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Consolidating global governance in nondemocratic countries: Critical reflections on the Extractive Industries Transparency Initiative (EITI) in Kyrgyzstan

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ABSTRACT

This paper reflects critically on the Extractive Industries Transparency Initiative (EITI) experience in nondemocratic countries, with special focus on Kyrgyzstan. It examines the functioning of such a form of governance and reflects on its effectiveness in practice. A lack of a consolidated, strategic approach among stakeholders and at times, competing objectives, often compromises the smooth functioning of such global governance initiatives. The paper draws on a combination of participant observation, survey analysis, and feedback from interviews conducted with state officials, civil society members and representatives of business companies.

1. Introduction

Cooperative governance practices between state and non-state actors have become increasingly popular approaches to address social needs and contemporary world problems. Such arrangements, it is often argued, incorporate non-state actors within the traditional sovereign system, in the process enhancing the problem-solving capacity and legitimacy of international governance structures (Börzel and Risse, 2002). The expectation is that cooperative engagements serve to meet challenges and respond to societal needs that would otherwise be left unattended.

It was against this background that, during the World Summit on Sustainable Development in Johannesburg (2002), world leaders proposed new forms of cooperative instruments based on voluntary partnership agreements, specifically interventions which bring together states, businesses and non-governmental organisations (NGOs) under one umbrella. This form of cooperative mechanism, also referred to as a "Type II" partnership,[1] is based on a voluntary, multi-stakeholder group initiative aimed at tackling challenges related to sustainable development, rather than addressing these issues through treaties or agreements (see Keck and Sikkink, 1998; Backstrand, 2006 Fransen and Kolk, 2007 Boström and Hallström, 2013). This new form of governance emerged in a range of areas across a variety of sectors aimed at improving people's lives, as well as economic and environmental security.

One area covered by such partnership agreements is the management of the natural resource sector. Many countries endowed with natural resources have struggled to generate sustainable economic growth, suffering from what is commonly referred to as the 'resource curse'.[2] As studies have demonstrated in many resource-rich countries, large-scale extraction of resources has often been accompanied by rising societal tensions, civil conflicts and dramatic levels of poverty (see Karl Terry, 1997 Moore, 2004; Shaxson, 2007). An impressive line of scholars provide convincing evidence which points to state agencies engaging in rent-seeking, which undermines the ability of institutions to govern and efforts to improve socio-economic development (see Ross, 2003; Mehlum et al., 2006a,b; Dunning, 2008).

The launch of the Extractive Industries Transparency Initiative (EITI) during the Johannesburg World Summit was considered by many to be a significant step towards facilitating greater transparency, participation and good governance in sectors engaged in the extraction of natural resources but which have been plagued by rent-seeking behaviour. This point is stressed in Article of Association 2(2) of the initiative: "The objective of the

[1] "Type I" refers to documents or agreements negotiated by states, such as political agreements like conventions and declarations (see further the UN The Johannesburg World Summit, 2002).

[2] The resource curse literature describes this 'curse' as the negative relationship in which the abundance of natural resources produces a negative impact on socio-economic development (see: Le Billion, 2003 Rosser, 2006a,b Ross, 1999; Sachs and Warner, 1999).

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EITI Association is to make the EITI Principles and the EITI Requirements the internationally accepted standard for transparency in the oil, gas and mining sectors, recognising that strengthened transparency of natural resource revenues can reduce corruption, and the revenue from extractive industries can transform economies, reduce poverty, and raise the living standards of entire populations in resource-rich countries" (EITI Standards Report, 2013). The rationale for implementing the EITI, therefore, is that increased transparency in the management of rents from extractive industries empowers different stakeholders, in particular citizens and civil society organisations. Doing so, it is believed, provides these marginalised actors with a platform to demand accountability for how natural resource revenues are distributed and used, and further promotes socio-economic development.

But despite these beliefs, there is very little analysis which provides insight into the effectiveness of the scheme in practice: the literature has yet to evaluate the ability of the cooperative platform to respond to the participation gap of traditionally-marginalised groups, as well as fails to adequately answer questions concerning the roles of the actors and their political incentives in joining such partnership agreements. Reflecting on the experience of EITI implementation in Kyrgyzstan, this article sheds light on both issues. Analysis of the EITI multi-stakeholder group implementation process suggests that the intervention's impact has been limited in practice. Findings demonstrate that the EITI operates as a dysfunctional platform of cooperation with disconnects from its initial purpose.

The paper is structured as follows. Section 2 contextualises the dynamics and underpinnings of the EITI, drawing on the global governance literature. Section 3 examines the EITI experience in Kyrgyzstan with special reference to the country's mining industry. Section 4 assesses the functioning of the EITI in Kyrgyzstan, and identifies the challenges and obstacles to its effective functioning. This is followed by a critical review of the key challenges to effective global governance in practice. The paper concludes by prescribing recommendations for effective implementation of global governance interventions such as the EITI in non-democratic countries.

2. The Extractive Industries Transparency Initiative as a global governance initiative

Endowments of natural resources present enormous opportunities for a country's economic growth and social development. The opportunity is quickly lost, however, when the activities from the extractive sector and its revenues are not maximized to stimulate economic development and are merely siphoned. This has been particularly well-illustrated in developing countries endowed with abundant natural resource wealth. As the pioneering work of Ross (1999), and Leite and Weidmann (1999) demonstrate, the "worst" socio-economic outcomes and anti-democratic effects are found in countries endowed with natural resources (see also Sachs and Warner, 1999; Ross, 2003; Rosser, 2006a,b). Poor institutional governance structures, corruption and rent-seeking behavior are listed as major explanations for this counter-intuitive trajectory (see Karl, 1997; Melhulm et al., 2006; Shaxson, 2007Karl, 1997; Melhulm et al., 2006; Shaxson, 2007 Shaxson, 2007).

The series of social problems arising from resource extraction in many African countries in the late 1990s served as a timely reminder of the negative effects that can arise from a 'business as usual' approach in mining and oil and gas production, as well as its implications for the wider community (see Leach, 2006, p. 114; Gillies, 2010). Civil society organisations have challenged rising global injustice and the ability of the market to redistribute finances equitably (Howell and Pearce, 2001; Zajak, 2009). Transnational activists and civil society organisations have drawn attention to the growing divide between affluent Western states and poor developing countries. Gradually, such network movements have challenged and politicised the link between consumption and exploitation, denouncing the role of states and multinational corporations in these dynamics (Zajak, 2009). Increasingly, activists have highlighted the social inadequacies and inequities of unregulated global production processes and demanded that corporations are held accountable for their social, environmental and financial performance (Detomasi, 2007).

Addressing these challenges is essential in mitigating the negative effects of natural resource exploitation. Calls for organisational engagement across sectors have been seen as critical, with a diverse array of actors (governments, companies, civil societies and international organisations and donors) within and beyond local borders. The launch of the EITI is among the responses aimed at facilitating broader cross-sectoral and multilateral engagement in the domain of natural resource extraction. Designed as a multi-stakeholder group (MSG) model, the initiative aims to reduce corruption and strengthen transparency in the extractive industries sector. One of the main advantages of the initiative is that it provides a place for dialogue (which did not previously exist) among different groups, with representatives from the government, the private sector and civil society. The involvement of civil society in the EITI process is viewed as especially important, because its role represents the voice and interests of the general population, particularly within the context of oppression and authoritarianism in developing countries. The EITI is designed to create a feedback loop between the government and the governed (Aaronson, 2011, p.51).

Such a form of cooperation has been viewed as a more efficient response for achieving what government alone fails to provide. The inclusion of different sectoral actors in the decision making process capitalises on the comparative advantages of their members in terms of knowledge and skills. As Truex and Søreide (2010, p. 2) note, the collective interests and capacities of the group are thought to surpass those of the individual stakeholders. A central element of such association resides in the nature of the actors involved, particularly the non-state actors. As several authors argue, in the globalized and interconnected world, international and domestic influence over economic and societal matters come to be exercised by agents other than the states (see Strange, 1996). Increasingly, as Rosenau James (1990) observes, in world politics composed of complex interdependence, *sovereignty-free actors*, such as multinational companies (MNCs) and international governmental and nongovernmental organisations, have come to challenge the state's traditional authority and are seen as powerful participants in governance debates (Woods, 2002, p. 27).

Multinational companies have become important players by creating value through operations that span beyond national boundaries and influence the trajectory of regime development (Levy and Prakash, 2003; Teegan et al., 2004). As Detomasi (2007, p. 322) argues, technology and increased investment freedom have given MNCs significant bargaining leverage in their relationships with host governments. As a result, the power of MNCs to shape outcomes has increased in comparison to governments and other societal actors. Many MNCs govern strategic sectors or geographic regions. Consequently, governments are seeking the investment, technology and managerial expertise of companies (Florini, 2003). In this way, MNCs' decisions affect the vital needs of host countries and their economic development.

The role of transnational non-governmental actors is deliberative. They do not represent particular commercial interests or interests of sovereign countries. Rather, they bring principles and values to the attention of policy makers and businesses. Their role is to monitor the global governance activities of states and firms (Woods, 2002, p.