INTRODUCTION

For corporations, governments and international organizations involved in the oil industries of developing countries, transparent business operations and revenue flows have become widely espoused as desirable and socially-responsible behaviors. The emergence of this new international norm occurred quickly since its inception in 1999, and represents a surprising development in a sector previously characterized by carefully guarded opacity. Central to explaining this development are the reputational agendas of several key international actors, and in particular the World Bank, which led them to become effective norm advocates.

In developing country economies dominated by the export of petroleum resources, the prudent and publicly accountable management of the associated revenues can mean the difference between improving standards of living and the economic decline associated with the “resource curse”. In most developing countries, petroleum resources are state owned and their discovery, production and export dominated by national and multinational oil companies. Transparency, according to its proponents, makes it more difficult for these government and corporate actors to disserve the wider public in their oil sector activities. Through increased transparency, corruption and mismanagement would reduce, and increased accountability would engender the more development-oriented conduct of industry operations.

Despite these potential advantages, the rapid emergence of transparency as a norm widely cited and responded to by oil sector actors comes as a surprise. The oil industry is operated by some of the largest, richest and most influential multinational companies in the world, and global demand for petroleum products is rising steadily to new heights. For decades, petroleum extraction from the developing world has occurred through insular, mutually advantageous relationships between the private sector and government actors, with few opportunities for domestic or international oversight by those not directly engaged in industry activities. Given the leverage currently enjoyed by the entities which control oil
and its production, what explains the surfacing of the norm of oil sector transparency in such a seemingly inhospitable environment?

The literature on norm emergence, and in particular the work of Finnemore, Sikkink and other constructivist scholars, helps to explain how the oil sector transparency norm rose to prominence. In particular, two existing arguments for how ideas become influential norms appear relevant in this particular case. First, the fledgling norm benefited from its adjacency to existing, more established norms, a dynamic known as “grafting” (Price 1998). Second, emergence advanced thanks to the credibility and effectiveness of transparency’s NGO advocates, its “norm entrepreneurs” (Finnemore and Sikkink 1998: 897).

In this paper, however, I propose that a third factor played a more decisive role. The ascendance of oil sector transparency addressed the reputational concerns of several prominent international actors, specifically international oil companies (IOCs) and international financial institutions (IFIs) based in Europe and North America as well as several Western governments. For these actors, the oil industries of developing countries offer attractive opportunities for profit-making, investment returns, supplies of energy or, for the IFIs, a crucial arena in their partner country economies. But, over the past decade, these engagements grew subject to increasing scrutiny by third party actors and began to pose significant levels of reputational risk. In this context, international actors began to perceive the oil sector transparency movement as a useful tool for the protection of their public image.

To illustrate this dynamic, I focus on the process by which the World Bank came to support the oil sector transparency movement and its role in shaping the norm’s definition and institutionalization. The early rise of oil sector transparency occurred alongside increasing stakeholder scrutiny of the Bank’s oil and gas activities, criticized for not ending in development gains. This critical scrutiny made the new transparency not a useful tool for the Bank which, with time, came to support its advancement. This support was not neutral, as the Bank shaped the norm’s institutionalization in ways that reflect its own institutional preferences.

By examining the role of the World Bank in oil sector transparency’s emergence, this paper seeks to accomplish several objectives. First, the narrative documents the rise of a new and unexpected norm, one with potential to impact governance in oil producing states as well as their international relations. Second, it aims to contribute to our understanding of norm emergence processes by exploring how, in this particular case, escalating scrutiny and reputational concerns created norm advocates such as the World Bank. Lastly, I describe how the interests of World Bank, and of other actors engaged in norm promotion, shaped the norm’s definition and institutionalization. The divergent agendas of norm advocates, and the resulting battles among them, significantly impacted and eventually hindered the course of the norm’s development.
The evolution of oil sector transparency into a widely-cited and influential norm was far from predictable. The norm itself, the behaviors it affects, and the industry to which it applies all present obstacles to its emergence.

The norm of oil sector transparency holds that the public should enjoy greater access to information about the revenue flows and operations of the petroleum industry. Box 1 provides a list of measures through which this sometimes occurs, the length and complexity of which indicate the technical and challenging nature of norm compliance. The exploration, production and export of oil involves a long chain of processes which engage multiple actors, global markets, fluctuating price regimes, massive infrastructure and huge capital investments. Industry payments tend to be very large, occur through opaque channels, and result from Byzantine contract negotiations, and the information that is disclosed frequently requires financial and industry expertise to interpret. Typically, the actors involved in the sector deliberately shrouded these interactions in secrecy, with oil revenues acquiring taboo status in many developing states (Gary and Karl 2003).

**Box 1. Possible Elements of Oil Sector Transparency**

Disclosure of the following types of information represents some of the suggested components oil sector transparency. The adoption of even a majority of these practices has not occurred in any developing country, demonstrating the sizable gap between rhetoric and practice.

For meaningful implementation, the information disclosed must be made available to the legislature, civil society, media and other interested parties in readily accessible forms. Also important are timely opportunities for such actors to comment on the information to the relevant government/corporate actor.

**I. Revenue Flows**
- Payments made by oil companies to governments including taxes, royalties, bonuses, in-kind contributions and philanthropic/community development activities.
- Revenue flows between government agencies, including national oil companies, tax collection entities and the treasury.
- Amount and terms of oil-backed loans.

**II. Revenue Management**
- Investment strategies, windfall accounts and other extraordinary measures to deal with oil revenues separate from the regular budgetary process.
- Oil savings fund inflows, outflows and rules for when and how the fund can be accessed.

**III. Revenue Expenditure**
- *Ex ante* determination of oil revenue spending via a transparency budgetary process
- Budgetary information on *ex post* annual spending and medium term financial plans
- Sub-national revenue allocation formulas, amounts and usages
- Open and credible procurement procedures for government contracting

**IV. Industry Operations**
- Open bidding processes for awarding of licenses
- Exploration and production contracts between operators and governments including production sharing agreement and joint venture terms
- Production and reserve data
- Industry cost assumptions and calculations
In addition to its technical complexity, oil sector transparency lacks direct and visible links with the human costs of corruption and bad governance. The low human development indices which characterize many oil producing states suggest that petroleum revenues are not translating into development gains. However, demonstrating this intuitive connection proves difficult. This disconnect distinguishes oil sector transparency from the kind of norms which scholars identify as most likely to emerge. Keck and Sikkink (1998) argue that norms related to preventing bodily harm and protecting personal liberties are most likely to achieve prescriptive status. Others such as Price indicate that emergence may be more likely if the norm is easy to grasp, or related to issues of protecting vulnerable groups (Price 2003:590-595). Calls to disclose contract provisions and budgetary figures would seem to lack the resonating power of more gripping, human causes such as freeing political prisoners, demobilizing child soldiers or treating HIV/AIDS.

The promotion of oil sector transparency also faces great political obstacles. Transparency is advocated as a vehicle for improving government accountability—publicly available information about oil sector finances and operations should engender industry dynamics which benefit the citizenry. The political systems that generally characterize oil-producing developing countries should pose significant obstacles to such changes. Oil producing countries exhibit traits indicative of “rentier states”, a term developed to capture the negative political symptoms of the resource curse. The economies of rentier states are dominated by externally generated revenue inflows which are controlled centrally and distributed to the public, which is involved in neither their production nor public revenue generation (Beblawi 1987; Yates 1996). They present inhospitable environments for reform in several ways. Power and resources are highly centralized in the state which widens the chasm between government and society, severely handicapping domestic accountability (Karl 1997: 62; Soares de Oliveira 2007: 36). Oil decreases the government’s incentive to tax its citizenry or to foster other sectors of the economy (Auty 2001:32), and is tied to increases in predatory governance, political spending and corruption—all enemies of transparency (Auty and Gelb 2001; Ross 2001). Lastly, rentier states produce powerful “parasitic sectors” vested in the opaqueely managed status quo (Auty 2004:4). These traits should increase the political costs associated with this new norm.

Moreover, during the period of the transparency norm’s emergence, roughly 1999-2006, these “rentier” governments were enjoying increasing power and leverage thanks to the soaring demand for oil and the associated boost in revenue inflows (see Figure 1). Higher prices also gave rise to new sites of oil production, including many in the developing world, as oil companies could afford to take exploration risks, invest in infrastructure projects such as pipelines, and refine lower-quality crude. This new profitability calculus, when combined with American-led efforts to diversify away from Middle Eastern oil, has led to the debut of many countries as sizable oil exporters. These include Kazakhstan, Azerbaijan, Sudan, Equatorial Guinea and Chad, and a number of others are eagerly optimistic about their prospects (São Tomé and Príncipe, Mauritania, Ghana, and Uganda to name a few). Deepwater discoveries have also led to drastically increased production levels for several established producers, such as Brazil and Angola.
The rise in oil prices is driven largely by demand from emerging economies, especially China and India. Assuming no dramatic changes in government energy policies, the world’s energy needs will rise by as much as 50% between 2007 and 2030 (Wolf 2007). Moreover, the current trend of nationalization of oil resources has severely limited the resources available for exploitation by private companies. These factors increase competition for energy resources, creating two obstacles for transparency reform. First, international oil companies (both private and state-owned) must compete to gain access to a limited number of production sites. As they set about wooing producer governments, a “race to the bottom” can ensue in which companies soften their governance, environmental and other standards so as to sharpen their competitive edge. Second, competition and high revenue inflows strengthen the hand of producer governments. The usual levers applied to induce reform—aid conditionality, debt relief, trade preferences—have little impact on wealthy oil exporting states.

TRANSPARENCY’S ENTRANCE INTO THE OIL SECTOR DISCOURSE

The constructivist approach to international relations helps to explain the emergence and spread of oil sector transparency, as it does other international norms. Its authors contend that states adopt the identities and behaviors associated with the community to which they belong. Norms, defined by Katzenstein (1996:5) as “collective expectations for the proper behavior of actors with a given identity”, are a primary mechanism by which communities demarcate and shape member behavior. For community members, norms distinguish appropriate from inappropriate behavior, and also help to organize and simplify reality for the purpose of effective interrelations (March and Olsen 1998; Shannon 2000). Ruggie (2004) describes how norms can acquire authority within communities even if they are not enshrined in any formal law, and have observable impacts on state and non-state actor behaviors.
Norm emergence involves the introduction and establishment of a certain behavior as desirable within a given community, as previously mentioned, a separate endeavor from norm compliance which depends on the norm’s actual behavioral impact among community members. Finnemore and Sikkink outline a norm’s life cycle in several stages. In the first, called **framing**, “norm entrepreneurs” call attention to an issue or create an issue via new language (897). Framing is generally followed by **institutionalization** when some sort of international framework evolves to structure the norm’s advancement. This process clarifies what constitutes compliance and violation and, in some cases, creates methods for monitoring and enforcement. Such concretization is crucial, as amorphous and non-standardized norms are more easily violated (for illustrations, see Shannon 2000). In the final stage, norm emergence blends with norm compliance: at a certain “tipping point”, a sufficient proportion of actors adopt the norm resulting in an acceleration of its spread within the community—“a norm cascade”—after which processes of habitualization ensue.

Two factors drawn from the literature on norm emergence help to explain the progress of oil sector transparency through the initial “framing” stage. First, the norm was able to “graft” onto two pre-existing, wider movements: the prioritization of good governance by the international donor community, and the demand for greater corporate and government transparency. Second, oil sector transparency benefited from having as its principal “norm entrepreneurs” several savvy, assertive and well-connected international NGOs.

Western donor organizations, including the major international financial institutions, have increasingly subscribed to a belief in the causal link between good governance and economic development. This dispensation emerged in the 1990s, following the weak results of structural adjustment programs, the post-Cold War emphasis on democratization, and a shift in the predominant thinking on the causes of underdevelopment (for examples of this perspective, see Van de Walle, Ball et al. 2003). The resulting focus on governance has attracted near universal support within the Western donor community. The World Bank has participated fully in this trend through a major increase in the funding and staff time devoted to governance related projects and intellectual work along with the application of governance-related conditionality for lending, grants and debt relief. The good governance campaign is fundamentally normative: its promotion relies on value-laden language (it’s called “good” governance after all), and its proponents privilege certain ways of governing as morally right (Hyden 1999:193; Harrison 2005:242).

This new focus on governance has both legitimized and institutionalized the practice of international actors such as the Bank judging and influencing domestic governance practices in developing countries. This dynamic can be observed in the rise of oil sector transparency: the story of norm emergence occurred almost entirely in reference to oil-producers in the developing world. African and Central Asian countries, many with fledgling energy industries, lay at the center of its evolution rather than sites of production like Saudi Arabia, Mexico or Russia. Following the pattern normalized through donor governance programs, American and European countries and multilateral donor agencies assume the role of “rule-makers” by establishing what constitutes good governance. They then promote these norms in developing countries, often not applying them to themselves or to other more powerful states. While still able to determine their respective responses,
developing countries typically are cast as “rule-takers”, reflecting imbalances in global power (Hurrell 2005).

One of the behaviors commonly advanced by the “good governance” platform is transparency, a norm on the rise both within and outside of the international development discourse. Transparency allies propose a linkage between the provision of information and an increase in accountability. Florini provides a useful definition: transparency is “the degree to which information is available to outsiders that enables them to have informed voice in decisions and/or to assess the decisions made by insiders” (2007: 5). In the 1990s and early 2000s, the exposure of government and corporate corruption (in both developing and developed country contexts) prompted calls for greater transparency.

Evidence of a growing emphasis on transparency includes the proliferation of freedom of information laws (now in 70 countries), increasing investor demand for corporate account disclosures (spurred on by the Asian financial crisis and U.S. corporate scandals), and the prominence of Transparency International. This movement has affected the World Bank and other IFIs in two ways. First they have been subjected to mounting pressure to end their own opaque modes of operation, and slowly levels of openness have begun to increase (for a full account, see Blanton 2007). Secondly, donor good governance programs latched onto transparency as a valuable tool for combating corruption, advancing accountability and improving public financial management. Particularly for the Bank and IMF, transparency can help to improve public sector fiscal policy and also provides a means to access more information and data on their partner country economies. By “grafting” onto the general transparency movement, oil sector transparency advocates acquired language, legitimacy and allies.

The actors engaged in this grafting were several international NGOs, the earliest proponents and “norm entrepreneurs” of oil sector transparency. Their activities in this case correspond with the literature on transnational civil society and its facilitation of early stage norm emergence. Price (2003:580) defines transnational civil society as “self-organized advocacy groups that undertake voluntary collective action across state borders in pursuit of what they deem the wider public interest”. Across a wide range of normative concerns, these groups have demonstrated success in conceptualizing problems into causes, getting them on the international agenda, persuading actors to adapt their discursive positions, and eventually influencing policy change and actor behavior (Keck and Sikkink 1998:25).

For oil sector transparency, the lead entrepreneur was Global Witness, a London-based group founded in 1995 to “break the links between the exploitation of natural resources, and conflict and corruption. (Global Witness 2007)” Bolstered by the success of its conflict diamonds campaign and the resulting Kimberley process (personal interview with Global Witness official, September 11, 2007; Shaxson 2007: 210), Global Witness shifted its focus to oil and published its landmark 1999 report: *Crude Awakening: the Role of Oil and Banking Industries in Angola’s Conflict*. The report makes rigorous demands of its targets, in this case IOCs, foreign banks and the Angolan government. Transparency dominates these recommendations, prioritizing for the first time the responsibility of both government
and private sector actors to publish information about oil sector revenue flows and operations. The following statement from the report cuts to the core of the Global Witness position:

If a company decides to conduct business in a country such as Angola, where there is little or no transparency or accountability of government, then it is vital that the company concerned adopts a level of transparency far in excess of that which it would be required to adopt in western democracies….Full transparency means that companies must clarify their exact relationship with government. This means that all payments must be published and made available in an easily understandable format to the Angola population (1999: 13).

The new norm made other noteworthy appearances in 1998-2000. In 1999, Human Rights Watch issued a report on Nigeria, *The Price of Oil: Corporate Responsibility and Human Rights Violations in Nigeria’s Oil Producing Communities* that linked the oil industry with violations of political, social and economic rights. Like the work of Global Witness, this report indicated a shift by NGOs towards seeing the oil industry as directly related to the wider issues of democracy, conflict and social justice which characterize their mandates. As explained by a Human Rights Watch researcher, they began to see human rights in oil producing countries as inseparable from how the government spends its money (personal interview, Sept. 10, 2007).

Alongside this norm conceptualization, other NGO activity around extractive industry revenue issues was increasing as evidenced by campaigning around two major pipeline construction projects. In 1998, a consortium of Western oil companies led by ExxonMobil sought World Bank involvement in the construction of a pipeline from land-locked oil fields in Chad to the Cameroonian port of Kribi. For the companies, the Bank’s involvement offset the reputational risk posed by investing in a conflict-prone, undemocratic country through a project drawing high levels of NGO attention (Guyer 2002: 112). Largely in response to civil society pressure, the Bank came on board and designed a plan for the allocation and monitoring of direct oil revenues. In addition to various checks to protect the environment and local communities, the resulting legislation required transparent and development-focused revenue expenditures monitored by oversight bodies which included civil society, legislative and international members. Once oil began to flow, however, the project proved vulnerable to political manipulation by the newly-empowered Chadian government, and failed to meet the Bank’s lofty expectations. Nonetheless, it ushered in a new standard for both international intervention in oil-related fiscal affairs and revenue expenditure transparency (Pegg 2005: 10; World Bank 2007).
In another case of pipeline advocacy, NGOs attracted attention to the 1999 signing of an intergovernmental agreement by Turkey, Georgia and Azerbaijan on the construction of the Baku-Tbilisi-Ceyhan (BTC) pipeline. Transparency featured prominently in the significant civil society activity that followed, which largely targeted the project’s two major IFI investors: the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD). As financiers, these institutions were under major pressure to guard against the negative ramifications of pipeline construction and the

Box 2. Key Moments in the Transparency Norm’s Emergence and the World Bank’s Response


January 1999  Chad passes its Oil Revenue Management Law under World Bank pressure.

November 1999  Turkey, Georgia and Azerbaijan sign the initial agreement on the construction of the BTC pipeline.


December 1999  Creation of the State Oil Fund of the Azerbaijan Republic.

June 2000  World Bank President Wolfensohn agrees to review the Bank’s extractive industry practices in response to civil society pressure.

August 2000  Establishment of the National Fund for the Republic of Kazakhstan.

February 2001  BP releases amount of a signature bonus it paid the Angolan government. The Angolan government responds with threats to expel BP from the country.

July 2001  Extractive Industry Review (EIR) of World Bank Group oil, gas and mining activities is initiated. The WBG’s own evaluation offices launch a parallel inquiry.

June 2002  George Soros and Global Witness found Publish What You Pay (PWYP) with over 30 NGO members.


June 2003  The G-8 issues its “Fighting Corruption and Improving Transparency” declaration which prioritizes extractive industry transparency.

June 2003  Azerbaijan is the first country to sign on to EITI.

June 2003  In its first year, PWYP membership swells to 120 NGOs.

November 2003  Nigeria is the second country to commit to EITI.

December 2003  The World Bank endorses EITI.

June 2004  The US endorses EITI at the G8 Summit at Sea Island.

September 2004  The World Bank Group announces its final Managers Response to the EIR which includes new transparency standards for the oil, gas and mineral sector.

March 2005  Over 70 international investment institutions issue a statement in support of EITI and other efforts to boost EI transparency standards in developing countries.


August 2007  PWYP membership reaches 305 NGO members in 56 countries.

September 2007  Norway commits to implementing EITI, the first developed country to do so.

October 2007  EITI announces that 15 countries have qualified as “candidate countries” while 9 others must complete the additional steps by 2008 to retain their EITI implementing status, initiating the validation process.

April 2008  The World Bank announces EITI++ which will promote transparency across “the entire breadth of the resource chain” (rather than just revenue inflows), beginning in two pilot countries, Mauritania and Guinea.
resulting revenue inflows. To assuage these concerns, the Azerbaijani government established the State Oil Fund of the Azerbaijan Republic in 1999 and Kazakhstan followed suit in 2000 with the National Fund for the Republic of Kazakhstan. The governments claimed these mechanisms would advance the responsible and transparent management of funds. The IFIs organized stakeholder consultations and took steps to publicly address the environmental, governance and development concerns of civil society actors.

Through reports and advocacy campaigns, key NGOs, serving as both “norm entrepreneurs” and ethical watchdogs, credibly and visibly promoted the idea that oil revenue inflows and outflows should be publicly disclosed. In addition to the conceptualization and agenda-setting activities described above, another demonstration of their dexterity was the speed with which the coalition promoting the norm gained new members.

In 2001, leaders of Global Witness contacted George Soros, the billionaire financier and head of the foundation/NGO the Open Society Institute. Together they decided to mount a major campaign “to insist that oil, gas and mining companies must publish net taxes, fees, royalties and other payments as a condition for being listed on international stock exchanges and financial markets (PWYP 2002).” As its primary vehicle, they created an NGO alliance called Publish What You Pay (PWYP) in 2002 whose thirty original members included many well-established NGOs whose mandates centered on dissimilar issues such as human rights, children, and the environment. Along with its growth in the West, PWYP and its member organizations prioritized another vital trajectory of alliance building—the involvement of local civil society groups in resource-rich developing countries. International and domestic civil societies are mutually legitimating, and can apply an effective combination of internal and external pressure on non-compliant governments (Risse, Ropp et al. 1999: 5). Developing country NGOs now constitute the majority of PWYP’s membership, which had rocketed to 305 organizations in 56 countries by August 2007.

Another crucial early ally was the UK government whose early and uniquely strong support can be explained by several factors. International NGOs enjoy unusual levels of prominence and access to government in the UK. Oil sector transparency resonated with UK policymakers, and found support both within the political leadership and the civil service. Transparency helped to address the rising popular criticism of British investment in projects such as the BTC pipeline, a leading generator of correspondence during the period in question (personal email, former DFID official, Feb. 20, 2008). Further explaining UK leadership, the growing budget of DFID, the eventual institutional nexus of these efforts, provided resources to back pro-transparency activities, and several prominent civil servants became dedicated insider transparency advocates.

THE WORLD BANK, TRANSPARENCY AND REPUTATION MANAGEMENT

Despite their large number and sophisticated tactics, civil society proponents could not push transparency into the mainstream of the oil industry acting alone. The recruitment of other actors, particularly international oil companies (IOCs) and international financial
institutions (IFIs), proved crucial. The World Bank experience is illustrative, and fundamentally affected the norm’s growth trajectory. Along with civil society goading, reputational concerns during periods of scrutiny brought these new actors to the table.

The ability of reputational concerns to drive norm emergence corroborates constructivist ideas on actor identity construction yet has not been explicitly explored. Reputational agendas and periods of scrutiny have been found to motivate norm compliance. Finnemore and Sikkink argue the importance of “esteem” issues, and find that states will embrace norms if they are “insecure about their international status or reputation” (1998:906). Reputation-driven behavior change can initially be instrumental, to access foreign investment, aid or diplomatic power. However, the entry of the norm into an actor’s behavioral patterns increases the chance of its eventual internalization, a dynamic explained well by Risse, Ropp and Sikkink’s (1999) “spiral model” of norm adoption.

But can reputational concerns foster the emergence of a new norm? The case of oil sector transparency provides several examples of key international actors advancing the emergence and institutionalization of the norm so as to provide a new mechanism by which to bolster their reputations. Norms are powerful mechanisms of “productive power” (Barnett and Duvall 2005) which actors wield to influence behaviors and define who is right and who is wrong. A new norm can thus be a valuable tool for improving your own image and that of others. Such an approach necessitates that actor agency not take a backseat when considering norms (Shannon 2000), particularly in the emergence stage when their structural character is weak.

Scrutiny of developing country petroleum sectors has increased markedly over the past decade, exacerbating the reputational risks that face its participants. Along with the heightened NGO activism outlined above, the following factors shifted critical attention onto industry operations: corporate social responsibility and oil company scandals in particular; the acceptance and high profile of the “resource curse” literature in development circles; and, an unprecedented inquiry into the World Bank Group’s extractive industry operations.

Corporate social responsibility (CSR) now exerts strong behavioral pressure in the private sector, particularly on companies whose profitability relies on Western consumers (Jones, Pollitt et al. 2007:49). The CSR spotlight has shone intensely on IOCs and their activities in developing countries (Ottoway 2001; Pegg 2003). A number of high-profile cases created a public perception within the West of the oil industry as avaricious and exploitative. They also made it abundantly clear that misdeeds in faraway locations could damage a company’s reputation (and profitability) at home. In response, IOCs sought tools to reduce the reputational risks posed by their developing country operations.

Engaging with the transparency movement suited their reputational agendas for several reasons. First, casting themselves as norm promoters boosted their images in high risk environments at a relatively low cost—the disclosures required of them did not generally harm their business interests, and those that might were avoided by citing contract confidentiality. Second, greater transparency in some countries shielded IOCs from
accusations of exploiting their government partners by revealing how industry relations actually worked (personal interview, US oil company executive in Nigeria, Feb. 8, 2008). Third, because the norm was new and in need of allies, the IOCs could shape its evolution, asserting their interests along the course of its definition and institutionalization (as detailed in the next section).

To describe IOCs as norm allies would be overstating the case, as actual behavior change has yet to be observed in any systematic way. Nonetheless, Western IOC rhetoric remains widely supportive of transparency, and the norm now features prominently in all of their corporate citizenship materials. Commitment to the cause varies across companies. BP, Statoil and Shell have taken the most concrete steps towards facilitating norm emergence; their American and French counterparts appear more reluctant but show ample willingness to invoke transparency in their self-descriptions. Yet even this minimal support represents a break from the past when IOCs regularly ignored NGO criticism. The shift indicates that the NGO and public scrutiny had risen to heights where complete non-accommodation could threaten profitability.

Escalating scrutiny also motivated the embrace of oil sector transparency by the World Bank and other IFIs. International organizations, particularly high-profile institutions like the World Bank and IMF, play vital roles in validating and spreading norms. Finnemore and Barnett describe them as “conveyor belts for the transmission of norms….Officials in IOs often insist that part of their mission it to spread, inculcate, and enforce global values and norms. They are the ‘missionaries’ of our time” (1999: 713). This norm in particular, with its highly fiscal character and focus on developing countries, falls smack in the middle of IFI territory. Their support, therefore, was vital to its survival. However, interestingly, they were not early advocates on oil sector transparency; their explicit support of its principles and institutionalization did not come about until 2003-2005.

Scholarly and policy thinking on oil’s impact on development was simultaneously evolving in a way that would increase the scrutiny of IFI operations in resource-rich environments. The resource curse literature links commodity price booms with deleterious long-term economic and political effects in producer countries, particularly in those countries with weak state institutions (Sachs and Warner 1995; Karl 1997; Ross 1999; Auty and Gelb 2001; Collier and Hoeffler 2005). This body of research, driven in part by World Bank-based researchers, has acquired significant legitimacy in policy circles thereby heightening concern for the developmental and security prospects of oil producing countries. More recently, this area of research has shifted towards arguing that accountable public sector institutions and expedient policymaking can protect countries from the resource curse (Katz, Bartsch et al. 2004; Collier 2007; Humphreys, Sachs et al. 2007). Driven by these two conclusions—the danger of oil price booms and the preventative power of good institutions—the international donor community and transnational civil society are assuming a more urgent approach towards addressing the impact of oil wealth in the developing world. Particularly for advocacy groups, this line of thinking justifies linking poverty, corruption and conflict with oil sector operations. Such arguments affect industry actors, principally corporations and investors including IFIs, as they are increasingly portrayed as implicated in these problems. The World Bank’s acceptance of
resource curse thinking created a striking contradiction between their oil and gas activities and their development mandate.

This line of thinking in combination with the increasing NGO campaigns linking extractive industries with corruption and poverty triggered events at World Bank which would eventually lead them to support oil sector transparency. In response to building civil society pressure, Bank President Wolfenson agreed in 2000 to conduct a participatory review of the World Bank activities in extractive industry sectors. This formed part of his effort to create a more open and “softer” Bank with less adversarial NGO relations (interview with Bank economist, Sept. 26, 2007). Activists argued that EI projects contradicted the Bank’s development mandate in three ways: they failed to protect or benefit the local communities affected, inflicted environmental damage, and, funded corrupt and undemocratic governments. Bolstered by resource curse evidence, they called on the Bank to cease its extractive industry activities as they ran counter to its wider development and poverty reduction goals.

Transparency itself did not appear much in this discourse nor in the terms of reference for the subsequent review exercise, the independent Extractive Industries Review (EIR) which began in 2001. Simultaneous to the EIR, the WBG conducted an internal review by its own evaluation units so as to, according to one Bank official, “be sure there was something more substantial and coherent done to accompany the stakeholder effort, something that looked at past projects in a coherent way” (personal interview Bank economist, Aug. 13, 2007). Like other major WBG review efforts, the EIR was by all accounts a drawn-out, contentious and exhausting affair. It marked a major shift in how IFIs involve themselves in the extractive industries, both as investors and providers of technical assistance. Formerly, the Bank perceived extractive industry projects as ways to increase supplies of foreign exchange and capital which, from a macroeconomist perspective, developing countries sorely needed. The EIR led them to focus on whether or not the project revenues actually advanced developmental aims (personal interview with Bank senior energy economist, Aug. 20, 2007). In this new dispensation, with a skeptical civil society keeping watch, the Bank had to devise actionable steps towards tackling the three challenges mentioned above. Local community and environmental issues were thorny, but governance proved the hardest to address.

For the EIR and the WBG, “sequencing” lies at the heart of the extractive industry governance challenge. Put simply, it takes a lot longer to build accountable and effective governance systems than it does to build a pipeline or dig a new mine. Given that the Bank believes good governance protects against the resource curse (World Bank 2004: 2), how can it support extractive industry projects before the necessary governance elements are in place? The sequencing debate was the most contentious part of the EIR process, and is also charged with the Chad-Cameroon pipeline project’s failings (Pegg 2005: 10). Both the EIR and the internal review argue in their final reports in favor of sequencing: “experience suggests that governance issues take a long time to address, and working to establish good governance in parallel with, or after, supporting increased investment in EI, is a high-risk strategy in countries with poor governance (World Bank Group 2005: 11).” This recommendation provoked exhaustive debates and, at the end of it all, the Bank’s
leadership disagreed, stating that it would need to support EI work in some weak governance environments after weighing, case by case, the risks and benefits of such involvement (World Bank 2004: 3).

The extensive attention paid to governance concerns in the EIR process left the Bank and its partner organizations in need of strategies for evaluating and mitigating governance risks to extractive industry projects. Like CSR for the oil corporations, the EIR ushered in a new era of scrutiny that left the Bank looking for ways to demonstrate due diligence and avoid reputational damage in oil-producing countries. Transparency, rising in prominence elsewhere, fits this need. The promotion of transparency is the single most concrete governance strategy agreed to by the Bank in its EIR response: “Transparency of revenue payments from EI to governments is an important step toward the greater accountability and informed debate that are essential for better governance. The WBG will be proactive in encouraging transparency of EI revenues in its client countries. In addition to ensuring that revenue inflows are transparently accounted for and disclosed, it is critical to ensure that they are appropriately used (Ibid. 4).”

This statement was issued in 2004. Prior to this point, there were instances of IFIs pushing transparency (as the IMF did in Angola) but not explicitly in relation to extractive industries. Since the EIR, however, such efforts have grown rapidly, including within the oil and gas divisions which had hitherto not dealt much with governance issues. Their staffs now devote significant time to the norm’s advancement through the provision of technical assistance and the promotion of transparency policy mechanisms. Crucial to realizing this shift was the increasing prioritization of transparency by members of the Bank’s Board of Directors, who began to require transparency measures be built into any extractive industry project to gain their approval. Other IFIs have followed suit, as evidenced by the 2005 IMF “Guide on Resource Revenue Fiscal Transparency” which advocates an extensive standard of disclosure, and endorsement of EI transparency initiatives by the Asian and African Development Banks and the European Bank of Reconstruction and Development.

Oil sector transparency offers several important benefits for the IFIs. Promoting transparency gave the World Bank a tangible strategy for handling extractive industry governance concerns. It can be applied flexibly so as to avoid confrontations with client governments, and offers a valuable entry point for engaging such states which often do not rely as much on their loans or grants. Transparency also aligns with the Bank and IMF’s current approaches to fiscal management (eg. the IMF’s Reports on the Observance of Standards and Codes) and produces the very kind of economic data that IFIs use in all their projects and publications (personal interview with leading TCS activist, Aug. 21, 2007). Attitudes towards transparency began to shift. In the words of one long-time oil and gas official at the Bank, “Transparency sounded like a really soft issue to begin with, but it’s playing a big role and changing the way things work” (personal interview, Aug. 28, 2007).

BATTLES OVER THE ONUS AND NATURE OF DISCLOSURE
Oil sector transparency’s advocates have impacted the course of norm definition and institutionalization through the pursuit of their distinct self-interests. The relative power of the IOCs, IFIs and Western governments within the coalition of norm supporters led their preferences to win out, as manifested in the dominant institution which emerged to advance the norm. Oil sector transparency therefore provides a revealing illustration of how normative and material rationales overlap in reputation-driven norm promotion. A number of scholars note that rational choice logics apply to identity and normative issues as well as material ones (Katzenstein 1996; Risse, Ropp et al. 1999; Wendt 1999; Cortell and Davis Jr. 2000; Copeland 2006). For instance, Finnemore and Sikkink observe that “instrumental rationality and strategic interaction play a significant role in highly politicized social construction of norms, preferences, identities, and common knowledge by norm entrepreneurs in world politics” (1998:910-11).

As norm conceptualization and alliance building advanced, two approaches to oil sector transparency began to diverge. The disagreement arose regarding revenue inflows, the issue at the center of the transparency movement. Revenue inflow disclosures reveal how much money is paid by oil companies to the governments of oil-producing states. There are two clear parties to this transaction—oil companies and host governments—and a battle ensued over two fundamental questions: On whom rests the onus of disclosure? And, should disclosure be voluntary?

The PWYP coalition and its member NGOs primarily targeted North American and European IOCs and their home governments. They called for full corporate disclosure of payments made to developing country governments, and that such disclosure be made mandatory by home country legislation (personal interview with TCS activist, Sept. 11, 2007). This was the cause around which the PWYP coalition emerged, and has remained a dominant focus of transnational civil society activities on oil sector transparency.

This approach garnered some early corporate cooperation, albeit tentative, from BP and Shell. But as oil prices shot up in 2003-2005 and competition with Asian companies heightened, these allies began to shy away (personal interviews with TCS leader, Aug. 21, 2007, and World Bank energy economist, Aug. 13, 2007). PWYP and its push for mandatory revenue disclosures began to constitute a threat to Western IOC commercial interests as it might endanger working relations with producer nations. Correspondingly, efforts to make disclosures mandatory through legislation faced increasing resistance from home countries governments, particularly the U.S.

As described above, DFID and other parts of the UK government strongly supported oil sector transparency. They also recognized the difficult terrain facing the ambitious PWYP approach, finding it unlikely to succeed. In 2002, civil servants within DFID worked to devise an alternative approach, a concrete mechanism for advancing transparency that would be acceptable to host countries, NGOs, donors and IOCs. Tony Blair announced the resulting compromise at the September 2002 Johannesburg World Summit for Sustainable Development: the Extractive Industries Transparency Initiative (EITI).
EITI would become the primary institutional vehicle for the promotion of oil sector transparency as an international norm. Its basic premise was as follows: “EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining…. EITI is a coalition of governments, companies, civil society groups, investors and international organizations…. Implementation itself, however, is the responsibility of individual countries [emphasis added] (EITI 2004).” In contrast to the PWYP agenda, EITI placed the onus of disclosure squarely on the host government, and favored voluntary compliance over any kind of international enforcement.

EITI grew in strength and prominence, thanks to its UK/DFID backing and “middle-way” appeal. Host country governments became the focus of oil sector transparency activity rather than the more company-oriented PWYP agenda. In a piece on the nonproliferation norm, Rebecca Johnson notices "In what can look like a good cop-bad cop routine, the grassroots and public movement campaigns target their messages and raise expectations; the resulting demands and pressure make the political decision makers insecure, which encourages them to turn to the incrementalists for 'reasonable' solutions and reassurance” (as quoted in Price 2003: 586). This dynamic can be observed here as well. All the major Western oil companies quickly signed up as EITI “supporters”, a status which requires little action on their part yet provides an attractive label which they use widely.

Western governments and IFIs also came on board, demonstrated by its growing mention in G8 speeches and IFI publications. In 2004, the EITI Multi-Donor Trust Fund was created. DFID was the Fund’s initial sponsor, Germany, the Netherlands, and Norway joined in 2005, France in 2006, Australia, Belgium, and Canada in 2007, and Spain in 2008. The US has remained more ambivalent but did give EITI a public endorsement at the 2004 G8 meetings. In the wake of the EIR, the World Bank eventually became an EITI advocate as well, announcing its support in December 2003, and then agreed to manage the Fund as well as lead the provision of technical assistance to countries interested in implementing the initiative. This decision was also likely influenced by the pro-EITI stance of Bank board members particularly from the UK.

EITI has modest aims, a fact not unrelated to the large number and enthusiasm of its supporters. Compliance hinges on two components: revenue receipt disclosure and the creation of a multi-stakeholder body to oversee implementation. Oil production involves a long and complex series of stages: bidding rounds to allocate exploration and production rights, contracts to regulate how companies and government divide revenues, the marketing and sale of the oil on international markets, government decisions regarding revenue management, and the eventual expenditure of these revenues. EITI seeks disclosure at a single link in this chain: the transfer of funds from oil companies to host governments. What’s more, EITI lacks specification about how these disclosures should be made. Governments can publish data as aggregate figures, or disaggregated by company and/or by payment type. For instance, fully disaggregated disclosure would list the amount of each signature bonus, royalty, tax and in-kind payment received by a government from each and every company in given a fiscal year. The same information aggregated could be provided in a single global figure.
The second component—the multi-stakeholder committee to monitor EITI implementation—proves more politically challenging in some country contexts (Ravat). It requires and therefore legitimizes civil society involvement in monitoring government fiscal affairs. In countries where civil society represents a threat or irritant to government, the EITI process acquires meaning beyond the issue of transparency. As observed in other cases, “The processes themselves, and not simply the resultant norm, are socially consequential in that they construct particular kinds of state-citizen relations (Thomson as quoted in Price 2003: 594).” In Azerbaijan, for instance, the unprecedented interaction between government and civil society through EITI is perhaps more groundbreaking than the actual financial disclosures (interview with former DFID/EITI official, Aug. 22, 2007).

EITI’s voluntary nature and low compliance standards facilitate its “big tent” approach. Country implementation during its first five years depended on the will of governments, and varied from negligible (eg. Equatorial Guinea) to exceeding the suggested criteria (eg. Nigeria). While these uncritical standards drew the ire of NGO activists, they likely helped the norm’s emergence by permitting a higher number of countries to participate, thereby introducing the transparency discourse more widely. Similarly, EITI retained donor and corporate support when, with higher oil prices, they could have walked away.

These two points are related: for image-conscious actors like the World Bank, the countries with the worst governance environments pose the greatest reputational risks. A number of such countries were EITI “participants”, but not implementers. In these settings, EITI provided a handle of respectability which Western IOCs, governments and IFIs could hold onto. EITI serves an important role for the World Bank in this respect. Oil producing countries can access credit from private sources more easily than many developing countries, thereby reducing their need for IFI support. They also, due to the civil society activity described above, represent potentially controversial environments for the Bank to work. These two factors left the Bank with the dilemma of how to engage with an important and growing number of resource rich countries? EITI provides that entry point—it addresses the governance and resource curse fears yet can be advanced without provoking conflicts with the host government.

The greatest dilemma facing EITI is how to be meaningful while retaining as many country participants as possible. Its lax compliance standards risk diluting the norm’s meaning, yet enforcement might alienate international allies or participant countries. This dilemma reflects a risk common to international norms which is that they become “a façade behind which business and corruption go on as usual” (personal interview, lead World Bank official for EITI, Aug. 9, 2007). In 2007, EITI appointed an International Advisory Group to address this. It recommended that EITI grow some teeth: a “validation process” will being in 2008 to measure country implementation against a common standard, and EITI status will be revoked for inadequate progress (EITI 2006). Controversially, EITI sought to prepare for the validation process by “delisting” countries not taking any steps towards implementation. Several NGOs have lobbied for strict delisting, while some local groups among other fear that, in the most difficult country environments, this will result in the loss
of the only tool available to influence oil sector governance (personal interviews with oil sector expert, Sept. 9, 2007, and a leading activist from such a country, Sept. 18, 2007).\(^5\)

Whether EITI can walk the line between requiring meaningful compliance and retaining members remains to be seen, especially in the face of record high commodity prices. Yet despite these challenges, it seems apparent that the country-driven EITI approach will continue to dominate the norm’s institutional advancement. In April 2008, the World Bank introduced EITI++ which will promote transparency at all stages of the extractive industry revenue flows (rather than just financial inflows)—a significant expansion in scope, yet one that still rests wholly on developing country implementation.

**OBSTACLES TO THE NORM’S SPREAD AND IMPACT**

The idea of oil sector transparency has advanced through EITI as well as other avenues, finding a prominent place in industry discourse. At the international level, EITI boasts an array of donors, a new secretariat, and its first developed country member, Norway. The early institutionalization of EITI benefited from the credible and substantive implementation processes by two key producers in each of the focus regions, Azerbaijan and Nigeria, which, along with other a few other pioneering countries, helped to define the meaning of implementation. Other producer countries have followed suit with the creation of multi-stakeholder committees, civil society networks and, in fewer cases, legislation related to oil sector transparency. International NGOs continue working to ensure that the norm does recede to signify only the modest level of transparency advocated by EITI. Civil society coalitions continue to expand and issue critical reports on EITI, oil companies and host governments, with transparency remaining a core recommendation.

The World Bank has played an increasingly influential role in these advances, largely acting through the EITI framework. As the provider of EITI technical assistance and administrator of the EITI trust fund, the Bank has become the institutional face of EITI in many countries. Bank staff, particularly in the Oil and Gas group, now devote significant amounts of time to promoting EITI implementation in oil producing partner countries. This includes often time consuming efforts to foster civil society, corporate and governmental dialogue—a new area of activity for these sector specialists. Internally, the rise of the transparency norm has prompted the need for new interactions between Bank sectors, particularly between the public sector specialists in the core PREM division and oil and gas specialists, as they try to intellectually and practically tackle the overlapping concerns of governance and resource management. With the announcement of EITI++ in 2008, the Bank now appears to be taking a leading role in the future advancement of the transparency norm by extending the scope of EITI beyond solely revenue inflows.

Despite this progress in norm emergence, doubts are expressed about the eventual impact of oil sector transparency. Will it actually increase the public benefit derived from oil? While the norm has been broadly embraced, such reservations seem prevalent. A leading TCS activist told me “I worry that civil society is getting over-focused on transparency. I think some over-estimate its ability to bring about accountability” (personal interview, Aug. 21, 2007); another commented “It’s like a bathtub with 5 holes in it and you’re making one
of them slightly smaller” (personal interview, Sept. 11, 2007); and, a senior IFI official remarked “Let’s not be naïve about [EITI’s] impact. It’s a nice initiative, but one should not exaggerate its importance as a policy tool” (personal interview, Sept. 11, 2007). Convincingly, some argue that transparency only matters as part of a larger governance reform effort; it alone cannot reverse negative rentier state tendencies. It is difficult to envision today’s oil sector transparency movement triggering such a wider reform effort; even modest EITI has struggled to change behaviors in more than a handful of countries and failed to secure commitments from some initially interested parties (eg. Angola, Trinidad and Tobago, Bolivia). But, in fairness, transparency remains an infant norm whose eventual impact will unfold in the years to come.

The two greatest challenges facing the spread of norm compliance both relate to the reputational concerns credited with driving the emergence process. First, oil sector transparency rose to prominence only within “the West”, an amorphous community of international actors that share certain norms. The initial norm entrepreneurs were Western NGOs which leveraged their ability to attract publicity in North America and Europe. Good governance and transparency became priorities within the Western-dominated donor community, and IFIs felt pressure from civil society based in those countries which fund most of their budgets. Similarly, CSR holds sway over corporations whose profitability depends on Western consumer perceptions. Transparency was grasped as a tool to mitigate reputational risk—when asked what they were doing to help poor countries avoid the resource curse, these actors could hold up the newly minted norm to diffuse criticism and defend their oil sector involvement.

“The West”, used in this conceptual sense, is difficult to demarcate or define. However, the non-salience of its norms is one way to identify potential outsiders. Despite soliloquies from its Western advocates, the norm of oil sector transparency holds little sway with “non-Western” actors in the oil sector such as Chinese and Russian national oil companies. According to many norm advocates, Asian non-participation is “holding transparency back” (personal interview, senior World Bank energy economist, Aug. 13, 2007). To access natural resources, non-Western companies and China in particular are offering developing country governments massive loans, infrastructure investments, arms deals and other perks (Pan 2007). They also leave governance issues such as transparency outside the negotiating room in order to gain a competitive advantage, but also because they lack interest in shedding light on their own business practices. And, unlike Western IOCs, they are under little pressure to do so; their market share and profitability are not as threatened by shifts in public opinion.6

Non-Western actors in the oil sector lack the very kind of reputational concerns that led the oil sector transparency movement to gain steam. Constructivists argue that shared norms have the power to impact the behavior of community members. Following this logic, one could conclude that non-Western oil companies do not participate in the oil sector transparency movement because they are not members of community from which it emerged. Even though Asian companies, especially in Africa, still control only a very small share of oil production, this non-participation in transparency has a disproportionately wide impact: IOCs favor transparency only if it is evenly applied to all
industry players in a given country; otherwise it commercially disadvantages the compliant companies. As such, the “China factor” is used by Western corporations to defend their own halting implementation of transparency principles.

The second risk is the following. Reputational concerns brought to the table several international actors whose self-interests do not favor the assertive application of the new norm. Periods of heightened scrutiny led key actors to visibly promote transparency and facilitate its institutionalization. However, the nature of their support also reflected their other self-interests. For the World Bank, the relatively toothless EITI served their interest in maintaining congenial working relations with developing country host governments. Its more strict application would reduce the number of countries in which their valuable new tool for engagement could be employed. The case of oil sector transparency, therefore, provides a useful illustration of how reputational concerns can drive norm emergence, resulting in a new idea gaining traction in an inhospitable terrain. However, whether these motives can lead a norm to evolve into a meaningful catalyst for behavior change remains to be seen.
REFERENCES


Many of the events described in this paper actually relate to a wider range of extractive industries: oil, gas and mining. I have chosen to focus on the oil industry in particular, as it has its own peculiarities and a distinct cast of actors, but much of what is described here can apply to gas and mining operations as well.

Two cases in particular illustrate this trend. The deplorable lack of development in Nigeria’s oil-producing Niger Delta region and the violent repression of Sani Abacha (particularly the 1995 execution of respected Delta activist Ken Saro Wiwa and eight of his colleagues) led to public outrage over Shell’s activities in the country. Shell mounted a massive public relations campaign in response and has improved its practices. Meanwhile, a landmark investigation began in 1994 in France cracked open the opaque, profitable and intensely corrupt tripartite of the French government, the state-owned oil company Elf and several African governments. The investigation wrapped up in 2003 with high level convictions of French and Elf officials, helping to advance a more privatized and less incestuous way of doing oil business in France.

In general, the World Bank is a highly image-conscious actor. Vetting for reputational risk is built into the approval process for all projects and policies. This caution stems from its reliance on member country donations, the need to attain approval from its Board for all major activities, and the prioritization of maintaining good working relations with its client states.

It has been suggested that American IOCs saw EITI as a more favorable direction for the oil sector transparency’s evolution, as opposed to PWYP, and lobbied for the US government to support it. At the time of writing, the EITI pre-validation exercise identified 15 “candidate countries”, and 9 “indeterminate status” countries which are meant to provide more information by the end of 2007. The final decision to de-list has therefore apparently not yet been made [note: update before publication]. This situation could change with time. Growing Chinese interest listing Chinese state-owned companies on international stock exchanges, public opinion dynamics around the Olympics, and some anti-Chinese sentiments in developing countries (see recent events in the Niger Delta and in Zambia) may change how such actors approach Western-derived norms.