

# U4 Expert Answer



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## Transparency and accountability in Lebanon's emerging petroleum sector

### Query

**What are the challenges and prospects for change concerning transparency and accountability in the emerging petroleum sector in Lebanon? Which institutions constitute effective drivers of change?**

### Purpose

Support planning for a development cooperation programme.

### Content

1. The petroleum sector in Lebanon: Current status and challenges regarding transparency and accountability
2. The way forwards: Guaranteeing transparency and accountability throughout the petroleum value chain in Lebanon
3. Overview of potential drivers of change
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### Summary

Following the discovery of petroleum and gas in Lebanon, the country has taken several steps to establish an adequate institutional and legal framework that would allow effective exploration and management of resources. Fighting corruption and ensuring the emerging petroleum sector is governed in a transparent and accountable manner remain major challenges.

Important decisions regarding petroleum exploration and the management of funds are expected to be made in the coming years, including the licensing of oil blocs and the establishment of a sovereign fund. It is essential that adequate mechanisms are in place to enhance transparency, accountability and prevent corruption. In particular, increased participation in making policies and regulations regarding petroleum exploration, the enactment of clear rules governing the negotiations between the government and oil companies during the licensing process, and stronger oversight by the government and civil society are key.

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## 1. The petroleum sector in Lebanon: Current status and challenges regarding transparency and accountability

### Background and current status

The recent discovery of petroleum and gas on the Lebanese coast has been viewed with both excitement and concern. Lebanon has a huge public debt and oil revenues could help the country significantly expand its economy. The country is also heavily dependent on fuel imports, and the recent discoveries could make the country energy independent. Nevertheless, there are concerns poor management of oil resources and corruption could prevent Lebanon from enjoying the potential benefits from oil revenues, as has occurred in other resource-rich countries (BankMed 2014; Wickberg 2012).

Lebanon has yet to exploit its oil and gas reserves, but since their discovery the government has taken several steps to establish an adequate institutional and legal framework that would allow effective exploration.

In October 2007, a petroleum policy was approved followed by the enactment of an offshore oil and gas (hydrocarbon) law in 2010. The law governs the planning, preparation, installation and execution of all activities related to oil and natural gas within Lebanese territorial waters.

According to the law, the Council of Ministers is responsible for policies and regulations in the oil sector. The council also has the power to determine whether a national oil company should be created once the extent of oil resources is confirmed.

The law grants the Lebanese state the exclusive right to own and manage petroleum resources in the country. Within this framework, the government – through the Council of Ministers and the Minister of Energy and Water – may award a petroleum right, defined as a “right arising out of a petroleum license, an exploration and production agreement or any other authorisation” to right-holders (Nader 2013).

The law also created the Petroleum Administration Authority (PA), a body responsible for managing the bidding process, assisting the Ministry of Energy and Water in negotiating exploration agreements, and managing, monitoring and supervising petroleum activities.

The law, however, needs to be complemented by a number of regulations and decrees covering various regulatory, commercial, taxation and environmental issues (Nader 2013).

Two of these decrees are impeding the continuation of the licensing process. The first offshore licensing round was launched in 2013, with a positive response from investors. However, the bidding process can only proceed once the Lebanese government approves two other decrees: one defining the different blocs to be exploited within Lebanon's exclusive economic zone, and the other one defining more specific terms of the exploration and petroleum agreements. The latter will outline important issues with regard to the governance of the sector (Torbey 2015). Therefore, it is important that the decision-making process takes place in a transparent manner.

This answer provides an overview of the challenges faced by Lebanon in ensuring transparency and accountability in the sector. It also provides an overview of the main areas to be regulated/decided in the future where transparency and accountability mechanisms can and should be applied, particularly to prevent corruption and ensure that petroleum revenues are used to benefit the broader population. Finally, the answer provides an overview of organisations that are likely to positively impact decision-making, management and oversight in the petroleum sector

### Challenges to ensure transparency and accountability in Lebanon's petroleum sector

Transparency and accountability requirements in the petroleum sector increase policy efficiency, reduce opportunities for self-dealing and diversion of revenue for personal gain, raise the level of public trust and reduce the risk of social conflict (Transparency and Accountability Initiative 2011). Transparency and accountability are of particular importance in emerging oil and gas producing countries, particularly where governance

structures are weak and corruption is prevalent (Marcel 2013b).

The process of establishing the legal and institutional framework for sector activities in Lebanon is not considered to have been fully transparent. Several issues need to be addressed to ensure future decisions follow a clear and fair process and that oil revenues are managed in an adequate manner and are not misused (ILPI 2013).

This section highlights some of the issues that, according to the literature, have been hindering the establishment of a more transparent and accountable petroleum sector in Lebanon (Marcel 2013; ILPI 2013). They include high levels of corruption, political patronage, and weak institutions and technical capacity. This is a non-exhaustive list, and more research on the sector would generate a fuller picture of the challenges.

### **Corruption**

Corruption in Lebanon is assessed as systemic and affecting all sectors of society and branches of government (Bertelsmann Foundation 2014; Lebanese Transparency Association website). The country ranked 136 out of 175 countries assessed in the 2014 Transparency International Corruption Perceptions Index, with a score of 27 on a scale of 0 (highly corrupt) to 100 (very clean). Lebanon's score worsened in comparison to assessments conducted in 2012 and 2013, when the country scored 30 and 28 respectively.

The country also scores poorly on control of corruption in the World Bank Worldwide Governance Indicators. In the 2003 assessment, Lebanon scored 35% (100% meaning high control of corruption) on control of corruption, in 2013 the country's score dropped to 18%.

Widespread corruption in Lebanon is the result of a weak and poorly implemented regulatory framework and a lack of specialised corruption prevention, investigation and prosecution bodies. In fact, most integrity mechanisms and tools to curb corruption are non-existent or ineffective in Lebanon (Bertelsmann Foundation 2014). In addition, according to the Lebanese Transparency Association, the country's post-war structure also contributes to corruption since it "has led to a power-sharing formula among political and confessional groups resulting in competition for state resources" (Lebanese Transparency Association website).

Corruption also poses challenges to the adoption of a more transparent and accountable system. Those in decision-making positions do not have incentives to change the status quo as they can benefit from opacity, weak participation and oversight mechanisms. At the same time, transparency and accountability is essential to prevent and detect corruption.

Moreover, the fact that Lebanon is considered a highly corrupt country does not help to attract investors to the petroleum sector and makes the business environment uncertain and unstable. High levels of corruption also pose greater challenges to the government in gaining public support and trust. There is a general perception that, unless measures are taken, revenues from petroleum exploration in Lebanon will be subject to corruption as well.

Against this backdrop, establishing mechanisms to prevent and fight corruption in the country is essential to ensure that the petroleum sector is managed in an effective manner. Therefore, Lebanon should make progress in establishing an anti-corruption commission, approving a law regulating citizens' right to access information and guaranteeing protection to whistle-blowers, among others. These measures are believed by observers/experts to help increase transparency and accountability in the sector as well as reduce the chances that oil resources are captured by private interests (Marcel 2013).

### **Confessionalism and political patronage**

Lebanon is a confessional democracy, meaning that its political system is constructed around a power sharing arrangement based on sectarian division between all the different religious communities represented. There are 18 different recognised confession groups in the country (Lebanese Transparency Association 2011), and sectarianism weighs heavily in the balance when it comes to the allocation of government positions (ILPI 2013).

This means positions in the government are often appointments based on personal relationships or confession rather than on merit. As such, pervasive clientelism is a key feature of the Lebanese political system (Bertelsmann Foundation 2014). It is not uncommon for politicians to appoint their clientelist bureaucrats to state institutions to preserve their interests.

Such practices not only have an impact on capacity, as individuals appointed are not necessarily those most qualified and capable for the job, but also have an impact on accountability as individuals appointed are expected to be loyal to political leaders and therefore unlikely to inform/denounce wrongdoings and partial decisions. Moreover, the appointment of public officials based on personal ties also negatively affects trust in public institutions: “the more clientelist networks permeate state institutions, the more levels of trust decrease and Lebanese institutions struggle to deliver” (ILPI 2013).

In this respect, the appointment of the PA was allegedly also influenced by confessional considerations (ILPI 2013). Initially, the PA was expected to be established in April 2012, but due to a lack of consensus among confessional groups within the government, the body was only formed in November 2012. As a result, the six members were selected on a confessional basis. While it seems the individuals appointed have relevant backgrounds for the position, the selection process was not necessarily fair and competitive as other candidates suitable for the position but not from the required sect or without political backing were not considered (Sukkarieh 2013). Overall, it seems the appointment process could have been conducted in a more transparent manner to give legitimacy to the process and enhance citizens and investors’ trust in the institution.

Sectarianism has also posed challenges to the decision-making process in the sector. It can be challenging to reach a consensus and decision-making may be delayed or rushed. For instance, important laws related to reforms or the establishment of independent and oversight bodies, such as an anti-corruption commission, have been delayed for decades due to a failure to reach a consensus among the different sectarian groups. In other cases, formal procedures of the decision-making process have been bypassed because consensus had been reached and a delay in approving could change the scenario. According to experts, this was also the case with decrees related to the PA, where formal procedures, such as consultations, were bypassed to ensure that they could be approved more quickly (ILPI 2013).

More recently, it seems that challenges in reaching a consensus have also been the reason

for delays in approving the decree on exploration agreements (Torbey 2015).

The Lebanese government and organisations operating in the sector should ensure that the country’s sectarian patronage and control does not “capture” the petroleum sector. It is therefore crucial that adequate mechanisms are in place to ensure that rules governing the sector and key decisions are based on objective criteria and processes.

## 2. The way forward: Guaranteeing transparency and accountability throughout the petroleum value chain in Lebanon

Adequate management and use of petroleum resources in the future depends to a great extent on the necessary rules, procedures and institutions being in place. Comprehensive transparency and accountability in the governance of natural resources – from the decision to extract, to the granting of concessions, the collection of revenues and the management of resource revenues – are important.

The next months and years will be of great importance to the sector. A series of decisions being made now will impact the management of revenues in the future. It is therefore important that adequate mechanisms are in place to enhance transparency, accountability and prevent corruption. In particular, the following issues to be discussed or regulated are important for transparency and accountability in the sector.

### Policies and regulations regarding petroleum exploration

Transparency needs to be maintained throughout the entire decision-making process, from new laws and bidding to rules regulating revenue management and spending.

According to experts, the Lebanese government could do a better job of defining and communicating its strategy and vision for the oil and gas sector in the country (LCPS 2014). There is still no overall strategy for the sector, and it is not clear how petroleum exploration and resources fit with the government’s socio-economic and development priorities (see ILPI 2013; Arbid 2014). The petroleum policy adopted

in 2007 was not widely discussed and, according to experts, the government failed to involve specialists and stakeholders in the drafting process (Arbid 2014). Transparency and public participation in defining the sector's policies and rules is key to promoting trust among citizens with regard to the government's capability of managing the sector as well as preventing corruption and biased decision-making.

In addition, there are still a number of regulations and decrees to be approved before petroleum exploration commences. Therefore, it is important that transparency and accountability is assured, particularly because many of the issues still to be regulated could be unduly influenced in order to favour a group of individuals or companies. These include, for example, setting rules determining the state's share in petroleum activities, setting criteria and standards for granting an extension of an exploration or production phase, defining petroleum entitlements and fees (such as area fee, royalty volumes, rates and payment, cost of petroleum and profits from petroleum), and regulating the sovereign fund, among others (Nader 2013).

The next step, in terms of regulations, is the approval of the decree on exploration and production agreement. As mentioned, the decree is important as it regulates the relationship between the government and companies operating in the sector and defines important issues such as the fiscal framework for the oil sector, including state participation, royalties, costs and oil profits and the management of revenues (ILPI 2013).

The government should ensure that the decree reflects good practice in this area while taking into consideration the Lebanese context. It is fundamental that key stakeholders, including petroleum experts, tax and legal experts, academics and civil society are consulted throughout the process (LCPS 2014).

The government has so far failed to launch an open consultation process and engage with a wide range of experts and interested parties. Only a few closed debates have taken place (LCPS 2014).

The government should also ensure that lobbying on the decree by different interest groups occurs in a transparent manner. Ideally, official public hearings should be scheduled to give equal an

chance to interest groups to be informed and make proposals linked to the decree.

### Licensing round

The award of contracts and licences is an area particularly vulnerable to corruption (Al-Kasim et al. 2008). For instance, licence agreements may offer several opportunities for corruption when determining the areas of exploration, the cost recovery basis, the licences' share of the profits, the length of operation, rate of production, environmental concerns, end-phase commitments, and reporting obligations (Kolstad et al 2008).

Within this framework, it is important that rules on licensing and award of contracts are pre-defined, transparent, fair and applied objectively (Alba 2009). There should be clear criteria for pre-qualification rounds to ensure tender quality as well as clear and transparent award criteria (Kolstad 2008). Preferably, the award process should take place through auctions or open bidding rounds (Marcel 2013).

Emerging oil producers tend not to have open bidding rounds but direct negotiations with pre-qualified companies due to uncertainty regarding investor interest. Direct negotiations may offer more opportunities for corruption as it provides public officials with more discretion in negotiating the terms. Moreover, direct negotiations are usually much less transparent than open bidding rounds (Marcel 2013).

This is the case in Lebanon, where direct negotiations with pre-qualified bidders was chosen as the model to award the first petroleum licences. Negotiations are to take place as soon as the decree regulating explorations and production agreements is approved. There is still an opportunity to ensure that this process is conducted in a transparent and fair manner.

For instance, according to the current rules, agreements on how the profits of any extraction will be shared between the government and companies will be negotiated by the PA (BankMed 2014).

The literature stresses that countries opting for direct negotiation rounds can enhance transparency and accountability mechanisms throughout the process by (Marcel 2013; Transparency and Accountability Initiative 2011):

- Disclosing as much information as possible on the bidding process to the public, including public offering documents, lists of pre-qualified companies, and successful and unsuccessful bids.
- Establishing clear selection criteria to be applied during direct negotiations and making these criteria public. Clear procedures for negotiations should be published.
- Establishing the fiscal elements that apply to the sector on laws and regulations rather than have them negotiated individually during the negotiation meeting.
- Defining the tax obligations for companies operating in the sector in the tax code rather than in contractual agreements.
- Establishing clear rules regarding potential local content requirements to ensure that local partners are chosen in a fair and competitive manner and thus avoiding biased decisions based on political or sectarian affiliations.
- Ensuring officials participating in the negotiation rounds do not have any conflict of interest by, for instance, requiring them to declare interests, assets, liabilities, unpaid contracts and employment.
- Publicising the rationale for the award decision.
- Making public the terms of each concession granted. Good practice calls for the publication of contracts to allow legislators and citizens to monitor whether regulations are being followed.

## Oil funds

Article 3 of the Offshore Petroleum Resources Law (OPRL) states that the net proceeds collected or received relating to petroleum operations will be placed in a sovereign fund. The sovereign fund, as prescribed in the law, is a savings fund with the general goal of accumulating financial assets to ensure that future generations benefit from oil resources.

A specific law regulating the fund, its management, principles of investment and the use of proceeds is still required (Petroleum Administration 2013). This law and the management of the fund and its resources are key to ensure that oil resources are used to benefit the population.

Examples from other countries show that sovereign funds can be an effective resource revenue management tool, but if not properly designed, significant challenges may arise, particularly because there are less stringent requirements for reporting and public oversight (Morgner & Chene 2014). For instance, sovereign funds "can become channels for corruption and patronage, diverting billions of dollars away from social service and infrastructure" (Bauer 2014). Fund transparency, accountability and appropriate operational rules are essential for ensuring the effective management of oil resources (Santiago Principles 2008).

The Santiago Principles<sup>1</sup> on the Generally Accepted Principles and Practices (GAPP) provides detailed recommendations relating to good governance of sovereign funds. Lebanon is not yet a signatory to the principles but could consider implementing them.

According to the principles, sound governance of sovereign funds requires an independent board, professional staff, transparent reporting, and strong and independent audit functions. In the case of Lebanon, where corruption is prevalent and state capacity weak, transparency and accountability should also be core design features of the fund (Jamali & Borgne 2013).

Within this framework, the following should be considered in the design and management of the fund in Lebanon (Toledano & Bauer 2014; Santiago Principles 2008; Jamali & Borgne 2013; Natural Resource Governance Institute & Columbia Center on Sustainable Development 2014):

- Clear roles and responsibilities: The roles and responsibilities of the national government, central bank, fund managers and oversight bodies, as well as the relationships among these institutions, should be clearly defined by law.

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<sup>1</sup> The Santiago Principles, are a set of 24 voluntary guidelines that assign "best practices" for the operations of sovereign wealth funds (SWFs). The principles were proposed in 2008 through a joint effort between the International Monetary Fund and the International Working Group of Sovereign Wealth Funds (IWG-SWF). So far 25 nations have signed onto the principles.

- Clear fiscal rules: To prevent corruption and favouritism in decision-making, fiscal rules governing the fund should be clarified in legislation or regulations. Exceptions to these rules should also be pre-defined. The absence of clearly defined fiscal rules presents significant risks.
- Clear investment rules and strategies, including on what the fund should invest in, such as bonds, stocks, or real estate in local or international markets, should be adopted. Rules that limit the risks that can be taken by managers and ethical investment guidelines should also be established.
- Governance: The fund's governing structure must be clear and governing bodies must enforce ethical and conflict of interest standards. Recruitment procedures should be based on technical qualifications and not be subject to political interference or sectarian considerations. The adoption of codes of conduct to prevent misconduct by the fund's executive, staff and external managers may be helpful in preventing patronage, nepotism and corruption.
- Reporting obligations: The natural resource fund should be obliged to reports at least annually on: (i) the size of the fund; (ii) returns on investments; (iii) categories of investments and specific investments; (iv) location of the investment, among others. In addition, to enhance accountability, the investment strategy should be clearly stated. The guidelines for corporate responsibility and ethical investments should be available to the public, as should the name of fund managers. Moreover, the government should publish audits and reports on all financial flows in user-friendly formats.
- Oversight of the fund: Establishing strong independent oversight bodies to monitor the fund is important. This includes requirements for external and independent audits and their publication.

In addition, to ensure appropriate management and use of the funds, it is essential that the fund is integrated into the country's public financial management system (Natural Resource Governance Institute & Columbia Center on Sustainable Development 2014). Measures to strengthen the country's budgetary process are key to ensure the effective management of the funds (Atallah 2014). Public financial management mechanisms in Lebanon are weak and there are

several concerns with regard to transparency and inclusiveness of the country's budget (ILPI 2013; Open Budget Index 2012).

Against this backdrop, effective management of petroleum revenue requires reforms to enhance transparency and accountability in the budget process, as well as clear rules and transparency in the design and management of a special sovereign fund (Atallah 2014).

## Oversight

In order to prepare for managing and overseeing petroleum funds, Lebanon needs to strengthen the capacity of supervisory bodies. Regular audits and parliamentary oversight are seen as essential in the monitoring process (Lindner 2014).

In the case of Lebanon, current oversight bodies are extremely weak and unable to satisfactorily conduct their tasks (ILPI 2013). Historically, the parliament has played a minimal role in overseeing the executive government, and it is unlikely that it will be in a strong position to oversee executive power in the petroleum sector (ILPI 2013).

The Bureau of Accounts or court of audit is the body performing external audit and oversight in Lebanon. The body is, however, perceived as weak (Atallah 2014b), understaffed and lacking resources to fully perform its functions (ILPI 2013). Moreover, the body is under the authority of the prime minister and does not have financial and administrative independence.

It is expected the bureau is going to be responsible for auditing revenues from the petroleum sector. Therefore, the government has to ensure that the body has the necessary autonomy to oversee and audit oil funds as well as the necessary technical, financial and human resources to carry out these tasks. To date, the bureau lacks staff with expertise in the oil sector, and no dedicated unit has been created to focus on the extractives sector (ILPI 2013).

Given oversight mechanisms are very weak in the sector, ensuring and encouraging the participation of civil society and the media in the oversight of the petroleum sector is also important to minimise the risks of corruption.

At a later stage, Lebanon should create platforms for engaging civil society in the monitoring of

contracts and the oversight of revenues (Marcel 2013).

### Overall transparency

Citizens are best able to hold governments and companies to account when they are well informed and have the capacity and freedom to act on information they obtain.

It is therefore important that governments proactively disclose key information on government activities and the use of public funds. Citizens should have the right to request access to information.

Lebanon has not yet adopted an access to information law. In 2009, a draft law was submitted to parliament, but until now the proposed legislation has not been discussed (Blueprint for Free Speech 2014).

## 3. Overview of potential drivers of change

There are several important actors in the petroleum sector in Lebanon. This section offers an overview of the actors that can be viewed as potential drivers of change in bringing more transparency and accountability to petroleum governance and operations.

In addition to the actors discussed here, the Council of Ministers and the Minister of Energy and Water are also key players. Their political will to ensure transparency and accountability in the petroleum sector is decisive. There is little information at this stage on the extent to which these two bodies are committed to broader transparency and accountability principles, but an effective management of the sector will depend on their political will and commitment.

Other key actors that can play a role in advocating reform and promoting more transparency and accountability in the petroleum sector include the Petroleum Authority, civil society organisations, and international donors.

### Petroleum Administration Authority

The Petroleum Administration Authority (PA), established in 2012, is the body responsible for managing the bidding process, assisting the Ministry of Energy and Water in negotiating the exploration and petroleum agreements, as well as

managing, monitoring and supervising petroleum activities.

According to the Petroleum Law, while the PA is under the authority of the Minister of Energy and Water, it should have financial and administrative autonomy.

The PA Board is composed of six members appointed by the Council of Minister for a term of six years. The chairman is appointed for a one-year term and rotates among the PA board members in alphabetical order.

Board members have to be Lebanese nationals with a university degree in law, engineering, economy or business or any other field related to petroleum. They are not allowed to have any personal interest in companies operating in the oil sector, either directly or indirectly through their relatives. The decree regulating the PA also establishes rules on conflicts of interest and post-employment and influence trading (Nader 2013).

As previously mentioned, the appointment process of the PA Board has received criticism regarding its transparency. However, the performance of the PA after its establishment is assessed as positive and professional (ILPI 2013; Atallah 2014b). The body has conducted the pre-qualification round in a transparent manner, and it has also demonstrated commitment to managing the bidding process in an accountable manner (Sukkarieh 2013). Recently, for example, the authority has stated that Lebanon should become a member of the Extractives Industry Transparency Initiative (EITI), and has shown to be open to discussions around the publication of awarded oil contracts (Haytayan 2014).

The PA has also organised a series of events with investors, experts and civil society to discuss issues related to the governance of the oil sector, and has recognised that civil society can and should play an important role in monitoring oil revenue.

Given the important role played by the PA in the management and supervision of the petroleum sector and its positions so far, it seems that the authority can be a key ally in supporting more transparency and accountability mechanisms in the sector.

## Civil society

Civil society can play an important role in improving transparency and accountability. For instance, it can provide expertise and input during decision-making processes, push for disclosure of financial and operational data, monitor spending, hold the government to account and work with the private sector to prevent corruption (Marcel 2013; LCPS 2014b).

There are several civil society organisations operating in the country that could be potential drivers of change to ensure more transparency and accountability in the petroleum sector. They include:

- The Lebanese Center for Policy Studies (LCPS). This think-tank based in Beirut works on several governance issues including the petroleum sector. Since 2013, the centre has been working on a research project entitled [Governing the Gas Sector: Averting the Resource Curse in Lebanon](#). The project aims to provide a road map for institutional and policy reform to inform and influence policy debates on gas. As part of the project, the centre will develop a series of policy papers that will be compiled in a book, a series of short policy briefs that are aimed to communicate the policy ideas succinctly to policy makers, working group reports that synthesise the ideas discussed in the group, and a webpage on the LCPS website that will function as a resource hub of collected information on gas in Lebanon. The centre has also participated in debates and events organised by the PA to discuss governance of the petroleum sector and the role of civil society.
- The [Lebanese Transparency Association \(LTA\)](#). LTA is the chapter of Transparency International in Lebanon. The organisation has a series of projects aimed at improving transparency and accountability in Lebanon and has been a strong advocate for the adoption of an effective access to information law in the country. The organisation also promotes citizens' engagement and works with the private sector to prevent and curb corruption in the country.
- [Publish What You Pay \(PWYP\)](#). This is a global network of civil society organisations calling for an open and accountable extractive sector, so that oil, gas and mining revenues improve the lives of women, men and youth in

resource-rich countries. The work of the organisation in the MENA region in general and in Lebanon in particular is still relatively limited, but [workshops](#) have already been organised with the aim of promoting transparency and accountability in the sector and supporting local civil society organisations. In other countries, PWYP is a strong force in advocating for more accountability in the extractives sector, and it could potentially play a role in Lebanon.

- [Natural Resource Governance Institute \(NRGI\)](#). NRG helps people to realise the benefits of their countries' endowments of oil, gas and minerals through technical advice, advocacy, applied research, policy analysis and capacity development. The institute has a MENA regional hub with an office in Lebanon where they work with "innovative agents of change within government ministries, civil society, the media, legislatures, the private sector and international institutions to promote accountable and effective governance in the extractive industries". In partnership with the LCPS, the institute is offering a course that aims to build the capacities of civil society, journalists and policymakers to improve the governance of the oil and gas sector.
- [Lebanese Oil and Gas Initiative \(LOGI\)](#). LOGI is a new NGO established in April 2014. It aims to develop a network of Lebanese petroleum experts from across the world and provide them with a platform to both inform Lebanese citizens and to advocate decision makers on key issues facing Lebanon's oil and gas industry.

## EITI

The Extractives Industries Transparency Initiative (EITI) is a global coalition of governments, companies and civil society organisations that have worked together since 2002 to increase transparency and accountability in resource-rich countries.

Countries wishing to join the initiative commit to implementing a set of activities to strengthen resource revenue transparency and comply with the basic requirements of the EITI. Within this framework, EITI candidate countries are required to publicly express their commitment to joining the initiative, as well as to regularly publish a report disclosing all the extractive industry revenues received and all relevant payments made by the

country's oil, gas and/or mining industries. This information should be reconciled by an independent actor and made publicly available.

Joining the initiative is, therefore, a way to push for more transparency and accountability in the sector. The Lebanese government has demonstrated interest in joining the initiative, but it has not yet made a formal commitment (EITI 2014).

The EITI Secretariat, with the support of local civil society organisations, can play an important role in calling on the government to join the initiative and later on ensuring that the EITI principles are effectively implemented.

## Donors

International donors can also play an important role and be a driver of change in the governance of the oil sector in Lebanon. In particular, donors can support the enactment of further regulations in the sector, such as rules on extraction agreements and sovereign funds, to ensure that they are in accordance with international best practices while addressing the specific context of Lebanon (Arbid 2014).

They can also support the government, through technical expertise and capacity building, to reform other areas of the government that can directly or indirectly impact on the management of oil resources. This includes, for example, the provision of support in reforming the country's budget process, adopting key institutions, or adopting key legislation such as an access to information law.

Donors can also support the development of technical expertise within Lebanese authorities. In particular, capacity building of the PA and the oversight body are essential. Technical assistance to ministries to develop more expertise in the sector may also be beneficial. Assistance can also be provided through the provision of technical solutions that may facilitate access to information in the sector and increase transparency and accountability (ILPI 2013).

Support to the media, civil society and other organisations that advocate for more transparency and accountability in the sector and monitor petroleum-related activities can also help to positively change the sector's governance (ILPI 2013). Civil society and media watchdogs can

benefit from training and capacity building related to sector technical issues (LCPS 2014b).

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