



global witness

EITI in South Sudan The case for caution

October 2013

What is the EITI?

The Extractive Industries Transparency Initiative (EITI) is an international coalition that works to support transparency and improve communication between stakeholders in resource rich countries. The three central pillars of the initiative are government publication of revenues, company publication of payments, and civil society monitoring. The government of South Sudan has publically announced its intention to join EITI on several occasions. Global Witness very much welcomes South Sudan's commitment to implementing EITI fully in due course. However, we are concerned about the risks that rushed EITI membership poses and we recommend that South Sudan delay its application to focus capacity on the implementation of its own very progressive laws.

The strengths of South Sudanese petroleum legislation

In the years since South Sudan began considering EITI membership, the government has passed the Petroleum Act 2012 and is in the final stages of passing the Petroleum Revenue Management Bill. Both include strong reporting and auditing provisions that fulfil and exceed the requirements of EITI, including:

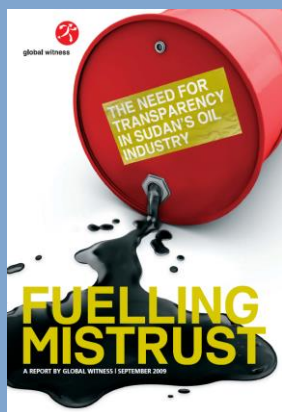
- regular publication by companies of all key oil payments to the government, and the regular publication by the government of all such payments received from companies;
- quarterly and annual reporting of oil revenues by the finance ministry and the Bank of South Sudan;
- payments and revenues are subject to internal and independent, external audits, and;
- the state-owned oil company is included among the reporting companies.

The benefits of sequenced implementation

Global Witness is committed to supporting South Sudan to become a member of the EITI, and also to South Sudan implementing its own petroleum legislation comprehensively. The order in which these two processes take place is critical to their success. There are significant overlaps between the EITI requirements and South Sudan's petroleum laws. The government of South Sudan should prioritise the implementation of their own laws, and in doing so will lay strong foundations for membership of EITI later on.

WHO WE ARE

For 20 years, Global Witness has run pioneering campaigns against natural resource-related conflict and corruption and associated environmental and human rights abuses. From Cambodia to Congo, Sierra Leone to Angola, we have exposed the brutality and injustice that results from the misuse of natural resource wealth.



What are the risks of rushed EITI membership?

Becoming an EITI compliant country takes several years, committed human and financial resources, and consistent effort from the finance ministry and other government bodies. If South Sudan seeks EITI membership now, the government will need to take the steps required by EITI while at the same time implementing their new petroleum laws. We welcome the ambition but we are concerned that attempting to undertake both at once will involve the following risks:

- the resources of the finance ministry may be overstretched;
- the publication of information required by new South Sudanese laws may be delayed or side-lined while the country pursues EITI membership and while the EITI standard is implemented, and;
- civil society in South Sudan is in the early stages of organising and is engaging in the establishment and implementation of new national transparency laws. Consequently, there is a risk that at this stage, civil society may not have the capacity to meaningfully engage in a further EITI process.

Civil society engagement and oversight

South Sudanese law does not currently demand the creation of a multi-stakeholder group of government, industry and civil society representatives to oversee reporting as required by EITI. However the government could very easily initiate this kind of oversight body independently.

South Sudanese civil society organisations (CSOs) have an important role to play as the watchdogs of their own oil sector. To enable CSOs to fulfill this role, the government of South Sudan must commit to consistent and constructive consultation of CSO groups. It is important that this consultation is initiated by South Sudanese actors and is embedded in South Sudanese governance across the board. A national oil sector oversight body, including civil society, trade unions and community representatives, would be an excellent place to start.

Recommendations

1. The government of South Sudan should delay their application for EITI membership to focus on the implementation of their own petroleum legislation, which includes the publication of oil revenues in line with EITI, and will lay the groundwork for membership later.
2. Donors should support civil society in South Sudan to act as watchdogs of the oil sector, and to prepare for a role in an EITI multi-stakeholder group.
3. Oil revenue transparency should be included as a clear and specific benchmark in South Sudan's New Deal Compact.

