

Is Transparency Enough? An Examination of the Effect of the Extractive Industry Transparency Initiative (EITI) on Accountability, Corruption and Trust in Zambia

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Summary of ICTD Working Paper 175

Extractive industry governance is a hot topic in both academic research and the public arena. The area that has been most heavily studied in the academic field is the resource curse, which documents the negative effects of dependence on resource-rents in resource-rich developing countries. The political strand of this literature argues that a strong dependence on resource-rents negatively impacts three governance outcomes: accountability, corruption and trust. Scholars argue that these governance issues can be improved if transparency is increased, which inspired the creation of the Extractive Industry Transparency Initiative (EITI).

The EITI is a transnational non-governmental organisation launched in 2002, with the aim of improving accountability, corruption and trust in the extractive industry by increasing transparency in the sector. In order to be EITI-compliant, countries must make key documents and data from their extractive industry publicly available and form a multi-stakeholder group with members of civil society organisations (CSOs), extractive industry and government representatives to oversee reporting.

Key conditions for improving extractive industry governance

The EITI has been marketed by the development industry as the cure for the political resource curse. However, this paper argues that increased transparency through the

EITI will not improve extractive industry governance issues unless it is combined with three scope conditions:

- 1. Transparency** – the type, quality and accessibility of the data made available. Transparency initiatives can be manipulated through the selection of what data is made available, how it is presented and who can access it, and the quality of transparency may vary depending on what form the initiative takes, who it is implemented by, and whose interests it is subject to.
- 2. Publicity** – the capacity of CSOs and citizens to understand, analyse and effectively use the data presented in the EITI. This is impacted by the level and type of education that a country's citizens have received.
- 3. Accountability** – the availability of forums, mechanisms and platforms of accountability that can be used by CSOs to advocate for change.

This paper applies the above framework to the case of Zambia where mineral extraction, through copper mining, has dominated the country's economic and political landscape since colonisation. There is a plethora of literature documenting how dependence on copper-rents has led to endemic corruption, limited accountability and severe mistrust in the Zambian government, which came to a head with the 'Development Agreements' (DAs) scandal. Between 1997 and 2003 the Zambian

Figure 1. Zambia World Bank governance indicators over time



Source: Author's own, data from World Bank (2022)
There was no indicator which reflected 'trust'

government privatised previously nationally owned copper mines, in a series of secret DAs. The DAs were extremely unfavourable for Zambia and meant that the government received little to no taxation revenue from the mines. While the DAs have never been made publicly available by the Zambian government, the agreements with some companies were leaked. The leaking of these DAs caused public uproar and served as the catalyst for Zambia to join the EITI in 2008. Yet, in the ten years since Zambia became EITI-compliant, governance outcomes appear to have worsened, despite the country being rated 'high' by the EITI, as seen in Figure 1, which shows a clear correlation between the two indicators.

Research findings

Based on semi-structured interviews with seven key stakeholders of the Zambian EITI (ZEITI), and desk-based research, this paper argues that the reason for the limited impact of the EITI in improving governance outcomes in Zambia is because none of these three scope conditions have been sufficiently satisfied.

- **Transparency condition:** CSOs are overwhelmed with too much of the wrong kind of data and are only able to bring about small-scale project-specific changes. Major governance issues (transfer pricing, mining licences and treaties) are not covered by the ZEITI, preventing meaningful extractive industry governance change.
- **Publicity condition:** mining communities are unable to understand ZEITI data as it is too complicated and not written in the local language. CSOs usually do not have the quantitative capacity necessary to meaningfully analyse and interrogate ZEITI data.
- **Accountability condition:** multi-stakeholder forums, including the ZEITI multi-stakeholder group, are dominated by powerful actors (mining companies and government) and hold no formal legal power. CSO campaigns often lack the reliable funding and international reputation necessary to be used as meaningful accountability mechanisms, and in Zambia, general elections have been shown to be an incompatible accountability mechanism for extractive industry governance.

As none of these scope conditions have been sufficiently met, the findings with regard to governance outcomes are disappointing.

- **Accountability:** ZEITI has not facilitated meaningful improvement in the ability of CSOs to hold those in power to account, except on small-scale project-specific issues.
- **Corruption:** ZEITI has not reduced corruption in Zambia and, in some cases, has increased it by providing a new means of corruption (related to EITI compliance).
- **Trust:** ZEITI has not improved trust among major extractive industry stakeholders in Zambia and has increased mistrust related to corporate social responsibility payments.

Moving forward

This paper's findings are not just applicable to the extractive industry. International transparency standards have been promoted as silver bullets in a multitude of industries, to improve domestic governance standards which have been eroded by highly mobile global markets. However, this paper argues that these initiatives themselves are useless if not supported by a wider enabling environment, including the three scope conditions presented here.

Policymakers can use this paper's framework to bolster the strength of transparency initiatives and improve governance by supporting the growth of the scope conditions alongside transparency initiatives. Specifically, Zambian policymakers can use this paper's findings to reflect critically on the ZEITI's wider impact and fill the cracks highlighted here. Zambian CSOs can use the research to inform campaigns, request more reliable funding from donors and advocate for improved transparency from the Zambian government.

“This research shows that countries must already have a certain level of transparency, publicity and accountability for the EITI to further improve governance standards. Therefore, if countries suffer badly from the political resource curse, the EITI is unlikely to help them overcome it.”

Further reading

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Credits

Sidonie East is a researcher based at the Centre for Research on Multinational Corporations (SOMO). She holds an MA in Globalisation, Business and Development from the Institute of Development Studies (IDS) for which she was awarded Best Overall Performance and Best Overall Dissertation. Her Masters dissertation was also ranked as one of two highly commended entrants for the 2023 Development Studies Association (DSA) Masters Dissertation Prize.

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