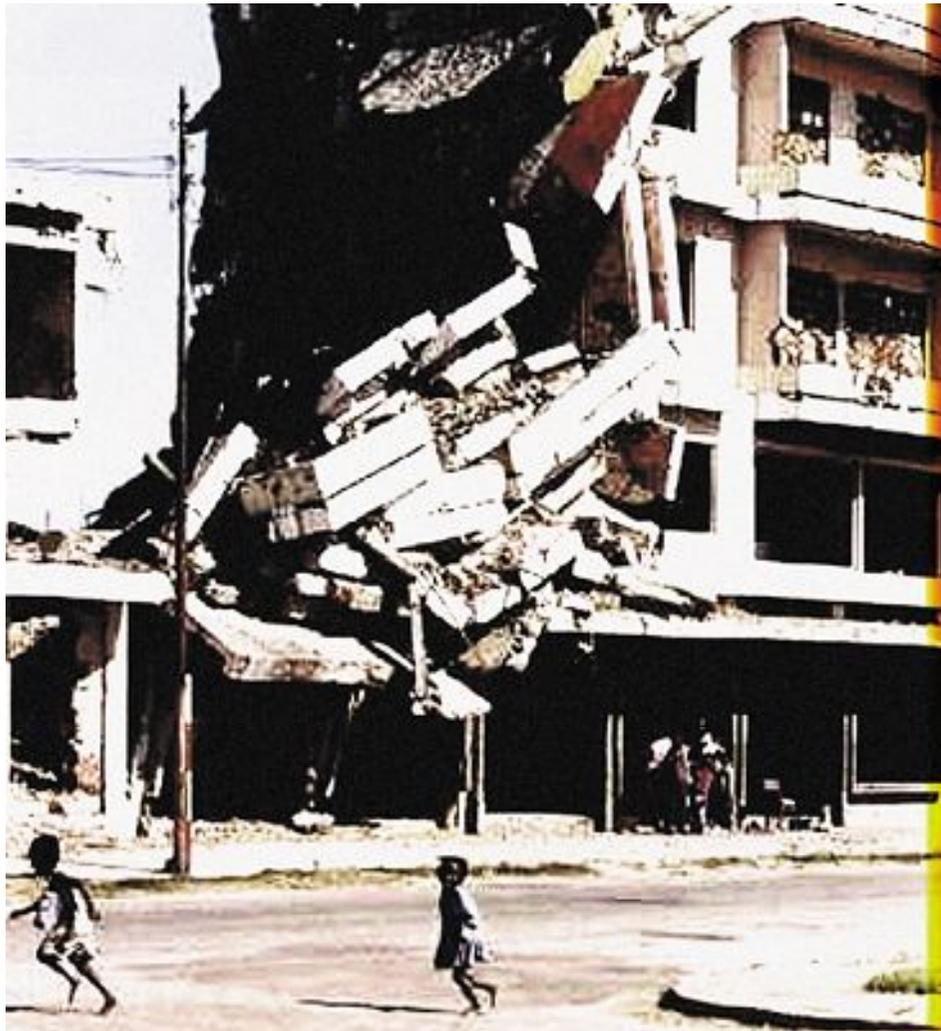


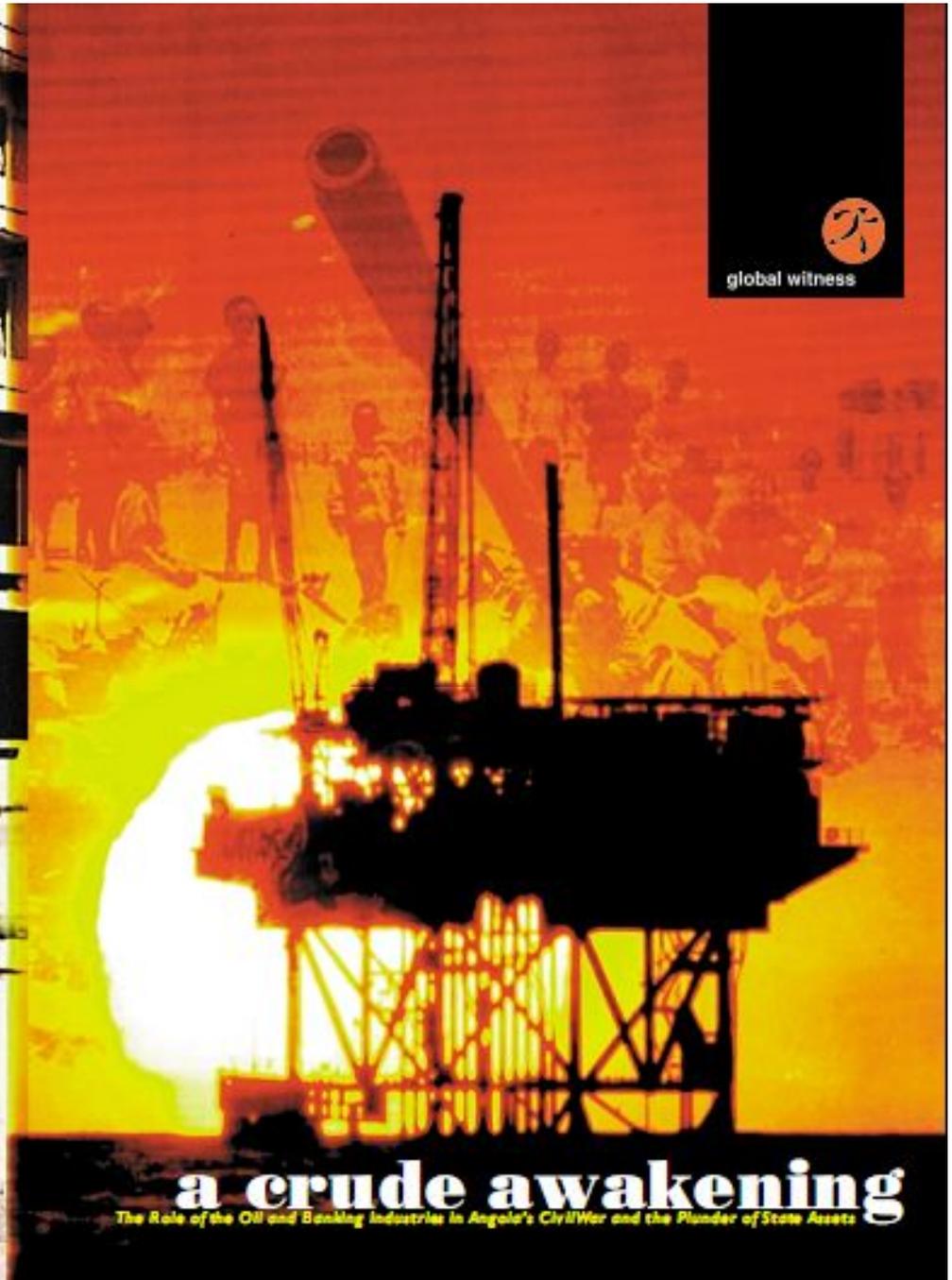
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*Dedicated to the inspiration of  
Jeffrey Reynolds*



  
global witness

# a crude awakening

*The Role of the Oil and Banking Industries in Angola's Civil War and the Plunder of State Assets*



December 1999





JUNE 11, 2009



### The Legacy of The Six-Day War

Forty years later, why real peace remains elusive

### Baltic Boom: Inside an Economic Miracle

### That's Deep

A freewheeling chat with the stars of *Ocean's Thirteen*



# TIME



## Africa's Oil

The world is looking to West Africa for its next big energy bet. But oil can be a curse as much as a blessing. This time, which will it be?



www.time.co





# The Economist

The curse of oil

## The paradox of plenty

One day soon poor countries may actually benefit from their natural resources



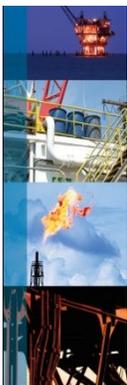
Reuters

Dec 20th 2005

From *The Economist* print edition

## Making oil transparent

The good news is that international initiatives are starting to shine a cold light on the murky business of oil. Tony Blair is promoting the Extractive Industries Transparency Initiative (EITI), a voluntary effort involving governments and oil majors.



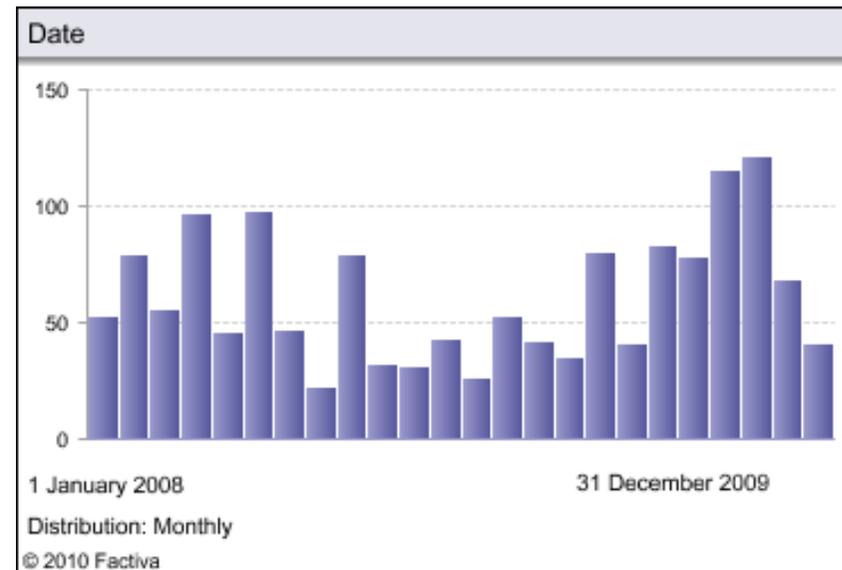
## From clash to cash

By Tom Burgis and Martin Sandbu

Published: January 7 2010 02:00 | Last updated: January 7 2010 02:00

There are exceptions. Norway, Botswana and Chile have harnessed oil, diamonds and copper for national development, giving hope that other countries too may succeed. In 2002 Tony Blair, then UK prime minister, launched the Extractive Industries Transparency Initiative, with dozens of governments, mining companies and oil groups pledging to declare payments and revenues.

Chart of original media articles mentioning “Extractive Industries Transparency Initiative” from 1 Jan 2008 - 31 Dec 2009:



LETTERS

## Helping Africa in the Fight Against Corruption

Published: June 13, 2009

To the Editor:

Re "[Battle to Halt Graft Scourge in Africa Ebbs](#)" (front page, June 10):

While it is indeed discouraging that the fight against corruption is faltering in much of Africa, there is at least one bright spot: the Extractives Industry Transparency Initiative, begun in 2003 to promote responsible and honest management of oil and mineral revenues, which are too often a source of corruption.

Given the natural resource wealth of the continent, it is encouraging that 21 of the 29 EITI candidate countries are African.

As my staff recently noted in a study, "[The Petroleum and Poverty Paradox](#)," this is one way that the international community can support anticorruption reformers in Africa. I have urged the Obama administration to take a more active role in supporting extractive industry transparency.

Richard G. Lugar  
Ranking Member  
Senate Foreign Relations Committee  
Washington, June 10, 2009



May 26, 2009, 11:19 AM

## Navigating the Natural Resource Curse

By DWYER GUNN

Will a charter actually do anything? There might be some lessons gleaned from the experience of the [Extractive Industries Transparency Initiative](#) (EITI), which was proposed by the British government in 2002 and is now widely supported by governments and industries.

Resource-rich governments that commit to the EITI agree to implement increased transparency measures. The EITI board announced this week that Albania, Burkina Faso, Mozambique, and Zambia will join the 26 candidate countries already committed to implementing the EITI protocols. The jury is still out on the effectiveness of the EITI in candidate countries, but [preliminary results](#) are encouraging.

Perhaps more importantly, the EITI is already shifting attitudes in resource-rich developing countries. Collier writes of sitting in a meeting of West African ministers as they discussed resource-revenue governance. The EITI served as a concrete rallying point for both reformist countries and for reformers in reluctant countries.



Le Monde.fr



Peter Eigen, président d'une ONG pour la transparence : "La corruption n'apporte rien sur le long terme"

LE MONDE | 10.12.09 | 15h05

Lutter contre cette "malédiction des matières premières" suppose d'introduire la transparence des transactions. Tel est l'objectif de l'Initiative pour la transparence des industries extractives (ITIE), une ONG fondée en 2002, basée à Berlin et présidée par M. Eigen.

L'idée est simple : amener les compagnies pétrolières ou minières à publier le montant des impôts et redevances qu'elles paient aux Etats, et ces derniers, à afficher leurs revenus. La confrontation entre ces données est censée mettre au jour les fraudes et les paiements suspects.



Dr Peter Eigen, Chairman of the EITI, interviewed by Jonathan Charles on the BBC news programme HARDtalk, November 6, 2009.



# How the EITI works



Companies Disclose Payments

Government Discloses Receipt of Payments

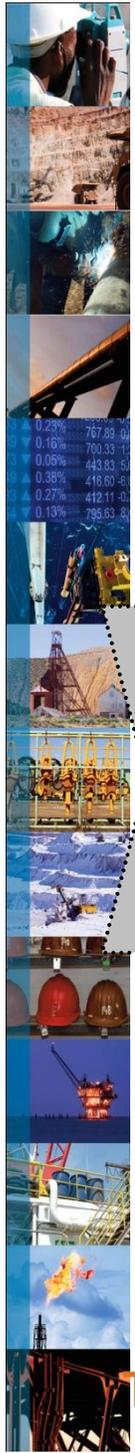
Independent Verification of Tax & Royalty Payments EITI Report

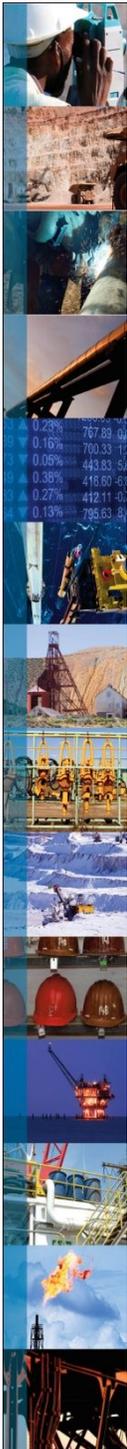
Award of licenses & contracts  
Regulation & monitoring of operations

Government Spending  
Revenue distribution & management  
Implementation of sustainable development policies

Oversight by a Multi-Stakeholder Group

The EITI provides a Forum for dialogue and a Platform for broader reforms





# EITI in 2010



- o **30 Implementing Countries** across Africa, Asia, Latin America, Middle East and Central Asia
- o **45 major international oil, gas, and mining companies**
- o **80 institutional investors** with collective assets of over \$16 trillion
- o **100s of civil society groups and networks** – e.g. Publish What You Pay, Open Society/Revenue Watch Institute, Transparency International
- o **Supporting Countries**, including Japan, Australia, Canada, France, Germany, the Netherlands, Norway, the UK and the US

# The EITI Board

EITI  
International Secretariat  
Oslo

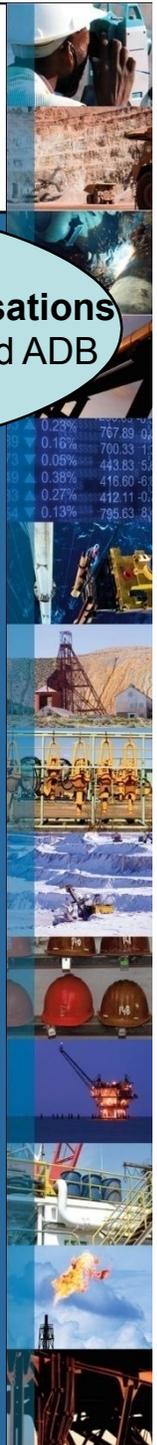
**Supporting countries and organisations**  
including the World Bank, AfDB and ADB

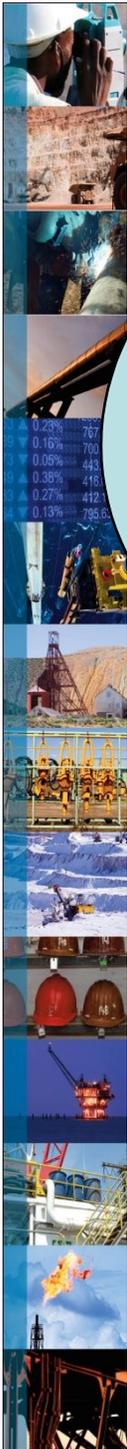
**EITI Implementing countries**  
30 countries

**Civil society organisations**  
hundreds, often through Publish What You Pay

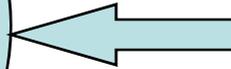
**Supporting companies**  
45, including most of the world's largest

**Supporting institutional investors**  
16trillion US in Management





EITI Implementing countries



EITI International Secretariat



**Activities of supporting companies:**

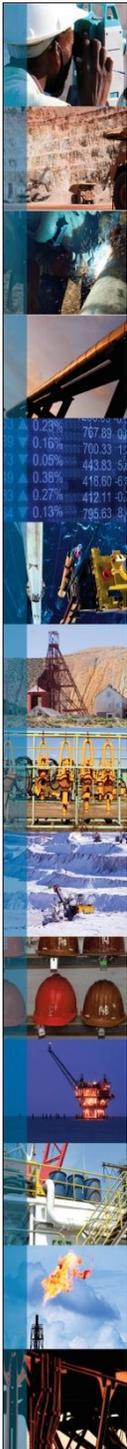
**Companies operating in EITI implementing countries:**

- Participation in EITI reporting
- Participating in implementation
- Financial support to EITI International Secretariat
- Participates in the governance of the EITI, through eg the Board

**Non-operators:**

- Global political support
- Financial support to EITI International Secretariat

**There is no added reporting requirement for companies that support the EITI.**



# EITI

**EITI** Extractive Industries Transparency Initiative

## Sign up

- Issue government announcement
- Commit to work with all stakeholders
- Appoint implementation leader
- Compose and publish workplan

## Preparation

- Establish multi-stakeholder committee
- Engage industry and civil society
- Remove obstacles to implementation
- Agree reporting templates
- Select and approve neutral EITI administrator
- Ensure full industry participation
- Ensure company and government accounts are properly audited

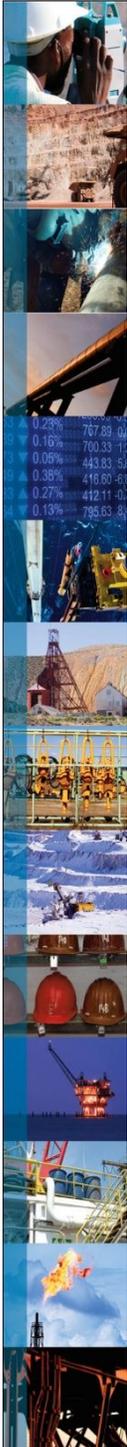
## Disclosure

- Disclose payments and revenues to administrator
- Receive report from administrator
- Identify and explain discrepancies
- Recommend improvements

## Dissemination

- Disseminate EITI report
- Review lessons learned and repeat

**Country undertakes external validation**



# Implementing Countries



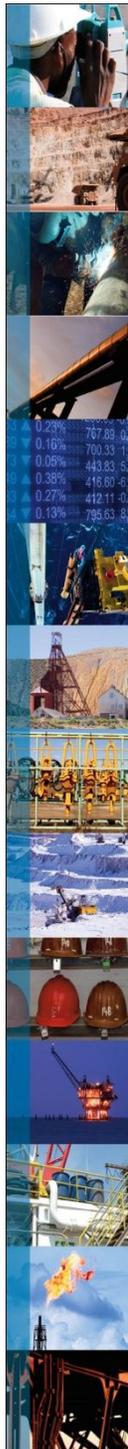
tool by ammap.com



## Second Aggregated Report

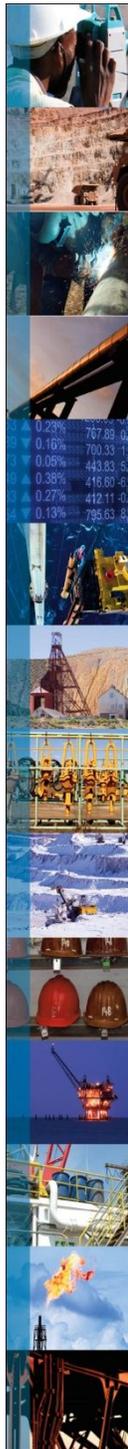
**Table 6: Reconciliation of Mining benefits payments and Government receipts- 2004**

MINING BENEFIT Payment/Receipt	Aggregated Receipts by Government of Ghana (cedis)	Aggregated payments by Mining Companies (cedis)	Deviation
Mineral royalty	207,322,703,217	207,243,473,096	79,230,121
Property rate	2,108,084,985	2,108,084,985	0
Corporate tax	5,006,425,416	5,006,425,416	0
Dividends	31,458,724,553	31,458,724,553	0
Ground Rent	0	0	0
Mineral right Licence	0	0	0
<b>TOTAL</b>	<b>245,895,938,171</b>	<b>245,816,708,050</b>	<b>79,230,121</b>



### C. MINING SECTOR

Taxes/Revenue	African Aura Resources		ArcelorMittal Liberia		AmLib United Minerals	
	COMPANY	GOL	COMPANY	GOL	COMPANY	GOL
Excise Tax					196.00	196.00
ECOWAS Trade Levy			322,977.00	506,273.00	8,729.00	6,857.00
Pre-shipment Inspection (PSI)/GOL's Share					1,387.00	
Customs user fees			400,000.00	400,000.00		9,562.00
Customs						32,058.00
Import Levies				3,764.00	38,771.00	10,070.00
County contribution					23,400.00	
Land Rental			200,000.00	200,000.00	167,677.00	
Stumpage Fees						110.00
Export Tax						5,970.00
Community Contributions/receipts			6,994,521.00	6,994,521.00		
Signature fees/signing bonus			15,000,000.00	15,000,000.00		
Corporate Registration			900.00	900.00		
Fines for customs offenses			21,183.00	21,183.00		
Scientific Research Fund			143,561.00	143,561.00		
Administration Fees				5,795.00		3,385.00
Exploration Fees	27,791.00	27,791.00			15,000.00	117,902.00
Vehicle License Fees		881.00	23,048.00	23,048.00		3,612.00
Business Registration Fees		900.00				
Personal Income	54,176.00	44,166.00	582,547.00	597,591.00	104,288.00	
Vehicle Drivers License Fees				1,410.00		
Withholdings on rent and lease				6,500.00		
Others						8,730.00
<b>TOTAL</b>	<b>81,967.00</b>	<b>73,738.00</b>	<b>23,688,737.00</b>	<b>23,904,546.00</b>	<b>361,448.00</b>	<b>198,452.00</b>



# Norway published its 1st Report on Jan 21, 2010

**Deloitte.**

Extractive Industries  
Transparency Initiative  
Reconciliation of cash flows from  
the petroleum industry in  
Norway



Translation from the original  
Norwegian version  
December 2009

## 3. Reconciliation of reported payments

### 3.1 Reconciliation of totals

Initially, we received reporting from 89 licensees and governmental agencies. Out of these, 7 of the licensees did not have any amount to report, 58 licensees reported on petroleum tax, 5 reported on CO<sub>2</sub> tax, 11 reported on NOK tax, and 18 reported on a fee. A total of 9 licensees reported on other payments. 25 of 7 present aggregated cash flows as reported. A detailed overview summary by company is presented in appendix 1.

Table 2: Aggregated cash flows from the petroleum industry

Aggregated payments	Initial reporting TNOK	Resolved discrepancies TNOK	Without reporting from counterparty TNOK	Adjusted reporting TNOK
Licensees	798 815 042	1 579 801	-5 143	400 489 701
Government	466 777 742	567	14 392	400 485 701
Discrepancy	-1 659 700	1 679 436	-15 033	-

Initially the licensees reported payments of TNOK 398 815 042 to the Government. The payments reported by the licensees were TNOK 1 659 700 lower than the payments reported by the Government.

- Of this, TNOK 1 659 700 has been explained through the reconciliation work.
- The column "without reporting from counterparty" includes amounts reported by licensees or Government, however if reporting from the counterparty has been obtained. The amounts include:
  - o TNOK 5,143 of "Other payments" to Government reported by licensees. Reporting from Government has not been obtained for these payments in 2009.
  - o TNOK 14,392 in net payments from Government to companies that are not reported as required to report based on NE II. The amount can be split into tax returns from the Government, TNOK 83,770, paid to 4 companies that are no longer licensees, and 10 other, no reporting have been obtained. Further, the Government has reported NO<sub>2</sub> tax, TNOK 13,376, received from 111 companies that are not licensees and not required to report based on the NE II.
- There are no unresolved discrepancies after adjustment, for payments where information is kindly reported by one of the parties for the reasons explained above.

The discrepancies are further analyzed for revenue streams in section 3.2 below.

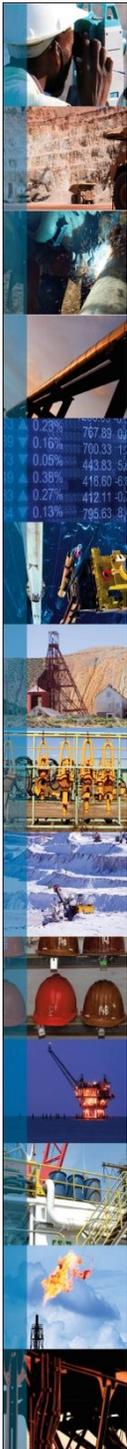
### 3.1.1 Transfer of payments to the Government Pension Fund- Global

Net cash flow from the petroleum industry is transferred to the Government Pension Fund – Global (the Pension Fund). The fund is managed by the Central Bank of Norway on behalf of the Ministry of Finance. The purpose of the Government Pension Fund – Global is to support government savings to finance pension expenditure and underlying long term considerations in the use of Norway's petroleum resources.

For information purposes we have included a reconciliation of the total reported cash flows according to EITI against the cash flows to be transferred to the Pension Fund, as presented in "Statistikk for 2008-2009" (Statistical report for 2008-2009), published on April 24, 2009. The transfers to the Government Pension Fund – Global appear in the same accounts of 2008 table 3.2 "Resultatregnskap for Statens pensjonsfond – Global". Note that the figures in table 3 below are in NOK million.



# Lessons to be shared



## 4. Lessons learned from the first year of reporting

Irrespective of how much planning is carried out, the first reconciliation is likely to encounter issues or problems in any country that were never envisaged in the planning stage. Deloitte has summarised its experiences from the first year of implementation below.

### 4.1 Reporting templates

Deloitte has received several questions related to the reporting templates:

- The reporting templates were issued in paper to the various reporting entities. Several entities have requested an electronic version that could be edited. The entities prefer an excel template to be prepared or to facilitate the reporting.
- One licensee asked for an English version of the instructions and templates.

Since this was the first year of reporting, questions have also been raised as to what to include in the reporting template. These questions have to a large extent been solved by referring to the detailed guidance to the NEITI.

### 4.2 Reporting deadlines

As it was the 1<sup>st</sup> year of reporting, the entities did not receive detailed instructions about the EIT reporting until July 15<sup>th</sup>, 2009. Despite the extended deadline to August 17<sup>th</sup>, 2009, several companies informed us that they would not be able to report within the deadline. Summer vacation was the main reason given. The last company reported on September 18<sup>th</sup>, 2009.

### 4.3 Confidential information

During the process, questions arose regarding whether the confidentiality rules in the Customs Act and the Tax Assessment Act precluded the Norwegian Tax Administration and the Toll Custom reporting based on the NEITI regulation § 4. Based on considerations prepared by the Ministry of Energy and Petroleum to the Ministry of Finance (ref. appendix 11), the Ministry of Finance has concluded that the confidentiality rules should not prevent the entities from reporting. The clarification process resulted in delays in the reporting from the governmental bodies in question. The latest reporting was received on September 29<sup>th</sup>, 2009. The Ministry of Energy and Petroleum has indicated that they will prepare a proposal to change the Petroleum Act in order to make the NEITI regulation more visible directly in the Petroleum Act. We support this suggestion and recommend finalizing this during next year's reporting.

### 4.4 Uncertainty related to the reporting

The questions to NEITI gave limited details about the reporting from Petrom, the Central Bank of Norway and Statoil-Hydro's reporting of the payments from marketing and selling the state's petroleum. Questions arose with respect to what and how these entities should report. A solution was found for 2008. However, we recommend that future reporting is discussed and that separate templates are developed for the 2009 reporting. In particular, it should be clarified whether Statoil-Hydro and Petrom should report both incoming and outgoing payments. The level of details in the reporting should also be specified. Additionally, further clarification is needed on whether both Petrom and Statoil-Hydro are required to report payments relating to the sale of the state's petroleum.

### 4.5 Which entities are included in the reporting

The Government has required cash flows received from petroleum tax and NO<sub>x</sub> tax from more companies than those included by NEITI to report. These are companies that are no longer licensees on NCS, or drilling companies with NO<sub>x</sub> tax liability which are not an operator or licensee. In actual, the government reports tax refund of TNCK 20.7/0 and NO<sub>x</sub> tax of TNCK 19.3/8 for these companies. Regarding the 2008 reporting, a decision on not to obtain reporting from these companies was made. A further clarification on this matter should be made prior to the reporting for 2009.

### 4.6 Other payments

NEITI § 8 states that "all reporting entities" should also report all other payments made to the government or government officials. This item is included in order to capture payments that are not necessarily required by law. Uncertainties concerning what to include as "Other payments" have a basis in the comments to the NEITI. It is stated that the licensees are not required to report administration fees for seismic examinations, exploration permits and extraction permits, ref. Regulation of June 27<sup>th</sup>, 1997 no. 653 regarding Petroleum Activities, §§ 5 and 9 respectively. Some of the licensees still have reported such fees. None of the governmental bodies have reported other payments. In addition, there has been uncertainty associated with including net profit interest payments from the companies to derive in the reporting. Prior to the reporting for 2009, it is recommended that the guidelines are even more detailed on this matter, also when it comes to reporting other payments from the government.

### 4.7 Signatures

Based on the instructions, the reporting templates should be signed by the company's Chief Executive Officer. Deloitte has not checked that it is the Chief Executive Officer that actually has signed the templates, however we have noticed that some of the templates have been signed by someone other than the Chief Executive Officer.

### 4.8 Discrepancies

There have been some repetitive categories of discrepancies. These can be categorized accordingly:

#### Petroleum tax:

- companies included taxes outside the scope of the Petroleum Taxation Act (i.e. onshore tax)
- companies included taxes paid to foreign authorities
- timing differences – companies reported tax expenses rather than taxes paid, or the payment date was close to year end and the company and the Norwegian Tax Authorities rather had included the payments on a different year in the amounts.
- companies did not include interest paid
- company reporting initially omitted some payments or amounts

#### CO<sub>2</sub> tax:

- companies did not include interest paid, while the Norwegian Petroleum Directorate included interest paid
- company reporting initially omitted some payments

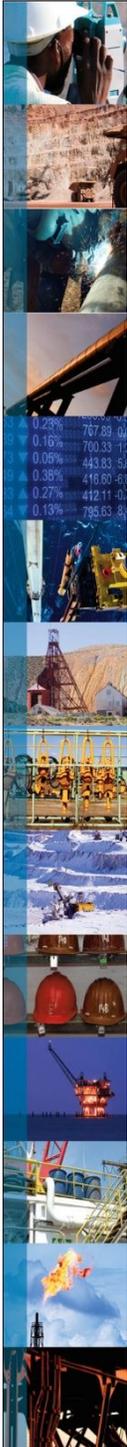
#### Area fee:

- company reporting initially omitted some payments
- timing difference – companies reported expenses rather than paid area fee
- companies did not include interest paid, while the Norwegian Petroleum Directorate included interest paid

#### NO<sub>x</sub> tax:

- companies initially omitted some payments
- companies included interest paid, while Toll Custom did not include interest paid
- Toll Custom omitted interest paid

We recommend that the EIT reporting guidelines for 2009 consider the experiences from 2008 to make sure that the guidance is even more detailed when it comes to the content of the reporting.



# Why governments implement the EITI

## -Enlightened self-interest

- To prevent corruption
- To build trust amongst communities
- To attract foreign direct investment
- To attract leading companies
- To gain international recognition
- To improve credit rating

## - Encouragement from the international community

- Development community promoting good governance
- IMF and others wishing to see improved fiscal management
- Energy security through transparency

## - Encouragement from industry

- License to operate
- Long-term investment depends on a sound business climate







**The  
Economist**

MARCH 15TH-21ST 2008

[www.economist.com](http://www.economist.com)

London v Paris  
The Fed and the credit crunch  
Eliot Spitzer and the hypocrites' club  
Economics and the rule of law  
How to shrink traffic jams

# The new colonialists

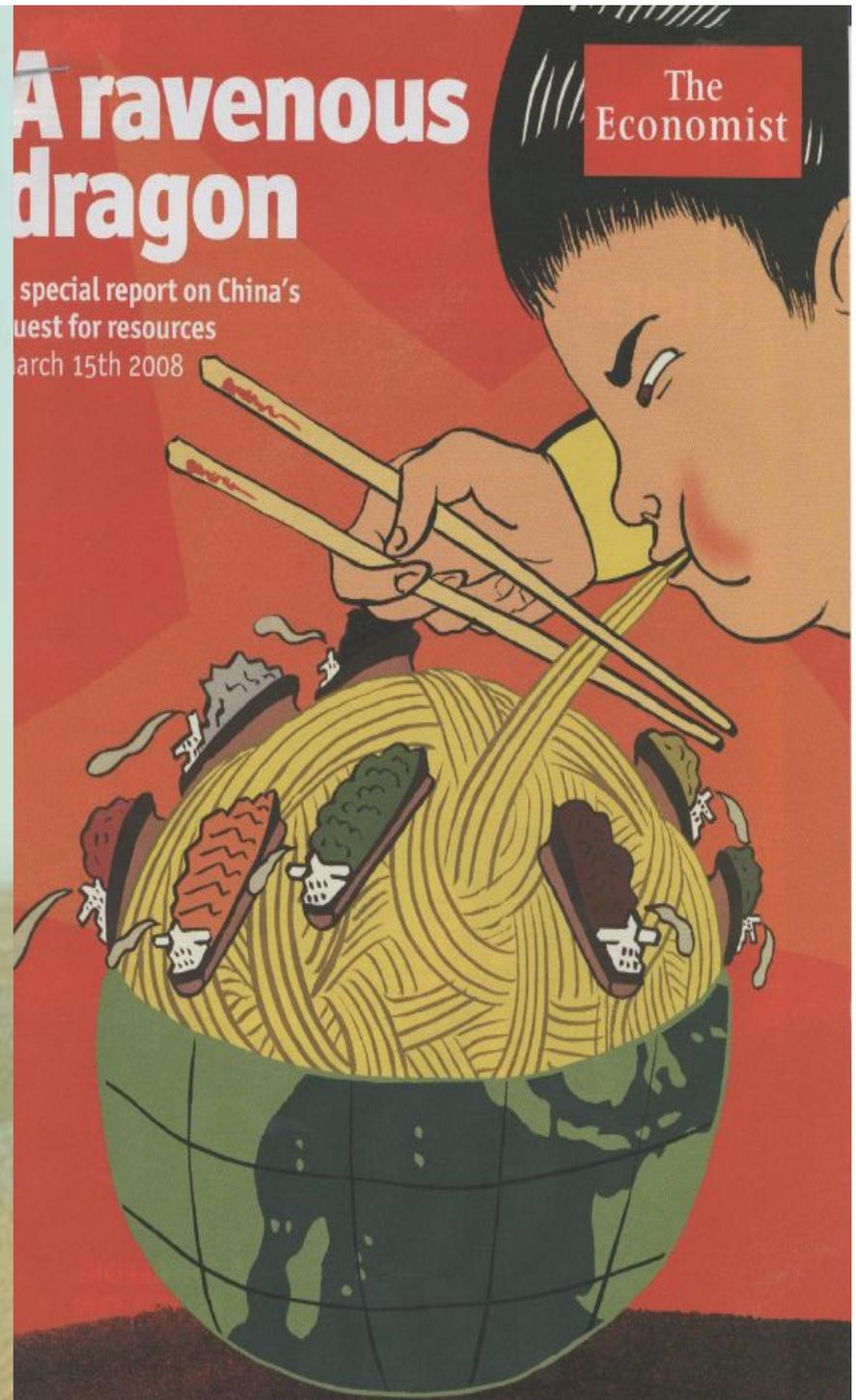
A 14-PAGE SPECIAL REPORT ON CHINA'S THIRST FOR RESOURCES



# A ravenous dragon

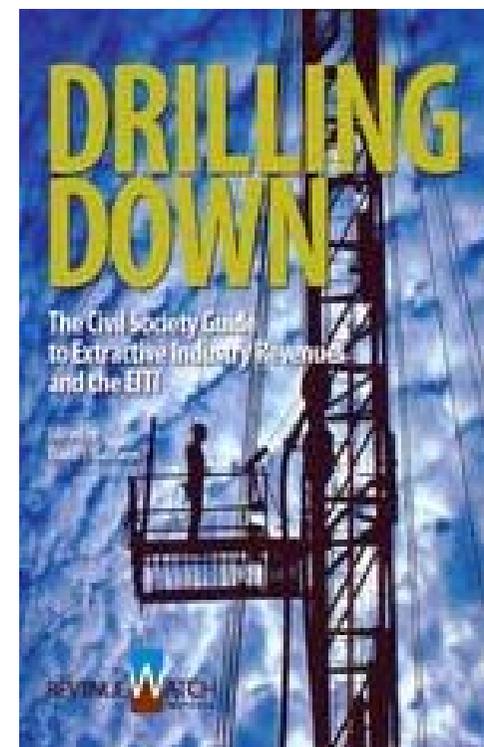
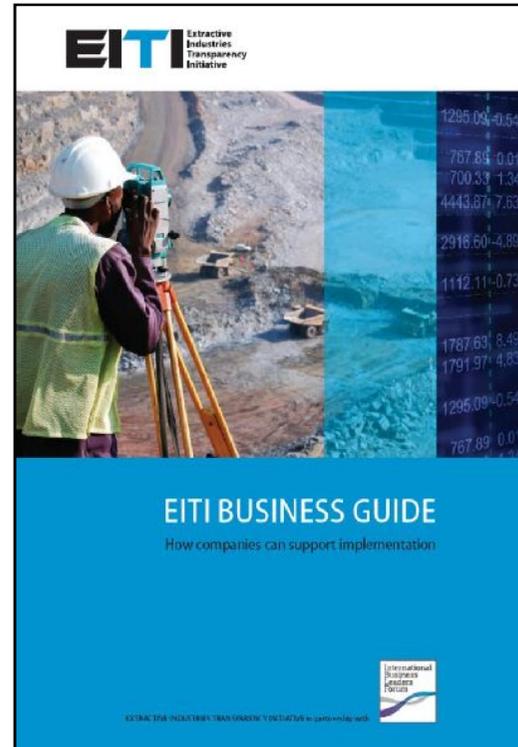
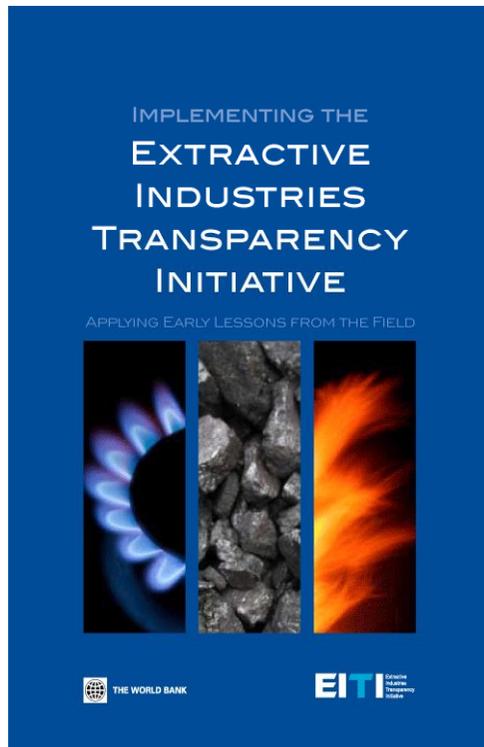
special report on China's  
quest for resources  
March 15th 2008

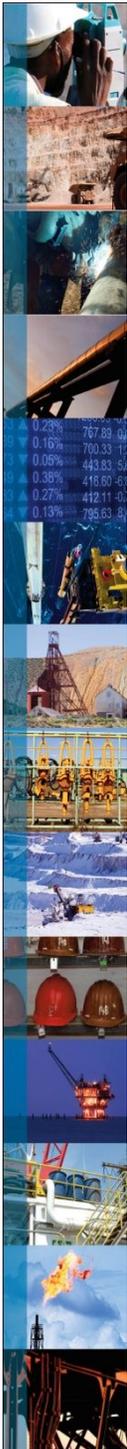
The  
Economist





# EITI Implementation Guides



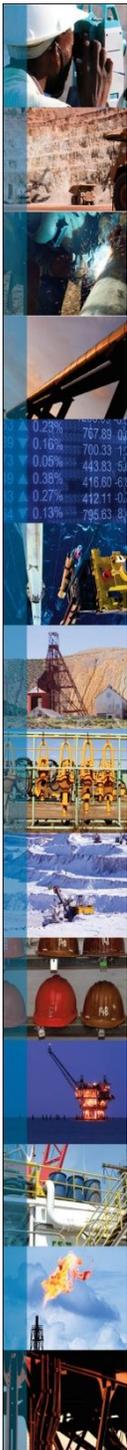


# EITI Other Publications



...and video.

# The EITI has been politically endorsed by many Governments and in many forums



United Nations A/62/L.41\*

General Assembly

Distr.: Limited  
22 February 2008  
Original: English

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**Sixty-second session**  
Agenda item 56  
Globalisation and interdependence

**Australia, Azerbaijan, Belgium, Canada, Congo, France, Germany, Iraq, Italy, Kazakhstan, Kyrgyzstan, Liberia, Moldova, Netherlands, Nigeria, Norway, Peru, Sierra Leone, Spain, Timor-Leste, Turkey, United Kingdom of Great Britain and Northern Ireland and Yemen: draft resolution**

**Strengthening transparency in industries**

*The General Assembly,*  
*Recalling the 2005 World Summit Outcome,*  
*Reaffirming the Accra Accord, the outcome of the twelfth session of the United Nations Conference on Trade and Development,*  
*Recalling the United Nations Convention against Corruption, which reaffirms that corruption is no longer a local matter but a transnational phenomenon that affects all societies and economies, making international cooperation to prevent and control it essential,*  
*Further recalling the resolution 1803 of 14 December 1962, in which it declared that the right of peoples and nations to permanent sovereignty over their natural wealth and resources must be exercised in the interest of their national development and of the well-being of the people of the State concerned,*  
*Reaffirming that every State has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activities,*  
*Taking note of all relevant voluntary initiatives, including the Extractive Industries Transparency Initiative, aimed at improving transparency in the extractive industries,*  
*Convinced that rule-based and predictable trade and financial systems are essential to promote transparency in trade and financial industries and combat corruption in commercial and financial transactions in all countries,*

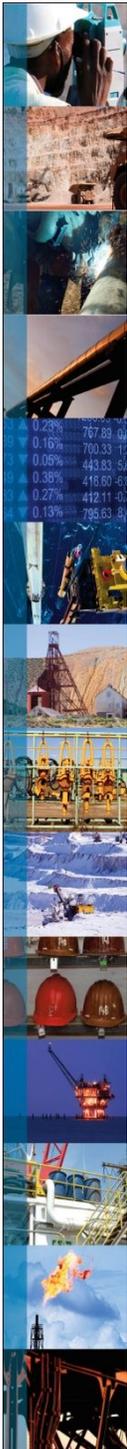
08-23942\* (E) 220208

**THE AFRICA-EU STRATEGIC PARTNERSHIP**  
**A Joint Africa-EU Strategy**

**I. CONTEXT, SHARED VISION AND PRINCIPLES**

**1. Context**

1. Africa and Europe are bound together by history, culture, geography, a common future, as well as by a community of values: the respect for human rights, freedom, equality, solidarity, justice, the rule of law and democracy as enshrined in the relevant international agreements and in the constitutive texts of our respective Unions.
2. Since the historic first Africa-EU Summit in Cairo in 2000, where our partnership was strengthened through the institutionalisation of our dialogue, considerable change has taken place on both continents. Democratisation and reform processes have been launched and are being deepened in both Africa and Europe and efforts have continued on both continents to address conflict and crisis situations. At the same time, integration processes on both continents have accelerated – on the one hand, the Organisation of African Unity (OAU) has been transformed into the African Union (AU) with its socio-economic programme, the New Partnership for Africa's Development (NEPAD); on the other hand, the European Union (EU) has nearly doubled in size and is in the process of deepening the Union. The world has also changed: new international and global challenges have emerged, globalisation has accelerated and the world has become increasingly interdependent.
3. In response to these changes, cooperation between Africa and the EU has rapidly developed and diversified. Both sides have developed political strategies and policy documents to guide their cooperation, including the AU Constitutive Act and Strategic Framework 2004-2007 and the EU Africa Strategy of 2005. However, it is now time for these two neighbours, with their rich and complex history, to forge a new and stronger partnership that builds on their new identities and renewed institutions, capitalises on the lessons of the past and provides a solid framework for long-term, systematic and well integrated cooperation. There is now a need for a new phase in the Africa-EU relationship, a new strategic partnership and a Joint Africa-EU Strategy as a political



# The AU, EU, UN, G8, G20,..



**EITI ENDORSEMENTS**  
11 APRIL 2008

**G8 Summit Declaration:  
Growth and Responsibility in Africa  
Helligendamm, 8 June 2007**

**Paul Collier and Michael Spence  
Financial Times, 10 April 2008**

**Gordon Brown and  
Jens Stoltenberg  
London, 29 June 2006**

**Stuart R. McGill  
Senior Vice President, Exxon Mobil  
Oslo, 17 October 2006**

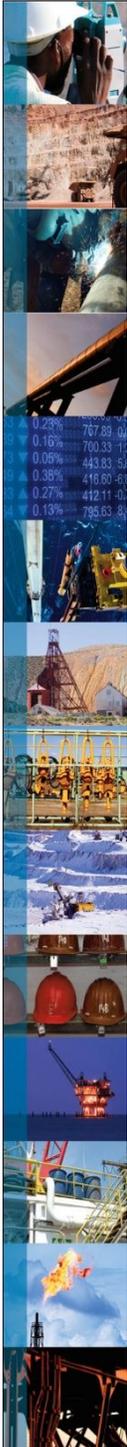
We commit to provide continuous assistance to strengthen EITI, as appropriate through financial, technical and political means. Equally, we invite all stakeholders to provide support for the implementation of the EITI.

We call on implementing countries and companies participating in EITI to implement the initiative and comply with their disclosure commitments. Equally, we encourage further countries to participate in EITI as appropriate.

Any international standards for resource extraction must be voluntary. Fortunately, in this area voluntary standards have a good record. The Extractive Industries Transparency Initiative, launched in 2002 as a standard for revenue reporting, has a wide take-up. Standards provide rallying points for reformers and a benchmark for performance and promote competition between governments.

The UK and Norway will encourage other nations to recognise EITI as an emerging global norm of good management.

As a forum for promoting transparency, the EITI has shown progress, progress ExxonMobil is proud to support.



# Lessons



- It can be a platform for long-term reform
- From transparency to accountability
- To fight corruption maybe
- To build trust and confidence  
- definitely



