

## EITI STANDARD CHAPTERS 4 & 5

Documenting progress for Validation

**Guidance Note** 

May 2021



This note has been issued by the EITI International Secretariat to provide guidance to implementing countries on meeting the requirements in the EITI Standard. Readers are advised to refer to the EITI Standard directly, and to contact the International Secretariat to seek further clarification.

For further information about EITI Validation, please contact Alex Gordy (agordy@eiti.org) at the EITI Secretariat.

EITI International Secretariat Rådhusgata 26, 0151 Oslo, Norway +47 222 00 800 secretariat@eiti.org

## Contents

Overview of EITI Validation Validation outcomes Consequences of Validation Validation procedure			
		How MSGs and national secretariats should prepare for Validation	12
		Templates for demonstrating progress	12
		Stakeholder engagement template	12
Transparency template	14		
Outcomes and impact template	15		
Timeline and steps	16		
Further resources	20		

## **Overview of EITI** Validation

Validation is an essential feature of EITI implementation. It provides stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. The Validation report also addresses the impact of the EITI, the implementation of activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for future implementation of the EITI.

Validation is one of the key tools that the EITI Board uses to verify whether implementing countries are delivering on their commitments. Through Validation, countries receive recognition for their efforts and progress. The revised Validation model, adopted in December 2020, seeks to strengthen the multi-stakeholder group's (MSG) oversight of EITI implementation. The new data collection tools associated with Validation can also be used by MSGs between Validations to exercise oversight of disclosures, stakeholder engagement and the outcomes and impact of EITI implementation. Validation provides a regular external assessment of progress that complements and supports the MSG's work.

<u>The Validation Guide</u><sup>1</sup> provides guidance on assessing progress towards meeting the EITI Requirements and templates for data collection. It indicates the objective of each EITI Requirement, and Validation considers the extent to which these objectives have been fulfilled. For some requirements, there is specific evidence that the EITI Board must assess to ensure that a provision has been met. In other cases, a country might take a different approach to address an EITI provision. In these instances, the Validation Guide provides examples of the types of evidence that the EITI Board might consider in its assessment. The EITI Board has the discretion to weigh minor gaps against progress in achieving the broader objective and may conclude that the requirement is fully met, if the implementing country is able to demonstrate that the broader objective of the EITI Requirement has been fulfilled.

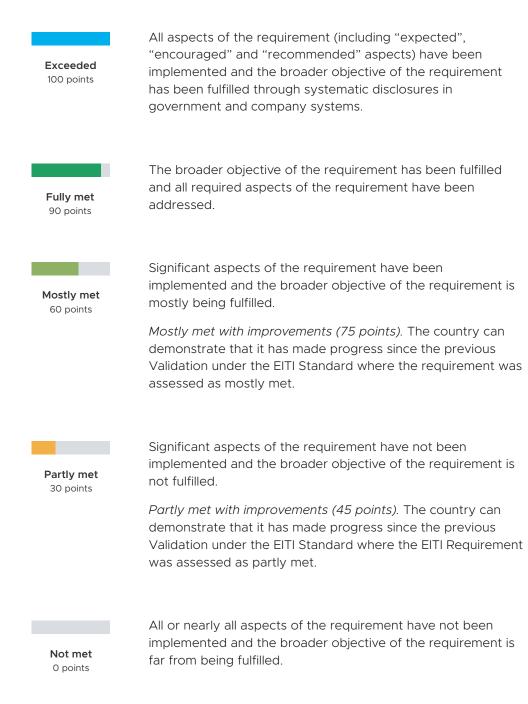
This note provides guidance to multi-stakeholder groups on the Validation outcomes, consequences, procedure, timeline and preparatory steps.

#### EITI STANDARD CHAPTERS 4 & 5 Documenting progress for Validation Guidance Note

# Validation outcomes

#### **Assessment of EITI Requirements**

Validation assesses the extent to which each EITI Requirement is met, using five categories:



#### **Effectiveness and sustainability**

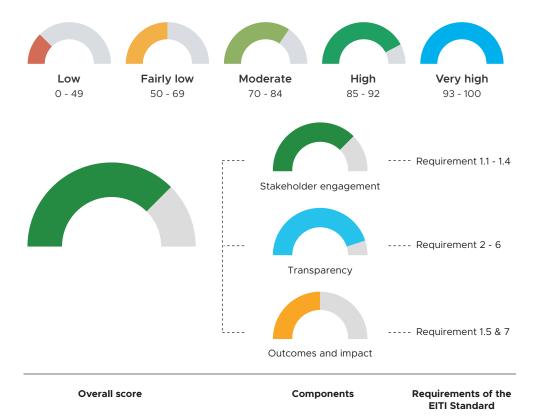
In addition to progress with meeting each EITI Requirement, Validation will assess the effectiveness and sustainability of EITI implementation. Countries can receive up to 5 additional points (0, 0.5 or 1 point per indicator) for demonstrating progress on the following five indicators:

- EITI implementation addresses nationally relevant extractive sector governance challenges. This indicator also recognises efforts beyond the EITI Standard.
- Extractive sector data is disclosed systematically through routine government and corporate reporting.
- There is an enabling environment for citizen participation in extractive sector governance, including participation by affected communities.
- Extractive sector data is accessible and used for analysis, research and advocacy.
- EITI has informed changes in extractive sector policies or practices

The Validation Guide provides details on how each EITI Requirement and the Effectiveness and sustainability indicators are assessed.

#### **Overall assessment**

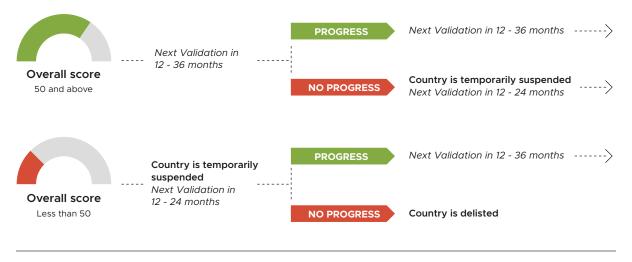
Countries will receive an overall score, as well as a score for each of the three components: "Stakeholder engagement" (Requirements 1.1 to 1.4), "Transparency" (Requirements 2 to 6) and "Outcomes and impact" (Requirements 1.5 and 7). The overall score represents an average of the component scores. These are presented as a numerical score from 0 to 100, accompanied by a qualitative description from "Low" to "Very high".



#### EITI STANDARD CHAPTERS 4 & 5 Documenting progress for Validation Guidance Note

## **Consequences of Validation**

Countries are expected to make continuous progress on EITI implementation, improving their score over time. Failing to demonstrate progress will result in a "Low" score in Validation and can lead to suspension or delisting from the EITI.



**First Validation** 

**Subsequent Validations** 

## Validation procedure

The EITI Validation procedure lays out how countries are validated. Given the multi-stakeholder nature of the EITI and the importance of implementing country ownership, the Validation procedure emphasises the MSG's role in demonstrating progress in implementing the EITI Standard.

Validation is carried out in five stages:



The overview below is a summary of the activities conducted in each stage. For the full procedure, consult the "<u>EITI Validation Procedure</u>".<sup>2</sup>



#### Stage 1

#### **Preparation for Validation**

Prior to the commencement of Validation, the MSG oversees the collation of data and documentation using templates.<sup>3</sup> This work may be undertaken with support from the national secretariat, a consultant or the Independent Administrator. The International Secretariat's country team will provide guidance.

The dossier submitted by the MSG should include clear references to publicly available documents and information on how to access them. Where source documents are not publicly available (e.g. MSG meeting minutes, Terms of Reference), these should be provided as an annex. Stakeholders are also invited to prepare any other documentation they consider relevant, including efforts to go beyond the EITI Standard.

<sup>2. &</sup>lt;u>https://eiti.org/document/validation-procedures</u>

<sup>3. &</sup>lt;u>https://eiti.org/document/2021-validation-model-templates</u>

The MSG should submit the completed data collection and documentation templates to the International Secretariat by the commencement of Validation (see following section, "How MSGs and national secretariats should prepare for Validation").

Ahead of the Validation, the International Secretariat launches a public call for views on stakeholder engagement in the EITI. Inputs are shared with the MSG and other relevant stakeholders.

The Validation Committee may also engage an external expert to provide input on any aspect of the EITI Standard on selected Validations. The MSG may propose that an external expert be involved in its Validation. Such requests should be made at least three months before the scheduled commencement of Validation and explain the rationale for the request. In deciding which Validations to involve an external expert, the Validation Committee will consider the following criteria:

- The complexity of the EITI process being assessed
- The country's Validation ratings and findings
- Challenges in stakeholder engagement in the EITI identified during implementation and/or in recent ratings and trends related to the broader enabling environment
- The International Secretariat's need for external support
- Budget implications
- The particular added value from external expertise in the case at hand



#### Stage 2 Initial data collection and stakeholder consultation

This work is undertaken by the EITI International Secretariat after the commencement of Validation. The International Secretariat's Validation team reviews the information submitted by the MSG, as well as responses to the call for views on stakeholder engagement. The composition of the Validation team will be communicated to the MSG and national secretariat ahead of the commencement of Validation.

The Validation team proposes a preliminary assessment of each EITI Requirement, as well as the effectiveness and sustainability indicators, in accordance with the Validation Guide. The Validation team proposes corrective actions for requirements where gaps are identified, or evidence is not sufficient to demonstrate that the requirement has been fully met. Guidance Note

The International Secretariat will offer the MSG the opportunity to discuss preliminary findings at a teleconference. The Validation team may undertake targeted virtual stakeholder consultations at this stage. In exceptional cases, especially if there are severe concerns related to stakeholder engagement, the Validation team may visit the country to undertake in-person consultations and seek further information.



## Stage 3 Stakeholder comments

The MSG is invited to provide further evidence and other feedback on the draft Validation report within four weeks from receiving the draft Validation report in the local working language. The National Coordinator (NC) should compile MSG comments and additional evidence in one file and submit these to the International Secretariat. In exceptional circumstances where stakeholders are not able to have their views reflected in the MSG's comments, stakeholders may contact the International Secretariat directly to provide comments.

The Secretariat reviews all submissions from stakeholders received within the assigned 4-week period and provide a response to the MSG. Any information on disclosures or developments taking place after the commencement of Validation will be considered in the final Validation report, if it is referred to in the MSG-endorsed feedback, independently verifiable and materially affects the assessment.



#### Stages 4-5 Board review and decision

The Validation Committee will review the draft Validation report and any feedback from the MSG. The final decision on the Validation's outcome and the commencement date of the next Validation is made by the EITI Board.

The Validation report and associated stakeholder comments are considered confidential until the Board has reached a decision. Once the Board has reached a decision, they will be made publicly available. The Validation Committee will consider stakeholders' requests for comments to be treated confidentially.

## Validation timeline

The Validation procedures specify the following timeframe:

Milestone	Responsible party	Timeline
Compilation of data and documentation	MSG, with support from the national secretariat and guidance from International Secretariat country team	Prior to the commencement of Validation
Call for views on stakeholder engagement launched	International Secretariat Validation team	Validation commencement date – 4 weeks
Submission of data and documentation to the International Secretariat	MSG	By Validation commencement date
Commencement of Validation	-	Varies as per the <u>schedule agreed</u> <u>by the Board</u> <sup>4</sup>
Review of information and initial assessment	International Secretariat Validation team	+ 6 weeks
Translation of initial assessment	International Secretariat	+ 3 weeks
MSG comment period	MSG	+ 4 weeks
Finalisation of Secretariat's assessment	International Secretariat Validation team	+ 2 weeks
Completion of Board review	Validation Committee, EITI Board	+ max 10 weeks

# How MSGs and national secretariats should prepare for Validation

The MSG and the national secretariat have a central role in Validation. The assessment relies on the country demonstrating its progress in implementing the EITI Standard. The tools developed for Validation enable the MSG to plan and monitor disclosures, stakeholder engagement, and outcomes and impact also between Validations.

The MSG is encouraged to integrate the data collection templates developed for Validation into its annual implementation cycle. This will strengthen EITI implementation and make the preparation for Validation less intensive. The MSG is required to submit the completed templates to the International Secretariat by the Validation commencement date.

#### **Templates for demonstrating progress**

Countries are expected to complete a set of templates that document and monitor progress on the three components of Validation: Stakeholder engagement, Transparency and Outcomes and impact. Validation is primarily based on evidence and information presented by the MSG through these templates, complemented by stakeholder consultations and other publicly available documentation.



#### Stakeholder engagement template

The <u>template on Stakeholder engagement</u> collects information on EITI Requirements related to the functioning of the MSG and the engagement of government, industry and civil society in the EITI process (Requirements 1.1 to 1.4). It consists of four parts:

- MSG oversight. This part reflects most aspects of Requirement 1.4, including the composition of the MSG, the provisions of the MSG's Terms of Reference and how these were followed in practice and information about MSG meetings in the period under review. This part is typically prepared by the national secretariat and should be approved by the MSG.
- 2. Government engagement. This part reflects Requirement 1.1 and some aspects of Requirement 1.4. It collects information and evidence of active government engagement in the EITI and the nomination process for government MSG members. This part should be prepared and approved by the government MSG members. The completed file should be presented to the MSG for information, but MSG approval is not expected.

Government MSG members may wish to agree that one member coordinates the constituency's response to ensure that the template is completed ahead of Validation. The constituency may also request support from the national secretariat.

- 3. Industry engagement. This part reflects Requirement 1.2 and some aspects of Requirement 1.4. It collects information and evidence of active engagement by extractive companies in the EITI and the nomination process for industry MSG members. This part should be prepared and approved by the industry MSG members. The completed file should be presented to the MSG for information, but MSG approval is not expected. Industry MSG members may wish to agree that one member coordinates the constituency's response to ensure that the template is completed ahead of Validation. The constituency may also request support from the national secretariat.
- 4. Civil society engagement. This part reflects Requirement 1.3 and some aspects of Requirement 1.4. It collects information and evidence of active engagement by civil society in the EITI and the nomination process for civil society MSG members. It also requests civil society to document any obstacles to its participation in the EITI, including suspected breaches of the EITI's civil society protocol.<sup>5</sup> This part should be prepared and approved by the civil society MSG members. The completed file should be presented to the MSG for information, but MSG approval is not expected. Civil society MSG members may wish to agree that one member coordinates the constituency's response to ensure that the template is completed ahead of Validation. The constituency may also request support from the national secretariat.

The International Secretariat's Validation team may conduct inperson or virtual consultations with stakeholders to gain further information and views on stakeholder engagement in the EITI. The International Secretariat will launch a public call for stakeholder views at least four weeks before Validation commences. This offers stakeholders the opportunity to share perspectives on EITI implementation and stakeholder engagement in the period under review in Validation. The <u>Validation Guide</u> includes further information about the questions considered when assessing stakeholder engagement in Validation.

5. EITI Protocol: Participation of civil society, https://eiti.org/document/eiti-protocol-participation-of-civil-society

Documenting progress for Validation Guidance Note



#### Transparency template

The <u>Transparency template</u> addresses EITI disclosure Requirements (Requirements 2 to 6). It builds on the <u>Summary Data Template 2.0</u> but captures the EITI Requirements more comprehensively. The file includes a tab for each EITI Requirement related to data disclosures. The MSG is requested to indicate how the required information can be publicly accessed and to comment on possible shortcomings related to the comprehensiveness, reliability, level of disaggregation or accessibility of data.

The Transparency template is a useful tool for the MSG to oversee EITI disclosures. It has several functions:

- Mapping of systematic disclosures. The template lists the information required or encouraged under each EITI Requirement and enables indicating whether this information is systematically disclosed by a government agency or company. The template includes a field for indicating how this information can be accessed (usually a hyperlink).
- Scoping for EITI reporting. The EITI Report only needs to include information that is not already publicly available through systematic disclosures by government agencies or companies. Mapping existing systematic disclosures using the Transparency template helps the MSG determine the scope of the EITI Report. The MSG can also task the Independent Administrator to undertake scoping work using the Transparency template.
- Overseeing disclosures and the Independent Administrator's work. The Standard Terms of Reference (ToRs) for Independent Administrators (IA) task the IA with producing an EITI Report that meets the EITI Standard. The Transparency template is a tool for the MSG to oversee that this task is completed. The MSG is encouraged to include in the IA's ToRs that the Transparency template is completed once the EITI Report is ready for MSG approval. This allows the MSG to assess whether information has been comprehensively disclosed for each requirement, either directly by government agencies and companies or through the EITI Report. If the MSG does not engage an IA to produce EITI Reports, the MSG is encouraged to task a technical working group, the national secretariat or a consultant with completing the Transparency template.
- Demonstrating progress in Validation. Finally, the MSG is required to submit the completed Transparency template reflecting disclosures in the latest reporting period to the International Secretariat ahead of the commencement of Validation. The International Secretariat will use this information to assess the country's adherence to EITI Requirements on data disclosures. The MSG is encouraged to provide comments on the comprehensiveness and reliability of the disclosures. The International Secretariat's country team is available to provide support and guidance on completing the Transparency template.

The <u>Validation Guide</u> provides detailed information about how each of the EITI Requirements related to data disclosures (Requirements 2 to 6) will be assessed. The MSG is encouraged to draw on the Validation Guide when completing the Transparency template.



#### **Outcomes and impact template**

The <u>Outcomes and impact template</u> reflects EITI Requirements on the work plan (Requirement 1.5) and outcomes and impact (Requirement 7). It is a tool for the MSG to document its annual review of the outcomes and impact of EITI implementation, in accordance with Requirement 7.4. It is also a useful starting point for the setting the MSG's objectives and plans for the coming year.

The MSG should oversee the annual review of outcomes and impact and seek input from the broader constituencies. The MSG may wish to establish a working group to lead on this or seek support from the national secretariat.

A completed Outcomes and impact template will resemble an EITI annual progress report.<sup>6</sup> If the MSG is using other tools to monitor, document and publish the outcomes and impact of EITI implementation, it is sufficient to include references and links to such documents in the Outcomes and impact template.

The Outcomes and impact template consists of four parts:

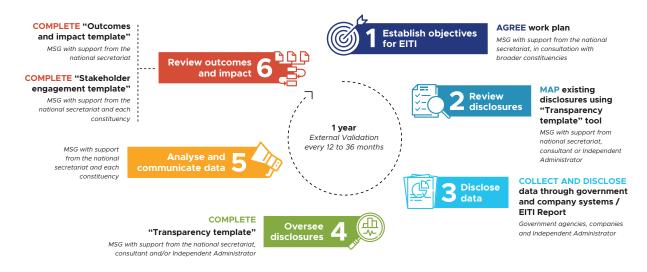
- Relevance of EITI implementation. This part covers the work plan, monitoring of EITI implementation, innovations and impact. It encourages the MSG to consider the actual and expected outcomes of EITI implementation and how those reflect stakeholders' priorities.
- 2. **Public debate.** This part covers data accessibility, outreach activities and examples of the use of EITI data. The MSG is encouraged to provide concrete examples of, for example, outreach events and studies using EITI-related data.
- 3. Effectiveness and sustainability. The MSG is requested to evaluate progress on each of the five Effectiveness and sustainability indicators, as well as any additional evidence. The assessment will also consider evidence presented elsewhere in the templates, as well as stakeholder views. The Validation Guide includes further details on how progress on the indicators will be assessed.
- 4. Stakeholder feedback and MSG approval. The MSG is asked to describe the opportunities that stakeholders beyond the MSG have had to provide input to the work plan and the review of outcomes and impact. This derives from Requirements 1.5.b and 7.4.b. The final Outcomes and impact file should be approved by the MSG and made publicly available.

<sup>6.</sup> Until June 2019, EITI countries were required to publish an annual progress report (Requirement 7.4 of the 2016 EITI Standard). The 2019 EITI Standard continues to require that the MSG annually reviews the outcomes and impact of EITI implementation. However, MSG's can determine the format for this.

## **Timeline and steps**

#### Annually

The MSG is encouraged to use the Stakeholder engagement, Transparency and Outcome and impact templates to support its regular oversight of EITI implementation (including between Validations), as per the following cycle:



By integrating the templates into the annual EITI implementation cycle, the MSG will improve its understanding and oversight of the strengths and weaknesses of the EITI process. The templates also support the MSG in setting objectives and planning activities that address stakeholders' priorities and EITI Requirements. Using the Transparency template for both scoping and overseeing disclosures can help reduce the cost of EITI reporting and facilitate a transition towards systematic disclosures by government agencies and companies.

If the MSG wishes its progress to be assessed before the scheduled commencement of Validation, it may request the Board for an early Validation. The MSG may, for example, request that the country's progress on a particular EITI Requirement be assessed if it can demonstrate that a corrective action has been addressed. The Board will consider the preparedness of the country and resource implications in assessing such requests.

#### 3 to 6 months before Validation

Three to six months before the scheduled commencement of Validation, the MSG is encouraged to step up preparations for Validation. The time and resources required will depend on whether the MSG has integrated the data collection templates into its annual implementation cycle. The upcoming Validation and necessary preparations should be reflected in the EITI work plan. The MSG should agree an approach for completing the data collection templates ahead of the commencement of Validation. This process will be made easier if the MSG has integrated the templates into its annual implementation cycle by, for example, tasking the Independent Administrator with completing the Transparency template.

The MSG may wish to establish a working group that leads on these efforts, with representation from all constituencies. It is also useful to agree on the role the of the National Coordinator and other national secretariat staff members. If the MSG requires support from a consultant, it should agree on Terms of Reference and allocate resources accordingly.

It is recommended that the MSG completes a first draft of the data collection templates at least two months before Validation commences. This will enable sufficient time for stakeholders and the International Secretariat to provide feedback on the documents before they are finalised. It also allows the MSG, relevant government agencies and companies to address possible gaps prior to Validation.

If MSG members have diverging views about how information should be presented in the templates, the submission should document these. The MSG may need to conduct several meetings and rounds of comments in order to agree the final dossier and templates. MSGs and national secretariats are encouraged to take this into account when planning preparations for Validation. Stakeholders or constituencies are welcome to make additional submissions directly to the International Secretariat, if their views are not fully reflected in the MSG's submission. This should be done before Validation commences.

The MSG is not expected to propose an assessment of EITI Requirements. However, when completing the templates, the MSG is encouraged to consult the EITI Standard, the Validation Guide and guidance notes to identify and address possible shortcomings in EITI implementation ahead of Validation.

The MSG is also encouraged to highlight any efforts to go beyond the EITI Standard, as well as the outcomes of such efforts. This can be done through the Outcomes and impact template or in a separate submission to the International Secretariat. These efforts will be documented in the Validation assessment.

MSGs and national secretariats are strongly encouraged to share the draft templates with the International Secretariat for feedback before formally submitting them for Validation.

The International Secretariat team leading the Validation will be communicated to the MSG three months before Validation commences. The MSG will also be informed if the Validation Committee agrees to engage an external expert to contribute to Validation. Prior to the Validation, the International Secretariat's country team will support the MSG and the national secretariat in their preparations.

#### By the Validation commencement date

The MSG (or the national coordinator on the MSG's behalf) is required to submit the completed data collection files to the International Secretariat by the Validation commencement date at the latest. The Validation will be based on information submitted by the commencement date.

The period under review in Validation is the period from the conclusion of the previous Validation until the commencement date of the next Validation. For example, if the Board reached a decision on the country's last Validation on 31 March 2019 and the country's next Validation commences on 1 July 2021, Validation will assess implementation within this period. In the case of new implementing countries, the date of commencement of Validation is 2.5 years after the date of EITI membership.

If the MSG has finalised the files ahead of the Validation date and wishes for Validation to commence, these files can be submitted before the scheduled date. The International Secretariat's Validation team will begin undertaking the assessment as soon as the completed files have been received, subject to available capacity. The MSG is encouraged to consult the International Secretariat before submitting the final files.

The International Secretariat may request the national secretariat's and/or MSG members' support for organising consultations with stakeholders and ensuring that the call for stakeholder views reaches relevant actors. The International Secretariat will offer the MSG the opportunity to discuss preliminary findings at a teleconference. In-person consultations will only be undertaken in exceptional circumstances where virtual consultations are not sufficient for gathering views.

The MSG can also request for the Validation to be postponed, in accordance with the EITI Standard.<sup>7</sup> The EITI Board will assess such requests. The request must be made in advance of the scheduled Validation commencement date and must be endorsed by the MSG. Extension requests will be assessed on the basis of whether the multi-stakeholder group has made progress towards meeting the deadline, and whether the delays are due to exceptional circumstances. In previous cases, the Board has typically looked at how the government and MSG have worked to overcome barriers to meeting deadlines and considered achievements in implementation to date. The Board has also considered whether delays were caused by unforeseen challenges beyond the control of the MSG.

<sup>7. 2019</sup> EITI Standard, Chapter 4, Article 7, <u>https://eiti.org/document/eiti-board-oversight-of-eiti-implementation#a7</u>

#### Upon receipt of the draft assessment

The International Secretariat has six weeks to prepare a draft assessment based on the information submitted by the MSG and stakeholder consultations. The draft assessment will propose an assessment for each EITI Requirement and the Effectiveness and sustainability indicators. Once the draft assessment has been completed and, if necessary, translated into the local working language, it will be shared with the MSG and the national secretariat.

The MSG will have four weeks to provide feedback on the draft assessment. During this period, the MSG can also update the Stakeholder engagement, Transparency and Outcomes and impact templates to correct any errors or to provide additional information or stakeholder views. The MSG is encouraged to flag any new developments, such as recent disclosures, that address any of the shortcomings identified in the draft assessment. These new developments will be reflected in the final assessment, if they are material for the assessment and independently verifiable.

MSGs have often tasked their national secretariats with circulating the draft reports for comment, consolidating all comments and sending a single set of feedback to the International Secretariat by the deadline. In exceptional cases where stakeholders are not able to have their views reflected in the MSG's comments, stakeholders can submit separate comments on the draft assessment. Comments received after the four-week period for MSG comments will not be considered.

#### **Once Validation is concluded**

Once the International Secretariat has finalised its assessment, it is submitted to the EITI Board's Validation Committee together with supporting documentation and the MSG's feedback. The Validation Committee will make a recommendation on the overall assessment and the next Validation date. The final decision is taken by the EITI Board, either through a Board circular or at a Board meeting.

The Board's decision on the Validation will be communicated to the MSG and the national secretariat. If one or more EITI Requirements were not fully met, the assessment will include corrective actions. It will also provide strategic recommendations for strengthening EITI implementation. The MSG should discuss these recommendations and agree how to follow up on them. These discussions should be documented. Actions that address the recommendations that the MSG agrees to prioritise should be reflected in the country's next EITI work plan.

## **Further resources**

- Overview of the revised Validation model: <u>https://eiti.org/files/documents/</u> en explainer eiti validation model 01.21.pdf
- Validation schedule and decisions overview: <u>https://eiti.org/document/</u> validation-schedule-decisions
- Validation Procedure: <u>https://eiti.org/document/eiti-validation-procedures</u>
- Validation Guide: https://eiti.org/document/eiti-validation-guide •
- Templates for demonstrating progress: https://eiti.org/document/2021validation-model-templates
- Information about the 2020 Validation review: https://eiti.org/document/ • validation-review-2020
- Board decisions (all): <u>https://eiti.org/board-decisions</u> ٠



Rådhusgata 26 +47 222 00 800 Norway

<u>eiti.org</u>