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# An analysis of the Extractive Industry Transparency Initiative implementation process

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## ABSTRACT

The Extractive Industries Transparency Initiative (EITI) has become an international hallmark of the efforts to promote better extractive-sector management and improved societal development in natural resource-rich countries. Since its establishment in 2003, a large number of resource-dependent countries have committed to the EITI Standard, and support of the EITI from donors, nongovernmental organizations, and extractive industry companies has been vast. To understand whether and how adherence to the EITI Standard can affect resource governance and development, it is crucial to examine what factors influence a country's decision to join and implement the Standard. This article examines why and how rapidly countries adopt the Standard using survival analysis methods and a global dataset on countries' progress in implementing the EITI Standard. It finds that several factors influence progress and proposes that these can be categorized as internal motivation, internal capacity, and external pressure to implement the Standard. This article contributes to understanding why the EITI Standard implementation stalls in some countries whereas it progresses in others. Importantly, it outlines which factors need to be controlled for in studies that seek to evaluate the impact of the EITI on resource governance and societal development, and argues that such impact evaluations need to correct for the selection biases in countries' decisions to commit to and implement the EITI Standard.

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## 1. Introduction

The Extractive Industries Transparency Initiative (EITI) has become the most widely implemented and supported transparency initiative within natural resource governance. Thus far, almost sixty countries have publicly committed to implement the EITI Standard, which specifies the requirements for countries implementing the EITI. The implementing countries, donors, extractive companies, and the other EITI supporters fund EITI International, providing between USD 4–5 million annually (EITI, 2017). In addition, regional development banks, other international development agencies, bilateral agencies, and international civil society organizations fund the activities of national EITIs, as well as the implementation of the Standard in the member countries. The World Bank's Multi-Donor Trust Fund for EITI (EITI-MDTF), for example, disbursed almost USD 70 million in technical and financial assistance to EITI-related programs and projects in over 40 countries during the period 2005–2015 (World Bank, 2016). Furthermore, the member countries' own investments in implementing the Standard are often considerable.

Despite support and effort put into implementation of the EITI Standard, many participating countries are slow to fully implement it. Some countries, such as Guinea, the Democratic Republic of Congo (DRC), and Kazakhstan, took almost a decade after having officially committed to implementing the EITI Standard before becoming fully compliant members.<sup>1</sup> In some countries, the interest falters even before the commitment stage as, for example, in Bolivia, where the EITI was seen as a neoliberal instrument and thus not in accord with the ideological position of the government (Bebbington, Arond, & Dammert, 2017). The data on the progress of EITI implementation that is used in this article shows that it takes, on average, 5.7 years – varying between 2.4 years (Liberia) and 9.5 years (DRC) – to proceed from officially committing to the EITI to fully implementing the EITI Standard.<sup>2</sup>

<sup>1</sup> To become 'EITI compliant', a country needs to pass a validation that assesses it against the requirements set by the EITI Standard.

<sup>2</sup> The data covers the period from June 2003 to February 2016. This corresponds to the period from the launch of EITI to the introduction of the EITI 2016 Standard. In this article, 'EITI implementation', 'EITI Standard implementation', and 'Standard implementation' are used interchangeably.

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This article examines what factors influence the speed at which countries implement the EITI Standard. Further, it proposes a simple conceptual framework to categorize the different factors that may influence the progress of EITI implementation. These categories are internal motivation, internal capacity, and pressure from outside actors, such as development agencies and organizations. To study indicators that fall within the three different categories, the article uses survival analysis adapted for ordered multiple failure-time data to examine how quickly countries pass through the different EITI implementation stages. The article finds support for all three categories and makes an important contribution to the literature by identifying new indicators that are linked to a country's decision to join and implement the EITI. These indicators include previous experience of a "resource curse" or a major armed conflict, which are both related to faster implementation, and the curvilinear relation between income level and the implementation progress.

This article is the first to consider EITI implementation as a process with multiple stages, and not simply a discrete decision to either become an EITI member or not. This innovative approach makes it possible to analyze the entire implementation process, and better reflects the continuous effort (or lack thereof) a country is making towards EITI Standard implementation. The approach thus also better captures the impact of the covariates on the progress of EITI implementation.

Further, this article contributes to systematic research on the EITI's impact on resource governance and on other objectives attributed to the EITI. The numerous quantitative evaluations of the EITI's impact have yielded many mixed or negative results (Rustad, Le Billon, & Lujala, 2017; Sovacool, Walter, Van de Graaf, & Andrews, 2016). However, these studies, with a few exceptions, do not fully consider why certain countries become EITI members whereas others do not. And none considers the progress (or lack thereof) of implementation as a factor that may be relevant for explaining the (lack of) success of the EITI. Slow implementation, for example, may indicate that a country has joined the EITI for reasons other than a genuine interest in improving the governance of its extractive sector. Alternatively, it may mean that its capacity to implement the EITI Standard is low. Both explanations would have consequences for what – and how fast – the EITI conceivably can achieve in that particular country. Unless these aspects are controlled for in a study that seeks to assess the success of the EITI, it risks underestimating the effect, and the potential, of the EITI (Corrigan, 2014; Papyrakis, Riger, & Gilberthorpe, 2017; Sovacool et al., 2016).

This article proceeds as follows. Section 2 describes the EITI implementation process. Section 3 summarizes earlier systematic studies conducted on EITI membership. Section 4 presents the conceptual framework for categorizing the factors that may affect the progress of implementation. This section also outlines the study's hypotheses. Section 5 describes the data and methods, and Section 6 presents the results. Section 7 discusses the main findings, and Section 8 discusses their implications.

## 2. The EITI and EITI Standard implementation process

The EITI and its functions were first publicly outlined by the UK Prime Minister Tony Blair at the World Summit on Sustainable Development in Johannesburg in 2002; the EITI was formally launched in London in June 2003. The EITI started as an initiative to make publicly available the information on revenue flows between extractive industry companies and national governments, with the objective of curbing corruption (Papyrakis et al., 2017). Since then, the EITI has grown into a widely used instrument, and the latest EITI Standard, in place since 2016, includes several aspects of the natural resource value chain (EITI, 2016). For example, the 2016 Standard requires that implementing countries pub-

licly disclose information about exploration activities, licenses and contracts, beneficial owners, and revenue use. Further, the Standard requires the National EITIs "to take steps to act upon lessons learnt; to identify, investigate and address the causes of any discrepancies; and to consider the recommendations resulting from EITI reporting", and to report on their progress in addressing the recommendations (EITI, 2016, p. 30).<sup>3</sup>

The countries seeking to implement the EITI Standard and to become fully compliant with it must follow a specific process set by the EITI (EITI International Secretariat, 2016a). The process starts with the country's government publicly committing to joining the EITI and to implementing the EITI Standard. After the commitment announcement, the government must appoint a senior official to lead the implementation and to establish both a national EITI secretariat and a multi-stakeholder group (MSG) to oversee the implementation. The MSG needs to comprise representatives from the government, civil society, and the private sector, and it is responsible for setting objectives for EITI implementation, producing the different EITI reports, and ensuring that the findings from the reports contribute to public debate. A fully-functioning MSG, in which civil society has a genuine voice and influence, is a requirement for a country to be accepted as an EITI candidate country.

After the country has fulfilled the initial requirements, the government can apply to the EITI Board to become a candidate country. The application must be endorsed by the MSG. If the application is accepted, the candidate country is expected to start publishing the annual EITI Report<sup>4</sup> and to fulfill the other requirements set for an EITI compliant country. The validation process to become a fully compliant EITI country consists of the MSG and the national EITI Secretariat preparing the required documents and data for the validation and conducting a self-assessment of the EITI progress to date; an independent consultant preparing a Validation Report, which is subsequently submitted to the EITI Board; and the EITI Board reviewing the Validation Report and other documents and making a judgment as to whether the country is compliant or not (EITI International Secretariat, 2016b, 2017).

## 3. Earlier empirical studies of EITI membership

The literature using systematic empirical studies to examine the EITI is rapidly growing. This literature can be divided into two broad themes: one that looks at the factors that correlate with a country's likelihood of joining the initiative; and the other that examines the initiative's impact on governance of the resource sector, FDI flows, and more general development outcomes.<sup>5</sup> The studies that have used statistical methods to examine which countries tend to join the EITI are few in number and include Pitlik, Frank, and Firchow (2010), Öge (2016a), Kasekende, Abuka, and Sarr (2016), and David-Barrett and Okamura (2016).

Pitlik et al. (2010) was the first article to explore the factors related to an increased likelihood of joining the EITI. It used cross-section data for 2008 and included up to 143 developing countries, 19 of which had joined the EITI at the time. In an article that examined the EITI's effect on corruption, Kasekende et al. (2016) included a first stage in which they modeled countries' likelihood of joining the EITI. The authors used panel data for the period 2002–2012 and included 76 resource-rich countries, 37 of which became EITI

<sup>3</sup> For a more detailed account of how the EITI came into existence, how it functions, and what its objectives are, see, Hauffer (2010); Öge (2016a); Rustad et al. (2017); Sovacool and Andrews (2015); and Van Alstine (2017).

<sup>4</sup> The annual EITI Report is the core EITI product. It contains the data on the country's extractives industries in accordance with the EITI Standard (see <https://eiti.org/document/guidance-note-on-publishing-eiti-data>).

<sup>5</sup> For a recent overview of the literature on the EITI's impact, see Rustad et al. (2017).

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