

For decision

For discussion

For information

Mauritania Validation

Summary

The Validation Committee recommends that the EITI Board agrees that Mauritania has made meaningful progress in implementing the 2016 EITI Standard. In accordance with requirement 8.3.c.iv, Mauritania will be considered an EITI Candidate and requested to undertake corrective actions until the second Validation.

MAURITANIA VALIDATION

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Supporting documentation

[Validation Report](#)

[Comments on the Validation Report by the MSG](#)

[Initial assessment by the International Secretariat](#)

[Comments on the Initial Assessment by the MSG](#)

Has the EITI competence for any proposed actions been considered?

The Articles of Association mandate the Board to classify implementing countries as candidate countries or compliant countries (Article 5(2)(i)(a)). The EITI Standard ([Requirement 8.3](#)) addresses [EITI Validation deadlines and the consequences](#) following Validation.

Financial implications of any actions

The recommendation implies a second Validation commencing in early 2018. The cost of second Validations varies depending on the size of the country and the extractive industries and the scope of the corrective actions. In this case, a second Validation is expected to cost circa 25 000 USD, including staff time, travel and the cost of engaging the Independent Validator.

Document history

Comparison table and supporting documentation reviewed by the Validation Committee	15 February 2017
Validation Committee agreement on a Board Paper	21 February 2017
Submitted to the EITI Board	22 February 2017

Recommendation

The Validation Committee makes the following recommendation to the EITI Board:

The Board agrees that Mauritania has made meaningful progress overall in implementing the 2016 EITI Standard. In taking this decision the EITI Board commended the efforts of the Mauritanian EITI National Committee (MSG) to play a proactive role in the national natural resource governance debate and to follow up on recommendations from the EITI reporting process. The EITI Board also noted the MSG's active engagement with stakeholders such as the Prime Minister's Office to actively follow up on EITI recommendations, as well as the efforts to go beyond the EITI's requirements on bringing transparency to other sectors such as fisheries. The EITI Board highlighted that the EITI has provided a positive platform for driving reforms in the mining, oil and gas sector as well as public finance management. The EITI Board was encouraged by the government's efforts to make government systems more transparent and

accountable and urged the MSG to work towards further mainstreaming EITI disclosures.

The Board's determination of Mauritania's progress with the EITI's requirements is outlined in the assessment card, below. The EITI Board agreed that Mauritania had not made satisfactory progress on requirements 1.4, 1.5, 2.2, 2.3, 2.4, 2.6, 4.1, 4.9, 5.1, 5.2 and 7.4. The major areas of concern relate to MSG governance (#1.4), workplan (#1.5), license allocations (#2.2), license registers (#2.3), contract disclosure (#2.4), state participation (#2.6), comprehensiveness (#4.1), data quality (#4.9), revenue management and expenditure (#5.1), subnational transfers (#5.2) and review of outcomes and impact (#7.4). The EITI Board disagreed with the validator on the following requirements: civil society engagement (#1.3), barter and infrastructure agreements (#4.3), subnational transfers (#5.2), social expenditures (#6.1), quasi-fiscal expenditures (#6.2) and contribution to the economy (#6.3).¹

Accordingly, the EITI Board agreed that Mauritania will need to take corrective actions outlined below. Progress with the corrective actions will be assessed in a second validation commencing on <date of Board decision + 18 months>. Failure to achieve meaningful progress with considerable improvements across several individual requirements in the second Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, the MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

The Board's decision followed a Validation that commenced on 1 July 2016. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed an Independent Validator, who submitted a Validation Report to the EITI Board. Mauritania's MSG was invited to comment throughout the process. The MSG's comments on the report were taken into consideration. The final decision was taken by the EITI Board.

Background

The Government of Mauritania first announced its first commitment to the EITI in September 2005. A multi-stakeholder group, the National EITI Committee (MSG) was formed in September 2006 and the country was accepted as an EITI Candidate in September 2007 and Compliant under the EITI Rules in February 2012. Mauritania has published EITI Reports covering a total of nine fiscal years (2006 – 2014).

The Validation process commenced on 1 July 2016. In accordance with the Validation procedures, an [initial assessment](#) was prepared by the International Secretariat. The MSG were invited to comment. [Comments](#) were received from the MSG. The assessment was then reviewed by the Independent Validator, who prepared the [Validation Report](#). The MSG were invited to comment on the Report. Again, [comments](#) were received from the MSG.

The Validation Committee reviewed the case on 15 February 2017. Based on the findings above, the Validation Committee agreed to recommend the assessment card and corrective actions outlined below.

¹ As per the VC minutes of 15 February 2017, available from [link].

The Committee also agreed to recommend an overall assessment of “meaningful progress” in implementing the 2016 EITI Standard. Requirement 8.3.c. of the EITI Standard states that:

ii. Overall assessments. Pursuant to the Validation Process, the EITI Board will make an assessment of overall compliance with all requirements in the EITI Standard.

...

iii (c) **Meaningful progress.** The country will be considered an EITI Candidate and requested to undertake corrective actions until the second validation.








The Validation Committee agreed to recommend a period of 18 months to undertake the corrective actions. This recommendation takes into account the complexity of corrective actions, and seeks to align the Validation deadline with the deadline for the next (2016) EITI Report.

Assessment card

The Validation Committee recommends the following assessment:

EITI Requirements		LEVEL OF PROGRESS				
		No	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)					
	Workplan (#1.5)					
Licenses and contracts	Legal framework (#2.1)					
	License allocations (#2.2)					
	License register (#2.3)					
	Policy on contract disclosure (#2.4)					
	Beneficial ownership (#2.5)					
	State participation (#2.6)					
Monitoring production	Exploration data (#3.1)					
	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)					
	SOE transactions (#4.5)					
	Direct subnational payments (#4.6)					
	Disaggregation (#4.7)					
	Data timeliness (#4.8)					
	Data quality (#4.9)					
Revenue allocation	Revenue management and expenditures (#5.1)					
	Subnational transfers (#5.2)					
	Distribution of revenues (#5.3)					
Socio-economic contribution	Mandatory social expenditures (#6.1.a)					
	Discretionary social expenditures (#6.1.b)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1)					
	Data accessibility (#7.2)					
	Follow up on recommendations (#7.3)					
	Outcomes and impact of implementation (#7.4)					
Overall assessment	Meaningful progress					

Legend to the assessment card

	No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
	Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
	Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
	Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	Beyond. The country has gone beyond the requirements.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

Corrective Actions

The EITI Board agreed the following corrective actions. Progress in addressing these corrective actions will be assessed in a second Validation commencing on <date of Board decision + 18 months>:

1. In accordance with requirement 1.3a, the MSG should ensure that civil society is fully, actively and effectively engaged in the EITI process.
2. In accordance with requirement 1.4.a.ii, the MSG should ensure that its procedures for nominating and changing multi-stakeholder group representatives are public and confirm the right of each stakeholder group to appoint its own representatives. In accordance with requirement 1.4.b.ii and 1.4.b.iii, the MSG should undertake effective outreach activities with civil society groups and companies, including through communication such as media, website and letters, informing stakeholders of the government's commitment to implement the EITI, and the central role of companies and civil society. Members of the MSG should liaise with their constituency groups. In accordance with requirement 1.4.b.vi, the MSG should ensure an inclusive decision-making process throughout implementation, particularly as concerns industry. In accordance with requirement 1.4.b.vii the MSG should ensure timely announcement of meetings and circulation of documents. It should also ensure written records of its discussions and decisions are kept, in accordance with requirement 1.4.b.viii.
3. In accordance with requirement 1.5.a, the MSG should maintain a current work plan that sets EITI implementation objectives that reflect national priorities for the extractive industries. In accordance with requirement 1.5.b, the work plan must reflect the results of consultations with key stakeholders.
4. In accordance with requirement 2.2.a, the government should ensure annual disclosure of which mining, oil, and gas licenses were awarded and transferred during the year, highlighting the technical and financial requirements and any non-trivial deviations from the applicable legal and

regulatory framework governing license awards and transfers. In accordance with requirement 2.3, the government should also ensure that the dates of application, commodities covered and coordinates for all oil, gas and mining licenses held by material companies are publicly available.

5. In accordance with requirement 2.4.b, the MSG is required to document the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals through the EITI Report. This should include relevant legal provisions, any reforms that are planned or underway as well as an overview of contracts already published.
6. In accordance with requirement 2.6, the MSG should provide an explanation of the prevailing rules and practices related to SOEs' retained earnings and reinvestment. The government should also ensure annual disclosure of any changes in government ownership in SOEs or their subsidiaries as well as terms associated with their equity, and provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies. In accordance with requirement 6.2, the MSG should consider the existence and materiality of any quasi-fiscal expenditures undertaken by SOEs and subsidiaries in the extractive industries and ensure that all material quasi-fiscal expenditures are disclosed.
7. In accordance with requirement 4.1.c, the MSG should ensure that the Independent Administrator assesses the materiality of non-reporting companies and government entities as well as provide its opinion on the comprehensiveness of the EITI Report. The MSG should also ensure that aggregate information about the amount of total revenues received from each of the benefit streams agreed in the scope of the EITI Report, including revenues that fall below agreed materiality thresholds, be provided by government, in accordance with requirement 4.1.d.
8. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:
 - a. examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards² in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his/her professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator's inception report should document the options considered and the rationale for the assurances to be provided.
 - b. ensure that the Independent Administrator provides an assessment of

² For example, ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; ISRS 4400 relative to the engagement to perform agreed-upon procedures regarding financial information and ISRS 4410 relative to compilation engagements.

comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.

- c. ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.
9. In accordance with requirement 5.1.a, the MSG should ensure that the allocation of extractives revenues not recorded in the national are explained, with links provided to relevant financial reports as applicable.
 10. In accordance with requirement 5.2.a, the MSG should assess the materiality of subnational transfers prior to data collection and ensure that the specific formula for calculating transfers to individual local governments be disclosed, to support an assessment of discrepancies between budgeted and executed subnational transfers.
 11. In accordance with requirement 6.1.a, the MSG should ensure that mandatory social expenditures are comprehensively disclosed once they become effective through implementing regulations.
 12. In accordance with requirements 6.3, the MSG should ensure that an estimate of informal mining activities be disclosed for the year(s) under review.

The MSG is encouraged to consider the other recommendations in the Validator's Report and the International Secretariat's initial assessment, and to document the MSG's responses to these recommendations in the next annual progress report.