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Explaining diverse national responses to the Extractive Industries Transparency Initiative in the Andes: What sort of politics matters?

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ABSTRACT

The Extractive Industries Transparency Initiative originated in the international domain but can only operate if adopted at a national scale. This paper addresses how national political settlements and efforts to define the idea of "transparency" in line with particular interests, have led to diverse responses to EITI across three Andean countries: Peru (an early adopter), Colombia (a late adopter), and Bolivia (a non-adopter). We argue that national elites (in the state, private sector and civil society) have taken up EITI (or in Bolivia's case, rejected EITI) as part of a strategy to secure broader goals and to convey particular messages about the state of democracy and political priorities in their countries, including toward actors on the international stage. We conclude that the EITI, and the idea of transparency, are leveraged by national actors to meet domestic political goals and interests, even as these domestic political goals may also be intertwined with other international pressures and contexts. While EITI, and arguments over transparency, can affect the nature of the domestic political settlement, they do so primarily by helping deepen domestic political changes that are already underway and that were the same political changes that created the initial space for EITI.

1. The puzzle: three countries, three different responses

The Extractive Industries Transparency Initiative (EITI) is a voluntary, global standard for transparency in the extractive industry sector (Sovacool et al., 2016; EITI, 2016). While the EITI is a transnational innovation overseen by a global secretariat, the decision to enter EITI is made by national governments, and in a practical sense, EITI only really exists at a national level. In order to become fully EITI compliant, a country must first make a formal declaration of intention to implement EITI, and then put into effect a series of reforms that would make it a candidate. In particular, the national government has to constitute the national EITI as a formal and legally recognized institution and create a national multi-stakeholder EITI Commission involving government, industry and civil society. This Commission is charged with determining the scope of EITI (i.e. determining what will and won't be made transparent and how the process will work, over and above the requirements of the basic EITI standard) and with overseeing the implementation of EITI.[1] The country then has to put together accounts that show all the payments made by extractive companies under the categories required by the EITI standard, and all the payments received by governments. These two sets of accounts – payments and receipts – must then be reconciled by an independent third party, typically an international accounting company.[2] Finally, the process and all documentation must be validated by the EITI board. Once validated, the country becomes EITI compliant.

EITI has been both welcomed and questioned by actors across the political spectrum. Some observers view EITI as it views itself: namely, as a transparency mechanism that can lead to more effective investment of natural resource revenues in inclusive development, at least if carefully implemented alongside other complementary governance mechanisms (Collier, 2010; Corrigan, 2014; Stürmer, 2010). Others see the Initiative as largely irrelevant, neither threatening nor doing much to enhance their interests, while more critical observers argue that EITI can serve to divert attention from more serious issues surrounding the political economy of extractives and in the process keep discussions of the quality of democracy and regulation within neoliberal bounds (Bracking, 2009). Whatever the case, it is clear that the transaction

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[1] The Commission is also intended to be a venue for broader discussions of natural resource governance in a country.

[2] The 2016 EITI Standard added some requirements, such as disclosure of the legal and institutional framework, including allocation of contracts, licenses and beneficial ownership. This paper does not discuss this new standard, available here: https://eiti.org/files/english_eiti_standard_0.pdf

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costs associated with implementing EITI are significant, which raises the question of what motivates governments to decide to assume such costs, and then also what motivates extractive companies, civil society and transnational actors to share in these same costs. These motivations are presumably related to the domestic and transnational politics that shape the roll-out of EITI in a given country and also shape the ways in which "transparency" is interpreted and applied in national EITI processes. This paper explores these motivations and the factors that drive EITI roll-out at a national scale.

Bolivia, Colombia and Peru are all extractive economies sharing traditions of mineral extraction that date back to the pre-colonial period. Over the last century mining has been a far more substantial component of the Bolivian and Peruvian economies than in Colombia. Conversely, while all three countries also have important hydrocarbon sectors, oil has been an especially significant source of public finance in Colombia for many decades (the fiscal importance of hydrocarbons in Peru and Bolivia is more recent). Notwithstanding these shared modern histories of resource extraction, the three countries have engaged with EITI in different ways and at different times. Peru declared a formal interest to join EITI in 2005 and became a fully compliant member by 2011. Colombia, while sharing certain features with Peru (a broadly neoliberal macroeconomic framework and recent experience of national armed conflict), only applied for EITI candidacy in 2014. Bolivia, on the other hand, after expressing mild interest in EITI in 2008, has gone no further, tending, instead, to distance itself from the initiative.

It is hardly surprising that different countries adopt different policies. The question is why? Recent literature on political settlements and political equilibria (Khan, 2010; Acemoglu and Robinson, 2012; Hickey et al., 2015a,b) argues that the primary explanation for such cross-country differences resides in the nature of elite politics and pacts, the overall objectives of these elites, and the extent to which excluded groups in society are able to exercise some form of "holding power" over dominant elites. This is not an inconsequential argument for EITI, because the implication would be that in any given country, the forms taken by EITI depend upon power relations within that country and the extent to which any given actor or set of actors have been able to instrumentalize EITI and ideas of transparency for their own political and ideological strategy. While such instrumentalization is not necessarily "a bad thing" – this depends on one's perspective – the observation is important because it implies that EITI is not merely a technical instrument designed to increase levels of transparency and foster economic development but is instead an instrument whose level of roll-out and adoption will depend upon how far actors with power and authority see the instrument as aligning with their interests, or are obliged, because of the power of contesting elites (in civil society or elsewhere) to engage with EITI. Such a reading would mean that assessing EITI readiness would involve an assessment of these interests and relationships of power.[3]

These are our concerns in this paper: through addressing the puzzle of why three Andean countries have responded to EITI in different ways and/or at different times, we seek to develop a political and power-based framing of EITI, and speak to these questions of how to explain and interpret the differential roll-out of EITI in different environments. The paper proceeds as follows. First, we elaborate elements of our theoretical argument, at the core of which are notions of political settlement, scalar politics and struggles over the meanings of the idea of transparency. We then summarize the postulates that flow from this and the methods through which we addressed these postulates. In the fourth section we describe the different ways in which Peru, Colombia, and Bolivia have engaged with EITI. In each case we consider how the mechanism was initially promoted, the characteristics and motivations that have affected the involvement of different actors in the process, the different ways in which these actors have interpreted EITI and how this has affected their participation. In the fifth section we discuss implications of these results and offer conclusions.

2. The national politics of institutional innovation

2.1. Settlements and a scalar politics of institutional emergence

The institutions governing a society reflect the prevailing political settlement (Khan, 2010; Hickey et al., 2015a; Acemoglu and Robinson, 2012), both at an aggregate level as well as in relation to particular policy domains and natural resources (such as oil or diamonds: Hickey et al., 2015b; Poteete, 2009). Talking of political settlements and oil governance Ghana and Uganda in Hickey et al. (2015b) comment:

> "A political settlement refers to 'the balance or distribution of power between contending social groups and social classes, on which any state is based' (di John and Putzel, 2009: 4), which is arrived at initially through a process of struggle and bargaining between elite groups. Within any political settlement, the organisation of the ruling coalition is critical, particularly in terms of the 'horizontal' and 'vertical' power of different groups, whereby horizontal power refers to the capacities of groups excluded from the coalition and vertical power refers to the power of lower-level factions which support the ruling coalition from within" (Hickey et al., 2015b: 3).

Indeed, even if inter-elite bargaining and compromise are important, popular mobilization and civil society strategizing can also drive institutional change (Bebbington, 2012), constituting what Khan (2010) would term new forms of "holding power". Likewise, an important driver in the emergence of EITI as a transnational initiative has been the work of diverse sorts of civil society organizations at all scales, seeking to force extractive enterprises and states to reveal information regarding tax payments and revenues from mining, oil and gas operations. Any adequate account of the political drivers of EITI thus has to address civil society actions as well as those of political and economic elites.

This said, and even if institutional change can occur when particular social actors mobilize for change, institutions can also change when prevailing arrangements become obsolete for the needs of dominant groups, when there are contradictions among different co-existing institutions, or when new institutions get grafted onto old ones and slowly transform them (Mahoney and Thelen, 2010). In other words, institutional change might well occur without any substantial change in relationships of power but rather because dominant groups begin to see the advantage of shifts in the rules of the game. The implications for thinking about the emergence of EITI in a given country are clear: namely, it *could* reflect an accommodation of changing power relations, but it could also occur without any change in power relations at all, and simply because it becomes useful within the existing constellation of power as a result of changes in the broader political and economic environment.

While the political settlements literature tends to understand institutional emergence as an endogenous process hinging around relationships among national elites and the ways in which these

[3] It would also imply that the closing of civic space in EITI countries should be read as an indicator of elites instrumentalizing EITI towards their own interests and squeezing out the agency of actors with different objectives.