

Transparency Mechanisms and Movements

Tools to Foster Openness and Accountability

KEY MESSAGES

- Transparency is a fundamental tool to promote efficiency and accountability in converting natural resource wealth into long term social and economic development.
 - For transparency to be effective, information disclosures must be *relevant, accessible, timely, and accurate*.
 - Transparency is the root of many campaigns to reform the management of extractive industries.
 - There are numerous mechanisms and movements for transparency that often have overlapping and mutually reinforcing aims.
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TRANSPARENCY AND ITS IMPORTANCE

Transparency is central to the aim of transforming natural resource wealth into sustainable economic and social development. Relevant, timely, accessible information sharing can bolster oversight, improve trust between multiple actors and mitigate waste. This reader defines transparency and gives a brief overview of different transparency movements and mechanisms. Other readers in this set provide more detail on specific movements and mechanisms. (e.g., PWYP and EITI)

Transparency is not just about making information available. Large disclosures of old information in inaccessible formats cannot promote accountability or improve performance. For transparency to have impact, information disclosures must be relevant, accessible, timely and accurate. To be *relevant and accessible*, the information should be presented in plain language and in formats appropriate for multiple stakeholders. For example, PDFs filled with tables of numbers and acronyms are not useful for either lay or expert analysis. Lay readers would need a summarized description of what the figures mean, while the expert analyst needs the data in a file format that they can sort and manipulate (i.e., in what is often referred to as *open data format*). In the extractive industries field, discussions about transparency often revolve around whether the information is *disaggregated*. Information about revenues, for example, can be disaggregated on a project-by-project, company-by-company or state-by-state basis. Whether and how the information is broken down into different categories

“Governments, international organizations and other actors can improve transparency by establishing and enforcing a set of international standards for financial and accounting records, as well by disclosing contractual terms. Public disclosure of information throughout an extractive project, from exploration licensing to project clean-up, is a vital mechanism for helping citizens and investors to hold governments and companies to account.”

— Natural Resource Charter,
Precept 12

This reader is intended for use in conjunction with Precepts 2, 11 and 12 of the Natural Resource Charter.

makes the data more useful and relevant to different actors. The highest possible level of disaggregation is often a pre-condition for a meaningful analysis of data.

To be *timely and accurate*, the information must be provided in a manner that allows stakeholders to analyze and respond to the data to inform relevant decisions or advocacy. The level of detail of information can impact its accuracy. For example, it is not uncommon for shell companies to be at the forefront of bidding in a licensing process. When there is no information on beneficial ownership, that is, who has paid to own and operate the bidding company, it is difficult for governments and oversight actors to know who is actually going to be implementing and benefiting from a project.

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Advocates throughout the transparency movement have emphasized that transparency is not an end in and of itself. Instead, advocates have often framed transparency as a means to achieve *accountability*, ensuring that public, private and voluntary sector organizations are answerable for their actions and that there is redress when duties and commitments are not met.

THE ORIGIN OF TRANSPARENCY MOVEMENTS AND MECHANISMS IN NATURAL RESOURCE GOVERNANCE

The movement for increasing the benefits that communities realize from extractive industries has long been rooted in transparency. In 2002, a small group of activists launched the Publish What You Pay coalition with the aim of avoiding the resource curse through promoting transparency. The campaign was developed, at least in part, around the idea that if citizens had access to information about what governments received in natural resource revenues, they could ask better questions about how those revenues are spent. The group was reacting to particularly egregious examples of resource mismanagement and corruption. Transparency was seen as a means to greater accountability and increased performance. For example, transparency about mineral opportunities has been linked with improved performance during open bidding auctions. Investors in the extractive industries benefit from more information about the operating environment in different countries and the risk associated with their investment.

WHAT ARE SOME TRANSPARENCY MECHANISMS AND MOVEMENTS?

There are many tools, coalitions and mechanisms that can be and are used to promote transparency in the extractive industries. The list below, which is not exhaustive, provides a brief summary of some of these mechanisms.

International initiatives

- **Publish What You Pay** (www.publishwhatyoupay.org). PWYP is a global coalition of civil organizations seeking transparency in the extractive industries. It has three major pillars of advocacy: publish why you pay and how you extract, publish what you pay, and publish what you earn and how you spend (for more information, see the reader on PWYP).

- **Extractive Industries Transparency Initiative** (eiti.org). EITI is a multi-stakeholder initiative that aims to promote openness and accountability in the management of natural resources throughout the decision making chain. Each country that implements the EITI has a multi-stakeholder board that publishes a report reconciling information from government and extractive companies throughout the decision making chain. The process of creating these reports must meet a set of *standards*, which are checked through a process of *validation* (for more information, see the reader on the EITI).
- **Open Government Partnership** (www.opengovpartnership.org). The OGP is multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption and harness new technologies to strengthen governance. Governments who have committed to the OGP create action plans in consultation with civil society groups that set forth goals for transparency and accountability.
- **Natural Resource Charter** (naturalresourcecharter.org). The Natural Resource Charter is a set of principles, including policy options and practical advice, for governments, societies and the international community on how to best manage resource wealth. The second precept calls for transparency of information throughout the decision making chain to be a foundation of resource management. Through a benchmarking methodology, countries can assess how their resource governance practices measure up against the charter's prescriptions (for more information see the readers on measurement and assessment of natural resource governance and the Natural Resource Charter decision chain).
- **Accounting standards**. Similar to some of the national disclosure rules listed below, accounting standards create requirements for companies to disclose information if they are to be in compliance with certain business standards. For example, the International Financial Reporting Standards (IFRS) sets the requirements for accounting practices, and therefore disclosure requirements, in many countries. They could have a strong influence on the transparency of information related to natural resources if they adjusted their requirements to include disaggregated public disclosure of resource related payments.

National initiatives. Many countries can pass laws or begin transparency initiatives that go beyond what is called for with the international mechanisms. Some of these national initiatives may have standard-setting power or apply to multiple jurisdictions, de facto giving them the reach of international initiatives. Here are a few examples:

- **Freedom of information laws.** National freedom of information laws provide citizens with a mechanism to ask for information from the government and require governments to provide justification when it fails to provide that information. Though the scope of these laws vary from country to country, they are often a strong tool for civil society activists and journalists to gain insight to government processes and decisions.

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- **Mandatory disclosure rules.** Mandatory disclosure rules are legal requirements for companies to systematically disclose the payments they make to governments. Some countries make disclosure rules for companies involved in a contractual relationship with the government. Other countries require disclosure for all companies that are listed on stock exchanges within their country. For example, the Dodd-Frank Act passed the United States Congress, requires all extractive companies to provide information about the payments they make to the United States and foreign governments to the U.S. Securities and Exchange Commission.
- **Contract transparency.** Many countries have adopted a policy to publish some or all of the contracts signed between the host government and the extractive company. For instance, article 150 of the constitution in Niger requires the government to publish all new extractive contracts. The availability of contracts, even if they are not confidential per se, varies from country to country. Resourcecontracts.org makes hundreds of resource contracts available to the public (for more, see the reader on contract transparency).
- **National transparency initiatives.** Many countries have created extractive-related transparency processes that go beyond what may be required for compliance with international standards, such as the EITI. In Ghana, for example, the Petroleum Revenue Management Act (PRMA) created a Public Interest and Accountability Committee (see: piacghana.org). This independent multi-stakeholder group was charged with monitoring and enforcing government compliance with revenue management regulations.

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QUESTIONS TO ASK

- What transparency mechanisms and movements exist in my country?
- If I don't think there is sufficient transparency, which of these movements best corresponds with the area where more information and disclosures are needed?
- When information is made available in my country, is it accessible, relevant, timely and accurate?
- What information is available in other countries about companies operating in my country?

ADDITIONAL RESOURCES

Natural Resource Charter, Precept 2 and 11, available at:
http://www.resourcegovernance.org/sites/default/files/NRCJ1193_natural_resource_charter_19.6.14.pdf.

Darby, Sefton, *Natural Resource Governance: New Frontiers in Transparency and Accountability* (Transparency and Accountability Initiative, 2011), available at:
<http://www.transparency-initiative.org/reports/natural-resource-governance-new-frontiers-in-transparency-and-accountability>.

NRGI readers on EITI, PWYP, Contract Transparency, Measurement and Assessment of Natural Resource Governance, and the Natural Resource Charter Decision Chain.

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