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What is the EITI?

The EITI (**Extractive Industries** Transparency Initiative) is an international standard for openness around the management of revenues from natural resources. Governments disclose how much they receive from extractive companies operating in their country and these companies disclose how much they pay. Governments sign-up to implement the EITI Standard and must meet seven requirements.

What is the legal status of the EITI?

The EITI is established as a non-profit association under Norwegian law. It is registered as "The Association for the Extractive Industries Transparency Initiative" or "EITI Association".

What is the EITI Standard?

The EITI Standard is the requirements that countries must comply

with once they have agreed to implement the EITI.

Who is involved in EITI?

The EITI is implemented by countries, and extractive companies in these countries have to report how much they pay. Civil society organisations also play a part in the EITI. Citizens are involved as they begin to ask questions about the money that their government receives from natural resources.

What is an extractive company?

Any company involved in the extraction of raw materials from the earth.

Can countries become members?

All countries may apply for EITI candidature. Countries that have been recognised as EITI compliant are sometimes referred to as "members".

Do Supporting Companies have to disclose what they earn and pay?

No. However, all companies (regardless of whether they are EITI Supporting Companies) operating in a country implementing the EITI are required to disclose how much they pay to the government.

What is an EITI Report?

Countries implementing the EITI Standard publish reports that disclose the revenues from the extraction of the country's natural resources. Companies report payments to government (taxes, royalties, etc.) and the government reports what it has received. An **Independent Administrator** reconciles these figures which are published in an EITI Report.

What does the EITI International Secretariat do?

The EITI International Secretariat is responsible for turning policy decisions of the EITI Board into action, and for coordinating worldwide efforts in implementing the EITI. The International

Secretariat provides advice, guidance and training to implementing countries on the EITI Standard and Requirements.

What is an EITI national secretariat?

Each implementing country creates its own EITI process adapted to the specific needs of the country. The national secretariat is responsible for carrying out this process and coordinating national efforts in implementing the EITI.

What is the EITI Board?

The EITI Board is the executive body of the [EITI Association](#)[?]. It consists of 20 elected members as follows: a Chair, eight members representing countries (maximum three supporting countries and at least three implementing countries). Civil society organisations, and companies, including investors, make up the rest of the Board. Each Board member has an alternate.

What does the EITI Board do?

The international EITI Board oversees the activities of the EITI. The Board committees meet to prepare recommendations for the Board.

What does it mean to be an EITI candidate?

An EITI [candidate country](#)[?] has met the sign-up requirements and has two and half years to meet the remaining requirements for compliance to the EITI Standard. At this point, the EITI Board will assess whether the country has satisfactorily met the requirements. A country cannot hold candidate status for more than five years from the date that the country was admitted as an EITI candidate.

What does it mean to be EITI compliant?

A country is designated as EITI compliant when the EITI Board considers that it has met all of the [EITI Requirements](#)[?]. Compliant countries must undergo Validation every three years, or upon the request from the EITI Board. To be EITI compliant does not necessarily mean a country's extractive sector is fully transparent, but it means there are satisfactory levels of disclosure and

openness in the management of the natural resources, as well as a functioning process to oversee and improve disclosure.

When do current EITI compliant countries have to be compliant by the 2013 EITI Standard?

Countries that have become EITI compliant under the 2011 [EITI Rules](#)[?] will have to be validated under the EITI Standard three years after the country become compliant. This EITI Validation will establish whether the country should be found compliant under the EITI Standard. The [country pages](#) state when a country's next Validation will take place.

What does it mean to be suspended from EITI?

A country implementing the EITI can be suspended for many reasons - both political and technical and political. For example, the relations necessary for EITI implementation might temporarily not exist after some political upheaval. Or the country may have failed to achieve compliance after two attempts or missed important deadlines for reporting.

Is the EITI voluntary?

The EITI is often described as a voluntary initiative. It is confusing to define the EITI as voluntary and often stems from a lack of defining for whom the EITI is voluntary. The confusion comes down to the misunderstanding by some that the EITI is a corporate social responsibility standard. Whilst companies' support the EITI, it is governments that lead its implementation.

Governments sign-up the EITI voluntarily. Governments are sovereign and exercise the right to engage or not with any process unless they are bound through treaty or otherwise under public international law. In almost all [implementing countries](#), the commitment to implement the EITI has been enacted or decreed in some way.

In Nigeria and Liberia, for example, there are specific EITI laws. Future governments in those countries would have to repeal these laws should they wish to stop implementation. In other countries,

such as Norway, Ghana and Sierra Leone, the **minerals?** and mining or petroleum laws include specific clauses on EITI implementation. In other countries, there have been Presidential or Ministerial decrees, and in other Memorandums of Understanding. What is clear is that in every case there has been strong direction by the government for agencies and companies to comply with the requirements of the EITI. And if this has not been effective, a country cannot be deemed EITI compliant.

Therefore, for companies operating in EITI implementing countries, EITI reporting is mandatory - not voluntary. It is irrelevant whether a company operating in Timor Leste or the Democratic Republic of Congo has expressed its support for the EITI internationally, or whether it is state-owned, British, French, Malaysian or Chinese. If it operates in an EITI implementing country it will be required to report.

What are the benefits of EITI?

Governments benefit from following an internationally recognised transparency standard that demonstrates commitment to reform and anti-corruption, and leads to improvements to the tax collection process and enhanced trust and stability in a volatile sector. Companies benefit from a level playing field in which all companies are required to disclose the same information. They also benefit from an improved and more stable investment climate in which they can better engage with citizens and civil society. Citizens and civil society benefit from receiving reliable information about the sector and a multi-stakeholder platform where they can better hold the government and companies to account. Energy security is enhanced by a more transparent and level playing field. This increased stability encourages long-term investment in production – and thus improves the reliability of supply.

What are the proven impacts of EITI?

The EITI has impacted countries in many different ways. Please visit EITI Stories.

Is the EITI a Norwegian organisation?

The EITI is registered in Norway as a non-profit organisation, an "association" under Norwegian law, but operates globally.

What do you mean by "transparency" in extractive sector?

Revenues generated from the extraction of natural resources are available for the public to see.

What is the "resource curse"?

The paradox that countries with abundant oil, gas and mineral resources are economically poorer than countries with fewer of these resources.

What is a multi-stakeholder group (MSG)?

A MSG consists of representatives from government, companies, and civil society that oversees the national EITI implementation process.

What does it mean to be delisted from the EITI?

A country is delisted from the EITI when it has failed to meet the requirements for compliance (after a 24 month warning) with the EITI Standard and it therefore no longer recognised as a country implementing the EITI.

Does the EITI work with international organisations?

The EITI builds partnerships with international organisations (e.g. World Bank, IMF, regional development banks, OECD, UN).

What is Validation?

Validation provides an independent assessment of EITI implementation. It is the tool used to assess whether a country implementing the EITI has met the requirements for compliance with the EITI Standard.

Does it help if citizens can see all the resource revenues, if the country's leaders never listen to its

citizens?

Transparency is important in all countries, perhaps even more in a country where its leaders are not accountable to its citizens. In such a country, transparency of the revenues from its natural resources can create awareness about mismanagement of these revenues – in the country and internationally.

Why are not more OECD countries implementing the EITI?

An increasing number of OECD countries have begun implementing the EITI. When the EITI was launched in 2002, the objective was to tackle the "resource curse". The global transparency movement has come a long way since then, and so have the perceived benefits of implementing the EITI. These benefits increasingly apply to OECD countries. Norway decided to implement because it sees the EITI as part and parcel of its broader commitment to transparent public finances. The United States committed to implement the EITI to "help guarantee the taxpayer a full and fair return from their resources". Australia and Germany are piloting the EITI and UK and France have also committed to implement the EITI.

Why is **China** not implementing the EITI?

Chinese companies disclose their payments and participate in EITI processes in every one of the EITI implementing countries where they operate.

Why do we need EITI if we have disclosure requirements for companies in US and EU?

"The US recently enacted mandatory disclosure legislation as part of the US Dodd-Frank Financial Reform Act, requiring that all companies listed in the US disclose their payments to governments in all countries where they operate. The European Union has passed similar legislation for companies listed in the EU."

In short:

- If a country decides to implement EITI, all companies operating in the country are required to publish what they have paid to the government.
- If a country decides to implement country-by-country reporting requirements for companies listed in the country, these companies are required to publish what they paid to foreign governments.

How does the EITI compare with the mandatory disclosure requirements in the US and EU?

The US government is working on detailed disclosure requirements for extractive companies listed in the US under article 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act 2008, sometimes known as the Cardin-Lugar amendment after its two cross-party sponsors. Under the requirements, all companies listed in the US will be required to disclose full and detailed data on all payments over US \$100,000 to the governments where they operate. The EU Accounting Directive requires European countries to bring about similar rules. Designed, as they are, to be complementary to the EITI, these requirements will increase the clamour for fairer rules for all companies, wherever they are based and operating, and whether they are listed, private, or state-owned. US-listed and European companies are expected to respond to these mandatory disclosure requirements by pushing recalcitrant countries to implement the EITI to ensure a level playing field.

There are several myths around these mandatory disclosure requirements and their relationship with the EITI:

1. Myth: *The EITI and mandatory disclosure requirements are a choice between two alternative theories of transparency.*

Fact: You can support both, and most people do. Those who want these laws to succeed are the same as those who want the EITI to succeed. The EITI and mandatory disclosure are not in an “either/or” relationship. Good management of natural resources needs both these processes and more.

2. Myth: *The mandatory disclosure requirements will be more*

effective than the EITI.

Fact: There are many arguments about which approach is more effective for **good governance**?. Whilst these disclosure laws will lead to more information being available in the home market, the EITI will ensure the information is discussed in the countries that have the oil, gas and minerals. Furthermore, the EITI requires all companies in the country to report – state-owned, medium-sized, owned in Malaysia, **China**, or wherever - not just those that have chosen to be listed on a faraway stock exchange.

EITI also provides for government data, not just companies, and requires a national commission to monitor and debate the information. Rather than being a beauty contest, managed correctly they are surely complementary tools in the toolbox for better extractive industry management. The United States, for example, is implementing the EITI as well as applying 1504. Hopefully, implementing the former will bring more meaning and debate to the latter.

3. Myth: *Mandatory disclosure goes further than the EITI.*

Fact: The truth is that the EITI in some countries requires enormous detail, in some less. But let's remember – mandatory disclosure only answers how much is paid. The EITI Standard goes further. Citizens may have further questions about how much ought to have been paid, was it a good deal, how was it spent, is it sustainable, etc. These are the questions that 1504, EU Directives, EITI, and other processes inform but do not necessarily answer.

By understanding the interconnectedness of various and at times independent efforts, they can both better ride and reinforce political waves. The **Dodd-Frank Act**? 1504, the EITI Accounting and Transparency Directives and EITI are trying to address same issues from different angles.

What is the difference between the EITI and the other efforts to improve revenue transparency?

"There are four key ways in which the EITI differs from these complementary efforts to improve revenue transparency:

1. The EITI is not only about publishing the numbers. Countries implementing the EITI have a multi-stakeholder platform for dialogue about all aspects of the use of their country's natural resources.
2. The EITI is not only about companies being required to report their payments to government. Governments also have to report on revenues received. Then there is an independent **reconciliation**? of what the companies say they paid and what the government says it received. In doing this independent reconciliation, discrepancies and inaccuracies are uncovered and can be acted upon. In Nigeria, US \$5 billion was uncovered in unpaid taxes through their EITI process.
3. A significant proportion of natural resources are exploited by companies that are not listed in the US or the EU, especially by state-owned enterprises. The EITI requires disclosure of all companies' payments in a country.
4. The EITI upholds an international standard, but is implemented nationally. This means that the national multi-stakeholder group determines how to adapt the EITI implementation process to reflect local circumstances, needs or preferences. Examples would be a specific legal environment or the detail of the payments to be published."

What are the costs of EITI implementation?

"The costs of EITI implementation vary widely, depending on the complexity of the extractive industries, the **scope**? of the reporting exercise, and the amount of related capacity building and communication activities. We are not aware of any recent studies on economic costs of implementing the EITI generally, but information on implementation costs is usually available in the Annual Activity Reports and Work Plans of the national EITI commissions, which can be found on their websites.

The EITI process is led by the government, and all implementing countries provide financial means for the implementation of the EITI **Workplan**?. Technical and financial assistance is available from a number of bilateral and multilateral donors. The majority of implementing countries, for example, receive support from the EITI

Multi-Donor Trust Fund? managed by the World Bank. The International Secretariat does not provide direct financial support, but it can provide advice regarding accessing technical and financial assistance."

What are the benefits of EITI implementation?

Benefits of implementing the EITI differs from country to country. Some general benefits for different stakeholders are listed [here on our website](#). There is [a published paper](#) on the effectiveness of the EITI, but examines impact only up until 2009. More studies on the EITI are available [here on our website](#).

You could also have a look at our [2014 Progress Report](#), which highlights some concrete examples of benefits and results of implementing the EITI.

If a country is EITI compliant, does it mean it is corruption free?

No, "EITI compliant" does not indicate whether there is corruption in the country or not. It simply means that the country has complied with all seven EITI Requirements and thus has sufficient mechanisms of public disclosure of the revenues and payments from natural resources.

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