

Initiative "one book in one snapshot"

Title of the book/paper: The Transparency Paradox: Why do Corrupt Countries Join EITI? - Working Paper No. 38, European Research Centre for Anti-Corruption and State-Building (ERCAS Berlin)

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Date of publication: November 2013

Sectors/areas of interest: Corruption, good governance, resources and conflicts, EITI

Summary (maximum 2 pages):

The Extractive Industries Transparency Initiative (EITI) was established in 2002 to help reduce corruption in oil, gas and mining. Countries that sign up to EITI commit to publishing government revenues from extractive industries and requiring companies that operate in the country's territory to do the same. 16 countries are now EITI compliant and 23 others have achieved candidate status. The authors raise the question of why developing countries join EITI, given that it is a soft law initiative to which countries voluntarily commit, and corrupt countries could reasonably be expected to want to stay out of the initiative, in order to preserve a system where corrupt rent-seeking is enabled to a greater extent. At the same time however, the study finds that countries that improve key governance indicators tend to receive more international aid, while governments that are perceived to be highly corrupt will receive less. As such, governments in developing countries do have a financial incentive to join EITI. The study supports this conclusion, finding that a developing country that chooses to participate in EITI can generally expect to receive more aid after it publishes its first EITI report. Furthermore, developing countries participating in EITI will continue to see increased aid the further they progress in EITI implementation.

In its status as a voluntary initiative, EITI is similar to the Kimberley Process Certification Scheme for diamonds, and also involves a high level of scrutiny and a multi-stakeholder governance structure, requiring governments, private companies and civil society organisations to implement standards together. The authors argue that EITI is successful at reducing corruption - measured using Transparency International's Corruption Perceptions Index (CPI) - in member countries because of the multi-stakeholder approach EITI implementation requires. Thus, the authors argue their results suggest that joining EITI cannot effectively be used as a "faking" tactic by corrupt governments. That is to say, corrupt governments cannot join EITI merely as a way to boost their international images and receive more aid, without seeing a decline in corruption.

Takeaway messages for DG DEVCO (maximum 1 page)

Many international organisations, donors and lenders, including the EU, UN, IMF and AU, actively promote EITI and encourage resource-rich country governments to commit to the scheme and implement its standards. This study provides evidence that EITI is successful in its goal of increasing transparency and reducing corruption. Thus EU efforts to promote EITI should continue, and perhaps even emphasised and supported to a greater extent.

An equally important take-away message from the study concerns why EITI has seen successes. The authors attribute this to its multi-stakeholder approach which brings in civil society, which in turn begins to hold governments to greater account, whether they wish it or not. The fact that greater stakeholder involvement tends to help improve governance will come as no surprise to most development professionals. But it is still perhaps worth it for more professionals within FPI and DEVCO to be at least familiar with EITI's model. Such familiarity would assist efforts to promote EITI, and perhaps allow for elements of EITI's model to be replicated in the future, in other contexts.

Date:

06/May/2014

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