



Institute for Development
of Freedom of Information

Extractive Industries Transparency Initiative In Georgia

WHY GEORGIA NEEDS THE EITI

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Introduction

Georgia has a wide diversity of mineral deposits. Even though large deposits of mineral resources are not commonly found in Georgia, oil, coal, manganese, nonferrous and rare metals, chemical raw materials, and inert materials are of commercial significance.¹ Despite being one of the key economic areas for Georgia, extractive industries generally lack sufficient levels of transparency and accountability. Wider public in any country, as well as local communities directly affected by extractive industries, are entitled to have full information on how the industry operates, what standards it complies with, how much it contributes to the economic welfare of the society and what are the benefits for local communities.

This policy brief examines Georgia's capacity and prospects to join the Extractive Industries Transparency Initiative (EITI), a global standard, which promotes open and accountable management of natural resources. Natural resources can be important drivers of economic growth, at the same time, extractive industries is an area susceptible to corruption and mismanagement. Inefficiency in this sector can lead to dire consequences, can create negative economic, environmental and social impacts in the country.

The policy brief will initially describe the EITI standard, how it works and what the benefits of joining the initiative are. The brief will then focus on extractive industries in Georgia and history of EITI-Georgia interaction.

What is EITI

The EITI is the global standard for the good governance of oil, gas and mineral resources. EITI ensures transparency and accountability of how a country's natural resources are governed. In 2002, at the World Summit on Sustainable Development in Johannesburg, UK Prime Minister Tony Blair announced the launch of a multilateral effort to increase productivity and transparency in the extractives sector. Leading countries endorsed EITI in the G8 format in 2004, and EITI was officially in motion. After several years of work, the standard and EITI procedural matters were agreed.

EITI is a tool that requires its member countries to publish information on key aspects of their natural resource management in a timely and accurate manner, including how licenses are allocated, how much tax, royalties and social contributions companies are paying, and where this money ends up in the government at the national and local level. By doing so, the EITI seeks to promote

¹ "Critical Aspects of Current Mineral Resources Governance in Georgia", *Green Alternative*, 2017, p.4

²

understanding of natural resource management among the public, provide understandable data to inform citizens and curb corruption in the extractive sector.

One of the most important characteristics of EITI is its multi-stakeholder approach. In every implementing country, the EITI is supported by a coalition of government, companies and civil society, providing a platform to build trust and encourage multi-stakeholder dialogue. The multi-stakeholder group determines how EITI process should work in their respective country, ensuring total ownership. In this regard, it is reminiscent of another initiative that has had success over the 7 years, the Open Government Partnership (OGP).

Currently there are 52 participant countries in the EITI from different regions:²

- Central and South America
- Europe
- Central Asia
- South-East Asia
- Africa

EITI Principles

EITI principles were agreed in 2003 by governments, civil society and companies involved in the extractive sector. Despite the fact that the standard itself changed twice and added elements, the core principles remained the same. The principles listed in **Box #1** are the main bulk of the value-system of the initiative.

Box 1. The EITI Principles³

- 1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.**
- 2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.**

² For a full list of EITI member states please view – EITI Factsheet 2019, <https://eiti.org/document/eiti-fact-sheet>

³ EITI Standard 2016, EITI International Secretariat, 24 May 2017, Norway, p.10.

3. We recognize that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognize that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognize that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognize the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organizations, financial organizations, investors and non-governmental organizations.

EITI Standard

The Standard covers practically every aspect of the extractive sector, starting from legislative and fiscal obligations to attribution of licenses and revenue from the sector's activity.

1) Legal and institutional framework, including allocation of contracts and licenses.

Within this requirement of the EITI standard, member countries are required to disclose information on how the extractive sector is managed, enabling stakeholders to understand the laws and procedures. Implementing countries must disclose a description of the legal framework, including a summary description of the fiscal regime, level of fiscal decentralization and the functions of different government institutions in the sector.

Additionally, countries are obliged to disclose information on the award of licenses to companies in the extractive sector in the following manner:

- description of the process for transferring or awarding the license;
- the technical and financial criteria used;
- information about the recipient(s) of the license that has been transferred or awarded, including consortium members where applicable;
- any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards.

Implementing countries are required to create, maintain and update a publicly available register with comprehensive information regarding licenses awarded. Implementing countries are also encouraged to publicly disclose any contracts related to the right to the exploitation of oil, gas and minerals. One of the most important aspects of this part of the standard is the recommendation that implementing countries maintain a publicly available register of the beneficial owners of the companies that operate in the extractive sector. The register includes the identity of beneficial owner(s), the level of ownership and details about how control is exercised.

2) Exploration and Production

Second part of the standard deals with transparency of exploration and production in the extractive sector. According to this part of the standard the implementing countries must disclose information on any significant exploration activities. Additionally, EITI requires countries to ensure full transparency of production data - total production volumes and the value of production by commodity and region. Similar approach applies to volumes and the value of exports by commodity.

3) Revenue Collection

Information on revenue collection is important, as it is the direct benefit that a country receives for giving away its resources. More information on company payments and tax contributions to the budget can inform public debate about the governance of the extractive industries. The third part of the standard therefore focuses on company payments and government revenues from the extractive industries.

According to the standard, following sources of revenue should be made public:

- The host government's production entitlement (such as profit oil)
- National state-owned company production entitlement
- Profits taxes
- Royalties
- Dividends
- Bonuses, such as signature, discovery and production bonuses
- License fees, rental fees, entry fees and other considerations for license or concessions

- Any other significant payments and material benefit to government

Additionally, if the sale of the state's share of production or other revenues collected is material, the government, including state-owned enterprises, is required to disclose the volumes sold and revenues received. The same logic is applied to material revenues received from transportation of oil, gas and minerals. The revenue collection aspect of the standard also pays significant attention to assurance measures, meaning that the payments and revenues should be reconciled and audited by a credible, Independent Administrator, based on international auditing standards.

4) Revenue Allocations

Having information on revenues is only a part of the transparency cycle according to EITI Standard. For the public, the most important information is how the money gained for extractive activities is being spent and where. Hence, EITI requires disclosures of information related to revenue allocations both on the central and local government levels.

Implementing countries should indicate which extractive industry revenues, whether cash or in kind, are recorded in the national budget. Where budgetary transfers between national and subnational governing bodies are related to revenues generated by the extractive industries EITI standard ensures full transparency on the amount and revenue sharing formula/principle. The standard goes in minute details, such as disclosing information on what type of transfer was used, whether the revenue from extractives are earmarked for a certain program or project, region or municipality.

5) Social and Economic Spending

If resources are vast, extractive industry can be a substantial driver of country's economy, social development and welfare. This exactly why The EITI requires disclosures of information related to social expenditures and the impact of the extractive sector on the economy. This allows stakeholders (government, business, CSOs, public) to assess whether the extractive sector is leading to the desirable social and economic outcomes.

Implementing countries must disclose, when available, information about the contribution of the extractive industries to the economy for the fiscal year, which includes information on:

- The size of the extractive industries in absolute terms and as a percentage of Gross Domestic Product (GDP)
- Total government revenues generated by the extractive industries (including taxes, royalties, bonuses, fees, and other payments) in absolute terms and as a percentage of total government revenues
- Exports from the extractive industries in absolute terms and as a percentage of total exports
- Employment in the extractive industries in absolute terms and as a percentage of the total employment

- Key regions/areas where production is concentrated⁴

Overall, the EITI standard ensures that the extractive industries and revenue gained from it is transparent, easily understood, widely accessible and publicly available. Another important aspect of the standard is that it encourages the lead institution in the center of EITI, the multi-stakeholder group, to disclose data in machine-readable format. In countries where extractive industries are well-represented, information on companies, revenues, licenses, permits and revenue distribution can be vast. Therefore, machine-readable access to certain data points ensures that analytical potential of this data is used to the maximum extent possible.

Benefits of Implementing EITI

Transparency in any government or business activity is beneficial by default, however, it is important for governments to weigh the tangible benefits of committing to EITI. Each stakeholder in the EITI multi-stakeholder group benefits from the standard in its own way.

Implementing countries – More transparency improves the investment climate in the country, especially in a sector as complicated as extractives. By committing to EITI, countries are sending a clear signal to investors and international financial institutions that the government is committed to greater transparency. EITI also assists in strengthening licensing, record keeping and tax collection systems, and legal and fiscal frameworks. Also, EITI can be a valid source of reforms and improved governance.

Companies and investors – the most important benefit for the companies is creating a level playing field for every actor in the sector. EITI standard related transparency promotes equal treatment and fairness, as the process of license awards, concession arrangements or procurement procedures become fully transparent. Being a member of the EITI also has a reputational benefit to the companies, the more transparent a company is, the more trustworthy and appealing it is as a business partner in any given country.

Civil society – There are evident benefits for civil society and the wider public. It is the fact that information traditionally considered sensitive and confidential becomes public, meaning that there is more capacity to analyze, assess and weigh the true benefits of the extractive industry and accountability of the government.

⁴ EITI Standard 2016, *Op.Cit.*, p.29.

The Open Government Partnership (OGP) is a new multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance. The OGP formally launched on 20 September 2011, when the 8 founding governments (Brazil, Indonesia, Mexico, Norway, Philippines, South Africa, United Kingdom, United States) endorsed an Open Government Declaration, and announced their country action plans. Since the launch, OGP has welcomed the commitment of 68 additional governments to join the Partnership.

Many governments have included measures to improve transparency of natural resource revenues in their country action plans, including to implement the EITI. 11 of the countries in the OGP are already implementing the EITI. The EITI and the Open Government Partnership (OGP) are close cousins. Both initiatives aim to improve governance and build trust by opening up data and creating opportunities for citizen participation. Thirty of the 52 EITI countries are OGP members, and OGP encourages resource-rich countries to join the EITI. OGP countries have made nearly 300 commitments related to natural resources in their National Action Plans since the partnership was established in 2011. Both initiatives have committed to deepening their partnership and joint commitments. This collaboration is reinforced by the Open Government Partnership (OGP) Global Summit in Ottawa on 29-30 May, 2019, as well as the EITI Global Conference that took place in Paris on 18-19 June, 2019. Building on the common objectives, the synergy between the EITI and the OGP continues to grow.

The OGP's IRM (The Independent Reporting Mechanism) uses a system of benchmarks to select exemplary commitments that have been scored as having the best chance of being successful. It is worth noting that 14 of the 100 natural resource commitments have been rated as Starred Commitments. Starred commitments represent exemplary open government reforms in implementation and are listed below in a table.

The recently published 2019 OGP Global Report charts collective results in improving openness. Many of the findings are directly relevant for the EITI. The report demonstrates that improved transparency leads to better economic results, including increased foreign direct investment inflows and better credit ratings. It also contributes to political stability. Freedom of association, independent media and government engagement with citizens lead to long-term improvements in health, education and economic growth.

Increasingly, governments are committing to disclose the beneficial owners of companies and other legal entities. In 2013, the United Kingdom was the only country to have made a commitment toward beneficial ownership transparency. Today, 22 governments have signed up. All EITI countries are required to disclose the beneficial owners of oil, gas and mining companies by January 2020. The OGP Global Report recommends that governments pay attention to four areas when implementing

beneficial ownership transparency: strengthening disclosure requirements, improving interoperability with other datasets, verifying information and engaging citizens in monitoring and accountability.

The OGP Summit in Ottawa mentioned above highlighted some promising ideas for stronger synergies between the EITI and OGP:

- Stakeholders in countries that are members of both the OGP and the EITI can draw on the findings of EITI Validations when formulating OGP National Action Plans. All Validation documentation is made publicly available on the EITI website once the Validation is concluded.
- Resource-rich countries that are yet to join the EITI can use OGP National Action Plans to make commitments to gradually increase transparency in the extractive sector. That can include, for example, contract and revenue transparency and beneficial ownership disclosures.
- The OGP and the EITI can work together to identify and share best practice in implementing public beneficial ownership registries. There is potential for increased collaboration in other policy areas as well, including transparency around state-owned enterprises.
- Civil society organizations may wish to consider aligning advocacy targets for the EITI and OGP to fully leverage both processes.⁵

Starred commitments by country⁶

No	Country	NAP and Commitment Title	Quality Assessment
1	Brazil	NAP 2-1.9. Development of tools for increasing transparency and enhancing land governance	Specificity: High OGP value relevance: Clear Potential impact: Transformative Completion: Complete
2	Bulgaria	NAP 1-7. Mining industry and underground resources	Specificity: Medium OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
3	Bulgaria	NAP 1-9. Public information system on mineral resources	Specificity: Medium OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
4	Canada	NAP 2-7. Mandatory reporting on extractives	Specificity: High

⁵ Furthering open government commitments in partnership with OGP, EITI News and Blog Posts, 07.06.2019 - https://eiti.org/blog/furthering-open-government-commitments-in-partnership-with-ogp?fbclid=IwAR1MkAwT1Z-Av_FVhr9DQ5UAeA3MK84CCbKpBvygHaf3SbslVRTrucq_pc0

⁶ Closing the Gap. Strengthening the development and Implementation of Natural Resource Commitments in the Open Government Partnership. Suzhe Jia et al., October 2017.

			OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
5	Chile	NAP 2-12. Strengthen environmental democracy	Specificity: Medium OGP value relevance: Clear Potential impact: Transformative Completion: Complete
6	Colombia	NAP 1-1. Royalties and initiative for the extractive industries transparency	Specificity: High OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
7	Colombia	NAP 1-3.4. Royalties and EITI	Specificity: High OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
8	Croatia	NAP 2-5. Improvements of transparency and efficiency in public administration work	Specificity: High OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
9	Mongolia	NAP 1-3.3.1.6. Publish a list of mandatory public information on environment, such as information regarding any action harmful to the natural environment and people's health	Specificity: High OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
10	Philippines	NAP 2-8. Initiate fiscal transparency in the extractive industry	Specificity: Medium OGP value relevance: Clear Potential impact: Transformative Completion: Complete
11	UK	NAP 2-21. The U.K. government will implement and internationally champion a global standard of financial transparency and accountability in the extractive industries (oil, gas and mining) on the part of governments and companies, in line with the principles in the G8 Open Data Charter	Specificity: High OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
12	Ukraine	NAP 1-11. EITI	Specificity: Medium OGP value relevance: Clear Potential impact: Transformative Completion: Substantial
13	Uruguay	NAP 2-4.3. Open property data	Specificity: High OGP value relevance: Clear

			Potential impact: Transformative
			Completion: Substantial
14	USA	NAP 2. Implement the EITI	Specificity: High OGP value relevance: Clear Potential impact: Transformative
			Completion: Substantial

Extractive Industries in Georgia

When discussing extractive industries of Georgia, separation between mineral resources, gas and oil, and transportation related to extractives should be made. The research will hereby discuss each of the elements separately, pointing out the legal framework and current state of each direction of the extractive industries in Georgia vis-à-vis the EITI standard.

Georgia's solid mineral resources fund comprises 960 deposits.⁷ Out of these, most important, lucrative and functional deposits are - Chiatura manganese and Madneuli (Bolnisi) complex ores. Almost equally important are Dzegvi, Thedzami, Akhaltsikhe, which are zeolite-containing non-metallic mines. Economically and socially speaking, the mining sector is important to Georgia. In 2019, copper ores and ferro-alloys made up more than 22% of Georgia's exports.⁸ There are over a thousand registered companies that operate in the industry and since 2011, the sector employs more than 6,000 people and the number grows annually.⁹

Georgia is among the countries where gold was mined since 6th millennia B.C. and despite the fact that gold mines are not abundant in Georgia as of today, gold has become a matter of social protest on several occasions. Gold mines have been considered as a health and environmental hazard in Georgia as high concentrations of mercury and arsenic can be observed within gold deposits. Archaeological area, known as Sakdrisi (goldmine), has also become a point of confrontation between the government and social activists.¹⁰

⁷ 2010-2013 National Report on State of Environment, Ministry of Environment and Natural Resources of Georgia, p. 154.

⁸ National Statistics Office of Georgia, Main statistics, Georgian Exports by Commodity Groups (HS 4 digit level), Accessed 10 April 2019, http://www.geostat.ge/index.php?action=page&p_id=134&lang=eng.

⁹ "Critical Aspects of Current Mineral Resources Governance in Georgia", *Op. Cit.* p. 6.

¹⁰ R. Demytrie, "Georgia's gold mine dilemma", *BBC*, 29 May 2014, Accessed 10 April 2019, <https://www.bbc.com/news/world-europe-27499882>

Mineral resources in Georgia are regulated via the Law of Georgia “On Subsoil” and its sub-legal acts. The law was adopted in 1996 and it regulates the study and use of mineral resources, natural underground cavities, and relations arising between the state and the companies in the process of mining, storage of waste from mining and manufacturing industries. According to Article 2 of the law on subsoil, mineral resources located on land, territorial waters, continental shelf and special economic zone of Georgia belong to the state.¹¹ The Ministry of Environment Protection and Agriculture of Georgia and its subordinate agencies, carry out public administration of mineral resources. [Government Resolution # 136 of 12 August 2005 “On approving the regulations on rules and terms of issuing licenses for subsoil use”](#) determines that National Environment Agency is the public entity responsible for issuing subsoil use licenses. Interestingly, another agency under the subordination of the ministry, “[Environmental Information and Education Centre](#)”, operates a portal - <http://maps.eiec.gov.ge>, where licenses of and permits on subsoil use can be found, along with the corresponding company that the license was issued to. The map also allows viewing cadastral map of the property and exact location of the extractive operation. Despite transparency of licenses, article 29 of the law on subsoil states that information about the geological structure of the subsoil, the reserves and resources, mining and processing factor is the property of the entity that operates the mineral resources and this information cannot be obtained without the consent of the owner. This is a significant drawback for the transparency of the mining sector and is clearly not compliant with the EITI Standard. Vast information about the resources, their extraction, profits, volume of operation etc. is hidden from the public and access to this information depends on the good will of the company operating the mineral deposit.

The situation over article 29 of the law on subsoil has further been exacerbated recently. A Georgian CSO “[Green Alternative](#)” filed a complaint against article 29 in the constitutional court, claiming that it violated the right to access information about the state of the environment, as well as the right to access information protected in public institutions. The claimant considered that since the subsoil is the property of the state according to the law on subsoil, public should have the right to access information on the use of subsoil, when environmental safety, as an important public interest, is concerned, despite the fact that the information is not directly related to the state. Unfortunately, the constitutional claim was not satisfied by the Constitutional Court of Georgia. This is a definite negative development for transparency of extractive industries in Georgia. However, this decision makes EITI all the more important for the transparency of the sector, as without the collective collaboration of the CSOs, Government and private businesses (their consent), information on the use of subsoil will remain classified.

Operations related to the use of oil and gas in Georgia are regulated by the [Law of Georgia on "Oil and Gas"](#). There are 17 oil and 3 natural gas commercial fields in Georgia and the country currently

¹¹ Law of Georgia on Subsoil, the Parliament of Georgia, 1996, Article 2, <https://matsne.gov.ge/ka/document/view/33040?publication=17>

¹²

does not have large oil and gas reserves. In total, the country's oil fields have confirmed reserves of about 8,3 million tons of oil and the annual production varies between 60-140 tons, which is insignificant in comparison with large oil producing countries.¹² Local gas production is rather low in Georgia, less than 0.5% of total annual consumption. ¹³ Therefore, Georgia's demand on natural gas is mainly balanced by imported gas.

For economic activities related to oil and gas, the primary public authority is the Ministry of Energy. The ministry has several agencies under its umbrella that play a crucial role in the oil and gas sector. The State oil and Gas Agency is entrusted with the overall management of oil and gas operations – refining oil, processing natural gas and transportation related activities. Its mandate is determined by the Law on Oil and Gas. The agency is considered to be the bulk of oil and gas industry as its authority includes – managing tenders and auctions in the industry on behalf of the state, approving and issuing permits in the oil and gas sector, as well as supervising the implementation of licensing terms.

Another important actor in the oil and gas sector is the Georgian Oil and Gas Corporation (GOGC), which is the state-owned gas and oil company involved in exploration development and production of oil and gas. Additionally, the GOGC controls the main gas pipeline transmission system and is responsible for its maintenance. Despite the fact that the company is state-owned, transparency levels as according to EITI are lacking. For example, GOGC website displays general statistics on gas transit volumes and oil production volumes, but information on contracts with third companies, revenues, expenses, permits etc. are not readily available in the format of a report.

Transportation of gas and oil is another important aspect of the extractive industries for Georgia. In this regard, involvement of private companies and third countries should also be considered when discussing the full potential of Georgia as a transit country for oil and gas. British Petroleum (BP), with its Georgian branch is one of the major actors in the transportation sector of oil and gas. After having operated energy transit projects in Georgia for 19 years, BP can be considered as the lead investor and operator of Baku-Tbilisi-Ceyhan (BTC) pipeline, South Caucasus gas Pipeline (SCP) and Western Route Export Pipeline (WREP) also known as Baku-Supsa pipeline.

These three pipelines are the bulk of Georgia's energy transit capacity. The Baku-Supsa pipeline was opened in April 1999, to transport oil from the Caspian Basin to Western markets via Georgia's Black Sea terminal at Supsa. The Baku-Tbilisi-Çeyhan (BTC) oil pipeline opened in 2006, transporting oil from Azerbaijan to Çeyhan, a Turkish port on the Mediterranean Sea. The South Caucasus (Shah

¹² Ministry of Energy of Georgia (website), Facts About Oil, 2019, accessed 10 April 2019, http://www.energy.gov.ge/energy.php?lang=eng&id_pages=55.

¹³ Georgian Oil and Gas Corporation (GOGC) website, Natural Gas, 2019, Accessed 5 April 2019, <https://www.gogc.ge/en/page/activities-fields/natural-gas/6>.

Deniz) natural gas pipeline opened in 2007 and runs from Baku to Erzurum in Turkey through Georgia. There are also plans for SCP expansion project with the TAP and TANAP pipelines, which is expected to provide 16 billion cubic meters of gas per year (bcma) to consumers in Georgia, Turkey, Greece, Bulgaria and Italy.

Another gas pipeline of commercial significance to Georgia is the North Caucasus – Transcaucasus gas main, which operates in the country since 1988. The pipeline carries gas to Georgia, which then transits it to Armenia. Transparency of gas and oil transportation related matters are also limited, due to the fact that there are third countries involved, as well as international companies such as BP or Russian national gas company Gazprom. One of the reasons of avoiding EITI membership for Georgia is the fact that taking up on EITI would undermine the confidentiality clauses of agreements with these actors. However, EITI offers flexibility and sectors where involvement of third parties is prevalent can be omitted from accession talks to EITI.

As of today, EITI standard transparency levels in Georgia are absent. The public does not have the possibility to view information on social and economic spending, revenue allocations and revenue collection stemming from the extractive industries. Despite the fact that the legal framework is available online, it is difficult to navigate through different sets of laws, sub-legal acts and government ordinances. Even though permits and licenses in the extractive sector are partly available, information about operations of the companies that are license holders is confidential. Additionally, there is no official space for deliberations on the extractive industries between the state, companies and the public. Lack of information may lead to uninformed decisions and it is imperative that and areas as critically important as extractive industries are transparent to the maximum extent possible.

EITI and Georgia

EITI membership fully depends on the willingness of the country. According to the EITI standard, the government (either the head of state or government) is required to issue an unequivocal public statement of its intention to join the EITI. First and foremost, Georgia needs this decision to be made by the government, something that has not happened despite the change of government in 2012 and hopes for accession to the EITI.

Georgia's accession to this international transparency initiative is not a new idea and has been on the table for negotiations between the government and the civil society sector for over 7 years. The Institute for Development of Freedom of Information (IDFI) has been advocating for Georgia's

accession to EITI since 2013¹⁴, specifically through Open Government Partnership (OGP) platform. Open Society Georgia Foundation (OSGF) and International Business and Economic Development Center have also launched an advocacy campaign in 2014, promoting Georgia's access to EITI. The campaign already mirrored EITI approach as companies, government and CSOs were involved in the collective effort. The campaign involved research activities related to extractive industries, trainings for CSOs and state entities on what EITI stands for and a memorandum of understanding between relevant parties. Despite the efforts, steps towards EITI membership did not materialize, as the government never declared intentions of joining the EITI publicly.

Conclusion

EITI is an international transparency standard that offers knowledge, experience and expertise to any country willing to make its extractive industries open and accountable. The standard ensures that every aspect of extractive industries is handled with transparency, accountability and is based on the principle of participation. EITI offers benefits to every stakeholder involved in the process (state, companies and public) and has the potential to make the sector more efficient.

Georgia's extractive industries lack the levels of transparency prescribed by EITI. Such environment does not provide a fertile ground for increasing efficiency of the sector. Despite the fact that the extractives is a significant part of Georgian economy, the public does not have sufficient information on the companies, their revenues, how these revenues are allocated and what they are spent on.

Georgia has been discussing the use of EITI and the importance of the initiative for the country since 2012. Different CSOs have been advocating for Georgia's accession to the initiative. However, progress has been slow, and tangible commitments to join EITI have not yet materialized. Georgia needs to join the EITI to increase its attractiveness for investors. More transparency may lead to more trust and direct investments in the sector, which will be beneficial economically and technologically for the extractive industries in the country. The EITI is a network of extractive industries specialists that can be used to enhance licensing practices, record keeping and improvement of tax collection systems. Besides the evident economic benefits of joining the EITI, it is important to bear in mind that the Georgian public has the right to know what one of the most important economic sectors yields and how that wealth is distributed.

¹⁴ Recommendations of IDFI for the OGP Action Plan (2014-2015) -

<https://ogpblog.wordpress.com/2013/02/12/recommendations-presented-to-the-prime-minister/#more-136>

Recommendation of IDFI for the OGP Action Plan of Georgia (2016-2017) - <https://idfi.ge/en/illustrative-commitments-presented-by-idfi-for-the-years-2016-2017>

Georgia already has experience of collaboration between different sectors, namely through initiatives such as OGP. Institutional mechanisms for CSO-business or CSO-government cooperation are not new. Therefore, Georgia has the potential to become a member of EITI and prove that the country remains loyal to principles of transparency, accountability and good governance.

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