EITI in the next 3-5 years: Issues for consideration

Summary:

The EITI Standard in May 2013 was a major step forward in terms of strengthening the EITI's relevance and potential to contribute to improved governance in the extractive industries. But inevitably, certain issues were left unaddressed or have emerged as countries have begun implementing the EITI Standard. The EITI could do more to ensure that transparent extractives reporting is embedded in government and company reporting systems, that implementation is less burdensome while at the same time ensuring that the EITI delivers relevant and useful information. The review of quality and timeliness of the first EITI Reports under the Standard call for some refinements in the Standard and the assessment of implementation. Technical and financial assistance could be improved to better support implementation.

This paper attempts to outline some aspects that the EITI Board might wish to see included in a 3-5 year strategy. It identifies challenges and sketches ways forward. It does not seek to be a comprehensive list of issues for the Board to tackle in the years to come, nor does it seek to outline solutions. Rather it is meant to inspire a conversation about the direction of the EITI in the next couple of years.

EITI IN 3-5 YEARS: ISSUES FOR CONSIDERATION

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1   Introduction

The EITI Standard in May 2013 was a major step forward in terms of strengthening the EITI's relevance and potential to contribute to improved governance in the extractive industries. The early findings from the reporting in accordance with the Standard also suggests that the EITI is having greater impact (see for example the EITI Newsletter's February edition). As we learn more from the implementation of the Standard, it will be necessary with more in-depth analysis of the impact the EITI is having.

Already now it can however be concluded that certain issues were left unaddressed when the Standard was developed or have emerged as countries have begun implementing the EITI Standard. Rather than ensuring that information and data held by companies and government entities managing the sector is made transparent at source, EITI **reports** remain the primary vehicle for disclosure and transparency. Despite the improvements to the EITI Standard, there are opportunities for clarifying and strengthening some of the requirements both with regards to the structure of the EITI Standard as well as substantive policy issues such as beneficial ownership. The EITI may have come far in publishing data but has a long way to go to make this data more accessible and in using this data to inform public debate. Finally, with the expansion of the scope of the EITI Standard and EITI membership it seems timely to consider whether the current governance arrangements and support to implementation are appropriate.

The Scanteam review offers some recommendations on future technical and financial support (see Annex C). Some Board members have also called for a longer term strategy, including a longer term financial plan. This paper attempts to outline some of the issues that the EITI Board might wish to see included in a 3-5 year strategy. It identifies challenges and sketches ways forward. It does not seek to be a comprehensive list of issues for the Board to tackle in the years to come, nor does it seek to propose detailed solutions. Rather it is meant to inspire a conversation by the EITI Board about the direction of the EITI in the next couple of years. It

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2.1 Increasing impact

2.1.1 Mainstreaming the EITI in government systems and corporate reporting

It is proposed that the EITI Board considers increasing the focus on mainstreaming and integrating the EITI in government and company reporting systems. Should the EITI Standard be refined so that with time the required output is not a transparent EITI report, but transparent systems? Should a pilot be established? Can scoping studies, guidance materials and other support to implementation be better geared towards mainstreaming?

There is no doubt that the EITI Reports have and continue to be an important tool for bringing about transparency to how the extractive sector in implementing countries are governed. To date revenue data from more than 234 fiscal years have become transparent through EITI reporting. However, in the long term, extractive industry transparency should not be confined to the EITI and expensive reconciliation exercises, but become an integral part of how governments manage their sector. According to a survey undertaken by the Secretariat, EITI reports cost an average of US$130kdepending significantly on scope and country circumstances. These costs could be reduced if the EITI was mainstreamed into routine company and government reporting. It is also important to not lose sight of the overarching aim of transparency and reliable data – not reconciliation by an independent administrator.

Rather than simply relying on the EITI reporting mechanism to bring about transparency, governments implementing the EITI could to a greater extent make the information required by the EITI Standard available through government and corporate reporting systems such as databases, websites, annual reports, portals etc. EITI reports would then be less about compiling data, and more about summarising and analysing data that is already in the public domain. In some cases such as in Kazakhstan, there might already be reporting mechanisms in place that the EITI can build on. In other cases, such as Myanmar, such systems may not exist and need to be built. In Indonesia such systems exist, but are incomplete and require improvements. Non-reporting related aspects of the EITI, such as oversight by the multi-stakeholder group would still be maintained, not least given the important role that the MSG plays in trust building, discussing identified reforms resulting from disclosure of EITI data, and furthering the conversation about transparency and accountability in implementing countries.

Mandatory reporting requirements will increasingly make company figures publicly available. Some companies are also publishing financial data in annual reports etc. Data collection and publication through EITI reporting will still in many countries be a necessary medium-term solution, but should not replace, duplicate or slow down work towards the longer term goal of transparent, comprehensive and reliable data on licenses, production, revenues and so forth entrenched in government systems. Countries like Timor Leste have already decided to begin work on mainstreaming their EITI disclosures, and other countries like Norway and Peru have expressed an interest. The Board could consider establishing a pilot with the objectives of testing different approaches to more mainstreamed transparency.

The EITI Standard is relatively quiet on mainstreaming[1]. It encourages MSGs to "where legally and technically feasible, consider automated online disclosure of extractive revenues and payments by governments and companies on a continuous basis. This may include cases where extractive revenue data is already published regularly by government or where national taxation systems are trending towards online tax assessments and payments. Such continuous government reporting could be viewed as interim reporting, and as an integral feature of the national EITI process which is captured by the reconciled EITI Report issued annually" (Requirement 6.2.c). For some EITI Requirements such as e.g. license registers or beneficial ownership, the EITI Standard notes that "where the information is already publicly available, it is sufficient to include a reference or link in the EITI Report." However, the majority of the EITI requirements use the wording "the EITI Report must disclose…", making it mandatory for the EITI Report to include data that may already be publicly disclosed by the government. Without changing the intent of the EITI Standard, some revisions would thus be necessary in order to gradually move away from long, stand-alone EITI Reports to transparent systems where the EITI Report rather becomes a tool for summarising and highlighting key issues for public debate as well as checking that government systems work as they should. For example, there seems to be little justification for Norway to continue year after year with reconciliation reports, when it has been demonstrated that effective and transparent systems are in place.

The MSG is required to address the scope of EITI reporting when developing their workplans (Requirement 1.4.c.ii). While more onerous scoping requirements should be avoided, the EITI could encourage implementing countries to undertake baseline assessments of gaps and opportunities in existing government reporting systems in order to identify where improvements are needed as well as inform EITI reporting needs. This could easily be done by tweaking the focus of current scoping studies (see Annex A).

It should also be noted that in future validations, validators are asked to highlight opportunities for mainstreaming in accordance with the new TOR for validators. These recommendations can be useful pointers to MSGs as they develop their workplans and consider approaches for complying with the EITI requirements.

The current provisions related to adapted implementation (requirement 1.5) could potentially become relevant and provide a basis in the Standard for implementing countries further integrating their reporting. However, the provision would need to be amended, as it is written with exceptional circumstances in mind. It does for example not seem appropriate that Norway seeks adapted implementation with reference to its exceptionally good systems.

2.1.2   Informing policy dialogue
It is proposed that the EITI Board considers how the EITI can better support public debate, policy dialogue and reforms in implementing countries. How can EITI data become more timely and used? How can the EITI contribute to build capacity of stakeholders to analyse and interpret EITI data? How can governments and MSGs be incentivised to follow up on recommendations from EITI reporting and validation?

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[1] The EITI Principles call for: "We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business" (Principle 9); and "We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use" (Principle 10).

One of the assumptions underpinning the EITI is that transparency will enable public debate about how the extractive sector is managed, which again may influence policy dialogue and reform towards better governance. Despite more than 200 fiscal years of EITI reporting, EITI data is still not generating debate in many countries. Only in some cases have the findings of EITI reports contributed to reform. While the expansion of the EITI Standard to cover other parts of the extractive industry value chain and a greater focus on national priorities in MSG workplans are generating information that will be more pertinent to current policy debates in implementing countries, some challenges remain.

Firstly, **EITI data needs to become more timely**. The EITI Standard requires data that is no older than the second to the last complete accounting period (e.g. 2012 data by end 2014), but encourages countries to publish the data as soon as practically possible (EITI Requirement 2). Research by the International Secretariat shows that the average time needed to produce an EITI Report is ten months[2]. However, most countries still typically take nearly two years from the end of the financial year until an EITI Report is published with data from that year. Of the time needed to produce a report, a significant proportion is often devoted to the procurement of the Independent Administrator. More could be done to support countries to produce more timely data, be it through multiple year contracts with Independent Administrators, more automated and mainstreamed disclosures, or simply ensuring that procurement processes start earlier. While financial data sometimes take longer to release because of auditing procedures, countries could be encouraged to release more up-to-date contextual information. For further details on timeliness of EITI data, please see Annex B.

Second, **EITI data needs to be more accessible**. In line with the EITI Standard, more countries are making data files available, although this is still not common practice. Too much of the detailed EITI data is locked in pdf reports, and more work is needed on the development of data standards so that data can be made available in a consistent and comparable format. The International Secretariat is for the first time collecting summary data from EITI reports, using a summary template developed together with the IMF and applying IMF's Government Finance Statistics (GFS) standard. The World Bank together with the IMF has also launched a pilot project on embedding extractives revenue reporting in government systems. Further efforts are required, including efforts to increase accessibility for stakeholders without internet access through tools such as information centres, infographics, sms and apps, etc.

Third, there is a need to **build the capacity of stakeholders, in particular national civil society including the media, faith groups and parliamentarians,** to make use of EITI data and increase their knowledge of how the extractive sector works. As highlighted in the Scanteam report, "the weakest party remains civil society, both the CSO representatives on the MSGs – often because the links back to their own constituency is problematic and suffers from resources and skill to maintain close communication – but also because what is termed the CSO community is very heterogeneous, within and across countries. The demand for continued and strengthened capacity development for civil society thus has many different sources – but the need is undoubtedly there and far from addressed" (p.2-3). The report goes on to recommend further capacity building. Training and cross-country exchanges between civil society organisations that are involved in the EITI is of course already being provided and facilitated by actors such as NRGI, PWYP and others, even if this is not enough to satisfy the demand. The Secretariat can do more to facilitate mentoring and twinning between EITI

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[2] Ref. Annex B Review of quality and timeliness of EITI Reporting.

civil society constituencies as has happened e.g. between the Bantay Kita CSO coalition in the Philippines and the PNG EITI CSO constituency. When it comes to MDTF funds earmarked for civil society support, there has been little involvement by the International Secretariat in terms of input or guiding conversations about the use of such funds in country. More of these funds can probably be directed towards use of data. The Board may also wish to consider steps to strengthen civil society representation on MSGs, making sure that it reflects the diversity of civil society in implementing countries, including potential users of more technical data such as academia and parliamentarians as well as local community groups and others that are directly affected by the extraction. The **capacity of government officials** to follow up on the results from EITI report also requires strengthening in order to ensure that weaknesses that have been identified are acted upon and considered as part as wider reform efforts. Supporting organisations such as e.g. the World Bank that run broader technical assistance programmes in the sector could to a greater extent contribute to ensure that such reform needs are addressed as part of their support, when relevant.

Finally, in order to ensure that weaknesses in government systems and other findings from EITI Reports lead to change, the EITI Standard requires that the **MSG takes steps to act on lessons learnt, including considering recommendations for improvement** from the Independent Administrator and validator (EITI Requirement 7). In the majority of the cases the recommendations from the Independent Administrator are narrowly focused on the data collection and reconciliation process rather than offering suggestions for improving systems. Sometimes the recommendations even seem counterproductive, suggesting the creation of separate systems and databases for the EITI process or separate legal instruments for the EITI when in fact the objective should be greater integration. In some cases, e.g., Ghana, Liberia and Nigeria, the EITI reports have served as a diagnostic tool shedding light on deficiencies in tax collection procedures or other weaknesses and made useful policy recommendations for improving sector management. However, even in these situations there is a missing link between the recommendations and the public debate that might result from them, and actual uptake leading to reform. This issue warrants further attention not least if the EITI is ever to deliver on the aspirations set out in the EITI Principles.

Requirement 1.4.a says that "The [national EITI] workplan must set EITI implementation objectives that …reflect national priorities for the extractives sector". The lack of emphasis in the past on disclosing information that is relevant to national priorities for the extractive sector might be part of the reason why the findings of EITI reports in many cases have not been particularly useful to inform policy. Similarly, recommendations from validators have to date mainly focused on how countries can strengthen implementation vis-à-vis the EITI Requirements and have not included forward looking assessments and recommendations. In accordance with the new TOR for validators, validations will in the future include an assessment documenting **impact** and highlighting opportunities for the EITI to contribute to reforms. Even if the findings of these assessments will not have consequences for a country's compliance with the EITI requirements, the EITI Board might wish to reflect on how to handle the findings of such assessments, including how to ensure that the findings are adequately considered at national level, reflected in MSG workplans, etc. Countries are also required to produce annual activity reports that take stock of progress in delivering on the objectives for implementation and impact. The annual activity reports produced to date have been somewhat mechanical summaries of activities, rather than critical assessment of achievements and impact, and have likely been of limited use in implementing countries. It might be that tweaks such as changing the name of

these reports to 'annual impact reports' or 'annual progress reports', or introducing some element of peer review could help.

2.2 Adjustments and clarifications

2.2.1 Clarifying the EITI Standard

It is proposed that the EITI Board considers undertaking revisions to the EITI Standard with a view to strengthening and clarifying the current provisions. Is the current layout of the EITI Standard with its seven requirements comprehensible? Is there a need to clarify and strengthen some of the current requirements?

At the end of 2014, 22 countries had produced EITI Reports that address the EITI Standard. The reports are of varying quality. Some reports are weak on relatively basic issues such as data reliability and comprehensiveness. Based on the Secretariat's internal review of the reports (Annex B), it is questionable whether any country has produced a report under the Standard that would pass validation. Countries appear to struggle with the continuing challenges with data reliability and comprehensiveness, to new reporting areas like reporting on licenses and state-owned enterprises. However, there are also many encouraging practical examples of the implementation of the Standard for example in Kazakhstan's reporting on payments, tariff rates and other information related to transportation of oil and gas, Zambia's reporting on government ownership in mining operations, and Nigeria's reporting on beneficial ownership for mining companies. The increased focus on that EITI reports should address national priorities in the extractive sector is also visible in a number of reports. The Philippines has for example done extensive reporting on revenue sharing, FPIC[3] requirements and environmental aspects of mining, DRC is increasingly addressing artisanal and small scale mining and Ghana's report has a special focus on revenue management, including an assessment of the performance of the petroleum funds and state expenditure.

The EITI Board has agreed that it is not desirable to undertake any substantive revisions of the EITI Standard in 2015. However, the early lessons learnt from implementation of the Standard may offer some insight into potential minor refinements and revisions that the Board might wish to undertake both in the near and longer term. The Implementation Committee has in its 2015 workplan agreed to propose minor refinements of the EITI Standard in the lead up to the next Global Conference. These **revisions would mainly be of a clarifying nature**, seeking to address ambiguities or inconsistencies such as for example the challenges related to the current language in the requirement on license allocations identified during the development of the TOR for validators. The revisions would also seek to improve the presentation of the EITI Standard, aligning it with the value-chain layout adopted in the TOR for validators and integrating the revised civil society protocol.

Some policy issues on the horizon including **project-level reporting** might need to be addressed ahead of the next Global Conference depending on the developments in jurisdictions like the US. Countries will inevitably need time to transition from existing reporting formats to project level reporting, and it will be necessary to review consistency of local definitions of project versus global definitions. The outcomes of the **beneficial ownership** pilot should inform whether changes to the current provisions on beneficial ownership are needed, and possibly complemented with requirements on disclosure of shareholding and corporate tax identification numbers which is

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[3] Free, Prior and Informed Consent

becoming increasingly common in EITI reports. In light of the increasing engagement with **commodity trading** companies, there might be a case for strengthening the current encouragement to include buying companies in the EITI reporting process. As part of these revisions, the Board might also consider opportunities for the EITI Standard to further encourage mainstreaming EITI disclosures in government systems as mentioned above. In the longer-term, innovative implementation such as for example disclosure of information related to issues such as environmental protection, artisanal mining and natural resource reserves, is likely to continue to inform further refinements of the EITI Standard.

2.2.2 Validation

Early findings from the implementation of the Standard suggest that validation is unlikely to provide fair and objectives assessments. Does validation adequately take into account the diversity in membership? Is the nomenclature appropriate?

The Board recently agreed new Terms of Reference for validators. In 2015, eight countries are scheduled to undertake **validation** in accordance with the EITI Standard[4]. This will be an opportunity to test whether validation works as it should and whether the relatively crude met/unmet assessment is still the best way of evaluating performance against a highly ambitious standard, not least given the emphasis on national priorities and ownership. **One plausible scenario is that none of the countries scheduled to undertake validation this year will meet the requirements of the EITI Standard.** This does not necessarily mean that the bar is set too high, but could imply that countries need more time or that there needs to be a more sophisticated way of measuring progress, taking into account local realities and objectives.

As noted in the case study on Indonesia in the Scanteam review: "All interviewed stakeholders perceive the system of validation as unfair, lacking in sophistication, and to be demotivating given the required level of effort to progress. Even though 'meaningful progress' is indeed recognised, the system is perceived as unfair as the magnitude of national governance complexities is not comparable across nations. **Achieving compliance in a smaller and less complex governance context cannot reasonably be compared to its opposite**. A composite index system which recognised progress efforts, as well as compliance factors and possibly an assessment of subjective perceptions of national benefits of the initiative, may come closer to a fairer country assessment" (p.77).

Indeed, while the EITI Standard itself continues to evolve, the validation methodology has not seen major reforms. It was designed at a time when the EITI requirements related to revenue transparency was applicable to all member countries. **As the EITI Standard has become broader it has also become unevenly applicable.** In some countries like DRC or Indonesia nearly all provisions ranging from licensing rounds to state-owned companies to revenue sharing and barter arrangements are relevant. However, this is not true for countries with less complex sectors or centralised systems such as e.g. Burkina Faso or Tajikistan. The validation system does not take this diversity into account. As a result, it is quite likely that a country like the Solomon Island, despite having made relatively few efforts with implementation, could become compliant whereas a country like Mongolia that has put in considerable efforts over many years would not. This anomaly could be addressed if the validation assessment was more granular, looking at progress on various aspects of implementation e.g.

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[4]Azerbaijan (Q1 2015); Liberia and Solomon Islands (Q3 2015); Ghana, Kyrgyz Republic, Mongolia, Sao Tomé and Principe, and Timor Leste (Q4 2015).

licensing, social expenditures, revenue allocations, rather than expressed in absolute met/unmet terms. Where there is lack of progress, current sanctions such as delisting or suspension could still be maintained.

The Board considered options for changing the **nomenclature and other terminology** at its meeting in Mexico. In the absence of viable alternatives, it considered it appropriate to maintain the current concept of 'compliant' and 'candidate' with the EITI Requirements. As countries get validated under the EITI Standard, there will be a need to more carefully distinguish between countries that are 'candidate/compliant with the requirements of the EITI Rules' and countries that are 'candidate/compliant with the requirements of the EITI Standard'. In some cases a country that is compliant with the EITI rules may be downgraded because it has not yet met all the requirement of the EITI Standard. However, technically it may still comply with the same level of transparency as other countries that are compliant with the EITI Rules but have not yet been validated under the EITI Standard. It will take until 2018 until all countries that are currently candidate or compliant with the EITI Rules will have been validated under the EITI Standard. The Board might wish to consider alternative nomenclature for countries being validated under the EITI Standard. This could draw on the terminology that is already provided for in the EITI Standard, e.g. limited progress, meaningful progress, etc.

2.3   Improving procedures

2.3.1   EITI governance

It is proposed that the EITI's governance arrangements are reviewed. Is the EITI Board fit for purpose, or are reforms needed to reflect the evolving EITI Standard and membership? Are the national governance structures required by the EITI Standard appropriate to support implementation?

With 48 implementing countries, some 1150 persons serving on EITI national multi-stakeholder groups and about 400 working full time on the EITI, the EITI has grown significantly in recent years. This raises questions about whether the EITI has appropriate governance arrangements in place. The **EITI Board** is about to take several steps to review its **governance arrangements**, including a legal review of constituency guidelines, a self-assessment exercise as well as a governance review. Towards the end of 2015, the findings of these activities should shed light on any reform needs in terms of how the EITI Board is governed.

The governance review presents an opportunity to revisit Article 13 on the Functions of the Board. The functions are mostly about the functioning of the Association. Perhaps this is an opportunity for the Board to consider if it has more of a role in reviewing the progress of the implementing countries against the EITI Principles especially in respect of helping "public debate and informing choice of appropriate and realistic options for sustainable development (Principle 4); the practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure (Principle 8); "high standards of transparency and accountability in public life, government operations and in business" (Principle 9); and "all stakeholders have important and relevant contributions to make" (Principle 12).

One other issue that will likely need to be addressed in the near future is to ensure the adequate **implementing country voice and ownership**. What is required by implementing countries has

changed significantly since the EITI was established. However, the composition of the EITI Board and its governance structures has remained unchanged since its inception. The Articles of Association stipulate that only five (could be some more if supporting countries agree to it) of the 20 Board seats should be allocated to implementing countries. While this might have been deemed adequate in 2006, it may no longer be sufficient for an organisation working mainly with governments to improve how governments manage their extractive sector. In addition, the evolution of the EITI points to that new policy decisions and disclosure requirements are mainly geared towards government and less towards extractive companies. It is likely that greater implementing country representation would help ensure that future EITI policies and architectural changes are better grounded in the realities of the countries that implement the EITI.

Another potential way of strengthening implementing country voice is to ensure that other constituencies are also represented by individuals from implementing countries. The representatives from the industry constituency are currently all from multinational headquarters. It could be considered whether some seats should be given to representatives from country offices or to local companies given the importance of their practical experience from implementation. Similarly, three of the five civil society members currently come from implementing countries however they all represent the same international CSO coalition, PWYP, rather than their individual NGOs. Finally, now that an increasing number of supporting countries have become or are considering becoming implementing countries, it seems timely to consider whether this constituency could not e.g. be represented by the World Bank on behalf of the governments that support the EGPS.

There are presently over ninety oil, gas and mining **companies supporting the EITI at the international level**. This represents an important opportunity to influence company practice in the sector. At present, the only requirement for a company to become an international supporter is to publish a statement of support for the EITI Principles on the company website. Once the statement of support is live, a company page is created on the EITI website, the company is welcomed as an EITI Supporting Company and introduced to the appropriate sub-constituency. Supporting Companies are requested, not required, to make an annual voluntary contribution to the international management of the EITI. The Governance Committee is presently reviewing whether the conditions for companies expressing support for the EITI should be revised. Most specifically they are reviewing Article 5.5 which guides the Board on how a member's membership can be terminated and whether it can be extended to cover entry criteria. The Board might also consider the whether there is appropriate scrutiny of supporting company performance.

The EITI Standard strengthened the requirements related to **MSG governance,** including clearer requirements for MSG internal governance rules and procedures. Research by the International Secretariat shows that most MSGs appear to meet frequently enough – on average six meetings per year -to provide effective oversight of implementation. Most but not all MSGS have agreed Terms of Reference (TOR) for their work, although some of these are outdated and could include further revisions. However, a challenge in many countries is that the TOR and governance rules are not followed. Another issue is lack of attendance at MSG meetings, or that attendance and/or content are incentivised by high per diems. In some countries there is perhaps too high rotation of MSG members, while in others there are no term limits or rotation. In some countries, there might be a need for diversifying membership to include academia, parliamentarians etc.

While the current requirements related to MSGs and the procedures for assessing compliance might be adequate in the near term, the EITI might wish to reflect on the longer term role of the MSG overseeing the EITI process. In most circumstances it seems like the MSG will continue to be a useful tool for debating and encouraging better natural resource governance. However, if the EITI is to focus more on mainstreaming the EITI in government systems there appears to be a need for much closer coordination and collaboration between the MSG, the International Secretariat and other supporters, and key decision-makers in agencies involved in managing the extractive sector both. In some countries, high-level inter-agency teams have with mixed results been appointed to provide strategic direction and follow up on recommendations from the EITI process. In Myanmar for example, the EITI Leading Authority comprised of the six ministers involved in the extractive sector has been important for ensuring buy in and collaboration across government. With the expanded scope of the EITI Standard it is also possible to foresee a scenario where the MSG in countries with reform-oriented government could become an obstacle to further transparency rather than a driver for transparency.

Finally, while the EITI requires prior appointment of a senior individual to lead implementation**, there are no requirements that the EITI is institutionally embedded in government or that a national secretariat and coordinator is established prior to seeking EITI candidature**. A working-level government official is typically identified and this individual often continues on in the role as the 'national coordinator' once the country becomes an EITI Candidate. Establishing a national secretariat is commonly one of the first tasks that a Candidate country undertakes. In most countries, a national secretariat is also a prerequisite for the disbursement of MDTF funding. Slowness in establishing a secretariat has in some cases led to significant delays in making MDTF funding available.

In addition to any changes that may be considered to the rules and requirements related to governance, there are a number of other measures that can be taken that would improve the national implementing country ownership of the EITI. Implementing country representatives on the EITI Board could for example receive greater support from the International Secretariat. More could also be done to more formally seek the input and views of EITI national coordinators who follow implementation on a daily basis.

2.3.2   Support to EITI implementation

It is proposed that the Board considers the recommendations from the Scanteam Review and next steps (see annex C), including issues related to supporting implementation that were not addressed by Scanteam. Are the current arrangements with the World Bank providing financial support and the International Secretariat providing technical advice sustainable? Does the Secretariat have adequate resources to support implementation of the EITI Standard?

Financial support to implementation has so far been largely channelled through the MDTF, managed by the World Bank. Whilst regretting the slow disbursement of the funds, the Scanteam report seems to conclude that this responsibility should remain with the World Bank albeit under the new EGPS MDTF. As noted by Scanteam (p.5), it will be important that the EITI ensures that a minimum predictable funding for EITI implementation is in place so that implementing countries have some guarantee that there will be funding available. There should probably also be slightly more EITI involvement in the discussions around how grants are used. To date, conversations about what activities to spend MDTF grants on has mainly been between the World Bank TTL and the National Coordinator in implementing countries. When it comes to bank-executed grants, there are also certain policies preventing for example the use of MDTF funds for EITI reports.

The International Secretariat has only in a handful of cases directly funded in-country implementation activities. This has included a couple of scoping studies, financial support towards national conferences etc. in cases where MDTF funding has been delayed and support from other donors has not been forthcoming. The Scanteam report did not address this option. The EITI Board may wish to consider whether there should be a small funding pool managed by the International Secretariat that can be used for implementation support.

Funding is also sometimes provided by the governments that implement the EITI. In countries like Azerbaijan, Côte d'Ivoire, Guinea, Kazakhstan, Mongolia and Timor Leste, the EITI is either fully or partially funded by the government. The Scanteam report notes that:

> *"In a number of countries national authorities are stepping up to the plate with promises of funding, either through earmarked budget lines in the annual budget, or through extra-ordinary contributions. EITI MSGs are to prepare annual work plans with realistic budgets attached, and in many cases activities are foreseen to be funded by government. As reported from a number of countries, in many cases the promised funds either do not arrive, or arrive late so that activities have to be rushed at the end of the fiscal year or cannot be implemented as foreseen, or funding is reduced compared with the original promise. This variability in government funding may vary from one year to the next, so overall predictability is often poor. This in turn means that what may appear as a reasonably well designed annual work plan for EITI may largely be a compilation of wishes because the funding base is so uncertain. This constitutes a major challenge for long-term EITI implementation (…)* (p.35).

Scanteam goes on to recommend that as a part of an exit strategy:

> *"An agreed share of the revenues from the extractive industries can be channelled into an annual "control and oversight fund" that in principle should be overseen/allocated by Parliament. Certain rules-based allocations can then be made to key actors/activities: (i) national EITI body/activities – secretariat, reconciliation, communications and dissemination, (ii) a general capacity building fund to a civil-society managed umbrella fund for onward funding of capacity building activities, perhaps based on project proposals, or based on the EITI multi-annual work plans. By having the fundamental decisions taken by Parliament there will be more transparency in the decision making process hopefully based on a political debate, and the accountability will be to Parliament and not to the government, thus ensuring more independence for the EITI. This will also strengthen the statutory oversight and control function of Parliament, which is itself usually a positive step"* (p.51).

The EITI Board might wish to consider how to encourage increased levels of funding from implementing countries to increase ownership and responsibility for implementation. Under the EITI Rules, governments were required to finance at least 50% of the cost of validation. With the shift to funding of validation by the MDTF, there are currently no financial requirements of countries implementing the EITI. The Board could consider encouraging governments to put forward some funding for EITI implementation.

With regards to the **role of the international secretariat in supporting implementation**, the Scanteam report notes that "The EITI Board and International Secretariat remain the central bodies of knowledge, quality assurance and 'defender of the brand'. The IS will therefore also require capacity development over time, though in which direction will depend on how the larger EITI system grows and transforms, and how partnerships and divisions of labour with bodies like national/regional

knowledge centres and the World Bank develop" (p.5). The report goes on to recommend that "The EITI International Secretariat and the World Bank as knowledge centres should develop a common programme of support for EITI implementation at country level. Attention should be on how to address strategic and sector reform issues, develop the value chain focus, and identify other areas of common interest"(p.6).

As documented in the Scanteam review, it was envisaged that the World Bank would be responsible for most of the technical assistance related to EITI implementation. However, because the guidance requested by implementing countries was mainly related to EITI, the International Secretariat has become the body that provides the bulk of technical assistance with the World Bank mainly managing the funds for implementation. This **division of labour** should probably continue and be more clearly set out in the MoU between the EITI and the World Bank. As the EITI is growing both in scope and number of implementing countries, it does however have resource implications for the Secretariat. More broadly better alignment between World Bank support and Secretariat support to implementing countries as recommended by Scanteam is much needed. However, an issue that ought to be considered is potential conflicts between the interests of EITI MSGs and the wider interests of the World Bank in implementing countries. As EITI implementation becomes more closely linked to national priorities for the sector, implementation is increasingly touching on politically sensitive topics that organisations like the World Bank might not wish to be associated with for fear of jeopardizing larger projects. This is potentially problematic not least given the role that the World Bank plays in financing implementation activities.

Support to implementation is mainly carried out from Oslo. The Scanteam review suggests that the EITI should explore that a pilot contract with a regional knowledge hub to provide training and technical support to implementation (p.5). It goes on to say that "The IS should be able to free up time to focus on supporting such learning/training centres in the various regions, monitor their performance, serve as resource persons at major training events (as they do today), while addressing policy and strategy issues facing EITI, and then focus in-country visits for tackling and unblocking issues and political challenges. One proposal noted in this regard was whether the EITI IS should establish regional offices. Given its current size, this is probably not a good solution since the number of staff is so small that each office will not have the necessary "critical mass" of knowledge and experience required for sustained quality of work" (p.46). At the same time, Scanteam notes that hiring staff to work in Oslo is expensive (p.X). Scanteam does not offer any thoughts to the resources that would be required in order to build sufficient capacity of local training centres for these to be tasked with supporting implementation. Experience to date shows that, even with longstanding and trusted partners, there are often misunderstandings when it comes to explaining the EITI Requirements and providing good examples and advice. The resources needed to 'monitor and oversee' the work of local training providers would likely be considerable. While establishing regional offices would require careful planning, one option in the near term could be to pilot whether **regional presence,** e.g. one or two members of current secretariat staff based in one or two regions, would improve support to implementation.

A number of other agencies and organisations such as DFID, GIZ, Norwegians, NRGI and PWYP are of course also involved in supporting implementation. With the expanded scope of the EITI, coordination between those that have wider extractive sector support programmes in implementing countries will be more important than ever in order to maximize the potential contribution of the EITI and help facilitate better mainstreaming. While the technical aspects of EITI such as guidance on EITI rules,

feedback on EITI reports etc. are likely best covered by the International Secretariat for quality assurance reasons, there appears to be considerable demand from MSGs for support to deliver on activities that can help contribute to wider reforms. This includes a wide range of thematic areas such as for example beneficial ownership, state-owned enterprises, legal reforms etc. Where the MSG's work in these areas corresponds with support and expertise provided by other partners, more should be done to ensure exchange of information and coordination of support plans.

3   Next steps

This paper has sought to explore some of the issues that the EITI Board might wish to consider in developing a 3-5 year strategy. It is intended to inspire a Board discussion in Brazzaville identifying further issues and options. Following Brazzaville, the next step could be for the Implementation Committee to work on a more detailed set of proposed topics to include in the strategy, with a view to present a draft strategy to the Board at its meeting in October. Some of the issues identified might already be taken forward by this Board, while other issues might be handed over to the next Board. The design of the EITI Standard will clearly have significant consequences for the EITI's organisational planning. That will need to be revisited in the autumn. It may then be timely to develop a more detailed workplan.