



# Recommendations for Strengthening the Role of the Extractive Industries Transparency Initiative in the Fight Against Corruption

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## Key messages

- The Extractive Industries Transparency Initiative (EITI) can support anticorruption efforts. However, this potential is not being realized in most EITI implementing countries.
- To help make progress against corruption in the extractive sector, EITI stakeholders including governments, companies and civil society actors, should:
  - Strengthen reporting to document corruption-related information
  - Ensure that anticorruption actors use EITI disclosures to advance their efforts
  - Reinforce EITI processes, responsibilities and activities to support the initiative's enhanced anticorruption focus

## Executive summary

Corruption in the extractive industries is one of the biggest obstacles to the accountable and sustainable management of natural resources. While EITI has the potential to contribute toward the fight against corruption, the initiative is falling short in realizing this potential in many countries. For EITI to strengthen its relevance for anticorruption efforts, it needs to ensure its reporting documents corruption-related information and that anticorruption actors use those disclosures to advance accountability in the sector.

This memo details recommendations for EITI to achieve this. It builds on a review of EITI disclosures from around the world conducted by the Natural Resource Governance Institute (NRGI), the findings of which we summarized in a February 2021 report titled *How Can Anticorruption Actors Use EITI Disclosures?*.

The memo is structured around three recommendations:

- **Recommendation 1. Strengthen EITI reporting to document corruption-related information.** EITI multi-stakeholder groups (MSGs) can do more to ensure EITI disclosures contain information that is relevant to anticorruption efforts. Among other measures, this includes more systematically documenting governance vulnerabilities and suspicious practices, expanding reporting into high-risk areas and disclosing the anticorruption practices of reporting entities.
- **Recommendation 2. Ensure anticorruption actors use EITI disclosures to advance anticorruption efforts.** Efforts to strengthen reporting must be coupled with measures to ensure anticorruption actors use EITI disclosures to advance accountability. MSGs should systematically review disclosures with anticorruption in mind. In doing so, they should collaborate with external stakeholders such as journalists, corruption-focused civil society organizations and anticorruption agencies to ensure information is properly analyzed. EITI disclosures can also be an important data source for MSGs seeking to conduct a more in-depth diagnosis of corruption as the basis for developing an anticorruption action plan.
- **Recommendation 3. Reinforce EITI processes, responsibilities and activities to support the initiative's enhanced anticorruption focus.** This recommendation captures various procedural changes that can help to underpin the implementation of recommendations 1 and 2.

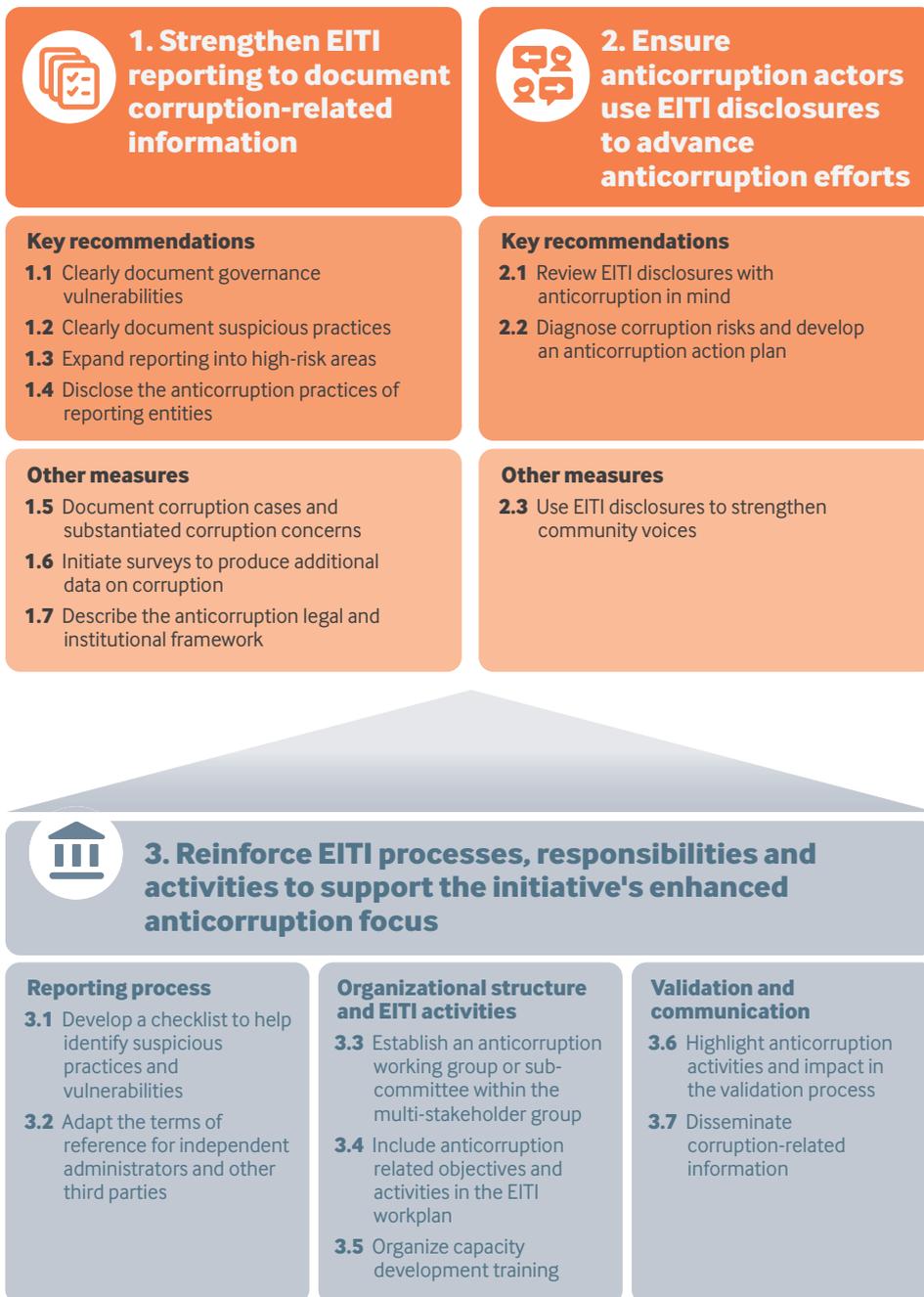
The figure on the next page provides a full overview of the recommendations. While the exact way forward will vary from country to country, it is important to remember that basic scattered improvements will do little to fundamentally strengthen the initiative's relevance to anticorruption. In most countries, what is needed is a package of ambitious, high-impact changes to the nature and use of reporting, including partnerships with external actors who can analyze disclosures and hold extractive sector actors accountable.

Beyond the recommendations presented in this memo, any prospects for effective action on corruption also hinge on EITI doing more on several other fronts. This includes taking steps to ensure civil society can hold governments and companies to account, promoting genuine commitments to anticorruption and business integrity

in the private sector, and advancing efforts to tackle the international dimensions of corruption. Finally, strong political will to tackle corruption is an essential condition for success.

Many EITI stakeholders already show a determination to contribute more actively to anticorruption efforts. We believe that by building on practical examples from EITI implementation around the world, the initiative can advance genuine change.

Recommendations for strengthening the anticorruption role of the EITI



# Introduction

Corruption in the extractive industries is one of the biggest obstacles to the sustainable management of natural resources. It takes many forms, from bribery in license acquisition to misappropriation of public funds. As a result, oil, gas and mineral resources too often enrich a few individuals but do not benefit citizens more broadly. Such elite capture can prop up extraction, even against the public's long-term interest.

While the number of countries implementing EITI and the scope of reporting requirements has substantially increased over the last two decades, the initiative's success in reducing corruption has been less clear cut. Corrupt behavior in the extractive sector remains a major problem in many EITI implementing countries. In response, EITI stakeholders are now working to [strengthen the initiative's role in the fight against corruption](#).

EITI reporting can help fight corruption if it contains the right information and if anticorruption actors use that information to strengthen accountability. To support this, NRGi examined EITI reports and selected additional EITI documents (e.g., validation reports) from 17 countries to pinpoint strengths and weaknesses in how EITI reporting presents corruption-related information.<sup>1</sup> We found that EITI reporting rarely mentions corruption explicitly. Nonetheless, this reporting can constitute a valuable resource for anticorruption actors thanks to the unique data and contextual information it provides. It can shed light on governance vulnerabilities that may increase corruption risks. However, we also found that the extent to which EITI reporting includes information relevant for anticorruption efforts varies greatly from country to country. We summarized the findings of this review in a February 2021 report titled *How Can Anticorruption Actors Use EITI Disclosures?*.

*EITI reporting can help fight corruption if it contains the right information and if anticorruption actors use that information to strengthen accountability.*

This memo outlines the implications of our review for EITI stakeholders. We put forward specific, practical recommendations that will strengthen EITI reporting to systematically include information relevant to anticorruption actors, so that they may use it to effectively address corruption in the extractive industries.

The memo is structured around three recommendations. Recommendation 1 is primarily aimed at MSGs and focuses on measures to strengthen EITI reporting to document corruption-related information. While strengthening transparency through such measures is important, it will do little on its own to reduce corruption. Rather, enhanced transparency must be coupled with genuine accountability, which is where Recommendation 2 comes in: it describes measures that aim to ensure that anticorruption actors use EITI disclosures in a more systematic fashion. These measures are aimed at MSGs, external oversight actors and data analysts. Finally, Recommendation 3 describes changes to EITI procedures, institutional responsibilities and activities that would support the measures described under the previous two recommendations. The annex provides an illustrative corruption review checklist. Implementation of the recommendations can be tailored to fit country-specific contexts, stakeholder objectives and reform priorities.

<sup>1</sup> Our review focused on Afghanistan, Armenia, Colombia, the Democratic Republic of Congo, Guinea, Indonesia, Iraq, Mexico, Mongolia, Myanmar, Nigeria, Peru, the Philippines, the Republic of Congo, Sierra Leone, Tanzania and Zambia. We supplemented the review of our core group of countries with select EITI documents from additional countries, including Chad, Malawi, Mali and Mozambique.

Beyond improvements to the quality of the reporting, its use and the corresponding implementation processes, EITI could do more on several other fronts to tackle corruption in the sector:

- **Protect civic space.** An empowered civil society is a key foundation of effective accountability. In many resource-rich countries, however, civic space is shrinking, which means less independent oversight and increases the likelihood of corrupt actions going unpunished. EITI can help guard against this trend by supporting the proactive and deliberate implementation of the [Civil Society Protocol](#) in implementing countries.
- **Support the private sector to push strong governance and anticorruption standards.** Industry players must go beyond statements in support of EITI and implement policies and practices that ensure they are operating with integrity. EITI can do more to incentivize companies in this regard.
- **Promote international exchange and collaboration:** Corruption has many international dimensions. While EITI's primary focus is on country-level implementation, corruption often plays out across borders and involves a range of international actors. Consequently, effective anticorruption action must take an international approach, too. EITI can help promote international exchange and collaboration to tackle cross-border corruption.

While outside the scope of this memo, progress in the above-mentioned areas is essential for countries seeking to rein in corruption, and strong political will is fundamental for them to succeed in this endeavor. Improved reporting and use of disclosures are only one component of more effective action against corruption in the extractive sector. Nonetheless we believe that by building on practical examples of EITI reporting from around the world, this memo can strengthen EITI's potential to help the fight against corruption.

# Recommendation 1.

## Strengthen EITI reporting to document corruption-related information

This section describes measures MSGs can take to strengthen the relevance of EITI disclosures for anticorruption purposes. These recommendations can be applied regardless of whether countries are using traditional reporting formats or are moving toward EITI’s new systematic disclosures approach. (See Box 1.)

We have divided the recommendations into two categories. The first category describes key recommendations that have the potential to make a significant contribution to the fight against corruption. Implementing these measures would require a considerable scale-up of EITI’s efforts. The second category describes additional measures that would be easier to implement but would likely have only moderate impacts in isolation. These additional measures could, however, form part of a broader package of meaningful reforms.

### Box 1. Conventional reporting versus systematic disclosure

Many countries are shifting from conventional reporting formats, which focus on the production of annual EITI reports prepared by an independent administrator (IA), to **systematic disclosures**, where governments and companies integrate EITI’s disclosure requirements into their existing reporting processes. This has implications for the way countries implement the changes to reporting practices described under Recommendation 1.

For countries using conventional reporting formats, the MSG would request the IA to analyze and document in the EITI report the types of information described under Recommendation 1. To support this, MSGs might want to seek out an IA with experience working on corruption issues.

For countries using a systematic disclosures approach, MSGs might request a public institution with an anticorruption remit (such as a country’s anticorruption commission or a state audit entity) to take ownership of ensuring that corruption-related information is systematically identified, analyzed and publicly disclosed. Another accountability actor (such as a civil society organization) could also volunteer or be tasked to play this role. Alternatively, MSGs might commission an IA or another third party to review the disclosures of reporting entities and produce a summary of corruption-related findings. The MSG would discuss these findings, which would ultimately be published on the EITI website.

## KEY RECOMMENDATIONS

### 1.1 Clearly document governance vulnerabilities

In our review of EITI reporting in 17 countries, we found that one of EITI’s main strengths lies in its ability to shed light on governance vulnerabilities that make institutions and processes more susceptible to corruption. Such information does not indicate whether corruption occurred, but it does point toward high-risk areas. This information can help to build an understanding of the incentives that make corruption more or less likely and can provide a starting point for identifying possible preventive measures.

MSGs could strengthen the relevance of disclosures by clearly documenting institutional and process-related vulnerabilities in the governance of the sector as part of their reporting. EITI reporting often already includes this information (see Box 2 for examples), but it is rarely presented in a systematic and clear manner.

*One of EITI’s main strengths lies in its ability to shed light on governance vulnerabilities that make institutions and processes more susceptible to corruption.*

## Box 2. Documenting governance vulnerabilities

EITI reports often identify governance vulnerabilities that make corruption more likely, such as:

- *Payment discrepancies.* Reporting can identify specific companies or government institutions responsible for large or frequent discrepancies. It can also pinpoint revenue streams of concern. For example, **Afghanistan's** 2015/2016–2016/2017 report identifies several instances where companies paid royalties but reported no production or reported production but paid no royalties.<sup>2</sup>
- *Vague or weak rules.* **Mozambique's** 2015–2016 report states that the lack of award criteria for mining licenses could enable discretion, favoritism and patronage. **Armenia's** 2018 report flags high levels of discretion in how local authorities calculate land rents and in how community heads approve land use changes.<sup>3</sup>
- *Deviations from the rules.* In addition to specific suspicious practices discussed below in Recommendation 1.2, EITI reporting can flag routine deviations from the rules. **Sierra Leone's** 2017–2018 report reflects stakeholder concerns around the absence of civil society representatives on the country's Minerals Advisory Board, contrary to legal requirements. **Myanmar's** 2017–2018 report shows a state-owned enterprise (SOE) retaining a greater share of revenues than it was entitled to, while paying less into a corporate responsibility fund than it should.<sup>4</sup>
- *Lack of oversight.* **Guinea's** 2017 report notes the absence of key institutions from decision-making committees for licensing in the mining sector. **Nigeria's** 2018 report highlights the lack of independent oversight of SOE costs. The report also shows that most SOE export sales proceeds are kept by the SOE and do not flow into the national budget.<sup>5</sup>
- *Conflicts of interest.* **Myanmar's** 2017–2018 report notes conflicts of interest in SOE mandates due to their dual roles as regulators and commercial partners. **Afghanistan's** 2015/2016–2016/2017 report references studies alleging that politically exposed persons (PEPs) participated in the mining sector through hidden beneficial ownership.<sup>6</sup>
- *Lack of transparency.* **The Republic of Congo's** 2017 report notes a lack of transparency around agreements between commodity traders and the state. **The Democratic Republic of Congo's** (DRC) 2015 report flags a lack of information to verify whether sales of state assets met legal requirements.<sup>7</sup>
- *Lack of enforcement.* **Zambia's** 2018 report cites the auditor general's criticism of the government for failing to enforce environmental penalties. **Nigeria's** EITI website calls out the government's lack of political will to enforce gas flaring penalties.<sup>8</sup>

Often this information is buried deep in EITI reports. Bringing the documentation of such governance vulnerabilities to the forefront can help to maximize the relevance of EITI reporting.

- 2 EITI Afghanistan, *6th AEITI Report: EITI Report for the Fiscal Years 1395-1396 (2015/2016–2016/2017)* (2019), 30, 92-93 and 137. [www.eiti.org/files/documents/aeitireport1395-1396\\_2015-2017.pdf](http://www.eiti.org/files/documents/aeitireport1395-1396_2015-2017.pdf)
- 3 EITI Mozambique, *Final Report: Independent Administrator of EITI in Mozambique* (2018), 60. [www.eiti.org/files/documents/mireme\\_eiti\\_relaCltorio\\_final\\_eng\\_versao\\_final\\_2015\\_-\\_16.pdf](http://www.eiti.org/files/documents/mireme_eiti_relaCltorio_final_eng_versao_final_2015_-_16.pdf); EITI Armenia, *Republic of Armenia Extractive Industries Transparency Initiative (EITI) Report 2018* (2020), 48-49 and 224. [www.eiti.org/files/documents/armenia\\_eiti\\_report\\_ey\\_2018\\_compressed.pdf](http://www.eiti.org/files/documents/armenia_eiti_report_ey_2018_compressed.pdf)
- 4 EITI Sierra Leone, *SLEITI 2017-2018 Report* (2019), 40. [www.eiti.org/files/documents/final\\_sleiti\\_report\\_for\\_2017\\_and\\_2018.pdf](http://www.eiti.org/files/documents/final_sleiti_report_for_2017_and_2018.pdf); EITI Myanmar, *EITI Report for the Period April 2015-March 2016: Oil, Gas and Mining Sectors* (2018), 142 and 332. [www.eiti.org/files/documents/meiti\\_reconciliation\\_report\\_2017-2018\\_final\\_signed\\_31st\\_march\\_2020.pdf](http://www.eiti.org/files/documents/meiti_reconciliation_report_2017-2018_final_signed_31st_march_2020.pdf)
- 5 EITI Guinea, *Rapport 2017* (2019), 54. [www.eiti.org/files/documents/rapport-itie-02-guinee-2017-version-signe-3.pdf](http://www.eiti.org/files/documents/rapport-itie-02-guinee-2017-version-signe-3.pdf); EITI Nigeria, *Full Report: Oil and Gas Industry Audit Report 2018* (2019), 40 and 110. [www.eiti.org/files/documents/neiti-oga-2018-report.pdf](http://www.eiti.org/files/documents/neiti-oga-2018-report.pdf)
- 6 EITI Myanmar, *EITI Report 2017–2018* (2020), 100 and 390. [www.eiti.org/files/documents/meiti\\_reconciliation\\_report\\_2017-2018\\_final\\_signed\\_31st\\_march\\_2020.pdf](http://www.eiti.org/files/documents/meiti_reconciliation_report_2017-2018_final_signed_31st_march_2020.pdf); EITI Afghanistan, *2015/2016–2016/2017*, 26 and 78.
- 7 EITI Republic of Congo, *Rapport 2017* (2019), 67. [www.eiti.org/files/documents/rapport\\_final\\_itie\\_congo\\_2017.pdf](http://www.eiti.org/files/documents/rapport_final_itie_congo_2017.pdf); EITI Democratic Republic of Congo, *Rapport ITIE RDC 2015* (2017), 56. [www.eiti.org/files/documents/rapport\\_de\\_conciliation\\_itie\\_rdc\\_2015\\_-\\_signe\\_envoye\\_st.pdf](http://www.eiti.org/files/documents/rapport_de_conciliation_itie_rdc_2015_-_signe_envoye_st.pdf)
- 8 EITI Zambia, *11th Zambia EITI Report: ZEITI Report for the Year Ended 31 December 2018* (2020), 38. [www.eiti.org/files/documents/zeiti-report-2018.pdf](http://www.eiti.org/files/documents/zeiti-report-2018.pdf); EITI Nigeria, *Legal and Institutional Framework, Contracts and Licenses*. [www.neiti.gov.ng/index.php/neiti-legal-and-institutional-framework-contracts-and-licenses?view=faq&catid=1](http://www.neiti.gov.ng/index.php/neiti-legal-and-institutional-framework-contracts-and-licenses?view=faq&catid=1)

Information on governance vulnerabilities should feature prominently in EITI reporting (e.g., in the executive summary or a dedicated section of the EITI report, or as a standalone summary on the EITI website).

To ensure this information is systematically identified, we recommend that EITI produce guidance on how to recognize the most common vulnerabilities. EITI's International Secretariat could support these efforts by developing a checklist for use by IAs, reporting entities and other third parties. (See Recommendation 3.1 and the annex for initial ideas on what the checklist might look like.) MSGs could then adapt this checklist to the national context if needed. A review of governance vulnerabilities could also form part of a broader diagnostic of extractive sector corruption risks (see Recommendation 2.2).

## 1.2 Clearly document suspicious practices

EITI reporting can identify specific suspicious practices or potential instances of wrongdoing. As with the vulnerabilities discussed in Recommendation 1.1, such information does not indicate whether corruption occurred. However, it points toward areas of heightened risk which deserve greater scrutiny. While potentially valuable, we found in our review that it is relatively rare for EITI reporting to document suspicious practices (Box 3 provides some of the examples we encountered in our review). More work is needed to ensure reporting systematically includes and clearly presents this information.

*EITI disclosures can identify specific suspicious practices or potential instances of wrongdoing.*

### Box 3. Documenting suspicious practices

EITI reporting can document instances where government entities or companies have broken the rules or acted in ways that raise concerns around potential wrongdoing. For example, **Zambia's** 2018 report identifies several problems in the mining sector, including the award of licenses to unqualified companies, illegal mineral exports, tax evasion and violations of environmental obligations. The **DRC's** 2016 report flags a suspicious transaction by an SOE.<sup>9</sup>

To effectively document suspicious practices, EITI should strengthen disclosures of:

- **Material deviations from the rules or standard commercial practice.** The EITI Standard requires countries to report on material deviations from national or sector rules in several areas.<sup>10</sup> These requirements have the potential to reveal high-risk transactions, processes or entities. For example, if officials deviate from the rules on a specific licensing decision without providing a robust justification, this could be indicative of political interference or favoritism. In many countries, however, existing requirements are not systematically implemented and information on deviations is often not clearly documented. MSGs should take steps to ensure that IAs check for deviations in a more rigorous and systematic manner as part of the reporting process. MSGs could also expand on the EITI Standard's requirements. This could include more explicitly requiring SOEs to disclose deviations from the rules governing retained earnings and the transfer of funds to the state, as well as deviations from their standard procurement and

9 EITI Zambia, *2018* (2020), 38, 42-43 and 70.; EITI Democratic Republic of Congo, *Rapport Contextuel ITIE-RDC 2016: Informations Complémentaires* (2018), 11. [www.eiti.org/files/documents/2016\\_drc\\_eiti\\_supplementary\\_contextual\\_report\\_august\\_2018.pdf](http://www.eiti.org/files/documents/2016_drc_eiti_supplementary_contextual_report_august_2018.pdf)

10 There is no formal requirement in the EITI Standard for countries to document suspicious practices. However, the requirement to describe material deviations from the applicable legal and regulatory framework and sector reforms can facilitate reporting in this area. See EITI, *Standard*, requirements 2.1, 2.2, 2.4, 4.2 and 5.2.

subcontracting practices. Companies could also be required to disclose deviations from mandatory social or environmental expenditure requirements, or from their procedures for identifying commodity trading partners.

- **Beneficial ownership.** The EITI Standard requires countries to disclose the beneficial owners of the corporate entities applying for or holding participating interests in exploration and production licenses or contracts.<sup>11</sup> Such disclosures are a powerful tool for advancing anticorruption efforts and one of the few aspects of EITI implementation in which many countries explicitly frame their work around anticorruption objectives. However, so far, the scope and quality of disclosures has been relatively limited, undermining their usefulness. MSGs should place greater emphasis on strengthening the quality of disclosures. This should include ensuring that PEPs are systematically identified and documented as required by the EITI Standard, and that disclosures are comprehensive and cover all corporate entities applying for or holding participating interests in licenses or contracts. MSGs could also expand existing reporting by applying a broad definition of the types of entities that need to report beneficial ownership information. This could give a broader picture of who is benefiting in the sector beyond the holders of exploration and production licenses—for example to include information on suppliers and commodity traders.

As with Recommendation 1.1, it is essential to systematically identify and prominently present information on suspicious practices in EITI reporting. To support this, EITI could develop a checklist explaining how to identify some of the most common forms of suspicious practices (see Recommendation 3.1 and the annex for further suggestions on what this might look like).

### 1.3 Expand reporting into high-risk areas

MSGs could expand or undertake targeted reporting in high-risk areas, which are currently rarely covered but which can shed light on potential corruption hot spots. The identification of high-risk areas could result from focused thematic reporting and studies, from a review of past corruption cases (see Recommendation 1.5) or from a corruption diagnostic exercise (see Recommendation 2.2).

Potential high-risk areas include:

- **SOE spending practices.** SOE spending may be prone to corruption, for example, if it is used to allocate business opportunities to politically connected companies or if officials misappropriate SOE funds for personal or political gain. The EITI Standard provides entry points for increased transparency in this area by encouraging countries to describe the practices related to SOE operating and capital expenditures, procurement and subcontracting.<sup>12</sup> In general, however, disclosures in this area tend to lack sufficient detail to be useful in tackling corruption. Some countries including the DRC have been releasing increasingly detailed disclosures, and others could build on these examples to strengthen their reporting.<sup>13</sup>
- **Company procurement and subcontracting practices.** Like SOE spending, company procurement and subcontracting may be prone to corruption, especially if it is used to allocate business opportunities to politically connected companies.

*Multi-stakeholder groups could expand or undertake targeted reporting in high-risk areas, which are currently rarely covered but which can shed light on potential corruption hot spots.*

<sup>11</sup> See EITI, *Standard*, Requirement 2.5.

<sup>12</sup> See EITI, *Standard*, Requirement 2.6.

<sup>13</sup> KPMG, *ITIE: Rapport thématique sur le renforcement des divulgations des entreprises publiques du secteur extractif de la RDC* (2020). [www.drive.google.com/file/d/1i2480Dsi-qiG90C27fTg71-0f9ufEfD3/view](https://www.drive.google.com/file/d/1i2480Dsi-qiG90C27fTg71-0f9ufEfD3/view)

In several countries, including Guinea, Mali and Mongolia, EITI has illuminated corruption risks in this area.<sup>14</sup>

- **Conflict of interest and asset declarations.** Corruption can arise when public officials or their family members hold financial interests in the sectors they are regulating. The EITI Standard’s requirement to disclose the beneficial owners of entities with an interest in exploration and production licenses can help to highlight risks in this area. To complement this, MSGs could require government officials to declare whether they hold any interests in the extractive sector and to confirm whether they have any potential conflicts of interest. Beyond EITI requirements, many countries already require government officials to make income and asset disclosures.<sup>15</sup> EITI could build on such disclosures from other sources to facilitate transparency around potential conflicts of interest in the extractive sector.
- **Declarations of political contributions and lobbying activity.** Corporate donations to political parties or candidates, as well as lobbying activity, are legal in many jurisdictions. However, where these are used to exert undue influence over policymakers, they constitute a corruption risk. Beyond EITI requirements, many countries already publish information on political donations, and many extractive sector companies likewise declare information on donations and lobbying activity.<sup>16</sup> EITI could build on such disclosures to facilitate transparency around the extractive sector’s engagement with political actors.
- **Disclosures related to bailouts and subsidies.** Bailouts and subsidies can be prone to corruption if decisionmakers use them to confer undue benefits to select actors. The EITI Standard requires disclosures on quasi-fiscal expenditures by SOEs, including fuel subsidies.<sup>17</sup> MSGs could go further by more broadly requiring governments to disclose the value and beneficiaries of all extractive sector bailouts and subsidies related to SOEs and the private sector.
- **Disclosures of tax incentives, fiscal loopholes and transfer pricing mechanisms.** Selectively granting tax incentives to specific companies or the use of other mechanisms that excessively reduce government revenue from the sector can be a sign of bribery or favoritism in contract negotiations. The EITI Standard requires contract disclosure, which can reveal whether contract terms are unduly favorable for certain companies.<sup>18</sup> In such cases, MSGs could ensure that reporting explicitly highlights any such contractual provisions. Where overly generous incentives are enshrined in the legal framework, they can be indicative of undue corporate influence over policymakers. To create transparency, the EITI Standard requires countries to disclose the legal framework and fiscal regime governing the extractive sector.<sup>19</sup> As part of this, MSGs could ensure reporting covers a description of tax incentives, fiscal loopholes and legal transfer pricing mechanisms.
- **Climate-related financial disclosures.** Actors with vested interests in the fossil fuel sector may seek to unduly influence decision-makers to delay or block measures advancing the transition to a low-carbon economy. They may also

14 Kaisa Toroskainen and Hervé Lado, *EITI Data Can Support Guinea’s Efforts to Promote Local Mining Subcontractors* (NRGI, 2019). [www.resourcegovernance.org/blog/eiti-data-guinea-mining-subcontractors-local-content](http://www.resourcegovernance.org/blog/eiti-data-guinea-mining-subcontractors-local-content)

15 World Bank, *Income and Asset Disclosure: Case Study Illustrations*.

16 See for example, ExxonMobil, *Political Contributions and Lobbying* (2021). [www.corporate.exxonmobil.com/About-us/Policy/Political-contributions-and-lobbying](http://www.corporate.exxonmobil.com/About-us/Policy/Political-contributions-and-lobbying)

17 EITI, *Standard*, Requirement 6.2.

18 EITI, *Standard*, Requirement 2.4

19 EITI, *Standard*, Requirement 2.1.

seek to capture business opportunities arising through such a transition. EITI disclosures can be valuable in shedding light on risks in this area and should include information on the viability of projects and national budgets under various transition scenarios; break-even prices, reserves and potential emissions of current and pending fossil fuel projects; and price and revenue forecasts used by financial authorities.<sup>20</sup> Some of this information already falls within the scope of Section 5.3.c of the EITI Standard. EITI data can also highlight the amount of public funds a country has invested in the fossil fuel sector, especially through SOEs, and thus inform discussions around whether this is aligned with the public interest.<sup>21</sup>

- **Community engagement.** Governments and companies must listen to the voices of communities impacted by extractive projects, including women and vulnerable groups such as indigenous peoples. Governments need to consult communities before awarding rights to explore or extract natural resources and throughout the project lifecycle to understand and better manage impacts. Community engagement can build trust and is an important component of ensuring the private sector’s environmental and social performance is monitored. At the moment, however, communities in many countries often lack information, and regulators, companies and community leaders can manipulate and abuse engagement processes.<sup>22</sup> EITI’s current reporting requirements in this area are relatively weak. MSGs could strengthen transparency by requiring governments and companies to disclose information related to community participation and engagement through requirements 2.1 and 2.2 of the EITI Standard. The publication of details on environmental and social impact assessments and related management plans through requirements 2.3, 2.4 and 6.4. would further improve the quality of reporting in this area.

The EITI Board could support anticorruption efforts by including stronger requirements around such disclosures in future iterations of the EITI Standard.

#### 1.4 Disclose the anticorruption practices of reporting entities

MSGs could require government entities and companies to disclose information on how they are managing corruption risks. This could include describing whether within the reporting period, they conducted any:

- Corruption-related due diligence checks, including whether they used beneficial ownership disclosures in these processes
- Staff training
- Audits or investigations

Reporting entities could be required to make summary information on the outcomes of any such activities available. For example, companies or SOEs could disclose whether due diligence checks on potential partners raised any concerns and what actions they took in response to the findings.

20 Erica Westenberg and Patrick Heller, *IEA’s Ambitious Climate Scenario Underscores Need for More Transparency on Fossil Fuel Projects* (NRGI, 2021). [www.resourcegovernance.org/blog/IEA-ambitious-climate-scenario-underscores-need-more-transparency-fossil-fuel-projects](http://www.resourcegovernance.org/blog/IEA-ambitious-climate-scenario-underscores-need-more-transparency-fossil-fuel-projects)

21 Inês Schjøberg Marques, *Extractives transparency in the era of energy transition* (EITI, 2020). [www.eiti.org/blog/extractives-transparency-in-era-of-energy-transition](http://www.eiti.org/blog/extractives-transparency-in-era-of-energy-transition)

22 A recent briefing by Transparency International’s Accountable Mining Programme provides more detail on this issue, see Transparency International, *Stronger Community Voices: Addressing Corruption Risks in Community Consultation in Mining* (2021). [www.transparency.org.au/wp-content/uploads/2021/04/TIA\\_CommunityConsultationBriefingPaper\\_vF\\_web.pdf](http://www.transparency.org.au/wp-content/uploads/2021/04/TIA_CommunityConsultationBriefingPaper_vF_web.pdf)

## ADDITIONAL MEASURES

### 1.5 Document corruption cases and substantiated corruption concerns

EITI reporting can be used to document specific corruption cases or substantiated corruption concerns. Disseminating public information on well-documented cases and allegations can shed light on pressing governance challenges. While EITI's role should not be to audit or investigate wrongdoing, acknowledging official findings and stakeholder perspectives can help EITI to avoid being silent on key issues. Documenting this type of information can ensure the initiative's relevance by contributing to discussions on where corruption has arisen in the past and how the government and other actors responded. Box 4 provides examples of how different EITI countries have presented such information.<sup>23</sup>

#### Box 4. Documenting corruption cases

**Malawi's** 2017/2018 report notes allegations of corruption involving senior mining officials and describes the response of the MSG and the government. **Guinea's** 2016 report discusses the findings of a government audit, which led to the suspension in 2014 of a company's mining licenses on suspicion that they were acquired through corruption. **Chad's** 2016 report mentions legal proceedings against a company that had bribed officials to acquire oil licenses in 2009.<sup>24</sup>

MSGs could require the IA or another third party to conduct a high-level review of existing information on corruption in the sector and provide a summary of specific cases or substantiated concerns as part of the reporting process. This should include any major corruption cases that occurred within the reporting period, or which came to light since the publication of the last EITI report.

The MSG should give clear guidance on the resources to review, including:

- Official information (e.g., on domestic and international court cases, government investigations) on cases that have resulted in guilty pleas, convictions or settlements where the accused do not dispute the accusations
- Corruption risk assessments conducted by external organizations
- Credible NGO or media investigations

It is important that the review draws only on credible sources and refrains from making assumptions about anyone's guilt or innocence unless this has been determined through courts of law (which likewise need to be credible). Such a review of corruption-related information could also motivate and inform a separate corruption diagnostic exercise commissioned by the MSG (see Recommendation 2.2).

### 1.6 Initiate surveys to produce additional data on corruption

MSGs could organize surveys of MSG members or a broader panel of stakeholders to better understand their experiences with corruption. They could, for example, ask companies to provide anonymized information on whether they have experienced requests for bribes or material deviations from the rules. Such surveys could also

23 As with suspicious practices, there is no formal requirement for EITI reporting to document corruption. However, the requirements to describe deviations from the rules in several areas and to describe reforms in the sector provide a channel for reporting.

24 EITI Malawi, MWEITI Final Report for the Financial Year 2017/2018 (2021). [https://eiti.org/files/documents/4th\\_malawi\\_eiti\\_report\\_-\\_26\\_february\\_2021.pdf](https://eiti.org/files/documents/4th_malawi_eiti_report_-_26_february_2021.pdf); EITI Guinea, Rapport 2016 (2018), 53. <https://eiti.org/files/documents/itie-guinee-2016-version-finale-rapport-itie-2016-29-06-18.pdf>; EITI Chad, Rapport 2016 (2018), 35. [www.eiti.org/files/documents/rapport\\_itie\\_tchad\\_2016.pdf](http://www.eiti.org/files/documents/rapport_itie_tchad_2016.pdf)

identify common ground between stakeholders on where to focus the MSG's anticorruption efforts.

### 1.7 Describe the anticorruption legal and institutional framework

The EITI Standard requires countries to describe the legal and institutional framework governing the sector and key reforms.<sup>25</sup> Anticorruption policies, laws, institutions and initiatives are key components of the legislative landscape, and some countries describe these measures in their reporting (see Box 5). Although it usually lacks detail, this information is useful because it illustrates the scope of the existing anticorruption framework on paper.

#### Box 5. Describing the anticorruption legal and institutional framework

**Afghanistan's** 2015/2016–2016/2017 report provides a brief description of the country's 2014 minerals law and highlights a corruption-related provision prohibiting elected politicians and senior government officials from acquiring mining contracts. **Mongolia's** 2018 report provides an overview of government programs for combatting corruption and relevant non-sector specific laws, including a law on the prevention of conflicts of interest in public services.<sup>26</sup>

In addition to descriptions of the national framework, government entities and companies could disclose their own policies and systems for managing corruption risks. This could include:

- Anti-bribery and corruption policies
- SOE spending rules
- Procurement and subcontracting policies
- Whistleblower policies
- Asset disclosure and conflict of interest policies
- Due diligence requirements
- Audit requirements
- Company policies on political contributions, lobbying and the hiring of former government officials (sometimes referred to as “revolving doors”)
- Position statements on beneficial ownership
- Position statements on contract disclosure

25 EITI. *The EITI Standard* (2019), requirements 2.1.a, 2.1.b, 2.4.c.i, 2.5.b, 6.4.a. [www.eiti.org/files/documents/eiti\\_standard\\_2019\\_en\\_a4\\_web.pdf](http://www.eiti.org/files/documents/eiti_standard_2019_en_a4_web.pdf)

26 EITI Afghanistan, *2015/2016–2016/2017*, 32; EITI Mongolia, *2018*, 6, 14, 37-38.

## Recommendation 2. Ensure anticorruption actors use EITI disclosures to advance anticorruption efforts

The effective use of EITI disclosures is essential to ensure that improvements in reporting translate into greater accountability. This section describes recommendations for ensuring that anticorruption actors use EITI disclosures to advance anticorruption efforts. As under Recommendation 1, we have divided the measures into two categories to indicate their potential for meaningful impact in helping to reduce extractive sector corruption.

### KEY RECOMMENDATIONS

#### 2.1 Review EITI disclosures with anticorruption in mind

EITI reporting already contains large amounts of data relevant to anticorruption efforts. However, in most countries this data is not clearly presented and systematically analyzed in a way that strengthens accountability in the sector. To address this, MSGs, as well as oversight actors such as civil society organizations, media and anticorruption agencies, should review EITI disclosures with an anticorruption lens.

MSGs must ensure this happens systematically by reaching out to these actors and jointly reviewing and discussing findings. This could include organizing joint activities with specialized anticorruption actors to ensure in-depth analysis of EITI data (e.g., through anticorruption “hackathons”).

A key aspect of a corruption-focused review would be to triangulate the disclosures of different reporting entities, as well as to compare them with disclosures from external sources. Box 6 provides examples of what this triangulation could look like.

Information under review may include:

- **Production data and revenue disclosures** to identify producing companies that are not making payments to government, or whose payments are much lower than would be expected based on the volume or value of their production
- **License registry data and production and revenue disclosures** to check whether companies are failing to pay license fees, are producing after their license has expired or are disclosing production of a commodity that is not covered by their license
- **Contract terms and revenue disclosures** to determine whether companies are complying with fiscal obligations
- **Contract terms and disclosures on social and environmental spending** to determine whether companies are complying with their commitments to communities, and to also better assess the risk of corruption in the negotiation of local benefits

*EITI reporting already contains large amounts of data relevant to anticorruption efforts. However, this data is often not analyzed in a way that strengthens accountability.*

- **Disclosures on social and environmental spending** to identify items lacking a clear environmental and social purpose or where the beneficiary is a PEP
- **Beneficial ownership disclosures and external sources of ownership and asset declaration information** to check for accuracy in EITI reporting
- **Information on awards processes** (for exploration and production licenses, procurement opportunities or commodity trading contracts) to check for compliance with conflict-of-interest rules<sup>27</sup>
- **Export data and trade partner statistics** to identify potential underreporting or smuggling

#### Box 6. Conducting spot checks and triangulating information

In **Mongolia**, the IA reviewed a random sample of mining licenses and found that one had not paid license fees for several years. For **Iraq's** 2017 report, the IA requested SOEs to disclose information on secondary contracts and cross-checked this against beneficial ownership data. The IA found that one contract violated Iraqi regulations because it was signed with a foreign company that had not obtained a registration license in Iraq.<sup>28</sup> In neither case does EITI reporting suggest that corruption occurred. However, by identifying such deviations from the rules, EITI can help anticorruption actors to better understand areas of heightened risk.

## 2.2 Diagnose corruption risks and develop an anticorruption action plan

MSGs could conduct a corruption risk assessment or diagnostic exercise and use this as the basis for developing an anticorruption action plan. This could be done using the **diagnostic tool** currently being developed by NRGi, which covers corruption across the extractive industries decision chain, or the **Mining Awards Corruption Risk Assessment (MACRA)** tool developed by Transparency International's Accountable Mining program, which allows for a deep dive on risks at the licensing, permitting and contracting stage. EITI disclosures can provide a vital source of information in such assessments.

*Multi-stakeholder groups could conduct a corruption risk assessment or diagnostic exercise and use this as the basis for developing an anticorruption action plan.*

## ADDITIONAL MEASURES

### 2.3 Use EITI disclosures to strengthen community voices

NGOs and community-based organizations can use EITI disclosures, among other sources of information, to strengthen community voices and contribute to preventing corrupt practices. As discussed in Recommendation 1.3, EITI could expand the scope of reporting to strengthen accountability at the community level. However, even within current reporting requirements, EITI disclosures can be valuable for tackling corruption and manipulation.

For example, EITI reporting can help communities to better understand:

- **The identities of those benefiting from extractive sector projects.** EITI data can shed light on who owns exploration and production rights, including beneficial owners. Communities can use this information to determine whether

<sup>27</sup> For more ideas for using beneficial ownership data for anticorruption purposes, see Erica Westenberg and Aaron Sayne, *Beneficial Ownership Screening: Practical Measures to Reduce Corruption Risks in Extractives Licensing* (NRGI, 2018). [https://resourcegovernance.org/sites/default/files/documents/beneficial-ownership-screening\\_0.pdf](https://resourcegovernance.org/sites/default/files/documents/beneficial-ownership-screening_0.pdf)

<sup>28</sup> EITI Mongolia, 2018, 26; EITI Iraq, Iraq EITI Report: Oil, Gas and Minerals 2017 (2019), 43. [www.eiti.org/files/documents/iraq\\_2017\\_eiti\\_report.pdf](http://www.eiti.org/files/documents/iraq_2017_eiti_report.pdf)

PEPs are involved or whether officials have conflicts of interest. In contexts where MSGs have strengthened reporting in line with Recommendation 1, communities could review EITI disclosures to check whether the company in question has been associated with suspicious practices or allegations of corruption in the past, as well as to better understand the strength of its anticorruption policies and practices. In contexts where EITI reporting includes data on suppliers and subcontractors, disclosures could give a broader picture of companies and individuals benefiting from a specific extractive sector project.

- **Legal requirements and contract terms** to understand company commitments to the community. Where there is a material gap between what the company is committed to on paper and what it does in practice, this could point to corruption concerns around the enforcement of obligations by government officials.
- **Details on environmental and social expenditures.** Communities could use this information to identify suspicious practices such as disclosure of items that lack any obvious environmental or social purpose or disclosures where the beneficiary is a PEP. Communities could also compare information regarding the value, quality or beneficiaries of environmental or social projects with on-the-ground realities to identify potential risks of misappropriation of funds.

## Recommendation 3. Reinforce EITI processes, responsibilities and activities to support the initiative's enhanced anticorruption focus

This section describes a set of basic changes to EITI's processes, institutional responsibilities and activities that could support the effective implementation of the measures described under recommendations 1 and 2.

### REPORTING PROCESS

#### **3.1 Develop a checklist to help identify suspicious practices and vulnerabilities**

EITI's International Secretariat could develop a checklist that maps out the different types of corruption-related information EITI reporting typically produces. This could be a tool for helping various actors to review EITI disclosures with a more systematic anticorruption lens. It could be used by IAs and other third parties tasked with identifying vulnerabilities and suspicious practices (see recommendations 1.1 and 1.2). It could also be used by anticorruption working groups or subcommittees, the MSG as a whole and external oversight actors (see Recommendation 2.1).

The annex at the end of this memo could be used as a starting point for developing such a checklist. The annex is informed by NRG's experience analyzing extractive sector corruption cases and promoting anticorruption safeguards in resource-rich countries around the world, as well as studies and tools produced by other organizations.<sup>29</sup>

#### **3.2 Adapt the terms of reference for independent administrators and other third parties**

Most of the recommendations described under Recommendation 1 require MSGs to task a third party with reviewing, analyzing and presenting corruption-related information as part of EITI's reporting process. These expectations should be described in the terms of reference (TOR) of the third party supporting the reporting process. This applies regardless of whether countries are using a conventional reporting format or a systematic disclosure approach (see Box 1). We recommend that MSGs adapt EITI's standard TOR or the new model TOR for flexible reporting to

29 Apart from NRG's February 2021 report *How Can Anticorruption Actors Use EITI Disclosures?*, which forms the basis of this memo and the annex, other key resources for developing a checklist could include: Aaron Sayne, Alexandra Gillies and Andrew Watkins, *Twelve Red Flags: Corruption Risks in the Award of Extractive Sector Licenses and Contracts* (NRGI, 2017). [https://www.transparency.org/en/publications/combating-corruption-in-mining-approvals](https://resourcegovernance.org/analysis-tools/publications/twelve-red-flags-corruption-risks-award-extractive-sector-licenses-and-Transparency International, <i>Combatting Corruption in Mining Approvals: Assessing the Risks in 18 Resource-Rich Countries</i> (2017). <a href=); Organisation for Economic Co-operation and Development, *Corruption in the Extractive Value Chain: Typology of Risks, Mitigation Measures and Incentives* (2016). <https://www.oecd.org/corruption-integrity/reports/corruption-in-the-extractive-value-chain-9789264256569-en.html>; United Nations Development Programme, *A Practitioner's Guide for Corruption Risk Mitigation in Extractive Industries* (2016). <https://anti-corruption.org/a-practitioners-guide-for-corruption-risk-mitigation-in-extractive-industries/>; and Erica Westenberg and Aaron Sayne, *Beneficial Ownership Screening: Practical Measures to Reduce Corruption Risks in Extractives Licensing* (NRGI, 2018). <https://resourcegovernance.org/analysis-tools/publications/beneficial-ownership-screening-practical-measures-reduce-corruption>

reflect a more ambitious anticorruption focus. EITI's International Secretariat could support these efforts by adapting the TOR templates to reflect the measures set out under Recommendation 1.

## ORGANIZATIONAL STRUCTURE AND ACTIVITIES

### **3.3 Establish an anticorruption working group or subcommittee within the multi-stakeholder group**

Establishing an anticorruption working group or subcommittee can help to ensure that there is a core group of individuals taking ownership of the MSG's anticorruption efforts.

This group can:

- Guide the IA, reporting entities and relevant third parties to strengthen anticorruption-related disclosures (in line with the measures described under Recommendation 1).
- Lead and coordinate corruption-related activities in EITI's workplan, including engagement and collaboration with external anticorruption actors including government commissions, law enforcement agencies, auditors, anticorruption NGOs, investigative journalists and the compliance staff of reporting companies (as per the measures described under Recommendation 2).

In countries where corruption is a sensitive topic, it may be more strategic to task existing thematic working groups or subcommittees with the responsibility to mainstream anticorruption in other EITI thematic engagements rather than to form a new grouping explicitly dedicated to working on corruption issues. It may also be strategic to frame such anticorruption efforts as promotion of "integrity" or "good governance," when the word "corruption" remains too sensitive. In other contexts, it might make sense to involve relevant external anticorruption actors who are not part of the EITI MSG in these EITI-led anticorruption working groups. Regardless of the precise approach, what is essential is that a core group of individuals meets regularly, establishes an effective and trusting working relationship and is accountable for taking forward the implementation of the recommendations in this memo.

### **3.4 Include anticorruption-related objectives and activities in the EITI workplan**

The EITI workplan provides the starting point for activities that can help to maximize the uptake and use of EITI disclosures for anticorruption efforts. As part of this, MSGs can formulate anticorruption-related objectives for EITI reporting and the EITI process. Box 7 provides examples of how countries around the world have done this. Within the workplan, MSGs can also outline specific anticorruption-related activities (see Recommendation 2) or integrate an anticorruption angle into existing thematic work (e.g., on beneficial ownership, contract disclosure), as well as anticorruption-related capacity development training (see Recommendation 3.5).

#### Box 7. Anticorruption-related objectives

In **Armenia**, EITI developed a roadmap detailing activities aimed at strengthening responsible mining practices. This includes the “eradication of corruption risks.” In **the Philippines**, the 2017 EITI report describes beneficial ownership disclosures as a means of “minimizing corruption and undue advantage in the extractives sector.”<sup>30</sup>

### 3.5 Organize capacity development training

MSGs can organize anticorruption-related capacity development training for MSG members or broader EITI stakeholders. EITI’s International Secretariat could support these efforts by developing training materials and offering workshops in collaboration with partners.

Potential topics for such training include:

- How to identify vulnerabilities and suspicious practices in EITI reporting
- How to understand corruption in high-risks areas (e.g., related to specific commodities, institutions, processes or transactions)
- How to put in place measures that can help to address corruption

## VALIDATION AND COMMUNICATION

### 3.6 Highlight anticorruption activities and impact in the validation process

As of 1 April 2021, countries undergoing validation receive a score based on the assessment of three components:<sup>31</sup>

- Stakeholder engagement
- Transparency
- Outcomes and impact

Particularly the third component provides an opportunity for MSGs to emphasize corruption-related issues. This component assesses aspects such as progress in addressing national priorities, contributing to public debate and the effectiveness and sustainability of EITI implementation. Anticorruption-related information could include documenting to what extent anticorruption-related objectives and activities were achieved and to what extent EITI’s work aligns with and contributes to broader national anticorruption priorities. This approach could be encouraged and supported by the EITI International Secretariat.

### 3.7 Disseminate corruption-related information

MSGs should share corruption-related findings with relevant external stakeholders such as anticorruption commissions, corruption-focused civil society organizations, data analysts and journalists. MSGs could map out relevant stakeholders and establish a process by which they systematically share disclosures and provide a briefing on the vulnerabilities or suspicious practices uncovered, including aspects which may not have been publicly disclosed in EITI reporting. MSGs should also share corruption-related findings with the public through their communication activities.

30 EITI Armenia, 2018, 215; EITI Philippines, Forging New Frontiers: The Fifth PH-EITI Report (FY 2017) (2018), 155. [eti.org/files/documents/philippines\\_2017\\_eiti\\_report\\_-\\_fy\\_2017.pdf](https://eti.org/files/documents/philippines_2017_eiti_report_-_fy_2017.pdf)

31 EITI, *Validation* [eti.org/validation](https://eti.org/validation)

## Conclusion

EITI has the potential to contribute to the fight against corruption. However, in most EITI implementing countries the initiative is falling short in realizing this potential. Tackling corruption requires transparency and accountability. For EITI to strengthen its relevance it needs to strengthen reporting and ensure that anticorruption actors effectively analyze and use disclosures.

This memo sets out a range of recommendations for EITI to achieve this. While the exact way forward will vary from country to country, it is important to remember that focusing only on basic improvements will do little to fundamentally strengthen the initiative's relevance. In most countries, what is needed is a package of ambitious, high-impact changes to the nature and use of reporting, including partnerships with external actors who can analyze disclosures and hold extractive sector actors accountable. Beyond the discussions related to reporting in this memo, any prospects for effective action on corruption also hinge on strong political will, the presence of an active and empowered civil society, a private sector committed to integrity and strategies to tackle the international dimensions of corruption.

Many EITI stakeholders are already showing a determination to contribute more actively to anticorruption efforts. We believe that by building on best practices from EITI implementation around the world, the initiative can advance concrete change.

*Focusing only on basic improvements will do little to fundamentally strengthen EITI's relevance. In most countries, what is needed is a package of ambitious, high-impact changes.*

# Annex.

## Illustrative corruption review checklist

MSGs and the EITI International Secretariat can use this annex as the basis for developing a checklist to identify vulnerabilities and suspicious practices (see Recommendation 3.1). The table below maps out the most relevant EITI reporting requirements, identifies the forms of corruption that they may illuminate, and provides a set of illustrative questions to guide the review of EITI disclosures. It is based on a similar table included in NRG's February 2021 report *How Can Anticorruption Actors Use EITI Disclosures?*.

The questions are not designed to unearth and document corruption cases—answering them will not determine whether corruption has occurred. Rather, they are intended to help identify the kinds of vulnerabilities and suspicious practices that can make corruption more likely. Pinpointing this information can help MSGs to better understand risk areas and provide a starting point for putting in place measures to tackle corruption.

EITI reporting requirements	Questions for users of EITI reporting	Potential forms of corruption
<b>EITI Requirement 2. Legal and institutional framework, including allocation of contracts and licenses</b>		
<p><i>2.1 Legal framework and fiscal regime</i></p> <p>Countries must disclose a description of the legal framework and fiscal regime governing the sector.</p>	<p>Do the sector's prevailing rules disproportionately favor private interests?</p> <p>Does the legal framework explicitly mention any anticorruption safeguards?</p> <p>Does the legal framework include clear loopholes that can enable corruption?</p>	<p>Private interests exercise undue influence over policymaking to achieve rules that favor them.</p>
<p><i>2.2 Contract and license allocations</i></p> <p>Countries must disclose a description of the process and criteria for transferring or awarding licenses, information about bidders and license recipients, and any material deviations from the rules.</p>	<p>Are award processes transparent and competitive?</p> <p>Do decisionmakers have significant amounts of discretion in awards processes?</p> <p>Where material deviations from the rules are documented, were policies (including any necessary oversight/approvals) for undertaking such deviations followed?</p> <p>Are reasons provided justifying such deviations on the grounds of advancing public, rather than private, interests?</p> <p>Did licensing processes comply with conflict-of-interest requirements?</p> <p>Do decision-makers have a conflict of interest?</p>	<p>Companies pay bribes or collude to influence license awards, transfers or contract terms.</p> <p>Officials deviate from the rules to award licenses or offer unduly favorable terms to politically connected companies.</p>
<p><i>2.3 Register of licenses</i></p> <p>Countries must maintain a public register of licenses. This must include details on the license holder; the license's size and location; the date of application and award; the duration of the license; and the commodity being produced.</p>	<p>Does the register indicate that licenses are held by companies that are: unqualified, implicated in controversies or tied to a PEP?</p> <p>Is there a discrepancy between the approved licenses and practices observed on the ground (e.g., extraction outside the license area, beyond the license period, of non-approved commodities)?</p>	<p>Companies pay bribes or collude to influence license awards.</p> <p>Officials award licenses to politically connected companies.</p> <p>Companies pay bribes or otherwise induce officials to be able to deviate from license obligations.</p> <p>Officials fail to take action against violations of license obligations by politically connected companies.</p>

<p><b>2.4 Contracts</b></p> <p>Countries are required to disclose any contracts and licenses that are granted, entered into or amended from 1 January 2021. They are encouraged to publicly disclose any contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals.</p>	<p>Do contracts contain terms that deviate significantly from industry or market norms?</p> <p>Do contracts contain terms that deviate significantly from model agreements or the legal framework?</p> <p>Does company behavior deviate from contract obligations?</p>	<p>Companies pay bribes or otherwise induce officials to influence contract terms.</p> <p>Companies pay bribes or otherwise induce officials to avoid enforcement of obligations.</p> <p>Officials offer unduly favorable terms to politically connected companies.</p> <p>Officials unevenly enforce compliance with contractual obligations by politically connected companies.</p>
<p><b>2.5 Beneficial ownership</b></p> <p>Countries must request, and companies must publicly disclose, beneficial ownership information for corporate entities that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract. This should include information about the identity of the beneficial owner and identify any PEPs. Countries are encouraged to maintain a publicly available beneficial ownership register.</p> <p>While not explicitly required by the EITI Standard, this definition could also be applied to more broadly cover companies benefiting from business opportunities in the sector, including suppliers and commodity traders.</p>	<p>Do any companies have PEPs that are senior officials or officials involved in extractive sector administration and extractives SOE among their beneficial owners, or proxies for these individuals?</p> <p>Do disclosures indicate other red flags, such as registration in secretive jurisdictions and complex ownership structures?</p> <p>Do disclosures contradict other sources of public information (e.g., media reports)?</p>	<p>Officials and their allies hold interests in companies creating conflicts of interest and opportunities for self-enrichment.</p> <p>Companies collude or misrepresent themselves to influence license awards, e.g., by agreeing who will bid the lowest, or having multiple companies with the same owner applying for a license.</p> <p>Inappropriate parties, such as sanctioned entities or those with histories of criminal behavior, hold interests in companies.</p>
<p><b>2.6 State participation</b></p> <p>Countries must disclose the prevailing rules and practices regarding the financial relationship between the government and SOEs. Countries are encouraged to describe the rules and practices related to SOE expenditures, procurement, subcontracting and corporate governance.</p>	<p>Do procurement rules require transparency and competition, and guard against conflicts of interest?</p> <p>Do SOEs deviate from the rules in practice (e.g., ad hoc financial transfers, absence of tenders)?</p>	<p>Companies pay bribes to influence SOE decisions on approvals and procurement.</p> <p>SOEs award contracts and licenses, or give other special treatment, to politically connected companies.</p> <p>Officials influence SOE decision-making to benefit their personal or political agendas.</p> <p>Officials misappropriate SOE funds for personal or political purposes, either through embezzlement or official transfers.</p>
<p><b>EITI Requirement 3. Exploration and production</b></p>		
<p><b>3.1 Exploration</b></p> <p>Countries should disclose any significant exploration activities.</p>	<p>Do disclosures of exploration data match statements from industry, the media and other external sources?</p>	<p>Companies manipulate exploration data to influence asset value or their share price.</p> <p>Officials distort exploration data to benefit their personal or political agendas.</p>
<p><b>3.2 Production and 3.3 Exports</b></p> <p>Countries must disclose timely production and export data, including volumes and values by commodity.</p>	<p>Are there unexpectedly high or low disclosures or material discrepancies between government and company disclosures?</p> <p>Are there discrepancies between production data and revenues payments (e.g., are royalty payments lower than anticipated given the declared volume or value of production)?</p> <p>Does disclosed data match statements from industry, the media and other external sources (e.g., trade statistics)?</p>	<p>Companies pay bribes to be able to underreport production or exports and reduce revenue obligations.</p> <p>Officials allow politically connected companies to underreport production or exports.</p>

EITI Requirement 4. Revenue collection		
<p><b>4.1 Comprehensive disclosure of taxes and revenues</b></p> <p>EITI requires disclosure of all material payments by oil, gas and mining companies to governments and all material revenues received by governments.</p>	<p>Are fiscal terms equally applied for all companies?</p> <p>Is there external oversight of reporting entities (e.g., through audits)?</p> <p>Do any companies or government entities fail to comply with reporting requirements?</p> <p>Are there material discrepancies or deviations from the rules (e.g., missing, delayed or diverted payments, over or under payments) related to specific companies or institutions?</p>	<p>Companies pay bribes or otherwise influence officials to enable tax evasion.</p> <p>Officials give unduly favorable tax treatment to politically connected companies.</p> <p>Officials misappropriate revenue payments for personal or political use, such as by directing payments to third parties they control or toward politically motivated expenditures.</p>
<p><b>4.2 Sale of the state's share of production or other revenues collected in kind</b></p> <p>Governments, including SOEs, must disclose volumes received and sold, and the revenues received and transferred, with data disaggregated by individual buying company. Countries are encouraged to describe the process for selecting companies, the criteria used, the list of selected companies, any material deviations from the rules and related sales agreements. Companies are encouraged to disclose volumes received.</p>	<p>Do contracts deviate from standard commercial terms?</p> <p>Do disclosures indicate that contracts are awarded to companies that are: unqualified, implicated in controversies or tied to a PEP?</p> <p>Are there discrepancies between government and company disclosures or deviations from the rules?</p>	<p>Companies bribe officials to influence the award or the terms of commodity trading contracts.</p> <p>Officials award commodity trading contracts to politically connected companies or offer unduly favorable commercial terms to such companies.</p> <p>Officials misappropriate revenue payments for personal or political use.</p>
<p><b>4.3 Infrastructure provisions and barter arrangements</b></p> <p>Where there are material agreements involving the provision of goods and services in exchange for exploration or production rights or physical delivery of commodities, these must be disclosed.</p>	<p>Do these agreements deviate from standard commercial terms?</p> <p>Do disclosures indicate that contracts are awarded without competition and/or to companies that are: unqualified, implicated in controversies or tied to a PEP?</p> <p>Has the company failed to fulfil its contractual obligations?</p>	<p>Companies pay bribes to influence the award and terms of infrastructure contracts.</p> <p>Officials negotiate and award contracts based on personal or political benefits (e.g., to provide kickbacks).</p> <p>The terms of resource-backed loans or the selection of lenders is influenced by bribery, favoritism, nepotism or political interference.</p> <p>Companies pay bribes to avoid the enforcement of infrastructure provisions.</p>
<p><b>4.4 Transportation revenue</b></p> <p>Government and SOEs must disclose material transportation revenues.</p>	<p>See Requirement 4.1</p>	<p>See Requirement 4.1</p>
<p><b>4.5 Transactions related to SOEs</b></p> <p>Material SOE revenues and transfers must be disclosed.</p>	<p>See requirements 2.6 and 4.2</p>	<p>See requirements 2.6 and 4.2</p>
<p><b>4.6 Subnational payments</b></p> <p>Material payments from companies to subnational governments must be disclosed.</p>	<p>See Requirement 4.1</p>	<p>See Requirement 4.1</p>
<p><b>4.7 Level of disaggregation and 4.9 Data quality and assurance</b></p> <p>Data must be disaggregated by individual project, company, government entity and revenue stream. Government and company disclosures should be subject to credible, independent audit.</p>	<p>Have reporting entities disaggregated data and provided data assurances in line with EITI requirements?</p>	<p>Companies or officials fail to report or misreport data to obscure corrupt practices.</p>

<b>EITI Requirement 5: Revenue allocations</b>		
<p><b>5.1 Distribution of extractive industry revenues</b></p> <p>Countries should indicate which revenues are recorded in the national budget. Where revenues are not recorded in the national budget, the allocation must be explained.</p>	<p>Does reporting identify any deviations from the rules (e.g., missing, diverted or delayed payments, over or underpayments?)</p>	<p>Government officials misappropriate revenues for personal or political use.</p> <p>Officials allocate revenues to serve political or patronage agendas.</p>
<p><b>5.2 Subnational transfers</b></p> <p>Material transfers between national and subnational governments must be disclosed, including the revenue sharing formula and any discrepancies.</p>	<p>Are there material discretionary or ad hoc transfers?</p> <p>Are there material discrepancies or deviations from the rules (e.g., missing, diverted or delayed payments, over or underpayments?)</p>	<p>Government officials misappropriate revenues for personal or political use.</p> <p>Officials allocate revenues to serve political or patronage agendas.</p>
<p><b>5.3 Revenue management and expenditures</b></p> <p>The MSG is encouraged to disclose information on revenues earmarked for specific programs or regions, and a description of the country's budget and audit processes, among other information.</p>	<p>Are government ministries and SOEs subject to audits and are the results publicly accessible?</p> <p>Do audits identify irregularities?</p>	<p>Government officials misappropriate revenues for personal or political use.</p> <p>Officials allocate revenues to serve political or patronage agendas.</p>
<b>EITI Requirement 6. Social and economic spending</b>		
<p><b>6.1 Social and environmental expenditures</b></p> <p>Where material social or environmental expenditures (including in-kind benefits) are mandated, countries must disclose them. Where they are discretionary, MSGs are encouraged to do so. Where the beneficiary is a third party, their name and function must be disclosed.</p>	<p>Are obligations evenly enforced across companies?</p> <p>Are there any suspicious payments (e.g., without a clear social or environmental purpose or where the beneficiary is a PEP)?</p>	<p>Companies use social and environmental expenditures to disguise bribes or kickbacks.</p> <p>Companies bribe or otherwise influence officials to reduce their obligations or to avoid enforcement.</p> <p>Government or community representatives misappropriate payments for personal or political ends.</p>
<p><b>6.2 Quasi-fiscal expenditures (QFEs)</b></p> <p>Countries must include disclosures from SOEs on their QFEs.</p>	<p>Do disclosures identify expenditures that deviate from the rules, contain unusual commercial terms or serve no obvious public benefit?</p> <p>Where SOE spending is unrelated to its core sectoral mandate, is a good explanation provided?</p> <p>Do QFEs increase ahead of elections or otherwise reflect political agendas?</p>	<p>Officials use QFEs to pursue personal or political agendas, such as patronage spending ahead of an election.</p> <p>Companies pay bribes or otherwise influence officials to benefit directly or indirectly from QFEs undertaken by SOEs.</p>
<p><b>6.4 Environmental impact of extractive activities</b></p> <p>Countries are encouraged to disclose information on the management and monitoring of the environmental impact of the extractive industries.</p>	<p>Are any companies or projects associated with disproportionately high impacts or penalties?</p>	<p>Companies bribe regulators or community leaders to secure environmental approvals.</p> <p>Companies bribe regulators to not enforce environmental requirements.</p> <p>Regulators selectively enforce regulations to favor politically connected companies.</p>

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