

# ANTI-CORRUPTION HELPDESK

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## SUPPORTING EITI IMPLEMENTATION THROUGH CAPACITY BUILDING

### QUERY

Can you provide an overview of capacity building initiatives that have been undertaken by donors within the framework of EITI with a focus on civil society organisations?

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### SUMMARY

EITI implementation involves a series of activities aimed at increasing transparency and accountability in resource rich countries. The effective implementation of the initiative depends on participation of companies, governments and civil society organisations. It is crucial that these stakeholders have a fair understanding of the EITI process and more specifically of the technicalities around the oil, gas and mining sectors. Capacity building activities have been considered an important factor in the successful implementation of EITI and it has a strong potential to include and encourage local communities to participate in the process.

International donors have played an important role in providing the necessary technical and financial support to these stakeholders. Activities have varied significantly and have focused on different stages of the EITI implementation. Capacity building workshops have ranged from advocacy training for civil society in potential EITI candidate countries to more specific training on technical issues such as tax systems, revenue disbursements and sharing calculations and projections, to training on oversight and dissemination strategy and peer learning.

## 1. SUPPORTING EITI IMPLEMENTATION THROUGH CAPACITY BUILDING

### Overview

The Extractive Industries Transparency initiative (EITI) is a global standard that promotes revenue transparency in resource rich countries by requesting companies in the oil, gas and mining sectors to publish all the payments made to government entities, and governments to disclose all revenues received.

An effective implementation of the initiative requires the engagement and support of companies, public officials and members of the government as well as civil society.<sup>1</sup> In fact, civil society organisations have played an important role throughout the process by advocating reforms, raising the bar regarding the standards applied, monitoring and overseeing the process, and disseminating the results of the EITI reports. However, the oil, gas and mineral sectors are quite complex, requiring great understanding of a country's legal and tax framework, among other things. In order to ensure the correct and fair application of the EITI standard, it is therefore crucial that all stakeholders involved in the process have a good understanding of the technicalities involved to make informed decisions. Training and capacity building activities have thus proved to be fundamental in ensuring a more successful implementation of EITI (Revenue Watch Institute 2008; World Bank 2013).

This answer provides an overview of the capacity building activities that have been implemented by donors within the framework of EITI.

### The role of international donors

International donors, through multi-donor trust funds or bilateral agreements, have supported the EITI implementation by providing financial and technical support in a wide range of areas and to different stakeholders. For instance, financial and technical support has been provided to members of the EITI

multi-stakeholder group (MSG) in general, and more specifically to civil society organisations (CSOs), the media, governments, companies and to EITI staff at the national level, among other relevant actors.

### *Building civil society capacity*

Experience has shown that building the capacity of CSOs for EITI participation is likely to create demand for good governance in the extractives sector. It is also likely to cause an expansion of the EITI standard into other parts of the resource governance value chain, such as negotiation of contracts, monitoring the activities of companies, among others (World Bank 2009).

Considering the role played by CSOs in EITI, capacity building activities involve a wide-range of initiatives. For instance, prior to the candidacy, CSOs are key in advocating for the implementation of EITI – this will require at least a certain level of understanding of the EITI process and requirements, as well as the support of local communities and non-governmental organisations in oil and mining areas. In addition, CSOs are an integral part of the EITI multi-stakeholder group (MSG), together with companies and government entities. The group is responsible for all the fundamental decisions regarding the scope and implementation of EITI in a country. The more informed and able CSOs are, the more they can influence the decisions and push for more transparency and accountability in the process.

CSOs – whether or not they are part of the multi-stakeholder group – also play a key role overseeing EITI implementation and the reconciliation process. They are also in a better position to communicate the results to the population and the media, and pressure governments and companies to act upon the report's findings and recommendations.

Against this backdrop, based on the initiatives analysed in the course of the research, capacity building activities for CSOs may include:

- training on the EITI standard
- training on technical issues around EITI implementation, including information on a country's tax system, companies' reporting obligations, audit financial statements, contract monitoring, among others (This

<sup>1</sup> For more information on best practices implementation of EITI, please refer to a previous Helpdesk answer available at: <http://www.transparency.org/view/answer/4380>

training is of particular relevance because many important scoping decisions – for example, materiality thresholds, sectors to be included – depend on a good understanding of the extractives sector and a country's legal framework, and are taken in the very early stages of the process when CSOs are still unfamiliar with EITI requirements and how the data collected can be used.)

- capacity building for CSO members of the MSG for their effective engagement
- advocacy training to support a country's candidacy
- capacity building to understand EITI reports' content and findings and on how to act upon these.
- train the trainers training: building the capacity of local organisations to train others on EITI implementation
- training on how to best communicate the results and involve grass-roots communities and citizens

For instance, in 2011, with the financial support of Revenue Watch Institute, members of the Publish What You Pay Indonesia organised a [capacity building workshop](#) for local stakeholders on oil and gas revenue sharing calculations and projections. Participants included members of the local MSG, local government officials, companies' representatives and local CSOs.

The next section provides more examples of capacity building activities conducted by donors for civil society organisations.

### *Building governments' capacity*

Capacity building and technical capacity have also been offered to government officials, particularly at the local and regional level. This training can also be of particular relevance. A good understanding of the EITI requirements, of what kind of data should be provided, as well as the consequences of not providing (accurate) data could enhance companies' participation and in turn bring more credibility to the process.

Activities may include:

- training on the EITI standards and the

minimum requirements for implementation

- technical and financial support to conduct feasibility or scoping studies prior to the establishment of the MSG
- training on technical issues involving payments and revenues covered by EITI
- training on reporting obligations, including on how to provide the information requested and use the EITI reporting template
- training on best practices on implementing EITI and how to expand the scope
- technical advice on improving the quality and scope of EITI reports
- training on relevant laws, regulations, and administrative rules necessary to ensure the effective implementation of EITI as well as the effective participation of CSOs and companies in the process

For instance, Indonesia Corruption Watch, with the support of donors, provided training to government officials and oversight bodies at the regional and municipal level on revenue management issues, as well as on the importance and requirements of the EITI in order to encourage these actors to participate in the implementation process (Revenue Watch Institute 2011).

In 2013, the Eurasia Extractive Industries Knowledge Hub, supported by the Soros Foundation, provided training on the EITI revised standard to middle- and high-ranking officials from the Ministry of Economy, the Ministry of Finance, Ministry of Energy, members of parliament, representatives of the parliament and of the EITI Secretariat in Kyrgyzstan. The training covered the new requirements put forwarded by the EITI standard as well as the main issues around reporting for EITI, such as common mistakes in completing the template (Bagirova 2013).

### *Building company capacity*

Training and capacity building workshops have targeted firms in the extractives sectors. This training also aims at encouraging companies to participate in the EITI implementation, generating awareness with regards to their responsibilities as taxpayers, and at building their capacity on EITI reporting requirements.



Capacity building activities may include:

- training on social corporate responsibility
- training on payment types related to the extractives sector in the country of operation
- training on reporting obligations and how to use EITI templates

For instance, in 2013, the Tanzania Extractive Industries Transparency Initiative (TEITI), which receives funds from the World Bank, CIDA, NORAD and the African Development Bank, organised a capacity building workshop for companies and government agencies required to report on payments and revenues within the framework of EITI. The workshop aimed at ensuring that the individuals responsible for disclosing the data understood the requirements and the template, ensuring the quality of the report (TEITI 2013).

## 2. OVERVIEW OF CAPACITY BUILDING ACTIVITIES BY DONORS

Several donors have engaged in promoting capacity building activities around EITI implementation. Some donors have opted to support a multi-donor trust fund, while others have provided bilateral technical and/ or financial support to implementing countries. International civil society groups such as the [Revenue Watch Institute](#) and [Publish What You Pay](#) also provide extensive funding and technical assistance to national CSOs involved in EITI implementation. Many capacity building workshops are also organised by the national EITI office with the support of different donors.

This section provides a non-exhaustive overview of donors' activities in this area.

### Multi-donor trust fund

The EITI multi-donor trust fund (EITI-MDTF), administered by the World Bank, counts the support of 15 development agencies (Australia, Belgium, Canada, Denmark, the European Community, Finland, France, Germany, Japan, the Netherlands,

Norway, Spain, Switzerland, the United Kingdom, and the United States) to provide technical and financial assistance in resource-rich countries implementing or considering implementing EITI (World Bank 2013).

The multi-donor trust fund provides countries with resources to implement the EITI principles of revenue transparency, as well as to make systematic improvements in governance along the extractive industries value chain. In addition, one of the particular goals of the multi-donor trust fund is to strengthen CSO participation in the MSG, so that they contribute more effectively to EITI implementation. The fund also aims at broadening the definition of civil society and increasing the diversity of CSOs involved in the EITI process by supporting initiatives proposed by local CSOs; increasing ownership and capacity, as well as enhancing the use of the information generated by the EITI report (World Bank 2013).

Support has been provided directly to CSOs at the national/ local level or through international organisations such as the Revenue Watch Institute and Publish What You Pay.

Direct support often consists of a CSO consultation event to help identify the main issues/ challenges faced by CSOs working on extractives. Based on the consultation, a series of capacity building activities are to be implemented by a leading local CSO.

As of April 2013, the EITI-MDTF Civil Society Direct Support Program had been facilitating activities in four EITI-implementing countries (Guatemala, Indonesia, Kazakhstan, and Trinidad and Tobago), six compliant countries (Niger, the Kyrgyz Republic, Tanzania, Mozambique, Zambia, and Mongolia) and one country in the process of application for candidate status (Solomon Islands) (World Bank 2013b).

Capacity building activities vary. For instance, in Mozambique through funding of the multi-donor trust fund, Kuwuka, a local NGO, is organising capacity building meetings in mining regions where they teach citizens how to use the information disclosed in the EITI report to monitor government budgets and revenue spending (Revenue Watch Institute no year).

In Yemen, the Yemeni Transparency Coalition for Extractive Industries Watch (TCEIW) organises, with the support of the Revenue Watch Institute, training for members of its coalition to strengthen their participation in the EITI process and in the MSG. The coalition also organises regional training to raise awareness and understanding of community groups, government officials and private sector representatives in hydrocarbon producing regions about the EITI and its benefits (Revenue Watch Institute no year).

Peer to peer learning activities have also been conducted in several countries with funds from the EITI MDTF. For instance, members of the Ghana EITI have provided training and guidance to Liberia and Sierra Leone. In Asia, Indonesian CSOs have also shared their experience and lessons learned with other countries, such as the Philippines.

### World Bank Development Grant Facility

The World Bank [Development Grant Facility](#) establishes grant making as an integral part of the Bank's development work and an important complement to its lending and advisory services.

In the extractives industries, the development grant facility has focused on the following activities (World Bank 2009):

- training on a wide variety of issues, such as understanding the EITI, budget analysis and monitoring, oil and mining industries' operations, laws, contracts and taxation issues
- communications training for journalists to better understand EITI, development of radio and television programmes, and publication of newspaper articles on EITI
- consulting and working with communities at the local level with capacity building and coalition building training to involve/ include civil society groups in oil and mineral producing areas
- analysing EITI reports

Stakeholders considered the grant facility key, particularly because it has provided support in a crucial moment when EITI was still new and unknown in many countries. According to the Revenue Watch Institute, the facility "was a great success (...) it enhanced the sophistication of knowledge among

civil society of EITI processes and their (CSOs) role for influencing the initiative at the country level, and it improved the capacity of stakeholders to follow up on recommendations from EITI reports and take forward new projects in direct response" (Revenue Watch Institute 2008).

The Revenue Watch Institute received part of this grant during 2006 and 2007 to support CSO involvement in the implementation of EITI. Among the countries where activities were undertaken Ghana appears to be a successful example. Capacity building activities in Ghana had the aim of educating Ghanaian civil society on the principles of EITI and on how those principles could encourage governments and mining companies to be more accountable with regard to natural resource exploitation and revenue management (Revenue Watch Institute 2008).

A local civil society organisation – ISODEC – was responsible for managing the activities, which focused mainly on public education and awareness through radio and TV discussions, community mobilisation through capacity building workshops and training on budget analysis, as well as monitoring, evaluation and tracking mechanisms based on the contents of EITI reporting templates (Revenue Watch Institute 2008).

For instance, in one of the activities ISODEC organised a training workshop at one of the most traditional mining enclaves in the country for the local community. The workshop provided detailed information about the legal and regulatory framework of the mining sector, including contracts and social responsibility agreements. The training also included an overview of all the mining sector revenue streams and their disbursements. Participants learned about the EITI process, the role of civil society and how to best oversee the information provided in the report. The workshop took place prior to the formation of the MSG, allowing CSOs to constructively and effectively engage in the discussions at a later stage. Similar capacity building workshops were undertaken in other mining enclaves (Revenue Watch Institute 2008).

Following the publication of the report, ISODEC organised a roundtable with CSOs, legal practitioners, academics and the accounting firm responsible for the reconciliation process to discuss the report's findings. CSOs used the findings and the roundtable discussions to push for the publication of

disaggregated data when disclosing payments and revenues (Revenue Watch Institute 2008).

## GIZ

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the German international cooperation agency, has been supporting the implementation of EITI in a variety of ways. In addition to direct bilateral support, the agency has organised, in partnership with the EITI Secretariat, a cycle of EITI training since 2008. This aims to consolidate the implementation of EITI in candidate countries through skills and knowledge building and peer-to-peer exchange (EITI 2011).

For instance, in one of the training sessions participants from governments, CSOs and companies from nine countries in the advanced stages of implementation had the opportunity to discuss auditing EITI data, civil society participation and best practices in implementing EITI. The event also served to build capacity on the reporting requirements revisions of 2011 (EITI 2011).

Other activities conducted by GIZ are available [here](#).

## European Union

In addition to being part of the multi-donor trust fund, the European Union supports the EITI by directly funding capacity building initiatives, such as the bi-annual EITI national coordinators meeting. These meetings enable technical capacity building for key stakeholders and peer-to-peer learning.

The European Commission has also provided bilateral support to various EITI implementing countries to develop their public finance management systems and in turn improve transparency and accountability with regard to extractives revenues ([EITI website](#)).

## NORAD

NORAD, the Norwegian Agency for Development Cooperation, provides financial support to TRACE (Transparency and Accountability in Extractive Industries) designed by Publish What You Pay Norway. TRACE is a capacity strengthening programme for civil society organisations, journalists

and trade unions from resource rich countries in developing countries.

The programme focuses on the needs of participants in that specific round. The goal is to promote active learning and build the necessary skills, so that participants are capable of supporting the effective implementation of EITI in their countries.

More information is available [here](#).

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