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Hiding Conflict over Industry Returns: A Stakeholder Analysis of the Extractive Industries Transparency Initiative

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May 2009

BWPI Working Paper 91

Brooks World Poverty Institute
ISBN : 978-1-906518-90-5

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Abstract

This paper explores the political context and effects of the *Extractive Industries Transparency Initiative* (EITI). The paper explores the EITI using a stakeholder analysis of the various interests that it claims to further, and shows how these are chronically imbalanced. Critical conflicts of interest and unequal power between the various parties are obscured by an underlying reliance on liberal consensus theory, which suggests that all parties can be winners. Not only can the interests involved not be reconciled within this framework, but they potentially cannot be reconciled outside it either. What is occluded is the political economy of development within the extractive industries, where the global power of the Bretton Woods Institutions (BWI) is strategically positioned to aid multinational companies, at the expense of workers and wider publics within the signatory countries. In this, political elites play a classic comprador role. The paper situates this particular voluntary instrument within the wider anti-corruption technologies and global campaign of the donor countries and BWI. It argues that, while corruption is widespread within the signatory countries, it cannot be tackled by this instrument, and further, that that is not the principal logic within it: instead, the EITI furthers the pathologising agenda of governance transcripts about the South, which denies and mystifies Northern global agency and excessive profit extraction.

Keywords: Transparency, Corruption, Extractive Industry Transparency initiative, Minerals-based development, Extractive industries, Africa, Resource curse

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Introduction

> '3.5 billion people live in countries rich in oil, gas and minerals. With good governance the exploitation of these resources can generate large revenues to foster growth and reduce poverty. However, when governance is weak, it may result in poverty, corruption and conflict. The Extractive Industries Transparency Initiative (EITI) aims to strengthen governance by improving transparency and accountability in the extractives sector. The EITI sets a global standard for companies to publish what they pay and for governments to disclose what they receive.' (EITI, 2008)
>
> 'The EITI, in a nutshell, is a globally developed standard that promotes revenue transparency at the local level' (EITI, 2008).

The EITI aims to join together in a common purpose governments, companies, civil society groups, investors and international organisations to improve governance in resource-rich countries, in order to defeat the 'resource curse' and bring benefits to the public in economic growth and poverty reduction. There are currently 23 candidate countries.[1] There are currently no fully compliant countries, that is, candidate countries which have successfully completed EITI validation, a process managed in-country by the country multi-stakeholder group to assess compliance with the standard. The validation process, which must occur before a country has completed two years as a 'candidate country' is further overseen by the EITI Board, through the EITI Secretariat, with the Board also reviewing all Validation Reports.

We are told that the 'primary beneficiaries' are the governments and citizens of the resource-rich countries. The principal mechanism which serves to bring these benefits is the transparent reporting of what companies pay and what governments receive in terms of mineral-related profits and rents. This, we are assured, will propel us some way along the road to greater accountability and better governance as citizens now have the 'facts' with which to hold decision makers accountable for their use of revenues. According to EITI:

> Civil society can benefit from an increased amount of information in the public domain about those revenues that government manage on behalf of citizens, thereby increasing accountability and improving transparency (EITI, *Fact Sheet*, 2005).

As representatives on the in-country Multi-Stakeholder Group, some augmented voice for 'civil society' representatives is ensured. Meanwhile, the enhanced power

[1] Including Azerbaijan, Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Equatorial Guinea, Gabon, Ghana, Guinea, Kazakhstan, Liberia, Madagascar, Mali, Mauritania, Mongolia, Niger, Nigeria, Peru, São Tomé e Príncipe, Sierra Leone, Timor-Leste, Yemen.

attributed to greater knowledge is assumed to further the interests of the weaker parties, although how this actually happens in practice is not clear.

A Fair Trade mechanism?

Overall, however, it is important not to evaluate EITI for what it is not. It is not a Fair Reward mechanism, or Fair Trade standard, which has at its centre any discussion over the distribution of rents. Thus, the procedural values – of transparency and accountability – are the end in and of themselves in the official EITI formulation. It does not go on to say that then consideration will occur of whether the distribution of benefits is equitable and necessary adjustments will be actioned to ensure that the country's poor and natural owners of subsoil resources are properly compensated for their extraction. That poverty reduction or sustainable development might occur is an add-on, which is not built into the process of EITI. This is simply a process of high-level meetings, the appointment of an administration, and the publication of some accounts. And, as the quotes above indicate, it is a top-down process of applying a 'global' standard in a 'local context'.

It is not, either, a response to the World Bank's *Extractive Industries Review* (EIR) (World Bank, 2004), which just preceded it, but is arguably a distraction from it. Hilson and Maconachie (2009:55) argue that the EITI was 'timely':

> Instrumental in deflecting criticism from the EIR and the organization's involvement in the extractive industries in general and shifting the focus of the resource curse debate toward developing world governments.

Even though the EIR was arguably forced on the Bank by the strength of international protest about World Bank support for the extractive industries (Pegg, 2006, cited in Bebbington et al, 2008: 904), the World Bank was still able to manoeuvre and manage political space, post-review, in its favour, largely because it retook the initiative by helping to launch the EITI, resulting in its investments 'proceeding apace' post-review (Bebbington, 2008: 896). It was also able to lessen the impact of some of the even more critical reviews commissioned in the process of compiling the EIR, such as that pertaining to forest people and indigenous rights by Caruso et al (2003). However, the contestation over mineral extractive industries remains complex and conflictive, and critically located in different political geographies (Bebbington et al, 2008: 887-889). This paper serves only to review a small part of this wider political landscape, by focusing on the EITI initiative.

Stakeholder analysis of EITI

In other words, a whole load of development objectives – anti-corruption, poverty reduction, sustainable development, economic growth, better governance – are said to be attributable to, and catalyzed by, the simple act of transparent accounting. As

Table 1 illustrates, the benefit of increased company profits and increased social welfare can seem to exist side by side, even though in practice a zero-sum contest has to occur over who benefits from mineral extraction: while there is a growth-related non-zero sum relationship involved, and the EITI refers principally to this, the inclusion of key externalities, such as livelihood and environmental costs, leads to a core contradictory, zero-sum, trade-off. That the EITI can simultaneously recruit the support of so many differing stakeholders attests to the high marginal value, or opportunity cost, of even a small rent to local communities and governments in circumstances of generalised poverty. It also attests to the power of the developmental concepts it employs and the overall veneer of assistance and benevolence that it imbues. However, reviewing what each stakeholder believes separately serves to highlight the deep contradictions of the approach.

Companies stake in EITI

Companies have continued to be criticised for their performance in developing countries across a range of indicators, particularly in terms of their environmental and social impacts (Stiglitz, 2006, 2008). A ‘race to the bottom’ is seen to have been occurring, in which countries compete to create the least restrictive and most profitable regulatory regime in order to entice multinationals where the supply of their investment resources is finite and relatively scarce (see Nader et al., 1993). Certainly, persuasive illustrative data in Hilson and Maconachie (2009) suggest that companies have been able to feast on super-profits, while the burden of taxation has been comprehensively reduced in many African countries which have been successful at attracting FDI (Hilson and Maconachie, 2009: 89). These authors cite figures to the effect that:

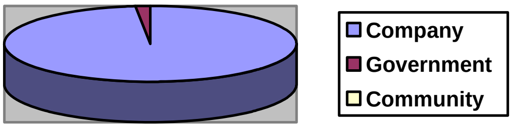
> Ghana’s large-scale mining companies produced no less that (sic) US$5.2billion in gold between 1990 and 2002 in gold (calculated from Yakubu, 2003), as reported by the Bank of Ghana, the government received only US$68.6 million in royalty payments and US$18.7 million in corporate income taxes from these companies during this period (Bank of Ghana, 2003)

Taking the nine percent of the total royalties (of US$68.6 million) that go to community development as a separate item (Hilson and Nyame, 2006) (leaving US$62.426 and US$6.174, respectively), and then adding the remaining royalties to the taxes (US$81.126 million), and converting the billions (at 1 is equal to 1,000 million) gives the shares of the total value of the gold as depicted in graphical form (see Figure 1 below), to illustrate the slice of the pie available for domestic social

Table 1: Stakeholder analysis of EITI

Stakeholder	Mechanism	Benefit given by EITI	Benefit from stakeholder analysis
Companies/ Investors	Help mitigate investment risk Reduce corruption and political instability Rule of law improvements	Risk to (their) capital-intensive and long-term stakes reduced Risk of litigation under US Foreign Corrupt Practices Act (FCPA) and OECD Corruption Convention reduced	***Increased profitability*** in long term as risk of expropriation and higher tax burdens reduced Puts responsibility for poverty and corruption in Africa
Governments	Improved governance	Sustainable development and poverty reduction	Increased legitimacy and international reputation Increased rents from development finance
Citizens	Increased information Empowered by knowledge	Increased ability to pressure for good governance Increased share of revenues as corruption reduced	Empowered by greater sense of injustice ***Increased social welfare*** as more profits kept in-country and distributed to poor (?)
Civil society	Increased information in public domain	Increased ability to pressure for good governance Developmental gains in terms of social welfare as less revenue expropriated	Developmental gains as a fairer distribution of profits negotiated between companies and governments working on behalf of their citizens
Countries	Signal to investors and IFIs that government committed to 'strengthening transparency and accountability'	Improved investment climate Increased investment Increased exports Increased revenues	Can lose pariah status and increase flows of development finance and investment Country reputation internationally enhanced
Donors and international financial institutions (IFIs)	DfID run Secretariat. World Bank and IMF support	Meet criteria of furthering poverty agenda Meet criteria of Financial Action Task Force and international governance and anti-corruption agenda	Increased auditing of donor funds after extensive criticism Ideological support for oil and gas companies Increased profits for home multinational companies

Figure 1: Shares of mining revenues in Africa



Source: Hilson and Maconachie (2009).

expenditure and that which returns to the company. The community share is too small to appear graphically. Obviously, the company would argue that the market value of output is not synonymous with their surplus, or profits, as working capital, wages, depreciation of machines and so forth must be paid from this. However, the figures do act as a good illustration of the low returns to the sovereign owners of sub-soil resources, as a proportion of their final market value, which, in Africa, can be estimated as typically in the region of between three and five percent, but which in this case is lower (about 1.7 per cent). Campbell studied mining codes in Africa, often drafted with the help of World Bank officials, and also concluded that these resulted in very low returns for host governments (Campbell, 2003). There is still much research to be done in mapping distributional outcomes along the value-chain in critical minerals and mining sectors. EITI does not do this work, or question these outcomes.

Hilson and Maconachie argue that the current ‘mining boom’, which is also leading to the posting of impressive sounding growth figures continent-wide, is due predominantly to the ‘overhaul of legislation for the benefit of investors’, at least in Ghana, Tanzania and Mali, which they review (2009: 87). Various incentives to companies have been enhanced, in areas such as land ownerships and security of tenure, import and export tax regimes and ancillary services and land access (see Filho and Vilhena, 2002, cited in Hilson and Machonachie, 2009: 87). Hilson and Machonachie (2008: 35) summarise that:

> the poor economic performance of Africa’s conventional mineral producers is more a result of inequitable mining codes than poor governance – that even in situations where revenue mismanagement may be taking place, the quantities of money available to embezzle are insignificant.

In assessments of relative power, political theorists have long stressed that the powerful are often those who make decisive issues about their behaviour ‘disappear’ from view. In this case, profit sharing is removed from political space, since the problem of reporting and transparent accounting crowds it out. This is further a good example of that phenomenon, since the case that corruption is critical to maldevelopment is actually weak, but is taken as a given, thus taking attention away from the critical *a priori* division of reward in mining to *legitimate* stakeholders.

Moreover, joining and supporting the EITI is a small commitment in the face of the benefits of the current neo-liberal regulatory regime in Africa. In fact:

> Being a supporter of the EITI does not require any reporting or disclosure requirements in addition to those for all companies operating in the relevant sectors in countries implementing the EITI (EITI, 2008).

We might add that it does not oblige the company to do much else either, least of all pay a higher price for the materials it extracts. But the benefits in terms of public reputation may be great. In fact, given models of corporate responsibility more generally applicable, the EITI is a frail relative, and may be excessively cheap for the companies to participate in, given their expected benefits. Overall, the EITI demands only that which legal regulation would also require: a full disclosure of accounts.

For example, a review of corporate social responsibility (CSR) by Kyte, a Vice President at the IFC, stresses that the 'material' case for these types of initiatives is found in increased profitability in the long run, as they tend to reduce risks to investment (Kyte, 2008). Kyte's piece also serves as a riposte to the 'moral suasion and …behavioural examples' of Stiglitz, (who is depicted as 'wearing the cardigan of an armchair moral philosopher'), since it is squarely in favour of profitability and 'enlightened self-interest' as a guide to corporate affairs (Kyte, 2008: 560, 576, 560). But she still stresses that voluntary codes such as EITI are caused by the 'drivers' for CSR which come from business and financial imperatives, 'effective regulation, including privatisation and public private partnerships, competitiveness, profitability and shareholder/stakeholder value' (Kyte, 2008: 565). In current corporate behaviour Kyte finds 'plenty of evidence that the alternative world described by Professor Stiglitz, where it always pays to pollute, is changing' (Kyte, 2008: 565).

In sum, the official 'worldview' is one in which companies themselves are seeking out positive change for business reasons, including sponsoring and supporting the EITI, which leads to a 'race to the top' as brand reputation becomes a source of corporate pride and a factor in competitive behaviour (Kyte, 2008: 565, citing Spar, 1998). In this race, there is also a business imperative deriving from the 'Bottom of the Pyramid' concept, (citing Matten, 2006; Prahalad, 2006), wherein the poorest people become modelled as an enormous untapped market of the future. In this model, it is in companies' interests to take into account the very poor, because they are due to become more powerful as future consumers and commercial actors. According to Prahalad, the main developer of the 'Bottom of the Pyramid' concept, the 'market' at the bottom of the pyramid is made up of poor people who 'represent resilient entrepreneurs and value-conscious consumers' (Prahalad, 2006: 3).

Interestingly, Kyte points to CSR policy as directed at three broad areas:

(1) a company running its business responsibly in terms of 'internal stakeholders', defined as shareholders, suppliers, employees and customers;
(2) in relation to the state, 'locally and nationally, as well as to inter-state institutions or standards'; and
(3) 'business performance as a responsible member of the society in which it operates and the global community' (Kyte, 2008: 563).

She claims that, taken together, CSR requires the integration of environmental management systems, labour standards and fair consumer relations into the 'core business' (ibid). But in this model, EITI looks as if it is restricted predominantly to (2), while not requiring extensive mainstreaming, or the consideration of wider concerns, such as workers. As such, it looks like a thin requirement for companies to commit to, given the gains they make in influence, networking, reputation and risk reduction.

Indeed, Kyte sees CSR as business driven, but with its moral aspects inevitably producing 'dilemmas'. She poses a hypothetical dilemma as:

> how, at the enterprise level, can we navigate differing views on the morality of making profit from the private supply of affordable water or some other fundamental service, versus the morality of allowing corrupt or inept governments to promise, but not deliver, free or cheap services? (Kyte, 2008: 564)

This is a telling construction, since the act of making profits is not the moral issue, only having to do it while existing side-by-side with a corrupt government. It illustrates that the view of 'corruption' in play is that which sites it predominantly 'over there' in the developing world, waiting to ensnare worthy private actors.

According to Senn and Frankel (2008), in the *Oil and Gas Journal*, EITI is 'good for business' but its increased transparency has to be managed to protect the firm's traditional sources of risk protection, since EITI has the 'pitfalls' that firms could face legal liability for breach of confidentiality agreements or increased scrutiny under the US Foreign Corrupt Practices Act (FCPA). This latter argument was made in terms of disaggregated accounting, which some authors in corporate journals saw as increasing the risk of litigation under the FCPA, presumably as more transactions came into view. However, this argument was countered by supporters who stressed the benefits of disaggregated reporting from a development and accountability perspective (Genasci, 2008). Much of this communication serves to illustrate the fuzziness of accountancy practice, despite its reputation for precision. Overall, EITI probably comes cheap in terms of reputational enhancement, while also protecting against areas of practice which are becoming increasingly unconventional, and thus increasingly subject to litigation. Some of these, such as 'facilitation payments', are notoriously difficult to define and 'fix', and while covered by FCPA, or the OECD

Corruption Convention, are only sporadically invoked in cases as the weight of successful case law builds up.

In sum, companies' interest in the safety of their investment and protection of their future profits finds voice in 'rule of law' initiatives such as the EITI. To companies the EITI helps safeguard the operating environment. The major financial institutions have used it to 'call for stability, transparency and respect for the rule of law in the extractive industry, particularly in areas in which they have business interest through the multinational companies they invest in' (EITI, 2006). Moreover, these moral high grounds are won by EITI in the aftermath of the highly critical *Extractive Industries Review* of 2004. Currently over 37 of the world's largest oil, gas and mining companies support and actively participate in the EITI process, either in implementing countries, through commitments declared internationally or through their industry associations (EITI International Secretariat, 2008).

Communities

The overhaul of mineral taxation agreements seems to be the key to countries gaining proper compensation (Hilson and Maconachie, 2009: 91), although in this initiative an intermediate step is pursued in the strengthening of voice around transparency. Some country groups within EITI have found that this resonates with the longstanding ambitions of civil society movements. For example, EITI Azerbaijan (2006) reaffirms that civil society groups in Azerbaijan have long campaigned for budget expenditure transparency and have found this helpful in that regard, although by 2008, they were concerned that donor and government interest in the mechanism was declining (EITI Azerbaijan, 2008). In other countries where a civil-society-based campaign tradition is quite strong, EITI forums have also been used to convey strong messages beyond the simplest statements of transparency, to cover broader social and economic welfare issues. For example in Ghana an EITI workshop, and its associated report, voiced serious concerns that money paid to communities is inadequate, to the point where there is no visible manifestation of the use of mineral royalties in mining districts (EITI Ghana, 2006).

The ability of groups to use the EITI process as a vehicle for previous positions, or the ability of the EITI process to capture and manage oppositions, is varied by context, although both patterns are observable by degree. This complexity is partly a result of the EITI formulation, since within EITI there is a broad definition of communities as a stakeholder, which also includes civil society organisations which seem to be critically sponsored by donors for the purposes of fulfilling this oversight function, on behalf of a more imagined 'community'. There are also cases in which the EITI has given voice and a role to older types of leadership, such as traditional authorities. For example, the role of traditional authorities in promoting EITI was emphasised by Aterkyi II to the National House of Chiefs in Ghana, who took the opportunity to emphasise that traditional rulers are 'the fulcrum of development in

Ghanaian communities', as well as the 'custodians of the land and natural resources' (Aterkyi, 2007). In this way, political agents which have seen their power variously in decline have been able to use EITI to restore themselves into transcripts of popular struggle and/or within the national epistemic elite political community.

In the role that EITI gives to a liberal range of social agents, it also arguably sidelines some traditional sites of protest – for example, the social forces and political strategies which have historically fought for increased benefits to workers and communities, including trade union representation and international trade union solidarity, and social democracy at a national level. Arguably, some of these sites of protest, accompanied by more modern representatives of 'community' found in social movements, would give a stronger resistance to exploitation by extractive companies. To counter the race to the bottom mineral exporters should probably consider an exporters' cartel, disciplined by trade union activites, and a fix on exporting prices – either that, or a postponement of FDI-led growth entirely, on the 'leave the oil in the soil' precedent of social movementism (see Bond, Dada and Erion, 2007).

However, the EITI has done some work in highlighting the lack of development in mining areas. For example, a report in 2006 expressed some serious concerns that there is no visible manifestation of the use of mineral royalties in mining districts, and that monies paid to communities are inadequate (EITI, 2006b). In this sense it is a 'name and shame' instrument, with the production of evidence supposedly enough to produce change. Given the weakness generally of mandatory or legislatable international law, it has this feature in common with many more widely known international legal codes, such as the Universal Declaration of Human Rights and its associated instruments. In short, it is a liberal precept which relies on parties being able to reach consensus through moral convergence. For example, Steve Manteaw (2007), at an EITI conference in Accra in January 2007, stressed the harsh realities that surround mining communities, despite promises of general improvements in life and welfare by both the government and the companies.

As we can see from Table 1, the consensual approach taken by EITI suggests 'win–win' outcomes for companies and communities (and, by implication, workers) but the 'increased profitability' and 'increased social welfare' envisioned for them respectively, remain seriously in contest, as each relies on access to the same revenue base. By presenting the process as a voluntary initiative where all can gain, the EITI Secretariat obscures this competition and contestation over the same revenue.

Also, to complicate this static analysis, over time policy instruments such as EITI serve to recruit constituencies of protest, and change the constellation of social forces in the very communities which they initially seek only to 'represent' and include. They are constitutive of political communities because as a policy instrument the EITI comes with a powerful baggage of international protagonists, it is backed by donor power and resources, and is identified with associations of modernity and neo-liberal governance norms and mechanisms. In short, an epistemic community of protest is formed and reshaped by the way in which the EITI frames conflict. It puts centre stage the pre-existing, but not necessarily causally predominant, relationship between bad governance and the failures of mineral-led development, and thus gives greater credence to industry-promoted definitions of the problem of the resource curse and failures of growth as centrally due to poor government and corruption (for example, International Council on Mining and Metals (ICMM), 2006). In so doing, it dissembles the constituency of thought which might coalesce around Stiglitz's argument that unless institutional conditions are facilitative in broader terms, which includes that they should be internally articulated, the minerals should be left where they are (Stiglitz, 2007, cited in Bebbington et al, 2008: 889). In Bebbington et al (2008)'s perceptive analysis it endorses the minimalist governance agenda found in the *realpolitik* 'project time' of mining investment, while obscuring the deeper *political* agenda of how in longer historical time the political problem of state formation and effective institutions actually might emerge (Bebbington et al, 2008: 895-896). The former logic confers legitimacy on the role of companies and international financial institutions (IFIs) to continue the 'necessary' work of expanding minerals investment, even in the context of weak institutions.

Countries' governments

There are a number of economic and developmental benefits associated with the adoption of the EITI by country governments, related to improvements in the investment environment for companies and associated rises in fiscal revenue (Florini, 1999; Leipprand and Rusch, 2007; Lamsdorff, 2007). These are generally premised on an assumed positive association with mineral extractive investments, economic growth, and development overall. However, in these general accounts the argument becomes a bit circular, in that the EITI began as a mechanism to ensure that these associations were actually in place, given the weight of evidence from the resource curse literature that the economic relationships are actually problematic (reviewed in Bebbington et al., 2008). Despite EITI, and given that it is still a relatively new initiative, the problem of proving that mineral extractive industries assist growth remains. In turn, the propositions concerning the positive effects of EITI in this regard remain largely unproven and subject to a theoretical problem of attribution: are they because of the EITI in any case, or other developments.

In short, the principal benefit to a signatory government is arguably a political one: the ability to make a fanfare over not very much. The holding of a national conference and stakeholder meeting, the publication of a report and anointing of a Secretariat all add to the anti-corruption credentials of an administration with little actual cost in the spoiling of nepotism or patronage. Examples of such speeches are numerous. For example, the Nigerian President, in his Speech at the 1st West

African EITI Conference in 2008, could confirm the existence of high level corruption in the oil Industry, much of which was apparently being organised by influential politicians**.** He hoped that the conference would 'seriously interrogate this issue, being propelled by the faith that extractive resources can indeed promote growth, enhance poverty reduction and drive sustainable development' (AFP, 2008). Such claims to integrity, and avowals of others' lack of it, is a common staple of public policy in the era of the 'anti-corruption campaigns', but the symbolic significance of the discourse is not generally matched by changes in practice (Bracking, 2007).

The force of moral credential becomes something to perform over. For example, Nigeria, a country long suffering from deep and venal corruption, is claiming to be ahead in implementation in EITI, in relation to the other 23 or so members of the global body, reports Binniyat during the hosting of the first West Africa Extractive Industry Transparency Initiative (WAEITI), in Abuja (Binniyat, 2008). The EITI has also given traditional authorities the chance to play a role, emphasised by Aterkyi II in the Ghanaian case, who argues that 'traditional rulers are the fulcrum of development in Ghanaian communities, as well as being the custodians of the land and natural resources' (Aterkyi, 2007). In this sense, the positioning of domestic opposition and radical figures behind the initiative does empower those social forces relatively, in that they can lay claim to be the moral custodians of the nation. In the Nigerian case, the EITI has coincided with a relative strengthening of the forces of integrity in government over the medium term, and the change of government from one civilian administration to another by democratic means for the first time since Independence. However, for the opposition figures involved, this improvement in national integrity is often at the cost of a lesser critique of the mineral extractive companies more generally, with whom they are forced into alliance, and against whom they may have previously campaigned in other ways.

However, a pattern which emerged in a review of the anti-corruption campaign was that adherence to institutional procedures like those embodied in the EITI can leave actual political practice largely undisturbed, whether that be in terms of reform of patrimonial politics or criminal and/or elite nepotism on the part of politicians, or in terms of bribing practice by companies who merely extend their supply chains, employ 'agents' and hide payments as pseudo legal transfers (Bracking, 2007). In other words, constructing neo-liberal good governance norms alongside a capitalist market can be pursued with great apparent zeal by performing elites, confident that patronage and spoils will remain hidden from view. Whether accountability as social practice will 'catch up' and inhabit these spaces and institutional mechanisms as the populations grow more accustomed to exercising it; or whether the institutional forms will merely crumble for lack of meaningful use remains an open question. It is certainly not desirable that institutional reform should at this stage be abandoned because it is slow to take effect, or difficult to measure 'results'. There is also some evidence that civil society groups have been able to engage with the EITI with some benefit to their enhanced knowledge and campaigning. However, there are also few historical examples of political elites who decide to give away greater accountability and transparency to populations voluntarily, particularly when it matters materially, a precedent which should make an evaluation of the EITI cautious in the absence of a wider democratisation movement which can force reform in these areas more generically. Instead, political reform is normally won by people against the odds and in the face of threats of oppression and political violence.

Northern governments

A public relations boon goes to the donors supporting the initiative, since it plays to so many audiences. However, it is worth remembering that the UK, at least, is not so transparent as the code demands. Here is another example of where the South is being encouraged to do that which the North does not: in this case the profitability of the mining companies is protected, as are their new investments, by opaque reporting standards at the management end of the supply chain. This makes it very difficult, even with the EITI, to accurately assess the distribution of benefit from extractive industries more generally.

For example, and to illustrate this point of inconsistency, the UK Office for National Statistics (ONS) has data on firms' destinations for investment by industrial sector, but much of this data for sub-Saharan Africa is incomplete to the public gaze, as can be seen in Table 2. The '..' in the table indicates that the data cannot be released because of confidentiality considerations. These considerations arise principally because there are so few investors in these countries and sectors, perhaps only one company reporting for each cell category, that they could be identified by a 'knowledgeable party',[2] and this is deemed unacceptable by current UK rules for government statistics. From what is included for 'Africa as a whole', we can see that the financial services and retail and wholesale sectors are the largest earners, although the country-based data for the former is largely embargoed, with some large investments also in mining and quarrying, particularly in South Africa. It is worth noting that though investments are relatively slight in global terms the earnings from African investments are still healthy, as illustrated in Table 3.

[2] A helpful official at the ONS explained that " '..' indicates data that may allow the returned survey value of a single respondent to be identified by other knowledgeable parties, this is used to comply with the obligations of the Statistics of Trade Act 1947 which ensures such confidentiality for published data obtained from respondents under the Act in exchange for compulsory and legally enforceable data collection by ONS. This is used to protect potentially commercially sensitive data where a respondent is a major or dominant contributor to a published data value. '-' indicates no data returned for this data cell. '0' indicates data returned, but between -£0.5 million and £0.5 million." My thanks to Simon Harrington, of the ONS, Foreign Direct Investment (FDI) Surveys for this explanation. An increase in transparency is obviously required here.

Table 2: Net FDI international investment position abroad analysed by area and main country and by industrial activity of foreign affiliates, end 2003 to end 2006

		Mining & quarrying (inc. oil/gas)	Textile, wood, print, pub.	Chemical, plastic & fuel products	Metal & mechanical products	Electricity, gas & water	Cons-truction	Retail, wholesale trade, repairs	Transport & commun-ications	Financial services	Real estate & business services	TOTAL
	2003	..	474	336	445	..	..	3206	268	3670	2688	17039
AFRICA	2004	..	..	374	578	..	18	3619	2343	3306	-426	17350
	2005	5107	..	444	385	-	..	3446	-716	7784	325	20834
Of which	2006	5210	17	410	240	..	13	1058	241	7306	633	15455
KENYA	2003	..	-	..	..	-	-	..	9	..	8	285
	2004	..	..	..	-	-	-	..	25	..	8	238
	2005	..	..	-	-	-	-	12	..	..	..	281
	2006	..	-	..	-	-	-	10	..	..	3	315
NIGERIA	2003	..	-	..	..	-	..	..	5	..	..	1028
	2004	..	-	..	..	-	2	..	15	..	..	950
	2005	..	-	..	3	-	-14	..	3	..	1	924
	2006	..	-	..	..	..	6	..	..	..	2	1009
SOUTH AFRICA	2003	2023	..	233	381	-	..	3072	152	..	2626	11250
	2004	..	..	254	512	-	..	3484	..	..	-421	10964
	2005	..	..	328	319	-	..	3266	..	..	298	13733
	2006	..	..	246	204	-	-	..	115	6359	595	8630
ZIMBABWE	2003	..	..	..	..	-	..	..	5	12	..	48
	2004	..	..	..	..	-	..	..	..	..	2	103
	2005	..	..	..	..	-	-	-	..	..	..	50
	2006	..	-	..	..	-	-	-	..	..	..	58

Source: Office for National Statistics, *Foreign Investment Surveys*, Table MA4 3.1

Table 3: Net earnings from foreign direct investment abroad analysed by area and main country, 1997–2006, £millions

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Africa, ***of which***	965	658	1097	1567	1849	2973	2959	3958	5764	3479
Kenya	94	78	67	71	70	64	81	64	70	88
Nigeria	46	49	65	88	95	282	122	153	197	133
South Africa	521	399	656	734	983	1784	1693	2706	3768	1612
Zimbabwe	58	53	73	60	61	37	43	87	16	10

Note: Net earnings equal profits of foreign branches plus UK companies' receipts of interest and their share of profits of foreign subsidiaries and associates. Earnings are after deduction of provisions for depreciation and foreign taxes on profits, dividends and interest.
Source : MA4 4.1

What is informative in these figures is the magnitudes of aid, debt and investment in relation to each other: the Department for International Development's (DfID's) bilateral assistance to sub-Saharan Africa was £1,107m in 2006–07; while the net foreign direct investment position in Africa of UK companies in 2006 was £15,455m (15 times more); and net earnings from foreign direct investment in Africa in 2006 were £3,479 (three times more) (DfID, 2008; ONS, 2008). In other words, the donor governments can claim a moral high ground for sponsoring EITI, and indeed, in the UK case, for housing its Executive within DfID, safe in the knowledge that the overall profitability of extractive industries in Africa rewards such a stance with dividends. In this sense publically sponsored development finance, and development initiative such as EITI, are harnessed in support of the domiciled private sector (see Bracking, 2009b).

There are also more fundamental problems with donor agency, its effectiveness and representation. Indeed, the self-representation of development practice by donor governments and IFIs inflates their own moral consistency and effectiveness. Donors prefer not to talk about corruption and not to be reminded of the sanctions they once threatened to impose, when other geopolitical and strategic concerns prevail. Such inconsistencies have historically served to maintain many a dictatorship, but they sit more uneasily with current norms of neo-liberalism and they are more difficult to justify transparently. Corruption may also be overlooked if it involves multinational corporations (MNCs) and domestic firms of the donor states, or if it highlights the more morally questionable features of global political economy. In addition, corruption may be downplayed in the interests of stability, to avoid conflagration and state collapse, or where donors find it difficult to withdraw for humanitarian reasons (see Bracking, 2009a).

Lastly, talk of corruption is much quieter generally when the geography moves to the 'home front', as we see with this illustrative example of the lack of reasonable disclosure in UK statistics.

Discursive genealogy

The EITI comes at the tail end of similar more generic processes of increasing transparency, in order to reduce corruption, at a global level, led principally by Transparency International. It is also part of a trail of ideological reformulations and initiatives taken by donors on anti-corruption, which seek to broadly contribute to enhanced economic wellbeing. However, it shares the flaws of the earlier precedents. For example, the meanings of corruption which are strategically used by IFIs and the governments of rich 'donor' governments in international development, coalesce around the 'abuse of public office for private gain' (World Bank, 1997: 8). Corruption is largely understood in a neo-liberal, economistic anti-state paradigm, which emphasises politics as a source of rents, such that anti-corruption policy unduly blames the public sector and leaves the private sector without a case to answer. Policy on corruption is thus deeply embedded within the wider constructions of global neo-liberal governance (see Szeftel, 2000; Marquette, 2003; Brown and Cloke, 2004, 2005). Anti-corruption policy is used to positively encourage greater accountability and democracy, and conditionality is employed as a punitive driver to persuade recalcitrant governments into better governance practice (Doig and Marquette, 2004). This particular instrument, the EITI, invokes these more generic meanings of anti-corruption, as essentially a public sector problem, and sited in the developing country, rather than being instigated by the private sector and supported by global processes of banking opacity. In this way, failures in development and economic growth in mineral-exporting countries can be blamed on internal corruption, rather than deficient company remuneration for drilling and extracting, and sharp corporate practice which simultaneously denies and removes profits.

Corruption is perceived as being inimical to national development but, critically, nationally sited, 'over there'. For example, the British Department for International Development (DfID), in its 1997 White Paper on *Eliminating World Poverty*, proposed measures to help build sound and accountable government in a bid to help poor people (1997: 30). The consequences of corruption advanced by DFID for the poor are higher prices, fewer employment opportunities (due to market distortion), payments for public services which are supposed to be free, diversion of budgetary resources from poverty reduction into unproductive expenditure and repayment of debt accumulated by corrupt leaders, loss of tax and customs revenue, lowered economic growth as uncertainty puts off prospective investors, and reduced political representation as elites cling to power to exploit corruption opportunities (DFID, 1997). While most of these negative effects are undoubtedly true to varying degrees, the power of calling up the genie 'corruption' is found also in its ability to obscure other things that may be going on. The ‘anti-corruption campaign’ then serves to deny other types of causality, including where the demand for the corruption comes from within a global relationship.[3] In terms of the EITI, this critically means taking attention away from paltry rents and compensation paid to developing countries for the exploitation of their resources, by pathologising domestic governance.

Pogge has also recently reviewed how the extractive basis of the global economy ill-compensates for resources extracted, and proposes a ‘Global Resources Dividend’ to make payments more equitable (2002). If un-development is instead attributed to the political economy of development, as we discuss further elsewhere (Bracking, 2009b), then the ‘problem of corruption’ can be seen as needlessly foregrounded, when the behaviour in question is more accurately symptomatic of discrete or individual acts of theft or fraud, or more morally ambiguous, but universal, practices of networking or cronyism. The hazards of this foregrounding, and the instrumental reasons for privileging corruption in political discourse in particular contexts, are evident, not least to slate one’s political opponent (see, for example, Hall-Mathews, 2007). In terms of the EITI, the foregrounding of corruption shores up companies’ reputations within a corporate social responsibility paradigm, while de-emphasising other aspects of their extractive behaviour, such as the morally reprehensible norms of transfer pricing and inflation of CEO salaries and benefits. While supporters of the EITI would argue, in relation to these latter, that the mechanism is designed to throw more light on these, it is unlikely that this will be so, when global accounting practices themselves have conventions which protect the perpetrators. A more wholesale global legal reform is needed of accountancy standards.

In the meantime, there are political hazards to be found in the anti-corruption campaigns, some of which are mentioned above, which centrally include the holistic de-legitimation of southern states and polities. If a state is seen as systemically corrupt, the pursuit of objectives such as decolonisation, empowerment and indigenisation, which may involve widespread wealth redistribution, are inevitably viewed as illegitimate acts of graft, to be ‘rightfully’ punished by international investors and the IFIs by their withdrawal of investment. Indeed, political culture can degenerate from discussions of substantive policy into accusations of corruption and promises of integrity, as the anti-corruption agenda takes centre stage, promoted as it is by the powerful donor community. Social welfare, democracy and redistributive economic policy become a casualty of this performative and disciplining discourse. In short, in the anti-corruption campaign more generally (Bracking, 2007), and in its incarnation in the EITI, the internationalised networks of corruption are occluded, while a moral language is adopted which serves to

[3] This assertion is not intended to imply that *all* anti-corruption policy is flawed, or that all anti-corruption policy comes from the IFIs: developing countries’ governments are initiators of policy in their own right.

locate culpability in the south. Other political hazards of this approach are distinctive to its component policy mechanisms (see Bracking and Ivanov, 2007: 300-301).

The political economy of development

The hidden contradiction and conflict over industry returns, which is glossed over in the EITI 'win-win' model of gains from transparency, occurs in a political economy where at least two stakeholders have common ground over the need to share profits, even in disproportionate amounts: the government and the companies. We can see this by exploring Thomas Pogge's (2002) privileges of government: an 'international borrowing privilege', that 'regardless of how a government has come to power it can put a country into debt'; and an 'international resource privilege', that 'regardless of how a country has come into power it can confer globally valid ownership rights in a country's resources to foreign companies' (summarised by Pieterse, 2002: 1035; see also Pieterse, 2004: 75). In this latter logic, a government can also critically serve its own short-term interests, such as 'buying' votes for re-election, by absconding on the long-term interests of the populace as a whole, by agreeing to sub-standard and low value sales of subsoil and mineral rights and low tax and royalty regimes. In relation to funding a pre-election give-away to voters, these rents can appear quite large, while in relation to funding a health or education system they are wholly inadequate in scale. This relative picture of the wider 'social wage' in relation to industry profitability is not regulated by a mere transparency mechanism such as EITI.

The political economy of development unquestionably recognises Pogge's 'privileges', in that the contracting practice of international firms is not the subject of regulation to screen out the criminal, kleptocratic, corrupt or merely greedy political class with low legitimacy or flawed democratic credentials. Country risk analysis does this to a certain extent, by factoring in the risk of expropriation of investments and fixed assets, but an opportunistic arrangement can still suit both parties well, particularly when the longevity and high profitability of the investments in question make exit by either political elite or the extractive firm unlikely. In this scenario, development finance institutions and equity partners, using established contract law, largely collude and reproduce political and economic elites who have the power to become wealthy, while simultaneously throwing their own populations into poverty and abjection (see Ferguson, 2005, 2006), with an approach which has been summarised by Joseph Ki-Zerbo (with reference to donor policy at the time of the Moi government in Kenya during the 1990s) as 'Silence, Development in Progress' (cited in Murunga, 2007: 288). Development policy and finance can do this because it critically tips the balance of power in elites' favour relative to the majority population, allowing them to collect rents from the strategic use of the sovereignty they control (see also Harrison, 1999: 537-540 on 'boundary politics'; Bracking, 2009a). The legitimacy of this form of external articulation between the governments and minerals companies is enhanced by the EITI, principally because it gives political space to a wider set of stakeholders, and manages and disciplines their involvement in industry policy and practice. The process is a performance of participation which holds out the unlikely promise of influence over the materiality of the contract.

The political economy of aid, whatever the quantifiable metrics of aid effectiveness, is also systemically guilty of reproducing the current system. In terms of the EITI, which is first and foremost a donor initiative, its role is centrally in producing legitimacy for the extractive industries. Many in the Western public and beyond believe that aid really does mean 'help'. In this, they have been recruited to a wider ideology of 'capitalist ethics', summarised proficiently by Žižek, where 'the ruthless pursuit of profit is counteracted by charity' (Žižek, 2004: 503), which:

> serves as a humanitarian mask hiding the underlying economic exploitation. In a superego blackmail of gigantic proportions, the developed countries are constantly "helping" the undeveloped (with aid, credits, and so on), thereby avoiding the key issue, namely, their *complicity* in and coresponsibility for the miserable situation of the undeveloped (Žižek, 2004: 504).

For such an important job, the relatively low cost of development grants, and in this case the miniscule actual cost to operating profits of the EITI, can be seen as an efficient advertising budget for the greater public relations job for extractive accumulation that they perform.

Conclusion

The costs of the accumulation that extractive capitalism demands, in lost biodiversity, lost resources and lives, in environmental pillage and in the opportunity costs to be found in not doing something else, all while we pretend that the West is 'helping', are great. The EITI, within the broader paradigm of the political economy of development, is an example of this wider structure of power. The balance sheet is a negative, as the SDCEA and its friends in Oil Watch have recognised, with their 'keep the oil in the soil' campaign (see also Bond, Dada and Erion, 2007). The achievements of trade unions, NGOs and social movements in the South and North, who have been providing consistent and cohesive evidence of the environmental and social costs of the extractive industries, largely to deaf official ears, must now be recognised and listened to in new global systems of horizontal solidarity. The production of 'codes of practice' and 'global standards', which are a feeble crutch for an illegitimate capitalism, must be discarded in favour of a proper assessment of what Ferguson (2005, 2006) described as enclave investments (see also Mhone, 2001).

Possible routes out of dependent post-colonialism are difficult to find, and face a traditional Marxist conundrum, that it is often better, or at least seems to be so in the short term, to be exploited by capitalism than to not be exploited at all (Bracking, 2009b: 12). Thus,

> maintaining the 'confidence' of business people (or more technically, capital-owners) remains a central concern of even Left-leaning governments, for this reason. Those areas, such as the poorest African communities, which receive little or no inward investment or industrialization, believe that they can be better off with more capitalist exploitation of labour (Bracking, 2009b: 12).

Minerals industries are often hosted by relatively poor communities because of the same logic that they have few alternatives. This is also the chief motivation of governments for applying to be 'candidates' of the EITI: it underscores their chronic need for Northern investment, given the current inequality of power in the global economy. That the choice can be so structured explains the great power and innovative drive of capitalist social organisation, but does little to further our argument of how to escape dependent development. My own argument is that the rewards are too small for inviting extractive MNCs to assist 'development' according to the current distribution of reward, and despite the current poverty levels which provide the context for the decision: better perhaps to explore other activities. The EITI, in turn, makes very little impact on distributional reward, while strongly signifying local culpability for failed development, and in this its perverse political effects may outweigh any marginal economic benefit from transparency. It pathologises local politics while obscuring the underlying nature of the politics of resources; of who gets the rewards.

This is not to deny that in certain circumstances, and combined with strategic behaviour on the part of local actors, that the EITI cannot catalyse some localised improvements, and indeed, as a weak form of intervention, might be the only type of policy that it is possible to promote in respect of authoritarian governments. However, if this argument holds, the best that can be said for the EITI is that it plays to the lowest common denominator in terms of expectations from mineral-led development. My argument here, and about other interventions of this type, is that the 'culturalist' assumptions embedded in the EITI can shore up a sense of inevitable inadequacy in Africa, even where it doesn't exist, or where another future is possible.

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