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Introduction

The global promotion of transparency for the extractive sector—oil, gas and mining—has become widely accepted as an appropriate solution to weak governance in resource-rich developing nations. Proponents argue that if extractive firms disclose publicly payments to governments, citizens will be able to hold governments and firms accountable. According to proponents, this will improve the management of natural resources, reduce corruption, and mitigate conflict. The benefits will extend beyond the extractive sector, empowering citizens to demand more equitable and sustainable development. These beliefs are embodied in the Extractive Industries Transparency Initiative (EITI), initially a unilateral foreign policy effort by the UK under Tony Blair that has evolved into a global program. Why has transparency become the solution of choice for managing natural resource wealth, and how has the EITI evolved into the institution it has become?

Answers to these questions lie partially in the way transparency has taken on the aspect of a new global norm, what Gupta refers to as the "procedural" turn in global political affairs.[1] The extension of this procedural turn to the management of resource development reflects the intersection of overlapping networks in which transparency plays a central role. Activists and policymakers pursuing different campaigns converged on transparency, particularly corporate transparency, as the solution to numerous problems from environmental pollution to financial efficiency. The focus on corporate disclosure fit well with the global normative environment, in which ideas of democracy, market efficiency, and corporate responsibility dominate. The evolution of the EITI as an institution is both a result of transparency becoming embedded within multiple over-

1. Gupta 2008.

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lapping transnational networks in related arenas, and an expression of the EITI as an instrument to further extend the reach of transparency.

What became known as the Extractive Industries Transparency Initiative started out as a UK foreign policy proposal launched by Tony Blair at the 2002 World Summit on Sustainable Development. As the initial statement of principles said, "The Initiative is grounded in a shared belief that the prudent use of natural resource wealth has the potential to provide the basis for sustainable economic growth and development."[2] The problem was, as the statement put it, that "wise management" of these resources was often difficult, and associated with a range of bad effects—corruption, conflict, environmental degradation.

The initiative proposes that extractive sector firms should report all taxes and fees paid to governments. Governments, likewise, should publish their income from resource development. These reports would be audited and made publicly available, allowing citizens to scrutinize the major source of income flowing into the country's treasury. The comparison and reconciliation of these accounts would shine a light on discrepancies, and discourage misappropriation of funds. The initiative requires action by governments, business, and civil society groups and promotes multi-stakeholder consultations among them. Ideally, civil society would mobilize and demand reform in response to evidence of corruption and poor management. The EITI was intended from the very beginning to be a voluntary program with international participation. The initial group of participants signing the statement of principles in 2003 included 20 governments (both developed and developing), 18 firms, three industry associations, dozens of NGOs, a number of international organizations, and a statement of support by over 40 institutional investors.[3]

The following analysis revolves around two related arguments, one about ideas and one about institutionalization. The *idea* of applying transparency to the arena of resource extraction came from the intersection of a number of complementary agendas and overlapping transnational networks, particularly those concerned with corruption, conflict, and corporate social responsibility. Concern about how to manage natural resource revenues touches on these different issues simultaneously, drawing in a variety of different interests and reinforcing transparency as the accepted policy solution. It is not simply a matter of diffusion, but of the reinforcement of such diffusion across multiple areas of concern. The *institutionalization* of the EITI is due both to the agency of particular activists and policy entrepreneurs who struggled to establish the program and expand it, and the growing embeddedness of transparency within multiple campaigns and agendas. As the idea of transparency became more widely accepted globally, it facilitated the evolution of the EITI. The EITI today has a more elaborate and international governance architecture than at its founding. It has expanded its membership and it has gradually extended its scope. This demon-

2. The EITI Statement of Principles and Action 2003.
3. The EITI Statement of Principles and Action 2003.

strates the ways in which overlapping networks reinforce a particular policy solution, and facilitate the evolution of institutions implementing it.

This article is organized in three parts. I first discuss the idea of transparency and its intended effects in the realm of resource management and examine overlapping campaigns and complementary global norms that point to information disclosure as an appropriate solution. I then discuss growing institutionalization of the EITI as an outgrowth of the intersection of actors, issues and ideas surrounding the resource sector. The concluding section assesses the EITI's limits and possibilities.

Transparency: The Swiss Army Knife of Policy?

Proponents of transparency argue that it makes markets work more efficiently; enhances trust and cooperation; strengthens institutions; reduces corruption and mismanagement; enables people to hold others accountable for their actions; and increases the legitimacy of decisions and institutions.[4] These are general benefits to society, in the nature of public goods. The benefits and costs to individual actors may not be so positive, however, and governments and corporations often have strong incentives to maintain secrecy and reduce the accountability demanded by either markets or political systems in response to information disclosure. In general, however, transparency is viewed as a positive value. Democracy itself is founded on the principle of transparent governance, and efficient markets depend on full information.[5]

However, while transparency at an abstract level can produce better governance, the implementation of transparency does not always achieve its desired ends. As Fenster argues, "Transparency theory's flaws result from a simplistic model of linear communication that assumes that information, once set free from the state that creates it, will produce an informed, engaged public that will hold officials accountable."[6] Recent analyses demonstrate that information disclosure programs have variable effects, and more information is not always a positive thing. Best argues that the Bretton Woods institutions worked more effectively in their early years, when more ambiguity about programs and policies left more room for flexibility than we see today.[7] Finel and Lord argue that transparency in security affairs can be downright dangerous to a nation's interests. Gupta notes the dangers of drowning in too much information, or that powerful actors can hijack the process for other ends.[8] In their examination of transparency in domestic policy, Fung, et al. show wide variation in the ability of information disclosure to produce the outcomes it is supposed to achieve.[9] Given

4. Greif and Laitin 2004; Gupta 2006 and 2008. For a more critical view, see Fenster 2005–06.
5. See, for instance, the discussion in Héritier 2003; Florini 1998; and Westbrook 2004.
6. Fenster 2005–06, 885.
7. Best 2005.
8. Finel and Lord 1999; Gupta 2010a and 2010b.
9. Fung, Graham, and Weil 2007.

these concerns and the evidence behind them, the widespread adoption of the norm of transparency needs to be further explored and explained, including its application to resource management issues.

Diffusion and Promotion of Ideas

One way to explain how transparency has become the default option to resolve a wide range of problems—the Swiss Army knife of policy tools—is through a model of policy diffusion. These models, as discussed by Dobbins, et al. in a recent review, revolve around four categories of explanation: competition, coercion, constructivism and learning.[10] Competition to obtain economic benefits can lead to the adoption of policy ideas that promote economic interests. Powerful actors can provide benefits or impose costs in order to persuade or force others to adopt a favorable policy. "Moral" actors, experts, and dominant organizations can create and define appropriate ideas as the basis of policy. Positive and negative experiences can foster learning about what ideas "work." These all relate to the adoption of a particular policy idea into government practice.

In the case of transparency, we can try to disentangle the spread of the idea itself from its actual adoption into policy. Competition and power play a role in adoption. The *idea* of transparency and its application to resource management can be understood as a product of (1) its complementarities with broader global norms that characterize the contemporary normative environment, (2) the entrepreneurship of particular actors, and (3) the intersection of different agendas and transnational networks.

New policy ideas may spread widely because they are facilitated by the global normative environment.[11] We are currently in an era in which neoliberal norms of market efficiency and bureaucratic rationality predominate, and there is a general consensus on liberal goals. Liberalism anoints the private sector as having significant legitimacy and authority, while simultaneously delegitimizing expansive government action. In this environment, transparency is viewed as a way to lightly regulate the private sector, and information disclosure as efficiency-enhancing and necessary for the proper functioning of markets.[12] Liberal norms of democratic accountability also require public disclosure of information in order to have an informed citizenry.[13] The normative environment today includes ideas about corporate social responsibility, which is widely supported by publics around the world.[14] All of these—market efficiency, democracy, and corporate social responsibility—support and facilitate the adoption of policies of information disclosure by corporations as a means of achieving public benefits. Transparency "fits" with the existing international environment in a

10. Dobbin, Simmons, and Garrett 2007.
11. Barnett and Finnemore 2004; and Meyer et al. 1997.
12. Braithwaite and Drahos 2000; O'Rourke 2003; and Case 2005.
13. See Mason 2010 for a discussion of this in the Aarhus Convention context.
14. Bendell 2009.

way that makes it easier for those promoting it in nearby policy arenas to find acceptance. We may even have reached a "tipping point," where the norm of transparency has become taken for granted as a solution to many different issues, as Florini argues.[15]

The actors promoting a particular policy idea learn about it from others, especially when they are embedded within social networks through which knowledge can be diffused. The evidence that traditional approaches such as sanctions, diplomacy, and even intervention failed to achieve their objectives created an opening for new ideas and new models. Advocates among NGOs, governments and international organizations interact at meetings and conferences; they share information and expertise in the form of analyses, reports, press releases, and the internet; and they become familiar with policy ideas through the experiences of others.[16] The promotion of revenue transparency in the extractive sector came after it had been tried out in other issue areas, such as toxic release inventories as a means to reduce pollution or financial reporting as a common method of enhancing market performance. The salience of clear models of success and failure can also propel an idea forward, as in the contrasting cases of resource management in Norway versus Nigeria. In Norway, governing institutions are characterized by high accountability and capability, enhanced by freedom of information, while the opposite characterizes the Nigerian case.[17]

Many extant empirical studies portray the spread of policy ideas as a systemic process without examining the ways in which individual actors influence debates.[18] In contrast, we can identify policy entrepreneurs and the way they frame issues and set the agenda as an important element in how transparency came to be increasingly accepted as a solution to problems with natural resource development. This is particularly useful when examining how ideas become accepted across a multiplicity of types of actors, in this case, going beyond states to include promotion and adoption by governments, intergovernmental organizations, NGOs, and corporations.

Ideas about extractive sector transparency are spread through a process in which particular NGOs set the agenda internationally, and then construct coalitions that include states and international organizations. Ideas do not just "float freely," as Risse has pointed out, but are taken up by particular actors.[19] The initiators, or entrepreneurs, start with particular values and a commitment to norms that include transparency. Activists, particularly those based in the North, strategically deploy ideas and promote new norms, manipulating the international agenda.[20] In this case, they promote those norms to host govern-

15. Florini 2005; and Finnemore and Sikkink 1998.
16. Dobbin, Simmons, and Garrett 2007; Finnemore 1996; and Haas 1989.
17. Robinson et al. 2006.
18. Avant, Finnemore, and Sell 2010.
19. Risse 1994.
20. Haufler 2010.

ments and corporations, but their audience is primarily in the North: consumers and investors whose market decisions can change the calculations of cost and benefit for host governments and firms. They also promote transparency to citizens, activists, and policy experts in the North, who establish the legitimacy of particular types of policies and delegitimize others. They seek by this means to put pressure on key governments to adopt policies that provide incentives for other governments and corporations to pursue increased information disclosure in extractive sector development. In many cases, transparency looks like a low-cost solution to intractable problems in the developing world, a kind of "cheap" foreign policy. As more NGOs, home governments, and international organizations promote transparency, host governments and corporations in the extractive sector must recalibrate their calculations of costs and benefits.

Information disclosure is not a policy that corporations necessarily welcome. Any single company has a disincentive to adopt information disclosure on its own, since it may undercut its competitive position and reduce its ability to obtain contracts with secretive governments. Nor are host governments particularly amenable to it, since if it works as claimed it will undermine the wealth and position of existing elites. The widespread *promotion* of extractive sector transparency has not so far led to widespread *adoption,* although the trends are in this direction. Extractive sector firms remain relatively opaque, although this varies across companies. They are intensely concerned with competition over access to new sources of oil, gas and minerals, and fear the costs of supporting information disclosure without either host government consent, or collective commitment by all relevant companies. Corrupt and inefficient governments are naturally reluctant to open up their most valuable source of revenue to public scrutiny, despite the spotlight of international attention.

The Goals of Information Disclosure in Resource Management

Proponents of transparency within the advocacy community argue that there should be public disclosure by both firms and governments of a wide range of information. The information that could conceivably be disclosed includes: details of the call for proposals and bidding process for natural resources exploration and development contracts; the contents and terms of those contracts; payments made by companies to governments (royalties, taxes, signing bonuses, fees); pricing decisions; the size of reserves; the location of resources, exploration, and development; prior informed consent to communities affected by proposed developments; and government budgets for distributing resource rents. Their activism is targeted particularly at changing resource politics in states governed by closed and repressive regimes or those classified as failed states due to inept and corrupt government, violent opposition, and civil conflict. In other words, activism surrounding transparency in resource management is aimed at the most difficult countries to penetrate, and those with the most severe governance problems.

Enhanced transparency in the management of natural resources may facilitate the achievement of two goals. The first-order goals are substantive ones, and have to do with better management of a high-value natural resource, particularly the income streams derived from it. Transparency will lead to less corruption, more equitable distribution of the revenues, less waste and fraud, more economic development, and less violent conflict.

The second order goals are both procedural and normative. The processes set in motion by disclosure of natural resource sector revenue include the mobilization and empowerment of civil society, which can use the information disclosed to hold both governments and corporations accountable. One of the foremost proponents of resource transparency, the Publish What You Pay (PWYP) coalition, argues that "revenue transparency will also help civil society groups to work towards a democratic debate over the effective use and allocation of resource revenues and public finance in order to meet development objectives, improve public services, and redistribute income."[21] The broader aim of transparency goes well beyond better resource management, seeing it as a lever to improve governance more generally. By facilitating the ability of the powerless to hold powerful actors accountable, the release of information enhances trust and legitimacy in ways that improve relationships between civil society, the private sector, and governments. These improved relationships can establish a foundation for effective and stable governance. As Mason has argued more broadly, transparency is relational, invoked to support other social purposes and values.[22]

Resource Management, Idea Entrepreneurs, and Entangling Networks

The calls for increased extractive sector transparency grew out of two related transnational campaigns and agendas: the fight against corruption, and the call for business to act responsibly in zones of conflict. Each of these generated expansive campaigns, stimulating the creation of new NGOs and NGO coalitions, and incorporating over time a number of donor governments and major international institutions, particularly the World Bank and the UN Global Compact. The anti-corruption campaign and the business and conflict agenda brought attention directly to the role of business in undermining governance, stability, and economic development.

The business and conflict agenda emerged out of international concern over long-running and brutal conflicts in parts of Africa and the Balkans. After the end of the Cold War, the international community increasingly debated how to respond to so-called failed states and under what conditions intervention was needed. Civil war had severely retarded economic development in some of the poorest areas of the world. Concern over these wars spawned the

21. Publish What You Pay 2010a.
22. Mason 2008.

still on-going debate over the "responsibility to protect"—the idea that the international community must intervene to protect people when their own governments fail them.[23] Peacekeeping efforts and the imposition of sanctions became common policy tools to address these conflicts in the 1990s, although with mixed success.[24]

By the end of the decade, some conflicts had dragged on with seemingly no end in sight. For rebels and governments in Africa and elsewhere, the end of the Cold War cut off access to foreign aid and weapons from the US and USSR. They turned increasingly to exploitation and sale of natural resources to finance war and violence, with the result that resource rich countries were the least wealthy in other ways, ranking at the low end of economic and human development rankings. The so-called "resource curse" became an article of faith among policymakers and activists.[25] Failed interventions such as in Somalia and elsewhere led policymakers to search for new ways to resolve these conflicts, and resource revenue management appeared to be an innovative alternative.

By the mid-to late 1990s, new international NGOs such as Global Witness, Partnership Africa Canada, and others were producing investigative reports on the role of commodities such as oil, diamonds, and timber in financing violence and bloodshed.[26] Well established NGOs such as Amnesty International, Human Rights Watch, and the Fund for Peace launched programs focusing on the role of business in conflict-affected countries. The academic and policy community began to take a closer look at the political economy of civil war, analyzing the relative importance of "greed versus grievance" to explain these civil wars.[27] At the same time, scholars began to explore linkages between natural resource development, environmental degradation, and civil conflict.[28] The result was that management of natural resources by host governments and investing companies became a major object of concern for those seeking to bring sustainable peace to war-torn countries.

International Alert, Global Witness, Pax Christi, and other NGOs prominently argued for revenue transparency as a means to generate change. They pointed to lack of information about resource revenue flows as a source of corruption and underdevelopment, and a factor in violent competition for access to resources. Data on oil revenues from a particular project are often secret, with many host governments banning publication of such information. It is standard practice to include a "confidentiality clause" in major extractive sector development contracts, particularly for exploitation of oil resources. These clauses have themselves become a target of activism.[29] Oil companies that violate the clause

23. International Commission on Intervention and State Sovereignty 2001.
24. Finnemore 2003; and De Jonge Oudraat 2000.
25. deSoysa 2000; Karl 1997; Luong and Weinthal 2001, 2006; and Overseas Development Institute and United Nations Development Programme 2006.
26. Global Witness 1998, 1999; and Smillie, Gberie, and Hazleton 2000.
27. Ballentine and Sherman 2003; Banfield, Haufler and Lilly 2005; Berdal and Malone 2000; Collier 2000; Haufler 2008; Le Billon, Sherman, and Hartwell 2002; and Ross 1999.
28. Hauge and Ellingsen 1998; Gleditsch 1998; Homer-Dixon 1994 and 1999.
29. Rosenblum and Maples 2009.

can be threatened with expulsion from a project, or excluded from bidding on future ones. Activists attempted to persuade individual companies to provide detailed information about revenues from resource development projects and payments to governments. They believed this information could be used by citizens and activist groups to pressure the government to reduce corruption, enhance economic development, improve environmental conditions, and prevent or resolve conflicts.

One of the first major oil companies to provide financial information was BP in Angola in the late 1990s. BP had made a number of progressive commitments on other issues by this time, including increased environmental reporting. In 1997, BP Chairman Peter Sutherland supported calls for the Angolan government to disclose more information about oil development. In 2001, BP published the signature bonus of US$111 million it paid in Angola for the right to operate an offshore well.[30] The company committed to publish the total net production of its operations in Angola, the payments made to the Angolan public oil company, and taxes and levies it paid to the Angolan government, in addition to signature bonuses it paid on contract signing. BP sought to enhance its reputation and act in accordance with emerging norms of corporate behavior, but it also bore the costs of a first mover: backlash from the Angolan government, potential competitive losses vis-à-vis other oil companies, and concern within the industry over the precedent it was setting.

By 2000, a number of NGOs began to consider the role business could play in conflict prevention. This line of thinking was crystallized in the report, *The Business of Peace*, a co-production by three NGOs (Council on Economic Priorities, the Prince of Wales Business Leaders Forum, and International Alert) which established the agenda for corporate conflict prevention.[31] The report made both an economic and moral case for why business should view conflict prevention activities as being in their own self-interest. One refrain was the need for increased government and private sector transparency. The corporate conflict agenda also was taken up by the newly formed United Nations Global Compact, established by then-Secretary General Kofi Annan as a global tool to promote international norms on human rights, labor standards and environmental protection for the business community. Its very first Policy Dialogue addressed issues of business in zones of conflict. In this Dialogue, participants from business, NGOs, and international institutions quickly identified transparency as a key feature of any effort to integrate companies into conflict prevention initiatives.[32]

Idea entrepreneurs active on the issue of corporations and conflict soon linked their agenda with those of anti-corruption activists. Both had a particular interest in natural resource development revenues as a financing mechanism for corrupt elites and violent actors. Corrupt leaders and business relationships

30. McMillan 2005.
31. Nelson 2000.
32. Global Compact Policy Dialogue 2001.

contributed to ongoing repression and instability, making it unlikely that legitimate government could be established.[33] In the early 1990s, the NGO Transparency International (TI) launched an effort to change laws regarding corruption, culminating in the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 1997. TI tried to "name and shame" countries through its annual Corruption Perception Index, listing countries with the best and worst reputation. Although its initial focus was on government corruption, it moved over the next decade to focus on bribery by business. In 2005, it began promoting "integrity pacts" between business and government in the bidding process for government contracts. It has also developed a Bribe Payers Index as a measure of business corruption. By 2008, TI had become interested in natural resource development revenues.

Around this time, the World Bank launched high-profile efforts to fight corruption and facilitate "good governance," a cause promoted in particular by Daniel Kaufmann, at the time Director of the World Bank Institute.[34] The Bank began to include transparency promotion as a key element in its policy statements and programs, and paid particular attention to the resource sector. It supported the idea that both governments and the private sector need to provide more information to the public about commercial transactions in order to facilitate accountability.

The private sector became a particular target for anti-corruption efforts when George Soros, a major financier and the founder of the Open Society Institute (OSI), began to focus on the extractive sector. With his support, the OSI established a special program, called Revenue Watch, to investigate and monitor the flow of funds from oil companies to governments in the Caspian region, although its focus has broadened over time.[35] Soros went on to finance the creation of a new coalition of anti-corruption activist groups, the Publish What You Pay (PWYP) campaign. This campaign sought to enlist a network of allies in persuading oil, gas and mining companies to report the revenues they make from development projects and the payments they make to governments, and today over 200 NGOs are members of PWYP.

From 2004 onwards the idea of extractive sector transparency gained increasing support, becoming a widely discussed idea at numerous international meetings. The G8 group of leading industrial nations addressed financial corruption and transparency at the summit at Evian, France in 2003. They made special mention of the extractive sector in their Declaration on Finance and Corruption, stating their desire for governments and companies to disclose to an independent third party the revenue flows and payments they made, in "accessible and understandable ways."[36] A year later, at their meeting at Sea Island, Georgia the G8 leaders made a declaration in support of compacts with developing

33. Fort and Schipani 2002.
34. Kaufmann 2005.
35. Tsalik 2003.
36. Group of Eight 2003.

countries to promote transparency and fight corruption, focusing on countries rich in natural resources. These compacts would be voluntary partnerships to support transparency in government budgets, procurement, contract bidding, and other areas.[37] At subsequent summit meetings, G8 leaders repeated their commitment to transparency in natural resource development, and sought to encourage the International Monetary Fund (IMF) and World Bank to provide technical support to governments wishing to adopt transparency policies.

Regionally, in Europe the issue of extractive sector transparency also moved up the agenda. In 2004, the European Commission began work on a Transparency Directive to harmonize stock market listing requirements for regular disclosure of financial information to investors, which was adopted in December 2004. The Directive recommends that states encourage extractive sector companies to report payments to governments, but does not require it. Efforts to stringently require this have so far failed. The US Congress in 2008 began considering legislation to require disclosure of payments to governments by extractive sector companies as a requirement for stock market listing. The US Congress is currently considering a bill addressing this issue.

From the mid-1990s onwards, particular NGOs acted as idea entrepreneurs with regard to transparency. Transparency International led the way with a generalized campaign against corruption, while Global Witness pioneered the intensive focus on the extractive sector with its report on oil and war in Angola five years later. The PWYP campaign four years later brought together numerous non-profits in an alliance that spanned traditional mainstream NGOs such as Oxfam UK with smaller, newer ones including some from developing countries. Their work was taken up by the UN Global Compact, which adopted anti-corruption as its tenth principle in 2004 (in addition to nine other principles on human rights, the environment, and labor standards). The representatives of these groups regularly interacted over the course of the decade, and their missions and activities overlapped. As the circle of advocacy expanded, the idea of transparency—particularly for resource-rich nations and extractive sector firms—appeared to be a common touchstone for all. It is in this environment that Tony Blair announced a new UK policy initiative in 2002: the Extractive Industries Transparency Initiative (EITI).

The EITI: From Idea to Institution

As seen above, the diffusion of transparency to conflict prevention and resource management was reinforced by overlapping interests and networks of activists in initially separate campaigns against corruption and against use of natural resource revenues to support war. The implementation of information disclosure policies in the extractive sector has been propelled slowly forward by the EITI.

37. Group of Eight 2004.

The individuals and organizations promoting the EITI in turn could build upon the increasing acceptance of transparency solutions to a range of problems.

There were a number of barriers to the application of transparency to the resource development field. The companies concerned feared it would undermine their competitive position by disclosing information that their competitors did not. They had before them the negative example of BP, which unilaterally released information on its payments in Angola, leading the Angolan government to threaten to bar BP from any future contracts. In most cases, governments favor confidentiality clauses in extractive sector development contracts. Full information disclosure is not in the interest of rent-seeking elites, who benefit from the obscurity cloaking oil and minerals development.

The most significant effort to promote transparency in the management of natural resources is the EITI. Although the EITI was a foreign policy initiative of the UK government, Blair intended from the beginning for it to be adopted widely by resource-rich states. Under Blair, the UK government had already established an office for corporate citizenship, and the EITI continued in the same vein. It could also be seen as a way of bolstering Blair's reputation in the run-up to the invasion of Iraq. According to the EITI, it "sets a global standard for transparency in oil, gas and mining. It is an effort to make natural resources benefit all; a coalition of governments, companies and civil society; a standard for companies to publish what they pay and for governments to disclose what they receive."[38]

While the EITI is primarily concerned with accountability for resource development, the program has a more expansive aim—to improve governance more generally. As the UK government put it in a guide to the EITI shortly after it was launched, "Increasing transparency and knowledge of revenues will empower citizens and institutions to hold governments to account. (. . .) Responsible companies stand to benefit from a more level playing field, a more predictable business environment and better prospects for energy security."[39] The EITI was conceived as a platform to involve the many different groups with a stake in this issue, including governments, international organizations, local and international NGOs, and extractive firms. The provisions of the EITI are voluntary, but the UK and other governments promised incentives in the form of aid and diplomatic support for those who committed to participate.

After the launch of the EITI, ChevronTexaco said it supported transparency, but also expressed concerns. It wanted to make sure that the effort did not violate existing contract terms, and that it included its competitors.[40] For many firms, voluntary disclosure had to be accepted first by host governments since most oil development projects are joint ventures with state oil companies, which require confidentiality as a condition of agreement. ExxonMobil and oth-

38. Extractive Industries Transparency Initiative 2010.
39. "Extractive Industries Transparency Initiative," 13 June 2003, available at: www.dfid.gov.uk/News/News/files/eiti_guide_a.htm, accessed 25 February 2010.
40. ChevronTexaco Press Release 2003.

ers also raised concerns about competitiveness issues, arguing that transparency initiatives had to apply to all companies doing business with a particular government, in order to ensure that no company was at a competitive disadvantage.[41] BP supported a voluntary approach, but Shell indicated it would go along with regulation if all competitors were covered.[42] These companies, and others, expressed public support for the EITI and pledged to work with the UK government.

At a conference in June 2003, representatives from 31 countries and 17 oil and mining firms broadly endorsed the EITI. In addition, over 40 institutional investors signed on to a statement of support for the EITI, arguing that information disclosure would improve corporate governance and reduce risk. The World Bank subsequently also expressed support. Conference delegates produced a statement with a special appeal to the private sector, arguing:

> Companies that make legitimate, but undisclosed, payments to governments may be accused of contributing to the conditions under which corruption can thrive. This is a significant business risk, making companies vulnerable to accusations of complicity in corrupt behaviour, impairing their local and global 'licence to operate,' rendering them vulnerable to local conflict and insecurity, and possibly compromising their long-term commercial prospects in these markets.[43]

Blair shifted the focus of the EITI away from company reporting, which is the target of PWYP activism, to reporting and membership by governments. This latter shift mollified many firms concerned that public disclosure of payments would create tension with host governments and potentially put contracts at risk. It remains a point of contention for some activist groups.

From its initiation in 2002 to about 2006, the proponents of the EITI struggled to expand its membership. The UK government, led by the Department for International Development, pushed to gain more participation. In its early years, the Prince of Wales Business Leaders Forum (now called the International Business Leaders Forum) and PWYP supported organizing and expanding the EITI. Competitive concerns by firms, and the reluctance of governments to commit to information disclosure, constituted the main barriers to action. The EITI remained more a group commitment than an international institution, since it had little administrative apparatus.

At a meeting in 2006, despite objections by some companies and dissension within the group, EITI leaders persuaded members to put in place various mechanisms to more fully establish the EITI and institutionalize its provisions. The members created a secretariat based in Norway; a board and president (currently Peter Eigen, formerly head of Transparency International); and agreed to hold a member conference every two years. The most significant change is that

41. Skjaerseth et al 2004.
42. Andrew Osborn, "UK Accused of Giving in to Oil Firms," *The Guardian*, 13 June 2003, 23.
43. Investors' Statement on Transparency in the Extractive Sector, August 2009.

members agreed to a formal "validation process" establishing different categories of membership. The general provisions of the EITI are that members must regularly publish payments by companies to governments, and governments must publish their revenues. These reports must be regularly audited, and the company and government data reconciled. The EITI also requires civil society participation through a multi-stakeholder process.

Governments declare their intention to start the process by organizing a national multi-stakeholder working group to oversee national implementation of transparency provisions. The Nigerian EITI was the first of these to be formed. Once a country makes this declaration, they are candidates, and if they complete full implementation of EITI Provisions they become compliant countries. There is also a category for "others," which are typically countries supporting the process but not yet ready to declare candidacy. As of 2009, 25 states had either declared commitment to the process or were full candidates. Fifteen states became candidates in 2009, a sudden increase in commitments that indicates increasing acceptance of resource revenue transparency and the EITI. Two states, Azerbaijan and Liberia, have completed the full process—establishing multi-stakeholder groups, providing financial reports, obtaining validation of them—and are now considered fully compliant. There are also twelve donor governments that support the EITI. (See Table 1)

Initially, only a small number of extractive companies supported the EITI publicly. Now over 40 large oil, gas and mining companies have declared their support and work with national EITI groups. Three major industry associations support it—the American Petroleum Institute, the International Association of Oil and Gas Producers, and the International Council on Mining and Metals (ICMM). ICMM members, made up of leaders in the industry, had participated in the Mining, Minerals and Sustainable Development Project (MMSD) from 2000–2002 to consider how the sector could contribute to sustainable development. The MMSD final report included support for governments, civil society, and companies to disclose information about revenue payments.[44] This laid the foundation for ICCM support for EITI in 2003; today the ICCM president sits on the EITI Board.

Despite reservations about the voluntary nature of the EITI, many NGOs support it, including the PWYP coalition. The PWYP seeks to expand transparency beyond financial flows (it refers now to EITI++) to include, for instance, contract terms, stock exchange listings, accounting standards, and a range of other objectives. The PWYP targets the private sector more directly than does the EITI, and favors a mandatory approach. Nevertheless, the EITI is listed first on the PWYP agenda of advocacy goals.[45] In addition to PWYP, other NGOs such as Revenue Watch, Caritas, Transparency International, and others have declared support. Transparency International launched its own resource-oriented pro-

44. International Institute for Environment and Development 2010.
45. Publish What You Pay 2010b.

Table 1
EITI Countries 2009

Candidate States/year of candidacy	*Supporting Governments*
Côte d'Ivoire candidate 2006	Australia
Cameroon 2009	Belgium
Central African Republic 2007	Canada
Dem. Republic of Congo 2008	France
Equatorial Guinea 2008	Germany
Gabon 2009	Italy
Ghana 2007	Netherlands
Guinea 2009	Spain
Kazakhstan 2009	Switzerland
Kyrgyz Republic 2008	UK
Madagascar2008	US
Mali 2009	
Mauritania 2009	
Mongolia 2005	
Niger 2009	
Nigeria 2007	
Norway 2009	
Peru 2007	
Rep. of the Congo 2008	
São Tomé e Principe 2008	
Sierra Leone 2008	
Tanzania 2009	
Timor Leste 2008	
Yemen 2008	
Azerbaijan—Compliant	
Liberia—Compliant	

Source: http://eitransparency.org/countries

gram, the Promoting Revenue Transparency Initiative, in 2008, which supports mandatory reporting. The Global Reporting Initiative (GRI), a multi-stakeholder effort to establish a common framework for reporting social and environmental performance, now integrates EITI into its framework.[46]

Transparency in the management of natural resource development moved from a small number of interested NGOs and governments into a set of much broader initiatives and programs. Resource revenue management provides an interesting window into the diffusion of the idea of transparency among states,

46. For a detailed analysis of the GRI, see Dingwerth and Eichinger 2010.

international organizations, and NGOs. Transparency for the extractive sector was strategically promoted by a small number of international NGOs, and taken up by the Blair government. These policy entrepreneurs framed the issues in terms of the fight against corruption and conflict, but also tapped into wider global norms favoring openness as a means to promote democratic accountability, efficient markets, and corporate social responsibility.

Conclusion

Transparency programs have increasingly become common across a range of issues, and as the idea has spread, it has become embedded in different institutions.[47] For the resource sector, transparency became a focal point for action as differing agendas—anti-corruption, conflict prevention—merged in a normative environment which favored a focus on market solutions to social problems. The EITI, while initially very weak, could build on the intersecting advocacy campaigns and networks to slowly expand the scope and make-up of the program. While it is far from a strong global institution, the EITI has successfully embedded itself in other institutions which further reinforce its aims.[48]

The EITI legitimizes transparency in the reporting of natural resource sector revenues, and delegitimizes the traditional secrecy that surrounds major oil, gas and mining projects. It represents a partial move outside the state-centric arena: it is an international NGO with states as members, but it also requires action by corporations and civil society.[49] Its goals, as stated above, are to improve management of natural resource development, but it also has ambitious goals regarding more democratic accountability of elites to citizens.

The EITI has had some successes in the past year. The Nigerian EITI audited accounts for the period 1999–2004 and found huge discrepancies, causing a significant outcry at the signs of mismanagement and corruption. The 2005 audit found that the government is owed over US$5 billion, due to differences between what companies said they paid in taxes, royalties and signature bonuses and what the government said it received. The largest amount owed is by the state-owned oil company. In Liberia, the legislature passed dedicated legislation on transparency in 2009, and expanded the definition of an extractive industry to include rubber and forestry. In both cases, the public has been involved through a multi-stakeholder process. “Before the project there was no communication to the traditional people,” said Setta Fofana Saah, County Coordinator for the National Traditional Council, a civil society organization made up of traditional chiefs, which represents communities in Liberia’s 15 counties. “But now we are getting small, small information. (. . .) Before you couldn’t ask government how much they collect. But now you can ask the chief

47. On the spread of transparency in a national context, see also Florini 2010.
48. Ruggie 2004.
49. Avant, Finnemore, and Sell 2010.

and the chief can ask."[50] Both the multi-stakeholder process and the audits are viewed as an important step forward for implementing countries.

Although standards have been strengthened over time, there are a number of weaknesses in the system. Member states and corporations may not produce complete or reliable data, despite the requirement for auditing. There may be shirking and obfuscation in an attempt to gain the benefits of EITI membership without meeting its more onerous requirements. More importantly, citizens who are supposed to use disclosed data may not understand the figures or have the organizational resources to hold governments and elites accountable. The lack of domestic civil society organizations is a hindrance to the effectiveness of revenue transparency, and foreign aid programs designed to support a vibrant civil society have not always made a lasting mark.[51] The formation of multi-stakeholder groups under the EITI can be a triumph of form over results, with real power remaining in the hands of government and corporate elites.

The policy innovation represented by the EITI is still evolving, which makes it difficult to make definitive assessments. Members of the EITI have only recently begun to publish information about payments. The immediate goals of transparency—better natural resource management, a reduction in corruption and conflict—cannot be said to have been achieved. Although it is still relatively early to evaluate the impact of the EITI, preliminary analyses point to the fact that EITI member states do not perform any better on corruption rankings than non-member states.[52] States appear to become full members of the EITI once they have already begun down the path of better governance, and the EITI helps them credibly commit to reform. It does not, however, catalyze such reforms itself.

There exist many barriers to widespread adoption of corporate transparency within industry, especially in the oil sector. While the major corporations are coming around to support some transparency, many of the minor companies and state-owned firms are not. Even among the majors, there is great variety in the degree to which they adopt corporate social responsibility policies in general and transparency in particular. The competitive position of different firms influences decisions on transparency, and individual companies are reluctant to report revenues unless competing companies do too. Host governments are often reluctant partners, and put barriers in the way of corporate transparency through contractual provisions for projects or partners they choose to work with.

It was not inevitable that the EITI would gradually evolve from a statement by a British Prime Minister to an international membership body with standards, rules, and monitoring mechanisms. Its path was never smooth. The EITI

50. "In Liberia, World Bank Support for Governance Helps a Nation Rebuild," The World Bank Group, 16 February 2010, available at: http://www.reliefweb.int/rw/rwb.nsf/db900SID/MUMA-82S3M3?OpenDocument, accessed 25 February 2010.
51. Ottaway and Carothers 2000.
52. Aaronson 2009.

successfully established itself in part through the entrepreneurship of its early leaders and supporters. But it was significantly helped by the existence of intersecting transnational networks with complementary global norms, such as parallel efforts to address the role of corporations in conflict, and the broader corporate accountability movement within which they were embedded. Transparency has become a focal solution for the management of resource revenues, and also for a range of other issues, from genetically modified organisms to sustainable forestry management.[53] It has become over time a default option. This in turn has promoted the gradual expansion of the institutional architecture, membership, and scope of the EITI despite significant political barriers. Given hurdles to implementing drastic political reform in countries at risk from natural resource exploitation, revenue transparency is a reasonable initial step that the international community can take.

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53. Gupta 2010a, 2010b; and Auld and Gulbrandsen 2010.

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