

EITI: A parliamentary tool for extractive sector governance in Liberia and Yemen

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Summary

Liberia in West Africa and Yemen in the Middle East hold vast reserves of oil and other natural resources. As participants of the Extractives Industries Transparency Initiative (EITI), both states have voluntarily disclosed payments received from extractive companies in a standardized reporting process overseen by its own multi-stakeholder group (MSG). But unlike the majority of EITI participating countries, Liberia and Yemen have enlisted a key group of actors—parliamentarians—in their efforts to better govern resources and resource revenues. Lending credibility and capacity to the MSG, these political leaders have used their parliamentary mandate to improve policy and initiate reforms in the extractive sector, as well as facilitate EITI reporting and help oversee EITI compliance.

This case study presents lessons learned from parliamentary engagement in the EITI process in Liberia and Yemen and offers strategies for other countries seeking to involve parliamentarians in similar ways.

Introduction: Liberia, Yemen and the EITI

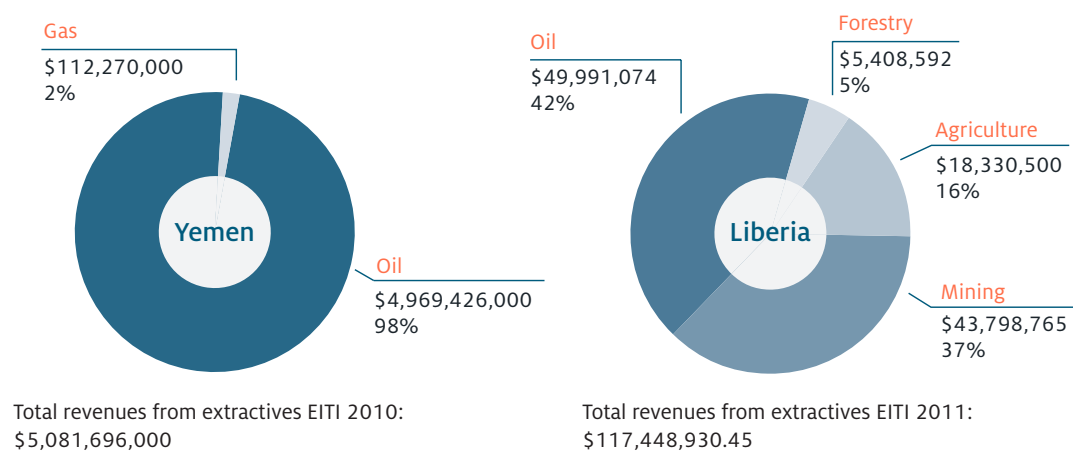
The Extractives Industries Transparency Initiative is an international standard for transparency in the oil, gas and mining industries. Countries become EITI-compliant by meeting prescribed transparency requirements, such as payment disclosures from extractive companies to governments, publishing information on what government receives from industry and by performing an independent assessment of their EITI process, the results of which are published in an annual public report. Revised in 2013, the new EITI Standard¹ provides an opportunity for stakeholders in implementing countries to collect and analyze information that can inform policy decisions on a broad range of natural resource governance issues, including fiscal regimes, relevant laws and regulations, missing revenues in national budgets, and production volumes and values.

Since becoming EITI compliant in October 2009 and March 2011 respectively, Liberia and Yemen have produced ten EITI reports between them. These assessments present detailed accounts of revenues earned from oil, gas and minerals (see figure 1). When examined cumulatively, they also form an implicit narrative that speaks to the unique challenges each nation has faced on its way to EITI compliance.

Only eight countries currently have parliamentarians on their EITI multi-stakeholder groups.

¹ For more information on the EITI Standard please refer to NRG's comprehensive interactive guide: <http://www.resourcegovernance.org/eitiguide>

Figure 1 – Extractive revenues as reported by the EITI reports in Yemen (2010) and Liberia (2011)



For example, Yemen's EITI compliant status was suspended twice due to prolonged violence and instability, as well as significant delays in the publication of reports. Since the last suspension was lifted in July 2013, the country has seen its progress slowed once more, this time by disagreement over civil society representation in the MSG, though it once again enjoys compliant status. Elections for new MSG representatives are still outstanding.²

Liberia joined EITI just six years after its own civil war, and the country has enacted laws to protect the advancements it has made in governing its extractive sector. In 2009, the Liberia Extractive Industries Transparency Initiative (LEITI) Act endorsed the EITI process. In doing so, Liberia became one of the first countries to legislate voluntary reporting—not only in the extractive industry but also in agriculture and forestry—and award legal status to the MSG. The fourth LEITI report was published in May 2013, followed by a recent audit of concessions, contracts, licenses and other rights awarded between July 2009 and December 2011.³

² EITI, "Yemen – Implementation" <<http://eiti.org/Yemen/implementation>> accessed 21 May 2014

³ EITI, "Liberia - Implementation" <<http://eiti.org/Liberia/implementation>> accessed 21 May 2014

“Why don’t more EITI multi-stakeholder groups count parliamentarians among their ranks? There are many different opinions, even among MPs.”

Meet the parliamentarians

NRGI interviewed two members of parliament (MP), one from each country, to examine their participation in the EITI process and to distil lessons that could inform parliamentary engagement in extractive sector governance in other countries.

The Hon. Mr. Gbehzohngar Milton Findley is an independent senator who has represented Liberia’s Grand-Bass County since 2005. He currently serves as president pro-tempore of the Liberian Senate, as well as co-chair of the Committee on Lands, Mines, Energy, Mineral Resources and Environment. As a member of the LEITI MSG, he is an EITI board member at the global level.⁴



“MSG members have their differences and represent different constituencies, but the bottom line is that they all want transparency in the extractive industry,” he says.

The Hon. Mr. Ali Ashal is a member of Yemen’s House of Representatives. He was elected in the 2003 parliamentary elections, the last to take place in the country, and represents the opposition party Al-Islah. He is a member of the Development and Oil Committee and has served as the parliamentary delegate on the Yemeni EITI (YEITI) MSG since 2007.⁵



“The MP is considered a representative of the people of Yemen. By serving in the MSG, he protects their right to know how and where their resource revenues are being spent,” he says.

Parliamentary membership of the multi-stakeholder group

The EITI process is overseen in each country by a multi-stakeholder group that includes representatives from government, industry and civil society. The composition of the MSG varies by country, with most having regulation or legislation in place that prescribes the exact structure and function of the MSG. Representatives act as spokespersons for their constituencies.

When EITI was introduced to Liberia, President Ellen Johnson Sirleaf issued an executive order giving MSG seats for a member of the House of Representatives and the Senate. Through adoption of the LEITI Act, the direct nomination of MSG members by both houses of the Legislature

⁴ The interview with Hon. Findley took place on 10 January 2014.

⁵ The interview with Hon. Ashal took place on 4 December 2013.

Similarly, should MSG membership be required for parliamentarians? Critics argue that formal participation would undermine parliaments' perceived independence and external oversight, while supporters argue for explicit linkages between EITI and parliaments, through MSG membership, the creation of cross-portfolio committees on natural resources and official EITI reporting to parliament.

MPs interviewed by NRGi spoke favorably of parliamentary membership of the EITI MSG. They suggested that participation in the group helped them stay abreast of national developments in the extractive sector. They reported that as they learned more about the industry and its impact on public finance, they could better determine when and how to act on extractive sector governance issues, and ultimately better represent the people. They also mentioned opportunities to use their unique legislative powers to address issues identified by EITI reports and take remedial action.

Examples of parliamentary influence on the EITI

“Parliamentarians should know that the EITI process provides good reliable information,” Hon. Findley said in an interview with NRGi. “They are getting figures that they would not normally get.”

In practice, Liberia and Yemen have not achieved parliamentary engagement with the EITI process without challenges. Neither country has formalized a relationship between the legislature and the EITI MSG, other than the appointment of representatives. For instance, there are no cross-portfolio groups dedicated specifically to extractive sector governance, nor are there requirements that the EITI report be considered by a specific committee or debated in plenary prior to or after publication.

Despite informal ties between the EITI and the parliamentary agenda, the MPs interviewed for this case study are among those who have nonetheless taken action to improve extractive sector transparency in their countries. In Liberia, Hon. Gbehzohngar Milton Findley, an EITI board member, has used the EITI report as a tool to exercise parliamentary oversight of the extractive sector. In constituency meetings, he has informed citizens of the benefits of EITI, its report findings and ensuing reforms, thus helping to remove suspicion and restore public confidence in the management of extractive resources and revenues. As part of a group of Liberian MPs, he has also publicly denounced failings by some extractive companies to report correct data to the EITI administrator. Additionally, his parliamentary committee held a hearing with the Minister of Lands, Mines and Energy when the MSG found that mining companies were increasing their yearly output, but projecting the same revenues. Corrective measures were taken only after MPs sought evidence and raised the issue in 2013.

In Yemen, Hon. Ali Ashal, an advocate of open information, has shared EITI reports with fellow members of the Development and Oil Committee. Backed by a coalition called “Parliamentarians against Corruption – Yemen,” he initiated a bill to expand access to data held by the government and extractive companies. The ensuing Freedom of Information Act of 2012 allows all citizens to request and receive information of public interest from government bodies. As a member of the MSG, Hon. Ashal has also used his power to audit companies and

governments involved in oil extraction. That has in turn led to a countrywide debate on artificially inflated oil production costs, which have allegedly deprived Yemen of significant tax revenues from extractive companies.

Lessons learned

“It is important for parliament to be represented in the EITI process,” Hon. Ashal says, “because it empowers MPs to use their influence and the information provided in the reports to fulfil their oversight role effectively.”

Through law-making, advocacy and fiscal scrutiny, legislators in Liberia and Yemen have contributed in important ways to making EITI MSGs more effective. They have also worked with other stakeholders to improve EITI implementation and address governance issues identified by EITI reports.

The engagement of Hon. Findley and Hon. Ashal point to a number of lessons that can inform an effective parliamentary influence and oversight of the EITI in other countries:

- Parliamentarians can and should make full use of their legislative powers to seek reform of the oil, gas and mining sectors through the EITI. The MPs interviewed for this report adopted a number of strategies to facilitate EITI reporting, enable wider access to information and share findings with constituents. When EITI reports uncovered governance failures, MPs sought remedial action by informing ministers and by initiating reforms.
- When accessed by parliaments, EITI reports have strengthened the prospects for stronger accountability. In particular, they have provided MPs with the regular and reliable information they need to oversee EITI performance and compliance by government and extractive companies.
- Active membership in the EITI MSG gives parliamentarians a better understanding of extractive sector issues and developments, as well as a platform to intervene when necessary. The benefits of increased access to information, progressive learning and networking opportunities that come with MSG membership significantly outweigh the costs in terms of dedicated time and effort.
- Legislation and regulations can help institutionalize and sustain the EITI at the country level, as well as bolster parliamentary support. However, clear rules for the appointment of the parliamentary MSG members and regular rotation are necessary to ensure a meaningful representation of all voices in parliament.
- Parliamentarians who serve on MSGs are more effective when they bring solid knowledge of and experience in the extractive sector. This is all the more important when MPs cannot rely on support from parliamentary administration.

Details on NRGi’s work in Liberia⁷, Yemen⁸ and national parliaments⁹ is available at www.resourcegovernance.org.

⁷ <http://www.resourcegovernance.org/countries/africa/liberia/overview>

⁸ <http://www.resourcegovernance.org/countries/middle-east-and-north-africa/yemen/overview>

⁹ <http://www.resourcegovernance.org/issues/parliaments>