

Concept note: Pilot on mainstreaming EITI disclosures

CONCEPT NOTE: PILOT ON MAINSTREAMING EITI DISCLOSURE

Contents

1	Introduction.....	2
2	Background.....	2
3	Objectives	3
4	Scope of work	3
5	Timeline	4
	Annex - Entrenching EITI reporting: ToRs for a feasibility study.....	5
	Annex A – information disclosures required by the EITI Standard	10

1 Introduction

The International Secretariat proposes to initiate a pilot on mainstreaming extractive industry transparency in government and company systems. The overall objective of the pilot is to assess and test different options for mainstreaming disclosure of the information required by the EITI Standard with a view of maintaining timely, comprehensive and reliable disclosure. Implementing countries will be approached and encouraged to participate. The International Secretariat will oversee the pilot, maintaining regular consultations with the World Bank and other partners and regular updates to the Implementation Committee. Based on the findings from the pilot, the International Secretariat could develop further guidance material to assist implementing countries in mainstreaming transparency. As proposed in IC paper 51-7 Suggested refinements to the EITI Standard, the Board may also wish to assess the need for refinements to the Standard ahead of the 2016 Global Conference to encourage and enable mainstreaming EITI disclosures.

2 Background

In Brazzaville, the Board recognised the importance of mainstreaming the EITI into national systems and noted the need for pilot projects. The Strategy workplan included in Board Circular 191 proposed that the Implementation Committee considers developing a proposal for a pilot for testing different options for mainstreaming transparency. The pilot would bring together experience and reflect developments already taking place in many implementing countries. Some implementing countries already publish data required by the EITI Standard in channels other than the EITI Report. The United States, for example, publishes federal non-tax revenue and revenue disbursements in an online portal¹. Kazakhstan collects EITI data as part of an existing reporting mechanism that all subsoil users have to comply with.

¹ <https://useiti.doi.gov/>

Countries like Timor Leste have decided to begin work on mainstreaming their EITI disclosures, and other countries like Norway and Peru have expressed an interest. The pilot provides a framework for mapping out and testing alternative ways to disclose data and for sharing information among countries.

3 Objectives

The objective of the pilot is to assess options for increasing flexibility in where and in what format EITI data is disclosed to encourage transparency that is embedded in how governments and companies operate and not reliant on an annual EITI reporting process. The aim is to assess how timeliness and accessibility of data can be improved through mainstreamed transparency without compromising data reliability and comprehensiveness. Embedding disclosure into existing systems, or building and improving systems that are not limited to disclosing EITI data, is also likely to reduce the financial cost of disclosing data. The pilot is expected to map out alternatives to reconciliation for ensuring the reliability of revenue data. EITI countries not formally part of the pilot will also be encouraged to explore ways to strengthen transparency in government and company operations and to seek embedding EITI disclosure into existing systems.

Countries participating in the pilot will be encouraged to explore ways of integrating EITI disclosure into existing government and company mechanisms. The pilot would not affect the scope of disclosure (i.e. all information required to be disclosed under the EITI Standard will still be disclosed), but offers flexibility in how data is disclosed. Participating countries will produce EITI Reports that rather than containing all the information required in the Standard, point to where information is available and assess the reliability, comprehensiveness and usability of the available data. The EITI Report is expected to fill any gaps if data available elsewhere is incomplete, and to provide a framing context.

Mainstreaming disclosures aims at avoiding overlapping reporting practices. Many countries already publish license information, production data and contracts online. Where such practices exist, mainstreaming should be relatively straight forward. Revenue data may be less available, however some countries already publish revenue data regularly ahead of EITI Reports. In Sierra Leone, for example, the online license portal is directly linked to the mining cadastre system and includes company-by-company revenue data². Many international companies are now providing tax payment data as part of country-by-country reporting requirements or are disclosing this information in their annual reports. Pilot countries will be encouraged to consider drawing on this data in their EITI process and also explore options for disclosing data through alternative channels to the EITI Report to improve the timeliness of data and the sustainability of transparency, and to reduce the financial burden caused by annual data collection and reconciliation exercises.

A successful pilot will require support and buy-in from all stakeholders, and strong engagement by the MSG. Support from the relevant government agencies, in most cases the line ministry, the finance ministry and SOEs, will be needed, as well as from companies and civil society.

4 Scope of work

The Secretariat plans to initiate a pilot where countries will be encouraged to:

² <http://sierraleone.revenuesystems.org/login/auth>

- (i) Produce a feasibility study to assess the feasibility of embedding EITI disclosures in government systems and corporate reporting. Based on the feasibility study, agree a roadmap setting out the timeline and actions needed to mainstream transparency. The draft TOR for a feasibility study, submitted to the EITI Board in Brazzaville, is attached in Annex A.
- (ii) By the end of 2016, ensure that EITI data is disclosed in government systems in accordance with the scope and timeline set out in the roadmap. Information that is not yet being mainstreamed should be disclosed in the EITI Report.
- (iii) Produce a short progress report to be included with the 2015 annual activity report (deadline 1 July 2016) and the 2016 annual activity report (deadline 1 July 2017).

The anticipated outputs of the pilot include (i) a report on lessons learnt and implications for the EITI, and (ii) a guidance note on options for embedding EITI disclosure.

5 Timeline

The International Secretariat proposes the following timeframe for the pilot:

August - September 2015	<ul style="list-style-type: none"> • Identify pilot countries • Identify need for technical and financial support
October – January 2015	<ul style="list-style-type: none"> • Feasibility studies conducted in pilot countries • Stocktake of progress at the December Board meeting Define possible refinements to the Standard to encourage and enable mainstreaming EITI disclosures
February 2016	<ul style="list-style-type: none"> • Stocktake on progress and lessons learnt at the Global Conference; presentation of roadmaps
February - December 2016	<ul style="list-style-type: none"> • Integration of disclosure into government and company systems as per agreed roadmap • Publication of first EITI Reports reflecting more mainstreamed transparency • Regular reviews on progress
December-June 2017	<ul style="list-style-type: none"> • Assess the outcomes of the pilot, including the feasibility of different options for mainstreamed disclosure, lessons learnt on improving timeliness and accessibility of data and options for ensuring the reliability and comprehensiveness of data • Develop a guidance note on options for embedding EITI disclosure into government and company mechanisms

Annex - Entrenching EITI reporting: ToRs for a feasibility study

ENTRENCHING EITI REPORTING: TERMS OF REFERENCE FOR A FEASIBILITY STUDY

[COUNTRY],

APPROVED BY THE MSG ON [DATE]

Contents.....	2
1. Background.....	5
2. Objective of the assignment.....	6
3. Scope of work.....	6
4. Deliverables.....	8
5. Consultant requirements.....	8
6. Administrative arrangements.....	8
7. Reference materials:.....	8
Annex A – information disclosures required by the EITI Standard.....	10

1. Background

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the extractive sector. It has a robust yet flexible methodology for disclosing company payments and government revenues from oil, gas and mining at the country level as well as other information about the extractive sector such as information about the legal framework and fiscal regime, licensing practices, state-owned companies, production, exports, etc. The requirements for implementing countries are set out in the EITI Standard³. For further information, please see www.eiti.org

Each implementing country creates its own EITI process adapted to the specific needs of the country. This involves defining the scope of information to be published and exploring how disclosure of information about the extractive sector can be integrated into government and company portals to

³ [http://eiti.org/files/English EITI%20STANDARD_11July_0.pdf](http://eiti.org/files/English_EITI%20STANDARD_11July_0.pdf)

complement and strengthen wider efforts to improve extractive sector governance. To date, most of the information required to be disclosed by the EITI Standard has been collected and made public through EITI Reports. As of March 2015, EITI Reports have been published covering 237 fiscal years⁴. EITI Reports have and will continue to be an important tool for bringing about transparency to the extractive sector in implementing countries. However, in the long term, extractive industry transparency should become an integral part of how governments manage the sector and how companies operate. Rather than simply relying on the EITI reporting mechanism to bring about transparency, governments implementing the EITI are encouraged to explore how to make the information required by the EITI Standard available through government and corporate reporting systems such as databases, websites, annual reports, portals, registers, etc. In some cases, there might already be reporting mechanisms in place that the EITI can build on. In other cases, such systems may not exist and need to be built or are incomplete and require improvements. A key concern will be ensuring that the published data is comprehensive and reliable. In this regard the [contracting party] seeks a competent and credible firm or individual to produce a feasibility study and develop a roadmap for embedding EITI disclosures in government systems in accordance with these Terms of Reference.

[This section should provide further general background information on EITI implementation in the country. This should include specifying the objectives for EITI implementation as agreed by the MSG and as elaborated in the MSG's EITI workplan. A link should be provided to the EITI workplan, with additional commentary as required on the current status of EITI Reporting and the MSG's objectives for integrating EITI reporting into other government and company portals.]

2. Objective of the assignment

The objective of the assignment is to assess the feasibility of embedding EITI disclosures in government systems and corporate reporting. The consultant will produce a feasibility study that

- (1) assesses to what extent information that is required in the EITI Standard, or is otherwise relevant for achieving the objectives outlined in the MSG's workplan, is already made publicly available by the government of [Country];
- (2) outlines any barriers or gaps in timely, comprehensive and reliable disclosures, as well as technical or financial support needs;
- (3) documents stakeholders' views and willingness to embed EITI disclosures in governmental and corporate systems;
- (4) proposes a roadmap for embedding EITI disclosures. This should include actions, responsible parties, timelines, resource and technical assistance needs.

The feasibility study will support the MSG in considering entrenching EITI reporting.

3. Scope of work

The consultant will be expected to undertake the following tasks:

1. Examine the MSG's workplan in order to gain a clear understanding of the objectives and scope of [country's] EITI implementation. The consultant should also review any annual activity reports that

⁴ <https://eiti.org/countries/reports>

have been produced by the MSG to understand the progress made in achieving the objectives and review any actions undertaken by the MSG to address recommendations from any previous EITI reporting exercises and validations. Where applicable, the consultant should undertake a review of all past EITI Reports and Validation report/s to gain an understanding of the current scope and state of EITI reporting process in [country] and areas where further improvement is needed.

2. Consult stakeholders, in particular the members of the multi-stakeholder group as well as the government agencies involved in the management of the extractive industries and companies in [country], on their views and concerns related to embedding EITI disclosures in government and corporate systems.
3. Produce a feasibility study that:
 - (i) identifies the government agencies and companies that are responsible for collecting and maintaining the information required by the EITI Standard (EITI Requirements 3 and 4, summarised in annex A);
 - (ii) assesses what information required by the EITI Standard is already made publicly available by government agencies and in what format such as on on-line cadastres and registers, government webpages on legal, fiscal and administrative arrangements for the sector, etc. The consultant should also review what data is made publicly available by companies in their reports and on their websites and explore options for extending this disclosure;
 - (iii) assesses whether the information is up to date, comprehensive (includes all information required by the EITI Standard), and reliable. If there are several public sources for the data, the consultant should assess whether they are consistent;
 - (iv) where information gaps are identified and/or where there are concerns about data reliability, recommends measures to address the gaps, including improving the timeliness, comprehensiveness, reliability, availability and accessibility of the information. The consultant should assess if there is information available in government systems that is not publicly available but could easily be published online. The feasibility study should also identify any other obstacles to making the information required by the EITI Standard publicly available in government reporting systems.
 - (v) outlines a credible approach to disclosure of the financial information required by the EITI Standard (Requirement 4 and 5). The feasibility study is expected to make recommendations on how to embed financial disclosures in company and government systems, for example by integrating data into online license cadastres or including a database and/or reporting templates on government, company and/or national EITI websites. Based on the review of previous EITI reports, including levels of discrepancies and the strength of auditing and assurance procedures in companies and government entities that have participated in EITI reporting, the consultant should provide options addressing reconciliation of financial data. This could include full reconciliation as per 'conventional' EITI reporting, spot-checks reconciling certain transactions or a certain percentage of total disclosures, etc. The consultant is expected to explain the rationale for the recommended option.
4. Based on the feasibility study, the consultant should suggest a roadmap for embedding EITI disclosures, taking into account Requirement 2 for timely EITI reporting. The roadmap should

include actions that are needed to fully embed disclosures in government and company systems, responsible parties, timelines, resource and technical assistance needs. Where significant work is needed to make the data publicly accessible through government systems, the roadmap should suggest a step-by-step approach specifying the information can be sourced from existing sources, and the information that would need to be partially or fully collected or disclosed through the EITI reporting process. The consultant is expected to take into account the local premises (e.g. level of access to Internet) and international best practices.

4. Deliverables

[The assignment is expected to commence on [date], culminating in the finalisation of the feasibility study by [date]. The proposed schedule is set out below:

Signing of contract	[date]
Desk review	[date]- [date]
Consultation with stakeholders and data collection	[date] - [date]
Draft feasibility study	[date]
Final feasibility study, including presentation of action plan	[date]

5. Consultant requirements

The Consultant will need to demonstrate:

- Technical and financial skills, including knowledge and work on transparency and governance, public finance and financial accountability, and multi-stakeholder dialogue. Preferably, proven experience related to the EITI.
- Knowledge of the oil, gas and mining sectors or other natural resources sectors, preferably in [country].
- A demonstrable track record in similar work.
- [Add information about any other skills and competencies required, staff days etc.]

6. Administrative arrangements

[Add information about reporting lines, support to the consultant during the assignment, other logistical and administrative arrangements to be provided by the MSG.]

7. Reference materials:

- The EITI Standard, in particular Requirements 2 -5, <http://eiti.org/document/standard>;
- EITI implementation guidance notes issued by the International Secretariat, <http://eiti.org/document/guidance-notes-implementing-countries>, in particular the guidance notes on scoping (#9) and defining materiality (#13). The consultant is advised to contact the EITI

International Secretariat for any questions or clarifications related to the EITI Standard and the implementation of the EITI requirements;

- Agreed upon procedures for Independent Administrators, including standard EITI reporting templates, available from the International Secretariat;
- [Implementing EITI for Impact: A Handbook for Policymakers and Stakeholders](#), in particular chapters 4 and 5;
- Examples of Scoping Studies, available from <http://eiti.org/document/guidance-notes-implementing-countries> and the International Secretariat; and
- [Add other relevant sources of information, including links to EITI Reports, information about licensing systems, on-line cadastres and registers, government webpages on legal, fiscal and administrative arrangements for the sector, etc.]

Annex A – information disclosures required by the EITI Standard

This annex summarises the information disclosures that are required by the EITI Standard and that should be assessed in the feasibility study. In undertaking the assessment, the consultant must refer to the detailed disclosure requirements outlined in the EITI Standard in order to ensure that all details are fully considered.

- The legal framework and fiscal regime governing the extractive industries (EITI Requirement 3.2);
- Key features of the extractive sector, including any significant exploration activities (EITI Requirement 3.3);
- Information about the contribution of the extractive industries to the economy for [year] in accordance with EITI Requirement 3.4;
- Production and export data (EITI Requirement 3.5);
- Where applicable, information about the role of state-owned enterprises (SOEs) in the extractive sector and the financial relationships between the government and the SOE, quasi-fiscal expenditures, and government ownership in oil, gas and mining companies operating in [country] (EITI Requirement 3.6).
- Information about revenue allocations and distribution of revenues in accordance with EITI Requirements 3.7 and 3.8;
- The availability and comprehensiveness of a public license register as well as information about license allocation processes and procedures (EITI Requirements 3.9 and 3.10);
- The availability of a public register of the beneficial owners of extractive companies (EITI Requirement 3.11);
- The [country's] policy and practices on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals and any reforms underway (Requirement 3.12);
- The revenue streams that must be disclosed in accordance with EITI Requirement 4.1 and 4.2. The analysis should cover:
 - The taxes and other revenue streams listed in 4.1.b;
 - Any revenues related to the sale of the state's share of production or other revenues collected in-kind (4.1.c),
 - Any revenues related to infrastructure provisions and other barter arrangements (4.1.d);
 - Any mandatory and voluntary social expenditures by extractive companies (4.1.e);
 - Any revenues related to transportation payments (4.1.f);
 - Any revenues collected by subnational government from oil, gas and mining companies (4.2.d);
 - Any transfers of extractive industry revenue between central and subnational levels of government (4.2.e); and
 - Any transactions between SOEs and other government agencies (4.2.c).