Making the International Secretariat specifically focus on how to strengthen each community in the initiative, as well as to engage with *several* champions and build coalitions of those and stakeholders within and between *the specific political economy of each sector*. Civil society has expressed a certain limitation in its advocacy role to help build coalitions that can strengthen the initiative. It is believed that the International Secretariat can support in how to achieve that.
- Another suggestion concerned improving the International Secretariat's capacities when approving Work Plans. Local research has found that the political economy of the various sectors is very different. For that reason, effective Work Plans require considerable contextual sensitivity. The International Secretariat needs to map the context in a more precise and full manner to measure progress and keep track context and obstacles in order to improve Work Plans.
- Stakeholders also asked for a stronger role for the International Secretariat in developing approaches to strengthen the benefits of EITI at national level. This would

include to find ways to demonstrate to the various constituencies what the benefits are and how they have been achieved in the particular contexts. Whether this would mean finding a way to *comply* with a principle of continuous improvement of national systems and/or of otherwise ensuring continuous national benefits from the initiative is for the Secretariat and the Board to find out. This point was also mentioned as a strategic advantage to bring in larger nations, while possibly avoiding going down the road of becoming a human rights campaign or a governance initiative for developing countries.

Currently, the **weaknesses** expressed by all constituencies are that *the initiative is still largely unknown outside of the concerned sectors*, the *reports are not very user-friendly* if the intention is to stimulate public discussion, and *the benefits of the initiative have not been proven* to the various constituencies. In particular this latter aspect has been highlighted as a priority in order to make the initiative sustainable through inclusion in the regular governance practices of the concerned sectors, fully funded under the national budget.

Only by seeing the real benefits to the various constituencies is it believed that there will be sufficiently strong political backing of the initiative and an interest to internalise the governance principles that ensure transparency in the concerned sector revenue streams, and potentially improvements along the entire value chain.

Another weakness stressed by the stakeholders is the set-up of EITI International Secretariat and the consequences of the assumption by the International Secretariat of technical assistance provision. The conflict of interest that stems from the fact that the International Secretariat provides support to the various national initiatives while at the same time making progress assessments for the Board and manage Validation assessment contracts, is a weakness. It risks undermining the credibility of the initiative by raising questions regarding the consistency in how the norms are applied. Stakeholders felt that both perceived and actual conflicts of interest must to be addressed by separating the *support to implementation* and the *assessment of performance* provided to the Board.

Finally, all interviewed stakeholders perceive the system of validation as unfair, lacking in sophistication and to be demotivating given the required level of effort to progress. Even though meaningful progress is indeed recognised, the system is perceived as unfair as the magnitude of national governance complexities are not comparable across nations. Achieving compliance in a smaller and less complex governance context cannot reasonably be compared to its opposite. A composite index system which recognises *progress efforts*, as well as *compliance factors* and possibly an assessment of *subjective perceptions of national benefits of the initiative*, may come closer to a fairer country assessment. That could also provide a solution to the risk of being perceived as a strict normative governance initiative but rather stress the linkage of the EITI principles and requirements to national benefits for all constituencies.

World Bank support

The World Bank staff has offered technical support, in particular with the process of finalising the EITI Report through reviews and advice on contents, as well as how to meet deadlines. Besides organising training events, often with participation of PWYP and NRGI, the staff has also offered advice on communication strategies in the form of phone

conversations and e-mail exchanges. The support by the World Bank has been closely coordinated with the International Secretariat to ensure that there is consistency in the interpretations of the EITI Rules.

No particular **weaknesses** have been pointed out by the stakeholders other than that there have been delays in the handling of payments from the MDTF for the payment of salaries. Further, the staff of the National Secretariat are partly civil servants of the Coordinating Ministry for Economic Affairs and partly remunerated by the World Bank. That modality for remuneration has caused some staff tensions for cooperation. Otherwise, the support to implement EITI has been very appreciated by the recipients and relevance, scope and quality satisfactory according to the beneficiaries.

NRGI and PWYP Support

NRGI has offered technical assistance in the form of capacity building/training and consultations aimed almost exclusively at civil society organisations across various locations of Indonesia, at times in cooperation with the World Bank. The training has been directly relevant for the EITI initiative as it in particular aims to strengthen the capacities of civil society actors to use the information of the EITI reports, as well as enhance their understanding of the EITI and the role of the civil society constituency in the MSG.

Most of the material produced by the NRGI has technical aspects that support an improved understanding of the relevant sectors. For instance, by analysing EITI data and make it more simple and accessible for potential users, NRGI can be understood to provide technical assistance.

Whereas NRGI represents a quite remarkable level of technical expertise, those new or less familiar with the particular specifics of the concerned sectors may struggle to level. A general observation is that the training is often delivered within a short timeframe resulting in dense programmes on a complex technical topic. This presents difficulties for the ability to absorb the contents and no time for applying new knowledge.

PWYP's focus compared to NRGI is more on advocacy. PWYP has an EITI support officer based in London, which has also engaged in discussions on project level disclosures in accordance with the US legislation on requirements for extractive resources businesses to disclose information on payments by oil, gas and minerals industries for acquisition of licenses (the Dodd–Frank Wall Street Reform and Consumer Protection Act, introducing amendments to the Securities Exchange Act of 1934). PWYP provides capacity building in terms of training for the EITI civil society constituency in Indonesia, enabling their ability to contribute to the EITI. Such support covers material issues of the EITI standards, as well as helping to strengthen constituency communication/voice on the relevant issues. PWYP also provides training for local organisations to conduct their own training on EITI. This helps leverage capacity building across Indonesia with aligned civil society organisations.

The technical assistance of both NRGI and PWYP is deemed highly relevant and of high quality. The material scope is sufficient to meet its aim of building technical capacities, while encouraging further engagement through better understanding of the issues. However, a concern is the capacity for supporting coalition building for the EITI initiative in general as well as for the civil society constituency across Indonesia. Another concern noted by

stakeholders that is less related to the technical support offered is the limited strength/influence of the organisations as representatives in the MSG.

4. Coordination with other Sector Support and National Programmes:

One of the challenges for the initiative has concerned coordination. It is the Ministry for Coordination of Economic Affairs that formally is leading coordination, although interviewed stakeholders have perceived it as a challenge. Among donors, the most active ones are Australia (AusAid) and Canada (CIDA). Canada has engaged in strong coordination efforts in their support to the relevant sectors. The World Bank has so far had a particular focus on the collection of taxes and royalties in the value chain, as well as on EITI. These efforts are coordinated with other related World Bank activities, as well as with other donors. In general, there is a quite high level of concern for the relevant sectors which - should EITI be able to mobilise around those concerns- will require stronger coordination between different actors. Currently, however, the main coordination challenge appears to be for the Secretariat to continue coordination of reporting entities and the EITI process.

Stakeholders have stressed the usefulness of the EITI data for other programs or policies, in particular at local level. The EITI data establishes a valuable baseline regarding sector contexts, revenues and how they are shared. It is clear that the EITI data can help in other areas, although the potential has yet to be realised. Accountability initiatives or governance reform programmes based on the EITI data may emerge, requiring further linking with EITI. Stakeholders have mentioned a clear need to link budgets and expenditures to the EITI findings. So far, given the strong involvement in EITI, the World Bank has realised the benefits of linking EITI to wider sector policies, although interviewed national stakeholders are largely unaware of what those links are when asked. This is another potential *national* benefit of the EITI initiative that could contribute to strengthen political backing of the initiative.

5. Looking Ahead – Developing Sustainable Financial Foundations:

Stakeholders have mentioned the explicit need for the International Secretariat to be *more hands on in relation to the political landscape in Indonesia* -for instance before and immediately after the recent presidential elections- to ensure that there is strong political backing of the initiative. The same concerns *how to leverage each constituency and build coalitions* in support of the initiative, bringing in more ‘champions’ representing the initiative in the various relevant sectors. Currently, there is an impression that political interest can only be maintained by linking EITI to other high profile initiatives of higher political value such as the Open Government Partnership, the Budget Transparency Initiative and to the work programs of the KPK (the independent anti-corruption commission). In the latter case, that would clearly highlight national benefits of the initiative in a manner that is easily understood by the public and media.

The question that has been raised by each constituency group interviewed is *how to demonstrate the concrete national and constituency benefits of the initiative*, as a means to improve political and constituency buy in. It appears that reliance on the intrinsic value of transparency alone may have varying strength depending on the wider governance context, including the political–economic relations in the concerned sectors, as well as the wider public support. The International Secretariat is in a unique position to collect and share the

realised national benefits of the initiative across nations, which may help dispel some of the doubts among constituencies.

As indicated in the EITI Requirements, without strong political backing, realising the benefits of the initiative will be difficult. And that is believed to be the key aspect to ensure longer-term financial sustainability through the integration of the initiative principles and mechanisms in regular sector governance, funded by the national budget.

The current financial backing to the initiative via the MDTF is perceived as more than sufficient. The question is how they will be used to ensure the future success of EITI in Indonesia.

6. Looking Ahead – Technical Support and Capacity Development:

Although EITI Indonesia has learnt a lot from the comprehensive reporting to date, there are still doubts regarding the knowledge of the wider public of the initiative as well as the political interest in the initiative. The Presidential Decree did undoubtedly help bring attention as well as political backing to the initiative initially. However, the current lack of strong Secretariat leadership, as well as the arrival of a new president with unclear political priorities raises doubts for the future. In the Indonesian governance context, direct reporting to the president has clear advantages in terms of cutting through the often heavy and slow bureaucracy. As that context is unlikely to change anytime soon, and the fact that the initiative relies heavily on horizontal coordination *within* government as well as with private and civil society actors, *politically strong and effective leadership* is paramount.

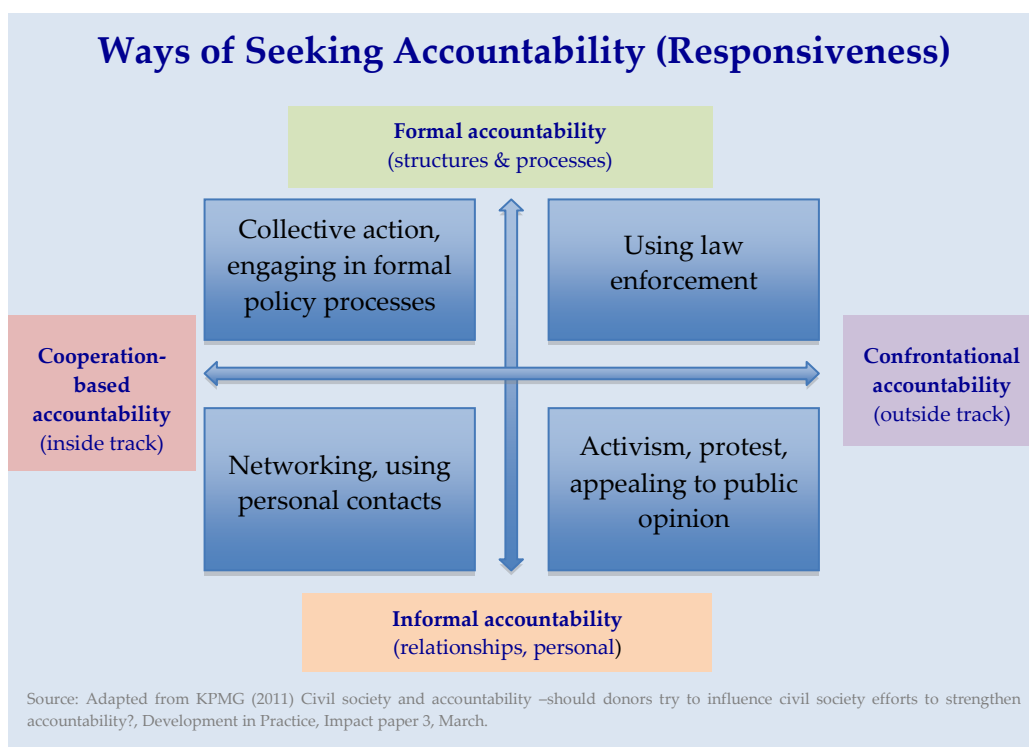
Taken together with the need to demonstrate the (initial) potential national benefits of the initiative, there are a range of technical support and capacity development issues that need further attention in the future:

- ***Strategy to leverage each constituency in its political economic context:*** There is an immediate need to forge stronger and broader coalitions in favour of the initiative, building on a greater understanding of the political economy in the different relevant sectors and current affairs.
- ***Engagement of multiple sector champions:*** Support to analyse the eventual needs and options for a stronger role for champions in various sectors and regions to help build strong coalitions in support of the initiative. The proximity of the EITI (and its MSG) to the bureaucracy may hamper the prospects of addressing identified governance weaknesses/problems. By acting outside the MSG, various champions may contribute to driving relevant issues forward and win stronger backing for them.
- ***Continuously measure national benefits:*** Develop baselines and indicators to capture national benefits of the initiative on a continuous basis. These will inform the MSG and the development of sector policies in a complementary manner to the EITI Reports, although the recent EITI results framework appear less realistic to stakeholders, but more useful if remade to better capture performance.
- ***Learning from successful EITIs:*** Support to analyse internationally successful MSG approaches to ensure continuous improvements to national systems and subsequent benefits. What it means in terms of operations, in terms of capacity needs and institutional linkages.

- **Communication capacity and strategy:** There is an urgent need for improved communication capacities and strategy of the National Secretariat to make the initiative widely known and to improve the usefulness of the reports for the intended audiences, including media. Strategically, strong media communication/relations are important as leverage and support to coalition building.
- **Using the scoping study:** Support for how to use the scoping study exposing the level of understanding and concerns there currently are for what is needed along the value chain. Advice on how to make EITI relevant in relation to the existing concerns.
- **Capacity development strategy:** Need to constantly train new entrants to the sector on the issues, so have to have some kind of permanent training programme, probably by region, that can guarantee minimum skills knowledge all the time. One possibility is to focus on capacity building that is well-adjusted to the contextual needs such as the level of maturity of the initiative along the value chain. That way, specific capacity needs such as building broad coalitions and to secure political backing can be accommodated.
- **Civil society training:** There are a number of weaknesses of civil society due to a host of factors. Trainings are often too short, dense, so difficult to absorb and there is generally no time for training and applying new knowledge. Effective capacity building can be defined as such assistance that is actually used. That translates into better understanding the personalities and concrete roles of participants in order to ensure a higher degree of direct usefulness of trainings.
- **Peer learning:** The International Secretariat is in a unique position to collect experiences across countries and to facilitate sharing between countries of how the most successful initiatives have managed to build national benefits relevant for all constituencies. Several layers: (i) regional training on common issues, (ii) exchange of experiences across countries that face relatively similar issues, (iii) build networks that can then interact more actively on the net – EITI IS can perhaps facilitate on-line discussions in time-limited windows on particular issues.

Finally, as mentioned previously, there appears to be a need to consider how compliance with the EITI Requirements can be married with a flexible approach to ensure national benefits from the initiative. By making sure that the process is useful (by using initiative findings for seeking improvements), the national system will gradually improve and the EITI gain in appreciation.

When all constituencies sit in the same room and share an understanding of what the problems are, there is an opportunity to act concertedly to bring about improvements. To only share findings with the intention of influencing the public debate is likely too weak to build national benefits from the initiative. Making full use of the initiative to ensure national benefits for the three constituencies opens for the opportunity to use collective action to resolve governance problems in Indonesia. That differs considerably as a methodology to achieve improvements compared to making public demands on the government to be responsive to wanted change (see figure below). Where the principal-agent framework fails, the MSG offers an excellent platform for collective action.



Annex F: Country Report – Nigeria

1 Country context

Nigeria is Africa's leading oil producer, accounting for over one quarter of African crude oil production (2012). The petroleum sector accounted for 14% of Nigeria's GDP (2013) and 95% of the country's exports (2011).

The government holds all mineral rights and is responsible for issuing exploration and development licenses. The Petroleum Act of 1969 and the Mineral and Mining Act of 2007 form the legal basis activities in the extractives sector. While mining was an important economic activity before the discovery of petroleum over 50 years ago, it is today a much smaller sector, but has considerable potential, not least of all because there are mineral resources in virtually all of the country's 36 states.

The Nigeria Extractive Industry Transparency Initiative, NEITI, was launched in February 2004 as part of the government's efforts to address Nigeria's serious corruption problem. A bill formalizing NEITI was put before the National Assembly in December 2004 and passed as the *NEITI Act* in May 2007, making Nigeria the first country with a legal basis for its implementation of the EITI. Nigeria was recognised as an EITI Candidate country in September 2007. The country's validation exercise began in December 2009, the draft report presented in February 2010, with the EITI Board conferring "Close to compliant" status in October. Successfully completing a six-point remedial action plan over the following six months, Nigeria was then declared a *Compliant EITI country* in March 2011.

Petroleum Sector Audits

The first reconciliation exercise ("audit") of the petroleum sector covered the six years 1999-2004 and was presented in December 2006. Three subsequent audits have covered 2005, 2006-2008 and 2009-2011, respectively. The revenue component of the last report was presented in January 2013 with the complete report published in July 2013. The forthcoming 2012 audit is to be produced by the end of 2014. One reason for the delay in this latest report is that it will be prepared according to the new EITI Standard. It will focus on drawing out beneficial ownership information, more detail on quasi-mandatory social payments, building a license registry, and coverage of domestic sales. The main types of revenue from the sector are the following, where the figures show the aggregate received over the ten years 1999-2008:

- Sales of equity oil owned by the government: USD 172 billion
- Oil-specific taxes (paid only by oil companies): USD 92 billion;
- Non-oil-specific taxes (paid by all companies in Nigeria, including oil companies): USD 5 billion.

The sums involved are thus enormous, revealing the importance of external verification of the figures. So far, Nigeria has produced audits on covering 13 years. All of these have been comprehensive reports that have reported on (i) revenues paid and received, as per the EITI regulations, but in addition contained data disaggregated by company and type of revenue stream, (ii) physical quantities produced, and (iii) so-called process dimensions of the petroleum sector. This is in fact analyses of the structural and performance links between the various actors, particularly in the public sector, which has identified a series of issues

regarding public management of the sector. The reports have therefore been very comprehensive, going well beyond the requirements for the EITI reconciliation exercises and in that sense have represented “best practice” examples of innovative reporting. On the other hand, the reports have been very slow in coming, most of them have covered several years because they were not able to produce annual reports as they are required to do, and the data have therefore been a lot more valuable as historical records rather than as current information on the status of the sector.

The audits have, however, been extremely useful in uncovering serious challenges in the sector. The first report already noted the lack of exchange of key information between central actors in the public sector, meaning that the ability of decision makers to know what was going on was often limited. The reports proposed a series of so-called remediation steps, and a number of reforms within and among public bodies have been undertaken, with a formal inter-ministerial task team given the responsibility for more systematic follow-up and monitoring of these reforms.

A number of discrepancies have been recorded over the years, caused by a series factors including unclear provisions in the tax laws particularly when it comes to allowable deductions. The audits have identified firms that have incorrectly claimed capital allowance on non-associated gas; operating expenses in excess of company final accounts; contested interpretations of certain fiscal values. Over the period these uncollected revenues amount to about USD 2.6 billion. While this is only about 1% of total petroleum sector revenues over the period, it is a significant sum. What is more, this is what the auditors with a certain degree of certainty could estimate. The reports highlight a number of other issues that most likely have caused under-valuation of taxable income and thus further potential revenue not collected: about 10% of total oil produced is lost or stolen; aspects of the country’s tax legislation is unclear providing significant leeway for companies to interpret the laws in their own favour when estimating tax payments due; companies are overstating the capital allowances in particular; the state oil company NNPC is both buyer and seller of oil, and selling both own and state oil, creating serious conflicts of interest in terms of valuing the net surplus from transactions on state oil (since the sale of own oil is the single largest revenue stream, this is an important issue). In addition NNPC handles petroleum product subsidies and other transactions that are not always carried out based on arms-length principles. The audits have identified outstanding debts by NNPC to the Federal Government that add up to nearly USD 10 billion, of which USD 2 billion have so far been paid in. In July 2013, the Tax Appeal Tribunal furthermore ordered Mobil Nigeria to pay USD 83.4 million to the Federal Government as unremitted education tax, following the NEITI audit.

Solid Minerals Audit

The first audit of the solid minerals sector covered the three years 2009-2011, and was published in May 2014. Revenues from the mining sector were modest in the reporting period, amounting to only USD 170 million. However, the government now wishes to promote investment in the development of solid minerals, and according to this report the mining sector has high potential but would require stronger regulatory and monitoring systems to flourish.

The report suggests that the country could get significantly more revenues from its solid minerals, and recommends adopting a fiscal system similar to the petroleum sector.

Government revenue from corporate income tax, set at 20-30%, is seen as negligible because companies deduct costs and royalty payments, fail to register with the relevant authority, and the government relies on the data provided by the companies. Due to illegal exporting, vast amounts of minerals slip out of the country avoiding taxation. Trading centres are not monitored properly letting many actors to export minerals without a permit and leaving royalties and export fees unpaid.

The report also recommends paying attention to economic growth and the distribution of benefits, as well as the environmental and social impact of mining, since the negative effects of extractive activities are often not identified and corrected for.

Fiscal Disbursements Audit

In 2014, NEITI published its first Fiscal Allocation and Statutory Disbursement (FASD) Audit covering the five years 2007-2011. For the first time NEITI has begun looking at the disbursements and uses of the petroleum revenues, bringing a new dimensions to the overall performance monitoring and reporting that it carries out. A comprehensive (but frankly difficult-to-read) report, it brings considerable transparency to the allocation, disbursement and utilisation of revenue from the Federation Account to federal, state and local governments and from there to local beneficiaries. In a country that has not yet carried out a standard World Bank *Public Expenditure and Fiscal Accountability* (PEFA) review at the Federation level, this audit represents an important contribution regarding how those huge revenue streams are re-distributed.

2 Financial Support

Table F.1 shows the financing provided by the Federal Government of Nigeria (FGN) to NEITI over the last five years, in USD (“FGN Funding”). As can be seen, the funding increased from about USD 4.4 million in 2009 to over USD 8.3 million in 2013. While the overall trend has been upwards and fairly stable, there was a serious drop in 2012 from 2011, though this may have been due to build-up in non-disbursed funds that NEITI seems to have accumulated over the previous years since total expenditures in 2009-2011 were about USD 3.2 million less than funding received during those same three years.

The table shows the main expenditure items over time. The greatest cost increase has clearly been the staff increase (“human resources”), where NEITI expanded the size of its staff considerably 2010-2011. Total staff costs of over USD 3.4 million is still a considerable amount, representing a little over 40% of total expenditures. Stakeholder expenditures – largely MSG costs – have also grown considerably from 2010, while administration costs – rental costs, vehicle expenditures etc. – have been more stable yet also show an increase.

NEITI publishes a comprehensive annual report, the one from 2013 being around 50 pages, There is, however, no financial reporting there, which is a shame. With a budget of over USD 8 million, the public clearly would like to know more about what these expenditures represent, and what the various cost items actually are. As in a number of other countries, a number of stakeholders worry that the costs of running the EITI as a continuous process is so costly that it may not be sustainable. In the case of Nigeria, the government has so far shown strong ownership and commitment to EITI, but the allocations remain as a discretionary allocation – albeit with a separate budget line – under the Presidency. NEITI is very aware of this vulnerability, and thus has taken steps to look into more independent and

hopefully sustainable funding sources. The cost levels remain an issue that should be presented and discussed, however.

Table F.1: NEITI Funding and Expenditures, 2009-2013 (in USD equivalent)

	2009	2010	2011	2012	2013
Admin costs	1,317,694	1,021,216	1,926,653	1,732,853	1,805,722
Stakeholder expenses	1,335,236	793,276	1,005,507	1,677,799	1,643,860
Human resources	595,155	1,287,232	2,756,549	3,318,211	3,436,150
Industry audit	0	2,239,580	1,444,952	1,371,914	1,398,851
Repair and maintenance	38,883	15,634	65,439	46,548	34,616
Total expenditures	3,286,968	5,356,938	7,199,099	8,147,326	8,319,199
FGN Funding	4,400,300	6,529,411	8,140,447	6,629,534	8,206,930

Source: NEITI data

The second most important funding source has been the MDTF. A first grant of USD 2.2 million was signed in 2008, of which just under USD 1.7 million was disbursed. This was for equipment, office furniture, basic consultancy services, and to help finance the first audit.

The second grant signed Nov 2009 was for USD 900,000 over one year and was to support (i) capacity building of NEITI by training staff, design M&E framework for remediation and NEITI activities, (ii) do an assessment of remediation options, (iii) support communication and dissemination of the 2005 audit reports, the validation findings and key remediation issues. The Bank brought in a procurement specialist/consultant who also trained NEITI staff in Bank procurement rules and procedures and general procurement principles. Finally the grant funded the scoping study for the minerals audit, since it was recognized that the task would be complicated and little was known about where mining activities actually were taking place.

Third grant was also for USD 900,000 and was a two year funding from May 2013 through May 2015. It had four objectives: (i) strengthening accountability in the extractives sector, (ii) integrating EITI process into national systems, (iii) strengthening management of MDTF funding, on the administration and disbursement, (iv) make EITI implementation more efficient. This is also undoubtedly the last MDTF grant that Nigeria will receive.

The programming process included number of joint meetings. The Bank had already focused on some areas they thought should be priority while NEITI also had a list where they wanted support, but given funding limitations a number of them had to be dropped. In the end they identified a programme that both parties felt was good.

The reporting requirements are not seen as particularly onerous, and while this has to be done on a quarterly basis, they can use standard templates so the reporting costs are low.

The Bank typically sends MDTF supervision missions twice a year. They often include workshops to look at how to address the Outputs of NEITI. The Bank has also given some technical training since one of the four development objectives for the current MDTF is capacity building. In 2013 the Bank organised two trainings, one on fiscal policies in the oil and gas sector, the other on financial auditing in the oil, gas and mining sectors. In 2014 the trainings are on physical auditing of oil and gas production, and one on standard presentation and analysis of the reports – audit analysis – as part of the Bank's support to

strengthening reports through simplifying and standardising the reporting templates for the annual reconciliation exercises (audits).

In its internal communications, the Bank's supervision mission reports on the third grant raise concerns regarding timelines (disbursement delays), slow decision making, inadequate supervision by NEITI management, and thus inadequate implementation.

NEITI's concerns regarding the MDTF funding are several. The Bank's procedures are very cumbersome that take a long time and are seen as very rigid as they are totally Bank and not client oriented. The draft agreement must go through different offices in the Bank that sometimes come back to them with different comments/answers. There are examples of the Bank not listening to NEITI needs and not willing to accommodate NEITI constraints such as timelines for carrying out tasks – deadlines and end-of-contract periods are very strict. Due to lengthy procurement processes, inputs foreseen are not always available when needed, the extreme example was for the scoping study for the Fiscal Allocation and Statutory Disbursement (FASD) audit, where the study itself was almost done by the time the consultant finished his work (the funding here was not from the MDTF but a direct Bank grant). The monitoring of the grant is at times also experienced as excessive, bordering on the intrusive.

Despite the concerns raised about the MDTF, the funding is clearly very helpful and in some areas has been critical to NEITI. It has funded activities that NEITI otherwise could not have carried out. It has provided consultancy inputs that have provided training, skills upgrading in some fields and important preparatory work in others. It has funded a number of outreach and training activities that have been important for improving NEITI performance and impact such as outreach to members of the Judiciary and the Legislature.

Other support to NEITI has been in-kind rather than funding made available:

- The DFID-funded *Facility for Oil Sector Transparency and Reform in Nigeria, FOSTER*, has been very helpful. It helped edit the 10-year and 13-year summaries of NEITI reporting. It assisted in editing NEITI audits in order to produce useful summaries for dissemination and debate. It supported the upgrade of NEITI's web-site and reviewed the communications strategy. It has also supported dissemination and communications activities including some that provided capacity building.
- *The EU* has funded a broader anti-corruption programme where NEITI has been one of the beneficiaries.

The bottom line is that Government funding provides virtually all funding for the running of NEITI and of the various audit reports. The MDTF has come in and supported specific activities that have been strategic, such as particular consultancy services.

3 Technical support

NEITI has received technical support largely from three actors: (i) the EITI international secretariat (IS), (ii) World Bank staff, both locally based and from Washington, (iii) and from Revenue Watch Institute (RWI) through the training activities funded by the MDTF centrally.

EITI IS has focused a lot on supporting the development of work plans and audits – specific deliverables that NEITI is to produce. It also has contributed to the understanding and

implementation of the EITI Standard. The IS is small but seen as knowledgeable and very efficient: there is almost no turn-around time on requests for information, clarification, help – the IS seems always to be available, also on administrative matters. They find their attitude to be very positive, and they are easy to approach. NEITI feels they can trust their support and that IS staff understand the issues. They do not visit often, but are on the phone or E-mail all the time. They provide comments on draft documents, helps improve the language and focus, and that the document comply with the required information and presentation.

EITI publications are seen as very helpful, especially the core documents such as the EITI Standard, the Validation guide and various technical notes and guidelines. They also feel that the IS is good at putting out “good practice” examples from other countries, making them aware of what is happening elsewhere, keeping the EITI web-site updated with new data, publications, and news. The web-site is good, easy to find information.

EITI Weaknesses: They would like much more focus on capacity building and training so that local skills are upgraded and become more broad-based. Would also like more substantive feed-back on some of the work they do such as sector analyses and findings – feel that too much of the commenting is on formats and compliance questions. One area they would like more help with dissemination and communications activities. They have had one training which was very useful (took place in Germany) but feel need a lot more for the dissemination and communications staff in general. This is also an area where they would like to learn more from other EITI actors because this appears to be an area where many are struggling. **Bottom line:** the IS is a relatively small unit with fairly tight focus on the Standard, which is its strength and weakness. For a number of the people in NEITI, they would like more contents-based support – though not all agreed, as the consequence would clearly be that the International Secretariat would have to expand, and it was not obvious that this would be a positive step.

World Bank assistance is primarily from the local staff member at the resident mission who largely works on NEITI. She is seen to be very supportive but with a clear focus on the MDTF grant and the services it funds. There is thus a lot of work on the administrative side with guidance on Bank procedures and rules. At the same time it should be admitted that this has strengthened the knowledge and performance in these fields in NEITI. The supervision missions have included some broader issues though they still tend to focus on the MDTF and its operations. On the other hand, Bank staff do not provide other *technical* inputs, for example commenting on audit reports or providing any analyses of these.

World Bank weaknesses: NEITI has little interaction with the technical staff of Bank – almost all their interactions are with MDTF related staff. They are also aware of the fact that the Bank produces a lot of relevant materials that in principle are available but they find it difficult to access without assistance and some guidance. NEITI would therefore like help in understanding this universe better and see how they can use and apply the more relevant materials. The Bank engages even less with civil society, so CSOs are even less aware of and have even less access to this rich document library. In general the Bank is seen as not being very good at interacting with civil society, so the support to this constituency is seen as being very weak. The new facility that is to fund small-scale grants directly to CSOs should as one of its consequences be that the Bank will have to interact more with civil society. But it remains to be seen if this grants programme really will work, and what kinds of linkages this might force between Bank staff and actors on the ground.

RWI training: RWI has carried out a series of trainings directed towards the CSO community. These have been valuable for raising awareness and understanding of how the sector works. The result has been that there are many more people today that have basic sector knowledge and an understanding of a number of the sector issues. One weakness is that most of the training has taken place in Abuja, though do reach quite a few people since the people invited to the trainings often are from other regions of the country.

Other trainings: When it comes to other skills upgrading activities, the two most important ones are the 2-week Ghana Summer School where they have sent a number of people every year, and the more intensive 8-week Petrad course in Norway. NEITI is in fact sending its third staff member for the Petrad course during the fall of 2014. These courses provide much more in-depth training than the shorter in-country workshops, but they have not been very good at disseminating these more profound skills set, so the training has little spread effect, which is too bad.

4 Coordination and National Programmes

There is no *formal coordination mechanism* in place today regarding support to NEITI. NEITI is aware of the fact that the donors have informal internal consultations and keep each other updated on developments in the field. In general NEITI has good relations with the relevant donors, as the number of actors is limited so the field is quite transparent.

The key area where NEITI would like more support and not just financial is regarding the *remediation program* – that is, the reforms that public agencies have been asked to undertake based on the weaknesses identified in the audits. This is a strategic area for NEITI, where NEITI is now following quite closely what is happening with the actual implementation of the various changes. The NEITI work plan has set aside resources to track the process,, and this is being stepped up and becoming more strategic. The CSOs have come together and agreed to an action plan covering six areas as most important – a process that was supported by FOSTER. The NEITI Board is in agreement with this action plan, which was also presented to the most recent meeting of the inter-ministerial task team (IMTT). It is expected that the IMTT team will approve some version of the action plan. NEITI and civil society intend to follow up by monitoring performance, where NEITI has now put in place an M&E plan for tracking results. It is expected that this program may have important effects in a number of areas regarding public sector structure and performance. It is thus being watched with great interest by a number of actors.

They also see that there are stronger *Programmatic linkages* that are beginning to emerge with FASD since this is making NEITI enter the public finance management (PFM) field and the quite important reforms that are being pursued there. The FASD may thus provide a link between NEITI and larger PFM reforms.

These potential linkages to larger reform processes are being seen in other fields as well. As the new EITI Standard is taken on board and NEITI begins taking on ever larger segments of its mandate under the NEITI Act and thus engaging along the EI value chain, the necessary links and coordination to larger sector issues will become more central and visible.

As far as direct World Bank programme linkages are concerned, for the time being these only exist in mining field. In the PFM field, the Bank has so far not been very engaged largely because NEITI data are seen as much too old by the time they are published. The

Bank cannot use them for their day-to-day economic analyses and operations, so for now those links remain weak.

5 Looking Ahead – Developing Sustainable Financial Foundations

NEITI is very aware of its financial dependence on the government, and has actively begun looking at ways of reducing this, and has essentially been looking at four alternatives, three of which are of more general relevance (see NEITI 2014, “NEITI Sustainable Revenue Generation Strategies”).

- *NEITI Multi-stakeholder Trust Fund, NMTF*: NEITI is looking to donors, extractive industries and multilateral agencies to contribute to an NMTF. They will rely on “good practice” lessons from multilateral trust funds – World Bank and UN administered – when designing the governance structure. There will be an independent stakeholder Board that will oversee the mobilization and allocation of funding across EITI relevant activities and projects. They want a recognised independent administrator to handle the funds. They are considering to ask the Central Bank of Nigeria, CBN, to take on this role, much as central banks manage sovereign wealth funds under agreements with ministries of finance: the Board would set the guidelines, the financial administrator would invest, disburse and report on the funding according to Board decisions.

NEITI has used the EITI guidance note regarding how it might wish to mobilize funding from private companies without compromising its independence and credibility (EITI February 2014, “Guidance for Corporate Support to National EITI Processes”). The big issue is how to mobilize sustainable funding from the private sector without creating a new form of dependence and undermining the legitimacy of the EITI process. The EITI guidelines propose “rules of thumb” such as making contributions reasonably proportionate to own level of economic activities; avoiding one or a few companies dominating the funding; make all contributions public and ensure that the TF is thoroughly transparent in its decisions and financial management (internationally, MDTFs have a track record of being the most transparent and accountable funding actors even in situation of weak governance such as post-conflict MDTFs). Rules regarding how the Board is to be elected, the share of representatives from the private sector and civil society, what is the remit of the Board versus the Board of NEITI itself must be very clear, etc. What makes the idea of an NMTF quite appealing is that many companies may be interested in providing long-term and predictable funding for a body that is seriously contributing to more open, competitive markets in the extractive sectors. Corruption in the award of contracts, licenses, access to decision makers etc. is a major problem for the companies that respect “good governance” principles. Strengthening transparency and accountability processes that are delivering results is therefore attractive.

- *Nigerian Sustainable Banking Principles (NSBP)* is a specific initiative in that country that has been set up by the financial sector for financing initiatives geared towards supporting growth and development based on a set of principles, one of which is to support collaborative mechanisms that can promote sustainable solutions. NEITI clear falls within this category and may therefore be eligible for NSBP financing, though it is unclear how substantial this would be, and for how long. The relevance of the NSBP option to other countries of course depends on whether there are similar funding mechanisms or actors locally, through such initiatives do seem to be growing.

- **Multi-sectoral Levy:** NEITI is considering proposing a levy as a share of the extractive revenues that go to the State. The idea would be that there is a legislated funding stream that is not tied to political decisions by the Executive that is channelled directly to NEITI, perhaps similar to the charge that goes to the Niger Delta Development Commission, NDDC. This would be a long-term, sustainable and predictable financial source.

In the discussions with NEITI on this model, the mission discussed various options. One thing is that it would make sense that this stream not be part of the Executive's budget, but fall under Parliament, so that the funding contributes to strengthening Parliamentary oversight and control functions and roles. The other is that having such funding go only to NEITI as a corporate body may be too narrow, since part of the challenge is to ensure that for example civil society as independent watch dogs also be strengthened through such an initiative. A number of variations on this idea could be contemplated. The big challenge is to formulate a political case for diverting resources from a general revenue fund to a particular objective. The experience with the directed funding for the NDDC is not only positive.

- **Research Agenda:** NEITI is considering setting up a research programme, and the idea has a dual purpose. In the first instance it wants to begin investing in academic research in the sector, since this so far has been extremely poor in Nigeria, despite the sector's importance to the economy. There is therefore a huge need for more and research based information about the sector to inform NEITI and the public at large with evidence-based data on what the issues are that the country is facing. The second objective is that NEITI in this way can also mobilize funding from sources that basically are directed towards more academic work, but now can also enhance NEITI's ability to generate new knowledge and disseminate and discuss this without having to dig into own core funding for this.

6 Looking Ahead – Technical Support and Capacity Development

The main concerns expressed were that current capacity building efforts are too narrowly focused. As one person put it, "*focus is on wrong actors and wrong issues*". The reason for this observation was that it was felt that EITI was too static in its concerns, only looking at the EITI requirements and standard, and not looking at the larger sector governance issues. This meant also that too much of the knowledge was "blueprint" and not based on more critical investigations into the real challenges. The new focus on context analysis was, however, a very good step in the right direction, because this required producing more knowledge about the specific issues that needed to be addressed. There was therefore a feeling that there was not a coherent strategy in place that would strengthen overall *system* and *process* of EITI in a given country, and thus it was not necessarily the right actors who were mobilized: needed more of those social actor that represented larger strata of the population and not so much small-scale activist CSOs. Based on this starting point, a number of issues were raised:

Need an overall capacity development strategy: Need to constantly train new entrants to the sector and the issues, so have to have some kind of permanent training programme, probably by region, that can guarantee minimum skills knowledge all the time. This should preferably be housed in a local knowledge centre such as a think-tank, a university institute or a strong NGO such as a regional hub of NRGI or other larger bodies with strong economies and independence. The focus should be on *sector governance* issues [though this was debated, some also wanting more on the sector technical knowledge – "extractive

industry economics 101” was sorely missed by some]. The training programme should be structured according to EITI cycle, so that before validations there are skills upgrading/awareness raising activities to ensure MSGs, Secretariats and other stakeholders understand and can actively contribute to the process. Need core documentation that is good, pedagogical, where the recent EITI Standard document was considered good since it provided a “one integrated package” of information. It was felt that it could perhaps improve on the pedagogical presentation of parts of the content but overall the document was given a good review as an important core document. The challenge is that there is rotation of MSG members but in particular there are new stakeholders entering the sector who need to know where they can find information and develop skills and insights. Both the training and written material also needs to have a more consistent governance approach to what is being presented, where the value chain approach would seem to be the most coherent yet comprehensive. There should therefore be less focus on the EITI Standard as such – that is a response to the challenges, not an issue in itself – but instead ensure that the links from EITI to the real societal issues are clear. It is this latter dimension that should drive all the capacity development work.

Civil society training: One of the great frustrations was capacity development of civil society due to a number of weaknesses in that sector. One thing is that the training was too short and dense, so it was difficult for many of the participants to fully absorb and understand the material. There was too little time for group exercises, reflection and debate, so some participants had difficulties seeing how they could apply the new knowledge to the situations and issues they were familiar with [at the same time, it was acknowledged that the same comments were made about the 2-week Summer School in Ghana and the 8-week Petrad courses in Norway, so this seems to be a general feeling course participants have: they would always like more time to digest and reflect and adapt new insights]. One feature of the NGO community in Nigeria is that most organisations are fairly small, financially weak, with high staff turn-over, so there is often little progress in accumulating knowledge: the persons sent for one training are no longer there when the follow-on course is organised the next year. Often the CSOs need as much training on basic organisational development matters as on substance issues like EITI. This weakness means they never develop and build capacities but are dependent on a few committed individuals, so when these leave the CSO in questions is seriously weakened. Short-term training is then often wasted. There is thus a need to better understand the background of the participants, where many are coming from small groups that work with very concrete challenges and where some of the training may be too abstract and general. On the other hand, various interviewees also pointed to the fact that there clearly has been a significant improvement in the knowledge and debates about the oil and gas sector in particular. Just because a person who was sent for training by one NGO is not there next year for a second module does not mean that the initial training was a waste: they see that those who are engaged in the sector tend to find other activities/jobs in the sector, though perhaps with a different actor, and bring their training and insights with them to the new job. Over time, there has therefore been an important cumulative effect, which points again to the need for more broad-based and general outreach for the training: it is difficult to target, so maybe they need to have a somewhat different training strategy that looks sector-wide rather than organisation-specific.

Defining civil society: There is too much attention being paid to Western-style NGOs and advocacy groups. The actors with some influence and clear constituencies are (i) professional associations (such as lawyers, teachers), (ii) faith-based organisations, (iii) labour unions and various other forms of labour organisations, (iv) other interest groups (environment, youth, women) who have a stake in the extractives revenues and extractive industries' activities. While all of these are in principle included in the larger NEITI "family", more could be done to ensure they become truly engaged. NEITI's dissemination and communication activities should perhaps be directed more towards them. But this is an area where it would be interesting to learn from other countries and see what their experiences are.

Peer learning: Peer learning must become central to the larger capacity building strategy. There can be several layers to this:

- Regional training on common issues with 2-3 representatives from each participating country so that there is a "critical mass" of people who can take the lessons back to their own country, adapt and disseminate. A key issue here is the lack of follow-on from various regional and other training activities. The skills tend to remain only with the individuals that attended the learning event – there is no structure for spreading those insights further to others;
- Exchange of experiences across countries that face relatively similar issues with broad participation on both/all sides. This can be internet based or physical coming together, but the focus is on analysing jointly how specific problems have been addressed in the various countries, to understand what works, what doesn't, and why. There is a frustration that the wheel is being invented time and again – and sometimes the new wheel isn't even round!
- There should be actively facilitated network building across regions so that various individuals can then interact more actively on the net. Some of the networks could be by function, so that those responsible for dissemination and communication – an area that came up time and again as a challenge – could have a forum where they could pose questions and try to develop answers jointly. This is a function where the EITI IS has begun providing support, and this area should be expanded, with on-line discussions in time-limited windows on particular issues. Having access to local World Bank video-conferencing facilities – which has happened at times previously – would also make it possible to have live discussions on topical issues which could be of great use since it would be possible for each country to have a number of participants listen in on the discussions.

Quality assurance and standards for audits: Audits (reconciliation) are core products of EITI yet there are not really clear standards or selection procedures for contracting auditors. The problem is that this has led to uneven quality of reports, which in turn then raises questions about EITI credibility. There also ought to be some "knowledge community" for the administrators/ reconcilers/ auditors/ aggregators (many different names now being used...) where new companies can learn, share, find answers to the questions that arise along the implementation of the tasks. In this connection there should also be a more aggressive move towards building national capacities for such work and not rely as much on international audit companies as seems to be the case today.

Communications, dissemination: Similar issues, to some extent, were raised as with the auditors. There is need for structured training but also to develop a larger “knowledge community” where those working on C&D can turn for sharing experiences, discuss how to involve different stakeholders, especially how to make audits relevant and politically interesting for particular target audiences such as legislatures, judiciary, unions, faith-based organisations, local communities affected by extractive activities. There are undoubtedly lots of excellent experiences around the world but today there is not a simple identifiable universe of actors that can be connected. Building this community of knowledge would seem to be strategically important, because this is a field where it seems many EITI bodies are struggling.

Annex G: Country Report – Peru

1. Country Context

Peru has seen an explosion in its extractive industries over the last decade. The value of *annual mineral exports* has increased 5-6 times from 4.7 billion USD in 2003 to a level of 26-27 billion USD since 2011, now representing 62% of the country's export incomes. The two most important minerals are copper (40% of export value) and gold (37%), and Peru is now the world's third biggest copper producer after Chile and China, while holding the fifth position in gold. The combined production of *oil and gas* over the same period has increased by 350% - but oil production has dropped while gas production has expanded from almost zero to now representing about 80% of hydrocarbon production. Total hydrocarbon production stands at about 350,000 barrels of oil equivalents per day, representing about 11% of national export value. Thus, minerals and hydrocarbons together stand for almost three quarters of the country's export value.

While the extractive export boom has turned these industries into the country's dominant export sectors, their direct employment effect is quite limited (200,000 employees in mining in 2012 – which was triple the number employed ten years earlier). The sector represents no more than 1.5% of formal employment in the country¹⁷, but the indirect employment effect may be multiplied by 10 or 15, and it is spread over 22 of the country's 25 regions. 95% of the extractive industry workforce is male.

Expected annual foreign investment in mining industry over the next five years is 20 billion USD – one third of which is expected to come from China. This means that the economic and political impact of the extractives will only increase in the years to come.

The dramatic expansion of the extractive industries has led to serious confrontations caused by environmental and social problems, not least with the indigenous population both in the highlands and in the Amazon areas.

Until 2003, 79% of the national budget was managed by the central government, 13% by the regions and 8% by the municipalities. This was dramatically changed by the decentralization process initiated that year, implying that 50% of the fiscal incomes from extractive industries, the so-called "*canon*", are now managed by sub-national governments (departments and municipalities) plus universities. This means that over the last years, between 9 and 10 billion USD are transferred annually to regions and municipalities (totalling 60 billion USD between 2004 and 2013)¹⁸. These are large amounts of money, handled by governments with very limited execution capacity, and no more than roughly half of the budgets have been executed. One can only imagine the corruption problems such accumulation of fiscal resources could lead to.

¹⁷ According to figures from ECLAC, there is presently an investment of 1 million USD behind every formal job being created in the mining sector in Latin America

¹⁸ These figures are taken from: Gustavo Avila P: "El canon para las regiones – hacia un nuevo escenario?", in: DESCO (2014): *Más a derecha Comandante*. All other figures are taken from various EITI publications.

Peru EITI has a history going back to 2004, when Peru was invited to join the initiative, and one year later the Ministry of Energy and Mines was mandated by the national government to seek participation. The first Plan of Action was approved by a Supreme Decree in 2006, also establishing a Work Commission to execute the plan. The Commission was composed by the ministries of Energy and Mines and Economy and Finance, the industry association National Society for Mining, Petroleum and Energy, three major corporations, two universities¹⁹ and four civil society organizations. In 2007, the first MDTF grant was signed with the World Bank; a second MDTF grant was signed in 2013.

So far, three reconciliation studies have been completed, covering the fiscal years from 2004 through 2012. The number of companies participating in the EITI reports increased from 33 in the first report (2004-2007) to 59 in the third (covering 2011-2012, published in January 2014). Three quarters of those in the latest report were mining companies.

The EITI implementation in Peru is now intended to cover not only national level reconciliation of payments and incomes from the extractive industries (income tax, royalties and “*derecho de vigencia*” (“surface fee”)), but also the so-called “*canon*”, the 50% of fiscal incomes from extractive industries (in Peru that is understood to include mining, petroleum, gas, hydropower, forestry and fishing) being transferred to regional and municipal governments.

The first validation report was submitted in 2010, with the EITI Board concluding that Peru was “close to compliance”. By following up the Board recommendations, Peru was admitted the status as an “EITI Compliant Country” on 12 February 2012, the first and so far only such country in the Americas until Guatemala was admitted this status in 2014.

The EITI implementation in Peru is done under the responsibility of a tripartite Multi-Stakeholder Group (MSG), known as *Comisión Nacional Multisectorial*, which was made permanent through a 2011 Supreme Decree, with participants from government, extractive companies and civil society. The Vice Minister for Mining at the Ministry of Energy and Mines (MEM) is the President of the Commission. An EITI Secretariat has been established in the General Office for Social Management at the same ministry.

The present Minister for Mining and Energy has a background from the World Bank where he was directly involved with EITI matters. For the time being, there is therefore strong support to EITI at all these three levels of the Ministry, something that by no means has always been the case. During several years, particularly during the administration 2006-2011, there was little interest in and support for EITI in the Peruvian government, and the Secretariat was also very weak. But thanks to the MDTF grants and extra financial support from Switzerland, the reconciliation reports were made. With more political support and quite enthusiastic leadership from the present national coordinator, Peru was therefore able to do its homework and qualify as a compliant country.

¹⁹ The universities have apparently been the weakest participant in this structure: no public university has shown interest, and only a couple of university professors from two non-state universities (including the Catholic University) have been involved. The planned decentralized EITI implementation, might be the opportunity to involve them more, since they are also beneficiaries of the *Canon* (see more later about this).

The present political support, combined with the fact that all three stakeholder groups (including industry and civil society) pull very constructively together in a common commitment and search for consensus solutions to promote the EITI philosophy in the country, creates a quite unique opportunity. Given the institutional instability in Peru, there is absolutely no guarantee that this situation will persist. Back in 2011, the donor embassies had to send a very strong letter to the government demanding more support to EITI. As late as in 2013, serious doubts emerged around the authority of the national coordinator, so the situation is not sustainable. Much of this had to do with the lack of interest from the previous minister of mining and energy. On the other hand, the present minister has recently been questioned in Parliament for conflict of interest - the stability of a minister seems to always be relative in Peru.

It is important to bear in mind that Peru has had a quite favourable normative framework for transparency and accountability in public finance management, motivated by the notorious corruption during the Fujimori government in the 1990s. This situation is also reflected through the existence of professional tax authorities applying state-of-the-art technology, according to Ernst&Young, responsible for all three conciliation reports until now²⁰. The Human Rights Ombudsman (*Defensoría del Pueblo*) has also played a constructive role in the same direction. Thus, EITI has not needed to invent the wheel in Peru – it has had a quite fertile ground on which to work.

Furthermore, Peru EITI has been in a very lucky situation in the sense that there has been a large continuity in the World Bank support to the program. The present Peru EITI task manager at WB HQs was stationed at the Peru Country Office for five years when the program started; he practically formed the program, to which he is still very committed.

According to one well-placed observer, the success of Peru EITI has been caused by the pressure of civil society plus one sector of the industry concerned with its public image. Government has come more reluctantly along – until now when there is a very good set-up in the Ministry.

2. Financial support

The second MDTF grant, approved in September 2013, is planned to be spent as follows:

- Third reconciliation report (E&Y, finished by 15.01.14), 120,000 USD
- Fourth reconciliation report (subject to public tender), 80,000 USD
- Formulation of sub-national EITI plans (Piura, Moquegua, Iquitos), 23,334x3
= 70,000 USD
- Public exposure and social consensus-building around Peru EITI, 60,000 USD
- Audit of the donation, 20,000 USD

²⁰ Ernst&Young won the first two conciliation assignments in open competition with PWC, Deloitte and KPMG; the third was done without tender on instruction from the WB; the next is again expected to be out for open tender.

The MSG seems to have been involved in the discussion of the MDTF only to a very limited extent in Peru. It was noticed that the NGO representatives had hardly seen the latest MDTF grant letter (September 2013). One could perhaps even ask how much *transparency* there has been about this funding. One quite strange observation is that there has been too little capacity in the MSG to discuss a more proactive use of the MDTF grant.

The second reconciliation report had to be funded by additional financial support from Switzerland. No MDTF support has been available for civil society, but according to our information the participating CSOs have separate funding for their work with EITI, from USAID (in the case of *Grupo Propuesta Ciudadana*, which has been involved in Peru EITI from the very beginning), and from Open Society (in the case of *Derecho Ambiente y Recursos Naturales – DAR*, which joined the MSG only in 2013). People in the Secretariat on their side question whether the donors have been sufficiently transparent about their support to the NGOs, so a certain degree of mistrust may exist in either direction.

There is full agreement among the stakeholders that more financial support is needed in order for EITI to continue having relevance in Peru in the coming months and years, particularly for the funding of regional activities: reports on the use of fiscal transfers and for the organization of regional commissions, outreach, and not least the setting up of local monitoring groups. Appeals to bilateral donors about this have so far not been successful – the response from donors is that both government and industry should have sufficient resources to take care of this, given the extractive boom in the country (“there is enough money in the country”). This view is shared by civil society. No funding to EITI has so far been provided by the participating companies, their view being that this is not their responsibility.

No discussion has so far taken place in the MSG about alternative funding, sustainability without MDTF support, or exit strategies. The different partners simply continue pointing fingers at each other.

One funding option seems more and more obvious: with the decentralization of EITI in Peru, and given that the provincial and local governments are unable to spend their fiscal incomes, one could expect that a tiny share of those non-utilized funds could be used for the innovative purposes proposed by Peru EITI. One view is that transfers received through the surface fee (*derecho de vigencia*) might perhaps be a more realistic source for this, than the canon properly speaking.

Anyway, there is an obvious need for a full discussion of the funding options in the months to come. As far as we understand, the World Bank is presently considering a third MDTF grant, which probably would be focused on decentralized reporting. But funding beyond the MDTF is definitely something that needs to be discussed.

3. Technical support

The EITI Secretariat consists of the EITI National Coordinator (expected to spend approximately one third of his time on EITI – but he is very busy in his role as the Ministry’s main trouble-shooter in the tremendous social conflicts characterizing this industry), plus three officials in charge of political follow-up, administrative issues (including WB relations) and communications, respectively. Two of these work 100% on EITI matters, the third about 70%. We may roughly speak about a total of 3.4 person-years available for EITI at the

Secretariat. The value of this in terms of salaries – covered by the Government of Peru – amounts to roughly 100,000 USD per year. The claim is that in this way, GoP contributes as much to EITI as the MDTF.

A general characteristic is that the Secretariat may be politically quite effective, but operationally and also analytically quite weak. This may become a significant challenge as Peru EITI takes on a more decentralized work strategy. There is a general concern among donors that the Secretariat ought to be qualitatively strengthened, and the Ministry is being urged to address this issue.

The Secretariat has been strengthened in one period by an advisor financed by the German cooperation, and in another period by a special advisor financed by the International Secretariat. A second German advisor has been turned down due to misgivings about salary inequalities compared to the national staff, but there is still hope that this issue may be solved. Germany is also presently supporting the National Secretariat in order to improve their website, and to improve the visibility and outreach of the reconciliation reports. There is a certain disagreement between the German database advisor and E&Y about the technical specifications for the presentation of the reconciliation data.

The following missions and trainings have been carried out by the International Secretariat over the last three years:

Table G.1: EITI Missions to Peru

Date	Event	Comment
Mar-2014	Training with MSG + observers	Presentation of the EITI Standard with focus on guidelines for country work plans
Nov-2013	CSO workshop, regional Conference and EITI Training in Bogota	5 participants from MSG MSG training funded by WB/MDTF
May-2013	EITI Global Conference in Sydney and Communication training	5 participants from MSG Comm workshop co-organised with GIZ (Germany)
Mar-2013	Secretariat mission to Lima (Jonas Moberg and Francisco Paris)	No training involved
Nov-2012	EITI National Coordinators in Lusaka	Fernando Castillo participated (a number of sessions included training)
Jun-2012	LAC Conference, EITI Board and side meetings in Lima	Side meetings included a MSG-Board meeting
Aug-2011	Secretariat mission to Lima	Field work for Secretariat Review (Validation)

International Secretariat has given training in the implementation of the new EITI Standard (basically – of relevance for Peru – disaggregated data plus information on concession contracts). E&Y confirms that Peru EITI is technically fully capable of implementing the new standard.

As far as we have understood, no other EITI training properly speaking has been done by other actors.

However, one INGO present in Peru, Natural Resource Governance Institute (NRGI, previously Revenue Watch Institute), basically funded by the Open Society Foundation, has provided valuable technical support to Peru EITI. There is no formal relationship between NRGI and the National Commission, and no direct technical support has been provided. NRGI is focusing its work – including some funding and in constant liaison with the international secretariat – on capacity-building with civil society, with a view to enable them to match the competence of government and industry.

The World Bank is obviously offering full and continuous follow-up of the MDTF implementation, in order to motivate the national EITI, also in periods of low government priority. The Task Officer (Regional Coordinator of Extractive Industries in the LAC region) is travelling to Peru two-three times a year, always with EITI as one of the main issues on his agenda. But the WB also has a special consultant present in Lima, who seems to be working very closely with the national coordinator and his team. So the World Bank is no doubt playing a very important support role to Peru EITI.

One major weakness in the implementation of Peru EITI has been on the communication side. The reconciliation reports are highly technical; there are serious doubts about how much new information they reveal; and they are presented in a form that does not reach beyond the groups of particularly interested people. When a reconciliation report is being presented at Hotel Sheraton with very little additional outreach, it implies that participation will be very limited. In the 2012-2014 work plan, there was an ambitious intention of organizing discussion forums with social leaders, representatives of CSOs, companies and journalists etc. This does not seem to have happened to any significant degree. The contrast to the outreach efforts of the MIM project (see later) is conspicuous.

4. Coordination

According to the donors, the World Bank used to have a very clear coordination role earlier on, by regularly calling together the group of donors and the three EITI stakeholder groups. Some donors claim that the Bank has gradually lost this role, and there is a general opinion today that donor coordination is weak.

In spite of the very close EITI follow-up offered by the WB, the local consultant does obviously not have the mandate to call together the donors in the same way as a full staff member of the WB could have done.

One consequence of this mode of work may also be that the links between EITI and the local WB office and programs are less tight than what might be desirable. The World Bank has only limited engagement in the extractive sector, apart from a project on the impact of mining on the regional economy of one of the regions (Las Bamba's), and another one on the expanded use of natural gas. There is also a pre-project on institutional support to the MEM.

A far more relevant link – particularly thinking of Peru EITI's planned decentralization – is the one to the IFC project called MIM (see textbox in next section).

What may seem surprising is that the coordination between MIM and EITI, and even the coordination between the WB and IFC about the two programs, have been quite limited (although there was previously an agreement between MIM and the Ministry of Mining and Energy).

The G8 meeting in London in 2013 agreed to support EITI through the G7 “Fast Track Partnerships for Extractives and Transparency”. Canada took the lead with Tanzania and Peru as pilot countries, and during the 2013 an action plan was developed that maps the best existing in-country development initiatives for transparency in the extractive sector. It contributes to support Peru in the monitoring transparency indicators and targets, and constructive dialogue with the state. For the upcoming year, the Partnership will highlight the best practices of development initiatives related to transparency and identify lessons learned in order to support the Government of Peru and the establishment of the regional EITI commissions.

The mission was informed that a results framework was elaborated for the first MDTF grant, but this was not shared with the consultant. The mission was later informed about a results framework for the second MDTF grant (2014-2015), dated Mid-August 2014, eight months into the financial year of the implementation. This has made the mission have some doubts about the systematic use of results frameworks of the MDTF grants in Peru.

A different kind of coordination problem has also been noted: that the WB task officer sometimes finds it difficult to coordinate logistics for travel with the Oslo Secretariat.

5. Looking ahead: Opportunities and challenges

The new standard will be fully implemented in the next (fourth) reconciliation report. The main new element is that the companies are requested to present disaggregated accounting and tax declaration figures. 8 out of 15 petroleum companies and 24 out of 44 mining companies did so in the third reconciliation. All companies are now committed to present disaggregated figures, after some arms twisting took place particularly with one company: the Texas-based Hunt Oil which is active in LNG, with 50% of shares in Peru LNG, the first natural gas liquidation plant in South America.

The other new elements in the new standard, like information on concession conditions etc., are not seen to represent any major problem in Peru.

The really exciting perspective with Peru EITI is related to its ambition of carrying the EITI process to the decentralized government levels (departments and municipalities) – although this goes beyond the present EITI compulsory standards. Actually, the industry representatives claim that this was the proposal they made to the initial EITI and DFID delegation coming to Peru back in 2004: that the real transparency challenge in the country is not on national level, but rather with the use of transfer of fiscal funds to decentralized levels of government.

With the tremendous amounts of fiscal resources now being transferred as part of the revenues from extractive profits, there is a huge transparency and corruption problem in the sub-national governments. Three regional presidents (“governors”) are presently in jail, a fourth has escaped abroad to avoid prosecution, and several others are questioned for corruption. They typically come from the regions with heavy extractive activities and fiscal incomes. The *Grupo Ciudadana* representative in Loreto claims that “no (indigenous) community so far has seen any real benefits from the petroleum incomes”, and that these benefits rather have a tendency to be concentrated in regional capitals. Corruption is generally perceived to be more of a rule than an exception in these local governments.

Technically, all parties (including industry and E&Y) agree that it is fully possible to carry out the reconciliation at all levels of government (data are generally available on-line). The question is whether it is politically possible. A pilot project in Cajamarca largely failed, apparently because of the high level of social conflicts e.g. related to the Conga Mine, managed by the Colorado-based company Newmont together with the most experienced national mining company, Buenaventura. Cajamarca is also one of the departments where the regional President is in jail, accused of corruption.

Three other departments have now been selected for EITI implementation. Regional EITI commissions have already been formed in two departments (Piura and Moquegua), it is under constitution in a third, Loreto (the largest Amazon region in the country with extensive oil production). These commissions need to be re-organized and/or formally constituted after the upcoming local elections (October 2014). Very capable NGOs are present in all these three departments: the Jesuit organization CIPCA in Piura; CEP-ILO en Moquegua; the regional representative of *Propuesta Ciudadana* in Loreto. On the business side, there are leading companies with positive attitudes to participate in all three regions: Repsol in Piura, Anglo-Saxon and Southern Copper in Moquegua, Pluspetrol (subsidiary of an Argentine company) in Loreto.²¹

The Peru EITI ambition does not stop there. The really big source of public corruption in the country is probably in the *execution* of the provincial and municipal budgets. Some of the CSO stakeholders are now trying to make much more active use of the vigilance committees that formally are supposed to exist in every municipality, as a follow-up to another legally institutionalized phenomenon in Peru: participatory budgeting. The purpose is to hold local politicians and officials accountable for works and projects that are included in the budget.

There is one experience in Peru to build on as EITI moves in this direction: the IFC-sponsored MIM (see box).

As mentioned above, the instruments for local transparency and accountability have been activated through the MIM project. According to the IFC representatives who have been in charge of MIM, good technical teams and good experiences with local authorities have been developed in two of the three departments where EITI now intends to start decentralized projects, in Piura and Moquegua. Work has also been initiated by the CSO representatives in Loreto.²²

²¹ The responsible official for EITI at the GIZ office in Lima, Caterina Jochmann, has written a Master Thesis on the decentralization of EITI in Peru, attempting to draw lessons from experiences and looking ahead: "*La descentralización de EITI en el Perú: una mirada hacia atrás y al presente para seguir adelante*" (Pontificia Universidad Católica del Perú y Revenue Watch Institute, 2013)

²² The Scanteam consultant visited Loreto during the country mission, accompanying the National Coordinator and meeting both the acting President of the Loreto Department Council and the CSO representatives in the department

Box G.1: Improving Municipal Investment

MIM (*Mejorando la Inversión Municipal* - Improving Municipal Investment) is a program that has lasted for 8 years, and has had a total investment of 4.5 million USD (6 and a half times that of the EITI MDTF in Peru), financed by Canada and USAID in addition to proper IFC funding. It has been a really impressive experience, covering 30 canon-receiving municipalities in 8 departments, promoting transparency in resource allocation, accountability of expenditures, good financial governance on local level. The project has definitely taken place within the spirit of EITI, but it has been much more ambitious by taking it to local governments and asking much more intriguing questions about the *quality* of resource use. The MIM has become a quite powerful tool for local communities in order to hold mayors and local assemblies accountable. It has established a team of local extension personnel (2-3 in each region, recruited through a national Think Tank, *Instituto de Estudios Peruanos*), training local leaders (i.e. in so-called vigilance committees), journalists, as well as local governments. There is a record of 12-14,000 press clips showing local media using the information provided through MIM to question local authorities. The local population, also sensitized through cartoon-like pamphlets and other popularized information, has become increasingly active requesting information about budgets and resource use from their local authorities. There are examples of mayors who have been thrown out of office by people questioning them with MIM in hand. MIM has also developed an index of good governance, ranking the 30 municipalities according to some key indicators, and updating the ranking every 3 months. This has become a standard reference for the quality of the local government.

One difference compared to EITI is that MIM has not been based on the tripartite consensus principle: local chambers of commerce, professional associations, NGOs and universities have participated without committing any of the parties to any pre-agreed positions

MIM in its present form will be finalized by the end of 2014, but Canada is considering a continuation.

There is reason to ask why there has been so apparently limited coordination between MIM and EITI, and between IFC people in charge of MIM and WB people in charge of EITI. It is also noteworthy that Canada, and to some extent USAID, have invested much more in MIM than in EITI. This is quite understandable since EITI has been considered to have a much narrower framework. Canada has a very ambitious global program for natural resource governance, with Peru as one of the focus countries (30 million Canadian dollars in annual budgets).²³

Now is the time for Peru EITI to take full advantage of the accumulated experiences and the local networks built by MIM and other relevant experiences.

The most immediate challenge is that the regional commissions will have to be re-organized after the October 2014 local elections. While the present regional presidents of the three pilot departments have been seen to be relatively clean, there are question marks about their possible post-election successors that may endanger the plans. According to observers, what will be required in order to implement the decentralized EITI is (1) identification and training of actors; (2) a communication program; (3) exchange of experiences. It would appear that MIM has a lot to offer in all three regards.

²³ A major motivation for Canada's interest in this issue is obviously that Canadian mining companies are so active. It has therefore been seen as a politically important to compensate the business interests with such governance initiatives.

Even more complicated, but still on the Peru EITI radar screen, is the verification of so-called voluntary contributions, something the companies commit to pay to local governments when they get the concessions. These payments, supposed to amount to as much as 1 billion USD, often used to set up local companies for “community works” or handed out in cash, are perceived to generate massive corruption, and also in some cases the splitting up of local communities (buying of loyalties). Both civil society and government want companies to make these payments public, but the companies are strongly against it. Their argumentation is a little unclear, but independent critical observers claim that these funds help companies set up clientelistic relations in the affected communities, often by mobilizing matching public investments that the companies may also claim the responsibility for. In some indigenous communities, there have been strong criticism against companies accused of employing a conscious divide-and-rule strategy, paying considerable amounts in cash to those who have been willing to support their projects while other parts of the community have been against them. If Peru EITI opts to continue pursuing this line of work, conflicts with the business sector may be expected.

These are huge challenges, no less opportunities, where Peru EITI may play a real door opener role, by taking the EITI system to new horizons. But it requires resources, principally to the CSOs that would be in charge of mobilizing people to take part in the local verification work. All parties – donors included – agree that the 70,000 USD set aside for decentralized EITI as part of the second MDTF grant is obviously not sufficient, and that extra funding will be needed (ref what was said above about all parties pointing fingers at each other).

Another ambition of Peru EITI is to play a leading regional role in Latin America. So far, EITI has had very limited success in this region. Countries like Brazil and Chile should be among the most obvious candidates for EITI. But there seems to have been considerable resistance to the perceived northern dominance in EITI; a suspicion that this is about “Europe trying to look us in the cards”. In Brazil, e.g. it has frequently been asked why the UK itself is not joining a UK initiative with a UK Head of Board.

Partly linked to the perceived Northern dominance is the image of EITI as an initiative meant for much worse-off countries in terms of governance, not least African countries. A government like the Brazilian is apparently reluctant to be put in the same category as the most corrupt and ill-fated African countries. In cases where prominent state companies like PEMEX (Mexico) and Petrobras (Brazil) showed some initial interest, there was no follow-up from governments (with Mexico now beginning to renew its interest).

From civil society in Latin America, there has also been some reluctance due to the perceived dominance of the World Bank behind the initiative, and also because related issues like the environment and the situation of indigenous peoples have not been included. A clear example of this is Colombia, where the government wants to join EITI while the country’s strong civil society maintains a hesitant attitude, demanding that the environment be included as a precondition to go along (and this now seems to be accepted). NRGi is planning a seminar in Costa Rica in November, where NGOs of the continent will discuss how to include non-fiscal issues in EITI.

In Peru, requests from civil society – led by NRGi – to include environment on the EITI agenda has so far fallen on deaf ears.

Some actors have also wanted to include the other extractive industries included in the canon (fisheries, forestry and hydropower), but this has so far not been seriously considered.

One aspect to bear in mind is that engagement with companies from non-EITI countries (ex. China, Argentina, Brazil) may be a stimulus to attract these countries towards EITI. The team member visiting Peru was e.g. very impressed by the way MEM and its General Office for Social Management is working with Chinese companies in the country.

Being conscious of its vanguard role on the continent, Peru EITI intends “to lead the transparency process in the extractive industries under implementation in Latin America and the Caribbean”. An example of this has already been shown: by initiative from Colombia EITI, the Ernst & Young team which has carried out the three reconciliation reports in Peru was invited to Colombia to share their experiences there, along with a representative from the EITI International Secretariat.

Some questions have also been raised over the location of the EITI Secretariat within the General Office for Social Management of the MEM. Due to the heavy workload with social conflicts, it is sometimes difficult to give sufficient priority to EITI tasks. Some observers describe this situation as vulnerable, and argue for a reconsideration of this location.

As said by the NREGI representative in Peru, “the main value of EITI in Latin America lies in the dynamics the initiative may create in order to move into new dimensions, be there non-fiscal issues, new sectors (forestry, fisheries etc.) and transparency on local level. Peru is in a good position to take the lead in all these regards.

6. Recommendations:

6.1. Now that Peru EITI is moving into decentralized reporting, it is important to take full advantage of the accumulated experiences and the local networks built by MIM and other relevant initiatives. This is of particular relevance in the departments of Moquegua and Piura (where MIM has been active), but even in the third department where decentralized EITI is being planned: Loreto.

6.2. MIM has so far mobilized much more donor support than EITI; Canada alone has a budget of 30 mill Canadian dollars for natural resource governance in Peru. Peru EITI should take advantage of this donor interest in developing its work further. IFC is now planning an evaluation of the MIM experience. The EITI Secretariat should attempt to make sure that the viability of experience exchange between MIM and EITI be included in this evaluation.

6.3. A thorough discussion about future funding of Peru EITI is required, whether or not a third MDTF grant is going to be provided. Tapping into the canon or perhaps more specifically the surface fee resources should be considered, along with earmarked funding from donors and companies. But the aim must be to become independent of donor funding, and that should be fully possible if the present momentum is maintained.

6.4. A new Action Plan for the 2014-2016 period was under preparation when we visited Peru in August 2014, with focus on decentralized reporting. A results framework dated Mid-August was later sent. There is a need to systematize the establishment of results frameworks in advance of the implementation of each MDTF grant.

6.5. In addition to decentralized reporting that include both quantitative and qualitative considerations of fiscal resource allocation, Peru EITI should also draw on its good track record to consider thematic expansion: environment and indigenous concerns, and other extractive sectors like fisheries, forestry and hydro-power. Since similar discussions are taking place in African countries (Liberia has added forestry and agriculture/rubber in their EITI, and other initiatives look into the possibilities of adding renewable resources like forestry, fisheries and even tourism), exchange of experiences and visions should be organized by the International Secretariat.

6.6. Verification of so-called voluntary contributions should also be further considered, in spite of business sector hesitation.

6.7. Peru's ambition to play a leading regional role in order to attract more Latin American countries to EITI is very welcome. Given the serious conflicts between extractive industries and indigenous and environmental concerns in the Amazon basin, it might be interesting to consider a regional program for this wider ecosystem.