



International Conference on Information Disclosure, Accountability and Inclusive Growth and Governance in the Extractive Industry

Venue: Maputo, Mozambique

Date: 4-5 September 2018

The Centre for Public Integrity (CIP) and the Partnership for African Social and Governance Research (PASGR) in collaboration with the 'Action for Empowerment and Accountability' (A4EA)¹ at the Institute of Development Studies (IDS) of University of Sussex are organizing an international conference on governance in the extractive sector. This conference will provide a platform for researchers, senior policy makers and practitioners, activists, private corporations and community based organisations to exchange research findings and experiences on the nexus between information disclosure, accountability outcomes and inclusive growth and governance.

In Mozambique and other natural resource rich countries in Africa and elsewhere, CSOs in collaboration with international initiatives² are working to promote transparency and accountability in the extractive sector. Their theory of change assumes that information disclosure would empower citizens and pro-accountability institutions to pursue social and political actions (SPAs) to demand accountability from governments and corporations. The expectations are that accountability outcomes could take the form of enactment of new mining laws and policy changes; review of existing extractive contracts and concessions; prosecution and/or retrieval of unaccounted extractive revenues; and ultimately, improvements in 'good governance' and inclusive growth.

But what does available evidence tell us about the nexus between information disclosure and accountability outcomes? What conditions compel citizens and pro-accountability institutions (state and non-state) to take action or not when new information is disclosed

¹ The Action for Empowerment and Accountability (A4EA) is a five-year multi-country, multi-partner research consortium funded by the Department for International Development (DfID). The research programme of A4EA aims to expand our understanding of how progressive social and political action (SPA) emerges in situations of fragility and conflict, what pathways it takes, and what impacts it has on empowerment and accountability. The Institute of Development Studies (IDS) is leading the Consortium that comprises of the Accountability Research Center (ARC), the Collective for Social Science Research (CSSR), the Institute of Development and Economic Alternatives (IDEAS), Itad, Oxfam GB, and the Partnership for African Social and Governance Research (PASGR)

² Such as the Extractive Industries Transparency Initiatives (EITI), Publish What You Pay" (PWYP)

to them? Does community level social and political action for accountability in the extractive sector have any chance of bubbling up to improve overall governance conditions in a country? What roles do external organizations (international NGOs and Development Partners) play in the chain of information disclosure, empowerment and accountability in the extractive sector and how have they been effective in contributing to inclusive growth and 'good governance' in the countries in which they operate?

The conference is particularly interested in country cases hence organizers are inviting researchers and practitioners from many EITI participating countries - especially those from fragile and conflict affected context to share their research findings and experiences.

Participants

About 40 participants are expected to attend this conference. They include researchers, governance experts, senior policy makers and practitioners from the sector ministries, Members of Parliament, residents of mining communities and their associated organisations, corporations, members of civil society organizations, activists, EITI Secretariat, etc.

Outcome of the Conference

It is expected that participants will leave the conference well informed about the nexus between information disclosure and accountability outcomes and what is expected from varied policy actors in order to improve the impacts of extractives on inclusive economic growth. In addition, conference organizers may consider potential new research projects that may come from the conference. Conference papers will be disseminated in varied forms.

Attached is the conference concept note. The conference programme and other logistics will be communicated to participants in due course.

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CONFERENCE CONCEPT NOTE

The literature is replete with presumptions that an institutional environment that is characterized by openness and transparency promotes accountability and subsequently, good governance and inclusive development. In the extractive sector, governments' unwillingness to comprehensively disclose information on their revenue makes corruption more attractive because the perpetrators may never be found and held accountable³. It is estimated that opaque contracts cost Africa about US\$40b a year, an amount that is twice what is provided as development aid. In a period of two years from 2010 to 2012, Democratic Republic of Congo lost US\$1.36b through shady mining contracts⁴ while in 2010, the Government of Uganda received USD 500,000 from the extractive sector, but the transfer could not be traced to any government accounts⁵.

The Extractive Industries Transparency Initiative (EITI) and Publish What You Pay are global initiatives that aim to plug this loophole. The theory of change that underpins their actions postulates that multi-stakeholder participation and information disclosure on transactions along the sector's value chain will improve transparency; reduce corruption and discretionary government spending, and promote inclusive development. With the participation of CSOs including CBOs in the accountability process, new information will get out to the public in ways that the state and private corporations would have no incentives to disclose and further check corruption. Citizens, CSOs and other pro-accountability institutions armed with new information are assumed to be empowered to monitor their governments, challenge corporations and public agencies that manage extractive resources and demand accountability.⁶ Furthermore, as Parliamentarians, CSOs and the Media openly access EITI reports and use them to enrich public debate, information disclosure will open the government's decision making to further public scrutiny. Knowing that they are being monitored and recognizing the potential consequences of citizens and institutional action, both governments and companies will alter their clandestine behaviour and account in a sector whose revenue management for a long time has been opaque, inaccessible, and unpublished; and a major cause of conflict and political instability in Africa.

This is an oft-repeated theory of change, but what is known about what actually happens in practice. In recent times, a number of studies have empirically verified the reality of the nexus between information disclosure, accountability outcomes and subsequent

³ Williams, A. (2011). 'Shining a Light on the Resource Curse: An Empirical Analysis of the Relationship Between Natural Resources, Transparency, and Economic Growth' *World Development* 39 (4): 490–505

⁴ Africa Progress Panel (2013). Equity in Extractives: Stewarding Africa's Natural Resources for All

⁵ Global Witness (2010). Development Partners' Engagement in the Oil and Gas Sector: An Agenda for Action

⁶ EITI (2016). Benefits from Implementing EITI. EITI Secretariat, Oslo, Norway Available at: <https://eiti.org/benefits>

impacts on governance and economic growth^{7,8}. The findings of these studies have been published as academic papers, evaluation reports, and even blogs to promote discussions and policy debates on extractive sector accountability. In 2017, the EITI validation report in Mozambique⁹ concluded that the initiative has had some tangible impacts with regards to bringing issues around transparency on the national agenda, building trust between stakeholders and some technical improvements related to revenue management systems. However, the Mozambique EITI could be more meaningful and impactful if the government, together with stakeholders, took more ownership of the accountability process and use it to address key challenges of natural resource governance in the country.

Generally, the literature on information disclosure on citizens' action for accountability is a mixed bag. On the one hand, there is evidence that information disclosure has led to forms of social and political action, and consequently improved governments' accountability. This includes street protest, enactment of new mining laws, abrogation of existing contracts, retrieval of corrupt money, increase in revenue transfers to poor mining communities and reduction in corruption. Some studies in the literature add statistical inferences to their findings; indicating a strong correlation between information disclosure and accountability and conclude that public access to information is a powerful deterrent to corruption. Taking the indexes of the ease of doing business, ODI receipts, FDI inflows and GDP growth as proxies for measuring the impacts of the EITI; there is also substantial literature that shows a positive correlation between EITI implementation and economic growth in a country.¹⁰

Other studies however provide contrary findings. They show that information disclosure on public accountability and subsequent governance improvement is weak or non-existent^{11,12}. Some of the studies even show a negative correlation. For instance, using a more recent data of year-to-year changes in corruption perception index over a 5-year period, Kasekende et al¹³ found that EITI is actually associated with worsening perceived levels of corruption. Overwhelming majority of the countries that have signed to the EITI and committed to voluntarily compliance with its standards are also those with high levels of corruption and significantly low level scores of 'good governance'.

Based on the syntheses of available literature¹⁴, the nexus between information disclosure and accountability outcomes appears non-linear. The literature provides

⁷ Malden, A. (2017). 'A safer bet? Evaluating the effects of the Extractive Industries Transparency Initiative on mineral investment climate attractiveness, *Extractive Industry and Society* 4(4): 701-932.

⁸ Sovacoll, B.K., Walter, G., de Graaf, T and Andrews, N. (2016). 'Energy Governance, Transnational Rules, and the Resource Curse: Exploring the Effectiveness of the Extractive Industries Transparency Initiative (EITI)' *World Development* 83: 179–192

⁹ EITI International Secretariat (2017) Validation of Mozambique: Report of the initial data collection and stakeholder consultation

¹⁰ David-Barrett, E. Okamura, K. (2015). Norm diffusion and reputation: The rise of the extractive industries transparency initiative *Governance*, 29(2): 227-246,

¹¹ Brockmyer, B & FoX, J. (2015) Assessing the Evidence: The effectiveness and impact of public governance-oriented multi-stakeholder initiatives. London: Open Society

¹² Andrews, N. (2016). A Swiss-Army knife? 'A critical assessment of the Extractive Industries Transparency Initiative (EITI) in Ghana'. *Bus. Soc. Rev.* 121:59–83.

¹³ Kasekende, E. Abuka, C and Sarr, M. (2016) Extractive Industries and corruption: investigating the effectiveness of EITI as a scrutiny mechanism. *Resources Policy* 48(4): 117-128

¹⁴ Awortwi, N. & Nuvunga, A. (2018) Syntheses of literature on the nexus between information disclosure and accountability outcomes: Lessons for a study design on the extractive industry transparency initiative in Mozambique. Draft IDS Working Paper

several reasons why this is so. This includes; the quality of information that is disclosed, the capacity of the citizens to process the information and act on it, the capacity of CSOs to follow up on new information and demand actions from governments and corporations, the structural and institutional context of the country including the nature of politics and political regimes that provide space for CSOs to mobilise and coordinate citizens action, and the support that external organisations provide to CSOs and pro-accountability initiatives.

Furthermore, in assessing and reporting evidence of impact of information disclosure on accountability, existing literature conflates accountability inputs, outputs, intermediate outcomes and long-term impacts. While EITI standards now include outcomes and impacts at the country level, what is counted could be misleading. For instance, if through the initiative, a country establishes a multi-stakeholder group (MSG) should that be considered an input to the accountability process or an output? If the EITI report leads to exposure of corruption, should that be considered an output or outcome? And if exposure leads to court action and state prosecution that subsequently puts fear in people not to be corrupt, to what extent can one establish the claim that information disclosure has impacted on a country's good governance indexes. The distinction on the chain processes of input-output-outcome is needed to systematically follow up and document any progress and impact that the EITI brings to a country. But these distinctions are not made in most study reports.

The expectation is that papers that will be presented in this conference will help provide clarity on both the empirical evidence on the nexus between information disclosure and accountability outcomes and methodological approaches that can help policy actors to systematically trace and document the impacts that transparency initiatives are making in the countries.