

Validation of LIBERIA
Validation Report
Sustainable Development Strategies Group (SDSG), Independent Validator
13 February 2017

1. BACKGROUND

Liberia lies on the West African coast, bordered by Sierra Leone on the northwest with Guinea to the north and Côte d'Ivoire to the east. Corruption and the mismanagement of its abundant natural resources – including iron ore, diamonds, gold, and timber – played a prominent role in fuelling the country's civil war from 1989 to 2003, and the extractive industries were virtually decimated by the violent conflict and international sanctions that followed. By the end of the civil war, Liberia had one of the lowest annual per-capita GDP of US\$135, an estimated 86% unemployment rate, and poverty afflicting over two-thirds of the population. Elections were held in 2005 and further governance reforms led in 2006 and 2009 to the lifting of UN sanctions against Liberia's timber and diamond exports, respectively. Economic sanctions by the US were also lifted in late 2015. Large-scale logging, agriculture (specifically rubber), and both large and small-scale mining have become principal drivers of economic growth in Liberia. The World Bank estimated that about half of the country's total area has been awarded for commercial land use, raising issues of overlapping or conflicting concession rights. There had also been growing interest since 2012 in offshore crude oil deposits along Liberia's coast. The Ebola crisis in 2014 and low commodity prices severely dampened investment interest such that only three active operators remained in 2016, including Exxon Mobil which expects to start drilling in 2017.

Liberia became an EITI candidate in 2007, consistent with the government's goal to improve transparency and management of revenues. A Multi-Stakeholder Steering Group was established, chaired by the Minister of Finance. Under President Ellen Johnson Sirleaf, LEITI evolved from policy to legislation through the LEITI Act in 2009 which mandated EITI participation for companies and government entities. Liberia became the first African country to be designated EITI compliant by the Board in October that same year. LEITI published EITI Reports for seven fiscal years from 2007 to 2014, a post-award process audit for two fiscal years, and a beneficial ownership report. Its EITI Reports cover the mining, petroleum, forestry, and agriculture sectors. The inclusion of quarrying is being considered as well. Liberia's latest EITI Report covering 2013-14 was published in June 2016. That same month, the EITI Board agreed that Liberia's Validation against the 2016 EITI Standard should commence on 1 July 2016.

Pursuant to the Validation Guide, the International Secretariat carried out the first phase of validation—initial data collection, stakeholder consultations, and preparation of their initial evaluation of progress against the EITI requirements (the "Initial Assessment"). SDSG was appointed as the independent Validator to evaluate whether the Secretariat's work was carried out in accordance with the Validation Guide. SDSG's principal responsibilities as Validator are to review and amend the Initial Assessment, as needed, and to summarize its independent review in this Validation Report for submission to the Board through the Validation Committee.

- **Work Performed by the Independent Validator**

The Secretariat's Initial Assessment was transmitted to SDSG on 3 January 2017. Our Validation Team undertook this phase of the Validation process through: (1) In-depth review and marking up of the EITI Assessment by each team member; (2) Detailed review and comments by the Multi-Stakeholder Specialist of Requirements 1 and 7; (3) Detailed review and comments by the Financial Specialist of Requirements 2 through 6; (4) Overall review and drafting coordination by the Team Leader; (5) Review of the comments from the MSSG; (6) Consolidation of detailed comments on the mark up of the Initial Assessment; and (7)

Consolidation of reviews and finalization of this Validation Report.

The SDSG Validation Team received on 27 January 2017 the comments of the LEITI National Secretariat on the International Secretariat's Initial Assessment. Their comments pertained mainly to the findings of inadequate compliance with respect to provisions 2.2 and 5.1, and are specifically addressed under Part 3. Other comments pertained to clarification of facts and interpretation of the requirements, both of which can be properly addressed, as appropriate, by the International Secretariat in the finalization of the Initial Assessment. We did not receive comments from the MSG.

- **Comments on the Limitations of the Validation**

Liberia is among the 14 countries undergoing the EITI Validation process that began in 2016. The time provided and the nature of this phase of the process do not readily accommodate further stakeholder outreach beyond the Secretariat, particularly when no requests for issues to be 'spot-checked' were received and given that the Independent Validator is not expected to duplicate data collection and consultation work completed by the Secretariat. Neither is it permitted to consider activities after 1 July 2016, per express directive of the Board. Notwithstanding these limitations, the Validation Team has carefully reviewed the Secretariat's Initial Assessment, the comments of the MSSG, and applicable references to determine Liberia's level of progress against the requirements of the 2016 Standard.

- **Comments on the International Secretariat's Initial Assessment**

The initial data collection, stakeholder consultations, and drafting of the Initial Assessment were generally undertaken by the International Secretariat in accordance with the 2016 Validation Guide. This entailed a desk review of relevant documents from 4-15 July and 15-21 August 2016, a country visit by a five-person team from the International Secretariat that conducted stakeholder consultations exclusively in the capital city of Monrovia on 21-26 August 2016, and the production of the Initial Assessment. These consultations focused principally on stakeholders in the capital who are already familiar with the EITI, and outreach to rural communities beyond the capital was not possible. Notwithstanding these limitations, and despite the inability to meet with a former civil society representative known to have certain dissenting views with respect to EITI, there was broader input in this Initial Assessment from stakeholders beyond the MSG as compared with other assessments conducted in 2016. This may be attributed to the fact that there were five members on the International Secretariat's team rather than the typical three. The team was identified by name, though it would be helpful to also indicate each member's level of familiarity or engagement with EITI in Liberia to confirm the appropriate balance in perspectives and experience.

2. GENERAL COMMENTS

- **Progress in EITI Implementation**

The Liberian government has consistently provided strong support for EITI through public statements, the LEITI Act of 2009 that empowers LEITI to do "whatever is necessary or expedient" to achieve its objectives, and direct funding for EITI reporting since 2009. The LEITI Act and a Policy Manual guide the MSG's operations. Key ministries and companies are members of the MSG, however, attendance is inconsistent, with proxies typically sent by the government. Coordination work and much of EITI implementation rely on the National Secretariat.

Civil society engagement in the EITI has been consistent, and is particularly evident in outreach, information dissemination, and in the MSG's work on license allocations and beneficial ownership. Industry participation in reporting is strong given that this is mandated by law. There is, however, little

evidence of either civil society or industry consulting with their broader constituencies. Nevertheless, LEITI has undertaken innovative outreach efforts, including the designation of local representatives in each of the Liberia's 15 counties and establishing an "Extractives learning club" for high school students.

Beyond the requirements of the Standard, EITI Reporting in Liberia covers four sectors – mining, oil and gas, agriculture, and forestry – and expects reporting of all payments by covered companies. Reporting is currently limited to the largest companies although all payments are required to be reported. Reporting companies covered about 99% of mining and oil revenues, which have risen dramatically since 2008. Despite the Ebola crisis that disrupted government operations in 2014, Liberia published EITI Reports, a beneficial ownership study, a quarrying scoping study, and a simplified contracts matrix. Reporting has also been extended to publication of post-award process audits of licenses and permits.

LEITI remains constrained both financially and in terms of consistency of engagement. Government support has been reduced by over USD 100,000 to USD 664,000 in 2015-2016, supplemented by donor support of about USD 756,000 in 2015-16. Delays in budget approval for 2016-2017 have reduced operations of the MSG and LEITI Secretariat, although the government has provided limited funds through an emergency appropriation. The impact of the upcoming general elections in October 2017 presents some uncertainty with respect to government representation on the MSG.

Liberia's commitment to EITI was recognized when it was awarded the EITI Chair's award at the 4th EITI Global Conference in Doha in 2009. Implementation remains strong, notwithstanding serious obstacles such as the disruption from the Ebola crisis. Key concerns that need to be addressed include inconsistency of stakeholder engagement, budgetary constraints, and delayed development of the work plan and implementation of work plan activities. On the whole, however, Liberia continues to demonstrate its commitment to EITI and to expanding its scope, reach, and impacts.

- **Impact of EITI Implementation**

A clear impact of EITI in Liberia has been the expansion of its scope to four resource sectors, including forestry and agriculture, and to implementation in key areas beyond the minimum requirements of the Standard. LEITI's required reporting of all payments by covered companies and the publication of both the post-award process audits of licenses and simplified contracts matrix are LEITI initiatives that exceed EITI requirements, demonstrating these can be successfully implemented.

One of LEITI's most important contributions is building communication and trust among stakeholders, especially given the country's history of conflict. This is tied to access to credible information, and CSOs noted that prior to the EITI, communities did not know how much in resource revenues was paid to and received by the government. Stakeholders noted that this helps avoid conflict at the local level, where capacity has also been strengthened through LEITI local county representatives. They emphasized the importance of the simplified contracts matrix as a tool for public outreach and awareness. The more expansive scope of LEITI across four resource sectors positively impacts the comprehensiveness of reporting.

While government representatives conveyed that the EITI reflected their commitment to transparency, company representatives noted and welcomed the EITI as an institutional mechanism for communicating with host communities. Representatives from all stakeholder groups agreed that the most significant evidence of the impact of the EITI were the regional EITI roadshows held in counties with extractive activities, the high-profile LEITI maintained through billboard advertising, and the 15 designated county focal persons in dissemination and outreach. Internationally, LEITI has demonstrated that implementation can proceed despite difficult socio-economic conditions.

The Independent Validator's Assessment of Compliance

Figure 1 – Validator's assessment

EITI Requirements		LEVEL OF PROGRESS					Note
		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	
Categories	Requirements						
MSG oversight	Government engagement (#1.1)						
	Industry engagement (#1.2)						
	Civil society engagement (#1.3)						
	MSG governance (#1.4)						
	Work plan (#1.5)						
Licenses and contracts	Legal framework (#2.1)						
	License allocations (#2.2)		→				1
	License register (#2.3)						
	Policy on contract disclosure (#2.4)						
	Beneficial ownership (#2.5)						
	State participation (#2.6)						
Monitoring production	Exploration data (#3.1)						2
	Production data (#3.2)						
	Export data (#3.3)						
Revenue collection	Comprehensiveness (#4.1)						
	In-kind revenues (#4.2)						
	Barter agreements (#4.3)						
	Transportation revenues (#4.4)						3
	SOE transactions (#4.5)						4
	Direct subnational payments (#4.6)						
	Disaggregation (#4.7)						
	Data timeliness (#4.8)						
Data quality (#4.9)							
Revenue allocation	Revenue management & expenditures (#5.1)						
	Subnational transfers (#5.2)						
	Distribution of revenues (#5.3)						
Socio-economic contribution	Mandatory social expenditures (#6.1.a)						5
	Discretionary social expenditures (#6.1.b)						
	SOE quasi-fiscal expenditures (#6.2)		←				6
	Economic contribution (#6.3)						
Outcomes and impact	Public debate (#7.1)						
	Data accessibility (#7.2)						
	Follow up on recommendations (#7.3)						
	Outcomes/impact of implementation (#7.4)						

1-6: Please see Detailed Findings. 3: Previously found not applicable by the International Secretariat.

3. DETAILED FINDINGS

- 1.1 **Government engagement.** We agree that Liberia has made **SATISFACTORY** progress, noting the consistent support of the President. The government has also demonstrated its engagement through, among others, the enactment of the law on Liberia EITI (LEITI) and by providing continued budgetary support for implementation, albeit limited due to various constraints. Participation of ministry representatives on the MSG can be further institutionalized to avoid attendance by proxy, and to improve the consistency and effectiveness of their participation.
 - 1.2 **Company engagement.** We agree that Liberia's progress in implementing this provision is **SATISFACTORY**. Company engagement appears driven by both compliance with the LEITI Act and the ability of EITI processes to improve multi-stakeholder communications and help reduce local conflicts. There is no company representation, however, with respect to the agricultural sector. In general, company engagement can still be improved in terms of reporting, information dissemination and outreach, and consultations with the wider sub-constituency of companies.
 - 1.3 **Civil society engagement.** We agree that Liberia has made **SATISFACTORY** progress. CSOs are able to freely associate and assert their positions on extractive industry governance. CSOs on the MSG are engaged in its different operations and are particularly active in outreach and information dissemination activities both on the national and local levels. CSO engagement can be further strengthened by addressing their financial and capacity constraints, and by ensuring consultations with the wider sub-constituency of CSOs.
 - 1.4 **MSG Governance.** We agree that Liberia has made **MEANINGFUL** progress in meeting this requirement. LEITI has commendably developed both legislation and a policy manual that provide for the operationalization of the MSG. It has instituted a scorecard to monitor participation in MSG meetings. MSG governance can nevertheless still be improved by, among others, ensuring that all stakeholders are properly appointed and represented. Moreover, consultative mechanisms need to be developed and implemented to ensure that a broader spectrum of stakeholders (beyond the MSG members) is informed about EITI plans and activities.
 - 1.5 **Work Plan.** We agree with the International Secretariat's finding that Liberia's progress is **MEANINGFUL** in meeting this requirement. Delays in preparation of their work plan need to be addressed. More substantively, the MSG needs to ensure that the work plan responds to recommendations from the EITI Report and that its development is the product of consultations that extend not only to the MSG members but to their broader constituencies.
- 2.1 **Legal Framework and Fiscal Regime.** We agree that Liberia has made **SATISFACTORY** progress in meeting this requirement, noting that the EITI Report addresses the elements of this requirement with respect to the four sectors covered – mining, oil and gas, forestry, and agriculture.
 - 2.2 **License Allocations.** The information provided on the forestry sector is vague and indeterminate with respect to timing, and no information was provided for the agricultural sector. The National Secretariat clarified, however, that an annex to the EITI Report shows there were no awards or transfer of petroleum rights during the reporting period of 2013-2014, and that information on the process for awarding and transferring licenses may be found in their Post-Award Process Audit. In view of the foregoing, we disagree with the International Secretariat that Liberia's progress is inadequate in meeting this requirement and find that its progress is **MEANINGFUL**.

- 2.3 **Register of Licenses.** We agree with International Secretariat that Liberia has made **MEANINGFUL** progress in meeting this requirement. It has met most, but not all, of the elements under 2.3. Some inconsistencies and gaps in required disclosures exist across the four sectors, for example, with respect to dates of application for licenses, commodities covered, and license coordinates. Donor agencies have provided support in effectively creating two license cadastres. In addition to ensuring the completeness and correctness of disclosures, the MSG should also consider supporting donor collaboration to ensure that technical assistance from different development partners is harmonized and maximized.
- 2.4 **Contract Disclosures.** We agree with the International Secretariat that Liberia's progress is **SATISFACTORY** in meeting this requirement. The government's policy on contract disclosure is stated in the LEITI Act, complemented by the Freedom of Information Act. These are publicly available statements, corroborated by LEITI's Annual Activity Report and Annual Progress Report (although the latter two alone may not be considered sufficiently public nor available). Actual disclosure practices are also disclosed. The MSG should ensure that this information is discussed and documented in the next EITI Report.
- 2.5 **Beneficial Ownership (BO).** While Disclosure under this provision is **NOT YET APPLICABLE**, Liberia has taken significant measures to advance implementation thereof. There is ample documentation of the MSG's discussion of BO and of relevant preparatory work, including their December 2015 BO report covering all four sectors.
- 2.6 **State Participation in EI.** We agree that Liberia's progress under this requirement is **INADEQUATE**. Information is lacking on whether there are state-owned entities (SOEs) in the forestry and agricultural sectors. Whether and to what extent SOEs exist and operate in the mining sector is vague, with no discussion of applicable rules and practices. There is some discussion of SOE-related rules pertaining to the oil sector, but there is no clarification on state ownership in NOCAL nor documentation of whether transactions involving NOCAL were material.
- 3.1 **Overview of the Extractive Sector, including Exploration.** We disagree that Liberia has made satisfactory progress and find instead that its progress has been **MEANINGFUL**. Information is insufficient with respect artisanal and small-scale mining, forestry, and agriculture.
- 3.2 **Production Data.** We agree that Liberia has made **MEANINGFUL** progress. Not all of the required disclosures were made in the EITI Report, such as values of production, and the disclosures made are not fully disaggregated. Moreover, production was not discussed with respect to the forestry and agricultural sectors.
- 3.3 **Export Data.** We agree that Liberia has made **MEANINGFUL** progress. Not all of the required disclosures were made in the EITI Report, including export volumes, values, and location for certain commodities. Moreover, production was not discussed with respect to the agricultural sector.
- 4.1 **Comprehensiveness.** We agree with the International Secretariat's Initial Assessment that Liberia's progress is **MEANINGFUL**. Contrary to the express terms of 4.1, the MSG did not document its discussions, options, and agreement regarding materiality definitions and threshold. Neither did the MSG discuss and define the material revenue streams selected for reconciliation.
- 4.2 **In-Kind Revenues.** We agree that this requirement is Liberia is **NOT APPLICABLE** to Liberia, although the International Secretariat's Initial Assessment focuses only on the oil and gas sector,

which presumably means that no such revenues exist in the mining, forestry, and agricultural sectors. It is recommended that the next EITI Report clarify or confirm this.

- 4.3 **Infrastructure Provisions and Barter Arrangements.** We agree with the International Secretariat that Liberia has made **NO PROGRESS** in implementing this requirement. Based on stakeholder input, provisions related to infrastructure development are not found in oil and gas Production Sharing Contracts, but may be found in several Mining Development Agreements. The EITI Report did not, however, refer to any such provisions. Moreover, there is no discussion on this requirement pertaining to the forestry and agricultural sectors.
- 4.4 **Transportation Revenues.** We disagree that this provision is not applicable to Liberia and find that progress is **INADEQUATE**. There is some discussion of transportation revenues related to the forestry sector, but no documented discussion by the MSG on whether these are material. Neither was there discussion by the MSG on this issue with respect to the agricultural sector. There would typically be fees associated with ore transport permits in the mining sector, but there is no discussion of regulatory or permitting fees collected for transporting ore in the same manner as this was discussed for forestry.
- 4.5 **Transactions Related to SOEs.** We disagree that Liberia has made satisfactory progress and find instead that its progress has been **MEANINGFUL**. The required disclosures are incomplete, for example, there is insufficient information about ad hoc transfers from NOCAL. Moreover, there is no consideration of this issue as it may pertain to the forestry and agricultural sectors.
- 4.6 **Subnational Payments.** We agree that this provision is **NOT APPLICABLE** to Liberia. As discussed in the Initial Assessment, the EITI Report and supporting documentation indicate that companies did not make any subnational payments in the reporting year. Based on a spot check of external sources (including Natural Resources Governance Institute and the World Bank), it appears to be the case that fees of a more local nature – such as business permits, real property taxes, and occupancy fees – are remitted centrally. The next EITI Report should confirm this across all four sectors, given the importance of community issues and relevant initiatives such as the National Forestry Reform Law and the Artisanal and Small-Scale Mining Regulatory Roadmap.
- 4.7 **Level of Disaggregation.** We agree that Liberia has made **MEANINGFUL** progress. It has implemented most, but not all, of the requirements. Specifically, the EITI Report did not disaggregate data by government entity and the issue of project-level disaggregation is not addressed.
- 4.8 **Data timeliness.** We agree that Liberia’s progress has been **SATISFACTORY**. It was granted an extension by the EITI Board for its 2012-2013 EITI Report in light of the Ebola crisis. Its reports have otherwise been published within the allowable two-year period, although there is multi-stakeholder support for more frequent availability of data to enhance its usefulness.
- 4.9 **Data Quality and Assurance.** We agree that Liberia’s progress in implementing this provision has been **INADEQUATE**. The MSG did not undertake the required discussion and decision-making process regarding materiality thresholds and the scoping of material companies and revenue streams, thus deviating significantly from the standard Terms of Reference (TOR) and without prior Board approval. It effectively excused government entities and companies from confirming that their financial statements had been audited, and did not assess actual auditing practices and company assurances.

- 5.1 **Distribution of Extractive Industry Revenues.** The LEITI National Secretariat sought to clarify that the EITI Report sufficiently described the distribution of extractive sector revenues. We nevertheless agree with the International Secretariat that Liberia’s progress in implementing this provision has been **INADEQUATE**. The EITI Report does not comprehensively and explicitly disclose which extractives revenues are and are not recorded in the budget. There are clearly “off-budget” extractive revenues and links to applicable financial or other reports are not provided.
- 5.2 **Subnational Transfers.** We agree with the International Secretariat that this provision is not applicable to the mining and oil and gas sectors in Liberia, however, information is insufficient to make a finding with respect to the forestry and agricultural sectors. A spot check revealed, for example, that Liberia’s Forestry Reform Law of 2006 requires the Forest Development Authority to allocate a percentage of land rental fees to affected communities through the National Benefit Sharing Trust. Further analysis is needed to determine if this is a subnational transfer within the purview of this provision. The next EITI Report should examine this issue more closely in the context of all the sectors covered, both for compliance with disclosure requirements and because this is of particular importance for communities and the broader impact of EITI.
- 5.3 **Revenue management and expenditures.** This provision is **NOT APPLICABLE** as disclosure under this requirement is not yet considered in the overall assessment of compliance.
- 6.1 **Social Expenditures by Extractive Companies.** We agree with the International Secretariat’s factual findings in its Initial Assessment, but disagree with its conclusion that Liberia’s progress has been meaningful. We find that Liberia’s progress in implementing this provision has been **INADEQUATE** given that most of the requirements under this provision are unmet. The MSG neither discussed nor documented the issue of materiality with respect to this requirement. Disclosures of such expenditures are insufficient with respect to their nature and deemed value of in-kind benefits.
- 6.2 **Quasi-fiscal expenditures.** We disagree that Liberia’s progress is inadequate and find instead that it has made **NO PROGRESS**. The MSG did not discuss or document the issue of materiality with respect to this requirement, nor did it develop a reporting process that took such expenditures into account. The MSG should clarify whether payments made by NOCAL to the University of Liberia constitute quasi-fiscal or mandatory social expenditures.
- 6.3 **Contribution of the Extractive Sector to the Economy.** The EITI Report provides broader and more responsive information across the four sectors, however, information is lacking on the extractive industries’ relative share of total government revenues and employment in the oil and gas sector. Moreover, further information should be disclosed with respect to informal activities. This is relevant given the scope and significance of the informal sector, particularly in mining, forestry, and agriculture. We thus agree that Liberia’s progress in implementing this provision has been **MEANINGFUL**.
- 7.1 **Public Debate.** We agree that Liberia’s progress has been **SATISFACTORY**, and its dissemination activities laudably reach broadly across counties and even to the youth through collaborative programs with schools. The MSG and civil society organizations are actively engaged in these initiatives. These efforts can be strengthened still, for example, through translation of communication materials to local languages and through increased collaborative participation of industry and government.

- 7.2 **Data Accessibility.** Disclosure under this requirement is encouraged and is thus not considered in the overall assessment of compliance. EITI Reports in Liberia are generally accessible in English and particularly in areas with internet access, however, further efforts will be needed to address the recommended actions under this Requirement 7.2 that will render data in EITI Reports more broadly accessible.
- 7.3 **Discrepancies and Recommendations from EITI Reports.** We agree that Liberia’s progress has been **SATISFACTORY**. There is sufficient documentation that the MSG has consistently discussed and considered the recommendations of EITI Reports, although it should take further efforts to address any discrepancies in reporting.
- 7.4 **Outcomes and Impact of EITI Implementation on NR Governance.** We agree that Liberia’s progress has been **MEANINGFUL**. The MSG has published Annual Activity Reports and Annual Progress Reports. These assess progress in workplan implementation, however, they have been used less in assessing impacts of EITI. Broader stakeholder participation in the development of these reports is not evident, particularly with respect to the wider constituencies of industry and civil society.

4. **RECOMMENDATIONS**

Following are the Secretariat’s overarching recommendations for improving EITI implementation in Liberia, with the Validation Team’s modifications and supplements in italics.

- 4.1 *The MSG should ensure consistency in reporting across the sectors covered by the reporting period. It should explore approaches for streamlining the presentation of inter-sectoral to prevent the EITI Report from becoming cumbersome and inaccessible.*
- 4.2 As a matter of priority, industry and civil society should agree constituency guidelines establishing robust mechanisms for consultations with their broader *constituencies*. The MSG should also review its governance documents considering current practices to ensure that the statutory rules are followed in practice, particularly in relation to the number of representatives that each constituency should have. To secure real high-level government participation, LEITI may wish to consider lowering the frequency of meetings – for example holding quarterly meetings – and/or lowering the level of government representation on the MSG except for the Chair.
- 4.3 The MSG is strongly encouraged to review its annual workplan and ensure that appropriate consultations are held with all three broader constituencies as a means of ensuring that the workplan objectives are aligned with national priorities. The MSG should also include more specific activities linked to following up on EITI recommendations.
- 4.4 *The government is encouraged to ensure that its high-level political commitment to engaging in EITI implementation is matched by operational engagement by line ministries in oversight, outreach and dissemination.*
- 4.5 *The CSOs actively engaged in EITI implementation may wish to consider means of strengthening their outreach on EITI issues beyond dissemination of EITI Reports, to enhance the inclusiveness of the EITI process and ensure local demands for information are taken into account in national MSG discussions*
- 4.6 *The industry constituency is encouraged to formalise mechanism for consultations and coordination of*

its stakeholders, with a view to improving companies engagement in EITI-related outreach and dissemination.

- 4.7 In light of the significance of off-budget revenues, the MSG should ensure that future EITI Reports clearly identify revenue streams that are not recorded in the national budget and explain the allocation of such off-budget revenues. It is also encouraged to consider using future EITI Reports as a means of tracking implementation of the International Monetary Fund's Government Finance Statistics (GFS) classifications for extractives revenues.
- 4.8 In preparing its next EITI Report, the MSG should *comprehensively discuss the issue of materiality, and ensure that its discussions and decisions are well documented.* The MSG should base its materiality discussion on the government's full disclosure of all extractives revenues collected, including those off-budget, and specify a clear materiality threshold for selecting revenue streams for reconciliation. The MSG should adhere to clear agreed definitions of payment types. The MSG should also ensure that government's full unilateral disclosure is presented disaggregated by revenue streams and that the assessment of the overall comprehensiveness of the EITI Report by the Independent Administrator (IA) be included.
- 4.9 The MSG should ensure any deviations from the standard TOR for the IA in future EITI Reports are non-material and should base its discussion of assurance procedures on an assessment of actual practice. The MSG may also wish to use recommendations of the EITI Report as a monitoring and evaluation platform for assessing progress in public and private-sector auditing practices, potentially liaising with INTOSAI and AFROSAI-E on extractives revenue auditing standards.
- 4.10 The MSG is urged to ensure that future EITI Reports *clearly* describe the actual practice of license awards and transfers in the period under review. Alternatively, the MSG should ensure that post-award process audit reports are published in a timelier manner. The MSG should ensure that future EITI Reports disclose the technical and financial criteria as well as the overall process for awarding and transferring licenses for any license, lease, title, permit, contract or concession by which the government confers on a company or individual rights to explore or exploit oil, gas and mineral resources. The MSG should also ensure that future EITI Reports disclose any deviations for licenses awarded or transferred in the year under review.
- 4.11 The MSG should work with the Ministry of Lands Mines and Energy (MLME) and the national oil company, NOCAL, to ensure that future EITI Reports provide information on commodities covered by mining licenses as well as disclose dates of application of oil and gas Production Sharing Contracts (PSCs) held by material companies. Alternatively, the MSG should ensure that future EITI Reports include references to where this information is publicly-available. The MSG could also consider opportunities to harmonise the databases of extractive industry companies across different government entities (MLME, the National Bureau of Concessions (NBC) and NOCAL) to ensure consistent license-holder information.
- 4.12 In preparing its next EITI Report, the MSG should undertake a more complete scoping of state participation in the mining and oil and gas sectors and describe NOCAL's relations with the state as well as the practice of off-budget expenditures. The MSG should assess the existence and materiality of quasi-fiscal expenditures and ensure that future EITI Reports comprehensively disclose any material quasi-fiscal expenditures under taken by NOCAL or in relation to state participation in the mining sector. The MSG may also wish to identify all types of payments made by NOCAL to different government entities to ensure that future EITI Reports disclose any ad hoc transfers by state owned

enterprises (SOEs).

- 4.13 *The MSG should ensure that future EITI Reports disclose the value of production for all commodities produced and the export volumes for all commodities exported.*
- 4.14 The MSG should ensure that future EITI Reports clarify the full scope of mandatory social expenditures in Liberia's mining, oil and gas sectors. Reporting of mandatory social expenditures should be disaggregated by type of payment and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures. The MSG may also wish to consider the feasibility of reconciling mandatory social expenditure disclosures and, subject to the three stakeholder groups' agreement, consider establishing a robust framework for reporting voluntary social expenditures.
- 4.15 The MSG should assess the existence of infrastructure provisions during the scoping phase to ensure that companies' disclosures are categorised according to strict definitions.
- 4.16 Liaising with relevant government entities, the MSG should ensure that future EITI Reports provide the extractive industries' share of total government revenues and employment data in the oil and gas sector for the period under review. The MSG may also wish to agree a definition of extractive industry employment, considering whether to include non-permanent staff for instance, and consider ways of publishing this information in a timelier manner online.
- 4.17 The MSG should consider expanding its review of the legal and fiscal environment to include more informative updates on ongoing or planned reforms. It should also expand future EITI Reports' description of informal extractive industry activities *across the four sectors of mining, petroleum, forestry, and agriculture.*
- 4.18 The MSG should ensure that reconciled data is disaggregated by individual company, revenue stream and receiving government entity either in future EITI Reports or on the LEITI website.
- 4.19 The MSG should clarify government policy on beneficial ownership (BO) disclosure, actual disclosure practices and any planned or ongoing reforms. The MSG will also need to agree Liberia's three-year BO roadmap by 1 January 2017.
- 4.20 To continue improving, LEITI should consider ways to ensure that other stakeholders are encouraged to participate more actively in the development of communications strategies instead of only dissemination activities. Government, parliamentary and industry stakeholders should participate more actively alongside civil society and the secretariat in developing communications strategies that look beyond dissemination and outreach. The MSG may wish to consider establishing more formal mechanisms for subnational consultations to provide input to national EITI discussions in order to ensure discussions at the local level are reflected in MSG discussions.
- 4.21 The MSG is encouraged to further entrench extractive sector transparency in government systems and take steps towards more frequent publication of EITI information. The MSG could consider undertaking a study to identify what information required to be disclosed under the EITI Standard is already publicly available and what information is not yet routinely disclosed. Opportunities for providing more EITI data in open data formats should also be explored.
