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## FORUM

### **A Leap Forward for the Extractive Industries Transparency Initiative**

*by Heidi Feldt, Coordinator "Publish What You Pay" Germany*

The third international conference of the Extractive Industries Transparency Initiative (EITI) took place in Oslo from 16 - 17 October. With this conference the Initiative made a qualitative leap forward. The central theme of the conference was the restructuring of the international management set-up and the introduction of a monitoring and validation system for the participating countries and companies. The EITI idea was launched by the Blair government during the Johannesburg conference in 2002. It was originally proposed by the NGO-supported "Publish what you pay" campaign, which demands disclosure of payments made by oil, gas, and mining companies to resource-rich countries. The aim is to bring about accountability over payment flows and curb corruption. Transparency in payments is regarded as a key prerequisite for a democratic debate on the utilization of revenues from resource extraction.

This third EITI conference was the largest so far with over 500 representatives from resource-rich and donor countries, as well as industry, NGOs, and international organizations. With Petrochina's participation, a public sector enterprise from Asia was represented for the first time.

#### **International EITI management structure**

After being based in DFID for several years, the Oslo conference heralded the creation of an independent structure for EITI consisting of a technical Secretariat and a Board. Five members each from the implementing countries, industry and NGOs as well as three representatives from the supporting industrial nations and one investor representative are elected to the Board under the supervision of an independent chairperson. Germany has assumed one of the seats. Where the secretariat is to be located next has yet to be decided. Both Bonn and Oslo have applied and the Board will take a decision on this in its next meeting scheduled in 2006.

#### **Validation process**

The implementation of EITI principles and criteria in the resource-rich member countries will be validated every two years by accredited firms or individuals. There will be two categories of EITI implementing countries - candidates, who declare a willingness to implement but have not yet published any figures, and countries (compliers), who have prepared and published the required EITI reports. This will protect the EITI "brand" against free riders and also extend positive support to countries for implementation. Oil and mining companies will also be included when implementation is validated at the country level. Companies that make commitments at the international level are expected to carry out an additional self-assessment on a voluntary basis.

#### **Challenges for EITI**

With the Oslo conference, EITI has taken a big qualitative leap forward in establishing itself as an international organization. Unfortunately, implementation within individual countries is not moving ahead as rapidly. Currently there are just two countries – Nigeria and Azerbaijan – that have fully implemented the EITI process and would receive a compliant status after validation. All other countries have had considerable difficulties in implementation or display a lack of political will in bringing about transparency in

payments. Two participants from Congo, for instance, were detained at the airport in Brazzaville on their return from the conference for defaming the government abroad. Intimidation and threats against NGOs represent a grave breach of EITI principles and endanger the entire process. The EITI Board therefore intervened resolutely for the release of the imprisoned participants. This case nevertheless illustrates that a lot still needs to be done to ensure civil society participation in the EITI process in some countries.

In Oslo, Germany announced that it would support the EITI initiative during its G8 presidency. One of the proposals was to begin a dialogue with Brazil, Russia, China and India, and their public sector enterprises, through EITI. However, the concrete modalities for this are yet to be worked out.

Against this background, the main challenges that EITI needs to take up over the next two years include:

- 1) Integration of emerging economies, primarily China, India, Brazil and Russia and their public sector enterprises in the EITI process. A small step has already been taken by including representatives from Pemex (Mexico) and Petrobras (Brazil) on the EITI Board.
- 2) Inclusion of the mining sector in EITI. EITI is heavily focused towards the oil and gas sectors where profits are very high and revenue and payment flows are particularly complex. The problems in the mining sector are somewhat different since environmental and social issues usually predominate. None of these are on the EITI agenda. The lack of transparency in payments is usually an issue at the regional level, which has so far not been sufficiently addressed under the EITI framework.
- 3) Tabling a resolution in the UN General Assembly, as proposed by Great Britain, so as to reinforce EITI's international legitimacy. This initiative should also be supported by Germany.

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*For more information on EITI, please see <http://www.eitransparency.org>*

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## **POLICY & RESEARCH**

### **Fluid Sovereignty – new HDR highlights transboundary water cooperation**

Cross-border cooperation over water resources is far more pervasive than conflict and more essential than ever. The fear that transboundary competition for water will become a source of conflict and future water wars is exaggerated, says the new Human Development Report "Beyond scarcity: Power, poverty and the global water crisis". The Chapter "Managing transboundary waters" underlines that "water wars" are entirely preventable if the right political choices are made now. "Managing shared water can be a force for peace or for conflict, but it is politics that will decide which course is chosen," said Kevin Watkins, lead author of the Report. Ninety percent of the world's population lives in countries that share their water supplies with other countries. The report states that while this interdependence can give rise to political tension across borders, most shared water resources are managed peacefully through cross-border engineering and diplomacy. But where cooperation fails, countries will bear the costs of environmental

disaster, decline in human development standards, and increased political tensions. The case of the Aral Sea is given as an example that perfectly illustrates how not to cooperate – the lake is now a quarter of its original size, thanks to an inefficient strategy devoted singularly to cotton production. Cotton yields decreased and people in the lower reaches receive contaminated water, with a majority suffering from chronic health conditions.

However, the report mainly refers to examples of successful cooperation, such as the Indus Waters Treaty between India and Pakistan, which has survived long periods of political and even military conflict, or the Senegal River Development Organization (set up by Mali, Mauritania, and Senegal), which has three decades of experience in hydropower, irrigation and flood control. The report identifies two broad objectives: replacing unilateral action with multilateral cooperation and putting human development concerns at the centre of the debate. This requires backing away from rigid sovereignty claims, strengthening political leadership, and finding a better balance of power. The role of the international community (including the World Bank and the UNDP) would be to build trust and support inter-state negotiations that tend to be protracted and difficult to sustain. *(by Christiane Roettger)*

The report is available for download at <http://hdr.undp.org/hdr2006>

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### **"Delivering as One" vs. UN bureaucracy as we know it**

The considerable structural problems within the United Nations system are one of the main hurdles to achieving the Millennium Development Goals (MDGs). Against this backdrop, UN Secretary-General Kofi Annan initiated setting up a panel of experts to identify significant opportunities within the UN system for meeting global challenges in the areas of development, environment, and humanitarian assistance. The panel submitted its "Delivering as One" report in early November. The title itself spells out the key challenge, which is to overcome the inefficiency and fragmentation within UN structures and achieve greater coherence in UN activities. "It [the UN] should enable and support countries to lead their development processes and help address global challenges such as poverty, environmental degradation, disease and conflict."

The report recommends strengthening the United Nations Environment Programme (UNEP) so that global environmental problems can be dealt with more effectively. UNEP must be given more authority to fulfil its mandate, since it is the environmental policy pillar of the UN system. As a lead agency for environmental issues, UNEP needs to cooperate with other UN bodies, such as United Nations Development Programme (UNDP) or the UN Department of Economic and Social Affairs (UN DESA) on a thematic basis during actual implementation in various countries and regions to maximize its impact. Closer cooperation among individual UN organs is a prerequisite for better integrating, coordinating and designing the implementation of sustainable development. The concept of "One UN" makes this very clear. It envisages the consolidation of UN activities in individual countries and their implementation to be overseen by a proposed UN Sustainable Development Board. UNEP has evidently not been included in this body. The report does not mention how this recommendation lines up with the earlier stated objective of strengthening UNEP. *(by Judith Winterstein)*

For more information, please see [www.un.org/events/panel/resources/pdfs/HLP-SWC-FinalReport.pdf](http://www.un.org/events/panel/resources/pdfs/HLP-SWC-FinalReport.pdf)

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## **Risky Business: Climate and Energy are Part of the RiskMap 2007**

Climate change and energy security are among the crucial security issues according to Control Risks, an independent, specialist risk consultancy. The new RiskMap for 2007 is a survey of clues for risks in national landscapes for the year ahead. It aims to build a collective understanding of global trends and their potential local risks for business. Besides global scale threats, a risk profile is developed for each country, including political and security risks. It becomes clear that security will be increasingly hard to achieve in an age of diverse globalized as well as local threats.

On the global level, climate change is identified as a crucial security issue. The report predicts that, without urgent action, global warming could lead to an increase in resource conflicts, mass human displacement and disruption to agriculture and food supplies over the next 15 years. The RiskMap 2007 also looks at one of the longer-term consequences of climate change: if global warming results in longer ice-free periods each year, the functional North-West Passage joining the Atlantic and Pacific could become a commercially viable navigation channel within the next 20 years. This could bring both huge savings in shipping costs and opportunities for exploitation of natural resources in areas newly freed of ice. These factors have already generated substantial international interest and competing sovereignty claims. The example shows, that global warming will not only bring disputes over diminishing resources (such as water), but will also cause competition over new opportunities for economic gains. In addition, the related issue of tight energy supplies is addressed by the report, as oil exporters have an increasingly sophisticated understanding of their leverage on oil price and supply, while demand (especially in India and China) rises. In line with these concerns, the report states: "the uncertainty of energy supplies from Russia and the Middle East has prompted a number of EU states to start thinking more seriously about reducing demand". Seen in this light, the upcoming Strategic Energy Review of the European Commission also needs to be regarded as an important instrument of risk prevention. *(by Katja Hummel)*

The full report can be ordered from Control Risks:

<http://www.control-risks.com>

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## **Privatization in Deep Water? Water Governance and Options for Development Cooperation**

The current momentum of confrontation between different stakeholders in the water sector could be a chance for renegotiating water governance in developing countries. This is one of the central results of the report "Privatisation in Deep Water?" published by the Institute for Development and Peace (INEF). Water governance is one the most debated issues in current development policies and has led to increased polarisation and sometimes violent conflict, especially in the drinking water sector. Many developing countries suffer from insufficient infrastructure for the supply of drinking water and sanitation. In view of the urgency for action and the important financial investment needed to improve the situation, the call for an involvement of the private sector was frequently presented as the only alternative. While the public sector has often been blamed for bad water service and corruption, the subsequent involvement of the private sector has repeatedly resulted in a lack of supply to poor population groups and has not kept the promise of large investments in infrastructure.

As the new development report of the United Nations confirms, the current "water crisis" is largely a crisis of governance. The new INEF study investigates the roots of the current polarisation over the public and private options in this regard. It critically analyses the

cooperation between international financial institutions and the private sector and provides an insight into the underlying interests, norms and values of public, private and non-state actors. Against this backdrop, the current momentum of confrontation could be a chance for renegotiating water governance in developing countries. The report furthermore presents guidelines for making use of the large scope of action of development policies to promote socially, economically, and ecologically sustainable water governance. *(by Annabelle Houdret, Institute for Development and Peace)*

The report "Privatisation in Deep Water? Water Governance and Options for Development Cooperation " by Annabelle Houdret and Miriam Shabafrouz can be ordered at the Institute for Development and Peace, e-mail: [inef@inef.uni-due.de](mailto:inef@inef.uni-due.de), and is available online at: <http://inef.uni-due.de/page/documents/Report84.pdf>

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## CONFERENCE REPORTS

### **New Momentum for the Greening of Foreign and Security Policy**

Incorporating more strongly environmental concerns into foreign and security policy is a task, which activists, researchers, and politicians have attempted for a number of years. On the European level, the European Parliament adopted the so-called 'Theorin-Resolution' in 1999, which calls for a more prominent role of the environment in foreign and security affairs. In the spirit of this resolution, the 'Greening European Security' (GES) initiative of the Institute for Environmental Security (IES) hosted a conference at the European Parliament in Brussels on 6-7 December.

At the conference, the findings of four working groups (predicting instability; preventing conflict; building peace; and recovery and transition) on environment in foreign and security affairs was presented to an audience made up of representatives from various national governments, EU bodies, international organisations, NGOs and research institutes. Additionally, officials from NATO, UNDP, UNEP, OSCE, and the US Armed Forces outlined how their respective organisations are incorporating issues of environmental security. Participants called for more coherence and coordination among and within EU bodies and the international community. They also demanded to more strongly mainstream environment and natural resources into conflict prevention and development policies. Finally, participants saw an inherent communication problem with conflict prevention: If prevention is successful and no conflict occurs, it is usually impossible to prove that this success is due to specific prevention measures. Based on the deliberations of the working groups and the input from the conference, a final report is currently in preparation and is scheduled to be released by late 2006. Workshop participants hope this will lead to a renewal and strengthening of the Theorin-Mandate. *(by Achim Maas)*

For more information on the conference, please see <http://www.envirosecurity.org/ges/conference>

For the Theorin-Resolution, please see <http://www.envirosecurity.org/ges/TheorinResolution28Jan1999.pdf>

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## **The International Year to Combat Desertification Ends**

Twelve years after the first "International Symposium" in Almería (1994) the second symposium was co-organized by the Spanish Environment, Foreign, Science and Technology Ministries, the UN Secretariat to Combat Desertification (UNCCD), and local institutions. The Symposium took place under the patronage of Queen Sofia of Spain. It brought together 250 experts, many from African countries, where the emigration to Spain has intensified, resulting in an increase from 1 million (in 1995) to 4.8 million in 2005 (or 11.2%). The symposium adopted policy suggestions that called for a) international and multidisciplinary scientific analyses on the link between desertification and migration; b) new international initiatives to combat desertification (e.g. to create an International Panel to Combat Desertification (IPCD), to assess the global knowledge and develop proposals for bottom-up policies and measures); and c) the establishment of a research centre on the link between desertification and migration in Almería, as well as a joint Spanish-Mexican-German initiative within the OECD to study these linkages and promote solar energy in drylands in the most affected countries. In this area, Spain and Germany have already cooperated through the "Plataforma Solar de Almería" (PSA) since 1981. (by Hans Günter Brauch, Free University Berlin, UNU-EHS fellow and AFES-PRESS)

For the "International Year of Deserts and Desertification" (IYDD), please see <http://www.iydd.org>

For more information on the "Second International Symposium on Desertification and Migrations", please see [http://www.sidym2006.com/eng/eng\\_presentacion.asp](http://www.sidym2006.com/eng/eng_presentacion.asp)

For further conferences related to the "International Year of Deserts and Desertification" (IYDD), please see <http://www.afes-press.de/html/topical.html>

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## **Strength and Weaknesses of the ENVSEC-Initiative**

A mid-term independent evaluation of the Environment and Security Initiative (ENVSEC), facilitated by Canadian International Development Agency (CIDA), was one of the main issues during the Advisory Board meeting of the Initiative at the end of October in Vienna. The ENVSEC Initiative, established in 2003 by UNEP, UNDP, and the OSCE, seeks to facilitate a process, in which decision-makers in South Eastern and Eastern Europe, Central Asia, and the Caucasus are able to initiate activities to advance and protect peace and the environment at the same time. According to the evaluation, ENVSEC in fact provides a platform for cooperation; it has a strong yet flexible management and has established a good foundation for the sustainability of its activities. Moreover, the initiative contributes to awareness raising and bringing the issues relevant to both environment and security onto the agendas of countries. However, the evaluation also defines a number of weaknesses. Capacity building activities have so far occurred merely on an ad-hoc basis and need to be integrated more comprehensively across the projects. The evaluation report also states that more attention should be directed to results-based management, since there is currently a lack of monitoring of the achievements and the impacts of the initiative. Finally, strategic planning beyond the initiative's assessment phase can help to improve coordination and harmonization of activities for the implementation phase. Against this backdrop, the evaluation recommends building synergies with other national initiatives at country level as well as with other partners. Moreover, the Secretariat should be strengthened to serve as an institutional anchor within the initiative and for the different regions. As indicated by the meeting report, the

ENVSEC partners welcomed the report's recommendations. They can help to set priorities, work more strategically, tighten management processes, and better coordinate and provide information, both on the side of the partners and donors. The evaluation report may also serve as a starting point for discussions on how the structure of the initiative can be strengthened without losing its flexibility. Monitoring of the initiative's outcome and impact should be part of that discussion. *(by Dennis Taenzler)*

For more information and the meeting report, please see <http://www.envsec.org>

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## UPCOMING EVENTS

### **"2007 European Renewable Energy Policy Conference" in Brussels (9 – 31 January 2007)**

The European Renewable Energy Council (EREC) is co-organising this Conference together with the German Federal Ministry for the Environment in the framework of the German Presidency of the Council of the European Union. The conference aims at presenting and evaluating the most important renewable energy policy developments, bringing forward new initiatives, and facilitating networking between senior decision makers and leading industry players. At least 650 relevant stakeholders from a wide range of backgrounds are expected to participate.

For further information, please

<http://www.erec-renewables.org/events/2007PolicyConference>

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### **"Forest Conflict in Asia: Working Together to Protect People and Reduce Violent Conflict" in Washington, D.C. (30 January)**

The Environmental Change and Security Programme (ECSP) at the Woodrow Wilson International Center for Scholars invites to "Forest Conflict in Asia: Working Together to Protect People and Reduce Violent Conflict". Speakers include Mary Melnyk, U.S. Agency for International Development and Jim Schweithelm, Applying Global Experience for People Oriented Results (ARD Inc.).

For further information and the programme, please see

<http://www.wilsoncenter.org/ecsp>

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### **"Time to Adapt - Climate Change and the European Water Dimension" in Berlin (12 - 14 February)**

As part of the German EU Presidency's activities, the Federal Ministry for Environment will host this international symposium, which aims to provide a platform for representatives from governments, science and research, stakeholder groups and non-governmental organisations to discuss the likely impacts of climate change on water management and water dependent sectors. At the symposium, options for adaptation, and strengthening the political profile of this problem area will also be a topic of



discussion. The initiative is strongly supported by the European Commission, who is currently preparing a Green Paper on adaptation strategies.

For further information, please see <http://www.climate-water-adaptation-berlin2007.org>

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### **"The International Conference on the Environment: Survival and Sustainability" in Northern Cyprus (19 – 24 February)**

The Conference on the Environment: Survival and Sustainability is organized by the Near East University and aims to contribute to the worldwide debate and efforts on strengthening the bridge between theory and practice in meeting environmental threats and challenges. Main objectives are to bring together scholars, researchers, and experts from various disciplines, academia, as well as the policymaking/implementation side to create a multi-disciplinary discussion forum. The aim is to concentrate specifically on producing policy-related approaches in order to provide a better understanding of environmental issues and support informed decision-makers.

For further information and the programme, please see <http://www.neuconference.org>

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## **FOCUS**

This section serves as a platform for Institutions and Initiatives to present their activities on Environment, Conflict, and Cooperation.

### **Publish What You Pay**

The Publish What You Pay campaign aims to help citizens of resource-rich developing countries hold their governments accountable for the management of revenues from the oil, gas and mining industries. Natural resource revenues are an important source of income for governments of over 50 developing countries, including Angola, Indonesia, Kazakhstan, Nigeria, and Venezuela. When properly managed these revenues should serve as a basis for poverty reduction, economic growth and development, rather than exacerbating corruption, conflict, and social divisiveness. The Publish What You Pay coalition of over 300 NGOs worldwide calls for the mandatory disclosure of the payments made by oil, gas, and mining companies' to all governments for the extraction of natural resources. The coalition also calls on resource-rich developing country governments to publish full details on revenues. This is a necessary first step towards a more accountable system for the management of natural resource revenues.

The campaign was founded by Global Witness, CAFOD, Oxfam, Save the Children UK, Transparency International UK and George Soros, Chairman of the Open Society Institute. There are now several national NGO coalitions around the world working towards greater resource revenue transparency, including in Australia, Azerbaijan, Cameroon, Chad, Congo Brazzaville, Democratic Republic of Congo, France, Georgia, Ghana, Indonesia, Kazakhstan, The Kyrgyz Republic, Liberia, Mauritania, The Netherlands, Nigeria, Norway, the United States, and the United Kingdom.

For more information, please see <http://www.publishwhatyoupay.org>

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## IMPRINT/CONTACT

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