



Validation of Iraq

Report on initial data collection and stakeholder consultation

Abbreviations

ASI	Adam Smith International
BCM	Billion Cubic Meter
BOE	Barrel of Oil Equivalent
Bpd	Barrels per day
BSA	Board of Supreme Audit
CBI	Central Bank of Iraq
CIT	Corporate Income Tax
CSO	Civil Society Organisation
DFI	Development Fund for Iraq
DFID	Department for International Development
EGPS	Extractives Global Programmatic Support
EITI	Extractive Industries Transparency Initiative
FRBNY	Federal Reserve Bank of New York
GDP	Gross domestic product
GFC	Gas Filling Company
GFS	Government Finance Statistics
GiZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IMF	International Monetary Fund
IAMB	International Advisory Monitoring Board
ITAEI	Iraq Transparency Alliance for Extractive Industries
IBSA	Iraqi Board of Supreme Audit
IEITI	Iraq Extractive Industries Transparency Initiative
IGF	Iraqi Federal Government
IMF	International Monetary Fund
IOC	International Oil Companies
IOEC	Iraqi Oil Exploration Company
ISC	Iraqi Stakeholders Council
KRG	Kurdistan Regional Government
LC	Letter of Credit
LPG	Liquid petroleum gas
MdOC	Midland Oil Company
MdR	Midland Refineries Company
MDTF	Multi Donor Trust Fund
MIM	Ministry of Industry and Minerals
MNR	Ministry of Natural Resources (KRG)
MOC	Missan Oil Company
MoO	Ministry of Oil
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MSG	Multi-Stakeholder Group
NGO	Non-Governmental Organisation
NOC	National Oil Company
NRC	North Refineries Company
NRGI	Natural Resource Governance Institute
OPEC	Organization of the Petroleum Exporting Countries
PCLD	Petroleum Contracts and Licensing Directorate
PSC	Production Sharing Contract

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PWC	PriceWaterhouseCoopers
SBA	Standby Arrangement
Scf	Standard cubic feet
SOC	South Oil Company
SOE	State-owned enterprise
SOMO	Iraq Oil Marketing Company
Tcf	Trillion cubic feet
ToR	Terms of Reference
TSC	Technical Service Contracts
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollar
VAT	Value Added Tax
WB	World Bank

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Executive Summary

Iraq has been a pioneer in implementing the EITI Standard in a region of OPEC producers that have yet to adhere to international best practice in disclosures of information on their extractive industries. Efforts to bring transparency to the state's oil exports, which account for the lion's share (over 90%) of budget revenue [Spelling mistake in the Arabic], have also made Iraq a pioneer in shaping the EITI Standard globally. Iraq was the first country in the EITI to reconcile oil sales on a cargo-by-cargo basis and remains one of the few EITI countries to do so. The initial findings of this Validation exercise show that where there is political will, Iraq has the ability and ambition to demonstrate strong regional leadership in the sector. This is particularly noteworthy given the security situation in the country over the last decade and the broader political and regional circumstances. To continue making progress, the Iraqi Federal Government (IFG) will need to apply substantial political will to extend the transparency that it has brought to its oil sales to the rest of the sector. A number of recommendations and suggested corrective actions, listed below, should help Iraq make progress towards this goal.

Iraq's extractive sector outside the Kurdish region (KRG) is unique within the EITI in that the government maintains ownership over the entire oil and gas value chain. This has direct implications for how the EITI Standard should be applied in an Iraqi context, and on the relationship between the government and the international oil companies (IOCs) that operate in the country more broadly. A clear understanding among stakeholders of how the sector functions is a precondition for any meaningful deliberations on the technical detail of EITI reporting. Stakeholder consultations have revealed some confusion about how the sector functions as well as widespread mistrust. While not strictly mandated under the Validation Guide, the International Secretariat has had to undertake some basic scoping of the oil and gas industry, included in annex D, to clarify some of the specificities of Iraq's fiscal terms in particular. The key finding from this exercise is that there is a clear need for the kind of credible disclosures that the EITI Standard should be providing in Iraq, to inform general public debate, to support informed evidence-based policy-making and to establish reliable facts for the broader analyst community.

While not all requirements of the EITI Standard are applicable in Iraq, progress in implementing those that are would yield information that is clearly in high demand. The legal framework and fiscal terms in the sector, the relationship between state-owned enterprises and the government and sub-national transfers are all at the core of Iraq's – often heated – political debate. Likewise, many of the reforms related to oil and gas as well as broader public finance management supported by the international community, such as the International Monetary Fund's standby arrangement, would benefit from the annual diagnostic tool provided by a well-functioning EITI reporting process. The national ownership of EITI implementation in Iraq should ensure broad support for recommendations from EITI implementation, which could ensure alignment between international obligations and local realities.

On 2 June 2016, the Board agreed that Iraq's Validation under the 2016 EITI Standard would commence on 1 January 2017. This report presents the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. The International Secretariat has followed the

Validation Procedures¹ and applied the Validation Guide² in assessing Iraq's progress with the EITI Standard. While the assessment has not yet been reviewed by the multi-stakeholder group (MSG) or been quality assured, the Secretariat's preliminary assessment is that 22 of the requirements of the EITI Standard have not been fully addressed in Iraq. 15 of these are assessed as "inadequate progress". The recommendations and suggested corrective actions identified through this process relate in particular to data quality assurance and comprehensiveness of reporting by both government and industry as well as state-owned enterprises, including quasi-fiscal expenditures, financial relations with government and level of state ownership.

The Government of Iraq initially committed to implement the EITI in July 2007 and publicly announced its commitment to work with all stakeholder groups at the 4th EITI Global Conference in Doha, Qatar, in February 2009. Prime Minister Nouri al-Maliki declared Iraq's formal commitment to EITI at the Iraq EITI (IEITI) launch conference on 10-11 January 2010. The country was accepted as an EITI Candidate on 10 January 2010. The multi-stakeholder group, the Iraqi Stakeholders Committee (ISC), held its first meeting on 22-23 September 2010. The EITI International Board designated Iraq Compliant under the EITI Rules on 12 December 2012.

Overall conclusions

Most oil and gas regulatory frameworks are based on a model whereby licenses are issued to private companies to develop extractives deposits who make payments to government, either in cash or in kind. Except for in the Kurdish Regional Government (KRG), this is not the structure of the sector in Iraq. Rather, the vast majority of transactions in Iraq's oil and gas sector are intra-SOE and government transfers, revenues from the sale of the government's oil to international buyers and, perhaps counterintuitively, government payments to companies. This has implications for how the EITI is implemented in Iraq.

With the exception of the KRG, oil in Iraq is extracted under so-called Technical Service Contracts (TSCs). Under TSCs, also known as Risk Service Contracts, a consortium of private companies is paid a fixed fee per barrel of oil produced above a certain threshold (remuneration fee) and is reimbursed for its expenses in producing the oil (cost recovery). These government payments to companies can be received in cash or in-kind by the vertically-integrated oil and gas company contractors, who always elect to lift their payments for remuneration fees and cost recovery in kind, rather than in cash. There are thus only three types of company payments to government in Baghdad-controlled Iraq:³

The government deducts corporate income tax (35% of remuneration fees) from remuneration fees to companies. As these are paid in kind, so too is the income tax received **as crude oil** [Observation by the Council]. The specialisations of the oil companies, including the estimates of fee equivalents, are included in the federal oil budget in accordance with the federal budget. So when the value of the fee equivalents due to the companies are set, SOMO is notified of the total value of the fee equivalents of each company and SOMO will calculate 65% of these

¹ <https://beta.eiti.org/document/validation-procedures>

² <https://beta.eiti.org/document/validation-guide>

³ Unless otherwise stated, "Iraq" or "the Federal Government of Iraq" refers to the areas controlled by Baghdad and does not include the Kurdistan Regional Government (KRG).

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benefits as the final benefit due to the companies. This is because by virtue of the oil licensing contracts, the benefitting companies have the right to use the fee equivalents either in cash or to purchase quantities of crude oil with the monies due to them in accordance with SOMO's pricing mechanisms. The remaining 35% is the value of the taxes due from these companies. SOMO will send a notification to the Ministry of Oil and from there to the Ministry of Finance to deduct this value in cash. This deduction will be deducted from the budget of the Ministry of Oil and will become revenue for the Ministry of Finance to be recorded under the account of the Public Taxation Authority. This amount is then sold by the State Oil Marketing Company (SOMO) along with the rest of the government's oil. Companies are also required to pay a signature bonus in cash upon signature of a Technical Service Contract. Finally, international oil buyers pay for the crude oil they buy from SOMO.

These are the only three types of payments to government that are strictly covered by Requirement 4.1 of the EITI Standard. While 5% of all oil sales proceeds should have been earmarked for the UN Compensation Fund in 2015, repeated budget crises have prompted the delay of the final payment to the fund to 2017.

The Iraqi Kurdistan region has provided a key challenge for EITI implementation. The Kurdistan Regional Government (KRG) passed its own Oil and Gas Law in 2007 and has awarded 56 conventional Production Sharing Contracts (PSCs) since then. Iraqi Kurdistan's oil and gas industry is dominated by a handful of players, with four companies accounting for over 98% of oil and gas production in the KRG-controlled areas in 2015 (Atlantic Council, 2016). After attempts to engage the KRG in the EITI's reporting process failed, Iraq requested and was granted adapted implementation by the EITI Board to exclude the region from the EITI's reporting requirements for the 2012 EITI Report. None of the subsequent IEITI Reports were successful in securing the KRG's participation, nor was a new request for adapted implementation presented to the Board. A request was sent on 21 September 2016 with the KPMG letter attached. Furthermore, while Iraq's initial adapted implementation request in 2014 did not preclude the Federal Government from conducting outreach to companies operating in the KRG, there is no evidence that the Independent Administrator (IA), the MSG or the national secretariat have engaged with any of the four main companies operating in Iraqi Kurdistan to secure their participation in EITI reporting. The evidence is the letter from the National Secretariat to the Ministry of Natural Resources No. 85 dated 12/07/2016 and the KPMG letter attached to the request for adapted implementation.

Iraq has also faced the challenge of extending EITI reporting to its state-dominated mining sector (primarily construction and quarrying materials), from which the government derives far less than 0.1% of revenues according to stakeholder estimates. While the MSG has consistently decided to include the general mining sector in the scope of its EITI reporting, basic scoping on company payments to government in the sector has yet to be comprehensively undertaken. The structure of Kurdistan's mining sector is equally unclear from IEITI Reports. Iraq's state-dominated mining structure appears akin to the oil and gas sector, implying that the MSG would need to either reconcile sales of the government's minerals or exclude the sector from reconciliation through meaningful materiality decisions. Try to avoid the weakening 'either ... or ...' since the Council resorted to a choice or exclusion by virtue of its decision in Session No. 40 on 05/10/2016.

Mainstreaming disclosures required by the EITI Standard will in many cases be the most efficient way of

Commented [AT2]: I have had to amend the Arabic from 'hulu' meaning solutions to 'hawil' meaning 'Try' in order to make sense of this sentence.

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implementing corrective actions from this Validation. Websites of the Ministry of Finance, the Board of Supreme Audit, SOMO and other government entities could provide timelier data on budget [Spelling mistake in the Arabic] execution, oil and gas revenues, petrodollar allocations and transfers, corporate income tax (CIT) and signature bonus income as well as other documents such as audited public accounts. Leveraging current reforms of the management of SOEs, the EITI could work with the Ministry of Oil and the nine upstream SOEs and SOMO to disclose SOE holdings, intra-SOE transactions, loans and guarantees as well as quasi-fiscal expenditures. In the state-dominated oil and gas industry in Iraq, untangling the transactions between SOEs and the government in line with Requirements 2.6 and 4.5 of the Standard is particularly complex. Meanwhile weaknesses in the management of oil and gas licenses, contract renegotiations and beneficial ownership could best be addressed through reforms in the line ministry, the Ministry of Oil. It is worth noting that these approaches would have a wider impact beyond helping Iraq comply with the EITI Standard and could, for example, help demonstrate progress against the IMF's standby agreement with Iraq.

Despite significant practical and logistical challenges for EITI implementation in Iraq, the small number of large companies operating in upstream oil and gas and buying oil from SOMO means that the number of reporting entities is known, and manageable. Despite significant political challenges, the scope for EITI reporting in Iraqi Kurdistan is also relatively clear, with arguably only four oil-producing companies making material payments to the KRG. Meanwhile revenues from the mining sector are arguably not material. There is clear scope for Iraq to achieve satisfactory progress across all requirements of the EITI Standard by making challenging yet key decisions about scoping, materiality and data reliability.

Recommendations

While the following report includes recommendations for specific improvements the MSG may wish to consider implementing, the following is a list of strategic recommendations that could help Iraq make even greater use of the EITI as an instrument to support reforms.

In line with Requirement 1.2, the MSG should develop a plan to engage more actively with the industry constituency, for instance through the Iraq Oil Company Forum. To galvanise industry's attention, the MSG should ensure extensive consultations with industry are undertaken to ensure EITI implementation objectives are consistent with priorities of the industry constituency.

[The Council worked to define a new mechanism. It succeeded in attracting four candidates from the companies. The Council chose three of them (BP, Luke Oil and Petronas. Exxon Mobile was excluded.)

The definition of companies operating in Iraq is broader than the definition the International Initiative referred to. There are two types of company operating in extractive industries. These are:

- a. National Companies.
- b. Foreign Companies.

This categorisation is indicated in Diwani Order No. 12/2010 relating to the formation of the Initiative in Iraq for the companies to be represented in the Stakeholder Council. For this reason, there were four companies who faithfully attended: Shell, South Oil, North Oil and Missan Oil.

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1. Company participation was not confined to their representation on the Council. This is reflected through the broader participation of the Stakeholders in Initiative reports. More than 50 companies submitted data and information in the annual reports of the Initiative.
2. The Council sought to broaden and modernise the participation of foreign and national companies in the Council. This was achieved through:
 - a. Ministerial Order No. 15330 dated 16/04/2017 (copy attached)
 - b. Foreign companies were invited by sending an email to all the 94 companies operating in Iraq and purchasing Iraqi oil and gas. Four representatives from four companies were nominated and the Council voted to choose three companies (BP, Luke Oil and Petronas).
3. On p.8, the Valuation Report indicated the following with regard to mining:]

The mining sector in Iraq, which is controlled by the State, is similar to the oil and gas sector. This means that the Stakeholder Council must either reconcile the government's mineral purchases or exclude the mining sector from the reconciliation through the reports relating to relative importance.

However, in Session No. 40, on 05/10/2016, the Stakeholder Council excluded mining from relative importance. Thus, the companies operating in mining were not included in the reconciliation. This reflects the fact that the Stakeholder Council implemented this paragraph previously, which excludes from the report the aspects of weakness relating to the failure to include mining data.

The amended implementation request was sent on 21 September to the International Board, with KBMG's letter attached, which meant that the report did not include companies operating in the region of Kurdistan.]

In line with Requirement 1.3, to strengthen implementation, civil society members of the MSG may wish to consider formalising and strengthening their mechanisms for canvassing the broader constituency on key EITI documents, in order to broaden public oversight of EITI reporting and implementation. Basic improvements in MSG governance such as the use of Arabic as the working language should encourage more active civil society participation (see Requirement 1.4). The Council decided to use Arabic for all Initiative correspondence in Session No. 43 on 06/04/2017.]

In line with Requirement 1.4, to strengthen implementation, the MSG should update its internal governance rules to cover all provisions of Requirement 1.4, develop a language policy that is conducive to achieving the goals of implementation in Iraq and publish procedures for nominating and changing MSG representatives, including the duration of mandates. The MSG should revisit its internal decision-making procedures to ensure statutory MSG rules are in line with current practice and treat each of the constituencies as equal. The MSG should also clarify whether there is a practice of per diems for attending EITI meetings or other payments to MSG members, consider keeping public attendance records and consider posting MSG minutes online.

- a. The Council devoted numerous discussions to the membership of members. For instance: Session 28 on 04/06/2014, Session 29 on 01/09/2014, and Session 30 on 10/11/2014.
- b. The Council sought to enrich discussion in its sessions, including Session No. 41 on 19/12/2016, where it updated the Rules of Procedure in such a way as to define a mechanism for choosing members and their terms of office, and mechanisms for taking decisions, which covers all the provisions required in 4.1.

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- c. In accordance with government instructions, the Council decreed a system for paying allowances for attendance at Stakeholder Council meetings.
- d. On the basis of the Council Decision in Session 41 on 19/12/2016, attendance is recorded and meeting minutes are prepared and posted on the Initiative Site and the social media page.

In line with Requirement 1.5, MSG members should in the future consult with stakeholders from all constituencies and ensure that national priorities are adequately reflected in the work plan in order to continue building on the recent efforts to bring the work plan in line with the EITI's requirements.

- a. After the workshop held in the Mansour Melia Hotel in October 2016, which included in its proceedings a discussion of the Action Plan, the members of the Stakeholder Council sought on 19/10/2016 to discuss an Action Plan for wider circles like civil society organisations represented in the Iraqi Transparency Alliance with the participation of PWYP and NRG.
- b. Company representatives submitted their opinions about the priorities of the Action Plan in accordance with their discussions with the bodies that they represent.
- c. The representatives of the government on the Council presented their opinions on the Action Plan.

On the basis of the above, the Action Plan for 2017-2018 was prepared, discussed and ratified in Session No. 41 on 19/12/2016.

In line with Requirement 2.1, the MSG should ensure that future IEITI Reports provide descriptions of the main laws and fiscal terms related to the mining, oil and gas sectors, including an overview of the roles of the main government entities involved in overseeing the sectors and of recent or ongoing reforms. The MSG could consider using the IEITI website as a repository of the regularly-updated information on fiscal terms and the legal environment for the mining, oil and gas industry.

- [For these reasons, the Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Meaningful Progress'.
- The articles of the Constitution relevant to the extraction industries were mentioned.
- The laws relevant to the management of the oil and gas industries were mentioned.
- The laws relevant to the management of the mining industry were mentioned.
- The laws relevant to the management of the oil, gas and mining industries in the region of Kurdistan were mentioned.
- The financial regulations of the Federal Ministries of Oil and Industry were mentioned in the 2015 Report.
- A number of the instructions and regulations in force in the oil and gas industries were mentioned.

In ToR of the 2016 Report, the Stakeholders' Council ratified the addition of details about the above-mentioned legislation.

- In line with Requirement 2.2, the MSG should ensure that future IEITI Reports clearly define the number of licenses (including Technical Service Contracts) awarded and transferred in the year(s) under review in both mining and oil and gas, describe the actual process and highlight any non-trivial deviations in practice. The MSG should clarify the technical and financial criteria (and their weightings) used for assessing allocations and transfers of licenses and equity in TSC consortia, both for any discretionary oil and gas contracts (including in the KRG) and for mining license

awards and transfers. The MSG may also wish to comment on the efficiency of the current contract allocation and transfer system as a means of clarifying procedures and curbing non-trivial deviations. [(Incorrect expression – translation mistake.)

For these reasons, the Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress'

1. In the report, it was mentioned that there were no new licenses for mining, oil and gas.
2. The technical and financial criteria used in evaluating the companies were mentioned in the 2013 report. In the 2015 report, more details were indicated. Please refer to the Reports link.
3. With reference to the region of Kurdistan, a modified implementation was authorised by virtue of the letter from the Council to the International Initiative on 21 April 2016.

The MSG should ensure that future IEITI Reports provide all information covered under Requirement 2.3 for all licenses held by material companies (including both oil and gas and mining) or provide a link to where such license information is available to the public. The MSG may also wish to work with the MoO and MIM to disclose license information for all material companies through a publicly-accessible cadastral system and provide free access to such a register online.

[No licensing contracts were signed in 2015. The data about licensing contracts that was recorded was for contracts that had been signed in previous years. It included dates when the contracts were signed and all the details relating to the updating of the production information for 2015.]

In line with Requirement 2.4, the MSG should work with government representatives to clarify the Federal Government's policy on contract disclosure and document any instances of contract disclosure either through future IEITI Reports or through other channels such as the IEITI website. The MSG is also encouraged to undertake a detailed review of which PSCs have been published by the KRG, with a view to clarifying the practice of contract disclosure in the KRG.

[The Ministry of Oil published a model contract for the first and second rounds on the Ministry's website. The relevant bodies were also supplied with copies of the contracts signed in Arabic and English.
With regard to contracts relating to the region of Kurdistan, the Council will seek to include a chapter on Kurdistan in the reports for coming years, in which it will include what the regional government has published on this subject.]

In line with Requirement 2.5, the MSG should clarify the government's policy on beneficial ownership disclosure in future IEITI Reports and provide the legal ownership of all material companies. The MSG may wish to consider how reporting of transfers of equity in TSC consortia and mining licenses under Requirement 2.2 may help support work on beneficial ownership disclosure.

- [A road map was ratified to disclose all the details necessary for the process of disclosure, including also the State's disclosure policy represented in the laws represented in the laws on the true owner of the benefit, who can benefit from it during the process of opening.
- The 2017-2018 Action Plan contained activities on the ownership of benefit relating to laws and government directives relating to disclosure.

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ToR 2016 contained the organisation of a draft disclosure table relating to ownership of benefit. It will be distributed to companies to fill in as an initial trial of the disclosure process.]

The MSG should ensure that all aspects of Requirement 2.6 are adequately addressed during the scoping for future IEITI Reports. It should clearly establish its definition of SOEs to delineate the SOEs within the scope of EITI reporting. The MSG should include a comprehensive list of SOEs and their subsidiaries in the next IEITI Report, clarifying the financial relations in practice between SOEs and government as well as any loans and loan guarantees from the government or SOEs to upstream mining, oil and gas companies. The MSG may wish to work closely with MoO and the NOCs to shape the structure of routine disclosures as a means of publishing information required under the EITI Standard on a timelier basis.

[Within the 2016 ToR Report, the Stakeholder Council authorised the preparation of a study to define the extent of the Transparency Initiative in Iraq in accordance with the requirements.]

In line with Requirement 3.2, the MSG should ensure that future IEITI Reports disclose the production volumes and values for all every extractives commodity produced, including crude oil, natural gas and every mineral produced. To continue improving under Requirement 3.1, the MSG may wish to expand its coverage of the mining sector by including more specific updates on current production, primarily in quarrying.

[The evaluation must be 'Beyond'. This is because Iraq has published detailed export data in terms of shipments and companies.

- Information about the export of gas and minerals produced is recorded in the 2016 ToR. It is recorded in the 2016 ToR with the knowledge that Iraq took an exception from the Board for the region of Kurdistan.]

In line with Requirement 4.1, the MSG should consider undertaking a comprehensive scoping study to consider options for defining materiality thresholds ahead of agreeing the ToR for its next EITI Report. The MSG should ensure that all material revenue flows (in both petroleum and mining) listed under Requirement 4.1.b are included in the scope of reconciliation and that the materiality threshold for selecting companies ensures that all payments that could affect the comprehensiveness of EITI reporting be included in the scope of reconciliation. The list of material companies should also clearly be defined. The MSG is invited to consider whether setting a quantitative materiality threshold for selecting companies would ensure these aims are met. The MSG should ensure that Iraq's next IEITI Report includes the IA's assessment of the materiality of omissions, its statement on the comprehensiveness of the IEITI Report and that full unilateral government disclosure of material revenues from non-material companies is included.

- [During the 2016 ToR, the Council ratified the carrying out of a comprehensive exploratory study to define the relative importance according to the criterion in addition to the independent management body giving an evaluation of the relative importance of the inflow of revenues. The report included government disclosure.]

To continuing making progress under Requirement 4.2, the MSG is encouraged to consider

publishing the reconciled oil sales data disaggregated by cargo (and associated information) it already collects. The MSG may also wish to use SOMO's regular online disclosures as a means of embedding EITI reporting of oil sales within routine government systems. The MSG could consider joining the EITI targeted effort on commodity trading to provide a framework for ensuring that disclosures of the state's sales of its in-kind revenues are in line with international best practice.

[We support the current evaluation and reject the proposal to lower it. We are seeking to strengthen implementation. The Production Bank of the Ministries of Oil and Industry and the marketing company SOMO will be recorded in the report.]

While there is no evidence of barter or infrastructure agreements in the KRG, the MSG is encouraged to examine all of the published KRG PSCs to assess the potential for infrastructure provisions or barter components of these PSCs in line with Requirement 4.3.

[The Stakeholder Council will seek to study the division of production contracts of the government of the region of Kurdistan and will record what can be implemented under this criterion in the next report.]

In line with Requirement 4.4, the MSG is strongly encouraged to review the financial statements of the six SOEs engaged in transportation, distribution and marketing of oil and gas to assess the materiality of any potential revenues to government, through transfers to the MoF.

- [The Stakeholder Council will take this into consideration through a study of relative importance.]

In line with Requirement 4.5, the MSG should clarify the scope of transactions between SOEs and other government agencies as well as between SOEs and companies in the mining, oil and gas sector. Drawing upon the MSG's definition of SOEs under Requirement 2.6, the MSG should ensure future IEITI Reports disclose the disaggregated value of such financial transactions for the year under review. Given the lack of clarity surrounding financial relations between oil and gas SOEs and the government, the MSG is encouraged to consider whether reconciliation of such financial transactions (both statutory and ad hoc) would further the broader objective of transparency in transactions between SOEs and government.

[The Stakeholder Council will seek to review the detailed budgets of these companies with regard to their expenditure and revenues. If there are revenues that have been transferred to the Treasury, they will be included in the reconciliation according to relative importance.]

The MSG should secure the KRG's active participation in scoping and shaping Iraqi EITI disclosures of direct subnational payments under Requirement 4.6. The MSG is encouraged to consider whether working with the MoO and the KRG to establish its own regional-level structure for EITI implementation could ensure more efficient coverage of subnational direct payments. The KRG's EITI MSG could publish its own reports, which could then be included in the national IEITI Reports.

[Although the International Initiative approved the Stakeholder Council's request to resort to the amended implementation relating to the region of Kurdistan, KPMG was charged with submitting a Template report for 2015 to the Ministry of Natural Resources in the region and through it to the companies operating in the region. However, the Ministry of Natural Resources refused to cooperate or to receive the Template from KPMG. It confirmed this in a letter to the National Secretariat to which they attached the Council's request which was sent to the International

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Initiative.

- The National Initiative implemented workshops in the region of Kurdistan (Erbil, Sulaymaniya) aimed at a number of regional parliamentarians, ministers, senior civil servants, provincial councils, local governments, academics and civil society organisations to create awareness of the importance of the region participating in the Initiative and to create pressure on the regional government to participate in the Initiative. Joint committees have sprung from these workshops to follow up this matter. They are still working to implement this.

In its meeting No. 44 on 17/05/2017, the Stakeholder Council ratified the implementation of joint meetings with relevant government bodies in the government of the region of Kurdistan to insure their participation.

The Stakeholder Council does not believe that the region of Kurdistan should have an independent transparency initiative. It should be included in the National Initiative, and its data included according to a template approved by the Stakeholder Council to check that the data included in it meet the requirements of the Initiative criteria.

In line with Requirement 4.7, the MSG should ensure that all reconciled financial data is disaggregated by company, revenue stream and government entity. The MSG is also encouraged to agree a definition of project to ensure consistency in its project-level reporting.

[Companies were categorised according to field to enable the Iraqi citizen to find out the amount of taxes obtained from companies for each field.]

To further strengthen implementation of Requirement 4.8, the MSG may wish to work with the General Commission on Taxes, the General Customs Authority, SOMO, the Ministry of Oil, the Ministry of Finance, the Central Bank of Iraq and the Iraqi Board of Supreme Audit [The Arabic translation for this body has been changed] to assess the potential for mainstreaming key EITI disclosures and ensuring even timelier publication of EITI information.

[We support the evaluation and shall seek to continue to improve.]

In line with Requirement 4.9, the MSG should ensure that a review of actual auditing practices by reporting companies and government entities be conducted before agreeing procedures to ensure the reliability of EITI information. The MSG should also ensure that the ToR for the IA is in line with the standard ToR approved by the EITI Board and that its agreement on any deviations from the ToR in the final EITI Reports be properly documented. The MSG should also ensure that the IA include an assessment of whether the payments and revenues disclosed in the EITI Reports were subject to credible, independent audit, applying international auditing standards as well as a description of follow-up on past EITI recommendations.

- There was continual follow-up by the Stakeholder Council through reviewing the progress reports and submitting recommendations continually to ensure high quality data.

- The Council ensured the credibility and quality of the data by checking the means by which the data was extracted, which are the official email addresses of the entities included in the disclosure process.

- In addition to this, the Council reviewed the official letters the National Secretariat received from the entities included in the disclosure, through which it identified the people officially empowered to submit this data, and including the email address through which the data arrives.

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- The credibility of the data was strengthened by the members of the Stakeholder Council (the representatives of the Contract and Licensing Department, SOMO and the national companies by sending a letter by email signed by the chairmen of these bodies to the bodies included in the disclosure.)
- The Council will work with the relevant regulatory bodies to ensure that this data submitted by the companies is checked in one way or another.

In line with Requirement 5.1, the MSG should work with the IA in preparing the next IEITI Report to clearly trace any mining, oil and gas revenues that are not recorded in the national budget and clearly explain the allocation of any off-budget revenues. To further strengthen implementation under Requirement 5.3, the MSG could consider tracking more comprehensively the spending of extractive industry revenues earmarked for specific purposes. This form of annual diagnostic of public financial management would be of particular relevance to the IMF's standby agreement with Iraq.⁴

The oil and gas revenues are recorded at 100% in the budget (95% DFI and 5% compensation) apart from the region of Kurdistan where the compensation is recorded as an expense in the budget.

The Stakeholder Council did not find any indication of the existence of oil, gas and mining revenues outside the budget.

In line with Requirement 5.2, the MSG should assess the materiality of subnational transfers and ensure that future IEITI Reports provide the specific formula for calculating subnational transfers linked to extractives revenues to individual governorates, disclose any material subnational transfers and any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity.

- The allocations for the region and the provincial allocations for the development of the region are set in the budget and the report provides them through a link to the budget. However, the actual payments of these allocations are not published because parliament has not agreed the final accounts to 31/12/2015.
- What are established in the report are the amounts actually paid in petrodollars according to what has been disclosed by the Ministry of Finance. This represents the total sum spent up to 2015 according to this. The rest of the petrodollar allocations have not been paid as a result of the cash shortage suffered by the Iraqi government as a result of military operations against the terrorist organisation ISIL.
- In the 2016 TOR Report, it is recorded that the report contains either a link or details of the amounts allocated and the amounts paid and a reconciliation of the amounts actually paid to the local governments with the Ministry of Finance in accordance with relative importance.

In line with Requirement 5.3, the MSG could consider working with relevant stakeholders including parliamentarians to ensure that future EITI Reports provide additional information on budgetary oil price and production assumptions as well as revenue forecasts.

Oil prices and production assumptions are contained in the public state budget. The report gives a link to the budget law and the 2015 report contains a detailed table explaining the oil prices

⁴ <https://www.imf.org/external/country/irq/>

estimated according to the budget, the actual oil prices and a comparison between estimated and actual production and exports, recorded as percentages.]

In line with Requirement 6.1, the MSG should ~~clarify~~ ensure that reporting of mandatory social expenditures be disaggregated by type of payment and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures. The MSG may also wish to consider the feasibility of reconciling mandatory social expenditures.

The 2015 report contains detailed information about social expenditure in kind and in material, mentioning the bodies that are benefitting. The Council will seek to improve the details relating to this item in the 2016 report.]

In line with Requirement 6.3, the MSG should ensure that future IEITI Reports provide the extractive industries, in oil and gas as well as mining in Iraq (including Kurdistan), share of GDP, government revenues, exports and employment in absolute and relative terms. It should also ensure that the location of all significant production is clearly delineated.

The 2015 report contains information and the data referred to above (see pp. 119, 121, 122) relating to Iraq, including the region of Kurdistan. They are financial and economic indicators, and expenditure. There is a link to the report of the Ministry of Planning, which explains everything in more detail.]

In line with Requirement 7.1, IEITI should ensure that future reports are comprehensible, actively promoted, publicly accessible and contribute to public debate. IEITI should consider developing a communications strategy that looks beyond building brand recognition to addressing the national priorities identified in the work plan. IEITI should also agree a clear policy on the access, release and re-use of EITI data and make EITI Reports available in an open data format online.

The National Initiative has implemented a number of workshops, where it has dealt with mechanisms for the use of data and information for accountability and improving the management of the sector, as well as publishing a summary of the data from the 2013 and 2014 reports on the initiative website in the form of open data in Excel format. It is noticeable that these reports influenced community dialogue both in the various mass media and social media. It has also been used by students in higher education to obtain MAs and PhDs in Iraqi universities.

The Council will seek to provide these reports to a number of universities in different countries to benefit from them in terms of university papers and theses.]

In line with Requirement 7.3, the MSG should consider how to act upon lessons learned in regards to the KRG and identify opportunities to increase engagement with stakeholders there. The MSG could also take a proactive role in formulating its own recommendations.

The National Initiative implemented workshops in the region of Kurdistan (Erbil, Sulaymaniya) aimed at a number of regional parliamentarians, ministers, senior civil servants, provincial councils, local governments, academics and civil society organisations to create awareness of the importance of the region participating in the Initiative and to create pressure on the regional government to participate in the Initiative. Joint committees have sprung from these workshops to follow up this matter. They are still working to implement this.]

In its meeting No. 40 on 05/10/2016, the Stakeholder Council ratified the implementation of joint meetings with relevant government bodies in the government of the region of Kurdistan to insure their participation.

In Session No. 44 on 17/05/2017, the Council ratified the implementation of numerous activities in the region of Kurdistan to encourage the region to participate in the initiative.








In line with Requirement 7.4, the MSG should ensure that annual progress reports reflect activities in the year under review clearly and that progress against the work plan is clear. The MSG should also ensure that all stakeholders are given an opportunity to provide input to the annual progress report and that their views are adequately reflected. As secretariat staff participating in meetings makes up a large part of the annual progress report's listed activities, the MSG may wish to consider what kind of activities the report should include. The MSG should also consider drafting and publishing annual progress reports in Arabic to improve the dialogue between stakeholders and ensure that there is a common understanding of the activities carried out by the MSG in the year under review.

- The 2015 and 2016 Annual Activity Reports contained the activities recorded in the Action Plan. They were ratified after discussion by the Stakeholder Council.
- The 2015 report was published in English, and all details of the 2016 report were discussed in the Council in Arabic. The National Secretariat worked to translate it into English on the basis of Stakeholder Council Decision No. 39 of 08/06/2016 regarding the 2015 report. It also contained members' activities.
- In Session No. 44 of 17/05/2017, the Council ratified the use of all remarks by members and to formulate them in Arabic for the 2016 Annual Activity Report, which would include members' activities.
- In Session No. 44 of 17/05/2017, the Council ratified the use of Arabic in all correspondence of the Initiative, and then it would be translated into English and Kurdish.

Figure 1– initial assessment card

EITI Requirements		LEVEL OF PROGRESS				
Categories	Requirements	No	Inadequate	Meaningful	Satisfactory	Beyond
MSG oversight	Government engagement (#1.1)					
	Industry engagement (#1.2)					
	Civil society engagement (#1.3)					
	MSG governance (#1.4)					
	Work plan (#1.5)					
Licenses and contracts	Legal framework (#2.1)					
	License allocations (#2.2)					
	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	Distribution of revenues (#5.1)					
	Subnational transfers (#5.2)					
	Revenue management and expenditures (#5.3)					
Socio-economic contribution	Mandatory social expenditures (#6.1)					
	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)					

Legend to the assessment card

	The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
	The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
	The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
	The country is compliant with the EITI requirement.
	The country has gone beyond the requirement.
	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.

Introduction

Brief recap of the sign-up phase

The Government of Iraq first announced its commitment to implement the EITI in July 2007. Deputy Prime Minister Barham Ahmed Saleh wrote to the EITI International Secretariat on 21 February 2008 formally announcing Iraq's intention to apply for EITI Candidature and Minister of Oil Hussain Ibrahim Saleh al-Shahristani made an official commitment to work with all stakeholders at the 4th EITI Global Conference in Doha, Qatar, in February 2009. Ministry of Electricity Inspector General Alaa Mohie El-Deen was appointed Secretary General of Iraq EITI in March 2009. Following CSO workshops in October and December 2009, Prime Minister Nouri al-Maliki declared Iraq's formal commitment to EITI at the Iraq EITI (IEITI) launch conference on 10-11 January 2010 (Adam Smith International, 2012). The country was accepted as an EITI Candidate on 10 January 2010 (EITI, 2010). The multi-stakeholder group, **بيجوق** held its first meeting on 22-23 September 2010. Following the first Validation report, the EITI International Board designated Iraq EITI Compliant on 12 December 2012, making it the world's largest country by oil and gas reserves and the first country in the Middle East North Africa region compliant with the EITI Rules (EITI, 2012).

Objectives for implementation and overall progress in implementing the work plan

Iraq's hydrocarbon industry is unique among EITI countries in that it is 100% state-owned. This has had a direct influence on implementation, which has primarily focused on reconciliation of oil sales between the state-owned enterprise SOMO and international buyers. Work plans, which are regularly updated annually, have not generally included additional objectives beyond the aim of publishing a report. This changed in the latest (2017) work plan, approved by the multi-stakeholder group on 16 December 2016, which for the first time includes the following broad objectives for implementation: enhance and support mechanisms of accountability about the management of natural resources; raise the public debate, follow up and improve the impact of natural resources revenues on the sustainable development; and clarify and enhance the laws and policies that support the governance of the sector.

History of EITI Reporting

The first IEITI Report covering 2009 was produced in December 2011 (within 24 months of being declared an EITI Candidate country). Reconciliation reports have been produced for each subsequent year. The latest report covering 2015 was published in December 2016. The Independent Administrator was KPMG. PwC was contracted two times, producing in total four EITI Reports covering financial years 2009-2010 and 2013-2014. The previous Independent Administrator (EY) was contracted to complete EITI Reports for 2011 and 2012.

Summary of engagement by government, civil society and industry

The current ISC operates under the Terms of Reference (ToR) that were initially approved in December 2010 and which have not been updated since. Members of the ISC meet approximately three to four times a year, but do not publish the meeting minutes on the IEITI website. A list of ISC members are included in Annex A.

The early stages of the EITI were characterised by strong support from the FGI and SOMO and a concerted effort to engage the buyers of Iraq's crude oil to agree to report so that the values could be reconciled. This included setting the legal basis for implementation of the EITI in Iraq through the passing of Presidential Order 12 (2010) and the inclusion of a requirement in SOMO's sales contracts for buyers to comply with EITI disclosure requirements.

Key features of the extractive industry

Iraq's oil production grew swiftly from first discoveries in 1927, developed by the precursors to today's IOCs such as Anglo-Iranian, Shell, Mobil and Standard Oil of New Jersey. All major discoveries were around Shiite-majority southern Basra, including Rumaila in 1953 and West Qurna field in 1973 (US Energy Information Administration, 2016). While Iraq does not produce any metal commodities, its mining sector output consists of industrial minerals such as bentonite, cement, clay, gypsum, limestone, nitrogen and phosphate fertilizers, phosphate rock, salt, sand and gravel, silica sand, and sulphur. The Iraq Geological Survey (Geosurv-Iraq) has long promoted investment in 12 industrial mineral projects, including mining and processing plants for phosphates, sodium sulphate, alumina, calcium carbonate and others (US Geological Service, 2015). The Kurdistan Regional Government (KRG) has also issued a general mining vision on its website, albeit with little detail (KRG Ministry of Natural Resources, 2015).

Iraq's five southern super-giant fields⁵ hold 80bn of the 91bn barrels reserves covered by production contract⁶ (Iraqi Economists, 2016). Northern Sunni-majority regions of Iraq (around Kirkuk, Mosul, and Khanaqin) are estimated to hold only 17% of proven national oil reserves, estimated at 143bn barrels at end-2015 (US Energy Information Administration, 2016). Ranked fifth in the world, Iraq held 18% of the Middle East's and 9% of the world's oil reserves (US Energy Information Administration, 2016) (US Geological Service, 2015) (Hannam & Partners, 2015). The Rumaila and West Qurna fields together hold more proven oil reserves than the entire United States. All of Iraq's production is onshore, with the majority at shallow depths of 10,000ft and some 30%-40% within the 2000-5000ft range, and Iraq boasts one of the world's highest exploration success rates at 2/3, compared to a global average of 1/10 (US Energy Information Administration, 2016) (Hannam & Partners, 2015). Iraq holds the world's 12th largest natural gas reserves at 112 tcf, three quarters of which are associated with oil in the south (Hannam & Partners, 2015). However, limited gas infrastructure has constrained gas-focused exploration and Iraq ranked as the world's fourth-largest gas flaring country in 2014 (US Energy Information Administration, 2016).

The second-largest producer in OPEC, Iraq's oil output rose some 58% to almost 4.1m barrels per day

⁵ Defined as holding reserves of over 5bn barrels of crude oil.

⁶ As of January 2016.

(bpd) between 2011 and 2015, some 3.7% of the world's production (CME Group, 2016). Production reached a record high of 4.5m bpd in November 2015 (Global Risk Insights, 2015). Some 88% of this production came from southern oilfields, with the other 450,000 bpd produced from northern Iraq, primarily the Kurdistan Regional Government (KRG) (US Energy Information Administration, 2016). In Baghdad-administered Iraq, the industry is completely state-owned, with the oil marketing company SOMO selling crude to 40 accredited international companies on behalf of four producing affiliate companies of the Ministry of Oil: South Oil Company, North Oil Company, Missan Oil Company and Midland Oil Company. Iraq's oil industry is wholly government-owned, structured under Technical Service Contracts (TSCs) where operators are paid a fixed rate per barrel for production. International companies active in Iraq's oil and gas sector include BP, China National Petroleum Corporation (CNPC), Shell, Petronas, Total, ExxonMobil, Petrochina, Lukoil, Eni, China National Offshore Oil Corporation and Japex. While the government had benefitted at times of high oil prices, the slump in global prices from mid-2014 has meant the government has struggled to cover companies' investment costs, cumulating USD 10bn in debt in 2015 alone (Iraq Business News, 2016). The eleven international TSCs that have been signed hold the promise of a total production of 11.86m barrels per day, which would make Iraq the largest oil producer in the world (Iraqi Economists, 2016). However, the government has lowered forecasts for oil production from 12m bpd to 6m bpd in 2020 as annual investment in the upstream oil industry has declined by roughly a third from 2014 to USD 13bn in 2015 (The Oxford Institute for Energy Studies, 2016). The International Energy Agency estimates Iraq has the potential to produce only around 7m bpd by 2040 (International Energy Agency, 2016). Iraq is overwhelmingly reliant on crude oil for 95% of exports, 93% of government revenues and 47% of GDP in 2014 (IMF, 2015). With a budgeted oil price average of USD 45 per barrel for 2016, the government's donor-supported fiscal position has come under significant pressure (World Bank, 2016).

Northern oil production has been plagued by political frictions between the KRG and insurgency linked to the Islamic State in Iraq and the Levant (ISIL). While the Ministry of Oil has insisted that all contracts be signed by the national government and oil marketed through the State Oil Marketing Organization (SOMO), KRG passed its own hydrocarbons law in 2007 pending national legislation and has awarded over 40 production-sharing contracts (PSCs) to oil companies including IOCs such as Chevron, ExxonMobil and Total (The Oxford Institute for Energy Studies, 2016; Crisis Group, 2012). As tensions between Baghdad and the KRG grew in 2014, when Prime Minister Nouri al-Maliki ceased statutory subnational transfers to the KRG of 17% of the national budget (NRGI, 2016), a December 2014 deal to resume subnational transfers in exchange for marketing a share of KRG oil through SOMO quickly collapsed (US Energy Information Administration, 2016). By 2016, the KRG was estimated to have accumulated as much as USD 25bn in debt owed to local and foreign firms, in part through pre-payment oil contracts (The Oxford Institute for Energy Studies, 2016).

Iraq's formal oil export figures typically only include seaborne exports from the southern terminals exporting Basra crude, which accounted for 85% of total oil exports in 2015. In addition to the Basra and Khor al-Amaya ports operating below capacity, four single-point moorings buoyed offshore Basra were installed in 2015 and a fifth in 2016. Most of the country's major pipelines are in the North and remain non-operational. Following the closure of the main Iraq-Turkey pipeline in March 2014, northern exports rely on two KRG-built pipelines to Ceyhan. While Asia continued to account for over half of Iraq's total oil exports in 2015, exports to the largest non-Asian importer, the US, declined some 70% from 2001 to 229,000 bpd in 2015 (US Energy Information Administration, 2016). Iraq operates 12 domestic refineries, of which three are large-scale, with total nameplate capacity of 1m bpd (Iraqi Ministry of Oil, Fossil Fuel

Resources, 2010). Following ISIL attacks on the Baiji refinery in June 2014 however, total domestic refining capacity declined to around 600,000 bpd (US Energy Information Administration, 2016). However, given that refineries produce more heavy fuel oil than required domestically, Iraq imports an average of 100,000 bpd of lighter petroleum products. Four new refineries with combined capacity of 800,000 are planned to open after 2018 to alleviate this dependence on imports (US Energy Information Administration, 2016).

Regulatory reform in the oil and gas sector has long been mooted, although progress has been slow. First proposed in 2007, a draft Hydrocarbons Law proposed the creation of an oil and gas council to oversee the sector, a national oil company (NOC) and arrangements for profit-sharing through an Oil Revenue Fund and a Future Fund (US Geological Service, 2015). There have also been proposals to convert the current system of TSCs, where the government contracts oil companies to produce oil at an agreed rate, to PSCs, where government and companies share costs and profits according to an agreed split (Iraqi Economists, 2016). As of end-2016, the draft law remains stalled due to political disagreements over issues such as oil revenue sharing (Export.gov, 2016). Iraq is ranked 38/100 in the Natural Resource Governance Institute's 2017 Resource Governance Index, a "weak" score that placed Iraq 61st of 89 countries (NRGI, 2017). The country was ranked 161 of 168 countries in Transparency International's 2015 Corruption Perception Index (Transparency International, 2015), 161 of 189 countries in the World Bank's 2016 Doing Business ranking (World Bank, 2016) and 3 of 100 in the International Budget Partnership's 2016 Open Budget Index (International Budget Partnership, 2016). A USD 5.34bn three-year stand-by agreement reached with the IMF in May 2016 is contingent on reform of state-owned banks and the clearing of government accumulated arrears to foreign oil companies in payment for production costs (IMF, 2016).

Explanation of the Validation process

The EITI International Board agreed at its 33rd Board meeting in Oslo, Norway that fifteen countries, including Iraq, will undergo Validations starting 1 January 2017.

1. Validation is an essential feature of the EITI process.

Validation is an essential feature of the EITI implementation process. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. It 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.

The Validation process is outlined in chapter 4 of the EITI Standard⁷. It has four phases:

1. Preparation for Validation by the multi-stakeholder group (MSG)
2. Initial data collection and stakeholder consultation undertaken by the EITI International Secretariat.

⁷ See also <https://eiti.org/validation>.

3. Independent quality assurance by an independent Validator who reports directly the EITI Board

Board review.

The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, and more detailed [Validation procedures](#), including a standardised procedure for data collection and stakeholder consultation by the EITI International Secretariat and standardised terms of reference for the Validator.

The Validation Guide includes a provision that: “Where the MSG wishes that validation pays particular attention to assessing certain objectives or activities in accordance with the MSG work plan, these should be outlined upon the request of the MSG”. The MSG has not informed the International Secretariat of any such request.

In accordance with the Validation procedures, the International Secretariat’s work on the initial data collection and stakeholder consultation was conducted in three phases:

1. Desk Review

Prior to visiting the country, the Secretariat conducted a detailed desk review of the available documentation relating to the country’s compliance with the EITI Standard, including but not limited to:

- The EITI work plan and other planning documents such as budgets and communication plans;
- The multi-stakeholder group’s Terms of Reference, and minutes from multi-stakeholder group meetings;
- EITI Reports, and supplementary information such as summary reports and scoping studies;
- Communication materials;
- Annual progress reports;
- Any other information of relevance to Validation available online.

In accordance with the Validation procedures, the Secretariat has not taken into account actions undertaken after the commencement of Validation. The IEITI MSG did not request any issues for particular consideration.

2. Country visit

A country visit took place on 1-9 April 2017. All meetings took place in Baghdad, Iraq, and Dubai, the United Arab Emirates. The secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group. In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders are able to freely express their views and that requests for confidentiality are respected. The list of stakeholders consulted is outlined in Annex [A.J](#).

National secretariat staff went to great lengths during the fact-finding mission to ensure that the International Secretariat had broad and full access to relevant stakeholders. Despite this, meetings were not held with the Chair of the EITI, Secretary General of the Council of Ministers Dr. Mehdi Al Alaq, the Minister of Oil Jabar Ali al-Luaibi or the MSG's declared EITI Champion, former Minister of Oil Ibrahim Bahr Al-Olum. Concerns were also raised by some CSO MSG members that the International Secretariat's message to the MSG announcing the commencement of Validation had not been circulated to the MSG by the national secretariat so that some of them were not aware of the mission ahead of its taking place.

[On 19/10/2016, a workshop was held for stakeholders both inside and outside the Council in Baghdad with the attendance of Mr Pablo, a representative of PWYP and a representative of NRG. During the workshop, the process of the upcoming validation was explained and the workshop programme was attached, including the validation mechanisms issued by the International Initiative, which Mr Pablo explained at length.]

3. Reporting on progress against requirements

This report provides the International Secretariat initial assessment of progress against requirements in accordance with the Validation Guide. It does not include an overall assessment of compliance.

The International Secretariat's team comprised: Victor Ponsford, Pablo Valverde, Alex Gordy, Gay Ordenes, Eddie Rich and Sam Bartlett.

Part I – MSG Oversight

1. Oversight of the EITI process

1.1 Overview

This section relates to stakeholder engagement and the environment for implementation of EITI in country, the governance and functioning of the multi-stakeholder group (MSG), and the EITI work plan.

1.2 Assessment

Government engagement in the EITI process (#1.1)

Documentation of progress

Public statement: There is only limited evidence of recent public statements of support for EITI by high-level government representatives, although a public statement of support by Minister of Oil Jabar Ali Al-Luaibi was published on Iraq EITI's website⁸ and Facebook page⁹ on 9 February 2017 – after the beginning of EITI Validation and consequently outside the scope of this information-gathering exercise. In his statement, Minister Al-Luaibi confirmed his personal commitment to “global standards of transparency in the sector” and committed his ministry’s “moral and practical support” to the EITI requirements.

While there was a gap in public statements of support in the 2013-2016 period, there were a number of such statements by high-level government representatives leading to and immediately following the 6th EITI Global Conference in Sydney in 2013.¹⁰ Iraq's then Deputy Prime Minister for Energy Affairs Hussein al-Shahristani participated in the conference and reiterated the government's support for the EITI. As Inspector General at the Ministry of Electricity (MoE), EITI National Coordinator Alaa Muhie el-Deen regularly has made public statements about the EITI and its role in Iraq in national media (see *Requirement 7.1*). There are also examples of general public statements by government officials supporting transparency in the oil and gas sector.¹¹

The 2015 EITI annual progress report notes that then-Minister of Oil Adil Abdulmahdi visited the IEITI national secretariat at the Ministry of Oil in February 2015 to demonstrate his support for the initiative (IEITI, 2015).

Senior lead: Inspector General of the MoE Alaa Mohie El-Deen, was appointed the first senior government lead for Iraq's EITI implementation in March 2009. On 26 January 2010, the Cabinet issued Decree 12-2010 requesting all three stakeholder groups to select their MSG representatives and appointing Secretary General of the Council of Ministers Dr. Ali Al-Alaq as the Chair of the MSG and new senior government lead (Adam Smith International, 2012). The same decree appointed Alaa Mohie El-Deen as IEITI National Coordinator in charge of the day-to-day implementation of the EITI. (Adam Smith International, 2012). **The current Secretary General of the Council of Ministers and Chair of the MSG is Dr. Mehdi Al Alaq, who replaced his brother, Dr. Ali Al Alaq in 2014 after the latter was nominated to lead the Central Bank of Iraq. Alaa Mohie El-Deen remains as the IEITI National Coordinator.**

This is a matter internal to the Iraqi government and falls within the legal prerogatives of the Prime Minister relating to the appointment and mandating of civil servants. It has nothing to do with the

⁸ <http://ieiti.org.iq/ArticleShow.aspx?ID=128>.

⁹ <https://www.facebook.com/IraqEITI/>.

¹⁰ See for example <https://www.youtube.com/watch?v=0xdmKNmw17g>.

¹¹ See for example

https://www.facebook.com/oil201/videos/245748409211558/?autoplay_reason=all_page_organic_allowed&video_container_type=0&video_creator_product_type=0&app_id=6628568379&live_video_guests=0.

initiative. Therefore, the Council believes that this paragraph should be removed from the report.]

Active engagement: Signs of government engagement have decreased since Iraq was declared a compliant country under the EITI Rules in 2012 and there are no indications that the government has implemented recommendations from EITI reports (see Requirement 7.3). Minutes of meetings show that in at least one case a representative from SOMO participated in a dissemination exercise in the regions (MSG, 2016), but otherwise there does not appear to be evidence of government representatives participating in dissemination activities except through the national secretariat.

Government engagement was institutionalised through Presidential Order 12-2010, which confirmed the Secretary General of the Council of Ministers as MSG Chair and decreed that four members from the Iraqi Government should form part of the MSG (from the Ministry of Finance, Ministry of Oil, the Central Bank of Iraq and the Board of Supreme Audit) as well as one NOC representative.

Government is generally represented on the MSG at a senior level, usually Director General, and minutes show that within the MSG government representatives play an active role in discussing and approving EITI Reports, work plans and annual progress reports. Some government representatives attended MSG meetings regularly, while others did not attend at all. The MSG Chair Dr. Mehdi Al Alaq has only attended twice in the period February 2015-February 2017 (see Annex B). There are a number of mistakes in Appendix B, which have been corrected. Please amend and correct this sentence in the light of that. In Dr. Al Alaq's absence, National Coordinator Ala Mohie El-Deen chairs the meetings in accordance with the MSG's internal procedures (see Requirement 1.4). It appears that national secretariat staff often takes the role of "government" representation in MSG discussions. For example, the MSG's Bid opening committee is made up of three secretariat staff and two MSG members representing civil society. Likewise the MSG's Bids evaluation committee is composed of the National Coordinator together with two different secretariat members and three MSG members representing civil society. Other MSG working groups, like the one created in April 2016 to develop a beneficial ownership roadmap, do include government representation beyond the national secretariat.

Commented [AT5]: In the Arabic, it originally had the name Mehdi in the place of Ala', but in the English translation this is omitted.

Usually, there are two committees. The first is the Bid Opening Committee, whose duties are to open the envelopes and ensure that they contain all the data and information required in the presence of the representatives of the companies who have submitted bids and in a transparent manner, without playing any role in the evaluation of the bids or in the referral. This requires the participation of the relevant officials from the National Secretariat to receive the bids.

The second committee is composed of a majority of members of the Stakeholder Committee, the financial consultant and an official from the National Secretariat. For instance, in Administrative Order No. 36 of 12/04/2016, a copy of which is attached, relating to the formation of committees for the 2015 report, this committee comprised four members of the Council (the secretary general of the Initiative (the national coordinator), who is the vice-chairman of the Council, as well as three members of the Council and the financial consultant.)

During extensive stakeholder consultations, the International Secretariat found conflicting evidence of the exact government membership of the MSG. Indeed, there were discrepancies between the statutory structure laid out in Presidential Order 12-2010, the list of MSG members provided by the national secretariat and evidence from MSG members' signatures of meeting minutes in the February 2015-

February 2017 period (see Requirement 1.4).¹² Government membership in the MSG is thus unclear to the Secretariat.

Project proposals presented to the World Bank show that the Government of Iraq is committed to funding half of the costs of implementation (World Bank, 2016), although “securing IEITI’s funding for the years 2015 and 2016” is identified in the 2015 EITI annual progress report as an area requiring additional government support (IEITI, 2016). The same progress report includes an example of a situation in February 2015 where the Minister of Oil Adil Abdulmahdi acted to address bottlenecks in implementation by instructing NOCs and MoO officials to participate in EITI reporting after their initial refusal to fill in the required templates. While the 2015 annual progress report does not explain why the MoO had refused to participate initially, the Minister’s intervention appears to have been successful given government entities’ subsequently active participation in EITI reporting (the notable exception of the Kurdistan Regional Government) (see Requirement 4.1).

A dedicated EITI law has featured in the MSG’s work plan since 2016 and a draft was introduced to the Parliamentary Integrity Committee on 12 April 2017.

Stakeholder views

Public support: Although government officials consulted were not consistently aware of EITI implementation in Iraq, all officials consistently expressed strong support for increasing transparency and good governance in the hydrocarbon sector. The acting Minister of Industry and Mines expressed the government’s support for EITI as a tool to support reforms in the mining sector. Expressions and demonstrations of support among high-level government representatives were particularly evident from SOMO and the IBSA.

MSG members and secretariat staff said that although the MSG Chair had participated in MSG meetings

¹² Signatures on MSG meetings may provide the most accurate account of MSG membership in practice: analysis of MSG meetings minutes from the February 2015 - February 2017 period (Annex B) show that there are five government representatives on the MSG besides the Chair (Dr. Al Alaq) and the Vice Chair (Mr. Mohie El-Deen) including the Director Generals of the Iraqi Board of Supreme Audit (IBSA), of SOMO, of the Board of Geological Survey (Ministry of Industry and Mines) and of the Ministry of Finance’s Administrative Directorate. The minutes include a space for a representative of the Ministry of Natural Resources of the KRG to sign his or her attendance, but unlike other MSG members it provides no name for this position. The minutes also include three positions for “national companies” and list the Director Generals of South Oil Company and of Midland Oil Company as well as, incorrectly, the Petroleum Contracts and Licensing Directorate (PCLD). It is not clear why SOMO is not considered one of the national companies or why the PCLD is listed in this category. Contrary to Presidential Order 12-2010, the Central Bank of Iraq and the Ministry of Oil are not independently represented, although SOMO, the NOCs and the PCLD are all technically part of the Ministry of Oil (see Requirement 2.6). During stakeholder consultations, the national secretariat provided a list of current MSG members that somewhat contradicts the signatures of MSG meeting minutes with representation from the Director Generals of the Ministry of Finance’s Administrative Department, of the Ministry of Oil’s Office of Financial Supervision and of the Geological Survey (Ministry of Industry and Mines). The secretariat’s list of MSG members also lists a group called “National Companies”, composed of the Director Generals of North Oil Company, of Midland Oil Company and of South Oil Company. There is no explanation as to why this list does not include the Director General of SOMO, the PCLD or the Director General of the IBSA even though all three are listed in meeting minutes and were introduced to the International Secretariat as government MSG members during stakeholder consultations.

on select occasions over the last five years, his responsibilities as Secretary General of the Council of Ministers did not allow him to take an active role in EITI implementation. To ensure political support for implementation, the MSG had therefore asked former Minister of Oil Dr. Ibrahim Bahr Al-Olum to take on the honorary role of “Iraq EITI Champion” according to these representatives. The reasons for the current Minister of Oil not being asked to take on this role were not clear despite extensive stakeholder consultations on the subject. Senior MoO representatives expressed conflicting views about their Ministry’s support for the EITI. Whereas a number of representatives expressed strong support, others said that the EITI process in Iraq was not considered relevant for the MoO in its current form because it only sought to gloss over problems in the sector. According to one senior MoO representative, the MoO did not engage more actively with the EITI process because EITI Reports had degenerated into “irrelevant window-dressing” over time.

Engagement: There are no records of the representative of the Ministry of Finance having participated in a MSG meeting since December 2015, nor of the PCLD representative’s participation in a MSG meeting since March 2016 (see Annex B).

Stakeholder consultations left a general impression that government support for the process was largely *ad hoc* and primarily based on personal relations with members of the national secretariat, rather than a coherent government policy. The appointment by the MSG of Dr. Bahr Al-Olum as “honorary” EITI Champion in June 2016, rather than someone currently in the government, contributed to this impression. Likewise, the Director General for the Office of the Prime Minister’s Legal Directorate said that he occasionally participated in MSG meetings as an observer but clarified that this was primarily out of personal interest rather than to serve as a liaison with his office. The Inspector General at the Ministry of Culture said that he did not have any professional reason for having drafted part of the EITI draft law, other than his personal relationship with members of the secretariat. As discussed in further detail below (see *Requirement 1.4*), there are reports that national secretariat staff has put up barriers to government engagement by removing individual government members from communicating with the rest of the MSG. According to a civil society MSG member, the national secretariat removed a government MSG representative from an EITI WhatsApp group for having expressed an opinion that was contrary to the secretariat’s, which led the government MSG representative to send a proxy to subsequent MSG meetings. Despite support from the national secretariat, the International Secretariat was unable to secure meetings with the Iraq EITI MSG Chair, the Minister of Oil or the honorary EITI Champion during stakeholder consultations.

MSG members and secretariat staff confirmed that there had initially been problems in securing the participation of the MoO in the 2015 Report but that this had been solved after a meeting between the Minister of Oil and the IEITI National Coordinator at the request of the MSG Chair.

Secretariat staff expressed some uncertainty about the government’s continued ability to fund implementation in 2017. Secretariat staff confirmed that no government funds were allocated to the EITI in 2015-2016. International Secretariat staff were assured by a representative from the MoO’s budget department that government funding would be provided for EITI in future.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made inadequate progress in meeting

this requirement. The extent of senior government officials' support for the EITI appears to have slowed markedly after Iraq was accepted as an EITI compliant country in 2012. While the National Coordinator Alaa Mohie El-Deen has consistently made public statements of support for EITI and is a senior government official in his position as the Ministry of Electricity's Inspector General, his dual function as National Coordinator creates some confusion in responsibilities (*see Requirement 1.4*). With few exceptions, the EITI Chair Dr. Mehdi Al Alaq has not taken an effective government leadership role in the EITI in Iraq. Demonstrations of government engagement in the EITI are limited to government representatives' semi-regular participation in the MSG and participation in EITI data collection upon request. As the Secretary General of the Council of Ministers, Dr. Al Alaq is reportedly too busy to engage actively with the EITI process, the MSG and secretariat have sought to compensate through personal relations with influential individuals within and outside the government.

To strengthen implementation the MSG should seek to engage more closely with the government and in particular with the Ministry of Oil, for example by inviting the Minister of Oil to chair the MSG in Dr. al Alaq's absence. The MSG and the Government of Iraq should also ensure that there is more continuity and clarity in government's representation on the MSG. Greater government engagement in the development of work plans that reflect national priorities for the sector should also contribute to a more active government role.

Industry engagement in the EITI process (#1.2)

Documentation of progress

The Iraqi oil sector is characterised by the dominance of NOCs. Although legally structured as entities under the MoO, NOCs are sometimes treated as "industry" on the MSG. Unless explicitly stated, industry in this section refers to international oil companies (IOCs) operating in Iraq under technical service contracts (TSCs) or international oil buyers (IOBs).

Active engagement: With the exception of one representative, industry does not participate in MSG discussions. While IOCs and IOBs report regularly in IEITI Reports, they do not appear to be engaged otherwise with EITI implementation.

Three positions on the MSG are reserved for IOCs (IEITI, 2010). There are no representatives from companies operating in the mining sector, private or state-owned, nor is there evidence that these sectors have ever been approached by the MSG to solicit representation. Two of the three MSG members from industry were rotated out of Iraq by their respective companies in 2014 and have not been replaced since. The list of MSG members provided by the national secretariat only includes one industry representative, from Shell Iraq (*see Requirement 1.4*).

Although there is evidence in meeting minutes that the sole remaining industry representative participates actively in MSG discussions, there is no evidence of the wider constituency being engaged in any stage of EITI implementation beyond submitting reporting templates and participating in the reconciliation. According to the evidence available to the International Secretariat, the last time an attempt was made to engage the whole industry constituency in an EITI-related event was in June 2010, when a workshop was arranged in Dubai to help companies select their representatives. There is no

evidence that the constituency has since attempted to renew its representation. According to the 2014 annual activity report, the lack of industry MSG membership came in spite of letters from the Minister of Oil, SOMO and the MoO's PCLD inviting industry to elect new MSG representatives.

Most companies report in the EITI process, but not all companies reported all of the required information or submitted the required assurance mechanisms (*see Requirements 4.1 and 4.9*). The number of reporting companies has grown consistently from 34 in 2009 to 47 in 2011, 64 in 2013-2015.

Enabling environment: A number of legal provisions have been passed to underpin EITI reporting. The model producing oilfield technical service contract was amended a first time in April 2009 to include provisions (Article 9.18) requiring companies to comply with anti-corruption laws and business ethics standards¹³ (Government of Iraq, 2009). The model contract between SOMO and crude oil buyers was revised in April 2012 to include a clause requiring IOBs to participate in EITI reporting¹⁴ (Adam Smith International, 2012). In addition, companies domiciled or listed in the UK, Netherlands and Norway are required to report payments to government at country and/or project level, and are consequently already reporting on the kind of information that is required of them by the EITI in Iraq (BP plc, 2016) (Royal Dutch Shell plc, 2016). This information does not include IOBs' purchases of crude oil from SOMO however.

Article 15 of the 2007 Kurdistan Oil and Gas Law requires all current and future oilfield accounting to be subject to independent and publicly-accessible audits and that the Kurdistan Oil Trust Organisation (KOTO) carry out its responsibilities in line with the EITI Principles and Criteria as set out in the EITI Source Book of March 2005 (Presidency of the Kurdistan Region, 2007). There is no evidence that the EITI-related provisions of the KRG Oil and Gas Law have been updated since nor that the KRG's legal provisions related to EITI have been implemented in practice.

Stakeholder views

Stakeholders from all constituencies confirmed that, notwithstanding the active participation of the sole remaining industry MSG member, the industry constituency as a whole had not engaged actively in EITI implementation for several years. A former IA noted that the industry MSG member interacted with the MSG regularly via email despite usually being unable to join MSG meetings in person.

Stakeholders from all constituencies and secretariat staff said that the industry constituency had been actively involved at the beginning of the process in Iraq, including in the development of the reporting templates for companies. They confirmed that industry had initially followed a clear process to select its MSG representatives but had not since conducted a process for renewal. MSG members expressed concern that the MSG would not have any industry representation or procedures to engage new representatives if the last remaining industry representative were to rotate out of his current position.

Responses from stakeholders varied as to the reasons for the lack of industry engagement. According to

¹³ Article 9.18 of the 2009 model TSC requires companies to take "all necessary measures, in accordance with the law and international standards, to uphold transparency, accountability and the strict observance of general business ethics and anti-corruption laws and regulations".

¹⁴ The model SOMO crude oil sales contract states: "Without prejudice to the General Terms and Conditions of this contract, the Buyer will be committed to the requirements of the Extractive Industries Transparency Initiative (EITI) by confirming the price paid for crude oil under this agreement and taking such other reasonable measures as may be agreed between the parties".

one industry source, industry did not think that stakeholders would use the EITI to address oil and gas governance challenges and expressed concern that the EITI could be used as a platform to criticise industry. Other industry stakeholders said that they would welcome more engagement in the process but had not been approached. Secretariat staff said that they would have liked to engage companies more actively but did not see how they could make EITI implementation more relevant to industry concerns given their conception that the aim of the EITI was “just to produce reports”. A MoO representative said that the reason for industry’s lack of active participation came from the fact that they did not see the EITI as helping to address the real sources of corruption and thus tended to prioritise other activities.

In consultations with the International Secretariat, the current President of the Iraq Oil Company Forum (IOCF), an industry organisation that meets semi-regularly in Dubai, confirmed that Iraq EITI did not currently engage with the IOCF but expressed the desire for IEITI to use the forum as a platform for discussions with the broader constituency. Another industry representative said that he had suggested this on previous occasions along with other suggestions such as setting up and maintaining an updated mailing list for industry, although neither of these had been done given his impression of a lack of a genuine drive on the part of the MSG to engage with companies more proactively. All industry stakeholders consulted said that they would welcome more engagement with the EITI, although there did not appear to be a clear understanding of how this engagement could serve industry’s interests.

Secretariat staff and some government representatives off the MSG said that a law was needed to make EITI reporting mandatory for all IOCs. They confirmed that this was already a requirement for IOBs given related provisions in SOMO’s oil sales contracts but noted that there was little incentive for SOMO to ensure compliance from all IOBs. A senior SOMO representative said that although there had been some initial reluctance from IOBs to participate in EITI reporting, they were now familiar with the process and participated regularly. However, there was a problem with companies that no longer bought SOMO crude as they were no longer bound by contractual obligation to participate in EITI reporting, according to this representative. Whereas most IOBs had submitted their audited financial statements to SOMO and participated in EITI reporting, three IOBs had chosen not to participate in the 2015 IEITI Report and SOMO had thus been unable to require them to do so. A representative for the IOBs confirmed that they always submitted two years of audited financial statements and always reported in EITI because it was in the contracts. A representative from civil society in the KRG said that, although there were important transparency provisions in the KRG’s Oil and Gas Law, these were not implemented in practice.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made inadequate progress in meeting this requirement. Industry engagement is limited to one participant on the MSG and there are no procedures in place or plans to engage the broader constituency. Industry has not refreshed its representation on the MSG since their initial appointment in 2010, despite the fact that two of the three representatives were not replaced upon their rotation out of the country in 2014 and 2015 (*see Requirement 1.4*). The absence of company engagement does not seem to be the fruit of a conscientious effort to keep industry from participating and there are efforts to ensure an enabling environment for company participation. Rather, it appears that stakeholders have struggled to find a way to engage industry when EITI work plans have narrowly focused on reporting (*see Requirement 1.5*) and the security situation further complicates company participation difficult.

As a matter of urgency, the MSG should develop a plan to engage more actively with the industry constituency, for instance through the Iraq Oil Company Forum. To galvanise industry's attention, the MSG should ensure extensive consultations with industry are undertaken to ensure EITI implementation objectives are consistent with priorities of the industry constituency.

Civil society engagement in the EITI process (#1.3)

Documentation of progress

The 2015 IEITI Report defines civil society as *“the community-based organisation, non-governmental organisations [NGOs] and institutions outside the government, representing the diversity of citizens and their views, seeking to speak on behalf of or for the “public interest” and for the citizens themselves”* (IEITI, 2016). The report provides a list of civil society organisations, albeit noting that it is not comprehensive, including “not-for-profits, media, trade unions, academic and research institutions, faith-based groups and investors and individuals” (IEITI, 2016). The Iraqi Research Foundation for Analysis and Development (IRFAD), a consultancy, estimates the total number of NGOs in Iraq (including KRG) as up to 12,000, of which approximately half (roughly 6000) are registered with the national NGOs Directorate and between 800 and 1,800 considered operational by international observers (Irfad, 2017). According to a 2008 US Department of state report, **“the vast majority of human rights NGOs were affiliated with political parties or with a particular sect and frequently focused human rights efforts along sectarian lines”** (US Department of State, 2008, s. 1985).

Wrong information. The Council believes it should be omitted.

Expression: Articles 37-46 of the Iraqi Federal Constitution guarantee citizens’ freedoms, including freedom of expression, of the press and of assembly (Article 38), freedom of communication and correspondence (Article 40), freedom of thought, conscience and belief (Article 42) and freedom of movement and travel (Article 44) (Federal Government of Iraq, 2005). In July 2016, Iraq’s Parliament considered a bill on freedom of expression and peaceful demonstrations that introduced tough new penalties for defamation as well as lengthier and more complex procedures for obtaining permits to protest (Iraq Pulse, 2016). The bill was challenged by civil society, both through grassroots organisation through Facebook protests (iGmena, 2016) and through opposition in parliament (Freedom House, 2016), ultimately leading to its removal (ICSSI Baghdad, 2017).

Iraq is ranked “not free” in Freedom House’s 2015 Freedom in the Press and 2016 Freedom in the World indexes and categorised as one of the deadliest countries for journalists due to rising violence and oppression as well as media blackouts (Freedom House, 2015), although political rights improved marginally with the reassertion of authority by parliament (Freedom House, 2016). Civicus Monitor notes the existence of “emerging pockets of civil activism” and the development of organisations focused on election-monitoring but concludes that civil society in Iraq continues to be “repressed”, largely due to the ongoing violence between the Government of Iraq and Daesh (Civicus, 2017). Human Rights Watch has expressed concern that the ongoing conflict is making life increasingly difficult for civilians and notes that authorities “continue to limit press freedom” (Human Rights Watch, 2017). Western countries all maintain travel warnings on Iraq due to severe human rights concerns (UK Foreign & Commonwealth Office, 2015) (US Department of State, 2015). International NGOs have also well documented human

rights abuses by government forces in connection with ongoing battles against Daesh (Amnesty International US, 2016) (Human Rights Watch, 2016). There do not appear to be examples of human rights abuses or detentions of activists in relation to statements on extractive industry governance or EITI specifically. In addition, there are examples of CSOs publicly participating in discussions concerning the extractive industries both at the national and international levels (ITAEI, 2015). In spite of this, there is a vibrant public debate in social media and a plethora of national and regional newspapers as well as widespread access to national, regional and international television channels.¹⁵ There is also evidence of CSO statements critical of aspects of Iraq's EITI implementation: for instance, ITAEI conducted an internal analysis of the 2015 IEITI Report in March 2017 and shared a critical assessment of the report by one of its members with the coalition and the International Secretariat, although it was not published (Alkhuzaie, 2015).

[The Council believes that we are not bound by any unpublished analyses. It was also sent to undisclosed bodies. Analyses and studies available to public opinion, so that they can be referred to and their recommendations taken into account and responded to. The financing of these analyses and the identity of those carrying them out are undisclosed and thus secret. They are therefore not binding and should not be referred to.]

Operation: According to the International Centre for Not-for-Profit Law, Iraq's civil society space has expanded exponentially since the overthrow of Saddam Hussein in 2003, during whose reign independent civil society was not allowed to exist insofar as it could pose a political challenge to the regime (Zubaida, 2003). Thousands of NGOs were established under the Coalition Provisional Authority's Order 45 on NGOs in 2003, focusing initially on humanitarian and relief efforts but increasingly expanding their scope to human rights and democratic development in recent years (International Center for Not-for-Profit Law, 2016).

Article 45 of the Iraqi constitution states that *"the State shall seek to strengthen the role of civil society institutions, and to support, develop and preserve their independence in a way that is consistent with peaceful means to achieve their legitimate goals, and this shall be regulated by law"* (Federal Government of Iraq, 2005). The Council of Representatives approved a new Law on NGOs (Law 12-2010) on 25 January 2010, the final day of the first post-war parliamentary session, and enacted it on 7 April 2010 (Council of Representatives, 2010). Welcomed by CSOs as a significant improvement on previous regulations, the new law eased restrictions on foreign funding that had previously been prohibited, curbed the government's ability to reject applications by requiring that denial of registration be tied to a specific provision of law, removed criminal penalties – including imprisonment for up to three years for being a member of an improperly-registered NGO – and established judicial oversight of the government's ability to suspend a NGO (International Center for Not-for-Profit Law, 2016). The new law was perceived as *"one of the most progressive in the region, including provisions for clear and straightforward registration process, lifting barriers to foreign and domestic funding, operational activity, and international contact"* by the IRFAD, although it also highlighted that the lack of implementing regulations to date has meant that, despite the existence of the new law, the pre-April 2010 system was still in effect (Irfad, 2017).

Like all laws passed by the Federal Government of Iraq, the Law on NGOs and the registering requirements are binding throughout the country, including the KRG. Meanwhile, the KRG passed its own

¹⁵ A list of some of the main ones is available here: <http://arabic-media.com/iraq-news.htm>.

law on NGOs operating in Iraqi Kurdistan (Law 01-2011) on 6 April 2011. According to the KRG regional government, the new law simplified the process of registering an NGO, liberalised NGOs' funding sources, removed restrictions on foreign residents' rights of association, removed all criminal penalties and improved the transparency of government funding of NGOs (Kurdistan Regional Government, 2011).

Registration of civil society organisations in Iraq happens through the "NGO Directorate" under the office of the General Secretary of the Council of Ministers. The directorate's website¹⁶ includes detailed instructions on how to register different kinds of organisations as well as information on the legal framework and training materials, among other things (NGO Directorate, 2017). Registration requires submission of a registration form along with copies of staff IDs, address, bylaws, a detailed statement of objectives and a commitment to maintain records (NGO Coordination Committee for Iraq, 2017). An announcement on the NGO Directorate's website clarifies that registration is free of charge and advises visitors of possible frauds. Registration of NGOs in the KRG is more complicated and requires an appointment as well as annual renewal of the registration (NGO Coordination Committee for Iraq, 2014). The Secretariat has not found examples of organisations working on extractives who have followed the requirements but nevertheless faced challenges in registering, although according to IRFAD's research the NGOs Directorate "remains responsible to the political parties that control the Iraqi Council of Ministers" and "political affiliations play a major role in choices of funding and registration" (Irfad, 2017).

The representatives of civil society believe that this clause is not correct and that the process of registration is unconditional. Therefore, this paragraph must be omitted.

Commented [AT6]: The Arabic says 'paragraph', but only one clause is highlighted.

There is no evidence of operational barriers for civil society participation in EITI, although funding and operations in certain areas remain a challenge. A number of observers have noted difficulties for NGOs in securing funding and operating in conflict areas. However, this is not the case in other areas of the country, which have experienced relative stability since 2003, although IRFAD has emphasised the overwhelming reliance of all CSOs on international donor funding (Irfad, 2017). There is no evidence that NGOs participating in EITI are affected by these barriers any more or less than other civil society organisation. CSOs engaged in EITI implementation appear able to attend all EITI-related activities, indeed more consistently than other constituencies (*see Requirement 1.4*), and are able to operate freely using their self-established constituency coordination mechanisms.

Association: There is a vibrant and active network of local and international NGOs working on oil and gas issues in Iraq, although a significant number are based overseas due to domestic insecurity. The Iraqi Transparency Alliance for Extractive Industries (ITAEI) was established in June 2011, comprising representatives of CSOs, unions, professional syndicates, media houses and independents. As of January 2017, it was the largest PWYP-affiliated coalition with 83 member organisations (PWYP, 2016). In December 2014, an election conference was organised with support from the IEITI secretariat to help civil society organisations elect their representatives to the ISC, with the invitation to participate open to all organisations registered in Iraq. Organisations registered in the KRG were also welcome to participate and to stand for election as long as they were also registered through the NGO directorate. In total, some 600 CSO representatives from all over Iraq participated (EITI, 2014).

According to a 2015 submission to the US Securities and Exchange Commission the ITAEI is the main

¹⁶ <http://www.ngoao.gov.iq/>

platform for discussion and communication on EITI-related subjects (ITAEI, 2015). In this submission, ITAEI's coordinator and MSG member Ali Neema writes that

“Local civil society organizations (CSOs) continue to learn how to make optimal use of EITI data. Workshops have taken place to train civil society members of the EITI's multistakeholder group, as well as journalists and other interested stakeholders, in how to analyze EITI reports and to use this data. So far there have been 72 workshops across the country over the last two and a half years, and there are plans for additional workshops in the future” (ITAEI, 2015, s. 3).

There is also evidence of Iraqi CSOs freely associating with international NGOs and civil society coalitions, such as the ITAEI's participation in regional workshops organised by PWYP and NRG1 in Lebanon on numerous occasions.

Engagement: There is evidence that civil society representatives are able to be fully, actively and effectively engaged in the design, implementation, monitoring and evaluation of the EITI process (Iraqi Coalition for Transparency in Extractive Industries, 2017). MSG minutes show that civil society representatives participate actively in discussions and e-mail exchanges shared with the International Secretariat show that **civil society representatives question and at times criticise the MSG's decisions.** Civil society regularly conducts workshops throughout the country to discuss the findings of EITI Reports, and there are numerous public discussion pieces addressing the EITI process and efforts to enhance the impact of implementation (Kaissy, 2015). As mentioned above, ITAEI counted 72 such workshops in the period 2012-2015 (ITAEI, 2015) (*see Requirement 7.1*). A promotional video created by IEITI in 2014 labels the role of civil society as being a building block of the process and quotes National Coordinator Alaa Mohie El-Deen as saying “*without civil society, the EITI would not exist in Iraq... the EITI has given society a vital role in spreading the initiative's concepts*” (IEITI, Role of Civil Society in IEITI, 2014).

Decisions are taken by consensus. In case of non-agreement, the decision is discussed in order to arrive at consensus. Any dissenting member may substantiate his opposition.

As analysis of MSG meeting attendance shows (see Annex B), civil society regularly participates in MSG meetings and some of its members are among its most consistent participants (*see Requirement 1.4*). There is evidence of regular circulation of EITI-related information through a dedicated mailing list, with regular comments critical of EITI Reports and of Iraq's EITI implementation circulated among the broader constituency. Email exchanges between MSG members seen by the International Secretariat show that civil society representatives participate actively in sub-committee meetings. There is also evidence in e-mail exchanges seen by the International Secretariat of CSO MSG members undertaking outreach to the KRG on behalf of the MSG. Meanwhile, the ITAEI's assessment of the 2015 IEITI Report highlighted process-related weaknesses including the fact that the draft IEITI Report had not been reviewed by wider civil society members, that all emails and the draft report were circulated in English (not Arabic) and that the draft IEITI Report circulated to CSO MSG members bore no resemblance to the final version.

Access to public decision-making: While a draft law on freedom of expression was tabled for discussion by Parliament in 2016, it was never passed due to severe criticisms by civil society organisations due to its potential to open journalists to judicial harassment and restrict freedom of association (Civicus, 2016). The law has not been passed. The US Department of State has previously noted that “*the vast majority of human rights NGOs are affiliated to political parties or with a particular sect*”, and IRFAD's research suggests that an organisation's ability to influence decision-making is linked to its proximity to political

parties or interests (US Department of State, 2008) (Irfad, 2017).

There is evidence that civil society representatives are able to use the EITI to promote public debate through public events, workshops and conferences to inform the public about the EITI process and outcomes, as well as conduct analysis and advocacy on natural resources, use of EITI data and engagement with media outlets (see Requirement 7.1).

Stakeholder views

According to one civil society representative not on the MSG there are an estimated 2,000 civil society organisations registered Iraq.

Civil society representatives agreed that although some things could be difficult to discuss given the current political situation, nothing was “off the table” and there was general freedom of opinion. Civil society organisations could therefore discuss freely. The major challenge identified was that discussions would quickly become politicised, making progress difficult, but this was first and foremost perceived as a result of the political situation in the country and not as an assault on their freedom of expression. The International Secretariat witnessed one such situation at a meeting in 2015 with parliamentarians and MSG members, with accusations of treason being levelled against one civil society representative for speaking on behalf of the KRG. Civil society representatives, including the person thus accused, confirmed during the stakeholder consultations that this was not unusual in a heated conversation on these topics but that they did not consider it a violation of the EITI’s civil society protocol. Secretariat staff also said that CSOs had a lot of freedom and “sometimes push it too far”, but that “despite heated debate” there had never been any bona fide threats to any CSO in relation to EITI.

A number of civil society representatives on and off the MSG said that there was a serious disagreement between the National Coordinator and some of the civil society MSG members, which at times had led to tense discussions. According to eye witnesses from civil society, in at least one case a threat of violence was voiced against one of the civil society representatives. The person threatened confirmed that this did not stop civil society from playing their role in the EITI process and the conflict was not viewed as an attempt to silence civil society but rather as a sign of governance challenges within the organisation. The proximate cause of the disagreement leading to the threat was the request by civil society that the MSG use Arabic, rather than English, as its working language for all documents to improve the quality of discussions before reports were published.

These heated discussions of the topics raised in Council meetings indicate the effectiveness of members of the Council reaching the correct decision, like the use of Arabic in Initiative correspondence.

Civil society representatives on the MSG confirmed that the ITAEI network was their main platform for communicating with the broader constituency. With the support of PWYP, the International Secretariat sent a message to all civil society representatives on the MSG and to all organisations represented in the PWYP Iraq coalition requesting their views on the extent to which the requirements of the civil society protocol were being followed. Addressees were invited to respond in Arabic and directly to the International Secretariat. All the answers received consistently confirmed that civil society representatives believe that all provisions in the civil society protocol are being followed. The only concern referred to effective engagement in the design, implementation, monitoring and evaluation of

the EITI process, where in the words of one civil society representative “civil society representatives are allowed to participate in all the special committees for the whole process, but if they object to any issue and in cases of inconsistencies with the views of the [National Coordinator], they are ignored in various ways”. Examples provided include specific instances where requests for amendments to EITI Reports were not followed through, requests for changes to the terms of reference for the IA were not addressed and objections to the publication of annual progress reports were ignored.

The observations made by the members of the Stakeholder Council are implemented either through the amendments to the reports or the terms of reference of the independent administrator. The same thing happens with observations they make about the annual activity reports. This led to the development of the 2015 Initiative Report and the 2016 Annual Activity Report.

One development partner considered that there was a generally good environment for freedom of expression on extractives issues but that CSOs were not particularly aggressive in seeking to expose corruption. This was due to a certain amount of self-imposed restraint largely due to the perception that whatever CSOs attempted to expose would not have an impact, according to this representative who explained that the most effective civil society in Iraq was in the delivery of public services. CSOs not on the MSG confirmed that civil society had the freedom to discuss any topic but tended to shy away from overtly political discussions. In the view of these CSOs, civil society considered its role as a partner to the government, filling a gap in the delivery of public services that the government was unable to provide for. They said that the government required civil society to register but did not control them, nor were they constrained in receiving funding from abroad.

An international civil society representative who worked closely with the election of civil society representatives to the MSG in 2014 explained that at there had been some disgruntlement among civil society representatives from the KRG who were registered in Erbil and not in Baghdad. Under the election rules agreed by civil society, a position was to be reserved for a civil organisation from the KRG, but that organisation had to be registered in Baghdad. However, the tension eased once it became clear that there was only one candidate registered both in Erbil and Baghdad.

Civil society representatives on and off the MSG said that long geographical distances and the security situation in the country’s north sometimes made it challenging to operate in certain regions. One CSO former MSG member noted that CSOs were often dependent on the government to help them undertake nationwide outreach, particularly at the beginning of the EITI process. An international civil society representative highlighted the national secretariat’s impartial efforts to support the CSO constituency’s MSG selection process in 2014, ensuring that representatives from all parts of the country could participate.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made satisfactory progress in meeting this requirement. Despite the general constraints inherent in Iraq’s security situation, civil society representatives are able to engage in public debate related to the EITI process and express opinions about the EITI process without restraint, coercion or reprisal, with numerous examples to demonstrate. It is a challenge that discussions quickly become politicised, making progress difficult, but stakeholders perceived this first and foremost as a result of the political situation in the country and not as an assault

on their freedom of expression. Civil society representatives are also able to operate freely in relation to the EITI process and communicate and cooperate with each other. There is an active PWYP coalition and civil society representatives speak freely on transparency and natural resource governance issues. Civil society representatives are able to engage in the design, implementation, monitoring and evaluation of the EITI process, although there are important concerns that their views are not taken into consideration by the MSG and the national coordinator in his role as (Vice) Chair. These concerns are serious but are not, in the International Secretariat's view, an attempt by the Government of Iraq at silencing civil society or limiting their actions. Rather, they reflect challenges in the MSG's internal governance and particularly in the relationship between the national secretariat and the MSG (see *Requirement 1.4*).

To strengthen implementation, civil society members of the MSG may wish to consider formalising and strengthening their mechanisms for canvassing the broader constituency on key EITI documents, in order to broaden public oversight of EITI reporting and implementation. Basic improvements in MSG governance such as the use of Arabic as the working language should encourage more active civil society participation (see *Requirement 1.4*).

MSG governance and functioning (#1.4)

Documentation of progress

MSG composition and membership: The composition of the MSG (the Iraqi Stakeholder Council - ISC) and its membership is unclear. The Presidential Order 12 of 2010 establishing the MSG, its Terms of Reference (ToR), the EITI Reports themselves, the MSG meeting minutes and various IEITI promotional videos all set out different structures and membership of the MSG. A self-assessment facilitated by the International Secretariat in October 2016 highlighted that MSG members considered that there was substantial scope for improving the MSG's internal rules and for clarifying the MSG's composition and membership.

According to Presidential Order 12, signed on 26 January 2010 by Acting Secretary General of the Cabinet of Ministers Ali Mohsen Ismail, the 14-member MSG should include four members from the Iraqi Government (Ministry of Finance, Ministry of Oil, the Central Bank of Iraq and the Board of Supreme Audit), four members from national and international companies (NOCs, American, European and Eastern companies that have contracts with SOMO to buy oil) and four members from civil society, alongside a Chair and Vice Chair (Adam Smith International, 2012).

According to the MSG's ToR, approved in December 2010, the 14-member MSG should include three representatives from IOCs, three from CSOs, three from government (Ministry of Oil, Ministry of Industry and Minerals, Ministry of Finance), three from regulatory bodies (House of Representatives, Iraqi Board of Supreme Audit (IBSA) and the Integrity Commission) and three from trade unions (Iraqi Accountants and Auditors Association, Iraqi Bar Association and Iraqi Journalists Syndicate), alongside a Chair and Vice Chair. Iraq's first Validation under the EITI Rules in 2012 noted that it was not clear at the time whether this updated composition had been formally recognised by the Government of Iraq outside of the simple bylaw that was the ToR (Adam Smith International, 2012).

Through practical experience, the Council found it necessary to broaden the types of regulatory and civil bodies. The Council was restructured in the light of this.

Validation of Iraq: Report on initial data collection and stakeholder consultation

According to the 2015 IEITI Report, the 19-member MSG is composed of a Chair, the Secretary of the IEITI (National Coordinator), three representatives from government, three from IOCs, three from NOCs, four from CSOs, two from monitoring agencies and two from trade unions (2015 IEITI Report, p.26).

According to 2014 EITI report, the 20-member MSG is composed of a Chair, the National Coordinator who is also the MSG's Vice Chair, three representatives from government, three from IOCs, three from NOCs, three from CSOs, three from monitoring agencies and three from trade unions. (IEITI, 2016).

According to the MSG minutes from February 2015 to February 2017, the 21-member MSG is composed of a Chair and a vice Chair, eight representatives from CSOs, three from IOCs, three from NOCs¹⁷ and five from government. The five government representatives are consistently the IBSA, SOMO, the MoF, the MIM and the KRG MNR, although the latter is not identified by name and there is no record of the representative ever having attended. A representative was not nominated by the Regional Government of Kurdistan to fill the post. The three IOC MSG members are consistently Shell Iraq, ExxonMobil Iraq and CNPC. Representation in the two other categories (civil society and NOCs) varies. For the civil society constituency, the minutes show that there was a change in representation between March and June 2016. It is not clear what this change was due to. There were vacant seats for representatives of a media association, the private sector and an academic institution. Nominations were received to fill these seats in April 2016 and the Council discussed them in Session No. 38 on 27/04/2016. The nominees of the media association and the private sector were ratified. They therefore began to attend meetings from June 2016. Based on the minutes, three of the positions have been consistently reserved for members of the Iraqi Bar Association, the Iraqi Accountants and Auditors Association and the Iraqi Journalist syndicate, but no member has been nominated to cover these positions (see Annex B). In Session No. 29 on 01/09/2014, the Council ratified its restructuring in accordance with practical experience. It granted a larger role to the numerous stakeholders inside the Council. On this basis, it removed the representatives of the Bar Association and the Press Association while the representative of the Association of Iraqi Accountants and Auditors continued to be a member. Regarding the MSG member from the KRG, the MSG decided at its 13th meeting in 2012 to include a representative from the KRG on the MSG, according to an article published by the news agency Iraqi News, although there is no indication that the KRG representative was ever nominated (Mohammed, 2012).

According to a list of MSG members provided by the national secretariat, the 16-member MSG is composed of a Chair and a Vice Chair, four representatives from government (MoF, MoO, MIM and a "Consultant of the Ministry of Oil"), three from NOCs (Director Generals of North Oil Company, Midland Oil Company and South Oil Company). In Session No. 29 on 01/09/2014, the Council ratified its restructuring in accordance with practical experience. It granted a larger role to the numerous stakeholders inside the Council. The total number of members is 21, but the number of seats actually occupied by members is 16. one from IOCs (Shell Iraq) and six from CSOs, although only four of these were independent CSO MSG members elected in November 2014, while one represents the Union of Accountants and Auditors and the last appears to be there in his own capacity. He represented the private sector (the Association of Iraqi Economists). In 2017, he ceased to represent this body so his membership of the Council ended.

¹⁷ Interestingly, the term NOCs in the MSG meeting minutes does not include SOMO, which is considered a government agency, but does seem to include the MoO's PCLD as a NOC, when it is in fact the MoO department that oversees the NOCs.

A promotional IEITI video describes a different structure for the civil society constituency on the MSG, which it states is composed of eight representatives, including four seats for trade unions, “the private sectors”, academia and media organisations and four to be elected representing independent civil society organisations (IEITI, Role of Civil Society in IEITI, 2014).

IEITI has shared with the International Secretariat letters confirming the nomination of MSG representatives from ten organisations, including from the Iraqi Union of Accountants and Auditors for one MSG member (October 2010), from SOMO for two MSG members (the Director General and his Deputy) (August 2010), from the MoF for one MSG member (April 2012), from the Iraqi Economists Association for four MSG members (February 2015), from the IBSA for one MSG member (May 2014) and from the MIIM for one MSG member (December 2014). The minutes of a MSG meeting in December 2014 confirming four CSO MSG Members selected in the October 2014 elections were also provided by the national secretariat as evidence of MSG membership. *Nominations and membership*: Article 2 of the MSG’s ToR sets out how membership should be decided. The Chair and the Vice Chair are nominated by the national secretariat and ratified by the General Secretariat of the Council of Ministers. The representatives of the government, the regulatory bodies, the national extractive companies and the trade unions are all appointed by their respective bodies in coordination with the secretariat. The remaining six representatives (three each from civil society and from international extractive companies) are elected in a process facilitated by the national secretariat.

Minutes of a MSG meeting in April 2016 note new nominations for the positions of representatives for “academics, the media association and the private sector”. The minutes note that the national secretariat had nominated two of them, which MSG members accepted through unanimous vote. A third candidate had been nominated by one of the civil society representatives; because he was absent from the meeting, the vote on his nominee was postponed. According to the minutes, the representative of the “private sector” was a member of the administrative board of the Iraqi Economists Association, the representative of the media association was the Head of the Iraqi Observatory for Press Freedom and the representative of the academics was not mentioned.

Civil society: The initial invitation to civil society to participate in the MSG took place in 2010 when the Government invited CSOs to attend a workshop at the MoO on 1 August 2010, through an open invitation via a televised advert (Adam Smith International, 2012). With 110 CSOs participating, meeting organisers from MoO explained that only those CSOs who sent in their formal documentation (certificate of registration and CVs of key members, etc.) could be considered for selection as MSG members, **resulting in only seven organisations sending their formal applications supported by the required documentation.** In a follow-up workshop on 1 September 2010, three NGOs were elected to the MSG although the selection process was generally considered inadequate by stakeholders who considered that “**CSO representatives on the MSG [were] perceived as weak and closely aligned with government interests**” (Adam Smith International, 2012, p. 15). **[The Council believes that this paragraph refers to an earlier period subject to the First Ratification Report. It has nothing to do with the period of this valuation period. It must therefore be removed from the report.]** A new selection process for civil society MSG members was carried out in December 2014, when some 600 CSO representatives from all over Iraq held elections for their MSG representatives in Baghdad in a **web-based** **[There was no web-based voting. A representative from each organisation attended and the voting was held directly in the election hall. This sentence must therefore be amended.]** voting process overseen by an independent judge, CSOs not directly involved in the EITI and an international NGO representative. Participants’ travel costs were

covered by IEITI and the criteria for candidates included minimum knowledge of the EITI and proof of support from at least 15 civil society organisations. One MSG seat was reserved each for a women's organisation and a CSO from Iraqi Kurdistan. Four representatives were selected in this manner (IEITI, 2014). The list of MSG members provided by the national secretariat notes that an additional civil society MSG member was nominated in 2015, but does not provide his position or accreditation, while his selection process remains unclear. The list also includes a representative from the Union of Accountants and Auditors, listed as civil society, but it is not clear from this list when he assumed his MSG seat (IEITI, 2017). **There was no addition for 2015.**

Industry: The initial invitation to industry to participate in the MSG took place in 2010 when the Government of Iraq invited the Iraq Oil Company Forum to select representatives amongst IOCs operating in Iraq. A meeting was organised by the MoO in Dubai on 6 and 7 June 2010 to raise companies' awareness of EITI and of their responsibilities in EITI implementation, including electing industry MSG members. The invitation to participate was open to all Iraq Oil Company Forum members and the event was attended by the International Secretariat. Three industry MSG members were selected at the meeting, one of which remains in the MSG. There is no evidence that a new process for selecting industry representatives has been carried out since then, nor that buyers of SOMO's crude oil have ever been represented on the MSG.

Government: It is not clear what government representatives sit on the MSG. According to the minutes, government representatives are appointed from MoO, MIM and MoF. There are also three representatives from NOCs (SOMO, Southern Oil Company and Northern Oil Company), all of which are organisationally under MoO. The MSG Chair is the Secretary General of the Council of Ministers, but according to meeting minutes he is generally unable to participate in meetings (see Annex B). In practice, National Coordinator Alaa Mohie El-Deen, Inspector General at the Ministry of Electricity, is the MSG's Vice Chair. According to the list of MSG members provided by the national secretariat, government representatives come from the MoF, the MIM alongside a consultant from MoO. There are also three representatives from NOCs (North Oil Company, Midland Oil Company and South Oil Company). It is not clear why the IBSA, SOMO or the PCLD were omitted from this list or whether the MoO consultant in any way represents the MoO (IEITI, 2017).

Terms of reference: The MSG's ToR were drafted by the IEITI secretariat in August 2010 and approved by the MSG in December 2010 (IEITI, 2010). The ToR, known as the "internal rules", set as their main goal to provide the MSG with "a wide space for communication and consensus" and to enable "a distribution of powers that facilitates action". With only limited guidelines, the ToR consist of three articles, covering the MSG's structure (Article 1), its membership and decision-making rules (Article 2) and its mission (Article 3) (IEITI, 2010).

Representation: As highlighted, the ToR (Article 1) set a different structure for the MSG to that set in Presidential Order 12 (2010), IEITI Reports and MSG meeting minutes. The ToR do not distinguish between oil and gas companies or mining companies, referring only to national or international "extractive companies". Although the internal rules do not address geographic and gender representation, civil society included such criteria in the 2014 CSO MSG selection process. There were two women members of the MSG and one representative from the KRG during the period under review. **There do not appear to be representatives from Sunni provinces or provisions for religious considerations in representation. This clause stirs up sectarian conflict regarding stakeholder representation on the**

Council. The Council insists that it is removed from the report.

Internal governance and procedures: According to Article 2.6 of the ToR, MSG meetings are to be convened and chaired by the “ISC President” (MSG Chair) or his deputy at the request of six or more members. The Vice Chair replaces the Chair in the event of his absence (Article 2.4). Amendments to the internal procedures can be presented to the national secretariat by the MSG Chair or six of the council members. The proposed amendments need to be ratified by the Secretary General of the Council of Ministers (Article 2.8). There is no reference in the ToR to the frequency of meetings or to the rules for quorum. The rules for the MSG’s decision-making are clearly set out as by unanimous consent and, where this is not possible, that “*the President shall make the appropriate decision after deliberation with the members and listening to their views. This decision shall be binding on all*” (Article 2.7). The MSG approves contracts (including with the auditors, the independent administrator and, where relevant, the Validator) (Article 3.3), the work plan and media plan (Article 3.6) as well as the annual progress report (Article 3.7). The MSG also develops and approves the templates (Article 3.8) and is responsible for following up on recommendations from reports (Article 3.10). MSG minutes and the Validation Report of 2012 mention that there are dedicated working groups or “subcommittees” (Adam Smith International, 2012, s. 16), but these are not codified in the ToR. The ToR do not expressly state that all constituencies should be treated as equal partners other than to state in the introduction that the system is supposed to enable a “distribution of powers” with “wide space of communication and consensus”. There are allegations of extensive deviations from the ToRs (see *stakeholder views* below).

Record-keeping: The ToR do not establish who should keep meeting records or how. In practice, the national secretariat takes MSG meeting minutes and circulates them to MSG members for approval. MSG minutes are not available online but have been shared with the International Secretariat. Meeting minutes are kept in Arabic and signed by all MSG members. There is no evidence of working group minutes being taken or circulated to MSG members.

Capacity of the MSG: The internal rules state that the MSG should “ensure the necessary means to implement the initiative in Iraq” (Article 3.4). Work plans regularly include capacity building of national secretariat staff. The 2017-2018 work plan, approved in December 2016, includes as one of its planned activities “Training for civil society on the mechanisms of support and monitoring of the EITI”, with an expected cost of USD 150,000 for two years to be funded by the Government of Iraq. The training for the secretariat in the same work plan has an expected cost of USD 200,000 for one year, also to be funded by the Government of Iraq. A further USD 100,000 are included as “capacity building for the Stakeholders council regarding the mechanisms of management and governance of extractive industries sector and the new standards of EITI” (IEITI, 2016). Total training budget in the work plan for 2017 and 2018 is thus USD 450,000. Total training budget in the work plan for 2016-2018 developed in 2015 was USD 665,000 (IEITI, 2015). Annual progress reports from the last three years (2013, 2014 and 2015) show capacity-building activities for members of the secretariat. Capacity building for MSG members appears to only take place when members of the International Secretariat or partner organisations (PWYP and NRG) are in Baghdad or in connection with regional training organised by the International Secretariat and partners. Besides the amounts included in the work plan, terms of reference for the independent administrator always include a clause requiring the independent administrator to provide training for six members of the secretariat (IEITI, 2016). According to the 2013 annual activity report, such training is “developmental and cultural” and have taken place in Paris, Dubai, Turkey and London (IEITI, 2014). The last such training took place in Jordan in 2016 (IEITI, 2016).

Per diems: There is no evidence of per diems being paid in Iraq in connection with EITI implementation, although this does not appear to be codified explicitly. The 2015 annual progress report specifies that USD ~~6,710~~ ~~6,175~~ of an allocated USD 20,000 from the 2015 work plan had been used for “hospitality of arrangements for local and international figure (sic.)”.

Attendance and participation: There are no provisions on quorum in President Order 12 (2010) or in the MSG’s ToR. According to Article 2.4 of the MSG’s ToR, the Vice-Chair is empowered to replace the MSG Chair in case of absence. A review of MSG minutes between February 2015 and February 2017 (see Annex B) shows that the Chair participated in two of nine meetings. Annex B shows that both the Chair and the Vice Chair did not attend any of the three meetings in 2015, but since at least one of the meeting minutes makes reference to the Vice Chair it is likely that this is due to an omission (IEITI, 2015). It is not clear from the ToR who would chair in the absence of both the Chair and the Vice Chair.

Article 2.5 of the MSG ToR allows for MSG members to have substitute members noting that “the substitute member replaces the original member in case of absence”, but the rules for selecting substitute members are not clear from the IEITI’s governance documents. Attendance sheets are not kept, but according to the 2015 annual progress report the average attendance rate was of 82% in 2015 (IEITI, 2016). While this is not further explained, the same document refers to “lack of attendance” by international and national oil companies as one of the key challenges to EITI implementation in Iraq. Average attendance in the 2014 annual progress report is listed as “14 out of 20 members” (i.e. 70%) (IEITI, 2015).

Meeting minutes are signed by members of the MSG who participated in the meeting, making it possible to keep a tally of attendance (see Annex B). Based on the signatures, the average attendance rate over the course of 2015 was 53/105 (approximately 50%) and the average attendance rate over the course of 2016 was 24/63 (38%). Both values are significantly lower than the 82% average attendance rate noted in the 2015 annual progress report. According to the signed minutes, total average attendance over the period of 2015 (5 meetings), 2016 (3 meetings) and 2017 (1 meeting) was 44%. Annex B also shows that IOCs only have a 22% average attendance since the first meeting of 2015, although one representative accounts for most of this (19%).

National secretariat: The national secretariat is led by National Coordinator and MSG Vice Chair Alaa Mohie El-Deen. The secretariat is housed in the MoO, with some support staff at the Ministry of Electricity where the National Coordinator holds the position of Inspector General. The 2017-2018 work plan includes a USD 270,000 budget for the two years for the national secretariat’s operational expenses to be funded by the World Bank and the Government of Iraq as well as a USD 250,000 budget for the IEITI national secretariat’s payments to consultants (other than the EITI report) and staff (for the same period and from the same source). The secretariat’s extensive use of consultants has been criticised as overstaffing by some external observers (Jiyad, IEITI and Transparency - Midyear review, 2016). According to the 2015 annual progress report, the national secretariat counts 16 staff under contract as well as two more employees from MoO and five from the Ministry of Electricity, totalling 23 people in 2015.

Stakeholder views

Nominations and MSG representation: Stakeholders from all constituencies showed pride in the process followed for selecting civil society representatives in 2014 but regretted that a similar process for

selecting representatives for the industry constituency had not been possible. Civil society representatives on and off the MSG noted that a new process should have been initiated in December 2016 as current representatives were selected for a two-year term did not, consequently, have a formal mandate when Validation started. According to one civil society representative on the MSG, as the main platform for organising the constituency for participation in the EITI the civil society network ITAEI had decided to postpone a new process until after Validation.

It was not clear from stakeholder consultations whether there are limits to how many terms MSG members can serve nor whether members appointed by their respective structure (understood as members who are not representatives of IOCs or one of the four CSO members decided through elections) need to be refreshed at regular intervals. One civil society MSG member said that, in practice, appointed positions were decided by the national secretariat, who decided the identity and tenure of appointed MSG members. Some MSG members, including those concerned, also had trouble distinguishing whether representatives of trade unions were to be considered civil society or not. The representative of the auditors and accountants, for example, said that he had been a civil society MSG member since it was first established. Civil society representatives not on the MSG said that the constituency had requested that the MSG be expanded to include a representative from the parliament, but this had not been possible because parliamentary bylaws did not allow the head of a parliamentary commission to assume membership of another committee that he or she does not lead. None of the stakeholders consulted made reference to the Presidential Order of 2010 and all gave the impression that with the exception of the IOCs and the four civil society positions decided through elections, membership of the MSG and term limits were variables that could be altered by the MSG and the national secretariat on a discretionary basis.

Secretariat staff confirmed that all but the representative from the KRG belonged to the Shi'a majority and that there were no MSG representatives from Sunni provinces, although the International Secretariat did speak with a civil society representative from these regions who had sat on the MSG in the past. According to one member of the MSG and a member of the secretariat, with a handful of exceptions, secretariat staff all came from the same town. When asked whether this could ~~not~~ constitute a problem in terms of representation, most stakeholders did not consider this question relevant to EITI implementation in Iraq.

Attendance and engagement: A civil society MSG member confirmed that an MSG meeting attended by the International Secretariat was representative of most meetings in that there was no industry representation and conversations revolved around disagreements between the national secretariat and its consultants on the one hand and the MoO on the other. According to this representative, civil society was almost always well represented but not listened to. Stakeholders from all constituencies praised the consistent and valuable participation of the representative of the IBSA as well as SOMO's engagement in the process. The industry representative and one civil society representative on the MSG complained that they were consistently given insufficient notice ahead of meetings. The industry representative added that the security situation did not allow them to participate with short notice, which created the effect of disenfranchising them and discouraging closer industry engagement.

Civil society and government representatives on the MSG expressed concern that the MSG did not have the mechanisms in place to interact with the broader society in a meaningful manner. One independent consultant who has worked closely with civil society stakeholders on the MSG said that the MSG was "like

a black box”, with little or no interaction with stakeholders in the broader constituencies. MSG members had become “domesticated by the bureaucratic system” and were failing in their duty to assure the quality of EITI Reports or follow up on challenges identified through EITI Reports, according to this representative.

Internal governance: Upon extensive consultation, MSG members confirmed that decisions were generally made by consensus, albeit often “with expressions of dissent”. When asked why they approved an IEITI Report they did not consider of good quality, some civil society representatives on the MSG complained that their concerns had been ignored and that their request not to publish the 2015 IEITI Report in its current form had been overruled by the National Coordinator in his role as MSG Vice Chair. E-mail exchanges shared with the International Secretariat show that this was also a concern for the publication of annual progress reports, including the latest (covering 2015).

At a pre-Validation self-assessment exercise in October 2016 that was attended by the International Secretariat, MSG members from all constituencies confirmed that there is no policy on per diems and that these are not paid as part of EITI implementation. At the same time, one civil society representative noted in a message to the International Secretariat that MSG members had

“objected to the allocation of lump sums to representatives of civil society in proportion to the costs of transportation and accommodation to participate in the meetings of the initiative [out of fear that these would] make them a door to corruption and silence their voice in the Council. However... relatively large amounts were paid to representatives of civil society in the Council. These amounts were reduced in subsequent meetings”.

In Session No. 35, in accordance with government instructions, the Council ratified a system for paying allowances for attendance at meetings of the Stakeholder Council.

The International Secretariat understands that this is part of the USD 6,710 classified as “hospitality of arrangements for local and international figure *[sic]*” in the 2015 annual progress report.

MSG meetings and record-keeping: A number of MSG members from civil society and industry said that they had often been asked to sign meeting minutes, even if they had not been able to participate in the meeting. Some of the meeting minutes from 2015 have written, in English, “did not participate” where the signature is requested. Concerns were voiced by industry and civil society that although minutes were always kept, they did not always reflect discussions. It was suggested by a civil society representative on the MSG that this was the reason why minutes were no longer posted on the IEITI website as they had been initially.

Capacity: MSG members’ inadequate capacity was identified by stakeholders from all constituencies and members of the secretariat as a challenge to implementation. Further discussion revealed that although training and capacity building are constant elements of IEITI work plans, the focus is primarily on secretariat staff rather than MSG members. All IAs confirmed that they were required to provide training for secretariat staff outside of Iraq as part of their terms of reference. Three different stakeholders who have been involved with these trainings in the past noted that the criteria for the selection of participants was unclear, with one consultant who has worked with the MSG in the past complaining that “of the six secretariat staff participating only one worked in any way with technical issues of implementation”. Members of the MSG confirmed that there was no report or other transfer of knowledge to the MSG following these trainings.

National secretariat: Stakeholders from all constituencies praised the efforts of the National Coordinator and the secretariat for having kept the EITI process alive over a time of political upheaval. At the same time, the relationship between the National Coordinator in his role as the MSG's Vice Chair was identified by a number of stakeholders from civil society and government as a challenge to the MSG's ability to exert its oversight role (see Requirement 1.3). Stakeholders from civil society both on and off the MSG considered that the National Coordinator's understanding of the EITI first and foremost as an international reporting initiative had direct implications for stakeholders' ability to use the EITI as a tool to improve the governance of the sector. The issue of the working language was used by civil society representatives to show how this happened in practice: aside from meeting minutes, documents for the MSG's discussion are drafted in English. Many MSG members do not speak English however, making it difficult for them to review documents in a meaningful manner. In order to address this challenge, the working group in charge of drafting ToR for the IA had the template terms of reference translated into Arabic in December of 2016. Nevertheless, the terms of reference for the 2016 IEITI Report that were circulated in April 2017 by the national secretariat were in English. In e-mails between the National Coordinator and MSG members seen by the International Secretariat show heated debate on the issue of Arabic translations of key documents, with the National Coordinator stating that key EITI documents like the IA's ToR were only relevant to international stakeholders like the World Bank or International Secretariat and abdicating the national secretariat's responsibilities for document translation. Some civil society representatives were highly critical of this approach, noting that all key IEITI documents were consistently drafted entirely in English. The fact that the draft 2015 IEITI Report had not been made available in Arabic made it impossible for MSG members to discuss its content and was a direct cause for its "dismal" quality, according to one CSO. The issue of the MSG's working language was clearly a sensitive topic: one secretariat member expressed disbelief that this initial assessment would be translated into Arabic before being shared with MSG members for comments, wondering whether this was common practice in the EITI or just the result of Iraqi civil society's complaints. In written correspondence, one IA recommended that future the ToR for the IA be prepared in Arabic to facilitate communication with MSG members and other stakeholders.

Current and past MSG members from civil society and government said that the national secretariat also controls the flow of information and actively removes council members from mailing lists and WhatsApp groups on the basis of personal relationships. Concerns were raised by these stakeholders that some long-term consultants had more influence in decision-making than MSG members. One member of the secretariat confirmed rumours that the representative of SOMO had been removed from an IEITI WhatsApp group because of disagreements with the national secretariat; as a result the representative of SOMO stopped participating and instead sent his representative to meetings after March 2016. The International Secretariat's fact-finding mission was also used as an example by some CSOs who complained that they had only been notified of the mission at the last instance and at the International Secretariat's explicit request.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made inadequate progress towards meeting this requirement. The statutory rules for the MSG's structure and membership are not clear and indeed contradictory, which makes it impossible to assess deviations in practice. The nomination processes are independent and civil society groups are operationally, and in policy terms, independent of

government and companies. The fact that industry has no process in place to renew its MSG membership, last renewed in 2010 is a particular concern. The delay in new elections for civil society MSG members from December 2016 is also a (smaller) concern and implies that two of the constituencies did not have a clear mandate at the start of Validation. The lack of clear segregation in constituencies, leading to a lack of clarity on whether there are three or four constituencies, does not provide for clear constituency coordination and constructive engagement. The length of MSG members' tenure, aside from CSOs, is unclear, with roughly a fifth of members unchanged since 2010. With the MSG's governance documents last updated in 2010, there now appear to be widespread concerns amongst stakeholders consulted over an imbalanced relation between the national secretariat and the MSG that hampers the MSG's effective oversight of EITI reporting. There is also evidence of some coercion being applied to decision-making and agreement of minutes.

To strengthen implementation, the MSG should update its internal governance rules to cover all provisions of Requirement 1.4, develop a language policy that is conducive to achieving the goals of implementation in Iraq and publish procedures for nominating and changing MSG representatives, including the duration of mandates. The MSG should revisit its internal decision-making procedures to ensure statutory MSG rules are in line with current practice and treat each of the constituencies as equal. The MSG should also clarify whether there is a practice of per diems for attending EITI meetings or other payments to MSG members, consider keeping public attendance records and consider posting MSG minutes online.

Work plan (#1.5)

Documentation of progress

The MSG was said to have approved the 2016-2018 IEITI work plan on 7 December 2015 (IEITI, 2015) and subsequently updated the document in September 2016. Following a Validation self-assessment that showed that the work plan was not linked to national priorities, the MSG redrafted and approved the 2017-2018 IEITI work plan in December 2016 (IEITI, 2016).

Publicly accessible work plan: Although the IEITI website was offline while this assessment was being written, the work plans are regularly posted on the website and a cached version can therefore be accessed through google.¹⁸ While the 2017-2018 IEITI work plan is only available in English, the International Secretariat has received a copy of the Arabic version of earlier work plans.

Objective for implementation: The 2017-2018 work plan approved in December 2016 has the following mission statement: "An outline for IEITI objectives set out by the Stakeholders' Council and executed by the National Secretariat to enhance Transparency, Governance and public awareness of the natural resources of Iraq". All previous IEITI work plans including the one approved by the MSG in September 2016 included a narrower mission statement: "To implement EITI in an effective and efficient manner, through building up organization, structure, knowledge, skills and capacity of participants to sustain the compliant status of

¹⁸ <http://ieiti.org.ig/uploads/WorkPlans/2017-2018%20IEITI%20Workplan.pdf>.

Iraq in EITI".

The 2017-2018 work plan lists the following objectives for implementation: enhance and support mechanisms of accountability about the management of natural resources; raising the public debate; follow up and improve the impact of natural resource revenues on sustainable development; and clarify and enhance the laws and policies that support the governance of the sector. The objectives are accompanied by a brief rationale explaining the reasoning for each objective.

Measurable and time-bound activities: The 2017-2018 work plan includes 28 [objective activities](#), with each objective including an expected outcome. For each objective, there is a responsible party (in all but one case the national secretariat, often together with the MSG, civil society and/or the World Bank), a proposed timeline (yearly and quarterly), a cost and a source of funding. The objectives are divided into broad categories of activities, which in turn are divided into specific activities which nevertheless can be quite broad (for example, "make analytical studies on the budgets of Iraq and hold workshops for specialists to discuss the results"). It is at times unclear in the 2017-2018 work plan whether the planned activities are scheduled over the course of two years or twice in the two years.

Activities aimed at addressing any capacity constraints: The 2017-2018 work plan allocates USD 100,000 to "capacity building for the Stakeholders council regarding the mechanisms of management and governance of extractive industries sector and the new standards of EITI", USD 150,000 over Q3 of 2017 and Q1 of 2018 for "training for Civil Society on the mechanisms of support and monitoring of IEITI", and USD 200,000 in Q4 of 2017 for "training of National Secretariat staff on making surveys and other observing mechanisms to verify the impact of IEITI reports". The work plan allocates a further USD 150,000 for supporting workshops for civil society on mainstreaming EITI reporting in the oil, gas and mining industries. In total the work plan allocates USD 450,000 of a total of USD 2.7 million over two years to training (approximately 17% of the total budget). This does not include the training that Iraq EITI includes in the ToR for the IA for secretariat staff (IEITI, 2016).

A letter from Minister of Finance Hoshiyar Zebari to the World Bank requesting a USD 1.6m grant from the Extractive Global Programmatic Support (EGPS) for three years (2016-2018) noted that these funds were "highly needed to strengthen IEITI Secretariat's capacity to carry out its day-to-day operations, capacity building, training, outreach and dissemination of its activities throughout the country" (Ministry of Finance, 2016).

Activities related to the scope of EITI reporting: The 2017-2018 work plan allocates USD 400,000 to "prepare IEITI Report within the timeline and according to EITI Standards", apparently over the course of two years. A further USD 170,000 to implementing the MSG's roadmap for beneficial ownership disclosures. One of the objectives of the work plan is to use the EITI process to "clarify and enhance" the legal framework that governs the sector and engage parliamentarians more closely in these efforts. The work plan mentions an analysis of the petroleum contracts and the Iraqi national budget as one of the broader aims of the objective of following up and improving the impact of natural resource revenues on sustainable development (objective 3). Revenue management and expenditure, transportation payments, social expenditures and ad hoc subnational transfers are not addressed in the work plan.

Activities aimed at addressing any legal or regulatory obstacles identified: The 2017-2018 work plan allocates USD 30,000 to preparing and submitting a draft IEITI law. There is no reference to addressing legal, regulatory or other obstacles for improving publication of KRG data.

Plans for implementing the recommendations from Validation and EITI reporting: The 2017-2018 work plan allocates USD 100,000 to “publish the Validation report”. The work plan includes another activity under this section called “follow up with the Validator recommendations to improve EITI path in Iraq”. This activity does not have any funding allocated to it.

Costings and funding sources, including domestic and external sources of funding and technical assistance: The work plan includes an activity to “follow up IEITI allocations with the Government and the World Bank”. The activity has an allocation of USD 50,000 over the two years. The total cost of the work plan over the two years is USD 2,700,000, with funding to come from the Iraqi Government and from the World Bank. Operational expenses of the secretariat and cost of consultants (not counting the IA) and staff account for USD 520,000 (19%) of this amount while the publication of the IEITI report accounts for USD 400,000 (15%). According to the 2015 annual progress report, total cost of implementation in 2015 amounted to USD 350,219 (IEITI, 2016).

Stakeholder views

A pre-Validation self-assessment exercise facilitated by the International Secretariat and PWYP in October 2016 showed that the newly-approved 2016-2018 updated workplan did not have objectives that were linked to national priorities. As a result, a workshop was held in December 2016, again facilitated by PWYP, to help develop a new work plan. According to stakeholders consulted, it was not possible – given the short time available between workshops – to consult broadly with stakeholders outside of the MSG in the development of the new work plan. Representatives from the government did not express views on the work plan and generally did not seem to have read it. Industry representatives who did not sit on the MSG confirmed that they had never seen the work plan. Civil society representatives noted that the latest version of the work plan was in English, not Arabic, and said that this was because it was only drafted to comply with the EITI’s requirements ahead of Validation rather than as a tool to guide the MSG’s work in improving the governance of the sector. A long-time external observer of the EITI process noted that with only minor exceptions, the 28 tasks in the 2017-2018 work plan were almost the same as the 30 tasks in previous work plans, with only the objectives having changed. An international CSO who participated in the drafting workshop and the pre-Validation self-assessment said that the work plan did not include activities linked to addressing the challenge of reporting on KRG data, improving reporting on the mining sector, encouraging contract transparency, bringing transparency to cost recovery or addressing the issue of sub-national transfers, all of which were identified by stakeholders as being of particular relevance in an Iraqi context or having been identified by previous reporting exercises as requiring additional work. Nevertheless, this person and other civil society stakeholders consulted said that this was a marked improvement from previous work plans given that national priorities for the oil and gas sector were being discussed for the first time.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made meaningful progress towards meeting this requirement. The MSG maintains a current EITI work plan, that is fully costed and aligned with the reporting and Validation deadlines established by the EITI Board. The 2017-2018 work plan is an important improvement on previous work plans. It sets EITI implementation objectives that are linked to the EITI principles and to some extent reflect national priorities for the extractive industries. The work

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plan also includes measurable and time-bound activities, identifies domestic and external sources of funding and is updated regularly. There is a concern however that the work plan does not reflect consultations with key stakeholders or serve as a tool to support implementation but is instead perceived as a re-packaging of previous work plans to conform with the requirements of the Standard. It is noteworthy that most of the key issues identified by stakeholders as national priorities, or issues identified through previous reporting exercises as requiring additional attention, are not addressed by the work plan.

MSG members should in the future consult with stakeholders from all constituencies and ensure that national priorities are adequately reflected in the work plan in order to continue building on the recent efforts to bring the work plan in line with the EITI's requirements

Table 1 – Summary initial assessment table: MSG oversight

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Government oversight of the EITI process (#1.1)	<p>The extent of senior government officials' support for the EITI appears to have slowed markedly after Iraq was accepted as an EITI compliant country in 2012. While the National Coordinator Alaa Mohie El-Deen has consistently made public statements of support for EITI and is a senior government official in his position as the Ministry of Electricity's Inspector General, his dual function as National Coordinator creates some confusion in responsibilities (see Requirement 1.4). With few exceptions, the EITI Chair Dr. Mehdi Al Alaq has not taken an effective government leadership role in the EITI in Iraq. Demonstrations of government engagement in the EITI are limited to government representatives' semi-regular participation in the MSG and participation in EITI data collection upon request.</p>	Inadequate progress

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<p>Company engagement (#1.2)</p>	<p>Industry engagement is limited to one participant on the MSG and there are no procedures in place or plans to engage the broader constituency. Industry has not refreshed its representation on the MSG since their initial appointment in 2010, despite the fact that two of the three representatives were not replaced upon their rotation out of the country in 2014 and 2015 (see Requirement 1.4). The absence of company engagement does not seem to be the fruit of a conscientious effort to keep industry from participating and there are efforts to ensure an enabling environment for company participation. Rather, it appears that stakeholders have struggled to find a way to engage industry when EITI work plans have narrowly focused on reporting (see Requirement 1.5) and the security situation further complicates company participation difficult.</p>	<p>Inadequate progress</p>
<p>Civil society engagement (#1.3))</p>	<p>Civil society representatives are able to engage in public debate related to the EITI process and express opinions about the EITI process without restraint, coercion or reprisal. Civil society representatives are also able to operate freely in relation to the EITI process and</p>	<p>Satisfactory progress</p>

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	<p>communicate and cooperate with each other. There is an active Publish What You Pay coalition and civil society representatives speak freely on transparency and natural governance issues. Civil society representatives are fully engaged in the design, implementation, monitoring and evaluation of the EITI process, but there are important concerns that their views are not taken into consideration by the ISC and its (Vice) Chair. These concerns reflect challenges in the internal governance of the MSG and particular in the relationship between the national secretariat and the ISC.</p>	
<p>MSG governance and functioning (#1.4)</p>	<p>There has been an open and transparent invitation to stakeholders to participate, and there is adequate representation of constituencies. Statutorily, one third of seats are reserved for stakeholders to select their representatives, one third are government appointees and the remaining third represent entities that appoint their own representatives. The nomination processes are independent and civil society groups are operationally, and in policy terms,</p>	<p>Inadequate progress</p>

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	<p>independent of government and companies. It is a problem however that industry has not appointed representatives since 2010 and does not appear to have a plan to do so. New elections for civil society should have taken place in December 2016. It is also not clear whether there are three or four civil society representatives in the ISC, suggesting that the separation between constituencies is blurry. The maximum length of the terms of the other representatives is not clear, and some representatives have remained the same since 2010. Furthermore, there are concerns that the relationship between the secretariat and the ISC hampers the latter's ability to oversee the EITI reporting process effectively. Importantly, internal governance rules have not been updated since 2010.</p>	
Work plan (#1.5)	<p>The ISC maintains a current work plan, fully costed and aligned with the reporting and Validation deadlines established by the EITI Board. The 2017-2018 work plan is an important improvement on previous work plans. It sets EITI implementation objectives that are linked to the EITI principles and to some extent reflect national</p>	Meaningful progress

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	<p>priorities for the extractive industries. The work plan also includes measurable and time-bound activities, identify domestic and external sources of funding and are updated regularly. There is a concern that the work plan does not reflect consultations with key stakeholders or serve as a tool to support implementation but is instead perceived as a re-packaging of previous work plans to conform with the requirements of the Standard. Most of the key issues identified by stakeholders as national priorities, or issues identified through previous reporting exercises as requiring additional attention, are not addressed by the work plan.</p>	
<p>1.1. Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. The security situation and particularly the struggle against the terrorist organization ISIL, which preoccupied all government has led to a drop in the government's participation in the activities of the Initiative. To deal with this situation, and to ensure the active participation of the government, the Council has sought to restructure the government representatives by approaching the ministers whose ministries are represented in the Initiative to nominate representatives who would operate for them on the Council and participate in the different activities of the Initiative. 2. The Council will take into consideration the participation of the Chairman of the Council or his deputy during the coming meetings in a way that is in conformity with the relevant laws and regulations in force. <p>In line with Requirement 1.2, the MSG should develop a plan to engage more actively with the industry constituency, for instance through the Iraq Oil Company Forum. To galvanise industry's attention, the MSG should ensure extensive consultations with industry are undertaken to ensure EITI implementation objectives are consistent with priorities of the industry constituency.</p> <p>[For these reasons, the Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress']</p> <ol style="list-style-type: none"> 1. [The definition of companies operating in Iraq is broader than the definition 		

Commented [AT7]: These two paragraphs are not in the original English.

the International Initiative referred to. There are two types of company operating in extractive industries. These are:

- a. National Companies.
- b. Foreign Companies.

2. This categorisation is indicated in Diwani Order No. 12/2010 relating to the formation of the Initiative in Iraq for the companies to be represented in the Stakeholder Council. For this reason, there were four companies who faithfully attended: Shell, South Oil, North Oil and Missan Oil.
3. Company participation was not confined to their representation on the Council. This is reflected through the broader participation of the Stakeholders in Initiative reports. More than 50 companies submitted data and information in the annual reports of the Initiative.
4. The Council sought to broaden and modernise the participation of foreign and national companies in the Council. This was achieved through:
 - a. Ministerial Order No. 15330 dated 16/04/2017 (copy attached)
 - b. Foreign companies were invited by sending an email to all the 94 companies operating in Iraq and purchasing Iraqi oil and gas. Four representatives from four companies were nominated and the Council voted to choose three companies (BP, Luke Oil and Petronas).
5. On p.8, the Valuation Report indicated the following with regard to mining:

The mining sector in Iraq, which is controlled by the State, is similar to the oil and gas sector. This means that the Stakeholder Council must either reconcile the government's mineral purchases or exclude the mining sector from the reconciliation through the reports relating to relative importance.

[However, in Session No. 40, on 05/10/2016, the Stakeholder Council ratified the exclusion of mining from relative importance. Thus, the companies operating in mining were not included in the reconciliation. This reflects the fact that the Stakeholder Council implemented this paragraph previously, which excludes from the report the aspects of weakness relating to the failure to include mining data.]

6. The amended implementation request was sent on 21 September to the International Board, with KBMG's letter attached, which meant that the report did not include companies operating in the region of Kurdistan.
7. In line with Requirement 1.3, to strengthen implementation, civil society members of the MSG may wish to consider formalising and strengthening their mechanisms for canvassing the broader constituency on key EITI documents, in order to broaden public oversight of EITI reporting and implementation. Basic improvements in MSG governance such as the use of Arabic as the working language should encourage more active civil society participation (see Requirement 1.4).

[In order to improve the participation of civil society, the Council ratified the use of Arabic in written Initiative proceedings in Session 43 on 06/04/2017.]

In line with Requirement 1.4, to strengthen implementation, the MSG should update its internal governance rules to cover all provisions of Requirement

Commented [AT8]: The number and the date are left blank in the Arabic version of this document. However, they are contained in a parallel text in the ASI document.

Commented [AT9]: This is marked in red in the Arabic translation. I assume it should be in yellow.

1.4, develop a language policy that is conducive to achieving the goals of implementation in Iraq and publish procedures for nominating and changing MSG representatives, including the duration of mandates. The MSG should revisit its internal decision-making procedures to ensure statutory MSG rules are in line with current practice and treat each of the constituencies as equal. The MSG should also clarify whether there is a practice of per diems for attending EITI meetings or other payments to MSG members, consider keeping public attendance records and consider posting MSG minutes online.

[For these reasons, the Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Meaningful Progress' for the following reasons.

- e. The Council devoted numerous discussions to the membership of members. For instance: Session 28 on 04/06/2014, Session 29 on 01/09/2014, and Session 30 on 10/11/2014.
- f. The Council sought to enrich discussion in its sessions, including Session No. 41 on 19/12/2016, where it updated the Rules of Procedure in such a way as to define a mechanism for choosing members and their terms of office, and mechanisms for taking decisions, which covers all the provisions required in 4.1.
- g. In accordance with government instructions, the Council decreed a system for paying allowances for attendance at Stakeholder Council meetings.
- h. On the basis of the Council Decision in Session 41 on 19/12/2016, attendance is recorded and meeting minutes are prepared and posted on the Initiative Site and the social media page.]

In line with Requirement 1.5, MSG members should in the future consult with stakeholders from all constituencies and ensure that national priorities are adequately reflected in the work plan in order to continue building on the recent efforts to bring the work plan in line with the EITI's requirements

[For these reasons, the Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress'.

- a. After the workshop held in the Mansour Melia Hotel in October 2016, which included in its proceedings a discussion of the Action Plan, the members of the Stakeholder Council sought on 19/10/2016 to discuss an Action Plan for wider circles like civil society organisations represented in the Iraqi Transparency Alliance with the participation of PWYP and NRG.
- b. Company representatives submitted their opinions about the priorities of the Action Plan in accordance with their discussions with the bodies that they represent.
- c. The representatives of the government on the Council presented their opinions on the Action Plan.

On the basis of the above, the Action Plan for 2017-2018 was prepared, discussed and ratified in Session No. 41 on 19/12/2016.]

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Part II – EITI Disclosures

2. Award of contracts and licenses

2.1 Overview

This section provides details on the implementation of the EITI requirements related to the legal framework for the extractive sector, licensing activities, contracts, beneficial ownership and state participation.

2.2 Assessment

Legal framework (#2.1)

Documentation of progress

Legal framework: For **mining**, the 2015 IEITI Report provides a list of several laws relevant to the mining sector¹⁹ and links to the original source documents, although no descriptions are provided of the laws' main relevant clauses (2015 IEITI Report, Section 2.1, pp.30-31). For **oil and gas**, the 2015 IEITI Report provides an overview of the legal framework for the oil and gas sector, including an overview of the main relevant articles of the Iraqi Constitution of 2005 and a list of laws relevant to the oil and gas sector with links to the source documents²⁰, but no description of the relevant clauses (2015 IEITI Report, Section 2.1, pp.30-31). A cursory overview of the oil and gas industry in Iraq is also provided (2015 IEITI Report, Section 2.1.2, p.32), confirming the Federal Government's right to regulate the sector in line with law 101 of 1976 on the organisation of the MoO. Regulations related to health, safety and the environment are also referenced (2015 IEITI Report, Section 7.3, pp.135-136). In relation to Iraqi **Kurdistan**, the 2015 IEITI Report lists the 2006 Investment Law of KRG and the 2007 Oil and Gas Law of KRG and provides links to the original source documents, including, but does not provide descriptions of these laws (2015 IEITI Report, Section 2.1.1, p.31). The Kurdistan chapter (2015 IEITI Report, p.139) provides a description of the constitutional and legal framework for oil and gas in the KRG, including a cursory overview of challenges by KRG over Baghdad's interpretation of the Iraqi Constitution. It is stated that the KRG's MNR has entered into "over forty" PSCs with oil companies and that the Kurdistan Environment Protection

¹⁹ Laws related to mining referenced in the 2015 IEITI Report include law 91 of 1988 related to mineral investment, law 13 of 2006 on investment of private and mixed sectors, law 27 of 2009 on environmental protection and improvement and law 38 of 2011 on the Ministry of Industry and Minerals.

²⁰ Laws referenced include Law 101 of 1976 on the organization of the MoO, the law on importing and selling petroleum products, law 70 of 1983 on "preserve documents", law 84 of 1985 on preservation of hydrocarbon wealth, companies law 22 of 1997, law 9 of 2006 on importing and selling petroleum products, ~~law 9 of 2006 on petroleum products import and sales~~, law 64 of 2007 on private investment in refining crude oil, decision 273 of 2001 on oil prohibition regulations, law 41 of 2008 on combating smuggling of oil and its derivatives, law 19 of 2010 on imposing income tax law on foreign oil companies operating in Iraq.

Commission is responsible for environmental regulation in Kurdistan.

Fiscal regime: The 2015 IEITI Report does not describe the fiscal regime applicable to the **mining** sector. For **oil and gas**, the 2015 IEITI Report provides a cursory description of the Technical Service Contracts (TSC) used in Iraq, the production sharing model used in the KRG and the types of contracts allocated in each of the four block bidding rounds²¹ (2015 IEITI Report, Section 2.1.1, p.31). The 2015 IEITI Report describes provisions for CIT levied on oil and gas companies, clarifying that these are the only tax liability for companies operating under TSCs (2015 IEITI Report, Section 4.1.2.2-3, pp.95-97). The report also explains that internal service payments are made by the MoF through SOMO to NOCs to cover the cost of production on a monthly basis (2015 IEITI Report, Section 4.1.3, p.102). The cost of oil production per barrel is calculated by the MoF under the annual approved budget law, with sums converted into IQD and transferred to SOMO, who then remits these payments as internal payments to the NOCs to cover costs (2015 IEITI Report, Section 4.5, p.109). In relation to **Kurdistan**, a cursory overview of PSC terms is provided (2015 IEITI Report, p.139), but the description only extends to the fact that the operator undertakes work at its sole risk and expense and that profit oil is shared between contractor and government after cost oil is deducted, without further specifying ranges of profit splits. An overview of provisions in the 2007 KRG Oil and Gas Law related to EITI is provided, alongside a description of the tax structure of PSCs (2015 IEITI Report, p.140).

Government agencies' roles: For **mining**, the 2015 IEITI Report describes the Ministry of Industry and Minerals (MIM), including a list of two relevant laws and the Ministry's ambitions for the sector (2015 IEITI Report, Section 2.1.2, p.32). While a link is provided to the Ministry website²², the roles and responsibilities of the Ministry are not described. For **oil and gas**, the 2015 IEITI Report provides a list of government entities involved in oversight of the oil and gas sector, including the various SOEs and MoO departments, but does not provide a description of the roles and responsibilities of all entities (2015 IEITI Report, pp.10-12). The Report states that MoO has delegated some of its oversight of upstream, downstream, transportation, distribution and marketing to SOEs and provides a list of 6 SOEs in transportation, marketing and distribution, 9 SOEs in upstream and 3 SOEs in downstream, although no further details of the specific roles and responsibilities of each are included (2015 IEITI Report, Section 2.1.2, p.32). The 2015 IEITI Report recommends general (unspecified) "enhancements" to the legal framework given the overlapping responsibilities of various governing authorities in addition to the terms of contracts and licensing requirements (2015 IEITI Report, p.134). For **Kurdistan**, the 2015 IEITI Report states that the KRG's Ministry of Natural Resources (MNR) has "taken de facto control" of the oil and gas sector in the region and acted as regulator since 2008, entering into "over 40 production-sharing contracts" with oil companies (2015 IEITI Report, p.139).

Degree of fiscal devolution: There is no reference to the degree of fiscal devolution in the **mining** sector in the 2015 IEITI Report. For **oil and gas**, the 2015 IEITI Report describes statutory subnational transfers under the 2015 budget law to oil and gas-producing Governorates, although the explanation does not clearly describe the mechanisms for subnational transfers (2015 IEITI Report, Section 5.2, p.112). The November 2014-June 2015 agreement between the KRG and the Federal Government on 17%

²¹ The different types of contracts in each of Iraq's four licensing rounds is provided, including TSCs in the first round; development and production service contracts in the second round; gas development and production service contracts in the third round; and exploration development and production service contracts in the fourth round.

²² <http://www.industry.gov.iq/index.php>

subnational transfers is described in the Kurdistan chapter (2015 IEITI Report, pp.141-142).

Reforms: The 2015 IEITI Report only states that there were no major legal reforms related to the extractive industries in 2015 (2015 IEITI Report, Section 2.1, p.31).

Stakeholder views

Legal framework: Civil society representatives were highly critical of the 2015 IEITI Report's coverage of the legal and fiscal environment for oil and gas. Following pressure from CSOs on the ISC, a list of laws related to oil and gas had been included in the report for the first time, but this included only links rather than the descriptions requested by CSOs, according to one representative. Several CSOs highlighted inaccuracies in certain legal provisions cited, noting that the report's reference to Article 42 of the Constitution actually referred to the 1968 Iraqi Constitution rather than the current (2005) one.

Several CSOs explained that there were now three drafts of the draft Iraqi Oil and Gas law²³, but that these had never been reviewed and compared by the MSG. Past drafts of the Federal Oil and Gas Law have been published online, including the Iraqi Parliament's August 2011 version (Iraqi Parliamentarian Oil & Energy Committee, 2011). There has been independent analysis of the draft Federal Hydrocarbons Law agreed in principle in 2007, even if the draft law had yet to pass in 2015 (Al-Janabi, 2010). Several CSOs expressed their wish that the IEITI help to push for enactment of a Federal Iraqi Oil and Gas Law. Despite the significance of efforts to enact legislation for the sector, none of the other stakeholders consulted expressed surprise at the lack of reference to the drafts of the legislation in the 2015 IEITI Report or the IEITI work plans.

An independent analyst criticised the 2015 IEITI Report's coverage of the institutional framework for oil and gas in Iraq, noting that the report's reference to the "Ministry of Natural Resources" was erroneous in the Iraqi context, given that there was only such an entity at the level of the KRG, not the Federal Government, and that the overview of MoO entities was not comprehensive (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). This analyst also questioned the reference to articles 11 and 12 of Law 22 of 1997 on Public Company Law, noting that these legal provisions related to profits and losses of public companies rather than, as stated in the 2015 IEITI Report, the extractives sector fiscal regime regulated by MoO and MIM laws (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). The IA considered that IEITI Reports could be improved by documenting progress in implementing regulatory reforms, given the challenges in accessing draft legislation in Iraq, but had not considered it part of the IA's remit to gather such information.

Fiscal terms: Extensive consultations on the fiscal terms of different TSCs – which, absent a Federal Oil and Gas Law, regulate the sector – yielded radically different views. The discussion of CIT deductions alone was an important scoping exercise that does not seem to have previously been undertaken by the MSG. Members of the MSG confirmed that a detailed discussion of different fiscal terms had not taken place on the MSG. There was consensus among stakeholders consulted that the **Ahdab** [Spelling mistake corrected] oilfield was "different" from other TSCs as the first TSC awarded (in 2008), converted from a previous PSC awarded in the 1990s (see Annex C). Stakeholders from different constituencies also

²³ including from the KRG, from the Federal Government and from the Parliament.

explained that a number of TSCs had been renegotiated and amended subsequent to their original signing, although there were diverging views on the timing and details of the amendments. A more extensive discussion of results from stakeholder consultations on the different fiscal terms of TSCs is available in Annex [ED](#).

Stakeholders did not express particular views on fiscal terms in the KRG. An independent analyst explained that the costs associated with the KRG's stake in most (but not all) PSCs was carried by the PSC-holder, which meant that the KRG's stake in most PSCs was only an equity participation, with the KRG only passively receiving revenues. **There is evidence of reforms in the KRG's fiscal framework for oil and gas in December 2015, when the General Directorate of Taxation issued new guidelines for levying CIT from oil and gas companies, reversing the Council of Ministers' June 2015 decision** **Please explain what you mean by the Council of Ministers by adding that the federal law that governs income tax for foreign oil companies ... No. 19/2010** **exempting the companies from CIT (EY, 2016).**

Government oversight: Several independent commentators have highlighted institutional limitations, with all decisions passing through a handful of key officials such as the head of the MoO's Petroleum Contracts & Licensing Directorate, that have tended to create decision-making bottlenecks (Energy Intelligence, 2016). One CSO and representatives from the international donor and analyst community considered that IEITI Reports could bring significant value by clarifying the relationship between various government entities in decision-making and oversight of the oil and gas industry.

NRGI has highlighted the lack of clarity in Article 112 of the Constitution, which confers responsibility for oil and gas management to "the Federal Government, with the producing governorates and regional governments", without delineating how these responsibilities are shared. This has created room for conflicting interpretations on the authority for issuing oil and gas licenses (NRGI, 2016). An independent analyst has noted that while the Constitution does not expressly authorise the MoO to award contracts to IOCs, the MoO has maintained the legality of its contracts with IOCs on the grounds that the Constitution only requires approval from the Council of Representatives for international treaties, not for commercial contracts with IOCs (Al-Janabi, 2010).

Reforms: Senior government officials emphasised the reforms that were planned and ongoing in the mining sector. A government minister explained that the Ministry was working with Parliament to include reference to mining in the Iraqi Constitution, to confirm that mineral resources were the property of the Iraqi people. The official explained that a planned new Mining Investment Law would relax rules for foreign investment in the mining sector, allowing for joint-venture with domestic firms. A government official stated that the MIM had not provided input to drafting the overview of mining legal and fiscal terms for the 2015 IEITI Report.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made inadequate progress in meeting this requirement. The 2015 IEITI Report provides a cursory overview of the legal framework for the oil and gas sector (including the KRG), but no description of the relevant clauses. Fiscal terms are only provided for PSCs in the KRG, not for TSCs in the rest of Iraq. The degree of fiscal devolution is explained briefly, although the description is unclear. The relevant government entities are listed but their roles are not described. It is stated that there were no reforms in the extractive industries in 2015, without

justification and with no discussion about the longstanding attempts at agreeing a hydrocarbon law. In mining, several laws are listed but not described, the fiscal regime is not described, and the MIM's role in regulating the sector is only briefly described.

To strengthen implementation, the MSG should ensure that future IEITI Reports provide descriptions of the main laws and fiscal terms related to the mining, oil and gas sectors, including an overview of the roles of the main government entities involved in overseeing the sectors and of recent or ongoing reforms.

License allocations (#2.2)

Documentation of progress

There are two types of crude oil production in Iraq, from the NOCs' own-operated oilfields ("national production") and from oilfields where the NOCs' production has been contracted out to IOCs under TSCs ("licensing rounds"). Under Iraqi Technical Service Contracts, all oil and gas licenses are held by the NOCs (in 2015, North Oil Co., Midland Oil Co., Missan Oil Co. and South Oil Co.). The MoO has assigned service contracts whereby private companies produce oil and gas for a fee (with their costs covered). Iraq has held four oil and gas bidding rounds in the 2009-2012 period. While there do not appear to have been any discretionary oil and gas license allocations since, there is evidence of subsequent transfers of equity in consortiums operating under TSC and renegotiations and amendments of the terms of TSCs (see Annex [E9](#)).

The KRG appears to have allocated oil and gas licenses through PSCs on a direct negotiations basis, with 56 active oil and gas licenses as of 2017.²⁴ The number of active licenses in the mining sector is unclear.

Awards/transfers: The 2015 IEITI Report does not refer to the license allocation and transfer procedures in the **mining** sector and it is unclear whether any mining licenses were awarded or transferred in 2015.

The 2015 IEITI Report does not confirm whether any **oil and gas** licenses were awarded or transferred in 2015, referring only to four block licensing rounds in the past. The report only refers to Occidental Petroleum's "withdrawal" from its 29.69% stake in Al Zubair oilfield, "as they didn't get authentication", but does not provide further clarification (2015 IEITI Report, p.114). Yet while there is evidence that Occidental Petroleum announced its intention to sell its stake in the Al Zubair field to South Oil Company November 2015, [This was confirmed clearly in the Initiative decree that the implementation of the change of ownership of the above-mentioned company would begin from 01/01/2016.] and sought regulatory approval for the transaction from MoO in October 2015, it is unclear whether the transaction closed in 2015 (Reuters, 2015). There is no information in the 2015 IEITI Report on any license allocations or transfers in **Kurdistan**.

²⁴ Based on information on oil and gas licenses provided on the KRG's MNR website: <http://mnr.krg.org/index.php/en/licenses-energy-infrastructure>

Validation of Iraq: Report on initial data collection and stakeholder consultation

Award/transfer process: The 2015 IEITI Report states that the oil and gas contract model used in Iraq is the TSC²⁵, while the production sharing (PSC) model is used in KRG (2015 IEITI Report, p.31). While the 2015 IEITI Report states that there are “many studies” on oil and gas licensing rounds and provides a link²⁶ to a study on licensing by Asri Musa, the licensing process is not described (2015 IEITI Report, p.33). The study, an analysis of financial returns over 2011-2015 of licensing contracts, provides only an overview of the performance of contracts rather than the procedures followed for allocating TSCs, or indeed renegotiating them subsequently (Mussa, 2016).

Technical and financial criteria: The 2015 IEITI Report does not provide an overview of the technical and financial criteria assessed during the license allocation or transfer processes.

License awardee information: It is unclear whether any oil and gas licenses were transferred nor whether there was any change in equity participation in any TSCs in 2015 other than the aforementioned “withdrawal” by Occidental Petroleum from its 29.69% stake in Al Zubair oilfield in November 2015 (2015 IEITI Report, p.114), which does not specify the identity of the acquirer of Occidental Petroleum’s stake.

Non-trivial deviations: **[This expression is incorrect; translation error]** The 2015 IEITI Report does not mention any license awards in the year in question, and consequently it does not address **non-trivial deviations** **[This expression is incorrect; translation error]** from any of the statutory processes described.

Comprehensiveness: While the 2015 IEITI Report refers to the four block-licensing rounds in 2009-2012, it does not provide a detailed description of the bidding process for oil and gas TSCs awarded prior to 2015. Equally, the 2015 IEITI Report does not describe the process through which oil and gas licenses were originally allocated to any of the NOCs prior to 2015, nor to the allocation of licenses to NOCs for their own production (“national production”).

Bidding process: There were no bidding rounds conducted in 2015. The MoO’s PCLD website provides an overview of the four bidding rounds²⁷, although this does not appear to include an overview of technical and financial bid criteria (Ministry of Oil, 2009). However, copies of the MoO’s tender protocols for the first bidding round in April 2009 are available online from third-party sources (Ministry of Oil, 2009). Tender protocols for the three other bidding rounds were available on the MoO’s website during the period of the bid rounds but have since been removed

Commentary on efficiency: The 2015 IEITI Report does not include commentary on the efficiency of oil and gas license allocation and transfer procedures. While the report refers to general weaknesses in government oversight of licensing data and fees in its review of outcomes and impacts of EITI implementation (2015 IEITI Report, Section 7.3, p.134), no additional comments on specific licensing weaknesses are provided.

²⁵ The different types of contracts in each of Iraq’s four licensing rounds is provided, including TSCs in the first round; development and production service contracts in the second round; gas development and production service contracts in the third round; and exploration development and production service contracts in the fourth round.

²⁶ <http://ieiti.org/ArticleShow.aspx?ID=122>

²⁷ <http://www.pcldiraq.com/index.php?round=1> , <http://www.pcldiraq.com/index.php?round=2> , <http://www.pcldiraq.com/index.php?round=3> and <http://www.pcldiraq.com/index.php?round=4> .

Stakeholder views

Awards and transfers: Secretariat staff and a CSO representative explained that Occidental Petroleum's sale of its Al Zubair stake to South Oil Company had been initiated in 2015 but only formally closed in 2016 (Iraq Business News, 2016). The MSG thus intended to cover this development in the 2016 IEITI Report. The IA confirmed that there were no new license allocations or transfers of equity in TSC consortia in 2015 and stated that the Occidental-South Oil Company transaction over Al Zubair had not yet been disclosed as of 2017 given "government budget cuts" and the "enhanced due diligence" requested for all TSC equity transfer transactions.

An independent analyst has described the launch of a licensing round for 12 new oilfields in 2016, through direct negotiations on a case-by-case basis, although the MoO postponed the round until mid-2017 following significant opposition (Jiyad, Min of Oil should Withdraw Plan to Offer 12 New Oilfields, 2016). Another analyst explained that the 12 oilfields had been offered to pre-qualified bidders in 2016, without specifying whether these would be developed under a Technical Service Contract structure or an alternative, but that the oilfields had since been withdrawn.

Extensive stakeholder consultations established that terms of TSCs had been renegotiated and amended subsequent to their original award, and there had been no TSC amendment concluded in 2015 (in part because the Minister of Oil had been replaced mid-year—see Annex C). While all stakeholders consulted were aware of the TSC amendments, several MSG members stated that this had not been discussed on the MSG. The IA considered that the 2015 IEITI Report sufficiently highlighted amendments to TSCs by noting that Al Waha Petroleum had obtained exceptional approval to raise its contractual production peak for Al Ahdab oilfield from 115 k bpd to 140k bpd in 2012. The IA stated it was not aware of any other TSC amendment.

An independent commentator has expressed significant concern over the 2015 IEITI Report's reference to only one study on licensing rounds, questioning the IA's research methodology given the lack of description of license allocation procedures (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). However, the IA stated that it was not aware of any non-trivial deviations from the statutory license award and transfer procedures in practice.

Transfer procedures: Several government officials and analysts explained that ministerial approval was required for any transfer of equity in a TSC consortium, even in private-to-private transactions, and listed the key changes in TSC consortia equity since 2010.²⁸

In the case of Occidental's stake in Al Zubair oilfield, the analyst confirmed that this represented a relinquishment of equity. According to one analyst, the government had pursued Sonangol over its relinquishment of its stake in Al Najma and Al Qayara oilfields after its oilfields were vandalised by Daesh given that the company had not sought the government's approval to annul its contract. An international law firm has noted the lack of a clear and comprehensive legal system governing the transfer of interests or control in oil and gas licenses, which is currently regulated by provisions of the TSCs (Law Business

²⁸ According to the analyst, the main TSC consortia equity transfers since 2010 involved transfers by Statoil, ExxonMobil and Occidental to Lukoil, Pertamina and South Oil Company respectively. Smaller equity transfers in exploration blocks had also taken place, such as Premier Oil's buy-in to Bashneft's Exploration Block 12 in 2012 and Kuwait Energy's farm-out of a 10% stake in Exploration Block 9 to Egyptian General Petroleum Corporation (EGPC) in 2016.

Research, 2013). Given the contractual nature of TSCs, there are no statutory provisions for required consents and pre-emptive rights and the law firm explains that each case differs according to contractual terms. The firm explains that “common practice” for major transfers of interests in TSCs require some form of political approval, although this could be secured internally by the relevant government entity involved in the TSC (Law Business Research, 2013). A senior MoO official explained that the same technical and financial criteria applied for transfers as for the original bid round and that information on transfers of TSC consortia equity was available from PCLD upon request. The official confirmed that the bid criteria differed between the four bidding rounds. While these were no longer available online (as the original dedicated bid round websites hosting this information had since been taken down), the bid criteria for all four bid rounds were available upon request from PCLD. The selling company first had to notify the license-holding NOC of its intention to sell, with the NOC given right of first refusal on the stake as per the terms of the TSC. If the NOC did not take the stake, the notification was then sent to the Minister of Oil for approval, provided the acquiring company was qualified. Finally, upon approval by the Minister of Oil, both selling and acquiring companies had to sign an agreement with the oilfield operator confirming the transfer of stakes. The IA considered that this was adequately described in the 2015 IEIT Report and that all technical and financial criteria for TSC equity transfer were publicly-available but did not clarify where.

Kurdistan: Stakeholders consulted had very few views about the process for awarding or transferring mining licenses or oil and gas PSCs in the KRG. With regards to the KRG, several analysts explained that all PSCs in the KRG had been awarded on a direct negotiations basis, with no competitive bidding rounds held to date.

Mining: There were sharply contrasting views as to whether there were any licenses active in the mining sector in 2015. While several CSOs and government officials stated that the mining sector was entirely state-dominated in Iraq (ex-KRG) and that no mining licenses were held by private companies, several representatives of the concerned ministry confirmed that there were roughly 20 licenses for limestone mining (see Requirement 2.3). While Iraq lacked a consolidated guide for prospective investors in the mining sector, a senior government official at the Ministry of Industry and Mines noted that both the National Investment Commission and the Provincial Investment Commission were vested with broad powers under the National Investment Law. He said that the procedures for awarding mining licenses were described on the National Investment Commission and the MIM websites. However, another government official who works with the mining sector noted that there were no clear procedures for awarding mining licenses and that there was overlapping jurisdictions between the MIM, National Investment Commission and Governorates. The official also noted that ministerial approval was required for the transfer of any mining license in theory, although they had never received such a transfer in practice.

The US Department of State has found that “the process for awarding natural resource extraction licenses and contracts is outlined in law or regulation; basic information on awards is publicly available with the exception of contracts between the Kurdistan regional government and international companies” (US Department of State, 2015).

Initial assessment

Since no oil and gas licenses changed hands in 2015 and the equity in TSC consortiums remained

unchanged, it could be argued that this requirement is “not applicable” to the oil and gas sector in Iraq (ex-KRG) for 2015. However, a description of the process for transferring or awarding the licenses is nonetheless required. It is unclear whether any mining license was allocated or transferred in 2015 and given that Iraq has included mining in the scope of its EITI reporting, it is not possible to say that the requirement is not applicable. [The Council believes that this requirement is not applicable in Iraq. This has been explained in the Council’s comments.] In addition, oil and gas PSC allocations in the KRG are only perfunctorily discussed and it is unclear whether any new oil and gas PSC was awarded by the KRG in 2015. Furthermore, the 2015 IEITI Report does not describe the statutory procedures for transferring equity in a TSC, only makes general references to the bidding rounds, does not describe publicly-available information on the process of concluding PSCs with the KRG and does not provide an overview of the process for allocating or transferring licenses in the mining sector. Thus, the International Secretariat’s initial assessment is that Iraq has made inadequate progress towards meeting this requirement.

To strengthen implementation, the MSG should ensure that future IEITI Reports clearly define the number of licenses awarded and transferred in the year(s) under review in both mining and oil and gas, describe the actual process and highlight any non-trivial deviations in practice. The MSG should clarify the technical and financial criteria (and their weightings) used for assessing license allocations and transfers, both for any discretionary oil and gas licenses (including in the KRG) and for mining license awards and transfers. The MSG may also wish to comment on the efficiency of the current license allocation and transfer system as a means of clarifying procedures and curbing non-trivial [This expression is incorrect, translation error] deviations.

License registers (#2.3)

Documentation of progress

Iraq does not operate a public cadastral system for mining, oil and gas licenses.

Licenses held by material companies: The 2015 IEITI Report does not refer to any mining licenses active in 2015. It does provide information on licenses for 18 oil and gas blocks active in 2015, sourced from NOCs and reviewed by the MoO’s PCLD (2015 IEITI Report, pp.33-41). A link²⁹ is also provided to the IEITI website’s listing of licensed oil blocks (2015 IEITI Report, p.33). While the 2015 IEITI Report refers to “national production”, it does not clarify whether the four NOCs hold licenses for the areas where they operate their own (“national”) production. [The area falling within the responsibility of the national companies for exploration, drilling and production are defined by virtue of Oil Ministry Law No. 176] There is no information in the 2015 IEITI Report on oil and gas licenses in Kurdistan aside from a list of eight producing oil blocks (2015 IEITI Report, p.143).

License-holder names: The report provides the names of the operator and field partners (as well as their percentage stake in the field’s TSC consortium) for 18 oil and gas blocks active in 2015, sourced from

²⁹ <http://ieiti.org.iq/ArticleShow.aspx?ID=111>

NOCs and reviewed by the MoO's PCLD (2015 IEITI Report, pp.33-41).

License coordinates: The report does not provide the coordinates of the 18 oil and gas fields licensed as of 2015 (2015 IEITI Report, pp.33-41). Appendix 5 of the 2012 IEITI Report provides the coordinates (expressed in the UTM coordinate system) for five oil and gas fields³⁰ that form the basis for two TSCs (Missan³¹ and Zubair) (2012 IEITI Report, pp.166-169), but not for the other 16 oilfields under license as of December 2012.

Dates: The report provides the dates of contract signature, contract activation, contract approval as well as the contract duration for the 18 oil and gas fields licensed as of 2015 (2015 IEITI Report, pp.33-41). Dates of application are not provided for any of these oil and gas licenses other than to say which of the four licensing rounds they were granted under.

Commodity: The report does not explicitly state that licenses in the oil and gas sector cover both crude oil and natural gas, although the reconciliation of both crude oil and natural gas production in the report seems to indicate that licenses cover the exploration and production of both.

Licenses held by non-material companies: It is unclear from the 2015 IEITI Report whether the list of 18 oil and gas licenses in Iraq (ex-KRG) is comprehensive. The Council sought to include all details of the oil and gas sector in its reports. The inclusivity and rescheduling of licensing contracts has been explained in the 2015 report.

Commented [AT10]: I have had to amend the Arabic expression here. There appears to be a typing error.

The KRG's MNR provides low-definition maps of oil and gas licenses on its website³², although these do not include license-holder names, dates of application, award and expiry nor the license coordinates.

Public cadastre/register: The 2015 IEITI Report does not refer to a government oil and gas license cadastre or register. While the executive summary (2015 IEITI Report, p.21) highlights the need to improve routines for monitoring licensing data, no description of the current oil and gas license management system is provided.

Stakeholder views

Licenses: None of the stakeholders expressed any particular views on the availability of license information for PSCs awarded by the KRG, aside from several CSOs and government officials stating that the KRG MNR website provided a list of PSCs and the full-text of contracts (*see Requirement 2.4*). A law firm has highlighted that while the MoO is statutorily responsible for maintaining a license register, it only usually publishes the results of oil licensing rounds but does not maintain a publicly available register of oil and gas licenses (Law Business Research, 2013).

A government official explained that in addition to the 18 oilfields disclosed in the IEITI Reports, there were nine producing oilfields under "national production", operated by the NOCs. While there were many more blocks under exploration by NOCs, none of the stakeholders consulted knew the exact number of

³⁰ Abu Ghirab, Buzurgan, Fauzi and Zubair fields as well as one unspecified oilfield.

³¹ Missan TSC covers three (Abu Ghirab, Buzurgan, Fauzi) oilfields.

³² <http://mnr.krg.org/index.php/en/gas/gas-maps> and <http://mnr.krg.org/index.php/en/oil/oil-maps>

fields being explored by NOCs. One analyst expressed doubt about whether there were delineated exploration blocks for NOCs, noting that a list of blocks where national production was located had never been publicly disclosed, and considered the NOCs may simply agree a work plan with the MoO without actual licenses. A SOE representative explained that the MSG had only included oilfields under TSC in the scope of the 2015 IEITI Report, because they considered that the EITI only required disclosure of information on bid-round oilfields and not blocks operated entirely by NOCs, regardless of the level of production on the “national production” blocks. The IA confirmed that it considered that there were only 18 oil and gas licenses active in 2015 and did not consider that national production oilfields fell within the scope of the EITI in Iraq.

A senior government official explained that there were roughly 20 private cement companies operating licensed limestone quarries in Iraq (including KRG), but the MIM’s license cadastre did not cover licenses awarded by the KRG. The IA and several MSG members from all constituencies considered that there were no active licenses in the mining sector. There was, however, considerable confusion amongst all stakeholders consulted over the definition of licenses for EITI reporting purposes, with all representatives considering that these referred only to mining, oil and gas licenses held by foreign companies, not local or state-owned companies.

Ownership: A SOE representative explained that the ownership of licenses covered by TSCs was split according to the geographic location of the oilfields. Thus, while Iraq Oil Exploration Company participated in the TSC consortiums for Badra and Mansuriya oilfields, it was MdOC that owned the licenses for these fields because they are located in the Midlands region. Secretariat staff explained that the identity of the license-holder for oil and gas blocks had not been included in past IEITI Reports because all Iraqis knew who owned the licenses for each oilfield. Staff provided a list of oilfields under TSC held by each NOC in 2015.³³

Coordinates: One analyst noted that while he had access to the coordinates of all oilfield licenses, these were not available to the public and were only available from the NOCs’ Joint Management Committees. Another analyst stated that while their company knew the general location of oilfields in Iraq, this was largely drawn from maps included in official presentations (such as the PDF maps published during bid rounds) and some military maps from the war, which included some indication of the location of oilfields. In terms of national production oilfields, the analyst noted that the producing oilfields were likely well demarcated as a result of the NOCs’ appraisal of oilfields, but that it was unclear whether exploration activities undertaken by NOCs were on demarcated blocks or were undertaken on the basis of general locations. The analyst confirmed that coordinates of licenses were not publicly available, but that oilfield coordinates were included in annexes of the relevant TSC. Several SOE and government officials explained that every NOC had a map of oilfields in Iraq, but that special permission from senior MoO officials was required to publicly disclose such information. A past IA noted that the 2013 and 2014 IEITI Reports had not included the coordinates of oilfields, despite partial disclosures in the 2012 IEITI Report, because the national secretariat had not mentioned this requirement and the IA had not considered that this information would be of interest to readers. The IA for the 2015 IEITI Report explained that they had not included information on licenses that had already been published in previous EITI Reports, considering that the information was already available in the public domain. The IA also noted that it could not

³³ MdOC (Ahdab, Badra, Mansuriya, Akkaz, Block 8), SOC (Zubair, Rumaila, West Qurna 1, West Qurna 2, Garraf, Majnoon, Siba, Blocks 9, 10, 12), MOC (Missan, Halfaya) and NOC (Najma, Qayara).

provide the coordinates of all oil and gas licenses due to “security reasons” but noted its inclusion of maps of oil and gas licenses in the 2015 IEITI Report. One of the government representatives explained that the oilfield coordinates included in annex to the 2012 IEITI Report related to only two oilfields, rather than five, given that three of the sets of coordinates related to the same Missan oilfield.

In terms of reforms, the IA noted that there had been many requests from civil society and Parliament for stricter oversight of licensing costs, such as cost recovery, and that the government was working on establishing a mechanism to adjust taxes (particularly corporate income tax) between the MoO and MoF.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made inadequate progress towards meeting this requirement. The 2015 IEITI Report provides the names of the operator, partners, dates of contract signing, effectiveness and approval of all 18 oil blocks awarded as of 2015, but no dates of application, license coordinates, or the identity of license-holders. The 2015 IEITI Report does not explain the difference between licence-holders and the NOC partnering in the TSC, providing only names of NOC partners and not of license-holders, which often differ. While it is not made explicit that licenses cover both oil and gas, production data disaggregated by oilfield in the report show that licenses cover both commodities. No information is provided about national production fields or fields in the KRG. The 2015 IEITI Report does not refer to any licenses in the mining sector, nor any mining, oil and gas cadastre, either public or private.

To strengthen implementation, the MSG should ensure that future IEITI Reports provide all information covered under Requirement 2.3 for all licenses held by material companies (including both oil and gas and mining, international and national) or provide a link to where such license information is available to the public. The MSG may also wish to work with the MoO and MIM to disclose license information for all material companies through the cadastre and provide free access to such a register online.

Contract disclosures (#2.4)

Documentation of progress

The 2015 IEITI Report does not provide any information on the government’s policy on contract disclosure in the mining, oil and gas sector, nor any description of actual practice beyond reference to the KRG’s publication of all PSCs through its MNR (2015 IEITI Report, p.140).

Government policy: The 2015 IEITI Report does not clarify the government’s policy regarding disclosure of contracts in the mining, oil and gas sectors.

The model TSC published in April 2009³⁴ includes confidentiality provisions related to data obtained in relation to the contract, but does not explicitly state that the terms of the TSC itself is confidential. The

³⁴ <http://platformlondon.org/documents/PFTSC-23-Apr-09.pdf>

confidentiality provisions of the TSC can be waived upon consent from the two parties to the contract.

Actual practice: The 2015 IEITI Report only states that the KRG has published all PSCs through its MNR website (2015 IEITI Report, p.140). The 2012 IEITI Report included in annex a copy of the standard oil sales contract with SOMO (2012 IEITI Report, pp.170-192), the template Development and Production Service Contract with the NOCs (2012 IEITI Report, pp.192-272) and the template Technical Service Contract (2012 IEITI Report, pp.273-364). The 2015 IEITI Report does not clarify whether the TSCs initially awarded through bidding round (or converted from a PSC, as in the case of Al Ahdab) were ever subsequently amended.

Accessibility: The 2015 IEITI Report only states that the KRG has published all PSCs, including amendments, through its MNR website (2015 IEITI Report, p.140).

Stakeholder views

Government policy: There were contrasting views about the government's policy on contract disclosure, particularly regarding TSCs. While one relatively senior MoO official asserted that all TSCs and their amendments were available upon request from the MoO's PCLD, most other stakeholders including analysts, journalists and government representatives (and indeed from PCLD) stated that TSCs were not public documents and could only be released upon written instruction from a senior MoO official. Most stakeholders considering that explicit Ministerial approval was required. The IA explained that while the government's "general policy" was to publish all contracts, its consultations during the scoping phase for the 2015 IEITI Report revealed that contracts were not published in practice.

There was considerable disagreement on the definition of "public access", with several government officials considering that TSCs could be "made public" to other ministries but not to the general public.

There was consensus amongst MSG members consulted that the government's policy on contract disclosure had not been discussed on the MSG. [The government policy of not publishing licensing contracts was discussed. However, the government refused to publish. The Council therefore pushed the Department of Contracts and Licenses to draw up a mechanism allowing official bodies and researchers to be provided with contracts by presenting an official request.] The IA explained that while they had requested copies of the TSCs from the MoO, the ministry had refused to provide any information beyond basic license information included in IEITI Reports.

Practice: While most CSOs stated they had never tried to request copies of TSCs, one CSO representative explained that he had unsuccessfully requested copies of TSCs with a formal letter of support from a university. When the representative had asked what the consequences would be if he published the TSCs that he had already acquired through unofficial means, he reportedly was told he would be sued, with a maximum fine of IQD 2m. Upon extensive discussion, several government representatives and secretariat staff confirmed that the TSCs could not be released to any third party outside the government. One senior MoO official explained that even he did not have access to the full text of TSCs and did not have a comprehensive view of some TSC amendments, noting that access to the contracts would be useful for his work. Upon discussion of the reasons for this level of confidentiality, the official explained that certain TSC clauses he had seen - regarding crude oil specifications for instance - were too general and, if published, would expose the government to public outcry.

There is no central repository of published Iraqi TSCs, although at least one TSC has been published online – the 2009 Al Rumaila TSC.³⁵ The April 2009 model TSC is available online, although not on an official Iraqi Government website.³⁶ Several CSOs deplored the fact that TSCs, or at least the model TSC, had not been translated into Arabic. They said that while TSCs were required to be circulated to the host Governorate, the Governorates did not usually review these contracts as they were not sufficiently aware of their oversight role in the oil and gas sector.

Kurdistan: The majority of stakeholders consulted took it for granted that all PSCs awarded by the KRG were published on the KRG's MNR website. Several parliamentarian and civil society representatives considered that all PSCs awarded by the KRG had been published in line with the KRG Oil and Gas Law's commitment to transparency. None of the stakeholders consulted aside from analysts were aware that PSCs awarded to Chevron, ExxonMobil and Dana Gas had not been published by the KRG. Stakeholders confirmed IEITI had not undertaken a detailed review of PSCs published in the KRG. There are differences in the number of KRG PSCs published on different websites, with 42 PSCs on the KRG's MNR website³⁷, 84 on the NRG resource contracts website³⁸ and 112 PSCs on the OpenOil contracts database.³⁹ While the third-party contracts portals also include amendments as separate PSCs, it is evident that the full set of 56 PSCs in the KRG have not yet been published. A copy of the model KRG PSC is also available online from NRG.⁴⁰ Several analysts explained that the KRG had published all contracts up to 2011, but had not published contracts since then. In particular, sensitive contracts such as Dana Gas' had not been published. The IA explained that it had not received any information from the KRG and that it had based the 2015 IEITI Report on publicly-available information without checking the comprehensiveness of non-financial information provided.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made inadequate progress towards meeting this requirement. The 2015 IEITI Report does not detail the government's policy on contract disclosure in mining or oil and gas, nor the actual practice of contract disclosure aside from general reference to the KRG's publication of its PSCs. There is evidence of at least one publicly-accessible TSC available online and at least six PSCs that have not been published by the KRG.

To strengthen implementation, the MSG should work with government representatives to clarify the Federal Government's policy on contract disclosure in mining or oil and gas and document any instances of contract disclosure either through future IEITI Reports or through other channels such as the IEITI website. The MSG is also encouraged to undertake a detailed review of which PSCs have been published by the KRG, with a view to clarifying contract disclosure practice in the KRG.

³⁵ http://iraqieconomists.net/ar/wp-content/uploads/sites/2/2016/01/Clean_copy_BP_CNPC_comments_27_July_on_PCLD_draft_dated_01.pdf

³⁶ <http://platformlondon.org/documents/PFTSC-23-Apr-09.pdf>

³⁷ See the KRG website (<http://cabinet.gov.krd/p/p.aspx?l=12&p=1>) and OpenOil's contracts database for Iraqi Kurdistan (http://repository.openoil.net/wiki/Iraqi_Kurdistan).

³⁸ <http://www.resourcecontracts.org/countries/iq>

³⁹ http://repository.openoil.net/wiki/Iraqi_Kurdistan

⁴⁰ www.resourcecontracts.org/contract/ocds-591adf-6005604716/download/pdf

Beneficial ownership disclosure (#2.5)

Documentation of progress

Government policy: The 2015 IEITI Report does not refer to or clarify the government's policy on beneficial ownership disclosure, nor does it provide a summary of a legal review of beneficial ownership provisions. The 2015 IEITI Report erroneously states that IEITI maintains a public register of beneficial owners of entities that bid for, operate or invest in extractive assets (2015 IEITI Report, p.45). It also notes that the MSG published a beneficial ownership roadmap and provides a link to it.⁴¹ The report's overview of outcomes and impacts of EITI implementation highlights the need to identify beneficial owners of extractives companies, which are usually unknown, and to establish a public register of beneficial owners (2015 IEITI Report, Illustration 14, p.133).

Approved by the MSG in December 2016, the beneficial ownership roadmap covers only companies considered material for EITI reporting and does not refer to the reliability of beneficial ownership data, nor links to other relevant stakeholders beyond the MSG (IEITI, 2016). The beneficial ownership roadmap's objectives appear in line with national priorities, including curbing corruption and illegal financial transfers, fighting tax evasion and increasing budget revenue as well as improving the investment climate. The roadmap envisages a general review of current legislation and potential amendments, but focuses on extending EITI reporting to include beneficial ownership rather than establishing a public register of beneficial owners. It notes that the data should be accessible to the public, but indicates that this will be done through open data accessible through the IEITI website. Despite evidence of extensive MSG discussion of exemptions from beneficial ownership disclosures for all publicly-listed and state-owned company, the beneficial ownership roadmap does not refer to these specificities of the Iraqi context.

Actual practice: The 2015 IEITI Report does not refer to the actual practice of beneficial ownership disclosure for companies active in the mining, oil and gas sectors.

Legal owners of material companies: The 2015 IEITI Report does not provide information on the legal ownership of companies holding stakes in TSCs, aside from each company's equity share in specific TSC (2015 IEITI Report, pp.33-41).

Stakeholder views

None of the stakeholders consulted expressed any strong views on the need for beneficial ownership disclosure in Iraq. All stakeholders emphasised that all IOCs operating under TSC in Iraq were subsidiaries of publicly-listed or state-owned companies. Even Al Waha Petroleum Ltd. was a joint venture of two Chinese SOEs (including China North Industries Corporation - NORINCO) according to these representatives. With regards to the beneficial ownership disclosure for companies buying crude oil from SOMO, stakeholders did not appear to have considered this area of work despite having discussed the subject extensively at a workshop in October 2016. Stakeholders expressed only general interest in such

⁴¹ <http://ieiti.org/ig/uploads/beneficial%20ownership/Road%20Map%20of%20beneficial-ownership%20of%20Iraq.pdf>

information, considering that oil-buying companies were vetted by SOMO and required to have the capacity to refine the crude. Several MSG members noted that beneficial ownership disclosure for sub-contractors of IOCs would be of interest in an Iraqi context. A government official who works with the mining sector said that it would also be of interest to extend beneficial ownership disclosure to the mining sector, but did not think that this would be feasible.

The IA explained that it had accessed all relevant databases in Iraq for beneficial ownership information in order to locate information on material companies, but did not clarify the databases with information on beneficial ownership that currently existed in Iraq. It called for greater collaboration with the Ministry of Trade, MoF and General Commission on Taxes and enhanced due diligence during the registration of extractives companies to identify the beneficial ownership of oil and gas companies.

One analyst considered that beneficial ownership disclosure for oil and gas companies active in Iraq was “totally irrelevant” and questioned the allocation of IEITI funds to this issue, given that all IOCs operating in Iraq were “known companies with long history in the business” and that, under terms of signed contracts, were required to maintain offices in Iraq with their legal entity stated in their contract (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). The analyst also questioned the 2015 IEITI Report’s statement that IEITI maintains a public beneficial ownership register and noted that the hyperlink provided in the report referred to a consultancy assignment to be conducted in future. The IA highlighted the inclusion of provisions related to politically-exposed persons (PEP) in Iraq’s three-year beneficial ownership roadmap and noted risks associated with the “sensitivity” of beneficial ownership data in Iraq.

Initial assessment

Implementing countries are not yet required to address beneficial ownership and progress with this requirement does not yet have any implications for a country’s EITI status. The MSG has published a three-year beneficial ownership roadmap, but it is not clear what beneficial ownership information will be disclosed in Iraq’s state-dominated oil and gas sector. The 2015 IEITI Report does not clarify the government’s policy on beneficial ownership disclosure and does not provide the legal ownership of companies operating under TSCs or buying oil from SOMO. It is furthermore not clear whether the MSG wishes to extend beneficial ownership disclosure to the mining sector, where it could perhaps be more relevant.

To strengthen implementation of the EITI Standard, the MSG should clarify the government’s policy on beneficial ownership disclosure in future IEITI Reports and provide the legal ownership of all material companies. The MSG should also clarify the scope of its beneficial ownership disclosures. The MSG may wish to consider how reforms of its oversight of transfers of equity in TSC consortia and mining licenses under Requirement 2.2 may help support work on beneficial ownership disclosure.

State participation (#2.6)

Documentation of progress

Iraq has 176 non-financial SOEs (World Bank, 2015), of which 18 are involved in various stages of the oil and gas value chain. These include nine upstream SOEs and one marketing SOE. SOEs involved in transportation, refining, distribution as well as those operating refineries, power stations and electricity generation directorates have also participated in EITI reporting (see *Requirement 4.1*). There do not appear to be any SOEs operating in the KRG.

Materiality: SOEs operating in the **mining sector** would be under the jurisdiction of the Ministry of Industry and Mines. There is evidence in the 2015 IEITI Report that at least four SOEs⁴² operate under the jurisdiction of the MIM, based on the reconciliation of natural gas volumes supplied to the four SOEs (2015 IEITI Report, p.87). However, while it is clear that these SOEs receive natural gas from national gas companies, it is unclear whether these SOEs held mining licenses or made any payments to government related to any mining activities in 2015.

While the 2015 IEITI Report does not explicitly state which material SOEs operating in the **oil and gas** sector give rise to material revenues for the government, the Federal Government's custody of all oil and gas produced in Iraq implies that the sale of Iraqi oil and gas gives rise to material revenues for the government. **The report explains SOMO's role in marketing Iraqi crude oil, with revenues collected by SOMO before being remitted to the Development Fund of Iraq (DFI) net of operating costs** (2015 IEITI Report, pp.79-80). The total value of crude oil exported by SOMO is provided and totals over USD 35 billion (2015 IEITI Report, pp.14, 121-122), from which it is evident that crude oil export proceeds collected by SOMO are material.

Revenues are collected without the deduction of operating costs.

Financial relationship with government: The 2015 IEITI Report provides only a cursory explanation of the financial relationship between SOEs operating in the **oil and gas** sector and the government, but does not address SOEs' financial relationships in the **mining** sector. The report describes internal service payments as monthly transfers from the MoF, through SOMO, to NOCs to cover crude oil production costs (2015 IEITI Report, pp.102-105). The report states that the MoF calculates costs of oil production per barrel under the annual approved budget law, before converting sums into IQD and transferring them to SOMO, who then remits these payments as internal payments to the national companies to cover costs (2015 IEITI Report, p.109).

The 2015 IEITI Report does not describe rules and practices related to SOEs' retained earnings, reinvestments and third-party financing. It refers to a "public-private partnership" between the three largest southern oilfields (Rumaila, Zubair and West Qurna (1)) that deliver untreated natural gas to Basrah Gas Company (2015 IEITI Report, p.43), but does not describe the terms of the partnerships. While it appears from the report that Basrah Gas Company does not pay CIT (2015 IEITI Report, Table 26, p.44),

⁴² The four SOEs under the jurisdiction of MIM include two in the South Region (State Fertilizers Company South Region (Khor Al Zubair) and State Company for Petrochemical Industry) and two in the Midland Region (Naser Company & Somoud (Steel Galoun Factory and That Sawari/65 (Al Retejat/Ratenjat Factory)).

it does not explain why and the broader financial relationship between Basrah Gas Company and the government is not explained.

The report states that all revenue streams recorded in the Iraqi federal government budget were included (excluding revenues collected by the KRG at its borders and oil-selling ports), implying that revenues collected by NOCs are recorded in the Federal Government budget, although this is not explicitly stated (2015 IEITI Report, p.91).

Government ownership: While the 2015 IEITI Report lists four SOEs⁴³ operating under the jurisdiction of the MIM (2015 IEITI Report, Section 3.4.8, p.87), it is unclear whether these SOEs held mining licenses or were active in the **mining** sector in 2015, or were just incorporated under the jurisdiction of the MIM. There is no reference to government ownership of other SOEs operating in the mining sector.

The 2015 IEITI Report lists six SOEs engaged in **oil and gas** transportation, distribution and marketing, nine SOEs in upstream oil and gas and three SOEs in downstream oil and gas (2015 IEITI Report, Section 2.1.2, p.32), but only provides descriptions of four upstream SOEs⁴⁴, one marketing SOE⁴⁵ and three downstream (refining) SOEs⁴⁶ (2015 IEITI Report, pp.10-12). Additional cursory descriptions are provided for the Oil Exploration Company (2015 IEITI Report, p.47), the Iraq Drilling Company (2015 IEITI Report, pp.48-51) and Basrah Gas Company (2015 IEITI Report, pp.43-44), although the government's ownership stake is only provided for one SOE, the Basrah Gas Company⁴⁷ (2015 IEITI Report, Section 2.3.1, pp.43-44). In addition, the terms associated with government equity in the oil and gas sector are not explained.

The 2012 IEITI Report specified that all national oil, gas and mining companies and SOMO were wholly-owned by government (2012 IEITI Report, p.13).

Ownership changes: While the 2015 IEITI Report does not explicitly refer to any changes of government ownership in **mining, oil and gas** companies in 2015, there is evidence of at least one instance of a change of state participation in the oil and gas sector. The 2015 IEITI Report only refers to Occidental Petroleum's "withdrawal" from its 29.69% stake in Al Zubair oilfield, "as they didn't get authentication", but does not provide further clarification (2015 IEITI Report, pp.114). While the International Secretariat understands that Occidental's stake in the Al Zubair oilfield was acquired by South Oil Company, the 2015 IEITI Report does not confirm whether this transaction closed in 2015, nor provide any additional information on the terms of the transaction.

Loans and guarantees: The 2015 IEITI Report does not refer to any loans or loan guarantees extended by the government or SOEs to any companies operating in the **mining, oil and gas** sectors.

Stakeholder views

Materiality: There is evidence of at least eight SOEs operating in the mining sector (General Company for

⁴³ The four SOEs under the jurisdiction of MIM include two in the South Region (State Fertilizers Company South Region (Khor Al Zubair) and State Company for Petrochemical Industry) and two in the Midland Region (Naser Company & Somoud (Steel Galoun Factory and That Sawari/65 (Al Rateejat Factory)).

⁴⁴ North Oil Company, South Oil Company, Missan Oil Company and Midland Oil Company.

⁴⁵ The Oil Marketing Company (SOMO).

⁴⁶ South Refineries Company, ~~South-North~~ Refineries Company and Midland Refineries Company.

⁴⁷ Established in May 2013, Basrah Gas Company is 51% owned by South Gas Company, 44% by Shell and 5% by Mitsubishi.

Phosphate, Iraqi Cement Company, State Company for Iron and Steel, Mishraq Sulphur State Company, Northern Cement State Company, Southern Cement State Company, State Company for Southern Fertilizer Industry and Geosurv-Iraq) (US Geological Service, 2015). A senior government official said that there were only two major SOEs involved in mining in Iraq (Mishraq Sulphur State Company and General Company for Phosphate), although the three state-owned cement producers also mined limestone. According to this official Mishraq Sulphur State Company and General Company for Phosphate were not operational because their infrastructure had been destroyed by Daesh. It was not clear whether this was the case in 2015. The official also noted that State Company for Iron and Steel was not involved in mining, but rather in scrap metal processing. The IA stated categorically that to their knowledge no SOE in Iraq held any mining licenses (see Requirement 2.3).

The US Department of State has noted that Iraq does not have a centralised ownership entity that exercises ownership rights for each of the SOEs (US Department of State, 2016). The Iraqi Ministry of Oil website lists 23 SOEs engaged in various segments of the oil and gas industry (Iraqi Ministry of Oil, 2015). The IA confirmed the list of nine material SOEs for EITI reporting purposes included in the 2015 IEITI Report.

Extensive consultations revealed different views on whether companies affiliated to the MoO, such as NOCs, were SOEs in the purest sense of the word. While there was consensus that all NOCs operated under Law 22 on SOEs from 1997, **several stakeholders from government, industry and the analyst community confirmed that NOCs were not legally incorporated entities despite being named "companies". [All oil and gas companies are recorded with the company recorder in Iraq.]** One industry representative noted that IOCs' mandatory "payments to government" reports to UK authorities were consistent with IEITI Reports despite the former being categorised as payments to NOCs and the latter as payments to the MoO since the NOCs were only affiliates of MoO and not standalone entities. However, one of the IAs emphasised that each NOC had its own Board of Directors, even if Director Generals of NOCs were appointed directly by the Minister of Oil. Upon discussion of the categorisation of NOCs for the purposes of EITI reporting, several government officials and secretariat staff considered that upstream oil and gas companies should be considered SOEs. Several MSG members confirmed that the MSG had never explicitly discussed and agreed a definition of SOEs for EITI reporting purposes.

In **Kurdistan**, several parliamentary and civil society stakeholders confirmed that the KRG did not have an SOE operating in the oil and gas industry. While the KRG Oil and Gas Law provided for the establishment of an oil and gas SOE, the law had yet to be fully implemented according to stakeholders consulted.

Financial relations: All government stakeholders consulted confirmed that oil and gas SOEs operated under rules set by Law 22 of 1997. However, all analysts and development partners consulted highlighted the lack of clarity in the financial relations between NOCs and the MoO. Extensive consultations with government officials led to greater clarity on statutory financial relations between NOCs and the MoO and Federal Government, although there was consensus that the practice of financial relations differed depending on whether SOEs were generating revenues in the year under review. Several government representatives explained that NOCs were self-financing and allowed to retain earnings to cover the operating expenditure part of their **budget**. Annual budgetary allocations to the MoO covered the capital expenditure component of NOCs' budget through monthly transfers. In the case of mining SOEs under the MIM, they did not generate sufficient revenues to fund their operating expenditures and relied on the Ministry to fund their entire budgets. A SOE representative explained that the Iraqi Oil Exploration

Company retained some earnings from the proceeds of sales of seismic data to private companies: revenues were split with 45% remitted to the MoF, 33% shared between employees, 5% for social services and the remaining 17% retained as the company's reserves. A past IA categorically stated that NOCs, like other SOEs, were not allowed to raise third-party funding. While highlighting the lack of disclosure by most NOCs, one analyst considered that the level of disclosures from Missan Oil Company was significantly higher than from other NOCs, with regular updates on drilled oil wells posted regularly and consistently on the company's website.

The IA confirmed that each of the nine material oil and gas SOEs had their own Board and management, but had not considered it part of its assignment to summarise the statutory financial relations between state and SOEs in the 2015 IEITI Report. The IA explained that SOMO paid fixed internal service payments to national oil companies for national production oil that is exported, while other SOEs involved in pipeline transport and refining receive transfers according to specific rules setting the intra-SOE oil barrel price. The IA confirmed that these intra-SOE transactions are not specified in the annual budget. A SOE representative explained that internal service payments made by SOMO to the NOCs covered operational costs for oil and gas production on "national production" blocks and were not related to blocks under TSCs. There were a total of nine producing oilfields under "national production" according to a government representative. A past IA explained that internal service payments covered NOCs' cost of production for "national production" that was exported, but not for the share of "national production" earmarked for domestic consumption (refineries and electricity generation). For the latter, the MoO set the costs of production and ensured that a cash settlement for transfers of oil and gas to refineries and power plants was made between the refinery companies and electricity generation directorates, and the NOCs.

Regarding the Basrah Gas Company (BGC) public-private partnership, a senior government official explained that BGC was an incorporated company in which South Oil Company held a 51% stake, with Shell and Mitsubishi holding the remaining stake (44% and 5% respectively). The company was allowed to raise third-party funding upon approval from its Board of Directors. Another senior government official confirmed that South Gas Company's stake in BGC was on commercial terms and that the company was required to cover expenditures in line with its equity stake.

The US Department of State has explained that the government budget outlines the funds SOEs receive both for operational costs and salaries, although SOEs "do not always receive the exact figure allocated" (US Department of State, 2016). KPMG has also highlighted the insufficient financing of NOCs in Iraq compared to peers in Gulf countries in the past (KPMG, 2009). The IMF has highlighted that many SOEs in Iraq are structurally loss-making, but that the scope and scale of economic, financial and fiscal costs represented by SOEs is unknown due to the poor reporting of key financial and economic statistics (IMF, 2016). The World Bank has highlighted the lack of transparency and weak accountability in the management of the 176 non-financial SOEs in Iraq, given their undertaking of significant quasi-fiscal activities that generate large fiscal liabilities and risks (World Bank, 2015). The World Bank approved a USD 1.2bn loan to Iraq for emergency fiscal stabilisation, energy sustainability, and SOE transparency in December 2015 (World Bank, 2015). The Prime Minister established a committee to establish and oversee a database monitoring the fiscal risks of non-financial SOEs through Decree 446 of 18 October 2015, according to the World Bank (World Bank, 2015).

The US Department of State has also noted that SOEs in Iraq do not adhere to OECD Guidelines on

corporate governance (US Department of State, 2016). While SOEs are required to seek their parent ministry's approval for certain categories of financial decisions and operational expansions, in practice SOEs defer to their parent ministry for the vast majority of decisions, according to the Department of State (US Department of State, 2016). While SOEs submit financial reports to their parent ministry's audit departments and the Iraqi Board of Supreme Audit, these reports are not published and sometimes exclude salary expenses (US Department of State, 2016). Complexities and ambiguities in several articles of Law 22 regarding the rights and privileges of SOEs have also been highlighted (US Department of State, 2016). For instance, Article 15.3 of Law 22 allows SOEs to engage in partnerships or joint ventures with foreign companies, although the lack of implementing regulations has hindered the ability to conclude such agreements. Joint partnerships are concluded on a case-by-case basis and require ministerial approval. In addition, the US Department of State has noted that the government sometimes cut subsidies to an SOE after a partnership was formed and that foreign partners have faced challenges given that employment policies and salary decisions were dictated by the line ministry, with gaps between the government's official policy and actual practice affecting companies' profitability (US Department of State, 2016).

Ownership: The IA confirmed that the nine material oil and gas SOEs are wholly-owned by the government. Extensive consultations were required to clarify that there was no change in ownership or state participation in the extractive industries in 2015. While Occidental Petroleum announced its intention to sell its 29% stake in the Al Zubair oilfield TSC consortium to South Oil Company in November 2015 (Reuters, 2015), several government officials and secretariat staff stated that this transaction had only closed in 2016 and that the MSG intended to cover this development in the 2016 IEITI Report (see *Requirement 2.2*). While stakeholders from all constituencies highlighted the splitting of South Oil Company into two new NOCs, Basrah Oil Company and Dhi Qar Oil Company, there was consensus that this was only formally implemented from January 2016 (Energy Intelligence, 2016). A senior government official explained that the law allowed for a Governorate to request the splitting of an NOC once a Governorate reached a certain production level. Thus, Dhi Qar Oil Company had been created in 2016 once oil production in the the ~~Dhi Qar~~ ~~Dir Qha~~ Governorate reached 100 k bpd.

Upon discussion of the reasons why SOMO participated in certain TSCs (Rumaila and Ahdab) instead of one of the NOCs, a senior government official explained that the MoO decided which NOCs participated in specific TSCs. A senior government representative explained that the terms of SOMO's stake in the two oilfields in which it participated (Rumaila and Ahdab) were different. For SOMO's 6% stake in Rumaila, SOMO was not required to cover its share of operating costs and was carried by the contractor, while SOMO's 6% of remuneration fees were transferred directly to the MoF. However, for the Ahdab oilfield, SOMO's 25% stake required it to cover a quarter of costs according to the official.

An independent analyst explained that while TSC amendments had not touched the level of remuneration fees due to the politically sensitive nature of these rates, amendments on certain TSCs such as Rumaila, West Qurna 1 and Halfaya had reduced the government's stake in the TSC consortium from the initial 25% as a means of improving terms for the TSC contractors. The analyst also noted that there was contradictory information in the public domain on the identity of NOCs holding specific stakes in individual TSC consortia and highlighted the value of credible updated information on the structure of TSC consortia in IEITI Reports.

None of the stakeholders consulted were aware of any loans or loan guarantees extended by the

government or any SOEs to companies operating in the mining, oil or gas sectors, including in relation to the Basrah Gas Company public-private partnership.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made inadequate progress in meeting this requirement. While the MSG does not seem to have agreed its own definition of SOE for EITI reporting purposes, the 2015 IEITI Report provides a list of the major upstream companies in oil and gas, but not in mining. Despite the extensive and complex role of the state in the oil and gas sector in particular, there is little information on the statutory financial relations between SOEs and the government, including any deviations in practice, in the 2015 IEITI Report. Changes in state participation in TSCs in 2015 are not addressed and there is no evidence of the MSG's considering the existence of loans or loan guarantees extended by the government or SOEs to companies operating in the mining, oil and gas sectors.

To strengthen implementation, the MSG should ensure that all aspects of Requirement 2.6 are adequately addressed during the scoping for future IEITI Reports. It should clearly establish its definition of SOEs to delineate the SOEs within the scope of EITI reporting and include a comprehensive list of SOEs and their subsidiaries operating in the mining, oil and gas sectors in the next IEITI Report. It should also document its assessment of the existence of any support through loans and loan guarantees to upstream oil and gas companies by the Federal Government of Iraq or SOEs. The MSG may wish to work closely with MoO and the upstream oil and gas SOEs to shape the structure of routine disclosures as a means of publishing information required under the EITI Standard on a timelier basis.

Table 2- Summary initial assessment table: Award of contracts and licenses

1. EITI provisions	2. Summary of main findings	3. International Secretariat's initial assessment of progress with the EITI provisions
4. Legal framework (#2.1)	5. The 2015 IEITI Report provides a cursory overview of the legal framework for the oil and gas sector (including the KRG), but no description of the relevant clauses. Fiscal terms are only provided for PSCs in the KRG, not for TSCs in the rest of Iraq. The degree of fiscal devolution is explained briefly, although the description is unclear. The relevant government entities are listed but their roles are not described. It is stated that there were no reforms in the extractive industries in 2015, without justification. In mining, several laws are listed but not described, the fiscal regime is not described, and the MIM is only briefly described.	6. Inadequate progress
7. License allocations (#2.2)	8. The 2015 IEITI Report does not clarify whether any new mining, oil and gas licenses were awarded or transferred in the year under review. The license allocation and transfer processes are not explained and non-trivial [This expression is incorrect, translation error] deviations from the statutory framework are not highlighted for any licenses awarded or	9. Inadequate progress

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	transferred in the year under review.	
10. License registers (#2.3)	11. The 2015 IEITI Report provides the names of operator, partners, dates of contract signing, effectiveness and approval of all 18 oil blocks awarded as of 2015, but no dates of application nor license coordinates of the identity of license-holders. While it is not made explicit that licenses cover both oil and gas, production data disaggregated by oilfield in the report show that licenses cover both commodities. The 2015 IEITI Report does not refer to any licenses in the mining sector, nor any mining, oil and gas cadastre, either public or private.	12. Inadequate progress
13. Contract disclosures (#2.4)	14. The 2015 IEITI Report does not detail the government's policy on contract disclosure, nor the actual practice of contract disclosure aside from general reference to the KRG's publication of its PSCs. There is evidence of at least one publicly-accessible TSC available online and at least six PSCs that have not been published by the KRG.	15. Inadequate progress
16. Beneficial ownership disclosure (#2.5)	17. The MSG has published a three-year beneficial ownership roadmap, but the 2015 IEITI Report does not clarify the government's policy on beneficial ownership disclosure and does not provide the legal ownership of companies	18.

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	operating under TSCs or buying oil from SOMO.	
19. State-participation (#2.6)	20. While the MSG does not seem to have agreed its own definition of SOE for EITI reporting purposes, the 2015 IEITI Report provides a list of the major upstream companies in oil and gas, but not in mining. Despite the extensive and complex role of the state in the oil and gas sector in particular, there is little information on the statutory financial relations between SOEs and the government, nor any deviations in practice, in the 2015 IEITI Report. Changes in state participation in extractives companies in 2015 are not addressed and the MSG does not seem to have considered the existence of loans or loan guarantees extended by the government or SOEs.	21. Inadequate progress
<p>22. Secretariat's recommendations:</p> <ul style="list-style-type: none"> o The MSG should ensure that future IEITI Reports provide descriptions of the main laws and fiscal terms related to the mining, oil and gas sectors, including an overview of the roles of the main government entities involved in overseeing the sectors and of recent or ongoing reforms. <p>[The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:</p> <ul style="list-style-type: none"> - The articles of the Constitution relevant to the extraction industries were mentioned. - The laws relevant to the management of the oil and gas industries were mentioned. - The laws relevant to the management of the mining industry were mentioned. - The laws relevant to the management of the oil, gas and mining industries in the region of Kurdistan were mentioned. - The financial regulations of the Federal Ministries of Oil and Industry were mentioned in the 2015 Report. - A number of the instructions and regulations in force in the oil and gas industries were mentioned. <p>In ToR of the 2016 Report, the Stakeholders' Council ratified the addition of details about the above-mentioned legislation.]</p>		

- The MSG should ensure that future IEITI Reports clearly define the number of licenses awarded and transferred in the year(s) under review in both mining and oil and gas, describe the actual process and highlight any non-trivial deviations in practice. The MSG should clarify the technical and financial criteria (and their weightings) used for assessing license allocations and transfers, both for any discretionary oil and gas licenses (including in the KRG) and for mining license awards and transfers. The MSG may also wish to comment on the efficiency of the current license allocation and transfer system as a means of clarifying procedures and curbing non-trivial deviations. **[This expression is incorrect; translation error]**

[The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:

- In the report, it was mentioned that there were no new licenses for mining, oil and gas.
- The technical and financial criteria used in evaluating the companies were mentioned in the 2013 report. In the 2015 report, more details were indicated. Please refer to the Reports link.

- The MSG should ensure that future IEITI Reports provide all information covered under Requirement 2.3 for all licenses held by material companies (including both oil and gas and mining) or provide a link to where such license information is available to the public. The MSG may also wish to work with the MoO and MIM to disclose license information for all material companies through the cadastre and provide free access to such a register online.

[The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:

- No licensing contracts were signed in 2015. The data about licensing contracts that was recorded was for contracts that had been signed in previous years. It included dates when the contracts were signed and all the details relating to the updating of the production information for 2015.
- The MSG should ensure that future IEITI Reports provide all information covered under Requirement 2.3 for all licenses held by material companies (including both oil and gas and mining) or provide a link to where such license information is available to the public. The MSG may also wish to work with the MoO and MIM to disclose license information for all material companies through the cadastre and provide free access to such a register online.
- The MSG should work with government representatives to clarify the Federal Government's policy on contract disclosure and document any instances of contract disclosure either through future IEITI Reports or through other channels such as the IEITI website. The MSG is also encouraged to undertake a detailed review of which PSCs have been published by the KRG, with a view to clarifying contract disclosure practice in the KRG.

[The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:

Commented [AT11]: This is a duplicate of the above paragraph highlighted in yellow in the English.

The Ministry of Oil published a model contract for the first and second rounds on the Ministry's website. The relevant bodies were also supplied with copies of the contracts signed in Arabic and English.]

- The MSG should clarify the government's policy on beneficial ownership disclosure in future IEITI Reports and provide the legal ownership of all material companies. The MSG may wish to consider how reforms of its oversight of transfers of equity in TSC consortia and mining licenses under Requirement 2.2 may help support work on beneficial ownership disclosure.

[A road map was ratified to disclose all the details necessary for the process of disclosure, including also the State's disclosure policy represented in the laws represented in the laws on the true owner of the benefit, who can benefit from it during the process of opening.

The 2017-2018 Action Plan contained activities on the ownership of benefit relating to laws and government directives relating to disclosure.

ToR 2016 contained the organisation of a draft disclosure table relating to ownership of benefit. It will be distributed to companies to fill in as an initial trial of the disclosure process.]

- The MSG should ensure that all aspects of Requirement 2.6 are adequately addressed during the scoping for future IEITI Reports. It should clearly establish its definition of SOEs to delineate the SOEs within the scope of EITI reporting and clarify the level of support through loans and loan guarantees to upstream oil and gas companies by the Federal Government of Iraq or SOEs and include a comprehensive list of SOEs and their subsidiaries in the next IEITI Report. The MSG may wish to work closely with MoO and the upstream oil and gas SOEs to shape the structure of routine disclosures as a means of publishing information required under the EITI Standard on a timelier basis.

[Within the 2016 ToR Report, the Stakeholder Council authorised the preparation of a study to define the extent of the Transparency Initiative in Iraq in accordance with the requirements.]

3. Monitoring and production

3.1 Overview

This section provides details on the implementation of the EITI requirements related to exploration, production and exports.

3.2 Assessment

Overview of the extractive sector, including exploration activities (#3.1)

Documentation of progress

In the **mining** sector, the 2015 IEITI Report provides an overview of the mining sector, including a cursory overview of the history of Iraq's mining sector, a description of the government's vision for the mining industry as well as strategies for the short term (institutional development), medium-term (expanding investment) and long-term (sustainable and competitive growth) (2015 IEITI Report, pp.19-20). An overview of estimated mineral reserves is provided in Section 3.2.10 (p.57), including reserve estimates for phosphates, limestone, kaolinite clays and native sulphur, although all estimates for all commodities but phosphates are sourced from secondary sources such as US Geological Survey. The MIM's estimates of reserves for 11 minerals are provided Section 3.2.12 (2015 IEITI Report, 3.2.12, p.59) as well as a link to the source.⁴⁸ Improving assessments of geological reserves is identified as one of the seven key recommendations of the 2015 IEITI Report (2015 IEITI Report, p.21). Finally, targets for production capacity development by 2017, 2022 and 2030 are provided for 11 minerals (2015 IEITI Report, p.59), with a link to the source information on the IEITI website.⁴⁹

In **oil and gas**, the 2015 IEITI Report provides figures for proven oil reserves, proven gas reserves, phosphates reserves and sulphur reserves, although these are sourced from Wikipedia (2015 IEITI Report, p.13). A map of the Iraqi oilfields is provided (2015 IEITI Report, p.42), with blocks allocated under each of the four licensing rounds clearly identified. Section 6.3.6 (p.127) provides estimates of oil reserves for each of the four Iraqi Governorates that have oil deposits (Basrah, Missan, Kirkuk and KRG). The outcomes and impacts of EITI implementation section highlights the outdated oil reserves information from the government as a problem (2015 IEITI Report, Illustration 14, p.133). The **Kurdistan** chapter provides a description of the oil and gas industry in the region, including "potential reserves" (albeit unsourced) and exploration undertaken by DNO in 2006-2007 (2015 IEITI Report, p.138).

Exploration: The 2015 IEITI Report provides a cursory overview of the four exploration contracts awarded to IOCs in the fourth licensing round (2015 IEITI Report, p.52). An overview of the Oil Exploration Company's history is included, with a table listing the planned exploration activities in 2015 (2015 IEITI Report, pp.47-48). The report lists the number of wells drilled or worked over by both NOCs and IOCs in the period 2009-2015, disaggregated by year (2015 IEITI Report, p.50), and in graph form (2015 IEITI Report, illustration 3, p.51).

Stakeholder views

An independent analyst has criticised the lack of information in the 2015 IEITI Report on exploration work undertaken on Blocks 9,10 and 12 despite the availability of information on exploration activity (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). However, a SOE

⁴⁸ <http://ieiti.org.iq/ArticleShow.aspx?ID=111>

⁴⁹ <http://ieiti.org.iq/ArticleShow.aspx?ID=111>

representative considered that the 2015 IEITI Report's overview of exploration activities should be comprehensive, given that the work programmes were set in advance and were reported to IEITI. The IA noted that updated information on significant oil and gas exploration activities were available from the Iraq Oil Exploration Company website. There is also evidence of advanced exploration activity in Kurdistan nearing production in 2016, including by GPK and Range Energy on the Shewashan oilfield, by HKN on the Sarsang oilfield, and by Oryx Petroleum on the Demir Dagh field (Atlantic Council, 2016).

While oil production has grown to 4.5m bpd by 2016 as a result of post-2009 investment, analysts expect production to plateau over the medium term given the government's economic and security crises and companies' efforts to cut investment (Energy Intelligence, 2016) (Platts, 2016). Analysts have emphasised other constraints on Iraqi oil production, such as the availability of water. In Iraq's giant southern oilfield, analysts estimate it takes 1.5 barrels of water to produce one barrel of oil (Energy Intelligence, 2016). The Common Seawater Supply Project, a USD 10bn project launched in 2009 but since delayed, would bring 7.5m bpd of treated seawater to the southern oilfields in a first phase (Energy Intelligence, 2016). A senior government official explained that Iraq held 132 tcf of natural gas reserves, of which 70% was associated gas and 30% non-associated gas. According to him, the government had doubled natural gas production in the 2014-2016 period, meeting domestic demand and exporting LPG for the first time in 2016, and wanted to focus on expanding gas production and exports.

In the mining sector, a senior government official explained that there had been a lack of investment in mining given that most major mineral deposits were located in terrorist-controlled areas such as around Mosul and in remote locations. However, the official noted that the government's priority was to develop abundant phosphates and sulphur resources.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made satisfactory progress towards meeting this requirement. The 2015 IEITI Report includes an overview of the mining, oil and gas sectors, including information on significant exploration activities.

To continue improving, the MSG may wish to expand its coverage of the mining sector by including more specific updates on current production, primarily in quarrying.

Production data (#3.2)

There are two types of production in Iraq. The first, referred to in the 2015 IEITI Report as "licensing round production", relates to production undertaken by IOCs under TSCs. The second, referred to as "national production", relates to NOC's own production from oilfields they operate independently of any private partner. This is not explained in any of Iraq's IEITI Reports.

Documentation of progress

Production volumes: In mining, the 2015 IEITI Report provides the MIM's reporting of production volumes

for four minerals⁵⁰ as well as sales volumes for five minerals⁵¹ (2015 IEITI Report, Section 3.2.11, p.58). A link⁵² is provided for more information on monthly production volumes on the IEITI website, but at the time of writing this report was **broken [There is a technical fault.]**. No information is provided for mining production in the KRG. It is notable that sales volumes for minerals are consistently and significantly higher than reported production volumes in every IEITI Report, explained merely by reference to accumulated stock of minerals from previous years' production.

For **crude oil**, the 2015 IEITI Report provides 2015 crude oil production volumes, based on MoO figures reported in the context of the reconciliation (2015 IEITI Report, p.13), split between National Production and Licensing Rounds (without explanation of these terms) and disaggregated by each of the four NOCs (p.14). Illustration 4 (p.53) provides a graph of total crude oil production volumes, disaggregated between National Production and Licensing Rounds. The ten producing oilfields' average daily production volumes for 2015 are listed, as well as for previous years, sourced from the NOCs and reviewed by the MoO's PCLD (2015 IEITI Report, Section 2.3, pp.33-41). Section 3.2.9 (p.56) provides the crude oil production volumes of each of the four NOCs, disaggregated between National Production and Licensing Rounds, as well as the different domestic uses.⁵³ The IEITI website also provides monthly production figures for NOCs.⁵⁴

For **natural gas**, the 2015 IEITI Report provide the MoO's reporting of aggregate total natural gas volumes produced by NOCs, disaggregated between produced natural gas, "invested natural gas"⁵⁵ and burned natural gas (2015 IEITI Report, pp.16, 56).

The **Kurdistan** chapter (p.143) provides a table of the KRG's Ministry of Natural Resources' figures for the KRG's monthly oil production volumes in 2015, and by oilfield (p.144). Monthly crude oil volumes supplied to each of the three main refineries in Kurdistan (Tawke, Bazian and Kalak refineries) are provided, sourced from KRG's MNR (2015 IEITI Report, Table 153, p.145). Oil production, exports and refining per block for each of the 9 oil producing blocks⁵⁶ in the KRG are provided (2015 IEITI Report, Table 155, p.147). No information is provided on natural gas produced from oilfields in the KRG.

Production values: For **mining**, production values are not provided for any of the four minerals produced in 2015, nor the average 2015 price of minerals (2015 IEITI Report, Section 3.2.11, p.58).

It is possible to calculate the value of **crude oil** production using the average price of crude oil in 2015 provided (USD 46.44 a barrel), which itself was calculated by dividing total revenue by oil export volumes (2015 IEITI Report, p.14).

The 2015 IEITI Report provides the average 2015 sales price for **natural gas** supplied to NOCs⁵⁷ (2015 IEITI

⁵⁰ Washed and milled salt; raw salt; standard sand; and silica sand.

⁵¹ Washed and milled salt; raw salt; standard sand; silica sand; and kaolin.

⁵² <http://ieiti.org/ig/uploads/2015%20Report/Mining.pptx>

⁵³ including domestic refining, power generation plants, "others", Oil Pipeline Company and ending balance.

⁵⁴ <http://ieiti.org/ig/uploads/2015%20Report/Crude%20Oil%20flows%20-%20National%20Oil%20Company.pptx>

⁵⁵ We assume that "invested natural gas" is the same as natural gas reinjected into oil wells to maintain production flows.

⁵⁶ Of these nine oil producing blocks in Kurdistan, five exported crude oil, **Three of these exported by pipeline and one by truck, while the fifth exported by both truck and pipeline** of which four exported by pipeline and two by truck.

⁵⁷ IQD 20k per mmscf, where each 35.315 mmscf is equivalent to 1m cu m.

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Report, pp.13, 54) and to the Electricity Generation Directorates⁵⁸ (2015 IEITI Report, pp.13, 82). The average 2015 sales price of LPG⁵⁹ is also listed (2015 IEITI Report, p.13). From these average prices, it is possible to calculate a weighted average of natural gas production value based on disaggregated production volumes provided.

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Location: There is no indication of the location of **mining** deposits in Iraq in the 2015 IEITI Report. For **oil and gas**, a map of the Iraqi oilfield is provided (2015 IEITI Report, Section 2.3, p.42), with blocks allocated under each of the four licensing rounds clearly identified. Section 6.3.6 (2015 IEITI Report, p.127) provides estimates of oil reserves for each of the four Iraqi Governorates that have oil deposits (Basrah, Missan, Kirkuk and KRG).

Additional information: The 2015 IEITI Report includes extensive reconciliation of physical crude oil production volumes between figures from MoO, the NOCs, SOMO and OPC. This includes reconciliation of crude oil production volumes between MoO figures and each of the four NOCs⁶⁰ (2015 IEITI Report, pp.52-53) and of natural gas production volumes between North and South Oil Companies with North and South Gas Companies (2015 IEITI Report, p.54). Section 3.2.7 (2015 IEITI Report, p.55) provides the results of reconciliation of natural gas volumes supplied to Basrah Gas Company, between figures from South Oil Company, MoO and Basrah Gas Company, with no discrepancies. An overview of internal consumption of crude oil and of the Iraqi energy mix is also provided (2015 IEITI Report, p.81).

Stakeholder views

Stakeholders from all constituencies noted that the accuracy of production data was a particularly important and politically charged issue in OPEC's second-largest producer, Iraq, particularly given quotas agreed in November 2016.

One independent analyst has questioned the reliability of production data in the 2015 IEITI Report, noting confusion between cu m. and barrels in some of the data provided (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). One CSO representative noted that the installation of production flow meters had not been completed in 2015 (and had only been completed in 2017), but expressed concern that the 2015 IEITI Report did not mention this fact in the context of the reliability of production figures. A senior government official highlighted the importance of ongoing efforts to install metering equipment at flow stations to ensure more accurate statistics on production volumes, explaining that meters had been installed covering some 70% of production thus far.

An independent analyst considered that while the government's published export data was reliable, the reliability of their production data was more questionable. The analyst considered that Iraq had over-estimated its production by double-counting some of its output in the run-up to the November 2016 OPEC quota to reduce the burden of any cuts, but seemed to have under-valued production since the quota to demonstrate its compliance with the OPEC quota. Several analysts highlighted that while the

⁵⁸ IQD 50 / USD 0.043 per cu m.

⁵⁹ IQD 100k / USD 85* per ton, except for the higher LPG sales price for supplies to the Al Harthia and Al Rumaila power stations (IQD 150k per ton).

⁶⁰ Section 3.2.2 (p.52) presents the results of reconciliation of crude oil production volumes between MoO and North Oil Company, with a material variance of 8,122,000 barrels, which was due to the fact that these volumes came from fields controlled by KRG and were not reported by North Oil Company.

MoO used to publish more detailed production figures, it had ceased to do so in October 2016. A senior government official noted that it was not possible to publish production data disaggregated by oilfield through the SOMO website, questioning the value of publishing such disaggregated data when competitors like Saudi Arabia and Kuwait did not. One analyst highlighted confidentiality provisions in TSCs hindering IOCs from disclosing oilfield-level production data. Another analyst highlighted the value of comprehensive production data for Iraq and considered that even data published with a one-year time lag would be useful, given that many countries in the region only published official data with a two-year delay. A past IA raised serious concerns about the reliability of oil and gas production data disclosed by government. During previous audits of the DFI, the past IA had been told that officials in charge of reconciliation of production volumes that they did not investigate discrepancies in the MoO's normal reconciliation, but sometimes simply split the difference in reported figures and agreed common reported figures to eradicate any variations. The current IA considered that, while updates should be more frequent, basic production figures were available to the public.

A government official highlighted challenges in the quality of some Iraqi crude oil production. There were large quantities of water and salt in the output of certain oilfields like Rumaila, given that the IOC did not have the capacity or felt the obligation to separate all impurities from the crude oil they transferred to South Oil Company. According to him, the challenge was that TSCs did not mention precise crude oil specifications and only contained the general wording "comparable with standard specifications". However, another senior government official noted that SOMO operated strict controls of the quality of exported crude oil and ensured that any deviation from the standard specifications was compensated with a discounted crude oil sales price.

Regarding Kurdistan, independent analysts have highlighted how KRG oil production has fallen short of planned levels, with production of 577,287 bpd compared to the targeted 865,000 bpd (Atlantic Council, 2016). All government officials consulted stated that the Federal Government did not know how much oil and gas the KRG produced. An independent analyst noted that while KRG had started publishing monthly production statistics since mid-2016, it had not done so consistently and had not published production figures in certain months. A government official explained that while SOMO had access to KRG oil export figures given its presence in Ceyhan port, the Iraqi Government had no visibility on total KRG production since it did not know the level of domestic Kurdish consumption. Given that OPEC required total oil production figures from Iraq, the government was forced to make assumptions about Kurdish domestic consumption to estimate KRG production volumes. The KRG publishes annual statistical bulletins provide monthly oil production and exports disaggregated by oilfield and by operator, sourced from companies operating in Iraqi Kurdistan (KRG Ministry of Natural Resources, 2016).

With regards to mining production, a government and the IA official explained that sales prices for minerals sold by SOEs were set by the MIM and that this data was available upon request.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made meaningful progress towards meeting this requirement. The IEITI Report provides the volumes of production of oil, gas and four minerals, but only provides the production value for crude oil and natural gas, not the minerals. Volumes and values are not provided for the KRG's natural gas production.

To strengthen implementation, the MSG should ensure that future IEITI Reports disclose the production volumes and values for all every extractives commodity produced, including crude oil, natural gas and each type of mineral.

Export data (#3.3)

Documentation of progress

Export volumes: For **mining**, it is unclear from the 2015 IEITI Report whether the sales volumes reported by MIM for five minerals (washed and milled salt; raw salt; standard sand; silica sand; and kaolin) were exported or, more likely, sold domestically (2015 IEITI Report, p.58). It is notable that IEITI Reports do not provide any sales values for the most significant production volumes of phosphates and sulphur.

The 2015 IEITI Report provides MoO's reporting of 2015 **crude oil** export volumes (2015 IEITI Report, p.13), and SOMO's reporting of those volumes disaggregated by three export points.⁶¹ The IEITI website also provides monthly export volumes and values at the three export points for 2015.⁶² There is no export of **natural gas** at present from Iraq, although this is not explicitly stated in the 2015 IEITI Report.

In relation to exports from **Kurdistan**, the 2015 IEITI Report explains the terms of the November 2014 agreement between Baghdad and Erbil⁶³ (2015 IEITI Report, pp.141-142), with exports constrained at 260k bpd in the first quarter of 2015 before rapidly expanding after the end of repairs on the pipeline in April 2015 to reach an average of 563k bpd in June 2015. The November 2014 agreement was terminated in June 2015 when the KRG restarted independent direct oil sales. Oil exports through **the KRG pipeline**. **Comment by the Council: While the export pipeline from Kirkuk to Ceyhan was constructed in 1977 by the Federal Ministry of Oil, and was expanded in 1987 to carry 1660 thousand barrels per day, and consists of two pipelines. The first has a diameter of 40 inches and the second of 46 inches. Pumping through these pipelines stopped in February 2014 as a result of the terrorist attacks that the pipelines suffered. The KRG extended a pipe connection to link its territory with the section of pipeline situated in Turkish territory. It was therefore agreed to pump oil from Kirkuk through the, connection made by the KRG to the afore-mentioned pipeline belonging to the Federal Ministry of Oil. This therefore needs to be rephrased since the KRG does not own a pipeline to Turkey.** reached an average of 596k bpd in October 2015. A rough split in export destinations for KRG oil exported from Ceyhan is provided (2015 IEITI Report, pp.141-142). A table of KRG's monthly oil export volumes in 2015 is provided, split between before and after 23 June 2015, when the Baghdad-Erbil deal fell apart (2015 IEITI Report, p.144). The KRG's oil production, exports and refining per block are also provided for each of the five oil-exporting blocks (2015 IEITI Report, Table 155, p.147).

Export values: The 2015 IEITI Report provides a reconciliation of crude oil sales to 42 international buyers,

⁶¹ Crude oil export volumes for 2015 are provided disaggregated by three export points (Ceyhan Port; Basrah Port, Khor Al-Amaya Port and SPMs (light crude oil); and Basrah Port by SPM (heavy crude oil) as well as by regional export destination (USA, Europe, Far East and South Africa), sourced from SOMO.

⁶² <http://ieiti.org.iq/uploads/2015%20Report/monthly%20exports.pptx>

⁶³ Whereby the KRG would export 550k bpd (KRG would "facilitate" export of 330k bpd from Kirkuk oilfields in addition to 250k bpd from KRG-controlled wells) through Ceyhan port, where SOMO would handle marketing to international clients, in exchange for 17% "of its (federal) budget", estimated to be "roughly the amount needed to cover Erbil's monthly payments of USD 1.1bn."

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presenting the results in aggregate (2015 IEITI Report, pp.14, 16, 121-122) and disaggregated by buying company (2015 IEITI Report, pp.64-66). The 2015 IEITI Report provides SOMO's unilateral disclosures of total crude oil export volumes, disaggregated by export destination region (2015 IEITI Report, pp.76, 77), as well as the average monthly crude oil price for each of the three export points for 2015 (2015 IEITI Report, pp.77-78).

Additional information: The 2015 IEITI Report provides significant additional information on exports of crude oil, including through descriptions of the Iraq-Turkey pipeline to Ceyhan (2015 IEITI Report, p.60) and the role of two third-party private inspectors surveying export terminals (SGS and Intertek Global⁶⁴) (2015 IEITI Report, pp.73-74). A link to the licenses for the two companies' Iraq branches is provided, but it is not clear whether there are other such inspectors not listed in the report. A map of Iraqi oilfield and pipeline infrastructure clearly indicates the main export zones of Iraq (2015 IEITI Report, p.42).

The 2015 IEITI Report also describes the sales selection process by SOMO to select international buyers (2015 IEITI Report, pp.79-80), including IOCs, refiners and select authorised third-parties. Illustration 9 (2015 IEITI Report, p.80) provides a graph of the pricing formula and criteria for Iraqi crude oil. It also refers to p.80 of the 2014 IEITI Report for more details on the selling price calculations and differences as well as a link.⁶⁵ The 2014 IEITI Report provides an overview of OSP calculation standards (2014 IEITI Report, pp.79-81). The 2015 IEITI Report includes a reconciliation of monthly crude oil export volumes between figures from MoO, SOMO and the respective NOC (2015 IEITI Report, p.60-64). The general split in export destinations (USA, Europe, Asia, etc.) is provided for each of Iraq's three official export terminals (2015 IEITI Report, pp.75-78).

Stakeholder views

The IA confirmed that there were no exports of minerals from Iraq in 2015. A senior government official confirmed that Iraq did not export minerals given that the government's focus was first to process minerals domestically to meet domestic demand before being able to export. Iraq had exported sulphur in the past, but not for years according to government officials.

An independent analyst has questioned the consistency of oil pricing data in the 2015 IEITI Report, highlighting average prices provided for monthly crude oil export data posted on the IEITI website and referenced in the 2015 IEITI Report showing prices of **USD 213.915, USD 246.838 and USD 286.308 per barrel for exports to the USA, Europe and the Far East respectively (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017).** **[The data has been corrected and the correct data has been published. The Council therefore believes that this phrase should be dropped from the report.]** The analyst also expressed concern over the MoO's October 2016 end to its previous practice of publishing daily oil prices for all crude markers used in setting SOMO's Official Selling Price as well as preliminary oil export volumes, prices and revenues on a monthly basis (Jiyad, Min of Oil should Withdraw Plan to Offer 12 New Oilfields, 2016). A senior MoO official explained that while the MoO had temporarily stopped

⁶⁴ It appears that SGS monitored a third port (SPM) in addition to the two (Basra Oil Terminal (BOT) & Khor Alamaya Oil Terminal (KAAOT)) that Intertek continued to monitor from November 2015 onwards.

⁶⁵ <http://ieiti.org/ArticleShow.aspx?ID=111>

publishing oil production data for a few months in 2016, this was due to technical problems and the MoO had resumed publishing data since then. Other analysts considered the October 2016 end to monthly publications on the MoO website had been a calculated move and disagreed that the MoO had resumed publishing the same amount of data as before. SOMO publishes monthly oil export figures on its website⁶⁶, while the Central Statistical Organization of Iraq publishes statistical summary reports with under one-year time lag on its website⁶⁷, covering crude oil production volumes, export volumes and values, average oil price and contribution to GDP at current prices. Third-parties like JODI also publish monthly averages of daily production of crude oil⁶⁸ and natural gas.⁶⁹

With regards to KRG exports through direct sales, a senior government official considered that SOMO knew how much crude oil the KRG was exporting directly through Ceyhan in volumes, given that the SOE maintained an office in Ceyhan, but noted that the value of crude exported could not be ascertained since SOMO was not involved in the transactions. The KRG's MNR publishes monthly crude oil production and export statistics on its website⁷⁰ with less than one month's delay. An independent analyst noted that the SOMO website had started publishing data on KRG crude oil exports in March 2017 for the first time, likely to comply with requests from OPEC. Another analyst noted that while there was no independent assurance for the KRG's monthly disclosures of oil exports and revenues, the numbers published appeared realistic and could be correlated with other data sources.

Several government officials highlighted the start of LPG exports in 2016 as a major watershed for Iraq, with plans to increase exports of gas condensate and LPG in coming years. There were 12 export shipments of LPG from July 2016 (Jiyad, Min of Oil should Withdraw Plan to Offer 12 New Oilfields, 2016) (Argus, 2016).

Initial assessment

The International Secretariat's initial assessment is that Iraq has made satisfactory progress in meeting this requirement. The 2015 IEITI Report provides the volumes and values of crude oil exports. There is no evidence of any Iraqi exports of natural gas or minerals in 2015.

To strengthen implementation, the MSG may wish to consider the extent to which export volumes and values required by the IEITI Standard can be disclosed through routine government systems, such as the SOMO website, in as disaggregated and timely a way as possible.

⁶⁶ <http://somoil.gov.iq/en/index.php/2015-11-14-05-40-7/46-2015>

⁶⁷ <http://cosit.gov.iq/en/national-accounts-statistics/commodity-balances-reports?id=891>

⁶⁸ <http://www.jodidb.org/TableViewer/tableView.aspx?ReportId=57431>

⁶⁹ <http://www.jodidb.org/TableViewer/tableView.aspx?ReportId=38673>

⁷⁰ <http://mnr.krg.org/index.php/en/oil/monthly-export-production-data>

Table 3- Summary initial assessment table: Monitoring and production

23. EITI provisions	24. Summary of main findings	25. International Secretariat's initial assessment of progress with the EITI provisions
26. Overview of the extractive sector, including exploration activities (#3.1)	27. The 2015 IEITI Report includes an overview of the mining, oil and gas sectors, including information on significant exploration activities.	28. Satisfactory progress
29. Production data (#3.2)	30. The IEITI Report provides the volumes of production of oil, gas and four minerals, but only provides the production value for crude oil and natural gas, not the minerals. Volumes and values are not provided for the KRG's natural gas production.	31. Meaningful progress
32. Export data (#3.3)	33. The 2015 IEITI Report provides the volumes and values of crude oil exports, including KRG-controlled production. There is no evidence of any Iraqi exports of natural gas or minerals.	34. Satisfactory progress
<p>35. Secretariat's recommendations:</p> <p>To continue improving, the MSG may wish to expand its coverage of the mining sector by including more specific updates on current production, primarily in quarrying. This has been recorded in the 2016 ToR.</p> <p>To strengthen implementation, the MSG should ensure that future IEITI Reports disclose the production volumes and values for all every extractives commodity produced, including crude oil, natural gas and each type of mineral. It is recorded in the 2016 ToR with the knowledge that Iraq took an exception from the Board for the region of Kurdistan.</p> <p>To strengthen implementation, the MSG may wish to consider the extent to</p>		

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which export volumes and values required by the EITI Standard can be disclosed through routine government systems, such as the SOMO website, in as disaggregated and timely a way as possible.

The evaluation must be 'Beyond'. This is because Iraq has published detailed export data in terms of shipments and companies.

4. Revenue collection

4.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue transparency, including the comprehensiveness, quality and level of detail disclosed. It also considers compliance with the EITI Requirements related to procedures for producing EITI Reports.

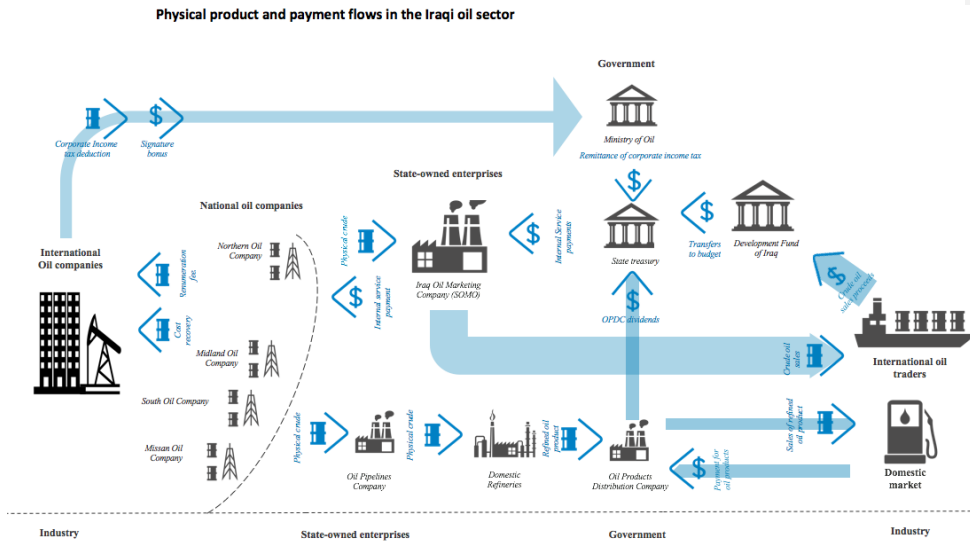
4.2 Assessment

Comprehensive disclosure of taxes and revenues (#4.1)

All oil and gas produced in Iraq is the property of the state. Under the terms of the Technical Service Contract, IOCs are contracted to produce oil and gas and receive cost recovery and a remuneration fee per barrel after reaching a pre-agreed production level, paid in cash or deducted in-kind. The payment of remuneration fees started in May 2011 (OpenOil, 2012), when BP lifted 2m barrels of oil in payment of remuneration fees for the Al Rumaila field (ArabianOilandGas.com, 2011). Contractors (IOCs) pay a flat CIT of 35% of contractors' income, which is deducted from their remuneration fees in all cases other than the Ahdab TSC (see Annex C). Companies are also required to pay a signature bonus to the MoO upon concluding a TSC. Finally, SOMO sells crude oil to international buyers and remits the proceeds to the Development Fund of Iraq, net of its costs and margins. Natural gas and crude oil for internal consumption are transferred to other SOEs in charge of transport, refining, distribution, power stations, electricity generation directorates and others, with only the proceeds of the final sales of refined products remitted to the central Treasury.

EITI Reports contain detailed descriptions of the domestic sales process. Oil for domestic consumption is transported through state-owned Oil Pipelines Company (OPC) to domestic refineries, where it is processed into finished products and marketed by the state-owned Iraqi Oil Distribution Company (OPDC), and to power plants. Proceeds from domestic refined product sales are then remitted by OPDC to the MoF. Given that all of these transfers are inter-SOE transactions, the only public-to-private transaction in the domestic oil and gas supply chain is LPG sales and Gas Filling Company sales of refined products to the domestic market. For the purposes of assessing compliance under the EITI Standard, these transactions have been deemed beyond the scope of this report given that they are downstream public-private transactions.

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Source: EITI International Secretariat.

Documentation of progress

Materiality threshold for revenue streams: There is no evidence that the MSG included any companies or revenue streams from the mining sector in the scope of reconciliation. [This has been responded to. The Council believes that this comment should be removed and the evaluation of this section be raised.]

In **oil and gas**, the 2015 IEITI Report provides a materiality threshold of 0.5% of total government extractives revenues (2015 IEITI Report, pp.14, 90), although this is a materiality threshold for investigating discrepancies rather than for selecting companies or revenue streams. The materiality threshold for investigating discrepancies was agreed by the MSG at its 39th meeting on 8 June 2016 (2015 IEITI Report, Section 4.1.1, p.90). Iraq's Validation report under the EITI Rules in 2012 also appears to have misunderstood the definition of materiality in the 2011 IEITI Report, considering the 1% materiality threshold agreed at the ISC's 11 November 2011 meeting as relating to selection of companies rather than to the investigation of discrepancies (Adam Smith International, 2012). However, the ToR for the IA for the 2015 EITI Report, endorsed by the MSG at its 22 March 2016 meeting (IEITI, 2016), de facto sets a materiality threshold of 0 by including all "oil export revenues and corporate taxes made by all Iraqi oil buyers and field operators" in Section 3 (Tor for the 2015 IA, p.3) but does not provide any further definitions of materiality. The results of reconciliation show that CIT paid by TSC contractors to MoO (2015 IEITI Report, pp.95-97, 100-102) and SOMO crude oil sales to international buyers (2015 IEITI Report, pp.16, 64-66) were included as material revenue streams. Analysis of reporting templates in annex to the 2015 inception report show that reporting of CIT was requested from IOCs, MoO and MoF (2015 Inception Report, pp.108, 117, 129). The 2015 IEITI Report states that no signature bonus was paid in 2015 (2015 IEITI Report, Section 4.1.2.4, p.102). The 2015 IEITI Report refers to weaknesses in government oversight of licensing fees in its review of outcomes and impacts of EITI implementation

(2015 IEITI Report, Section 7.3, p.134), but the report does not refer to oil and gas license fees as a material revenue stream elsewhere.

There is no evidence of the MSG assessing materiality of revenue flows or companies in the context of oil and gas operations in Iraqi Kurdistan. With regard to the region of Kurdistan, the implementation rate was resorted to. Therefore, it was not included in the process of defining materiality in the 2015 report. This must therefore be removed from the report. However, the 2015 IEITI Report confirms that the IA requested information on oil and gas revenues from the KRG but that the KRG did not respond, implying that there were understood to be material revenue streams collected by the KRG (2015 IEITI Report, pp.9, 138). However, the list of general types of revenue streams and physical flows selected for reconciliation indicates that only revenues, payments and production and export volumes in southern and central Iraq (excluding KRG) were included in the scope of reconciliation (2015 IEITI Report, Section 4.1.1, p.90).

As in previous EITI Reports, the 2015 IEITI Report provides *reconciliations of government payments to companies and SOEs and intra-SOE physical product (material balance) flows* (see Annex D).

Descriptions of material revenue streams: There is no evidence the MSG agreed to include any revenue streams in the mining sector or collected by the KRG in the scope of reconciliation. With regard to the region of Kurdistan, the implementation rate was resorted to. Therefore, it was not included in the process of defining materiality in the 2015 report. Similarly, mining was excluded from the relative importance of mining in the 2015 report. This must therefore be removed from the report. The 2015 IEITI Report provides a general list of oil and gas revenue streams and physical flows⁷¹ (2015 IEITI Report, Section 4.1.1, p.90). While SOMO's crude oil sales are not specifically described, the source of such revenues is self-explanatory. Corporate income tax is described (2015 IEITI Report, pp.95-97), although the differences in CIT levies between different TSCs is not described (see Annex C). The 2012 IEITI Report provided additional clarifications about how CIT was levied at the time. It explained the significant discrepancies in the reconciliation of these taxes (albeit only on four oilfields⁷²) by the fact that the MoO only deducted CIT for 2012 in 2013, while operators recorded these deductions in 2012 (2012 IEITI Report, p.90). The 2013 and 2014 IEITI Reports noted the same (2013 IEITI Report, p.56) (2014 IEITI Report, p.59). The 2013 and 2014 IEITI Reports both state that the CIT deducted from payments to IOCs had never been transferred by the MoO to the General Commission on Taxes (2013 IEITI Report, p.56) (2014 IEITI Report, p.59).

Materiality threshold for companies: The 2015 IEITI Report does not provide the MSG's materiality threshold for selecting reporting companies, but notes that "all companies included in materiality" had been reconciled (IEITI 2015 Report, Section 4.1.1, p.90). The reporting templates in appendix to the 2015 Inception Report show that separate reporting templates were prepared for IOCs operating under TSCs (2015 Inception Report, pp.120-133), IOCs operating in Kurdistan (2015 Inception Report, pp.218-219), mining companies operating in Iraq (2015 Inception Report, p.191) and mining companies operating in Kurdistan (2015 Inception Report, p.221) as well as third-party verification companies (2015 Inception

⁷¹ The general payment and product flows named were: Revenues and payments reported by Iraqi government entities, international crude oil buying companies and international oil field developing extractive companies operating in central and southern Iraq (excluding KRG); Oil production and oil export quantities reported by Iraqi governmental entities, national and international oil companies operating in central and southern Iraq (excluding KRG) in addition to third party verification companies; Oil and gas quantities for local consumption reported by Iraqi governmental entities, national gas companies, national oil companies, electricity generation directorates and refineries; Net revenue from sale of oil products to the local market as reported by Ministry of Finance and Oil Products Distribution Company.

⁷² Al Rumaila, West Qurna 1, Al Zubair and Al Halfaya.

Report, p.171).

The 2012 IEITI Report referred to nine “national” mining companies active in 2012, of which four participated in EITI reporting for that year (2012 IEITI Report, p.53), but did not specify whether these were private companies.

Material companies: In **mining**, it does not appear that the MSG has included any companies in the scope of reporting for the 2015 IEITI Report. In **oil and gas**, the MSG appears to have included both IOCs producing oil under TSCs and international companies buying crude oil from SOMO in the scope of reconciliation. The 2015 IEITI Report states that 22 companies⁷³ operated under TSCs in Iraq (IEITI 2015 Report, p.14), which includes several project-specific subsidiaries of the same IOC (IEITI 2015 Report, pp.20-22). The executive summary (p.12) provides a list of 20 IOCs⁷⁴ operating in Iraq under licenses granted by the MoO, although it is unclear why two entities are listed each for Lukoil and Shell, but not for other IOCs with several project-specific subsidiaries. The 2015 IEITI Report also lists 42 material oil companies buying crude oil from SOMO in 2015 (2015 IEITI Report, Section 3.3.5, p.66), although it is unclear whether this includes buyers of KRG oil marketed by SOMO in H1-2015. In **Kurdistan**, the 2015 IEITI Report confirms that the IA requested the KRG to report on oil and gas revenues (2015 IEITI Report, pp.9, 138) but it is unclear whether any of the companies operating under the 56 oilfields contracted under PSCs in Iraqi Kurdistan were required to report.

Material company reporting: In terms of **mining** company payments to government, it is not clear that there were any material payments to government in 2015. In terms of **oil and gas** company payments to government, there is evidence that several companies operating under TSCs and ~~that~~ three companies buying crude oil from SOMO did not report. However, the materiality of these omissions is not assessed in the 2015 IEITI Report. While the 2015 IEITI Report states that 22 companies⁷⁵ operated under TSCs in Iraq (IEITI 2015 Report, p.14), it stated in annex that only nine IOCs⁷⁶ operating under TSCs in Iraq had reported (IEITI 2015 Report, p.150), implying that 13 material IOCs did not report. The results of reconciliation of CIT payments between MoO and IOCs’ disclosures are provided by oilfield, but not disaggregated by partner company (2015 IEITI Report, Sections 4.1.2.2-3, pp.100-102). From these, it is evident that ten oil and gas companies⁷⁷ did not report CIT payments. While it is not possible to assess the materiality of individual non-reporting IOCs (given the lack of MoO reporting of CIT disaggregated by company), it is possible to estimate that the materiality of combined omissions by the ten IOCs amounted to 29.22% of CIT revenues disclosed by the MoO (see Annex E for calculations of materiality of aggregate CIT omissions by non-reporting companies). The detail of IOCs that did not report CIT is:

- Pertamina Iraq, PetroChina and Shell West Qurna did not report CIT payments for the West Qurna 1 oilfield. While Pertamina and PetroChina’s CIT disclosures were marked as “to be provided”, the

⁷³ BP, Japex, ExxonMobil, TPAO, Pakistan Petroleum Ltd, Jsoc Bashneft, Petrochina, Eni, Sonangol, Lukoil, Shell West Qurna B.V and Shell Iraq Petroleum, Lukoil overseas exploration Iraq, Petronas, Kogas, Gasprom, Kuwait Energy Co., InpexCorp., Dragon Oil Holding Ltd, CNOOCI, Premier Oil Pic, Occidental and Total.

⁷⁴ BP, Japex, ExxonMobil, TPAO, Pakistan Petroleum Ltd, JsocBashneft, Petrochina, Eni, Sonangol, Gasprom, Kuwait Energy Co., InpexCorp., Dragon Oil Holding Ltd, CNOOCI, Premier Oil Pic, Total, Lukoil, Kogas, Lukoil overseas exploration Iraq, Petronas, Shell West Qurna B.V and Shell Iraq Petroleum.

⁷⁵ BP, Japex, ExxonMobil, TPAO, Pakistan Petroleum Ltd, Jsoc Bashneft, Petrochina, Eni, Sonangol, Lukoil, Shell West Qurna B.V and Shell Iraq Petroleum, Lukoil overseas exploration Iraq, Petronas, Kogas, Gasprom, Kuwait Energy Co., InpexCorp., Dragon Oil Holding Ltd, CNOOCI, Premier Oil Pic, Occidental and Total.

⁷⁶ Kuwait Energy, BP, Petronas, ENI, Japex, Exxonmobil, Lukoil, Shell / Shell West Qurna B.V and Bashneft.

⁷⁷ The ten oil and gas companies that did not report all corporate income tax payments to government are: Pertamina, PetroChina, Shell, Petronas, Kogas, Occidental Energy, CNOOC, TPAO, Al Waha Petroleum, Gazprom.

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value of Shell's CIT payments in West Qurna 1 are noted as having been provided by North Oil Company, not by Shell West Qurna.

- Petronas Garraf did not report CIT payments for the Garraf oilfield, as the 2015 IEITI Report noted that Petronas "did not recognise" corporate tax for the Garraf field.
- Kogas Zubair and Occidental Energy Iraq LLC did not report CIT payments for the Halfaya oilfield, as their disclosures are marked as "to be provided". Petronas "did not recognise" CIT on the Halfaya oilfield and did not report CIT payments.
- CNOOC Iraq Ltd & TP and TPAO did not report CIT payments for the Missan oilfield, without explanation in the 2015 IEITI Report.
- Al Waha Petroleum did not report CIT payments for the Ahdab oilfield.
- TPAO Badra Ltd, Petronas Badra, Kogas Badra BV and Gazprom Neft Badra BV did not report CIT payments for the Badra oilfield and the IEITI Report only states that these are "to be provided".
- PetroChina International did not report CIT payments for the Al Rumaila oilfield. It is unclear whether CIT payments for the Al Rumaila oilfield reported by BP represented only BP's CIT payments or the two partners' combined CIT payments. However, the significant (USD 28.846m) discrepancy between MoO's reported receipts of CIT and BP's CIT reporting would seem to imply BP's CIT disclosures only covered its own CIT payments. Assuming a lack of discrepancies between what MoO reported as receiving and what companies reported as having paid, the materiality of PetroChina's omissions could be calculated as USD 28.846m, or 9.3% of CIT reported by MoO.

The 2015 IEITI Report provides the reconciliation of crude oil sales values between figures from SOMO and oil buyers, disaggregated by company (2015 IEITI Report, pp.16, 64-66), from which it appears that three companies⁷⁸ buying crude oil in 2015 did not report (2015 IEITI Report, Section 3.3.5, p.66). It is possible to calculate each of the non-reporting company's share of total oil sales based on SOMO's disclosures, including Koch Supply & Trading LP's 0.48%⁷⁹, SK Energy Co. Ltd's 1.49%⁸⁰ share and PT Pertamina's 0.78%⁸¹ share. While the reconciliation of oil sales was conducted on a cargo-by-cargo basis, the results are only disclosed disaggregated by buyer in the 2015 IEITI Report.

The 2015 IEITI Report also provides an overview of company reporting of government payments to companies for cost recovery and remuneration fees (see Annex F).

Material government entities: The 2015 IEITI Report does not list all material government entities clearly, although it is possible to collect a full list of government entities based on the results of reconciliations.

⁷⁸ The three non-reporting oil buying companies in 2015 were Koch Supply & Trading LP, SK Energy Co. Ltd and PT Pertamina.

⁷⁹ Koch accounted for USD 178,737,822.70 in oil sales according to SOMO's disclosures, out of a total of USD 37,346,440,900.00 reported in total oil sales.

⁸⁰ SK Energy accounted for USD 557,564,330.75 in oil sales according to SOMO's disclosures, out of a total of USD 37,346,440,900.00 reported in total oil sales.

⁸¹ Pertamina accounted for USD 291,669,510.91 in oil sales according to SOMO's disclosures, out of a total of USD 37,346,440,900.00 reported in total oil sales.

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The report does not clarify whether there are any other government entities receiving material revenue flows that were not asked to report. Based on government disclosures, the list of government entities required to report includes: the MoO, North Oil Company, South Oil Company, Missan Oil Company, Midland Oil Company, SOMO, South Refineries, Midland Refineries, North Refineries, Basrah EGD, Al Furat (Middle) EGD, Nasiriyah EGD, Middle Region EGD, North Region EGD, Oil Products Distribution Company (OPDC), Oil Pipelines Company (OPC), North Gas Company, Basrah Gas Company, South Gas Company, MIM, Gas Filling Company, MoF, and the KRG's MNR. Based on the reporting templates provided in appendix to the 2015 Inception Report, it appears that at least 22 government entities (including in the KRG) were sent reporting templates for the 2015 IEITI Report.⁸² However, in terms of reporting government revenues from companies, the only material government entities were MoO, MoF and SOMO as all other government entities listed above reported inter-governmental revenue flows or, in the case of the MIM, did not appear to have received revenues from companies at all.

Government reporting: In terms of oil and gas company payments to government, it appears that government entities such as the MoO and KRG's MNR did not report all material revenues. The materiality of these omissions is not assessed. MoO did not report any CIT revenues for three oilfields, based on the results of reconciliation of CIT payments between MoO and IOC disclosures (2015 IEITI Report, Sections 4.1.2.2-3, pp.100-102):

- CIT revenues from Lukoil for the West Qurna 2 oilfield. Lukoil reported having paid USD 53.695m in CIT on West Qurna 2 oilfield in 2015.
- CIT revenues from Al Waha Petroleum for the Ahdab oilfield. The report highlights a lack of reporting by the contractor as well as the government, making the materiality of these omissions unclear. While the fiscal terms on the Al Ahdab field have made CIT payments cost recoverable (see Annex D), the 2015 IEITI Report does not explain this exemption and implies that both parties failed to report.
- CIT revenues from the four contractors (TPAO, Petronas, Kogas and Gazprom) for the Badra oilfield. The corresponding lack of reporting by contractors means the materiality of these omissions cannot be assessed.

The minutes of the ISC's 5 October 2016 meeting highlighted challenges in obtaining CIT information from the General Commission on Taxes. The MSG agreed to form a committee headed by Dr Nidal Abdel-Zahra, Said Yassin and a KPMG representative to seek to resolve the challenges in securing tax information and preparing a working paper on the mechanism for collecting taxes from IOCs (IEITI, 2016).

Based on the results of reconciliation of SOMO's crude oil sales to international buyers, it appears that SOMO disclosed all revenues (2015 IEITI Report, Section 3.3.5, pp.64-66).

⁸² The 22 material government entities according to the 2015 reporting templates were: the KRG's MNR (2015 Inception Report, pp.83-88), Ministry of Oil (2015 Inception Report, pp.89-111), SOMO (2015 Inception Report, pp.112-115), Ministry of Finance (2015 Inception Report, pp.116-119), Midland Oil Company (2015 Inception Report, pp.134-139), Missan Oil Company (2015 Inception Report, pp.140-145), South Oil Company (2015 Inception Report, pp.146-151), North Oil Company (2015 Inception Report, pp.152-157), Basrah Gas Company (2015 Inception Report, pp.158-161), South Gas Company (2015 Inception Report, pp.162-165), North Gas Company (2015 Inception Report, pp.166-169), as well as refineries, power stations and national gas companies (2015 Inception Report, pp.172-178), Ministry of Industry and Minerals (2015 Inception Report, pp.179-182), Oil Pipeline Company (2015 Inception Report, pp.183-189), transportation companies (2015 Inception Report, p.196), Iraq Drilling Company (2015 Inception Report, pp.197-199), Iraq Oil Exploration Company (2015 Inception Report, p.201), the Tax Authority (2015 Inception Report, p.203), the Oil Products Distribution Company (2015 Inception Report, p.205), the Ministry of Environment (2015 Inception Report, p.210), Gas Filling Company (2015 Inception Report, p.212), Federal Board of Supreme Audit (2015 Inception Report, p.214), Ministry of Planning (2015 Inception Report, p.216), the Kurdistan Regional Government (2015 Inception Report, pp.217-225).

Regarding **Kurdistan**, the 2015 IEITI Report confirms that the IA requested information on oil and gas from the KRG but that the KRG's MNR refused to provide information to any third parties aside from MoO, while MoO stated that it had no information on revenues collected by the KRG (2015 IEITI Report, pp.9, 138).

Discrepancies: The 2015 IEITI Report does not highlight any discrepancies in the reconciliation of CIT. Given that the MoO did not report CIT revenues disaggregated by company, it is not possible to assess the precise source of discrepancies in the reconciliation of CIT deductions. However, the 2015 IEITI Report highlights discrepancies in the reconciliation of crude oil sales, which are provided in aggregate form as USD 3.4bn, or 9.11% of crude oil sales proceeds reported by SOMO, as well as disaggregated by company. Discrepancies were identified for 35 of the 39 reporting oil buying companies. However, there is a variation of USD 331.13m between the value of aggregate discrepancies provided and the value of the cumulated individual discrepancies for each company, as discrepancies for each individual company were netted out (i.e. deducting negative from positive discrepancies).⁸³ This has had the effect of under-estimating the value of discrepancies for each company's reporting in each of Iraq's EITI Reports. The reasons for discrepancies are provided for each company (2015 IEITI Report, pp.67-72), which relate primarily to differences between accrual accounting of buying companies and cash accounting of SOMO.

Full government disclosure: The government does not appear to have provided full unilateral disclosure of all revenue streams included in the scope of reconciliation. While the MSG appears to have included all oil and gas companies operating under TSC and all companies buying oil from SOMO in the scope of reporting, the government only provided full disclosure of revenues from crude oil sales (2015 IEITI Report, pp.14, 64-66). The MoO disclosed all CIT revenues aside from any CIT revenues from three oilfields (West Qurna 2, Ahdab and Badra) (2015 IEITI Report, pp.15, 100-102).

Stakeholder views

Material revenue streams: Several CSOs considered that production of the 2015 IEITI Report had been rushed in order to complete it prior to the commencement of Validation and the materiality decisions had not been based on full government unilateral disclosure of its 2015 extractives revenues. They confirmed that IEITI had never undertaken a standalone scoping study for EITI, but that successive IAs had consistently prepared inception reports prior to data collection. A past IA considered that only a minority of MSG members had a correct understanding of materiality (i.e. thresholds for selecting companies and revenue streams), while the majority confused materiality with the threshold for investigating discrepancies. Secretariat staff and several CSOs explained that there was effectively a 0 materiality threshold for selecting revenue streams for the 2015 IEITI Report and that all government extractives revenues had been included in the scope of reconciliation. An industry representative confirmed that there were only three types of company payments to government under Iraqi Technical Service Contracts, i.e. payment for crude oil purchases from SOMO, CIT deductions and signature bonuses. Stakeholders from all three constituencies and the IA confirmed that IOCs did not pay oil and gas license fees to the government and that there were only two types of oil and gas company payments to government in 2015 (CIT and crude oil sales) given that no signature bonuses were paid in 2015. When asked why BP reported

⁸³ While the aggregate value of discrepancies is provided as USD 3,403,942,449 (2015 IEITI Report, p.66), the cumulative value of discrepancies for the 35 companies for which discrepancies were identified (2015 IEITI Report, pp.64-66) can be calculated as USD 3,072,813,138.37.

USD 2.1m in “fees” on the Rumaila oilfield paid to South Oil Company in its mandatory 2015 “payments to government” report to UK authorities (BP Plc, 2016, p. 17), stakeholders did not express any particular views. An independent analyst considered that BP’s fees in 2015 may have been related to its signature bonus on the Rumaila oilfield, which had been structured differently than for other oilfields given that it was the first awarded bid round TSC. However, the lack of description of such fees in BP’s 2015 report meant it was not possible to conclusively explain this fee, according to the analyst. Another independent analyst considered that such “fees” could be related to downstream infrastructure such as gas aggregation facilities for the Rumaila oilfield, although there was uncertainty around this.

There was considerable confusion regarding the different CIT levies amongst most stakeholders consulted. Several SOE and government representatives confirmed that Al Waha Petroleum paid CIT on the Ahdab oilfield in 2015, but that under the terms of the TSC this CIT was entirely cost recoverable (see Annex C). Several CSO representatives expressed significant interest in clarifying the CIT settlement process in future. Several government officials highlighted the important differences between cash-based and accrual-based accounting of CIT levies (see Requirement 4.9). Several government and industry representatives explained that the basis for calculating CIT liabilities (whether on the basis of remuneration fees or net profit) was contentious and that the Prime Minister had established a committee to recalculate CIT liabilities for all oilfields under TSC for the period 2010-2016 (see Annex C). A CSO representative did not consider the description of CIT to be sufficiently clear in the 2015 IEITI Report, despite calls from CSOs on the MSG. A senior government official explained that while IOCs operating under TSC were required to withhold 7% CIT on their sub-contractor payments and pay these in cash directly to the General Commission on Taxes, these payments had not been reported in the 2015 IEITI Report.

Stakeholders also expressed different views about the existence of company payments to government in the mining sector, although there was a consensus that any revenues there could be were “not material”, despite the fact the MSG had decided to include all government extractives revenues (including both oil and gas and mining) in the scope of reporting. When asked about mining royalties and proceeds from mineral sales, secretariat staff explained that they did not consider such revenues material since they were not paid by foreign companies. Staff also stated that the combined revenues from mining were below the ISC’s materiality threshold for investigating discrepancies (0.5% of crude oil sales proceeds). CSO representatives consulted considered that there were no government revenues from mining in Iraq (ex-KRG) aside from SOE sales of minerals, given their perception that no private company operated in the mining sector. However, a senior government official explained that private cement companies mining limestone were required to pay royalties to the MoF, set at a “largely symbolic” level of USD 1 per metric ton in order to stimulate investment. In addition, the government received minimal revenues from mining SOEs’ sales of minerals according to this official. A past IA noted that the government also received CIT from any profitable mining companies. However, several government stakeholders noted that revenues from the mining sector had declined given that most mineral deposits were in in the country’s north around Mosul and had been affected by Daesh.

Material companies: Secretariat staff explained that the MSG had effectively agreed a 0 materiality threshold for selecting companies to report in the 2015 IEITI Report, including both companies that made payments to government and all TSC contractors, regardless of whether they were producing. However, they confirmed that given that total mining revenues were below the materiality threshold for discrepancies, they had de facto not included any mining companies in the scope of reporting. While

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several CSOs considered that there were no private companies operating in the mining sector, several government officials confirmed that roughly 20 cement companies held licenses for mining limestone in Iraq (including areas controlled by the KRG). A past IA confirmed that mining companies had been included in the scope of reporting in the 2012 IEITI Report.

An industry representative confirmed that companies making payments to government included all companies buying crude oil from SOMO, IOCs receiving remuneration fees under TSCs (and thus paying CIT) and any IOC paying signature bonuses, although this last payment was only relevant in years when bid rounds were held (not in 2015). An independent analyst has raised concerns over the use of a list of IOCs operating in Iraq in 2014 as the basis for selecting companies for reporting in the 2015 IEITI Report, arguing that several IOCs had left due to force majeure in 2015 (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). When asked why IOCs were required to report CIT deductions when all companies aside from Al Waha Petroleum received remuneration fees net of CIT deducted at source (and since EITI reporting was on a cash basis), secretariat staff explained that the MSG had decided to ask companies to report CIT since the General Commission on Taxes had refused to participate in EITI reporting.

Secretariat staff confirmed that reporting templates for 2015 had not been sent to any companies operating under PSCs in the KRG, as had been the case in certain past EITI Reports. This has been responded to. The Council believes that this expression should be removed. There is evidence that four oil and gas companies operating under PSCs⁸⁴ accounted for 98.1% of the KRG's 210.7m barrels of oil produced in 2015 (Atlantic Council, 2016) (see Requirement 4.6). CSOs have also highlighted the existence of three other oil and gas companies⁸⁵ operating in Kurdistan (Iraqi Transparency Alliance for Extractive Industries, 2015). One civil society representative said that more could have been done to reach out to companies in the KRG, but that the secretariat had not thought it needed to do so because this had not led anywhere in the past. In terms of mining in Iraqi Kurdistan, the US Geological Service has highlighted the growth in private companies' production of cement, gypsum and iron ore "in recent years" and has forecast increasing production over the medium term (US Geological Service, 2015). The work team received a letter from the Transparency Initiative for Extractive Industries in Iraq No. 85 on 12/07/2016 to facilitate the team's task in Kurdistan Iraq. The work team therefore met with representatives of the Ministry of Natural Resources in Kurdistan on 25 July 2016 and 8 August 2016. They in turn apologised for not submitting any of the requested information about the region, explaining that the Ministry of Natural Resources cannot be involved in submitting such information to any party. This information must be obtained by requesting it directly from the Ministry of Oil. We subsequently received an official email from the Ministry of Oil saying that they did not have any information about the region of Kurdistan. The Council believes that this sentence should be removed.

Material government entities: A CSO representative explained that proceeds of SOMO's crude oil sales were paid to the DFI, then remitted to the Central Bank of Iraq before being finally remitted to the Treasury. Another civil society activist not on the MSG expressed concern that the Central Bank of Iraq did not seem to have participated in the 2015 IEITI Report. Secretariat staff explained that the MoO had been

⁸⁴ DNO, Genel Energy, Gulf Keystone and KAR.

⁸⁵ Talisman Energy, Perenco, and Gazprom.

uncooperative for the 2015 IEITI Report until being formally directed to do so following a high-level meeting between the MSG Chair and the Minister of Oil.

Omissions: The World Bank's November 2015 aide memoire on Iraq's EITI highlighted improvements in reporting from companies operating in Southern Iraq, which reached 95%⁸⁶ for the 2013 and 2014 IEITI Reports, as well as the improving yet insufficient reporting by small and medium companies operating in Kurdistan (World Bank, 2015). However, there is no evidence that reporting templates were sent to either IOCs or mining companies operating in Iraqi Kurdistan for either 2013, 2014 or 2015 IEITI Reports. CSOs have consistently highlighted the lack of reporting of oil and gas revenues collected by the KRG. The Iraqi Transparency Alliance for Extractive Industries has stated that although oil and gas revenue information is published by the KRG, the lack of outreach to companies operating in Kurdistan means the figures have not been reconciled (Iraqi Transparency Alliance for Extractive Industries, 2015). Another CSO representative noted that while the IA for the 2015 IEITI Report had been told by the KRG that it could only release information to the MoO, his understanding was that the MoO had never followed up with an official request for EITI reporting from the KRG. [The work team received a letter from the Transparency initiative for Extractive Industries in Iraq No. 85 on 12/07/2016 to facilitate the team's task in Kurdistan Iraq. The work team therefore met with representatives of the Ministry of Natural Resources in Kurdistan on 25 July 2016 and 8 August 2016. They in turn apologised for not submitting any of the requested information about the region, explaining that the Ministry of Natural Resources cannot be involved in submitting such information to any party. This information must be obtained by requesting it directly from the Ministry of Oil. We subsequently received an official email from the Ministry of Oil saying that they did not have any information about the region of Kurdistan. The Council believes that this sentence should be removed.]

Upon extensive discussion of the CIT settlement process, several government representatives explained that CIT had been levied on only eight of the ten producing oilfields under TSCs in 2015. Thus, while it appeared from the 2015 IEITI Report that MoO had not disclosed CIT for three oilfields, it had in fact only failed to report for one field (West Qurna 2), since CIT on Ahdab was paid directly to the General Commission on Taxes in cash (and subsequently cost-recovered) and CIT was not levied on Badra oilfield (see Annex C). Secretariat staff confirmed that the General Commission on Taxes had not participated in the 2015 IEITI Report and had not disclosed CIT revenues.

Secretariat staff and a government official explained that three of the 42 companies buying oil from SOMO had not reported in the 2015 IEITI Report because these companies were no longer under contract, which meant SOMO could not force them to report.

None of the stakeholders consulted appeared aware of the need to assess the materiality of non-reporting companies and government entities as part of Requirement 4.1 of the EITI Standard. While data disclosed by government had not consistently been disclosed disaggregated by company (particularly for CIT), a government representative stated that there were no legal or technical barriers to disaggregating government reporting by company but that the reporting templates for the 2015 IEITI Report had not

⁸⁶ Although it is unclear whether this figure relates to number of companies reporting or share of government oil and gas revenues reconciled.

requested this level of disaggregation.

One CSO representative expressed concern over the netting out of final unreconciled discrepancies in IEITI Reports, which was seen to vastly under-estimate the cumulative value of discrepancies since positive variances offset negative variances.

Initial assessment

The International Secretariat's assessment is that Iraq has made inadequate progress towards meeting this requirement. The MSG does not appear to have set an explicit materiality threshold for selecting companies or revenue streams in the mining, oil and gas sectors for the 2015 IEITI Report. Instead, materiality is understood in the report as the threshold for assessing discrepancies. Although it could be argued that in the absence of a materiality threshold the *de facto* threshold would be zero, it is clear that the mining sector and companies operating in the KRG were excluded from the scope of reconciliation. While all companies operating under TSCs in Iraq (excluding Kurdistan) and buying crude oil from SOMO were included, several companies making material payments to government appear not to have reported. The materiality of these omissions has not been assessed. Finally, the government does not appear to have made full unilateral disclosure of all extractives revenues, omitting several CIT receipts, revenues collected by the General Commission on Taxes and any revenues collected from mining and by the KRG in oil and gas.

To strengthen implementation, the MSG should consider undertaking a comprehensive scoping study to consider options for defining materiality thresholds ahead of agreeing the ToR for its next EITI Report. The MSG should ensure that all material revenue flows (in both petroleum and mining) listed under Requirement 4.1.b are included in the scope of reconciliation and that the materiality threshold for selecting companies ensures that all payments that could affect the comprehensiveness of EITI reporting be included in the scope of reconciliation. The list of material companies should also clearly be defined. The MSG is invited to consider whether setting a quantitative materiality threshold for selecting companies would ensure these aims are met. The MSG should ensure that Iraq's next IEITI Report includes the IA's assessment of the materiality of omissions, its statement on the comprehensiveness of the IEITI Report and that full unilateral government disclosure of material revenues from non-material companies is included.

In-kind revenues (#4.2)

Documentation of progress

The seven IEITI Reports published covering fiscal years 2009-2015 include reconciliation of oil sales disaggregated by buyer and the four main export destination regions. Given that all oil sold in Iraq is state-owned, the IEITI Reports' coverage of SOMO's crude oil sales has been comprehensive. The reports also include a description of the sales process, with a crude oil sale contract template in the annex to the 2012 IEITI Report (pp.170-192), SOMO and MoO's buyer selection process and average monthly prices. While it is legally possible for TSC contractors to recuperate their cost recovery in-kind as a share of oil production or in cash, it is unclear from the 2015 IEITI Report whether TSC contractors collected any cost

recovery in-kind, by deducting their share from production, in 2015.

Materiality: That the government's in-kind revenues in terms of **crude oil** are material is clear from the reconciliation of crude oil production volumes between MoO and NOCs (2015 IEITI Report, Sections 3.2.1-4, pp.52-53). The reconciliation of crude oil sales between SOMO and oil buying companies' figures shows total revenue from the government's sale of crude oil reached USD 37.3bn in 2015 (2015 IEITI Report, pp.16, 64-66).

Volumes collected: The 2015 IEITI Report provides a reconciliation of crude oil production volumes (excluding KRG) between MoO and the four NOCs (2015 IEITI Report, pp.13, 14, 52-53), measured at well-head. The report also provides a reconciliation of crude oil export lifting volumes (excluding KRG) between MoO, SOMO and the NOCs (2015 IEITI Report, pp.60-63). Section 3.2.9 (p.56) provides the crude oil production volumes of each of the four NOCs, disaggregated between national production and TSCs, as well as the different uses, including domestic refining, power generation plants, "others", OPC and ending balance. However, as the table does not specify the year of the data it is not clear whether these figures are provided for 2015. In terms of crude exported from Kurdistan by SOMO under the terms of the November 2014-June 2015 agreement between Baghdad and Erbil, the 2015 IEITI Report provides a table of KRG's monthly oil export volumes in 2015, disaggregated between oil sales handled by SOMO until 23 June 2015 (totalling 72,162,086 barrels) and the KRG's direct oil sales thereafter (2015 IEITI Report, pp.144).

Volumes sold: The 2015 IEITI Report provides the results of reconciliation of 2015 monthly crude oil export volumes between MoO, SOMO and the NOCs (2015 IEITI Report, Sections 3.3.1-4, pp.60-63). SOMO's unilateral disclosures of 2015 crude oil export volumes and average selling price for exports through the three export points⁸⁷ and main export destinations are provided, with a link to this information in PDF format on the IEITI website⁸⁸ (2015 IEITI Report, pp.75-78). The November 2014-June 2015 agreement between Baghdad and Erbil is also explained (2015 IEITI Report, pp.141-142), alongside a table of KRG's monthly oil export volumes in 2015, disaggregated between oil sales handled by SOMO until 23 June 2015 and the KRG's direct oil sales thereafter (2015 IEITI Report, pp.144).

Sales proceeds: The 2015 IEITI Report provides the results of reconciliation of crude oil sales values between SOMO and oil buyers' disclosures, in aggregate (2015 IEITI Report, pp.14, 16) and disaggregated by oil buying company (2015 IEITI Report, pp.64-66). The report does not explicitly state that these oil sales revenues included the proceeds from SOMO's sales of KRG crude until 23 June 2015.

The total value of crude oil exported according to SOMO is provided (2015 IEITI Report, Section 6.3.3, pp.121-122), alongside the value of "fines charged against sales invoices" and total value of "collections deposited in the collection of oil sales account". Figures are also provided for the total value of crude oil lifted as well as for "total revenue" (USD 50,932,301,000), calculated "by subtracting total crude oil lifted from transferred amount by the Central Bank of Iraq and by adding receipts deposited in the collection account." It is unclear why the value of total crude oil lifted (USD 13,585,852,000) is lower than the value of total crude oil exported according to SOMO (USD 35,457,722,000).

Discrepancies: The 2015 IEITI Report identifies material discrepancies (USD 3,403,942,449) in the

⁸⁷ Ceyhan, Basrah, Khor Al-Amaya ports and SPMs (for light crude), and Basrah port by SPM (for heavy crude).

⁸⁸ <http://ieiti.org/ig/uploads/2015%20Report/monthly%20exports.pptx>

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reconciliation of payments from 35 of the 42 oil buying companies, not including the three buying companies that did not report (2015 IEITI Report, pp.64-66). While the materiality of these discrepancies is not assessed, it can be calculated as 9.11% of crude oil sales disclosed by SOMO. Discrepancies were identified for 35 of the 39 reporting oil buying companies. However, there is a net variation of USD 331.13m between the value of aggregate discrepancies provided and the value of the cumulated individual discrepancies for each company, a low figure given the netting out of discrepancies in the reconciliation at a company level.⁸⁹ The reasons for discrepancies are provided for each company (2015 IEITI Report, pp.67-72), which relate primarily to differences between accrual accounting of buying companies and cash accounting of SOMO. It is notable that the discrepancies for each individual company were netted out (i.e. deducting negative from positive discrepancies), thereby under-valuing the value of discrepancies for each company.

Disaggregation: Data on oil sales in the 2015 IEITI Report is disaggregated by oil buying company, while data on volumes collected is disaggregated by oilfield and NOC. While the reconciliation of crude oil sales appears to have been undertaken on a cargo-by-cargo basis⁹⁰, the results of oil sales reconciliation in the 2015 IEITI Report are not presented disaggregated by cargo.

Additional information: The 2015 IEITI Report provides a cursory description of SOMO's sales process for crude oil exports, including both long-term sales contracts⁹¹ and reimbursement contracts⁹² (2015 IEITI Report, p.79). Section 3.3.10.2 (2015 IEITI Report, p.79) provides an overview of criteria taken into consideration when defining allocated crude oil quantities to qualified companies⁹³ while Section 3.3.10.3 (2015 IEITI Report, p.79) provides an overview of standards used when allocating quantities to qualified companies.⁹⁴ A graph is provided of the pricing formula and criteria for Iraqi crude oil (2015 IEITI Report, p.80), referring to p.80 of the 2014 IEITI Report (with a link⁹⁵) for more details on the selling price calculations and differences. The 2012 IEITI Report provided significantly more information on SOMO's crude oil sales process, devoting an entire chapter to describing the crude oil sales process (2012 IEITI Report, pp.17-32). A description of the statutory mechanisms for contracting and executing crude oil export agreements with SOMO is also available on the SOMO website⁹⁶, dated 19 November 2015.

Stakeholder views

All stakeholders consulted expressed pride at the consistent reconciliation of SOMO's crude oil sales through IEITI Reports, considering that oil sales proceeds represented the primary focus of IEITI implementation in Iraq. Senior representatives of SOMO highlighted the importance of transparency in

⁸⁹ While the aggregate value of discrepancies is provided as USD 3,403,942,449 (2015 IEITI Report, p.66), the cumulative value of discrepancies for the 35 companies for which discrepancies were identified (2015 IEITI Report, pp.64-66) can be calculated as USD 3,072,813,138.37.

⁹⁰ Based on the reporting templates related to oil sales included in annex to the 2015 inception report (2015 Inception Report, p.113).

⁹¹ Long-term sales contracts are concluded through direct invitation to contracting companies and purchase requests from new companies, although it does not provide more details on the assessment of new companies' requests beyond "receipt, study and analysis".

⁹² Where service contractors are paid dues related to licensing rounds.

⁹³ Criteria for allocating crude oil contracts include: Marketing of all crude oil exports using international pricing modules; Giving priority to key global markets; Expansion of Iraqi crude oil penetration in key global markets; Priority given to Asian markets.

⁹⁴ Criteria include: First standard: reputed international oil companies, including well-known big and mid-sized IOCs, independent oil companies, government-owned oil companies, "well-structured" companies and companies with refining capabilities and distribution networks in many countries; Second standard: refining companies; Third standard: "authorised" companies, such as companies classified as main providers to refining companies in their countries, such as in the case of Japan.

⁹⁵ <http://ieiti.org/ArticleShow.aspx?ID=111>

⁹⁶ <http://somoil.gov.iq/en/index.php/2015-11-14-05-40-7/45-2015-11-19-10-42-03>

the sale of Iraqi crude oil, emphasising the use of the EITI reconciliation and the inclusion of EITI reporting clauses in oil sales contracts as a key success of EITI implementation. However, while the IA stated that it had cargo-by-cargo oil sales reconciliations available, it had not been asked to include this information in the 2015 IEITI Report nor provide the cargo-by-cargo reconciliation tables to Iraq EITI.

Several government representatives and the IA confirmed that the oil sales data disclosed by SOMO in the 2015 IEITI Report included KRG crude oil sales marketed by SOMO in the period January-June 2015, while the agreement between the KRG and Baghdad was in place.

Several independent analysts and CSOs have raised concerns over the drastic rise in SOMO's "demurrage" costs associated with crude oil sales, which one analyst calculated as growing 211% over 2014 levels and accounting for USD 0.13 per barrel in 2015 (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). When asked what Iraq EITI should bring more clarity to in the future, a senior economic advisor to the government highlighted rising demurrage costs as one of the most important areas where the government was losing money, yet where there was least awareness in the public or the government. The subject was briefly raised at a meeting of the MSG in October 2016 but was dropped after a consultant to the secretariat declared demurrage to be outside the scope of IEITI's work.

A senior government official considered that there would be commercial sensitivities around publishing crude oil export volumes and values disaggregated by cargo in a timelier manner on SOMO's website, given that this could betray SOMO's sales terms and affect Iraq's competitiveness against other oil-exporting countries. However, SOMO was content for cargo-level export data to be published through IEITI Reports, given the time lag in publishing IEITI Reports.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made satisfactory progress in meeting this requirement, with efforts to go beyond the minimum requirement through its cargo-by-cargo reconciliation of over USD 37bn in crude oil sales in 2015 and additional information on the sales process. The 2015 IEITI Report provides the volumes of crude oil collected by the government, the volumes sold and the value of oil sales disaggregated by buyer, albeit not by individual cargo. There is no evidence of any commercial sales of unprocessed natural gas to private buyers. While the 2015 IEITI Report does not explicitly state that reported proceeds of SOMO's crude oil sales included the roughly 72m barrels of KRG crude marketed by SOMO in the first half of 2015, stakeholders confirmed this was the case. This requirement is otherwise only applicable to the KRG under the assessment of direct subnational payments (*see Requirement 4.6*), nor is it applicable for the mining sector.

To further strengthen implementation, the MSG is encouraged to consider publishing the reconciled oil sales data disaggregated by cargo (and associated information) it already collects. The MSG may also wish to use SOMO's regular online disclosures as a means of embedding EITI reporting of oil sales within routine government systems. The MSG could consider joining the EITI targeted effort on commodity trading to provide a framework for ensuring that disclosures of the state's sales of its in-kind revenues are in line with international best practice.

Barter and infrastructure transactions (#4.3)

Documentation of progress

The 2015 IEITI Report states that there were no barter arrangements or infrastructure provisions in oil licensing contracts (2015 IEITI Report, Section 4.3, p.109).

Stakeholder views

None of the stakeholders consulted were aware of any barter agreements or infrastructure provisions in the mining, oil and gas sector, including related to oilfields under the control of the KRG regulated by PSCs. Several government and industry representatives considered that such agreements were not possible under the Iraqi TSC framework, given IOCs were only service providers to the MoO and all oil and gas infrastructure was owned by the state. The IA noted that, as mentioned in the 2015 IEITI Report, it did not receive any information on infrastructure or barter clauses from consultations with MoO officials (including PCLD and national oil companies). It also stated that it did not consult the full text of PSCs in the KRG to assess the existence of any barter or infrastructure clauses.

Initial assessment

The International Secretariat's initial assessment is that this requirement is not applicable to Iraq given the structure of TSCs. While there is no evidence of barter or infrastructure agreements in the KRG, the MSG is encouraged to examine all of the published KRG PSCs (see *Requirement 2.4*) to assess the potential for infrastructure provisions or barter components of these PSCs.

Transport revenues (#4.4)

Documentation of progress

The 2015 IEITI Report states that there were no transportation revenues in 2015 (2015 IEITI Report, Section 4.4, p.109). However, it lists six SOEs operating in the transportation, distribution and marketing⁹⁷ of oil and gas (2015 IEITI Report, Section 2.1.2, p.34). All crude oil and natural gas flows passing through transportation SOEs (e.g. OPC and OPDC) appears to involve inter-SOE transactions. Yet the 2015 IEITI Report does not reconcile intra-SOE physical crude flows, but rather attempts at reconciling net revenues from the final sale of refined oil products on the local market, between figures from MoF and OPDC (2015 IEITI Report, Section 4.1.2, p.91). It is unclear from the 2015 IEITI Report whether other SOEs in the oil and gas transportation sector, such as the OPC, pay any dividends to the MoF.

In addition, the 2015 IEITI Report briefly describes a "public-private partnership" between the three

⁹⁷ Gas Filling Company, State Company for Oil Projects, Oil Pipelines Company, Oil Products Distribution Company, Oil Tanker Company and SOMO.

largest southern oilfields (Rumaila, Zubair and West Qurna 1) to deliver untreated natural gas to Basrah Gas Company, whose responsibilities would then be to transport and treat the natural gas before delivering the processed gas to South Gas Company, in turn responsible for distribution of the processed gas on the domestic market (2015 IEITI Report, Section 2.3.1, p.43).

Stakeholder views

Several government representatives confirmed that OPC collected fees from NOCs, transferred through the MoF and MoO, for the transportation of oil, gas and refined fuel, which it then used for its operational expenditures. However, given that such transportation revenues were paid by NOCs to OPC, which were both MoO affiliates, these representatives did not consider that the government received revenues from the transportation of oil and gas. The IA noted that all oil and gas SOEs were governed by Iraqi Companies Law 22 of 1997, which set rules for distribution of dividends and retained earnings.

While the 2015 IEITI Report implied that Basrah Gas Company could receive revenues from the transportation of natural gas given its role in transporting and processing natural gas, a senior government official confirmed that BGC did not pay dividends to government and that work had stalled due to government funding constraints.

None of the stakeholders consulted were aware of any transportation revenues related to minerals or to oil and gas in the KRG. The IA stated that it did not review PSCs in the KRG to assess any provisions for the payment of transport revenues to the KRG government.

Initial assessment

The International Secretariat's initial assessment is that this requirement is not applicable to Iraq given the state-owned structure of the oil and gas sector (ex-Kurdistan), although the 2015 IEITI Report does not show any evidence of the MSG's assessment of the existence and materiality of any transportation revenues.

To strengthen implementation, the MSG is strongly encouraged to review the balance sheets of the six SOEs engaged in transportation, distribution and marketing of oil and gas to assess the materiality of any potential revenues to government (i.e. transfers to the MoF/DFI) from the transportation of crude oil or natural gas.

Transactions between SOEs and government (#4.5)

While "national companies" are not legally incorporated entities but rather MoO affiliates, they have been treated as SOEs for the purposes of EITI reporting (see Requirement 2.6).

Documentation of progress

In **mining**, it appears that at least four SOEs⁹⁸ operate under the jurisdiction of the MIM, based on the reconciliation of natural gas volumes supplied to these four companies (2015 IEITI Report, p.87). However, it is unclear from any of the IEITI Reports whether these companies hold mining licenses, nor whether they engaged in any mining activity or made any mining-related payments to government in 2015.

In **oil and gas**, while NOCs are not legally incorporated entities, they have been treated as SOEs for the purposes of EITI reporting (see Requirement 2.6). The 2015 IEITI Report lists six SOEs in transportation, distribution and marketing, nine SOEs upstream and three SOEs downstream (2015 IEITI Report, p.32). Brief additional descriptions are provided for the Iraq Oil Exploration Company (2015 IEITI Report, p.47), the Iraq Drilling Company (2015 IEITI Report, pp.48-51) and Basrah Gas Company (2015 IEITI Report, pp.43-44). For the purposes of EITI reporting, we have focused on the nine upstream SOEs. Of these, six can be considered material given their interface with companies, either as private-sector operators or as oil buying companies: the four NOCs, IOEC and SOMO. While it is unclear from the IEITI Reports whether any SOE operates in the oil and gas industry in Kurdistan (or holds the KRG's stake in PSCs), the International Secretariat understands there are no such SOEs in the KRG (see Requirement 2.6).

With regards to transactions between government and the SOEs, the 2015 IEITI Report describes the monthly *internal service payments* paid by the MoF through SOMO to NOCs to cover crude oil production costs (2015 IEITI Report, pp.102-105, 109) and includes the aggregate reconciliation (with no discrepancy) of internal service payments to each of the four NOCs (2015 IEITI Report, pp.102-105).

The 2015 IEITI Report provides the results of the reconciliation of net revenues from sale of refined oil products on the local market (2015 IEITI Report, p.91) between OPDC and MoF disclosures for 2013 and 2014. However, only OPDC's disclosure were provided for 2015 given that the MoF was barred by the IBSA from disclosing OPDC revenues before IBSA had "approved" the company's financial statements (2015 IEITI Report, p.91) (see Requirement 4.9).

The transfer of crude oil sales revenues from SOMO to the DFI are disclosed (2015 IEITI Report, pp.121-122), as well as the total value of crude oil exported, total value of "fines charged against sales invoices" and total value of "collections deposited in the collection of oil sales account", according to SOMO. Figures are also provided for the total value of crude oil lifted as well as for "total revenue" (USD 50,932,301,000), calculated "by subtracting total crude oil lifted from transferred amount by the Central Bank of Iraq and by adding receipts deposited in the collection account." It is unclear why the value of total crude oil lifted (USD 13,585,852,000) is lower than the value of total crude oil exported according to SOMO (USD 35,457,722,000).

The 2015 IEITI Report also includes reconciliations of physical oil and gas transfers from the four NOCs to national gas companies, national refineries companies and electricity generating directorates. While the report does not clarify whether there is a cash settlement for transfers of physical product between SOEs, stakeholder consultations have clarified that the process is for state-owned off-takers of oil and gas (i.e.

⁹⁸ The four SOEs under the jurisdiction of MIM include two in the South Region (State Fertilizers Company South Region (Khor Al Zubair) and State Company for Petrochemical Industry) and two in the Midland Region (Naser Company & Somoud (Steel Galoun Factory and That Sawari/65 (Al Ratenetejat Factory)),

gas companies, refineries and power plants) to inform MoO of the physical transfer volumes and for MoO to allocate funds to compensate the NOCs for the costs of oil and gas production (set by MoO) through normal monthly budgetary allocations (see below). The report does not disclose the cash settlements made by MoO to any of the material oil and gas SOEs for these physical crude oil supplies.

In terms of transactions between SOEs and other oil, gas and mining companies, the 2015 IEITI Report also discloses reconciliation of *remuneration fees* for the ten producing oilfields, paid in kind by SOMO to the IOCs operating under TSCs (2015 IEITI Report, pp.92-95). The *cost recovery* payments associated with the ten producing oilfields in 2015, paid by SOMO to the IOCs, are also included in the report (2015 IEITI Report, pp.113-115).

Stakeholder views

The International Secretariat undertook extensive consultations to clarify the structure of transactions between SOEs and government entities and between SOEs and oil and gas companies. Several government stakeholders confirmed that SOEs did not undertake cash settlement directly for the physical crude oil supplies transferred between various SOEs along the value chain of production, refining, electricity generation and distribution. According to these officials, each SOE informed the MoO of their physical oil and gas requirements in advance and notified the MoO of the quantities actually supplied. The MoO then asked the MoF for allocations of funds to cover production costs for these quantities (with production costs set by MoO) and the MoO then transferred funds to SOEs directly on a monthly basis. While the MoF transferred internal service payments through SOMO to SOEs to cover the production costs of “national production” that is exported, it transferred funds through MoO to SOEs to cover the cost of production allocated to domestic consumption (e.g. refineries and power generation directorates). Finally, at the close of the year, the MoO undertook a reconciliation of actual costs and payments with all relevant SOEs (see Annex F). While the 2015 IEITI Report does not disclose the MoO’s cash settlement of inter-SOE physical oil and gas transfers, several government officials considered that such government-to-SOE transactions were not required to be disclosed under EITI reporting given that they represented normal **budgetary** transfers.

An independent analyst praised the IEITI Reports for now disclosing the volumes of inter-SOE physical product flows (the material balance), but called for the value of such inter-SOE transfers to be disclosed to ensure a better understanding of inter-SOE transactions.

A SOE representative explained that the Iraqi Oil Exploration Company received revenues from selling seismic data to private companies. These revenues were then split, with 45% remitted to the MoF, 33% shared between employees, 5% for social services and the remaining 17% retained as the company’s reserves. While there were no constraints to disclosing the specific split in revenues for a particular year, the MSG had only requested that IOEC report total revenues for the 2015 IEITI Report.

Several government representatives confirmed that the OPC was only a technical service provider, which was only paid a fee by NOCs for the transportation of oil, gas and refined fuel but did not purchase oil and gas from NOCs to sell it to refineries and other off-takers, but only transported the physical quantities. The settlement of OPC fees was undertaken through the MoO through budgetary allocations, according to these representatives.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made meaningful progress in meeting this requirement. The 2015 IEITI Report discloses some transactions between the government and SOEs, including internal service payments, OPDC dividends and remittances of crude oil proceeds, and some transactions between SOEs and IOCs, including remuneration fees and cost recovery. The report also reconciles physical product (oil and gas) flows between NOCs and downstream off-takers (OPC, refineries, power plants, OPDC and the Gas Filling Company). However, IOEC's sales of seismic data to companies and its remittances to the MoF are not reported. While the report does not disclose the MoO's cash settlement of inter-SOE physical oil and gas transfers, these could be viewed as budgetary allocations from the MoO to SOEs, subject to clarification of the financial relations between the government and SOEs disclosed under Requirement 2.6.

To strengthen implementation, the MSG should clarify the scope of transactions between SOEs and other government agencies as well as between SOEs and companies in the mining, oil and gas sector. Drawing upon the MSG's definition of SOEs under Requirement 2.6, the MSG should ensure future IEITI Reports disclose the disaggregated value of such financial transactions for the year under review for all SOEs operating upstream in the mining, oil and gas sectors. Given the lack of clarity surrounding financial relations between mining, oil and gas SOEs and the government, the MSG is encouraged to consider whether reconciliation of such financial transactions (both statutory and ad hoc) would further the broader objective of transparency in transactions between SOEs and government.

Subnational direct payments (#4.6)

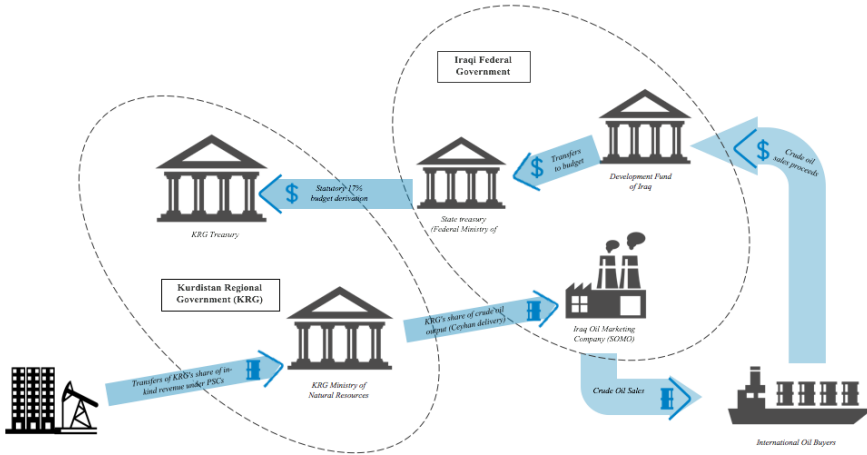
Since 2007 the Kurdistan Regional Government (KRG) has established its own structure of PSCs for managing its oil and gas resources, which has led to accusations on unconstitutionality by the Iraqi Federal Government. Under the PSC structure, the KRG collects material revenues from oil and gas companies, both in-kind (the KRG's production entitlement under PSCs and royalties) and in cash (license fees, CIT).

The November 2014 agreement between Baghdad and Erbil required the KRG to only export crude oil (550k bpd) through Ceyhan port, where SOMO would handle marketing to international clients, in exchange for receiving its statutory subnational transfers of 17% of the Federal Government budget (2015 IEITI Report, pp.141-142). The agreement was in force from November 2014 to 23 June 2015, when it broke down entirely. Thus, while the KRG exported crude oil marketed by SOMO from November 2014 to 23 June 2015, it relied only on direct sales exports from 24 June 2015.

The following diagram shows the structure of KRG crude oil sales through SOMO under the terms of the Erbil-Baghdad agreement, which lasted from November 2014 to 23 June 2015:

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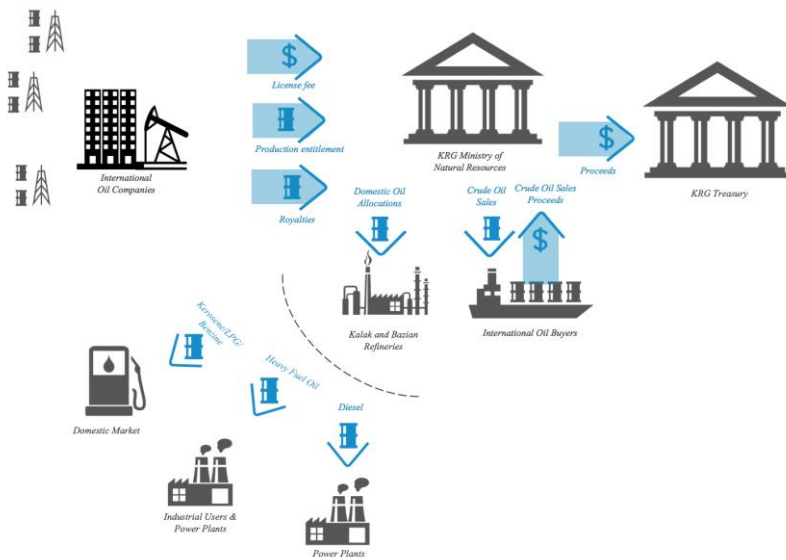
SOMO sales of KRG crude oil under the 2014-2015 Erbil-Baghdad Agreement



Source: EITI International Secretariat.

The following diagram reflects the structure of the KRG's oil and gas sector following the termination of the Baghdad-Erbil agreement on 24 June 2015:

Physical product and payment flows in the KRG-controlled oil sector



Source: EITI International Secretariat.

Recent research from NRGI confirms that there are no payments collected directly by subnational

governments aside from revenues collected by the KRG. The other 15 Governorates are funded only through the Regional Development Program (RDP) transfers, petrodollar allocations (NRGI, 2016).

Documentation of progress

The 2015 IEITI Report states that direct subnational payments were not applicable to Iraq in 2015 (2015 IEITI Report, Section 4.6, p.109). However, the report also states that revenues are collected directly by the KRG government under the terms of its PSCs, namely the 10% royalty rate paid by the operator in cash or in kind as well as the KRG's share of profit oil net of the operator's CIT of 15% of taxable income, in line with Articles 37 and 41, Kurdistan Oil and Gas Law and the terms of the PSCs (2015 IEITI Report, p.140). Given that the KRG exported crude through direct sales after the Baghdad-Erbil agreement broke down on 23 June 2015, crude oil sales by the KRG represent direct company payments to the subnational government of the KRG. While the report describes the Baghdad-Erbil agreement (2015 IEITI Report, pp.141-142) and provides the KRG's direct export volumes disaggregated by month (2015 IEITI Report, p.144), it is not possible to calculate the financial revenue to the KRG of its share of such sales, given that they are aggregate monthly volumes. Payments to the KRG of license fees, royalties, CIT and production entitlement are not covered by the 2015 IEITI Report.

After attempts to engage the KRG in the EITI's reporting process failed, Iraq requested and was granted adapted implementation by the EITI Board to exclude the region from the EITI's reporting requirements for the 2012 IEITI Report on 17 April 2014.⁹⁹ None of the subsequent IEITI Reports were successful in securing the KRG's participation and **the MSG did not submit adapted implementation requests to the EITI Board for any of the IEITI Reports subsequent to the 2012 IEITI Report. Furthermore, while Iraq's initial adapted implementation request in 2014 encouraged the Federal Government to undertake outreach to companies operating in the KRG, there is no evidence of the Independent Administrator (IA), the MSG or the national secretariat having engaged with any of the four main companies operating in Iraqi Kurdistan to secure their participation in EITI reporting. [This has been responded to. The Council therefore believes that this clause should be removed because it is not accurate.]**

Stakeholder views

Materiality: The IA and several government officials confirmed that Governorates do not have the authority to levy taxes or fees at the subnational level and that only the KRG has enacted subnational taxes and levies in contravention to the Iraqi Constitution. Several secretariat staff and government officials stated that they had wanted to include the KRG and companies operating in the KRG in the scope of reporting, but this had not been possible given the KRG's persistent refusal to cooperate. A CSO representative and the IA confirmed that the IA had requested participation from the KRG on two occasions in preparation of the 2015 IEITI Report, but had been told that the KRG would only release information to the MoO upon request. The representatives confirmed that the MoO had never formally followed up with the KRG. The CSO representative noted that civil society based in the KRG could have followed up to encourage KRG participation in EITI reporting if the MoO had sent a formal request, rather

⁹⁹ <https://eiti.org/sites/default/files/documents/Adapted%20Implementation%20Request%20-%20response%20-%20apr%2014%20%28%29.pdf>

than the MSG leaving the IA to follow up with the KRG independently.

There appear to have been repeated attempts by various governorates to claim rights to revenues from oilfields in their jurisdiction in a bid to collect revenues directly, in the same way as the KRG, although these have so far been unsuccessful. One analyst highlighted moves in March 2016 by the Basrah Provincial Government to claim rights to all revenues and some customs fees from two oilfields¹⁰⁰ in the province. The Basrah Governorate reached an agreement with MoO in the end that all revenues from the two oilfields would subsequently be earmarked for projects in the province (Iraq Oil Report, 2016).

Material companies in Kurdistan: Regarding companies operating in areas controlled by the KRG, secretariat staff were unsure whether reporting templates had been sent to any companies operating under PSCs in the KRG, as had been the case in past EITI Reports. [The work team received a letter from the Transparency Initiative for Extractive Industries in Iraq No. 85 on 12/07/2016 to facilitate the team's task in Kurdistan Iraq. The work team therefore met with representatives of the Ministry of Natural Resources in Kurdistan on 25 July 2016 and 8 August 2016. They in turn apologised for not submitting any of the requested information about the region, explaining that the Ministry of Natural Resources cannot be involved in submitting such information to any party. This information must be obtained by requesting it directly from the Ministry of Oil. We subsequently received an official email from the Ministry of Oil saying that they did not have any information about the region of Kurdistan. The Council believes that this sentence should be removed.]

There is evidence that four oil and gas companies operating under PSCs¹⁰¹ accounted for 98.1% of the KRG's 210.7m barrels of oil produced in 2015 (Atlantic Council, 2016). In terms of mining in Iraqi Kurdistan, the US Geological Service has highlighted the growth in private companies' production of cement, gypsum and iron ore in recent years and has forecast increasing production over the medium term (US Geological Service, 2015).

Revenue streams: The KRG collects revenues from oil sales as well as other direct payments from oil and gas operators, including signature bonuses, CIT and royalties according to NRG1 (NRG1, 2016). Based on mandatory "payments to government reports" filed to UK authorities by the some of largest oil producers in the KRG (Genel Energy, Gulf Keystone and DNO) for 2015, the KRG collected license fees (in cash), royalties (in-kind), production entitlement (in-kind)¹⁰² (Genel Energy Plc, 2016) (Gulf Keystone Petroleum Ltd. , 2016).

An independent analyst explained that as part of the PSC amendments concluded subsequent to their initial signing, some PSC-holders were required to make "infrastructure capacity" payments to the KRG. Given that these were set for individual companies rather than per PSC, different partners on the same PSC could be required to make different levels of "infrastructure capacity" payments. Thus, while Genel Energy was required to make "infrastructure capacity" payments of 30% of its share of Profit Oil, its partner DNO was exempted from such payments. Meanwhile Gulf Keystone had negotiated a reduction in

¹⁰⁰ Tuba and Nahr bin Umar oilfields.

¹⁰¹ DNO, Genel Energy, Gulf Keystone and KAR.

¹⁰² Based on Genel Energy's disclosures of its payments to government in 2015, the company paid the KRG 26.73m barrels of crude oil as the government's production entitlement under the PSC in-kind, 4.24m barrels of crude oil as royalties in kind, USD 25m in license fees and USD 280k in infrastructure improvements. Gulf Keystone's 2015 disclosures of payments to government show that the company paid the KRG 4.2m barrels of crude oil as payment for the government's production entitlement in-kind and 1.11m barrels of oil in royalties in-kind.

its “infrastructure capacity” payment requirements from 40% of its share of Profit Oil to 30%.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made no progress towards meeting this requirement. The 2015 IEITI Report provides a cursory description of the KRG’s direct oil and gas revenues and the volumes and value of total crude oil exports from KRG-controlled areas in 2015. However, the report does not assess the materiality of specific oil and gas companies and revenue streams, nor the publicly-available information from companies operating in Kurdistan. There is no evidence that the MSG made every attempt at including publicly-available information on material oil and gas revenues collected by the KRG and following up with the KRG in preparing the 2015 IEITI Report.

The MSG should ensure the KRG’s active participation in scoping and shaping Iraqi EITI disclosures of direct subnational payments under Requirement 4.6. The MSG is encouraged to consider whether working with the MoO and the KRG to establish its own regional-level structure for EITI implementation could ensure more efficient coverage of subnational direct payments. The KRG’s EITI MSG could publish its own reports, which could then be included in the national IEITI Reports. Should the MSG be unable to successfully encourage the KRG to provide this information, the MSG should consider requesting adapted implementation in accordance with Requirement 8.1 and ensure that all publicly-available information on the oil and gas sector in the KRG be included in future EITI Reports.

Level of disaggregation (#4.7)

Documentation of progress

All reconciled financial data in the 2015 IEITI Report is presented by oilfield, although not systematically by each of the contracting companies on an oilfield. For instance, the reconciliation of CIT payments is provided by oilfield, but not disaggregated by company members of the TSC consortium. Taxes were presented according to company in the 2015 report. Please refer to the tables 87-93 of the report of the report. The Council believes that this sentence is wrong and should be corrected. (2015 IEITI Report, Sections 4.1.2.2-3, pp.100-102). Reconciled oil sales information is disaggregated by individual buying company (2015 IEITI Report, pp.64-66).

Stakeholder views

All stakeholders consulted considered that the key focus of EITI implementation was the reconciliation of SOMO’s crude oil sales, meaning that they did not consider the disaggregation by company and revenue stream of payments between IOCs operating under TSCs and the government to be required under the EITI Standard.

The Iraqi Transparency Alliance for Extractive Industries has raised concerns over the level of disaggregation of IEITI data. It has noted that while IEITI data is presented by oilfield, the “enormous” size of certain oilfields made it difficult to break down IEITI data by individual production well, citing the

example of over USD 300m in payments associated with the Rumaila oilfield, which covers 700 sq km with around 270 production wells in operation. *“Though in some cases, several wells are governed by a single contract, Rumaila is clearly not a single project. Without project-level information, we cannot see the detailed roles that individual companies are playing in the region and whether Iraqi citizens are seeing the appropriate benefits from the extraction”* (Iraqi Transparency Alliance for Extractive Industries, 2015). However, the alliance also highlighted that crude oil sales revenue information reconciled between SOMO and buyers is disaggregated by buying company (Iraqi Transparency Alliance for Extractive Industries, 2015). A government representative considered that there would be no legal or technical constraints for reporting CIT revenues disaggregated by company, rather than by oilfield. While there would be no legal risk to reporting remuneration fees and cost recovery disaggregated by company, this would require some additional technical work in disaggregating information according to the official. The IA confirmed that it had undertaken reconciliation of payments and revenues per reporting entity but that it had not included disaggregated reconciliation tables in the 2015 IEITI Report, given the priority of keeping the size of the IEITI Report small.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made meaningful progress in meeting this requirement. The IEITI Reports present reconciled oil sales data disaggregated by company, but only presents reconciled CIT information disaggregated by oilfield, not by company. Given that most TSCs involve consortia of several companies, information in the 2015 IEITI Report does not allow readers to calculate each company’s share of payments to government. The lion’s share¹⁰³ of reconciled government oil and gas revenues are disaggregated by company, revenue stream and receiving government entity.

To strengthen implementation, the MSG should ensure that all reconciled financial data, not just oil sales, is disaggregated by company, revenue stream and government entity. The MSG is also encouraged to agree a definition of project to ensure consistency in its project-level reporting throughout. The MSG may wish to consider whether the publication of reconciled data disaggregated by company on the IEITI website would allow it to achieve its twin objectives of making the IEITI Reports accessible to a broader public while also complying with Requirement 4.7.

Data timeliness (#4.8)

Documentation of progress

Up until its 2013 EITI Report, Iraq published EITI Reports with a two-year time lag, i.e. the 2013 IEITI Report was published in December 2015. However, IEITI Reports have been published in a timelier manner since then, with the 2014 IEITI Report published in April 2016 and the 2015 IEITI Report in December 2016, i.e. with a one-year lag.

The 2015 IEITI Report confirms that the reporting period was set as 1 January to 31 December 2015 (2015 EITI Report, pp.18, 109), although it is not explicitly stated whether the MSG approved this reporting

¹⁰³ In 2015, proceeds from oil sales (USD 37bn) were 100-fold higher than CIT revenues (USD 308m).

period. However, the MSG's approval of the 2015 inception report at its 8 June 2016 meeting implies agreement on the reporting period (IEITI, 2016).

Stakeholder views

Secretariat staff expressed satisfaction at the more timely publication of the 2015 EITI Report, which had been published within one year of the end of the fiscal year (December 2016). Several CSOs considered that while the timelier data in the 2015 IEITI Report was welcome, production of the report had been rushed for completion in time for the start of Validation. An independent analyst highlighted the value of key data points such as production data, even with a one-year time lag, given that many OPEC members in the region only published data with a two-year delay. Such data provided a welcome way of tallying and checking with assumptions private data providers and news services made in real time.

Some civil society representatives on the MSG said that the MSG had "rushed" to publish the 2015 IEITI Report ahead of the start of Iraq's Validation on 1 January 2017, which had negatively affected its quality.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made satisfactory progress towards meeting this requirement. Iraq now publishes EITI Reports within one year of the close of the fiscal period under review.

To further strengthen implementation, the MSG may wish to work with the General Commission on Taxes¹⁰⁴, the General Customs Authority¹⁰⁵, SOMO¹⁰⁶, the Ministry of Oil¹⁰⁷, the Ministry of Finance¹⁰⁸, the Central Bank of Iraq¹⁰⁹ and the Iraqi Board of Supreme Audit¹¹⁰ to assess the potential for mainstreaming key EITI disclosures and ensuring even timelier publication of EITI information.

Data quality (#4.9)

Documentation of progress

Terms of Reference for the Independent Administrator: The ToR for the IA for the 2015 IEITI Report was endorsed by the MSG on 22 March 2016 and is available online¹¹¹ (IEITI, 2016). The MSG reviewed the draft ToR for the 2015 IEITI Report at its 14 March 2016 meeting, having canvassed input from members through a dedicated Whatsapp group (IEITI, 2016), and subsequently approved the ToR on a no objection basis via circular. There is evidence of substantial input from MSG members to the draft ToR for the 2015

¹⁰⁴ <http://tax.mof.gov.iq/default.aspx>

¹⁰⁵ <http://www.customs.mof.gov.iq/en>

¹⁰⁶ <http://somoil.gov.iq/en/>

¹⁰⁷ <http://www.oil.gov.iq/index.php>

¹⁰⁸ <http://www.mof.gov.iq/Pages/MainMOF.aspx>

¹⁰⁹ <http://www.cbi.iq/?pid=Home&lang=en>

¹¹⁰ http://www.d-raqaba-m.iq/pages_en/default_en.aspx

¹¹¹ <http://ieiti.org.iq/uploads/2015%20Report/ToRS-%20IEITI%202015%20Report.pdf>

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IEITI Report in the minutes of the MSG's 14 March 2016 meeting (IEITI, 2016). The World Bank provided its "no objection" on the agreed ToR on 4 April 2016. The ToR for the previous EITI Reports, covering 2013 and 2014, were approved by the MSG on 23 February 2015 (IEITI, 2015).

The ToR for the 2015 IEITI Report is generally consistent with the Standard ToR agreed by the EITI Board (as of end-2015, under the 2013 EITI Standard) with several notable exceptions, but its scope is larger than the standard ToR in that it also requires reconciliation of crude oil sales to international buyers and of domestic crude oil sales volumes. The ToR provides the detailed scope of the contextual information that should be included in the IEITI Report as required by the EITI Standard, such as details on contribution of the extractives to the economy, production and export data, overview of the extractives sector, legal and regulatory framework, license allocations, license registers, contracts, beneficial ownership, revenue distribution and social expenditures. The ToR does not define materiality but de facto sets a materiality threshold of 0 for the oil and gas sector by including all "oil export revenues and corporate taxes made by all Iraqi oil buyers and field operators" in Section 3 (p.3). The ToR do not provide a materiality threshold for investigating discrepancies, even though the report clearly does (*see Requirement 4.1*). The ToR also added three requirements (p.10), to produce sections covering available information on Kurdistan, export markets and process as well as a description of the mining sector ("including future plans and difficulties to be collected from Ministry of Industry and Minerals"). While the ToR omitted specific references to disclosing SOEs' quasi-fiscal expenditures, its reference to reporting under Requirement 3.6 in Section 1.8 (p.10) covered such spending. While the ToR refers to mining under Point 1.4.h of Phase 1 (p.4), the list of information for inclusion only refers to payments related to oil and gas with no reference to mining payments being immaterial.

Appointment of the Independent Administrator (IA): Subsequent to the MSG approving the ToR on 22 March, IEITI issued an administrative order establishing the bid opening committee¹¹² and bid evaluation committee¹¹³ on 12 April 2016. While the civil society and government constituencies were represented on both committees, industry was not (*see Requirement 1.4*). The MSG had agreed at its 14 March 2016 meeting to mandate the IEITI Secretariat to initiate procedures for direct invitations to "accredited companies" to submit their bids for the 2015 IEITI Report (IEITI, 2016). The deadline for the Request for Proposals (RFP) was 17 April and the bids were opened on that day and evaluated on 19 April 2016. At its 27 April 2016 meeting, the MSG reviewed the evaluation of bids and agreed to award the IA contract to Kawasmy and Partners (KPMG Jordan) for USD 110k, directing the IEITI Secretariat to sign the contract (IEITI, 2016). The World Bank provided its "no objection" for the contract signature on 28 April and the contract for the 2015 IEITI Report (service contract IEITI-CI-QCBS-03) was signed with Kawasmy and Partners (KPMG Jordan) on 14 May 2016, as confirmed in the 2015 IEITI Report (2015 IEITI Report, p.109). The results of the evaluation of bidders for the 2015 IEITI Report were posted on the IEITI website¹¹⁴, which reveal that the contract was awarded to the bidder with the highest technical score and the

¹¹² The bid opening committee was composed of MSG members Saeed Yaseen and Feryal Alkaabi as well as Mushtaq Talib, Mohammed Majeed and Ola Sami of the IEITI Secretariat.

¹¹³ The bid evaluation committee was composed of IEITI Secretary General Alaa Mohie El Deen, MSG members Ali Neema, Abdulsahib Najim and Khalid Naqshbandy, as well as IEITI Secretariat staff Azeez Jaafar and Fulla Faeq.

¹¹⁴ <http://ieiti.org/Iq/ArticleShow.aspx?ID=110>

second-lowest financial offer.

The contract for IA for IEITI Reports has always been awarded to a “big four”¹¹⁵ accountancy firm: PwC was the IA for the EITI Reports covering 2009, 2010, 2013 and 2014, EY was the IA for EITI Reports covering 2011 and 2012, and KPMG was the IA for the 2015 IEITI Report (see details of the cost of each IEITI Report in Annex G).¹¹⁶

Agreement on the reporting templates: The MSG reviewed the reporting templates for the 2015 IEITI Report as part of its discussion of the 2015 inception report at its 8 June 2016 meeting (IEITI, 2016). The draft reporting templates were included in Annex 1 of the 2015 Inception Report (IEITI, 2016, pp. 84-225).

There is no evidence of feedback on the draft reporting templates from any MSG member in MSG meeting minutes or the MSG’s comments on the draft inception report included in Annex 2 of the final 2015 inception report (IEITI, 2016, pp. 226-238). [Please refer to Paragraph 1 of Minutes No. 39 of 08/06/2016. This points out the necessity of taking into consideration the comments of members of the Council. They were reported to the Company in order to prepare the final version of the initial report of 2015.]

Confidentiality: The 2015 IEITI Report does not describe measures to preserve the confidentiality of information pre-reconciliation, other than the fact that reporting templates were submitted via official emails or by express mails (2015 IEITI Report, p.18). However, the 2015 Inception Report includes the IA’s proposals to the MSG for confidentiality measures including direct reporting to the IA, use of encrypted laptops, secure communications and a restricted working team (2015 IEITI Inception Report, p.81).

Review of audit practices: The 2015 IEITI Report does not provide a comprehensive review of statutory audit procedures in either the public or private sectors, nor highlight any deviations in practice. For public-sector audits, the 2015 IEITI Report states that final records had been audited by the Iraqi Board of Supreme Audit (IBSA), with audit reports presented to Parliament, but that the latest updates dated from 2013 (2015 IEITI Report, p.117). Inconsistencies in reporting standards are also highlighted between local and international standards and between cash and accrual accounting bases in the 2015 IEITI Report’s review of the outcomes and impact of EITI implementation, recommending that all reporting entities prepare their financial statements in accordance with IFRS (2015 IEITI Report, pp.21, 133). There is evidence in the 2015 IEITI Report that several government entities reported on an accrual basis, including MoF and OPDC (2015 IEITI Report, p.91). The MoF was barred by the IBSA from disclosing revenues from OPDC for 2015 pending completion of the IBSA’s audit (termed “approval” in the report) (2015 IEITI Report, p.91), implying that the IBSA had not completed its statutory audit of 2015 government accounts at the time of preparation of the 2015 IEITI Report in 2016.

The 2015 IEITI Report also describes the role of third-party inspectors for the first time, including SGS Gulf Ltd up to November 2015 and Intertek Global (Iraq) Ltd. thereafter¹¹⁷, in certifying crude oil quantities loaded onto vessels (2015 IEITI Report, pp.73-74). The report does not clarify whether other third-party inspectors were used in 2015, or whether this was a comprehensive list. There is scattered evidence in the 2015 IEITI Report of the use of different accounting standards in various oil and gas SOEs, as the

¹¹⁵ The world’s “big four” auditing firms are Deloitte, PwC, EY and KPMG.

¹¹⁶ See IEITI Reports on <https://eiti.org/iraq#eiti-reports-and-other-key-documents>

¹¹⁷ It appears that SGS monitored a third port (SPM) in addition to the two (Basra Oil Terminal (BOT) & Khor Al-Amaya Oil Terminal (KAAOT)) that Intertek continued to monitor from November 2015 onwards. A link to the licenses for the two companies’ Iraq branches is provided.

report notes that while South Oil Company reported crude oil volumes supplied to South Refineries according to international accounting standards, the refineries “depend on other measurement criteria” (2015 IEITI Report, p.82). These differences are not explained.

While the 2013 and 2014 IEITI Reports provided the same information on audit practices as the 2015 IEITI Report, the 2012 IEITI Report provided some additional information on statutory public-sector audit procedures, including “In compliance with the UN-sponsored Development Fund for Iraq (DFI), its Oil and Gas Sector is already under public scrutiny, in which the Ministry of Oil regularly publishes on its website and local media, all hydrocarbon production data and externally audited exports revenues” (2012 IEITI Report, p.14). This ceased to be the case in September 2016 (Jiyad, Min of Oil should Withdraw Plan to Offer 12 New Oilfields, 2016). The 2012 IEITI Report also noted that NOCs were audited annually by IBSA according to Iraqi accounting standards, which used to be in line with the International Accounting Standards in the 1980s but have not been updated for over 20 years, thereby creating gaps in accounting practices between NOCs and “industry practice” (2012 IEITI Report, p.126). The recommendation to reform IBSA standards to be in line with current international auditing standards has been a repeated feature of all IEITI Reports published under the EITI Standard.

Assurance methodology: The 2015 IEITI Report only refers to the inception report’s overview of methodology and approach for the IA (2015 IEITI Report, p.109), without providing additional information on the quality assurance agreed by the MSG for EITI reporting from both companies and government entities. Annex 1 (p.214) of the 2015 Inception Report provides the draft reporting template for the IBSA, although it is unclear whether the IA was intending to request that the Board undertake a conversion of payments from Iraqi Unified Accounting to IFRS (IEITI, 2016). Based on these reporting templates, it is evident that the IA requested representatives from each reporting entity to sign a certification that EITI disclosures from at least MoO, SOMO and IOCs were “prepared in accordance with International Accounting Standard or its equivalent and disclosures are based on audited accounts to international standards” (IEITI, 2016, pp. 89-111, 112-115, 120-133).

The 2015 IEITI Report highlights the inconsistency in reporting standards between local and international standards and between cash and accrual accounting bases in its review of the outcomes and impact of EITI implementation, recommending that all reporting entities prepare their financial statements in accordance with IFRS (and thus on an accrual basis) (2015 IEITI Report, p.133). While this statement would seem to imply that EITI reporting was undertaken on an accrual accounting basis (given that IFRS requires accrual-based financial statements for all but cash-flow accounting¹¹⁸), this is not explicitly stated in the 2015 IEITI Report. There is evidence that at least some material government entities reported on an accrual accounting basis, including MoF and OPDC (2015 IEITI Report, p.91).

The 2013 and 2014 IEITI Reports followed the same approach to describing quality assurance as the 2015 IEITI Report. However, the 2012 IEITI Report explained that the MSG had agreed with the IA to require that EITI reporting on TSC-related payments be based on MoO information and “audited financial statements of oil fields” (2012 IEITI Report, pp.79-81) and that crude oil buyers submit their “audited reports” alongside their reporting templates (2012 IEITI Report, p.125). Quality assurance requirements for reporting entities in the 2012 IEITI Report included a signature from a representative of each reporting entity signifying “that the reported figures have been checked” as well as an unaltered auditor’s report

¹¹⁸ See <https://www.iasplus.com/en/standards/ias/ias1> for more information.

from the IBSA or another “bona fide registered auditor” (2012 IEITI Report, p.133). Attestation from reporting entities’ management required that they certified that EITI reporting was “prepared in accordance with International Accounting Standards or its equivalents and disclosures are based on audited accounts to international standards” (2012 IEITI Report, p.138). It is notable that EITI reporting was explicitly undertaken on a cash accounting basis (2012 IEITI Report, p.133).

Reconciliation coverage: The 2015 IEITI Report does not indicate the coverage of the reconciliation exercise. Assuming that all oil-producing companies (in Iraq ex-KRG) were included in the scope of reconciliation and that all government oil revenues were included (i.e. oil sales and CIT), we could assume that there was a target to cover 100% of Federal Government oil and gas revenues. However, given the omissions noted in the assessment of *Requirement 4.1*, this reconciliation coverage was not met and it was not possible to calculate the exact reconciliation coverage given the lack of consistent assessment of the materiality of omissions. Based on a rough estimation of the materiality of non-reporting and omissions, 39 of the 42 material companies buying oil reported, with an estimated reconciliation coverage of 97.25% of the value of 2015 crude oil sales reported by SOMO (2015 IEITI Report, pp.16, 64-66). It can also be calculated that the aggregate materiality of companies’ omissions in reporting of CIT payments was roughly equivalent to 29.22% of CIT revenues disclosed by government (*see Requirement 4.1*), although the materiality of individual CIT omissions (per company or government entity) cannot be calculated based on information in the 2015 IEITI Report.

Assurance omissions: Given the lack of clarity around the quality assurance procedures agreed by the MSG for the 2015 IEITI Report and the absence of commentary from the IA on whether these were followed, it is unclear whether all reporting entities complied with agreed quality assurance procedures for EITI reporting.

Data reliability assessment: There is no statement from the IA about the comprehensiveness and reliability of financial data presented in the 2015 IEITI Report. The executive summary (2015 IEITI Report, p.9) provided a cursory overview of the work undertaken by the IA, referring to the inception report and a link to it¹¹⁹. The 2015 inception report noted that “the Procedures carried shall not constitute either an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and therefore, we will not express any assurance on the reported data” (IEITI, 2016, p. 18).

Sourcing of information: The 2015 IEITI Report confirms the IA’s sources as including the 2016 ToR and EITI Standard, EITI websites and resources, EITI annual reports published by other countries and other publicly available information (2015 IEITI Report, Section 4.9.3, p.109). Section 7.3.2 (2015 IEITI Report, p.130) provides a list of seven websites (MoO, SOMO, NOCs and the KRG government) used as sources for the 2015 IEITI Report. The Kurdistan chapter notes that all information on KRG was “extracted from published data” (2015 IEITI Report, p.138). It does not appear that other stakeholders have included comments in the 2015 IEITI Report.

There are several instances where information on the legal and regulatory framework is sourced from

¹¹⁹ <http://ieiti.org/ig/ArticleShow.aspx?ID=112>

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secondary literature rather than a review of primary-source documents themselves. For example, the 2015 IEITI Report’s discussion of fiscal terms in KRG PSCs is sourced from an academic review¹²⁰ (2015 IEITI Report, p.140). There are also several instances of information being sourced from Wikipedia, such as in the description of NOCs (2015 IEITI Report, p.12) and reserves estimates (2015 IEITI Report, p.13). Employment in the four NOCs in Table 131 (2015 IEITI Report, p.123) is sourced from the “Iraqi facts newspaper”, with no additional explanation, while information on arrears owed by the KRG to oil companies is sourced from Stratfor, a geopolitical intelligence platform (2015 IEITI Report, p.142). Information on estimates of oil reserves, number of oilfields and population for each of the four Iraqi Governorates that have oil deposits in Section 6.3.6 (2015 IEITI Report, p.127) is sourced from local news articles. There are also instances of figures not being sourced, such as the description of “potential reserves” in Kurdistan’s oil and gas sector in the Kurdistan chapter (2015 IEITI Report, p.138).

Summary data: Summary data tables (i.e. GFS-e coded) from the last three IEITI Reports, covering 2013-2015, have been published in machine-readable format on the Iraq country page of the global EITI website¹²¹ and on the Iraq EITI website¹²², in line with Section 5.2 of the ToR for the 2015 IEITI Report (IEITI, 2016). Proxy summary data tables have been prepared for IEITI Reports covering 2009-2012 by the International Secretariat.¹²³ Summary data tables for the 2015 IEITI Report had not been submitted to the International Secretariat at the beginning of Validation on 1 January 2017 but were provided by the IA in February 2017.

Recommendations: Despite being required to do so in the ToR for the 2015 IEITI Report, the IA does not provide an assessment of follow-up on any past EITI recommendation specifically in the report, yet it highlights more generally the need to place emphasis on follow-up and implementation of EITI recommendations in its review of EITI outcomes and impacts (2015 IEITI Report, Section 7.3, p.134). While this implies that follow-up on past EITI recommendations has been weak, this is not explicitly stated in the report.

The 2015 IEITI Report does provide a list of seven challenges and associated recommendations¹²⁴ from the 2015 IEITI Report, although these mostly relate to strengthening EITI reporting (2015 IEITI Report, p.21, 130-132). However, it appears that these seven recommendations are based on the IA’s “considerable time reviewing the recent published EITI Reports for other countries” rather than on the basis of the preparation of the 2015 IEITI Report. More specifically for the 2015 IEITI Report the IA includes two key observations linked to EITI reporting (lack of database of mining companies and lack of engagement by oil and gas companies) (2015 IEITI Report, p.130).

Stakeholder views

Procurement of the IA: All IAs consulted confirmed that procurement of the IA proceeded in line with the

¹²⁰ <http://us.practicallaw.com/9-581-2725>

¹²¹ <https://eiti.org/iraq#revenue-collection>

¹²² <http://ieiti.org.iq/default.aspx>

¹²³ <https://eiti.org/iraq#revenue-collection>

¹²⁴ The seven recommendations include: assigning an EITI focal person in each entity to facilitate data collection; developing guidelines and a policy governing social contributions; improving assessments of geological reserves; disclosure of BO and establishing of a public BO register; compliance with IFRS standards for all reporting entities; improving routines for monitoring licensing data; and ensure credible sources of information.

timeframe detailed in the original RFP, with no deviations in practice. They explained that bidders were always pre-qualified by IEITI, which usually included the “big four” accountancy firms, and invited to bid directly for the contract. One IA expressed concern that some of the pre-qualified bidders did not maintain physical representation in Iraq, while another IA stated that it was not aware of the specific criteria used by IEITI for pre-qualifying bidders for the IA contract. While public procurement rules requiring government contracts to companies with a branch or office in Iraq were not necessarily enforceable for IEITI contracts (since IEITI is not a government entity), having a physical presence in Iraq was important for a bidder’s technical capacity, according to this representative. The representative also noted that while the scoring of bids was required to be split 70/30 between technical and financial criteria, the contract for IEITI Reports always seemed to be awarded to the lowest financial bid. While the scoring of bids was made public for the first time for the 2015 IEITI Report, the past IA called for greater clarity in the disaggregated scoring of bids for the IEITI contracts.

An independent analyst has raised concern publicly over the procurement of the IA for the 2015 IEITI Report, noting that the ToR for the IA was only posted on the IEITI website on the same day as the inception report from an IA that had already been procured (Jiyad, IEITI and Transparency - Midyear review, 2016). While criticising the lack of transparency of the evaluation, scoring and selection of the IA, the analyst expressed hope that KPMG would break the trend of “cliché copy and paste reporting that characterizes previous IEITI annual reports” (Jiyad, IEITI and Transparency - Midyear review, 2016).

ToR and templates: Secretariat staff confirmed that MSG members had provided input to the ToR for the IA via the MSG’s Whatsapp group, although CSO stakeholders noted that the group did not include all members of the MSG (see *Requirement 1.4*). The ToR for the 2015 IEITI Report was prepared in English, according to all stakeholders consulted. Industry and government representatives on the MSG confirmed they had reviewed the ToR for the IA. While an Arabic version of the template ToR had been prepared as a basis for discussion by the MSG for the 2016 IEITI Report for the first time in December 2016, the subsequent ToR circulated for approval in early 2017 was only in English according to civil society representatives consulted.

All IAs consulted noted that while there had been robust discussion of draft reporting templates for the first IEITI Reports covering 2009 and 2010, subsequent EITI reporting had broadly used the same templates from previous years with only minor updates. A CSO representative noted that the 2015 reporting templates were identical to previous years and had not been revised. Secretariat staff and the IA confirmed that the MSG was given an opportunity to review the draft reporting templates as part of the 2015 inception report in June-July 2016 but that no comments had been received.

Cash vs accrual: A government representative explained that there was always initial confusion over whether reporting entities were required to report on a cash or accrual basis for the 2015 EITI Report. The reporting templates were too general, according to this official, and did not clearly indicate the accounting basis for EITI reporting. A SOE representative highlighted the importance of clarifying whether EITI reporting was conducted on a cash or accrual basis. For instance, while Badra oilfield had not yielded CIT payments in 2015, as remuneration fees and associated CIT were being accumulated in the MdOC account, they would be paid in 2017. Thus, this transaction could be booked in either 2015 (accrual basis) or 2017 (cash-basis). A past IA highlighted the confusion among certain reporting companies in previous EITI Reports over whether to report on a cash or accrual basis, which had caused significant discrepancies.

All IAs and development partners consulted confirmed that as a rule government systems were on cash-

basis accounting. One development partner noted that different ministries operated under different accounting systems. One of the IAs noted that most buying companies tended to report on an accrual basis, which explained the significant discrepancies in the reconciliation of crude oil sales every year. Another IA representative explained that IOCs operating under TSCs were required by the MoO to prepare two sets of financial statements, both cash and accrual based, to keep track of significant arrears, particularly in the 2015-2016 period.

Audit practices: All IAs consulted confirmed that they had not reviewed material reporting entities' actual audit practices for the year under review prior to agreeing quality assurance procedures for EITI reporting with the MSG. While the IA had asked material entities whether their 2015 financial statements were audited as part of the reporting process, it had recorded entities' responses but had not checked the accuracy of these statements. The past IAs said they had followed similar procedures. The IA explained that only certain companies had provided copies of their 2015 audited financial statements and that it had not included a summary of responses in the 2015 IEITI Report. The IA confirmed that all IOCs operating under TSC or buying crude oil from SOMO were audited according to international (accrual-based) standards, but that the public availability of such reports depended on whether the company was publicly-listed. All stakeholders consulted agreed that companies buying oil from SOMO were required to provide copies of their audited financial statements for previous years as required under the model crude oil sales contract. However, secretariat staff explained that SOMO was not able to force companies no longer under contract to provide their financial statements, which explained why three companies had not reported in 2015. All IAs and several analysts consulted confirmed that all IOCs operating under TSC were subsidiaries of companies with audited financial statements (under IFRS) and had to provide copies of these audited reports as part of the TSC bidding rounds.

All stakeholders consulted confirmed that oil sales proceeds to the DFI were audited to international standards. Representatives of IAs consulted confirmed that the proceeds of SOMO's crude oil sales were audited to international standards as part of the DFI's independent audit. There is evidence that audited annual financial statements for the Development Fund of Iraq were published on the International Advisory and Monitoring Board (IAMB) website¹²⁵ for years up to 2010, although not for subsequent periods. The IAMB's functions were subsequently folded into the remit of the Committee of Financial Experts¹²⁶ from 2010. The IMF has noted that the government committed in 2016 to audit the DFI and the Successor Account 300/600 at the Central Bank of Iraq to track all oil revenues to the treasury and monitor the account's uses, with the CBI audited by an international audit company every six months and audit reports posted on its website within six months of the end of each semester (IMF, 2016).

The IA confirmed that the latest IBSA report on government accounts was from 2013 and that this was the key source of information on national accounts. All IAs consulted stated that the IBSA did not audit government entities up to current international standards, but rather to international standards as they were in the late 1980s. The IA confirmed that one of the main differences with international standards was that Iraqi accounting standards were cash-based, while International Standards of Accounting are accrual-based, and noted that one of the main reforms planned by IBSA was to move to accrual-based international accounting standards. While there were plans to revise Iraqi auditing standards to ensure their conformity with international standards, this had not yet been implemented despite consistent EITI

¹²⁵ <http://www.iamb.info/dfiaudit.htm>

¹²⁶ http://www.cofe-iq.net/pages/e_dfi.htm

recommendations in this regard. Secretariat staff explained that the process of matching international auditing standards was an ongoing process. A senior-level IBSA representative explained that Iraqi auditing standards were a simple translation of international standards with some adaptations for the local context. The representative emphasised that there had been several updates to the IBSA's procedures since the late 1980s and considered that Iraqi standards were in line with international standards. There were a number of reforms in progress at the level of IBSA, including the start of risk-based audits in 2016 and the launch of performance audits with support from the Dutch Court of Audit. A development partner confirmed the IBSA's good reputation and ongoing reforms but questioned whether the Board yet operated in line with current international standards. However, CSOs consulted and several independent analysts did not consider IBSA standards as a major issue. One CSO noted that the International Auditing and Assurance Standards Board (IAASB) had previously told them that they considered Iraqi Accounting Standards to be in line with international standards, even if they had not been updated since the 1980s. Several stakeholders from the development community and civil society noted new guidance from the MoF for state-owned banks to implement IFRS. Stakeholders from all three constituencies confirmed that IBSA audit reports were not publicly-available, for instance on the IBSA website.

All SOE and government representatives confirmed that oil and gas SOEs including NOCs were audited as part of the MoO audit by IBSA, given that they were affiliates to MoO (*see Requirement 2.6*). The IA stated that oil and gas revenues were "usually matched on daily, weekly, monthly and yearly basis" and audited by the IBSA annually, although these audit reports were not available to the public. However, a past IA considered that there had been irregularities in the reconciliation of physical crude oil flows in past audits of the DFI, where different government entities had agreed common production figures prior to reconciliation (*see Requirement 3.2*). The US Department of State has noted that while SOEs submit financial reports to their parent ministry's audit departments and the IBSA, these reports are not published and sometimes exclude salary expenses (US Department of State, 2016). Several IBSA and SOE representatives confirmed that the statutory audit of the MoO for 2015 had not yet been finalised at the time of consultation (April 2017), due to ongoing work related to Midland Oil Company and South Oil Company, and that the IBSA's audits of the MoO were not always finalised by April of the following year.

In terms of auditing practices in the KRG, commentators including the IMF have noted the KRG's launch of audits of its oil and gas revenues from July 2016 (IMF, 2016), with Deloitte and EY contracted to audit oil production, exports and revenues in May and November 2016 respectively (Rudaw, 2016). However, none of the stakeholders consulted knew when these audits were due to be finalised, nor whether the results would be made public, for instance through the KRG MNR website.

Assurance methodology: Members of the MSG from all three constituencies and the IA confirmed that companies reporting payments to government and government entities receiving payments from companies were required to sign a certification that EITI reporting was in line with audited financial statements for the 2015 IEITI Report. However, all IAs consulted noted that the management certification letters included in the EITI reporting templates had never explicitly required the reporting entity to make the equivalence between accrual-based audited financial statements and cash-based EITI reporting. Stakeholders and the IA also confirmed that companies were asked for copies of their audited financial statements as part of the agreed procedures, but that only some companies had complied. The IA noted that in cases where audited financial statements were not available from material companies, it "took into consideration" management accounts and spot checks on supporting documentation for any

discrepancies. Upon extensive consultation, the IA provided a two-page description of the assurance methodology it adopted for the 2015 IEITI Report. Although this was produced after the 1 January 2017 start of Validation, the description is included in Annex [GH](#).

Omissions and assessment: The IA and secretariat staff explained that while some reporting entities had signed their templates, others had not but had submitted their templates from an official email address. These representatives considered that this was equivalent but had not considered the importance of the quality assurance certification statement. An industry representative considered that the submission of reporting templates from official company email addresses meant that the data contained in the reporting templates was official company data and thus certified to be correct, since the company could be legally liable for providing wrong information. A past IA noted that most buying companies had not submitted copies of their audited financial statements for the 2013 and 2014 IEITI Reports. The IA confirmed it had not assessed the materiality of non-complying companies or government entities in the 2015 IEITI Report.

When discussing the reliability of financial information in IEITI Reports more broadly, all CSOs consulted considered the reconciled financial data in the 2015 IEITI Report to be reliable, although they expressed significant concern over the reliability of contextual information sourced from third parties, given that these sometimes included less reliable sources such as Wikipedia. An IBSA representative considered that data from EITI Reports was reliable, since the MSG and IA sourced information directly from the source, for instance companies. An industry representative considered that the reliability of EITI reporting templates from companies was assured by the fact that senior company representatives were required to sign them. While expressing confidence in the reliability of financial information in IEITI Reports, one CSO and a past IA expressed concerns over the lack of discrepancies in production figures from NOCs and MoO, considering that this meant that MoO only disclosed what NOCs reported to it without any checks. The IA considered that the assessment of comprehensiveness of reconciled data in the 2015 IEITI Report was subjective, since different stakeholders would always want additional data to be included. The IA also considered assessments of the reliability of EITI data to be subjective and that the IA's role was only to undertake "sampling on the basis of materiality" and thus could not provide a comprehensive assessment of the reliability of all reconciled data.

Recommendations: Stakeholders consulted, including MSG members, did not express any particular views about the quality of recommendations in IEITI Reports and explained that the recommendations were first drafted by the IA and approved by the MSG.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made inadequate progress towards meeting this requirement. While the MSG has adopted ToR for the IA that are generally consistent with the EITI Board-approved template, there is little evidence in the 2015 IEITI Report that the IA followed the terms of the ToR, particularly in relation to ensuring the reliability of EITI data. The IA does not appear to have undertaken a review of auditing practices in 2015 nor agreed robust quality assurance procedures with the MSG. The 2015 IEITI Report does not provide an estimate of reconciliation coverage, nor assessments of the comprehensiveness and reliability of financial data. While the IA has formulated several recommendations on the basis of the 2015 IEITI Report, it has not assessed specific follow-up on past EITI recommendations.

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To strengthen implementation, the MSG should ensure that a review of actual auditing practices by reporting companies and government entities be conducted before agreeing procedures to ensure the reliability of EITI information. The MSG should also ensure that the ToR for the IA is in line with the standard ToR approved by the EITI Board and that its agreement on any deviations from the ToR in the final EITI Reports be properly documented. The MSG should also ensure that the IA include an assessment of whether the payments and revenues disclosed in the EITI Reports were subject to credible, independent audit, applying international auditing standards as well as a description of follow-up on past EITI recommendations.

Table 4- Summary initial assessment table: Revenue collection

36. EITI provisions	37. Summary of main findings	38. International Secretariat's initial assessment of progress with the EITI provisions
39. Comprehensiveness (#4.1)	40. The MSG does not appear to have set an explicit materiality threshold for selecting companies or revenue streams in the mining, oil and gas sectors for the 2015 IEITI Report. While all companies operating under TSCs in Iraq (excluding Kurdistan) and buying crude oil from SOMO were included, several companies making material payments to government appear not to have reported. The materiality of these omissions has not been assessed. Finally, the government does not appear to have made full unilateral disclosure of all extractives revenues, omitting several corporate income tax receipts and any revenues collected from mining and by the KRG in oil and gas.	41. Inadequate progress
42. In-kind revenues (#4.2)	43. The International Secretariat's initial assessment is that Iraq has made satisfactory progress in meeting this requirement, with efforts to go beyond the minimum requirement through its cargo-by-cargo reconciliation of over USD 37bn in crude oil sales in 2015 and additional information on the sales process. The 2015 IEITI Report provides the volumes of crude oil collected by the government, the volumes sold and the value of oil sales disaggregated by buyer, albeit	44. Satisfactory (Beyond)

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	<p>not by individual cargo. There is no evidence of any commercial sales of unprocessed natural gas to private buyers. While the 2015 IEITI Report does not explicitly state that reported proceeds of SOMO's crude oil sales included the roughly 72m barrels of KRG crude marketed by SOMO in the first half of 2015, stakeholders confirmed this was the case.</p>	
45. Barter and infrastructure transactions (#4.3)	46. The International Secretariat's initial assessment is that this requirement is not applicable to Iraq given the structure of TSCs. There is no evidence of barter or infrastructure agreements in the KRG.	47. Not applicable
48. Transport revenues (#4.4)	49. The International Secretariat's initial assessment is that this requirement is not applicable to Iraq given the state-owned structure of the oil and gas sector (ex-Kurdistan), although the 2015 IEITI Report does not provide the results of the ISC's assessment of the materiality of any transportation revenues. There is no evidence of transportation revenues in the KRG.	50. Not applicable
51. Transactions between SOEs and government (#4.5)	52. The 2015 IEITI Report discloses some transactions between the government and SOEs, including internal service payments, OPDC dividends and remittances of crude oil proceeds, and some transactions between SOEs and IOCs, including remuneration fees and cost recovery. The report also reconciles physical product (oil and gas) flows between NOCs and downstream off-takers (OPC, refineries, power plants, OPDC and the Gas Filling Company). However, IOEC's sales of seismic data to companies and its remittances to the MoF are	53. Meaningful progress

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	<p>not reported. While the report does not disclose the MoO's cash settlement of inter-SOE physical oil and gas transfers, these could be viewed as budgetary allocations from the MoO to SOEs, subject to clarification of the financial relations between the government and SOEs disclosed under Requirement 2.6.</p>	
54. Subnational direct payments (#4.6)	<p>55. While public pressure in key producing Governorates like Basrah and Kirkuk may lead to direct subnational levies in future years, all 15 subnational Governorates under the Iraqi federal structure were entirely dependent on subnational transfers from the Federal Government in 2015 (see Requirement 5.2). The 2015 IEITI Report provides a cursory description of the KRG's direct oil and gas revenues and the volumes and value of total crude oil exports from KRG-controlled areas in 2015. However, the report does not assess the materiality of specific oil and gas companies and revenue streams, nor the publicly-available information from companies operating in Kurdistan.</p>	56. Inadequate progress
57. Level of disaggregation (#4.7)	<p>58. The IEITI Reports present reconciled oil sales data disaggregated by company, it only presents reconciled corporate income tax information disaggregated by oilfield, not by company. Given that most TSCs involve consortia of several companies, information in the 2015 IEITI Report does not allow readers to calculate each company's share of payments to government. Nevertheless, given that the</p>	59. Meaningful progress

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	lion's share of reconciled government oil and gas revenues are disaggregated by company, revenue stream and receiving government entity.	
60. Data timeliness (#4.8)	61. Iraq now publishes EITI Reports within one year of the close of the fiscal period under review.	62. Satisfactory progress
63. Data quality (#4.9)	64. While the MSG has adopted ToR for the IA that are generally consistent with the EITI Board-approved template, there is little evidence in the 2015 IEITI Report that the IA followed the terms of the ToR, particularly in relation to ensuring the reliability of EITI data. The IA does not appear to have undertaken a review of auditing practices in 2015 nor agreed robust quality assurance procedures with the MSG. The 2015 IEITI Report does not provide an estimate of reconciliation coverage, nor assessments of the comprehensiveness and reliability of financial data. While the IA has formulated several recommendations on the basis of the 2015 IEITI Report, it has not assessed specific follow-up on past EITI recommendations.	65. Inadequate progress
<p>66. Secretariat's recommendations:</p> <p>1. To strengthen implementation, the MSG should consider undertaking a comprehensive scoping study to consider options for defining materiality thresholds ahead of agreeing the ToR for its next EITI Report. The MSG should ensure that all material revenue flows (in both petroleum and mining) listed under Requirement 4.1.b are included in the scope of reconciliation and that the materiality threshold for selecting companies ensures that all payments that could affect the comprehensiveness of EITI reporting be included in the scope of reconciliation. The list of material companies should also clearly be defined. The MSG is invited to consider whether setting a quantitative materiality threshold for selecting companies would ensure these aims are met. The MSG should ensure that Iraq's next IEITI Report includes the IA's assessment of the materiality of omissions, its statement on the comprehensiveness of the IEITI Report and that full unilateral government disclosure of material revenues from non-material companies is included.</p>		

67. [The Council believes that the evaluation should be raised to 'satisfactory'.]
68. [During ToR 2016, the Council authorized the implementation of a comprehensive exploratory study to define relative importance in accordance with the criterion.]
2. To further strengthen implementation, the MSG is encouraged to consider publishing the reconciled oil sales data disaggregated by cargo (and associated information) it already collects. The MSG may also wish to use SOMO's regular online disclosures as a means of embedding EITI reporting of oil sales within routine government systems. The MSG could consider joining the EITI targeted effort on commodity trading to provide a framework for ensuring that disclosures of the state's sales of its in-kind revenues are in line with international best practice.
69. [To strengthen implementation, the production link to the Ministries of Oil and Industry, and to the marketing company SOMO will be included in the report.]
3. While there is no evidence of barter or infrastructure agreements in the KRG, the MSG is encouraged to examine all of the published KRG PSCs (see Requirement 2.4) to assess the potential for infrastructure provisions or barter components of these PSCs.
70. [The Stakeholder Council will seek to study the Production Segmentation Contracts of the government of the region of Kurdistan and to include what can be implemented under this criterion in the next report.]
4. To strengthen implementation, the MSGs are strongly encouraged to review the balance sheets of the six SOEs engaged in transportation, distribution and marketing of oil and gas to assess the materiality of any potential revenues to government (i.e. transfers to the MoF/DFI).
71. [The Stakeholder Council will take this into consideration by carrying out a detailed study of materiality.]
5. To strengthen implementation, the MSG should clarify the scope of transactions between SOEs and other government agencies as well as between SOEs and companies in the mining, oil and gas sector. Drawing upon the MSG's definition of SOEs under Requirement 2.6, the MSG should ensure future IEITI Reports disclose the disaggregated value of such financial transactions for the year under review. Given the lack of clarity surrounding financial relations between oil and gas SOEs and the government, the MSG is encouraged to consider whether reconciliation of such financial transactions (both statutory and ad hoc) would further the broader objective of transparency in transactions between SOEs and government.
72. [The evaluation must be raised to 'Satisfactory'.]
6. The MSG should ensure the KRG's active participation in scoping and shaping Iraqi EITI disclosures of direct subnational payments under Requirement 4.6. The MSG is encouraged to consider whether working with the MoO and the KRG to establish its own regional-level structure for EITI implementation could ensure more efficient coverage of subnational direct payments. The KRG's EITI MSG could publish its own reports, which could then be linked to from the national IEITI MSG.
- [The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:

Although the International Initiative approved the Stakeholder Council's request to resort to the amended implementation relating to the region of Kurdistan, KPMG was charged with submitting a Template report for 2015 to the Ministry of Natural Resources in the region and through it to the

companies operating in the region. However, the Ministry of Natural Resources refused to cooperate or to receive the Template from KPMG. It confirmed this in a letter to the National Secretariat to which they attached the Council's request which was sent to the International Initiative. The National Initiative implemented workshops in the region of Kurdistan (Erbil, Sulaymaniya) aimed at a number of regional parliamentarians, ministers, senior civil servants, provincial councils, local governments, academics and civil society organisations to create awareness of the importance of the region participating in the Initiative and to create pressure on the regional government to participate in the Initiative. Joint committees have sprung from these workshops to follow up this matter. They are still working to implement this.

In its meeting No. 44 on 17/05/2017, the Stakeholder Council ratified the implementation of joint meetings with relevant government bodies in the government of the region of Kurdistan to insure their participation.

7. To strengthen implementation, the MSG should ensure that all reconciled financial data is disaggregated by company, revenue stream and government entity. The MSG is also encouraged to agree a definition of project to ensure consistency in its project-level reporting.

The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:

73. The categorization according to company and field was carried out in order to help the Iraqi citizen to calculate the taxes received from the companies for each field.

8. To further strengthen implementation, the MSG may wish to work with the General Commission on Taxes, the General Customs Authority, SOMO, the Ministry of Oil, the Ministry of Finance, the Central Bank of Iraq and the Iraqi Board of Supreme Audit. The Arabic translation for this body has been changed. to assess the potential for mainstreaming key EITI disclosures and ensuring even timelier publication of EITI information.
9. To strengthen implementation, the MSG should ensure that a review of actual auditing practices by reporting companies and government entities be conducted before agreeing procedures to ensure the reliability of EITI information. The MSG should also ensure that the ToR for the IA is in line with the standard ToR approved by the EITI Board and that its agreement on any deviations from the ToR in the final EITI Reports be properly documented. The MSG should also ensure that the IA include an assessment of whether the payments and revenues disclosed in the EITI Reports were subject to credible, independent audit, applying international auditing standards as well as a description of follow-up on past EITI recommendations.

The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:

There was continual follow-up by the Stakeholder Council through reviewing the progress reports and submitting recommendations continually to ensure high quality data.

The Council ensured the credibility and quality of the data by checking the means by which the data was extracted, which are the official email addresses of the entities included in the disclosure process.

In addition to this, the Council reviewed the official letters the National Secretariat received from the entities included in the disclosure, through which it identified the people officially empowered to submit this data, and including the email address through which the data arrives. The credibility of the data was strengthened by the members of the Stakeholder Council (the representatives of the Contract and Licensing Department, SOMO and the national companies by sending a letter by email signed by the chairmen of these bodies to the bodies included in the disclosure.)

74.

Revenue management and distribution

5.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue management and distribution.

5.2 Assessment

Distribution of revenues (#5.1)

Documentation of progress

Iraq's EITI reporting has not included extensive descriptions of whether all mining, oil and gas revenues are recorded in the national budget. The 2015 IEITI Report somewhat confusingly states:

“All income revenues that were included in the Iraqi government federal budget and there are no other income revenues exclude the revenues that generated from Kurdistan region by the borders and selling oil ports, where those revenues were not included in the federal budget” (2015 IEITI Report, p.112).

The 2015 IEITI Report highlights the inconsistency in reporting standards between local and international standards and between cash and accrual accounting bases in its review of the outcomes and impact of EITI implementation, recommending that all reporting entities prepare their financial statements in accordance with IFRS (2015 IEITI Report, pp.21, 133).

The report provides a higher figure for SOMO's reporting of crude oil sales revenues (USD 37.346bn) (2015 IEITI Report, p.16) than for the value of SOMO crude oil sales proceeds reported by the DFI (USD 35.458bn) (2015 IEITI Report, p.122), implying that SOMO retained a share of crude oil sales proceeds from its remittances to the DFI. However, the 2015 IEITI Report does not clarify whether the funds retained by SOMO are recorded in the national budget.

This paragraph contains accounting errors. According to SOMO's reports, crude oil sales were 37,346 billion American dollars whereas the table relating to DFI, the Iraq Development Fund, found in Table 129, p.120 of the 2015 report, the amount that appears is 35,458 billion American dollars. This is the net amount evaluated by the Iraq Development Fund after subtracting the value of fines deducted from sales receipts and proceeds deposited in the oil sales proceeds account after the end of the year. The Council therefore believes that this paragraph must be amended.

While the 2015 IEITI Report does not clearly state that KRG revenues are not recorded in the national budget, the International Secretariat understands that all revenue flows collected by the KRG are not recorded in the Federal Government budget. However, this issue is addressed as part of direct subnational payments (see Requirement 4.6). In addition, the 2015 IEITI Report does not state whether all government revenues from the mining sector are recorded in the national budget. There is some confusion in the information given in this paragraph. The report indicated that the payments that should

be transferred to the region of Kurdistan according to the budgetary law total 17%, whereas there are other revenues received directly by the region of Kurdistan from border posts and from the direct sale of oil without informing the federal government. No information has been published about them because the government of the region of Kurdistan is not cooperating in disclosing it. The Council therefore believes that the paragraph should be corrected.

While the 2013 and 2014 IEITI Reports provided similar coverage of this issue as in the 2015 IEITI Report, the 2012 IEITI Report provided some additional description of revenue earmarks, in the form of UN Security Council Resolution 1483 (of 2003) requiring 95% of proceeds from Iraq's oil and gas export sales to be transferred to the DFI and 5% to the UN Compensation Fund established through UNSCR 687 (in 1991) (2012 IEITI Report, p.54).

Stakeholder views

A development partner noted that there were oil and gas revenues that were not recorded in the Iraqi Federal Government budget, besides those collected by the KRG. The representative noted that budget revenues were recorded when funds were deposited in the DFI account at the Federal Reserve Bank of New York, but that only 95% of crude oil export sales proceeds were deposited in the DFI account, with the remaining 5% transferred to the UN Compensation Fund. However, several stakeholders from different constituencies and the IA confirmed that there had been no transfers from the DFI account to the UN Compensation Fund in 2015, given that the final payment to the UN Compensation Fund had been postponed to 2017 due to budgetary constraints.

In 2015, the US Department of State noted that Iraq had not passed a national budget and that information on off-budget expenditures was not publicly available (US Department of State, 2015). This information relates to 2014, not 2015. The budget was ratified in 2015. The Initiative report contains a link to the 2015 budget law. This must therefore be pointed out. While a development partner noted that certain expenditures were off-budget and that there were no consolidated fiscal accounts, all oil and gas revenues appeared to be recorded in the national budget. The IA confirmed that the key source of information on the Iraqi Federal Budget was the annual report from the IBSA, the latest publicly-available edition of which dated from 2013.

The IA explained that while SOMO paid fixed internal service payments to national oil companies for national production oil that is exported, other SOEs involved in pipeline transport and refining receive transfers according to specific rules setting the intra-SOE oil barrel price. The IA confirmed that these intra-SOE transactions are not specified in the annual budget. Several government representatives explained that while the operating expenditures of SOEs budgets were covered by MoO's budget allocations, the SOEs were required to fund their capital expenditures based on revenues collected. However, given that most oil and gas SOEs ran a consistent deficit, these officials explained that the MoO tended to also fund SOEs' capital expenditures through budgetary allocations on an ad hoc basis to bridge shortfalls in SOEs' revenues.

With regards to off-budget revenues in Kurdistan, independent research indicates that a significant share of oil and gas revenues earned by the KRG is used off-budget to cover prepayment agreements and

third-party loans (The Oxford Institute for Energy Studies, 2016). Several analysts consulted also highlighted the complex structure of the KRG budget given the number and complexity of pre-pay and loan agreements between the KRG and IOCs. However, the IA noted that it was not able to verify any details of the KRG's pre-pay agreements as there was "no public information".

A development partner also explained that the government was seeking to implement a national revenue classification system, as part of the IMF stand-by agreement. The IA explained that the major challenge for rolling out a single tax identification number scheme was the lack of clarity in the remittance of taxes from the MoO to the MoF. None of the stakeholders consulted had considered the potential for using EITI reporting to clarify revenue transfers to the MoF and tracking efforts to implement revenue traceability through single tax identification numbers and a single revenue classification within the Iraqi Federal Government.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made inadequate progress in meeting this requirement. While the 2015 IEITI Report clearly states that there are all oil and gas revenues aside from those collected by the KRG are recorded in the national budget, there is evidence of off-budget oil and gas revenues earmarked for the UN Compensation Fund. The report does not explain the allocation of any mining, oil and gas revenues that are not recorded in the national budget. The Council believes that this paragraph is incorrect, as explained above. The Council therefore believes that this paragraph must be removed.

To strengthen implementation, the MSG should work with the IA in preparing the next IEITI Report to clearly trace any mining, oil and gas revenues that are not recorded in the national budget and provide an explanation of the allocation of these off-budget revenues.

Sub-national transfers (#5.2)

Documentation of progress

Of the 18 Governorates in Iraq, 15 are administered by provincial governments and three by the KRG, with the country's largest oil reserves located in Basrah, Kirkuk and Kurdistan (NRGI, 2016). Governorates aside from those administered by the KRG are supposed to receive two main sources of revenues: Regional Development Program (RDP) transfers, which are not linked to extractives revenues and are allocated based on population size, and "petrodollar" allocations for Governorates hosting oil and gas production or refining (NRGI, 2016).

The November 2014 agreement between Baghdad and Erbil required the KRG to only export crude oil (550k bpd) through Ceyhan port, where SOMO would handle marketing to international clients, in exchange for receiving its statutory subnational transfers (under the Regional Development Plan – RDP) of 17% of the Federal Government budget (2015 IEITI Report, pp.141-142). The agreement was in force from November 2014 to 23 June 2015, when it broke down entirely. Thus, while the RDP transfers are not statutorily linked to extractives revenues, the fact that the November 2014 – June 2015 agreement made

the RDP transfers contingent on the KRG transferring its crude oil exports to SOMO for commercialisation implies that these RDP transfers were linked to oil and gas revenues.

Materiality: The 2015 IEITI Report describes statutory subnational transfers linked to oil and gas production and refining (“petrodollars”) under the 2015 budget to oil and gas-producing and refining Governorates (2015 IEITI Report, p.112). It also states that the KRG was supplying its crude oil exports to SOMO for sale to international buyers until June 2015 and describes the 17% statutory subnational transfers to the KRG between November 2014 and June 2015 (2015 IEITI Report, pp.138, 141-142). While the 2015 IEITI Report does not explicitly assess the materiality of such subnational transfers, it appears based on the government’s unilateral disclosure of “petrodollar” allocations (2015 IEITI Report, pp.19, 112) and RDP transfers to the KRG until June 2015 (2015 IEITI Report, p.146) that these transfers were material.

“Petrodollar” transfers: The 2015 IEITI Report describes statutory subnational (“petrodollar”) transfers to oil and gas-producing Governorates and provides the general formula (2015 IEITI Report, p.112):

“According to the budget law for the year 2015, an amount of USD 2 has been allocated for each barrel of crude oil produced in Iraqi Governorates, and USD 2 for each barrel of refined oil and USD 2 as well for each 150 cubic meters of natural gas produced. An amount of 1,752 billion IQD was allocated as projects for Iraqi Governorates in order to achieve an increase in crude oil revenues. Furthermore, 50% of the allocated amount is used based on the approved exchange plan sanctioned by the Governor, to be used for the purposes of electric energy and environmental projects for areas most damaged from crude oil productions and refining, for the remaining USD3 are covered by the share of the Governorate.”

Estimates of oil reserves, number of oilfields and population for each of the four Iraqi Governorates that have oil deposits (Basrah, Missan, Kirkuk and KRG) are provided (2015 IEITI Report, p.127). The report provides MoO’s unilateral disclosures of 2015 “petrodollar” transfers to Al Basra and Kirkuk Governorates, disaggregated by governorate (in both IQD and USD) (2015 IEITI Report, pp.19, 112). However, it is not clear why “petrodollar” transfers to other oil and gas producing Governorates were not reported.

KRG transfers: The 2015 IEITI Report states that the KRG is entitled to a statutory subnational transfer of 17% [According to the agreement between the federal government and the government of the region of Kurdistan, regarding the export of 550,000 barrels of oil per day, Contrary to this, the right lapsed according to the 2015 Iraq budget law. This clause must therefore be added.] of “gross expenses explained in (sovereign expenses)”, but the value of these “gross expenses” are not provided for 2015. While the statutory RDP transfers are not linked to extractives revenues under the Iraqi Constitution, the fact that the November 2014 – June 2015 agreement reinstated the RDP transfers contingent on the KRG transferring its crude oil exports to SOMO for commercialisation (in line with the Iraqi Constitution) in practice links these RDP transfers to oil and gas revenues. The November 2014 agreement between Baghdad and Erbil is explained (2015 IEITI Report, pp.141-142), whereby the KRG would export 550k bpd¹²⁷ through Ceyhan port, where SOMO would handle marketing to international clients, in exchange for 17% “of its (federal) budget”, estimated to be “roughly the amount needed to cover Erbil’s monthly payments of USD 1.1bn” (2015 IEITI Report, p.141). Details of the Erbil-Baghdad agreement in practice are

¹²⁷ KRG would “facilitate” export of 330k bpd from Kirkuk oilfields in addition to 250k bpd from KRG-controlled wells.

provided.¹²⁸

A table of KRG's oil export volumes in 2015 is provided (2015 IEITI Report, p.144), disaggregated by month, sourced from the KRG's MNR. The data is clearly split between 1 January-23 June 2015, when exports¹²⁹ were handled by SOMO under the agreement, and 24 June-31 December 2015 when KRG exports¹³⁰ were through direct sales. Monthly oil revenue for the KRG, split between revenue paid by the Federal Government from January-June and revenues from direct oil sales in June-December, is also provided (2015 IEITI Report, p.146). It appears that the fiscal period has changed when KRG took control of its direct oil sales in June 2015, with data provided for e.g. "June-July" and "July-August", although this change is not explained.

The 2015 IEITI Report does not refer to any ad hoc subnational transfers.

Stakeholder views

With regards to "*petrodollar*" allocations, a CSO representative explained that the MSG had discussed the issue of sharing oil wealth with subnational governments on several occasions and the MSG had focused on how such allocations were calculated. NRGi has described how these were introduced in 2010 and implemented from 2011, before being amended in June 2013 as part of a provincial law providing USD 5 per barrel for each producing region. In the 2015 budget, this was translated as a USD 2 per barrel of oil and USD 2 per 150 cu m. of gas, of which USD 1 would be transferred and the remainder would be contingent on the governorate generating additional revenues (NRGI, 2016). This was confirmed by stakeholders consulted and the IA stated that "*petrodollar*" allocations are the only subnational transfer linked to extractives revenues. A development partner noted that in recent years some "*petrodollar*" allocations had not been transferred due to constraints in the Governorate's ability to disburse funds on sufficient projects.

The 2015 budget stipulated that an accounting regularisation would be enacted in 2016 to ensure the transfer of the remaining USD 3 per barrel to each producing Governorate (NRGI, 2016). The US Department of State has highlighted the uncertain and limited "*petrodollar*" allocations in 2014 and 2015 due to low oil prices and scarce budget resources, while sustained political opposition by some federal ministries has prevented complete implementation of the 2013 provincial law giving more control of spending and revenue generations to the provinces (US Department of State, 2016). A World Bank study published in March 2016 provided the realised "*petrodollar*" share allocations for each Governorate in 2015, indicating that 13 of the 15 Governorates¹³¹ (ex-KRG) received a combined USD 1.505bn in "*petrodollar*" allocations in 2015 (World Bank, 2016, pp. 74-75). This was confirmed in the 2016 NRGi report (NRGI, 2016, p. 5). However, secretariat staff explained that the MoF had stated that only two Governorates (Basrah and Kirkuk) had received "*petrodollar*" allocations in 2015. A government official

¹²⁸ Exports through the KRG pipeline in Q1-2015 were only 260k bpd due to planned upgrades on the export pipeline. Despite the completion of repairs in April 2015, the Federal Government scaled down the KRG's statutory 17% share to only 40% of the agreed upon share in June 2015. Between April and June 2015, KRG pipeline export capacity expanded by "more than 50%" reaching an average of 563k bpd, in collaboration with North Oil Company that supplied an average of 150k bpd. The November 2014 agreement was terminated in June 2015 when the KRG declared the start of independent direct oil sales and signed pre-pay agreements with international oil trading companies. Oil exports through the KRG pipeline reached an average of 596k bpd in October 2015, despite attacks on the pipeline.

¹²⁹ Totalling 72,162,086 barrels.

¹³⁰ Totalling 107,460,635 barrels.

¹³¹ Anbar, Babylon, Baghdad, Basrah, Missan, Muthanna, Najaf, Ninewa, Qadisiya, Salah al-Din, Kirkuk/Tameem, Thi-Qar and Wassit

explained that the annual budget execution report only included aggregate “petrodollar” transfers, but that petrodollar transfers disaggregated by Governorate were not publicly available. The IA confirmed that it had only received information on “petrodollar” allocations to Basrah and Kirkuk in 2015 from the MoO, but that it did not independently verify which governorates actually received petrodollar allocations in 2015.

Regarding *transfers to KRG*, NRG I has noted that these transfers have been part of the federal budgeted expenditure since 2008 with the exception of 2014 when the Federal Government halted transfers, with the 17% of total budget reflecting Kurdistan’s 17% of Iraq’s population at the time when the KRG share was negotiated with the Federal Government (NRGI, 2016). Several government representatives confirmed that the 17% RDP subnational transfers to KRG were contingent on the KRG transferring all crude oil for export to SOMO and thus considered that the subnational transfers to KRG were linked to extractives revenues. In explaining the reasons for the termination of the Erbil-Baghdad deal in June 2015, independent research has highlighted that the Federal Government only transferred USD 1.987bn to the KRG during the first half of 2015, when it had earned USD 26.7bn in oil export proceeds in this period (Atlantic Council, 2016). A Kurdish parliamentarian and several analysts explained that the KRG had recently (in 2016) implemented monthly “petrodollar” transfers of USD 10m to Kirkuk Governorate to compensate it for the KRG’s seizure of two oilfields (Bajwan and Bay Hassan) in Kirkuk following its victory over Daesh.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made inadequate progress towards meeting this requirement. The 2015 IEITI Report provides only a cursory description of statutory “petrodollar” allocations and of subnational transfers to the KRG as well as a general outline of the formula for calculating subnational transfers. While the petrodollar allocations to two Governorates are provided, there is insufficient information to identify any discrepancies between the amounts that should have been transferred according to the formula and actual transfers. Based on NRG I’s disclosure of budgeted statutory petrodollar allocations to each of Iraq’s 15 non-KRG governorates in 2015 in a July 2016 report (NRGI, 2016), the fact that the 2015 IEITI Report does not comment on whether its disclosures of “petrodollar” allocations to only two Governorates is comprehensive is a concern. Although the RDP transfers to the KRG in the first half of 2015 are not statutorily linked to extractives revenues, the International Secretariat understands that the terms of the November 2014-June 2015 Baghdad-Erbil agreement made such transfers contingent on transfers of physical oil and gas from the KRG to the Federal Government (SOMO). While the actual transfers to KRG are disclosed in the 2015 IEITI Report, there is insufficient information about the formula to highlight any deviations with the amounts that should have been transferred. Neither of these two types of subnational transfers were reconciled with subnational governments’ receipts.

To strengthen implementation, the MSG should assess the materiality of subnational transfers and ensure that future IEITI Reports provide the specific formula for calculating subnational transfers linked to extractives revenues to individual governorates, disclose any material subnational transfers and any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity.

Additional information on revenue management and expenditures (#5.3)

Documentation of progress

The 2015 IEITI Report does not describe any revenues earmarked for specific programmes (aside from cost recovery, remuneration fees and internal service payments) nor for geographic regions (aside from subnational transfers described under *Requirement 5.2*). The report provides some additional information on the 2015 federal budget, including the amount allocated to Regional Development Program (RDP) transfers (2015 IEITI Report, p.117), key budget assumptions related to MoO revenues and expenditures (2015 IEITI Report, pp.111-112), and key KRG-related provisions of the 2015 federal budget (2015 IEITI Report, p.141). The ratio of total actual crude oil revenues to budgeted oil revenues is provided (2015 IEITI Report, p.15). The report also provides general projections for oil revenues (2015 IEITI Report, Section 5.3.3, p.117) as well as actual and budgeted government revenues for 2015 (2015 IEITI Report, Section 6.3.2, pp.120-121).

Stakeholder views

MSG members and the IA confirmed that they were not aware of any earmarked extractives revenues aside from subnational transfers under “petrodollar” allocations (*see Requirement 5.2*).

An independent analyst has raised concerns over certain budget assumptions included in the 2015 IEITI Report, including allegations that the budgeted oil price of USD 60 per barrel in the 2015 federal budget stated in the report was erroneous and should have read USD 56 per barrel (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017). One analyst questioned whether the Iraqi Federal Government **budget** provided for IOC crude oil liftings for cost recovery and remuneration fees, given that the MoF only recorded cash revenues and expenditures in its **budget** and did not appear to count TSC liftings as oilfield expenditures. This made it seem like Iraq consistently undershot its actual rate of budget execution every year, according to this analyst.

The MoF publishes monthly updates on federal budget execution on its website¹³², with a two-month delay, while the Central Bank of Iraq publishes annual statistical bulletins including annual aggregate oil revenues and exports on its website¹³³, with a roughly one-year time lag. The IA noted that the official state gazette, the “Wqaa Newspaper” published by the Ministry of Justice, provided another key source of information on execution of the national budget.

Initial assessment

Reporting on revenue management and expenditures is encouraged but not required by the EITI Standard and progress with this requirement will not have any implications for a country’s EITI status. It is encouraging that the MSG has made some attempt to including information on the budget-making

¹³² <http://www.mof.gov.iq/Pages/MOFPublicReports.aspx>

¹³³ <http://www.cbi.iq/index.php?pid=Statistics>

process and certain budget assumptions and projections in the EITI Report.

In order to strengthen implementation, the MSG could consider working with relevant stakeholders including parliamentarians to ensure that future EITI Reports provide additional information on budgetary oil price and production assumptions as well as revenue forecasts.

Table 5 - Summary initial assessment table: Revenue management and distribution

75. EITI provisions	76. Summary of main findings	77. International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
78. Distribution of revenues (#5.1)	79. While the 2015 IEITI Report clearly states that there are all oil and gas revenues aside from those collected by the KRG are recorded in the national budget, [This has been responded to above and must be amended,] there is evidence of off-budget oil and gas revenues earmarked for the UN Compensation Fund. The report does not explain the allocation of off-budget mining, oil and gas revenues.	80. Inadequate progress
81. Sub-national transfers (#5.2)	82. The 2015 IEITI Report provides only a cursory description of statutory "petrodollar" allocations and of subnational transfers to the KRG as well as a general outline of the formula for calculating subnational transfers. While the petrodollar allocations to two Governorates are provided, there is insufficient information to identify any discrepancies between the amounts that should have been transferred according to the formula and actual transfers. It appears that the 2015 IEITI Report does not disclose all "petrodollar"	83. Inadequate progress

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	allocations that were budgeted or executed in 2015. While the actual transfers to KRG are disclosed in the 2015 IEITI Report, there is insufficient information about the formula to highlight any deviations with the amounts that should have been transferred.	
84. Information on revenue management and expenditures (#5.3)	85. It is encouraging that the MSG has made some attempt to including information on the budget-making process and certain budget assumptions and projections in the EITI Report.	86.
<p>87. Initial conclusions and recommendations:</p> <p>To strengthen implementation, the MSG should work with the IA in preparing the next IEITI Report to clearly trace any mining, oil and gas revenues that are not recorded in the national budget and provide an explanation of the allocation of these off-budget revenues.</p> <p>[The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:</p> <p>The oil and gas revenues are recorded at 100% in the budget (95% DFI and 5% compensation) apart from the region of Kurdistan where the compensation is recorded as an expense in the budget.</p> <p>The Stakeholder Council did not find any indication of the existence of oil, gas and mining revenues outside the budget.</p> <p>To strengthen implementation, the MSG should assess the materiality of subnational transfers and ensure that future IEITI Reports provide the specific formula for calculating subnational transfers linked to extractives revenues to individual governorates, disclose any material subnational transfers and any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity.</p> <p>[The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:</p> <p>The allocations for the region and the provincial allocations for the development of the region are set in the budget and the report provides them through a link to the budget. However, the actual payments of these allocations are not published because parliament has not agreed the final accounts to 31/12/2015. What are established in the report are the amounts actually paid in petrodollars</p>		

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according to what has been disclosed by the Ministry of Finance. This represents the total sum spent up to 2015 according to this. The rest of the petrodollar allocations have not been paid as a result of the cash shortage suffered by the Iraqi government as a result of military operations against the terrorist organisation ISIL.

In order to strengthen implementation, the MSG could consider tracking more comprehensively the spending of extractive industry revenue earmarked for specific purposes.

Social and economic spending

6.1 Overview

This section provides details on the implementation of the EITI requirements related to social and economic spending (SOE quasi-fiscal expenditures, social expenditures and contribution of the extractive sector to the economy).

6.2 Assessment

Social expenditures (#6.1)

Documentation of progress

The 2015 IEITI Report appears to describe two types of mandatory social expenditures: the USD 5m “social contributions” introduced in February 2014 and required expenditures on workforce trainings.

Mandatory social contributions: The 2015 IEITI Report provides a cursory overview of mandatory social expenditures, stating:

“In accordance with issued instructions by the Ministry of Oil in February 2014, all IOCs are obligated to disburse an amount of five million dollars annually for social contribution projects in the areas of productions that are included within the petroleum cost items.” (2015 IEITI Report, p.135).

The report also states that extractives companies operating in Iraq carry out “a number of social projects” but does not make explicit whether such expenditure is mandatory (2015 IEITI Report, p.119). The list of challenges and recommendations in the 2015 IEITI Report include the need to develop guidelines and a policy governing social contributions (2015 IEITI Report, p.21), and the report states that CSOs and reporting entities “may not be aware” of social contributions in the extractive industries (2015 IEITI Report, p.133).

The 2015 IEITI Report includes NOCs’ reporting of “social contribution” expenditures undertaken by each of the oilfield consortiums, reviewed by PCLD (2015 IEITI Report, pp.106-107) and for each of the NOCs by company (2015 IEITI Report, p.108). For social expenditure information from NOCs by oilfield the information is not disaggregated by company partnering in the TSC consortium, by expenditure item or purpose, with only aggregate values provided for cash and in-kind social expenditure. Information on “social contribution” expenditures by NOC is disaggregated and costed for each of the four NOCs.

Mandatory training: While the 2015 IEITI Report does not state whether IOCs’ contributions to the MoO or SOEs to undertake workforce training is mandatory under the terms of TSCs, it discloses IOCs’ and NOCs’ reporting of their expenditure on such training programmes. Ten IOCs’ spending on training programmes is provided (2015 IEITI Report, pp.17,124-126), including information on budgeted amounts, actual expenditures, remaining amounts and number of participants trained. Given that figures are

provided for several years and for different periods¹³⁴ however, the specific training expenditures for 2015 are not provided. It also appears that several IOCs did not report any such expenditures, but no explanation was given as to why. Brief descriptions of the training courses undertaken by eight of the oil companies in 2015 are listed (2015 IEITI Report, p.126), including number of participants. It is unclear why two of the ten companies (Exploration No.9 and Exploration No.12) did not report the detail of their training expenditure for 2015. A link¹³⁵ is provided to more information on each of the eight reporting companies' training expenditure in 2015. The report also lists the number of training courses held by Basrah Gas Company (2015 IEITI Report, p.44).

The report also provides NOCs' disclosures (reviewed by PCLD) of the number of training courses and total amount spent on training in 2015 for the 18 oil blocks (2015 IEITI Report, pp.33-41), although information on training courses held in 2015 is only provided for 11 of the 18 blocks and total expenditure on training is provided only for 9 of the 18 blocks. The NOCs' reporting of training expenditures are for the same blocks as the reporting of IOCs, but relate to state-owned spending rather than IOCs' spending. Figures for training expenditure on one block (Al Gharraf) are also provided for 2014 and 2015 in aggregate, with no explanation as to why these figures were not disaggregated.

In-kind expenditure: The 2015 IEITI Report states that extractives companies operating in Iraq carry out "a number of social projects" both in cash and in-kind, although it is unclear whether these relate to mandatory social expenditures (2015 IEITI Report, p.119). A list of general expenditures is provided¹³⁶, although the same general items were listed for both cash and in-kind contributions. A link¹³⁷ is provided to p.39 of the 2015 IEITI "annual activity report" for more information on the impact of "social benefits", although it is notable that the 2015 annual progress report only contained 34 pages did not address the issue of social payments. While the aggregate of NOCs' reporting of social expenditures undertaken by each of the oilfield consortiums (2015 IEITI Report, pp.106-107) and for each of the NOCs (2015 IEITI Report, p.108) is disaggregated between cash and in-kind contributions, the detailed "purposes" listed for each aggregate expenditure is not split between cash and in-kind and the specific allocations to each purpose are unclear.

Beneficiaries: The beneficiaries of mandatory social expenditures disclosed in the 2015 IEITI Report are unclear.

Voluntary social expenditure: It appears that oil and gas companies undertake voluntary social expenditures (2015 IEITI Report, p.119) but it is unclear whether any of the social expenditures disclosed in the 2015 IEITI Report were voluntary.

Stakeholder views

Mandatory social expenditures: Although most MSG members agreed that there were mandatory social expenditures, there was considerable confusion over the exact list of social expenditures that are

¹³⁴ These figures are provided for the period 2010-2015, aside from Exploration blocks 9, 10 and 12 which are provided for the 2013-2015 period and Kuwait Energy for the period 2011-2015.

¹³⁵ <http://ieiti.org/iq/uploads/2015%20Report/Oil%20Compaies%20Trainigs.pdf>

¹³⁶ including "inter alia, health infrastructure, school infrastructure, road infrastructure and other projects and donations for local communities".

¹³⁷ <http://ieiti.org/iq/ArticleShow.aspx?ID=119>

mandatory for IOCs in line with the terms of their TSCs. Several representatives from industry, government and the analyst community confirmed that there had been significant confusion amongst the general public and stated that there were in fact several types of mandatory social expenditures. A government official explained that both IOCs and NOCs undertook mandatory social expenditures, which were categorised as “social benefits” for IOCs and “social contributions” for NOCs. The NOCs’ “social contribution” expenditures were funded from the companies’ operating expenditures and consequently funded from budgetary transfers from the MoF through the MoO. According to several industry and government representatives, spending of USD 5m a year on training was mandatory under the terms of the TSCs and were not cost recoverable, although one government official did not consider training to be a form of mandatory social expenditures. Several CSO representatives considered that the expenditures on training were the only form of mandatory social expenditures in Iraq and that this was paid directly by IOCs to MoO, rather than provided in-kind as services. An industry representative explained that provision of training was provided in kind by IOCs in line with agreed budgets.

In terms of mandatory social contributions of USD 5m introduced in 2014, industry and government representatives confirmed that these were cost recoverable expenses as long as such expenditure had been approved in advance. According to one analyst, there had been significant popular confusion about this new type of mandatory social expenditures. When the Federal Government did not agree a budget for 2014 and oil-producing Governorates did not receive their statutory “petrodollar” allocations in 2014, these Governorates successfully lobbied for the introduction of USD 5m mandatory social expenditures per contractor to the Governorate of the province in which they operated, effective from 2014. While “petrodollar” transfers resumed in 2015, the Governorates insisted on maintaining the separate USD 5m social expenditures, which had created significant popular confusion over the distinctions between the three types of cash transfers.

According to an analyst, another type of mandatory social expenditures had been introduced for exploration blocks awarded during the third bidding round in October 2010, where contractors on these fields were required to allocate 10% of their budgets to social benefits, which were not cost recoverable.

The IA explained that the reporting templates for the 2015 IEITI Report had requested information on social expenditure disaggregated by payment, covering all details listed in Requirement 6.1, but that it had not received such disaggregated reporting from companies. The IA considered that the disaggregation of social expenditures between cost-recoverable and non-cost recoverable items was adequate to meet the requirement to disaggregate mandatory from voluntary social expenditures.

A government representative explained that the cost recoverable annual USD 5m social contributions were always provided in kind, never in cash. However, the IA considered that social expenditures could be provided either in cash or in kind.

Another government representative explained that cost recoverable USD 5m social expenditures could be provided to both government and non-government beneficiaries, depending on programmes agreed with the local communities. An industry representative highlighted challenges in identifying whether beneficiaries of mandatory social expenditures were government entities, questioning whether the beneficiaries of expenditures on public primary schools would be considered government or private entities. The IA noted that on the basis of EITI reporting, some of the beneficiaries of mandatory social expenditures were non-governmental entities such as NGOs. According to one development partner, companies operating under PSCs in the KRG are required to pay a “capacity building bonus” either in

cash or in-kind. The US Department of State has confirmed that oil companies in Kurdistan are mandated in their PSAs to “give back” to the communities in which they operate, with annual payments to the KRG’s MNR who then allocates funds for capacity-building projects (US Department of State, 2016). One parliamentary representative considered that companies operating under PSC in KRG were required to undertake social expenditures mandated by their PSCs, but that these were only provided in kind, not in cash. The KRG’s MNR has published figures up to 2012 for capacity building payments received by the KRG from all PSC-holders combined, disaggregated by type of project (KRG Ministry of Natural Resources, 2014).

Voluntary social expenditures: An industry representative explained that IOCs typically also undertook voluntary corporate social responsibility (CSR) alongside their statutory obligations. While the US Department of State has noted that IOCs operating in Iraq are required to observe international best practice in CSR as part of their contracts with the Government of Iraq, the government does not have policies in place to promote CSR and the concept of CSR is not widely recognised in Iraq (US Department of State, 2016). Several CSOs noted that IOCs undertook voluntary CSR activities and that these were always delivered in-kind rather than in cash.

Several government representatives noted that NOCs owned their own football teams and spent considerable funds to hire players and coaches. They confirmed that these were not mandatory expenditures but that such spending was entirely recorded in each NOC’s **budget** (and by extension the MoO and MoF **budgets**), implying they were forms of social expenditures rather than quasi-fiscal expenditures.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made inadequate progress towards meeting this requirement. The 2015 IEITI Report provides a general description of some types of mandatory social expenditures and discloses some of these expenditures, but not all. The categorisation of social spending is unclear, as is the distinction between cash and in-kind spending, and any non-government beneficiaries of mandatory social expenditures are not clearly identified.

To strengthen implementation, the MSG should clarify ensure that reporting of mandatory social expenditures be disaggregated by type of payment and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures. The MSG may also wish to consider the feasibility of reconciling mandatory social expenditures.

SOE quasi fiscal expenditures (#6.2)

Documentation of progress

The 2015 IEITI Report states that quasi-fiscal expenditures are “not applicable” to Iraq (2015 IEITI Report, p.119), although no justification is provided for this assessment. While the report presents details of each of the NOCs’ spending on “social contributions” (2015 IEITI Report, p.108), this expenditure is categorised as social rather than quasi-fiscal. There is evidence of activities funded by MoO-controlled entities that

would appear to be peripheral to oil and gas activity, such as the “Oil Cultural Centre” (55 staff) and “Oil Training Centres” in Baghdad (589 staff), Baiji (232 staff), Basrah (406 staff) and Kirkuk (220 staff) as well as the “Oil Research and Development Centre” (346 staff) (2015 IEITI Report, p.122). However, no further description of these entities is provided.

Stakeholder views

Several analysts considered that NOCs like South Oil Company could not undertake quasi-fiscal expenditures by definition, since they were not incorporated as legal entities and all their expenditures were recorded in the MoO budget. A SOE representative confirmed that all social expenditures reported by NOCs in the 2015 IEITI Report were entirely recorded in each NOC’s budget, which by extension was reflected in the national budget. The official emphasised that SOEs were not allowed to spend any funds without such expenditures being recorded in their budgets and used the example of football teams to illustrate this. The IA considered that the nine material oil and gas SOEs only undertook social expenditures and that there were no quasi-fiscal expenditures in Iraq. However, the US Department of State noted in 2015 that Iraq had not passed a national budget and that information on off-budget expenditures was not publicly available (US Department of State, 2015), although there is evidence that Iraq did pass a (delayed) national budget for 2015.

A civil society activist not on the MSG highlighted the announcement of what he considered to be new quasi-fiscal expenditures to be undertaken by South Oil Company in the form of tourism and infrastructure development in Basrah City, but confirmed that these were not applicable in 2015.¹³⁸

Initial assessment

The International Secretariat’s initial assessment is that this requirement is not applicable to Iraq given that expenditures by upstream oil and gas SOEs are agreed as part of MoO’s expenditures. The 2015 IEITI Report states that there are no quasi-fiscal expenditures in the mining, oil and gas sector, albeit with little justification, and there is no evidence of any SOE operating in the extractive industries in the KRG (see *Requirement 2.6*).

Contribution of the extractive sector to the economy (#6.3)

Documentation of progress

Share of GDP: The 2015 IEITI Report provides the absolute value (in IQD and USD) of 2015 GDP (at both current and constant prices, albeit without a base year) and the oil and gas sector’s share of 2015 GDP at current prices, sourced from the Ministry of Planning (2015 IEITI Report, pp.15, 120-121).

Government revenues: There is conflicting information in the 2015 IEITI Report regarding total

¹³⁸ The CSO provided the following link to the announcement by South Oil Company:
<http://oil.gov.iq/index.php?name=News&file=print&op=PrintPage&sid=1467>

government revenues from the oil and gas sector, while no figure is provided for government revenues from the mining sector in 2015. Table 113 (2015 IEITI Report, p.111) provides the figure for budgeted oil revenues in 2015 (USD 67.452bn), while Table 128 (2015 IEITI Report, p.121) provides the Ministry of Planning's lower figure for actual oil revenue (USD 50.932bn). Table 4 (2015 IEITI Report, p.14) provides the same figure for actual oil revenues split between crude oil sales revenue (USD 37.346bn) and "total crude oil lifted" (USD 13.586bn), but it is not clear what the figure for "crude oil liftings" refers to. It is also unclear whether this figure was sourced from SOMO, as in the previous table. SOMO's reporting of crude oil sales revenues (USD 37.346bn) is provided in Table 9 (2015 IEITI Report, p.16), although this figure was higher than the SOMO crude oil sales proceeds reported by the DFI (USD 35.458bn) (2015 IEITI Report, p.122). The DFI's reporting of total crude oil lifted (USD 13.586bn) and total oil revenue (USD 50.932bn) (2015 IEITI Report, p.122) were the same as figures from the Ministry of Planning and SOMO. Meanwhile Table 6 (2015 IEITI Report, p.15) provides the NOCs' reporting of the total value of collected CIT in 2015 (USD 308.703m) from eight¹³⁹ producing fields. It is possible to calculate the share of total oil revenues of total government revenues, using the figure for total budgeted 2015 government revenues provided (2015 IEITI Report, p.120), although it is not possible to calculate the share of actual (realised) 2015 government revenues since these are not provided in the 2015 IEITI Report. However, the 2015 IEITI summary data table¹⁴⁰ states that the IA was unable to source a figure for total government revenues from the extractive industries in 2015 "because the Iraqi board of audit supreme [The translation for this has been corrected in the Arabic] didn't approve the financial information for the year 2015 yet." [This has been responded to above.]

[One must comment here that what is referred to in the budget law are planned revenues and that revenues actually achieved are given in the report. They total 50,932,000 American dollars, including sales of crude oil by SOMO in addition to the total crude oil sold to foreign companies in the licensing contracts in the amount of the cash due to them from Iraq. This paragraph must therefore be corrected.]

[Regarding taxes, please refer to the comments recorded in the tables devoted to taxes in the 2015 report, which explains the companies referred to in its contract, that they return to them (in other words the net tax is zero.)

Exports: The 2015 IEITI Report provides the value of 2015 crude oil exports according to SOMO in absolute terms (2015 IEITI Report, pp.14, 121-122). The Kurdistan chapter provides a table of KRG's oil export volumes in 2015 (2015 IEITI Report, p.144), from which the value of 2015 KRG oil exports (through direct sales) can be calculated using the average oil price provided for Iraq's federally-controlled oil sales (2015 IEITI Report, p.14). The value of total oil exports can be calculated in absolute terms by adding the value of KRG direct oil exports from 24 June 2015 to the value of SOMO's crude oil sales (which included the value of KRG oil exports marketed by SOMO in the first half of 2015 – see Requirement 3.3). While the value of oil exports is not provided as a share of total exports, and it is not possible to calculate this share given that the value of total exports is not provided, the 2015 IEITI Report states that oil accounts for "95% of the country's foreign exchange" (2015 IEITI Report, p.120). It is unclear whether this represents 95% of the value of total exports however.

Employment: The 2015 IEITI Report provides the total number of employees "in licensing rounds for

¹³⁹ No corporate income tax was reported for Al Ahdab and Al Badra

¹⁴⁰ <https://drive.google.com/drive/folders/0B9BI74fkArzeDh3S0x6NkRDZHM>

2015”, disaggregated by Iraqi and foreign employees (2015 IEITI Report, p.16) and disaggregated by each of the ten producing oilfields (2015 IEITI Report, pp.33-41). Total employment at MoO is also provided in absolute terms and disaggregated by MoO entity (2015 IEITI Report, p.122). Employment at each of the four NOCs is provided in absolute terms and relative to total employment (2015 IEITI Report, Section 6.3.5, p.123), as well as for Basrah Gas Company (2015 IEITI Report, p.43) and the Iraq Drilling Company (2015 IEITI Report, p.49). A figure is also provided for total formal employment in Iraq (2015 IEITI Report, p.123), from which it is possible to calculate the oil and gas sector’s share of total employment.

Location: The 2015 IEITI Report provides a map of the Iraqi oilfields according to the four licensing rounds, from which it can be estimated where production is based (2015 IEITI Report Section 2.3, p.42). However, maps of oil and gas production in the KRG and mining production in Iraq are not provided.

Stakeholder views

The IA noted that the GDP figures in the 2015 IEITI Report were sourced from the Ministry of Planning and would not otherwise have been available to the public. The IA had not considered the need to include the base year for GDP at constant prices, nor the necessity of including the extractive industries’ share of GDP at constant, rather than current, prices.

The IA explained that while the reporting templates had requested information on employment from each reporting companies, “some companies were unable” to provide this information. A CSO representative highlighted inconsistencies in employment figures cited in different sections of the 2015 IEITI Report, such as those related to Al Gharraf oilfield. Several CSO representatives considered that production of the 2015 IEITI Report had been rushed to ensure it was finalised before the start of Validation, which explained the inaccuracies in macro-economic data presented in the report.

Several stakeholders consulted from all three constituencies and secretariat staff confirmed that the figure for total net government oil and gas revenue could be calculated by adding CIT revenues to proceeds from SOMO’s crude oil sales and subtracting cost recovery, remuneration fees and internal service payments, which covered the costs of oil and gas production.

The Central Bank of Iraq publishes annual statistical bulletins including annual aggregate oil revenues and exports on its website¹⁴¹, with a roughly one-year time lag, while the Central Statistical Organization of Iraq publishes annual GDP and national income reports on its website¹⁴², which include figures for mining albeit with a two-year delay (2014 was published in February 2016).

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made meaningful progress towards meeting this requirement. The 2015 IEITI Report provides, in absolute and relative terms, the oil and gas sector’s share of GDP (albeit in current, rather than constant, prices), of government revenues, of exports and of employment. A map is also provided of the main areas of oil and gas production not including the

¹⁴¹ <http://www.cbi.iq/index.php?pid=Statistics>

¹⁴² <http://cosit.gov.iq/en/national-accounts-statistics/national-income-reports>

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KRG. However, the 2015 IEITI Report provides none of this information for the mining sector, or for the oil and gas sector in Iraqi Kurdistan. The report also does not include exports from the extractive industries as a percentage of total exports.

To strengthen implementation, the MSG should ensure that future IEITI Reports provide the extractive industries, in oil and gas as well as mining in Iraq (including Kurdistan), share of GDP, government revenues, exports and employment in absolute and relative terms. It should also ensure that the location of all significant production is clearly delineated.

Table 6- Summary initial assessment table: Social and economic spending

88. EITI provisions	89. Summary of main findings	90. International Secretariat's initial assessment of progress with the EITI provisions
91. Social expenditures (#6.1)	92. The 2015 IEITI Report provides a general description of some types of mandatory social expenditures and discloses some of these expenditures, but not all. The categorisation of social spending is unclear, as is the distinction between cash and in-kind spending, and any non-government beneficiaries of mandatory social expenditures are not clearly identified.	93. Inadequate progress
94. SOE quasi fiscal expenditures (#6.2)	95. The 2015 IEITI Report states that there are no quasi-fiscal expenditures in the mining, oil and gas sector, albeit with little justification, and there is no evidence of any SOE operating in the extractive industries in the KRG.	96. Not applicable
97. Contribution of the	98. The 2015 IEITI Report	99. Meaningful progress

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extractive sector to the economy (#6.3)	provides, in absolute and relative terms, the oil and gas sector's share of GDP (albeit in current, rather than constant, prices), of government revenues, of exports and of employment. A map is also provided of the main areas of oil and gas production. However, the 2015 IEITI Report provides none of this information for the mining sector, or for the oil and gas sector in Iraqi Kurdistan.	
<p>100. Initial conclusions and recommendations:</p> <p>To strengthen implementation, the MSG should ensure that reporting of mandatory social expenditures be disaggregated by type of payment and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures. The MSG may also wish to consider the feasibility of reconciling mandatory social expenditures.</p> <p>[The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:</p> <p>The 2015 report contains detailed information about social expenditure in kind and in material, mentioning the bodies that are benefitting. The Council will seek to improve the details relating to this item in the 2016 report.]</p> <p>To strengthen implementation, the MSG should ensure that future IEITI Reports provide the extractive industries, in oil and gas as well as mining in Iraq (including Kurdistan), share of GDP, government revenues, exports and employment in absolute and relative terms. It should also ensure that the location of all significant production is clearly delineated.</p> <p>[The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:</p> <p>The report on the Ministry of Planning contains information about Iraq, including the region of Kurdistan, concerning economic, financial and expenditure. Only the social indicators relating to the provinces of the region were not recorded.</p>		

Part III – Outcomes and Impact

Outcomes and Impact

7.1 Overview

This section assesses implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

7.2 Assessment

Public debate (#7.1)

Documentation of progress

The national secretariat has led IEITI's communications efforts, although the civil society constituency has also been actively engaged in EITI-related communications.

Comprehensibility: Iraq EITI Reports are translated into Arabic and Kurdish after they are published in English, although at the time of writing the 2015 Report had not yet been translated. Executive summaries of the 2013 and 2014 Reports were published by IEITI in English, Arabic and Kurdish. In 2016, for the first time, IEITI published the inception report for the 2015 Report on its website. Also for the first time, the 2017-2018 work plan allocates USD 200,000 over the next two years to “produce publications and infographics to summarize the information and data in IEITI reports” with an aim to “Ensure raising the public awareness through the simplified information of the report content and [more broadly] of the natural resource revenues” (IEITI, 2016, s. 5).

Promotion: IEITI staff are active users of social media, and meetings and workshops are regularly shared online. Two promotional videos have been shared with the International Secretariat: a seven-minute long video explaining the initiative's role in Iraq (IEITI, IEITI promotional video, Date unknown) and an eight-minute long video on the role of civil society in Iraq EITI (IEITI, Role of Civil Society in IEITI, 2014).

In 2012 Iraq EITI developed a Media Communications plan with a total of 170 activities planned over the period 2013 and 2014 (Jiyad, Transparency governance in Iraq's extractive industry at a crossroads, 2014). The plan is not available online¹⁴³ and the International Secretariat is not aware of any recent updates to it. Under the objective of raising public debate, the 2017-2018 work plan allocates USD 200,000 over two years to raise “awareness and outreach activities in Iraqi governorates and Kurdistan region”. The work plan also allocates USD 5,000 to report launch conferences over the next two years and USD 20,000 to the dissemination of the report over the same period. According to the latest (2015) annual progress report,

¹⁴³ The only available link, <http://ieiti.org.iq/uploads/newf/الاعلامية%02الخطة.pdf>, does not seem to work.

similar conferences were planned for previous reports but were not implemented.

The 2015 IEITI Report states that the IA is tasked with printing 500 copies of the report in Arabic and 200 in English. The IA is also tasked with providing 1,000 flash drives with electronic copies of the report and executive summaries in Arabic, 200 in Kurdish and 500 in English. The report notes that “*IEITI contributed to spread EITI goals by printing thousands of brochures, USBs, magazines, distributing copies of reports, etc. during the year 2015.*” (IEITI, 2016, s. 129). Meanwhile, the 2015 annual progress report states that approximately 4,000 copies of the 2013 IEITI Report were distributed to universities and institutes, state ministries and (national) oil companies, governmental bodies, institutions and courts, and civil society organisations. The progress report states that printing IEITI materials had a total cost in 2015 of USD 12,452.

Civil society organises regular workshops and events to promote EITI Reports as well as to provide training for civil society. According to ITAEI, 72 such workshops were organised across the country in the period 2013-2015 (ITAEI, 2015). There is no publicly available information on these events, although the national secretariat has shared six affidavits from provincial governments confirming that dissemination events with civil society took place there in 2015.

Public accessibility: Iraq EITI’s website (www.ieiti.org.iq) was off-line at the time of writing but was accessible at the start of Validation. The 2017-2018 work plan allocates USD 30,000 to the development of “the IEITI Website” with an expected outcome of “[creating] a wider platform to publish detailed data of the extractive sector and IEITI activities” and “[regularly announcing] IEITI news, events, future plans and publications”. The World Bank EITI Implementation Support Project includes among its activities support to “communication outreach and engagement, dissemination and other activities. This will involve a Web developer designing, operating and managing the IEITI website estimated for \$25,000.” (World Bank, 2017). According to a World Bank Aide memoire from Nov 2015, “the EITI team indicated that they were seeking to enhance the current static I-EITI website, and upgrade it to a more dynamic one, with state-of-the-art technology enabling real-time, “Q&A and live conversations” with the outside world” (World Bank, 2015).

Open data: The MSG had not yet agreed an Open Data Policy as of the start of Validation. The 2015 IEITI Report states that the 2014 and 2013 Reports were published in CSV and XLSX formats and provides links, but the links were broken at the time of writing (IEITI, 2016, s. 129).¹⁴⁴ Data from the last three IEITI Reports, covering 2013-2015, have been published in machine-readable format on the Iraq country page of the global EITI website¹⁴⁵. Proxy summary data tables have been prepared for IEITI Reports covering 2009-2012 by the International Secretariat.¹⁴⁶

Contribution to public debate: The 2015 Report writes that a number of activities to “enhance public awareness of IEITI” were undertaken in 2015 and lists the following: participating in workshops on stolen asset recovery, on social benefits and on economy, participating in two regional workshops organised by the International Secretariat and contributing to the development of an MA thesis. The 2015 annual progress report explains these activities in further detail. In total IEITI spent USD 93,220 in 2015 in

¹⁴⁴ <http://ieiti.org.iq/uploads/2014%20Report/Summary%20Data%20Template%FINAL2014%20v7.xlsx> and <http://ieiti.org.iq/uploads/report2013/Summary%20Data%20Template%202013%20v4.xlsx>.

¹⁴⁵ <https://eiti.org/iraq#revenue-collection>

¹⁴⁶ <https://eiti.org/iraq#revenue-collection>

“participating in workshops abroad and workshops [in Iraq] in addition to training for civil society, report dissemination activities, etc.” (IEITI, 2016).

The national secretariat has provided photographic evidence of events taking place in 2014, 2015 and 2016. Among these is an event carried out in October 2016 entitled “Pre-Validation Workshop – Impact of the Initiative in Iraq”. The programme for the event explains that this was a parliamentary workshop that was organised in order to demonstrate impact ahead of Validation (IEITI, 2016). Other evidence provided includes screenshots of televised interviews with members of the MSG and workshops organised by civil society organisations. In most cases it is unclear what the events’ intended results were and whether these were accomplished, as well as whether the events were internal or public. A list of links with news articles and interviews was provided to the Secretariat and is annexed to this report. Although many of the links are broken, most of them can be found through google. All links appear to refer to stories or events that took place in the period 2010-2014.

A December 2011 analysis of Iraqi media coverage of the energy sector by the Iraqi Institute for Economic Reform found that few of the 161 media stories on energy in September-October 2010 covered the EITI and did not seem to understand the process. Interviews with 17 Iraqi media leaders at the time revealed that very few had heard of the EITI (Iraqi Institute for Economic Reform, 2011).

Capacity-building efforts: As discussed in greater detail under Requirements 1.4, 1.5 and 7.4, the MSG and civil society specifically have undertaken efforts to increase awareness of the process, improve understanding of the information and data from the reports, and encourage use of the information by citizens, the media and others. The 2015 IEITI Report makes mention of these efforts and refers to the 2015 annual progress report for further details (IEITI, 2016, s. 130).

Stakeholder views

Comprehensibility: Civil society representatives on and off the MSG said that the 2015 IEITI Report was difficult to understand. According to one civil society representative not on the MSG, it had been rushed to be finalised ahead of Validation and had been filled with redundant information to ensure that all the requirements in the Standard were at least touched upon. As a result, the text did not seek to explain the sector but instead tried to “catch everything”. An independent analyst said that she had reviewed the report and found much information that was useful in it, but that the report would have been more helpful if the data had been better presented using figures or graphs. An MoO representative and former MSG member said that he would like to see more public disclosure and more accessibility of information, adding that ideally everything published by IEITI should be in Arabic. The industry representative on the MSG did not have any comments specifically on the comprehensibility of the 2015 Report other than to say that the report reflected the dynamic of the debate in the country.

An independent consultant who reviewed the report issued a statement that called it “rather messy, without clear methodology, thematically overlapping, ambiguous” and “contains many inaccuracies and shocking errors”. According to him, “the length of the Report was not due to substantive contents but due to style: font size, line spacing, tables with large cells, repetition, etc.” and “the Executive Summary is rather confused, badly written and composed of texts copied from the main body of the Report and pasted here without any analytical or logical links” (Jiyad, Iraq EITI Latest Annual Report: Disappointing Despite Improvement, 2017).

Promotion and public accessibility: Members of the secretariat and some members of the MSG expressed pride in their efforts to improve public awareness and encourage public debate. In particular, they highlighted the large number of reports that had been printed, the workshops that they had participated in and the efforts to engage parliamentarians. Some stakeholders from all constituencies, including civil society representatives on the MSG, questioned whether the efforts were being effective. One representative from the MoO questioned the value of general workshops about the findings in IEITI reports without focusing on addressing specific challenges in the sector, the delivery of 4,000 printed reports to entities that hadn't requested them, and the distribution of IEITI merchandising and commemorative plaques in each workshop.

A representative from a think tank said that he was aware of the EITI through his participation in the Iraqi Transparency Alliance for Extractive Industries, a civil society network, but he said that otherwise there was very little public discussion about the content of EITI Reports. He said that his organisation was looking at setting up an online databank, which would include data from EITI reports and enable comparisons from other sources, but that it was a problem that the Iraq EITI website was not regularly updated.

At an MSG meeting that the International Secretariat attended, MSG members praised the efforts of civil society representatives to disseminate the findings of the 2014 IEITI Report through workshops in the KRG and restive northern regions. Representatives from the civil society constituency expressed concern that the public was generally unaware of their efforts. Other MSG members agreed. MSG members from all constituencies nevertheless stressed that it was important that the EITI continue to provide a level of transparency in the sector that they considered to be unique in the region.

With counted exceptions, conversations with analysts, international donors and reporters showed that they were not aware of the work of the EITI in Iraq or only remotely aware. When they first learned about the kind of information that the EITI Standard requires implementing countries to provide, they expressed strong interest and said that the EITI could be used to bring clarity to things like sub-national transfers, budgets, social payments, cost recovery and production.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made meaningful progress in meeting this requirement. Iraq EITI produces abundant paper copies of the IEITI Report and these are widely distributed. Even though the 2015 IEITI Report had not yet been translated into Arabic and Kurdish and a summary report had not been published by the start of Validation, this is standard practice in Iraq. There are also efforts underway to revamp the Iraq EITI website and the national secretariat actively promotes the EITI through social media. However, there were strong concerns that the 2015 Report was confusing and difficult to read, and that promotion efforts have not actually contributed to the public debate. Iraq has not agreed a clear policy on the access, release and re-use of EITI data and EITI Reports are not available in an open data format online.

To strengthen implementation, IEITI should ensure that future reports are comprehensible, actively promoted, publicly accessible and contribute to public debate. IEITI should consider developing a communications strategy that looks beyond building brand recognition to addressing the national priorities identified in the work plan. IEITI should also agree a clear policy on the access, release and re-

use of EITI data and make EITI Reports available in an open data format online.

Data Accessibility (#7.2)

Documentation of progress

Machine-readable reports: Machine-readable reconciled IEITI data is available on the EITI global website.¹⁴⁷ Iraq's reports are provided in PDF format on the Iraq EITI website¹⁴⁸ but data files are not provided. There is no reference to national or international revenue classification systems in Iraq's EITI Reports.

Summary reports: Executive summaries of the 2013 and 2014 Reports were published by IEITI in English, Arabic and Kurdish. The 2017-2018 work plan includes the publication of infographics to summarize information and data in Iraq EITI Reports as one of its planned activities. The 2015 IEITI Report notes that "an executive summary has been prepared and will be shared on IEITI official website for all previous reports" but this is not detailed further and no links are available (IEITI, 2016).

Revenue streams: There do not appear to be attempts at summarising and comparing the share of each revenue stream to the total amount of revenue that accrues to each respective level of government.

Automated online disclosure: The International Secretariat is not aware of any attempts at automated online disclosure of extractive revenues and payments by government and companies in Iraq beyond the regular publication on SOMO's website of monthly volumes, values and average prices of Basrah and Kirkuk crude since October 2016.¹⁴⁹ According to an independent analyst this information used to be provided by the MoO disaggregated by company and on a monthly basis along with information on total production, total exports and daily selling prices, but this has not been the case since September 2016 (Jiyad, The Ministry of Oil: Shrinking Transparency and Comeback of Deplorable Secrecy, 2016). In October 2016 the Ministry of Oil published what some media outlets called a "rare level of detail" about its crude oil production and exports, showing production figures for each of the 26 fields it controls, plus a single output figure for the KRG (Bloomberg, 2016). There is no indication that this level of disclosure has since been repeated.

The KRG MNR publishes annual reports on its website on production by field and operator, as well as annual production export and consumption reports. For the period June-October 2016 the MNR website published monthly reports of oil sales and consumption, price per barrel achieved, incoming and outgoing financial flows, and total net income received by the KRG, while previous monthly reports (April 2015-May 2016) include storage and export summaries, deliveries to SOMO, daily averages for the month and daily volumes.¹⁵⁰

¹⁴⁷ https://eiti.org/implementing_country/41#reconciled-revenues-by-company

¹⁴⁸ <http://ieiti.org.iq/>

¹⁴⁹ <http://somoil.gov.iq/en/index.php/2015-11-14-05-40-7/46-2015>

¹⁵⁰ <http://mnr.krg.org/index.php/en/oil/monthly-export-production-data>

Stakeholder views

Stakeholders from all constituencies, independent analysts and independent consultants mentioned the decision of the MoO in September 2016 to stop providing information regularly on its website and said that this had made government data less accessible. Whereas some MoO representatives said that the data that used to be provided was now provided instead by SOMO, all other stakeholders who commented on this said that the information provided by SOMO is not as comprehensive as what the MoO used to provide and does not, for example, include data on domestic consumption.

Stakeholders from all constituencies said that there was a need to raise capacity of civil society organisations, citizens and parliamentarians, among others. Stakeholders did not have any comments on summary reports or on the absence of summaries of revenue streams to respective levels of government.

Initial assessment

Requirement 7.2 encourages the MSGs to make EITI reports accessible to public in open data formats. Such efforts are encouraged but not required and are not assessed in determining compliance with the EITI Standard. Iraq's EITI data is available in machine readable format through the EITI global website, drawing on summary data tables completed by the national secretariat. IEITI has also published summaries of past EITI Reports in local languages.

Lessons learned and follow-up on recommendations (#7.3)

Documentation of progress

Recommendations in EITI Reports: Although EITI Reports in Iraq consistently include recommendations, these are almost always focused on improving EITI reporting and do not address broader sector challenges. There are three different lists of recommendations in the 2015 EITI Report. Some of these overlap, making it difficult to understand the order of priority and the extent to which they have been followed.

The 2015 IEITI Report notes that "considerable time" had been spent reviewing recent EITI Reports from other countries to identify items that may be helpful for consideration by the MSG (IEITI, 2016, s. 131). The IA lists four "observations" with associated recommendations to help the MSG improve future reporting (IEITI, 2016, ss. 131-132).¹⁵¹ The 2015 IEITI Report also lists an additional eight "IEITI Challenges" with associated recommendations, but it is not clear how these relate to the four preceding observations (IEITI, 2016, ss. 133-134). Moreover, the "challenges" lead to recommendations that are already part of the EITI Standard. For example, a challenge identified is that "*civil society may not be aware of social contributions in extractive industries*" so the IA recommends "*reporting of the social contribution of the*

¹⁵¹ These include: providing additional guidance on reporting to companies; establishing a communications plan for reporting companies to help improve the accuracy of their work; establishing clearer deadlines for filling in templates; and encouraging reporting entities to voluntarily disclose supporting information to simplify the reconciliation work

extractive industries or in kind contributions". This is already required for mandatory social expenditures under Requirement 6.1. Likewise, the IA recommends that the MSG *"disclose beneficial ownership information and establish a public beneficial ownership registry"*, which is also a requirement under the Standard (Requirement 2.5). More substantially, the IA recommends that *"IEITI should recommend the government to assess the reserves in areas with significant extractive interests. More clear information on proven and probable geological reserves could ensure more efficient production and fiscal planning"*. Furthermore, in order to address inconsistencies in reporting between cash and accrual accounting systems, the IA also recommends that all reporting entities should be required to prepare their financial statements in accordance with IFRS. Likewise, the MSG should *"advise the government to improve their routines for monitoring licensing data and fees in order to ensure that government records on licenses and annual license payments are consistent and accurate"*. The IA identifies as a further challenge that there are various authorities governing the extractive industries and recommends that the MSG *"raise the need for enhanced legal framework"*, but it is not clear what this refers to. Importantly, the IA identifies as a challenge that the MSG *"focuses on compliance with the rules and issuance of annual reports and disregards the information to turn recommendations into reforms"*. In order to address this, the IA recommends that the MSG *"place adequate emphasis on the discussion and implementation/follow up of recommendations, ensure that the information in the reports is useful in providing recommendations for reform and focus more on turning reports into results"* (IEITI, 2016, s. 134).

The 2015 IEITI Report includes a third and somewhat different list of "challenges and recommendations" in section 5.3 of the introduction (IEITI, 2016, s. 21). Some of the recommendations and challenges listed here coincide with the two previous lists, while other are new. As with the two other recommendations lists, it is not always possible to determine whether the recommendations are aimed at the EITI process or at the government. For example, the IA identifies that *"lack of awareness of social responsibilities in extractive industries"* is a challenge and recommends *"developing a policy and guidelines to govern social responsibilities"* without clarifying whether this is a recommendation for the government, for the companies, or for the MSG (IEITI, 2016, s. 21).

The 2015 annual progress report lists a further four obstacles that the MSG identified in 2015. These are in some places incoherent and difficult to understand (IEITI, 2016, s. 27).¹⁵²

Follow-up of recommendations: The 2015 annual progress report includes a brief summary of the MSG's responses to the recommendations from previous reconciliation reports on pages 25 and 26. Six recommendations in total were identified from previous reports, all but one of which had to do with the reporting process itself.¹⁵³ According to the annual progress report, the MSG made changes to its materiality definition, engaged the IA sooner than in the past and improved the quality of reporting templates in 2015. The remaining recommendations were not addressed in 2015. This included the recommendation to bring auditing standards in line with international standards. According to the annual progress report, the MSG made "serious attempts in applying international accounting standards" in 2015

¹⁵² According to the report, the challenges identified by the MSG were: a lack of funding; insufficient industry engagement; lack of information in the mining sector; and lack of engagement from the KRG.

¹⁵³ The recommendations identified from previous reports concerned the materiality definition, the deadlines for reporting, the reporting templates, the role of the secretariat in facilitating information gathering, improving the sign-off procedures for templates and applying international accounting standards to EITI data.

but the MSG continues to see this as a recommendation that needs to be addressed (IEITI, 2016, s. 26).

There are no indications of any reforms in the sector resulting from MSG actions.

Stakeholder views

Secretariat staff and MSG members from government and civil society said that they had in 2016 reached out to members of parliament much more than in the past in an attempt to make implementation more meaningful. The nomination of former Minister of Oil Dr. Ibrahim Bahr al-Olum as “honorary EITI Champion” by the MSG was part of this attempt at engaging influential political figures that could use the EITI as a platform for encouraging reforms. At the same time, secretariat staff and some government representatives on and off the MSG gave the impression that the main lesson learned from implementation was the need for a dedicated EITI Law that would provide a structure for the work of the EITI and a more permanent legal foundation. The secretariat explained that the decree that currently formed the legal basis of the EITI could be revoked by future governments and did not guarantee funding for the EITI. A draft law had been prepared by the secretariat together with representatives from the government and was presented to the Parliament’s Integrity Committee in April 2017.

A CSO representative on the MSG said that the recommendations from EITI implementation were focused on improving implementation and did not address the broader problems in the industry. Some MoO officials supported this, adding that notwithstanding the ministry’s support for the initiative, the EITI in Iraq was not useful in its current form because EITI Reports glossed over the real problems in the industry rather than address the areas where there was corruption. In particular, stakeholders from government and civil society said that EITI Reports should do more about addressing corruption from cost-recovery. National secretariat staff have in the past also identified this as an area where substantial corruption takes place but have said that they did not think that it fell within the scope of the EITI to address it. A senior government representative on the MSG supported this view and said that the EITI should remain a purely technical body and “avoid politics”. One member of the secretariat said that implementing recommendations from EITI Reports had been a priority in 2016 but that the MSG and the secretariat struggled to see how this should be done in practice. MSG members from all constituencies, including the Director General of the IBSA, said that a recurring recommendation in Iraq EITI Reports had been the need to bring auditing standards in line with international standards and that this had been an area where the MSG had sought to make improvements over time but had not yet succeeded.

A counsellor to the Minister of Oil said that a clear lesson from EITI implementation was that more cooperation was needed between Baghdad and the KRG. This has been responded to and the clause must be amended accordingly. He added that he would like to see the EITI do more to bridge that gap. This view was shared by stakeholders from all constituencies, including Kurdish representatives from parliament and from civil society.

Initial assessment

The International Secretariat’s initial assessment is that Iraq has made meaningful progress in meeting this requirement. The MSG has made attempts to act upon lessons learnt, to identify, investigate and address the causes of any discrepancies and weaknesses of the EITI process and to consider the

recommendations for improvements from the IA. The MSG has also made attempts at engaging influential political figures and parliamentarians in order to implement reforms in the sector. In the Secretariat's view, however, additional work needs to be undertaken to ensure that recommendations are meaningful, that they address the wider challenges in the sector, that they are structured and that they are actionable. This could be achieved through updates to the ToRs for the IA that specifically request these recommendations. The MSG could also take a proactive role in formulating its own recommendations. In particular the MSG should consider how to act upon lessons learned in regards to the KRG and identify opportunities to increase engagement with stakeholders there.

Outcomes and impact of implementation (#7.4)

Documentation of progress

The MSG regularly publishes annual progress reports using the template provided by the International Secretariat. The latest progress report, corresponding to the fiscal year 2015, was published on IEITI's website in June 2016.

There is no evidence of the MSG using the annual progress report as a means of benchmarking its strategic decisions providing an assessment of implementation as a basis for formulating future work plans. Annual progress reports are only available in English and are generally written in a way that makes them incomprehensible, **This will be dealt with in coming reports.** also for fluent English-speakers. According to a response by the national secretariat to a survey conducted by the International Secretariat in August 2016, the annual progress report in Iraq *"The APR shows the progress of IEITI to the public, increase the desire of producing for the coming years, gives intensive feeling of responsibility about what must be drawn in IEITI after each report IEITI issues"* (IEITI, 2016).

Summary of activities: The 2015 annual progress report lists 17 activities in total, of which 3 concerned meetings with the World Bank and 3 were directly related to the publication of the 2013 Report. At least 7 concerned meetings attended by the National Secretariat or the National Coordinator, including *"the visit of Secretary General Alaa Mohie El Deen to the religious leader Sayed Hussein Alsadr, who is considered a key social figure"* and which was considered in the report to be *"one of the most important activities of the year"*. The report notes that five MSG meetings were held in 2015 and includes their agendas on page 33 (IEITI, 2016). Some of the activities are listed from other years as if they had been carried out in the year under review.¹⁵⁴

Progress against the requirements: The 2015 annual progress report includes a pro-forma assessment of progress against some EITI Requirements on pages 23 and 24. The assessment addresses only eight (sub)requirements and it is not clear from the report why these requirements in particular were selected and others were not.

Progress addressing recommendations: The 2015 annual progress report includes a brief summary of the

¹⁵⁴ For example, the report lists as one of the activities on page 11, "workshop in Baghdad- Babylon Hotel, titled "the projects of social benefits of IOCs, on 10/10/2010, this workshop is held by the civil society's organization Awan and Rafidi AL- Iraq".

MSG's responses to the recommendations from previous reconciliation reports on pages 25 and 26. Six recommendations in total were identified, all but one of which had to do with the reporting process itself (see Requirement 7.3).

Progress against the work plan: The 2015 annual progress report includes an assessment of performance against targets and activities set out in the workplan. The report lists 22 goals and activities. For each activity the report includes an entry explaining the activities that were implemented and a brief commentary on the outcomes. Some of the activities thus listed are legacy activities such as "establish and operate EITI Secretariat office" or "EITI Validation" that have rolled over from previous work plans and are nevertheless considered covered. Due to the way in which the entries are recorded and the difficulty in understanding what the authors meant to write, it is not possible, on the basis of the 2015 annual progress report, to give an assessment of the extent of progress against the work plan. For example, the activity in the workplan listed as "companies and Ministry of Finance to produce reports on corporate taxes and fees paid to and received by each party respectively" is recorded as completed because "On 10/12/2015, the International Secretariat publishes IEITI 2014 Annual Activity Report". Ten of the activities from the work plan are listed as "not implemented in 2015" or there are no details provided.

Strengthening the impact of implementation: In October 2016, Iraq EITI carried out a workshop with parliamentarians that was meant to strengthen the impact of EITI implementation in Iraq. The event, which was attended by the International Secretariat, discussed among other things the role that the EITI could have in contributing to address the lack of transparency in the KRG and the potential of improving commodity trading disclosure. This event was the first of its kind in an Iraqi context.

Ahead of publication of the annual progress report, IEITI informed the International Secretariat that demonstrating impact of implementation would be an explicit goal of the report. Among other things, this led to the inclusion of an additional section 7 showing how the EITI has had an impact in Iraq at the central and local level (pp.31-32). The English language used in this section is not comprehensible, however, nor is it possible to understand what role the EITI played in the impact that is registered by the report. For example, the report notes that "projects that can contribute in electricity achievement's continuity were submitted in Al Ahrar district the area is related to the province of Waist, all are carried out by the extractive companies to improve the services for citizens", but it is not clear what role the EITI played – if any – in leading this to happen. This section of the report also notes that the EITI in Iraq has had an impact academically insofar as EITI data has been used in three research reports, and in Iraqi society more broadly because it has led to more public debate. There are no signs that the MSG has discussed extending the detail and scope of EITI reporting.

Stakeholder participation: There is evidence in the 2015 annual progress report that stakeholders from civil society in particular participated actively in EITI activities during the year under review (see Requirement 1.3). For example, the report notes civil society engagement in regards to the KRG (p. 27), the organisation of workshops (p. 11) and in engaging with parliamentarians (p.7). As concerns stakeholder participation in the development of the annual progress report, page 32 notes that "the report is sent to MSG as draft, they discussed it with their related entities of ~~ES~~CSO, IOCs, NOCs, in addition to receiving recommendations and documents of these entities to be approved finally. In addition the APR were sent to some research entities to give their opinions and comments".

Stakeholder views

According to civil society representatives on and off the MSG, some civil society members of the MSG were against the publication of the 2015 annual progress report in its current form because it was not considered to be reflective of the work of the ISC and because they did not think that the quality of the report was acceptable. According to one civil society representative on the MSG, when the civil society constituency objected to its publication the secretariat responded that if civil society was unhappy with it they were welcome to publish their own annual activity report. According to this person, the secretariat then proceeded to publish the annual progress report anyway. Concerns were also voiced by civil society representatives on the MSG that the report was only drafted in English because it was meant to fulfil the EITI's requirement, rather than as a tool for the ISC to assess its progress against the work plan. This echoes concerns voiced by an independent analyst about earlier progress reports (Jiyad, IEITI and Transparency - Midyear review, 2016). One international civil society representative noted that the report is largely incomprehensible in sections, even for a native English speaker. Industry and government did not express any views on the annual progress report, although the industry representative confirmed that a final draft had been circulated to the MSG.

Initial assessment

The International Secretariat's initial assessment is that Iraq has made inadequate progress in meeting this requirement. Annual progress reports are published, but only perfunctorily. Text is largely incomprehensible, even for a native English speaker, and there is no indication that the MSG uses the annual progress report as a tool for benchmarking its strategic decisions or providing an assessment of implementation as a basis for formulating future work plan. To strengthen implementation, the MSG should ensure that annual progress reports reflect activities in the year under review clearly and that progress against the workplan is clear. The MSG should also ensure that all stakeholders are given an opportunity to provide input to the annual progress report and that their views are adequately reflected. As secretariat staff participating in meetings makes up a large part of the annual progress report's listed activities, the MSG may wish to consider what kind of activities the report should include. The MSG should also consider drafting and publishing annual progress reports in Arabic to improve the dialogue between stakeholders and ensure that there is a common understanding of the activities carried out by the MSG in the year under review.

Table 7 - Summary initial assessment table: Outcomes and impact

101. EITI provisions	102. Summary of main findings	103. Validator's recommendation on compliance with the EITI provisions (to be completed for 'required' provisions)
104. Public debate (#7.1)	<p>Iraq EITI produces abundant paper copies of the EITI Report and these are widely distributed. Even though the 2015 EITI Report had not yet been translated into Arabic and Kurdish and a summary report had not been published by the start of Validation, this is standard practice in Iraq. There are also efforts underway to revamp the Iraq EITI website and the national secretariat actively promotes the EITI through social media. However, there were strong concerns that the 2015 Report was confusing and difficult to read, and that promotion efforts have not actually contributed to the public debate. Iraq has not agreed a clear policy on the access, release and re-use of EITI data and EITI Reports are not available in an open data format online.</p> <p>105.</p>	106. Meaningful Progress
107. Data accessibility (#7.2)	<p>Iraq's EITI data is available in machine readable format through the EITI global website, drawing on summary data tables completed by the national secretariat. IEITI has also published summaries of past EITI Reports in local</p>	109.

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	languages. 108.	
110. Lessons learned and follow up on recommendations (7.3)	The MSG has made attempts to act upon lessons learnt, to identify, investigate and address the causes of any discrepancies and weaknesses of the EITI process and to consider the recommendations for improvements from the IA. The MSG has also made attempts at engaging influential political figures and parliamentarians in order to implement reforms in the sector. In the Secretariat's view, however, additional work needs to be undertaken to ensure that recommendations are meaningful, that they address the wider challenges in the sector, that they are structured and that they are actionable. This could be achieved through updates to the ToRs for the IA that specifically request these recommendations.	111. Meaningful progress
112. Outcomes and impact of implementation (#7.4)	113. Annual progress reports are published, but only perfunctorily. Text is largely incomprehensible, even for a native English speaker, and there is no indication that the MSG uses the annual progress report as a tool for	114. Inadequate progress

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	<p>benchmarking its strategic decisions or providing an assessment of implementation as a basis for formulating future work plan.</p>	
115.	<p>Secretariat's recommendations:</p> <p>IETI should ensure that future reports are comprehensible, actively promoted, publicly accessible and contribute to public debate. IETI should consider developing a communications strategy that looks beyond building brand recognition to addressing the national priorities identified in the work plan. IETI should also agree a clear policy on the access, release and re-use of EITI data and make EITI Reports available in an open data format online.</p> <p>The Council will use an open data policy in publishing reports.</p> <p>The National Initiative has implemented a number of workshops, where it has dealt with mechanisms for the use of data and information for accountability and improving the management of the sector.]</p> <p>The MSG should consider how to act upon lessons learned in regards to the KRG and identify opportunities to increase engagement with stakeholders. The MSG could also take a proactive role in formulating its own recommendations</p> <p>The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:</p> <p>The National Initiative implemented workshops in the region of Kurdistan (Erbil, Sulaymaniya) aimed at a number of regional parliamentarians, ministers, senior civil servants, provincial councils, local governments, academics and civil society organisations to create awareness of the importance of the region participating in the Initiative and to create pressure on the regional government to participate in the Initiative. Joint committees have sprung from these workshops to follow up this matter. They are still working to implement this.</p> <p>In its meeting No. 40 on 05/10/2016, the Stakeholder Council ratified the implementation of joint meetings with relevant government bodies in the government of the region of Kurdistan to insure their participation.</p> <p>In Session No. 44 on 17/05/2017, the Council ratified the activities... in the region of Kurdistan]</p> <p>The MSG should ensure that annual progress reports reflect activities in the year under review clearly and that progress against the workplan is clear. The MSG should also ensure that all stakeholders are given an opportunity to provide input to the annual progress report and that their views are adequately reflected. As secretariat staff participating in meetings makes up a large part of</p>	

Commented [AT14]: There would appear to be a typo here. The word 'mumta'ida' is unknown.

the annual progress report's listed activities, the MSG may wish to consider what kind of activities the report should include. The MSG should also consider drafting and publishing annual progress reports in Arabic to improve the dialogue between stakeholders and ensure that there is a common understanding of the activities carried out by the MSG in the year under review. [The Stakeholder Council finds that the Evaluation relating to this criterion is unjust and requests that it be changed to 'Satisfactory Progress' for the following reasons:

The 2015 and 2016 Annual Activity Reports contained the activities recorded in the Action Plan. They were ratified after discussion by the Stakeholder Council. The 2015 report was published in English, and all details of the 2016 report were discussed in the Council in Arabic. The National Secretariat worked to translate it into English on the basis of Stakeholder Council Decision No. 39 of 08/06/2016 regarding the 2015 report. It also contained members' activities. In Session No. 44 of 17/05/2017, the Council ratified the use of Arabic in all correspondence of the Initiative, and then it would be translated into English and Kurdish.]

Impact analysis (not to be considered in assessing compliance with the EITI provisions)

Documentation of progress

Impact

Although there is strong potential for the EITI to have a positive impact in the governance of Iraq's oil and gas sector, the potential has yet to be fulfilled. The MSG has made attempts at demonstrating impact but has been constrained by the limited scope of their objectives, which have primarily focused on producing reports.

Constructive engagement: The EITI has provided a platform for discussions among stakeholders that does not otherwise exist in Iraq, and there is evidence of civil society engaging actively and constructively in the EITI. There has also been a drive in 2016 to engage more closely with parliamentarians, although it is not clear what this engagement is intended to lead to beyond the passing of an EITI-specific law. Meanwhile, the focus to date on production of reports rather than on addressing broader governance challenges in the sector have discouraged more active participation from industry and led civil society to question the value of their engagement. Importantly, stakeholders in Federal Iraq and in the KRG recognise the potential of the EITI as a platform to engage more closely with the KRG on matters of transparency in the sector. Despite strong expressions of interest from all stakeholders consulted, progress on this front has been limited. Finally, a deeper and more constructive engagement with the MoO could help ensure that national priorities for the sector are better reflected in EITI work plans and lead to more useful recommendations.

Economic contributions: There is consensus among stakeholders from the three constituencies that the EITI has helped bring transparency to the main source of Iraq's revenues, the sale of oil by SOMO. However, stakeholders have struggled to move beyond these disclosures to explain the broader picture in which these payments are made and there is not a clear understanding of what else the EITI could be doing to address the broader challenges of the sector. Although the 2015 annual progress report notes that EITI disclosures on revenue contributions from the IOCs may have led the MoO to renegotiate some contracts in ways that could have saved the GOI up to USD 2.3 million, this claim was not supported by stakeholders at the MoO who argued that the impact of the EITI in Iraq's extractive sector has been constrained to the publication of reports. Analysts consulted said that the kind of information that the EITI is expected to provide on economic contributions would be both useful and relevant in an Iraqi context as there are many areas that are not well understood (*see Conclusions and lessons learned*).

Public understanding: According to stakeholders from all constituencies, the EITI has contributed to raising public understanding of oil revenues through the publication of reports and their dissemination in public events. During an MSG meeting attended by the International Secretariat, MSG members from CS said that in spite of the shortcomings of the EITI in Iraq it at least provided a level of transparency of oil revenues that was unique in the region. According to CSOs, EITI reports were the first source of public information on what revenues went to the Development Fund for Iraq (DFI). This information has been used by civil society to compare revenues reported in EITI reports to revenues reported in the Iraqi budget (Iraqi Transparency Alliance for Extractive Industries, 2015). One analyst said that they sometimes used EITI reports to get background information on the sector. At the same time there is general

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consensus among all stakeholders consulted that the EITI's impact on improving public understanding has been limited and the process has been largely introspective. Workshops and dissemination activities have focused on the publication of the report and the reconciliation of oil sales data instead of addressing how the data could be used to address broader challenges in the sector.

Strengthening government systems: The Director General of SOMO considered that the reconciliation of oil sales with the buyers had contributed to strengthen the transparency and accountability of the oil sales process. There was consensus among stakeholders about the importance of ensuring that the sale of Iraq's oil was transparent and well managed as the main source of revenue to the state. Secretariat staff argued that the passing of the EITI law would also help to strengthen government systems by institutionalising the EITI.

Besides providing transparency to oil sales, stakeholders from all constituencies said that the EITI was not having an impact on the governance of the extractive sector. The reasons given varied. According to the industry representative in the MSG, the main reason was that stakeholders were reticent to use the process to address real governance problems in the government, choosing instead to focus on the role of international oil companies. A senior government representative at the Ministry of Oil said that Iraq EITI was not contributing to encourage public debate because it was focused on its own internal reporting. Some civil society representatives who were not in the MSG said that the EITI could be more effective in encouraging public debate if information were provided more regularly, for example through regular publications on the IEITI website.

Recognition: Brand recognition has been the biggest priority for Iraq EITI. Distribution of IEITI merchandise and commemorative plaques form an important part of workshops and dissemination arrangements organised by the secretariat and members of the MSG. A number of MSG members from government and civil society lamented that in spite of their efforts the EITI was not as widely known as they would have liked. According to a senior representative of the MoO, there is a concern in the ministry that brand recognition may crowd out other activities and goals of the EITI. One consultant said that the EITI had had a real impact during the first two years of its existence insofar as it had helped to raise awareness about the revenues to the government from oil sales. After Iraq had been declared compliant under the EITI Rules, however, the process had been deteriorating and with it the impact it had sought to deliver.

Sustainability

Increasing distance from the MoO and other government agencies is creating a real threat to the sustainability of the EITI in Iraq. The MSG and the national secretariat have tried to address this by reaching out to influential former government representatives and individuals in the government and through EITI-specific legislation, but progress is slow.

Funding: The EITI in Iraq is nominally co-funded by the Government of Iraq and the World Bank, although funding was not provided in 2015 and 2016. There were also concerns raised by the secretariat about whether funding would be available for 2017, although assurances were given to the International Secretariat by the MoO that this would be the case. The *de facto* dependence on the Bank to provide funding is a risk to the sustainability of the programme, especially as the current EGPS agreement foresees a higher level of government funding than was the case under the MDTF. While funding [is available](#) for implementation until the end of 2018, financial support for IEITI thereafter will to some extent depend on the government's ability to cover its commitment to co-fund the process. Importantly,

external funding appears to have also contributed to the isolation of the EITI from the rest of the government systems because the funding is provided directly to IEITI upon request from the Ministry of Finance.

Institutionalisation: The EITI in Iraq has over time developed into a semi-independent entity that receives funding directly from the World Bank and where the national secretariat's accountability to the government or to other stakeholders is difficult to ascertain. Nominally this accountability happens through the chairmanship of the Secretary General of the Council of Ministers, Dr. Al Alaq, but stakeholders from all constituencies agree that he is too busy to engage in the EITI and that he delegates on the National Coordinator, Alaa Mohie El-Deen, in his role as Vice Chair of the MSG. Stakeholders from civil society and from the MoO have expressed concern that over time this has developed into a "one-man show" which has had the effect of ostracising the EITI from the broader government and increasingly has led the MoO to disengage from the MSG. Rather than seek to engage the MoO more closely, the national secretariat and the MSG have sought political patronage of influential political figures outside the government such as former Minister of Oil Ibrahim Bahr Al-Olum.

Secretariat staff expressed concern that the fact that a presidential decree was the only legal foundation for the EITI posed a risk to the sustainability of the process because presidential decrees could be changed or revoked at the will of the government at any time. The MSG and the secretariat have therefore over the last three years sought to draft and pass an EITI-law that would institutionalise the EITI as an independent government agency with a dedicated budget line. Progress has been slow, however, and the draft law has not yet been presented to parliament.

Conclusions, lessons learnt and recommendations

Stakeholder consultation showed that there is a very real need for the kind of information and stakeholder discussions that the EITI Standard is able to provide. In particular, the EITI could be used in Iraq to:

- Clarify the **financial relations between state-owned extractives companies and their ministries**, in line with reforms pledged for the IMF's 2016 standby agreement with Iraq.
- Establish a more granular assessment of Iraq's **national management of oil and gas revenues**, including tracking of the budget-making process, budget execution and subnational transfers (e.g. "petrodollar" allocations).
- Provide a source of **reliable historical crude oil production and export data** for a key OPEC member, resolving disagreements on methodology with independent data providers.
- Establish a centralised database of **oilfield information** including license-owners and terms of service contracts.
- Provide a centralised **overview of fiscal terms** in Iraq's oil and gas industry, absent comprehensive oil and gas legislation.
- Act as an annual **diagnostic of the administration of corporate income tax** in the oil and gas sector, helping resolve disagreements between IOCs and the government.
- Provide a mechanism for tracking oil and gas companies' **mandatory social expenditures** (both training and social contributions).

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Act as an annual **diagnostic of auditing practices** of both government entities overseeing the oil and gas sector and companies buying crude oil from Iraq. Support working-level channel of communications between the Iraqi Federal Government and the **Kurdistan Regional Government (KRG)** on oil and gas issues. Provide general **updates on the mining sector**. Without reconciling mining payments to government, Iraq's EITI can provide sufficient information through EITI Reports to support its investment promotion agenda. Provide a platform for **shaping open data reforms** by the Iraqi Government, leveraging its open data standards for EITI reporting.

At the same time, it is clear from this exercise that the EITI is not reaching its potential as a tool for improving the governance of the sector. Instead, the clear impression remains that members of the secretariat and some members of the MSG see the EITI as a set of tasks that need to be carried out so that the World Bank will continue to provide funding for the national secretariat. Some stakeholders, including from civil society and from the MoO have expressed strong concerns about this and at the same time stressed that notwithstanding its problems the EITI still contributes to a level of transparency that is unequalled in the region. In order to fulfil its potential, IEITI should use the findings of this Validation exercise to conduct a thorough review of its structure, internal governance and ambitions. Looking forward, IEITI should also use this exercise to identify areas where there is potential to strengthen government and corporate systems through mainstreaming of EITI disclosures.

Annexes



Annex A - List of MSG members

As provided by IEITI national secretariat

مجلس أصحاب
المصلحة
Stakeholders Council

Since	Organization	Name	Constituency
2015\10	Secretary General of the Council of Ministers	Mahdi AlAlaaq	The Head of MSG
2009	Secretary General	Alaa Rasoul Mohie Aldeen	National Secretary
2014	Director General of Administrative Department \ Ministry of Finance	خالد صلاح الدين مراد Khalid Salh AlDeen Murad	Government
2017\05	Director General \ Office of Financial Supervision	د. نضال عبدالزهره مرداو Dr. Nidhal Abdilzahraa Murado	
2014\11	Director General of Geological Survey \ Ministry of Industry	د. صفاء الدين فخري عبدالمجيد فخري Dr. Safaa AlDeen Fakhree Abdil Majeed Fakhree	

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2017/05	Consultant of the Minister of oil \ Ministry of Oil	ضياء جعفر حجام Diyaa Jafar Hajam	
2017/05	Director General of North oil company \ Ministry of Oil	فريد جادر صادق Farid Jadir Sadiq	National Companies
2017/05	Director General of Midland oil company \ Ministry of Oil	جلال احمد محمود Jalal Ahmed Mahmood	
	Director General of South oil company \ Ministry of Oil	حيان عبدالغني عبدالزهره Hayen AbdilAlGhani AbdilZahraa	
2014\11	Rafiday Allraq Aljadeded Organization	علي نعمة محمد Ali Neema Muhammed	Civil Society
2014\11	منظمة نحو المواطنة الشبابية	خالد عطاء النقشبندي Khalid Ataa AlNaqshbindi	
	Union of Accountant and Auditors	د.عبدالصاحب نجم عبد Dr. Abd Sahib Najem Abid	
2014\11	Awan Organization for awareness and capacity development organization women's	فريال عبدالسادة عبود الكعبي Fryal Abd Sadah Aboud AlKaebi	
2014\11	منظمة شعوب للثقافة	سعيد ياسين موسى Saed Yassen Mousa	
2015		ماجد محمد حسن خليل الصوري Majid Muhammed Hassan Alsouri	

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	Shell Company	كريستوس مايلوناس Christos Mylonas	IoCs
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Annex B – MSG meeting attendance

The International Secretariat requested a summary of meeting attendance from the national secretariat. In its absence, the International Secretariat has used the signed MSG meeting minutes that it has received, corresponding to the period February 2015 to February 2017.

We attach a copy of the summary of attendance of Council meetings as reflected in the minutes, the attendance record and media documentation of its sessions. By the way, there were 11 sessions and not 9. The opinion of the Council must therefore be taken on this, and the evaluation and all relevant sections of the criterion must be reviewed.

Name and constituency (as categorized by the minutes)	2017	2016			2015					Actual/ possib (percen	
	2/2	5/10	8/6	27/3	7/12	12/10	3/06	26/3	23/2		
Civil Society	Abdulsahib Najim	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	9/9 (100%)
	Majid Sury/ Representative of XX	Sgnd.	Sgnd.								2/3 (66%)
	Representative of the XX/ Representative from academia (no name given)										0/6 (0%)
	Representative of XX (no name given) / Hady Mary										0/6 (0%)
	Said Yasyn Musa	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	9/9 (100%)
	Faryal Abdulsada Alkaby				Sgnd.	Sgnd.		Sgnd.		Sgnd.	4/9 (44%)
	Ali Nima	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	9/9 (100%)
	Jalid Naqshabandy			Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd. by proxy		Sgnd.	6/9 (66%)
IOCs	Christos Mylonas (Shell Iraq)			Sgnd.		Sgnd.	Sgnd.	Sgnd.		Sgnd.	5/9 (55%)
	Paul Dubetz									Sgnd.	1/9 (11%)

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	(ExxonMobil Iraq)										
	Xu Zhan Feng (CNPC)										0/9 (0%)
NOCs	Hiyan Abdulghani (South Oil Company)		Sgnd. by proxy							--	1/9 (11%)
	Dyah Jafr Hijam (South Oil Company)	--	--	--	--	--	--	--	--	Sgnd.	1/1 (100%)
	Sabah Abdulkazim Shabib (Da'ira al	Sgnd.								-	1/8 (12%)
	Abdulmahdi Hamid Alamida (Daira..	--	--	--	--	--	--	--	--	Sgnd.	1/1 (100%)
	Mansur Abduljaid Jalil (Division of contracts and licenses, Ministry of Oil)				Sgnd.			Sgnd.	Sgnd.		3/9 (33%)
Government Representatives	Nidal Abdulzahra Mardau (IBSA)	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.		Sgnd.	Sgnd.	Sgnd.	8/9 (89%)
	Falah Al Amry (SOMO)	Sgnd. by proxy	Sgnd. by proxy	Sgnd. by proxy	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd. By proxy	9/9 (100%)
	Jalid Salahudin Mirad (MoF)					Sgnd.	Sgnd.	Sgnd.		Sgnd.	4/9 (44%)
	Ministry of Natural Resources of Kurdistan (name not given)										0/9 (0%)
	Safahudin Fajra Abdulmajid (Ministry of Inudstry and mines)	Sgnd.		Sgnd.	Sgnd.	Sgnd.		Sgnd.	Sgnd.		6/9 (66%)
Chair	Mahdi Al Alaq	Sgnd.								Sgnd.	2/9 (22%)

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	(Chair)										
	Alaa Mohie el-Deen (Deputy Chair)	Sgnd.				Sgnd.	Sgnd.	Sgnd.	Sgnd.	Sgnd.	6/9 (66%)
Average attendance per meeting	10/21 (48%)	7/21 (33%)	8/21 (38%)	9/21 (43%)	11/21 (52%)	8/21 (38%)	12/21 (57%)	8/21 (38%)	14/21 (66%)		87/189 (44%)
Annual average attendance	10/21 (48%)	24/63 (38%)			53/105 (50%)						

Annex C – Corporate income tax under TSCs

This annex describes the levy of corporate income tax on international oil companies (IOCs) operating under Technical Service Contracts (TSCs) in Iraq. While based on extensive stakeholder consultations, the explanations are not attributed to specific parties.

Tax liability calculations: All TSC contractors are liable to pay corporate income tax (CIT) of 35% of “incomes due to the foreign oil companies” (2015 IEITI Report, p.95). The Ministry of Oil (MoO) is required to deduct this amount from payments to IOCs, effectively withholding CIT and transferring a net sum to the IOC contractors. In practice, the Ministry of Oil calculates the value of CIT liabilities by levying tax at 35% of remuneration fees owed to IOCs. Companies operating under TSC are also required to withhold 7% of all payments to subcontractors and to remit these deductions to the General Commission on Taxes in cash.

Remuneration fee payment mechanism: Under the terms of TSCs, IOCs are entitled to claim cost recovery and remuneration fees either in cash or in-kind, through requests made on an annual basis. All IOCs have elected to be paid in-kind, through allocations by SOMO of crude oil liftings (known as “TSC liftings”). Every month, the joint management committee (JMC) for each TSC submits costs and production figures to a MoO sub-committee on costs (led by the Petroleum and Contracting Department – PCLD). Following review, cost recovery and remuneration fee claims are submitted to the Minister of Oil for approval, before being forwarded to the Ministry of Finance (MoF). The MoF then transferred equivalent funds on a monthly basis to the MoO administration department, which then transferred funds to State Oil Marketing Company (SOMO). The marketing company then calculates TSC lifting volumes for each IOC based on the monthly Official Selling Price (OSP).

The MoO normally gives priority to paying cost recovery before remuneration fees. For instance, while the Badra oilfield started producing in 2014, TSC contractors only received cost recovery payments in 2015. The remuneration fees (and associated CIT deductions) were accumulated in the license-holder Midland Oil Company’s accounts for future payment (in 2017).

Tax settlement process: For all oilfields under TSC aside from Ahdab, the MoO deducts the 35% CIT from remuneration fees released to IOCs. Upon closing end-year accounts, the MoO informs the MoF of its CIT deductions, which are subsequently deducted from the MoO’s budget in the first quarter of the following year and transferred to the General Commission on Taxes.

In the case of Ahdab, which had originally been awarded as a production-sharing contract (PSC) in 1997 before being converted into the first TSC in 2008, the contractor (Al Waha Petroleum) pays CIT in cash directly to the General Commission on Taxes. While the Ahdab TSC set CIT at 15% of profit, the effective CIT rate was 35% given that the terms of the original TSC were superseded by the 2011 instructions (n.5) on oil and gas contracts tax. However, the TSC provides for the recovery of CIT payments on the Ahdab oilfield, given that the original PSC had exempted the operating company of all tax. The Ahdab TSC contractor submitted the CIT receipt received from the General Commission on Taxes to the license-holder (Midland Oil Company), which then included the sum in the contractor’s recoverable costs.

Areas of contention: However, there has been disagreement between MoO and IOCs over the basis for

calculating CIT. Companies have argued that CIT should be levied on a company's realized profit rather than gross remuneration fees. While most costs were recovered through the TSCs' cost recovery mechanism, companies have argued that non-recoverable costs like mandatory social expenditures on training (of USD 5m a year) and companies' cost of funding (e.g. interest payments on company debt) should be deducted from remuneration fees to calculate the profit base on which CIT should be calculated. The 2015 IEITI Report shows that certain IOCs refusing to recognize a CIT liability for specific years, despite receiving remuneration fees, while partners in the TSC consortium did.

There are also differences in the CIT revenues recorded by MoO and MoF, which government stakeholders consider may be due to differences in the basis for calculating CIT liabilities. In 2017, Prime Minister Haider al-Abadi established a committee, composed of representatives from MoO, MoF, the General Commission on Taxes and the Board of Supreme Audit, to recalculate CIT liabilities for all oilfields under TSC for the period 2010-2016.

Annex D – Fiscal terms under Iraqi Technical Service Contracts

This annex describes the different terms of Technical Service Contracts as a result of the way they were awarded or subsequent to their renegotiations and amendments. While based on extensive stakeholder consultations, the explanations are only rarely attributed to specific parties.

With a Federal Oil and Gas Law still pending since 2007, the fiscal terms for IOCs in Iraq are set through the terms of individual TSCs.

TSC terms: The Iraqi Federal Government has concluded a total of 18 contracts with IOCs, most of which were awarded through the four bidding rounds held in 2009-2012. All but one (Ahdab) of the Technical Service Contracts (TSCs) were based on the model TSC published in April 2009¹⁵⁵. Under the TSC structure, IOCs are contracted by the MoO to produce oil and gas from oilfields whose licenses are held by one of the NOCs. The consortium of TSC partners receives reimbursement for production and operational costs (known as cost recovery), while receive a fixed remuneration fee per barrel of oil produced above a certain threshold. All analysts consulted confirmed that TSCs were standard contracts with the level of production plateaus and a Dutch auction on remuneration fees as the key bid terms. The original TSCs included a fixed 25% stake in the TSC consortium for the NOC, although the NOC participating in the TSC consortium was not always the same NOC that held the actual oilfield license.¹⁵⁶

Fiscal terms: Under TSCs, the oilfield development programme is based on approved work plans based on the operator's funding and the Iraqi Government's budgeted investments (Iraqi Economists, 2016). All stakeholders confirmed that IOCs operating under TSC received payment for cost recovery and remuneration fees in-kind, as a share of oil exports (see Annex xx). According to independent analysts, remuneration fees are paid on a quarterly basis to the operator from a maximum of 50% of the additional oil produced on top of a set level of production, termed "first production". While the remuneration fee per barrel produced varies per field, the average for the six largest oilfields has been calculated as a gross USD 1.64 per barrel, from which deductions of 25% are made for the State partner and an additional 35% withheld for covering the 35% CIT (Iraqi Economists, 2016). Analysts and the US Department of State have highlighted how fiscal terms under Iraqi TSCs, particularly remuneration fees, offer lower returns than in other jurisdictions (US Department of State, 2016). While the TSCs provide for penalties for TSC contractors that missed the agreed production plateau targets, in the form of pro rata reductions in remuneration fees, one analyst expressed uncertainty over whether these penalties were being applied.

However, as international oil prices have declined, the costs of production has risen relative to oil revenues. In September 2016, Platts has estimated that the proportion of oil revenues paid in cost recovery and remuneration fees was around 16% when oil prices were above USD100 per barrel, but rose to as high as 48% in a significantly lower price environment (Platts, 2016). For instance, Platts revealed that in September 2016 alone, Iraq allocated 1.066m barrels of oil as "payback oil" out of a total of 3.257m barrels allocated for export, which at an oil price of USD 48 per barrel would be worth USD 1.54bn out of a total of USD 4.7bn in crude oil allocated for export (Platts, 2016).

Several analysts highlighted the higher level of payments for cost recovery than for remuneration fees, at

¹⁵⁵ <http://platformlondon.org/documents/PFTSC-23-Apr-09.pdf>

¹⁵⁶ The oilfield licenses are owned by the following: MdOC (Ahdab, Badra, Mansuriya, Akkaz, Block 8), SOC (Zubair, Rumaila, West Qurna 1, West Qurna 2, Garraf, Majnoon, Siba, Blocks 9, 10, 12), MOC (Missan, Halfaya) and NOC (Najma, Qayara).

times up to tenfold higher levels in recent years. While this was due to the recovery of big-ticket costs at the start of production, the analysts emphasised the short timeframe for cost recovery under Iraqi TSCs, which improved the attractiveness of such contracts for IOCs.

The Ahdab exception: While most TSCs are modelled on the same contract template, there is consensus amongst all stakeholders consulted that the Ahdab TSC was unique, as the first TSC awarded in 2008. The Ahdab oilfield was originally been awarded as a production-sharing contract (PSC) in 1997, before being converted into the first TSC in 2008, to Al Waha Petroleum Ltd., a joint-venture between China National Petroleum Corp. (CNPC) and China North Industries Corp., two Chinese state-owned companies. The original PSC had exempted Al Waha Petroleum from CIT on the oilfield. While the original 2008 TSC for Ahdab set the rate of CIT at 15% of Al Waha's income and the 2011 instruction (n.5) on oil and gas contract tax raised this rate to 35%, the TSC provided for CIT on the Ahdab oilfield to be cost recoverable. Under the agreement, Al Waha Petroleum pays CIT in cash to the General Commission on Taxes, subsequently submitting the receipt to the NOC holding the license for the Ahdab oilfield (Midland Oil Company) for inclusion in the cost recovery calculations. Al Waha Petroleum is then reimbursed for these costs in kind, as a share of crude oil. For all other TSC contractors, CIT is deducted from remuneration fees collected in kind. In addition, the NOC participating in the TSC consortium (SOMO), is required to cover costs in line with its stake (25%), in contrast to other oilfield TSC consortia like Rumaila, in which SOMO's 6% stake is carried by the contractor.

TSC amendments: While there was consensus amongst stakeholder consulted that a number of TSCs had been amended after their original signing and that this was a contentious issue in Iraq, there were widely different views on the timing and nature of the specific TSC amendments. Upon extensive consultations, a senior government official explained authoritatively that five main TSCs had been amended since the bid rounds: Rumaila, West Qurna 1, West Qurna 2, Zubair and Block 9. There was consensus amongst stakeholders that the nature of amendments had not been made public, even if there were different views on whether TSCs (either the original or amended versions) were available to the public upon request (*see Requirement 2.4*).

While there have been general descriptions such revisions in the press (Al-Monitor, 2016) (Reuters, 2016), there has only been one published study on the nature of such TSC amendments. A 2010 investigation into the second licensing round in 2009 by the NGO PLATFORM found that the Rumaila TSC had been privately renegotiated with the winning BP/CNPC consortium three months after the conclusion of the bidding round (PLATFORM, 2010). Having gained access to the renegotiated contract, PLATFORM found that the terms had been significantly revised from the published model contract on which the auction was based, with the net effect of transferring the most significant risks associated with the TSC from the BP/CNPC consortium to the government. The main changes identified included provisions for the Iraqi Government to compensate BP/CNPC for any cuts in production due to constraints from any future OPEC quota, in contrast to provisions of the original contract that required the sharing of the cost of complying with any OPEC quota cut between the government and contractors. The NGO also found that the renegotiated contract transferred responsibility for compensating for constraints in transport and export infrastructure solely to the government, rather than being split between government and the consortium. It also found that the revised contract raised the threshold for requiring South Oil Company's approval of expenditures on Rumaila from USD 50m to USD 100m, with the automatic granting of SOC's approval after 45 days. The revised contract also required the government to compensate the consortium for business interruption due to "force majeure" of more than 90 days, rather than costs being split as under

the original contract. Finally, PLATFORM found that the revised contract waved the operating consortium's responsibility for any geological damages to Iraq's oil reservoirs as a result of producing oil too quickly or inefficiently (PLATFORM, 2010).

Several government stakeholders confirmed that the main amendments to the renegotiated TSCs related to the level and duration of production plateaus, which in turn impacted cost recovery calculations. One analyst highlighted that certain amended TSCs such as Al Rumaila had seen the removal of the R-factor in the amended TSC, thereby removing the link between revenues and costs and improving returns for the contractor. However, there was consensus amongst all stakeholders consulted that there had been no change to the level of remuneration fees.

One of the analysts explained that the level of participation of NOCs in some of the amended TSC consortia had been reduced¹⁵⁷ as a means of improving the commercial returns of IOCs on these TSCs. Several analysts highlighted the value of EITI information on the structure of TSC consortia, noting the existence of contradictory information on the precise splits and identity of NOC partners on specific TSC consortia in the public domain.

¹⁵⁷ Thus, from the initial 25% stake, the government partner's stake in the following TSCs was reduced to 10% for Halfaya, 5% for Al Zubair, 5% for West Qurna 1 and 6% for Al Rumaila.

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Annex E – Materiality calculations for corporate income tax omissions

Oilfield name	Operator	Partner	Include d in reconci liation?	Reported corporate income tax?	CIT Value (USD)
Ahdab	Al Waha Petroleum	Al Waha Petroleum Co. Ltd (75%) SOMO (25%)	Yes	No	
Badra	Gazprom Neft Badra B.V.	Gazprom Neft Badra BV (30%)	Yes	To be provided	
		KOGAS Badra BV (22.5%)	Yes	To be provided	
		Petronas Badra (15%)	Yes	To be provided	
		TPAO Badra Ltd. (7.5%)	Yes	To be provided	
		Iraq Oil Exploration Company (25%)			
Helfaya	PetroChina	Petrochina (45%)	Yes	Aggregate reported by North Oil Co. (?)	
		Total (22.5%)	Yes	Petronas did not recognise CIT for this field.	
		PETRONAS (22.5%)	Yes		
		SOC (10%)			
Missan	CNOOC Iraq	CNOOC Iraq (64.75%)	Yes	No	
		TPAO (11.25%)	Yes	No	
		IDC (25%)			
Al Rumaila	BP	BP (47.63%)	Yes	Yes	87,521,874
		PetroChina (46.37%)	Yes	No	
		SOMO (6%)			
Al Zubair	ENI	KOGAS (41.56%)	Yes	To be provided	
		Occidental (29.69%)	Yes	?????	
		ENI (41.56%)	Yes	Yes	19,166,200
		Missan Oil Company (5%)			
West Qurna (1)	ExxonMobil	ExxonMobil (32.7%)	Yes	Yes	17,249,170
		PetroChina (32.69%)	Yes	To be provided	
		Shell (19.61%)	Yes	North Oil Co. reported on Shell's behalf	
		Pertamina (10%)	Yes	To be provided	
		Iraq Oil Exploration Company (5%)			
West Qurna (2)	Lukoil	Lukoil (75%)	Yes	Yes	53,695,027
		North Oil Company (25%)			
Majnoun	Shell	Shell (45%)	Yes	Yes	31,015,542
		Petronas (30%)	Yes	Petronas did not recognise CIT for this field	
		Missan Oil Company (25%)			
Al Gharraf	Petronas	Petronas (45%)	Yes	Petronas did not recognise CIT for this field	
		Japan Petroleum (30%)	Yes	Yes	9,848,965
		North Oil Company (25%)			
				Total CIT reported by	218,496,778
				TOTAL CIT	308,702,547
				Share of CIT reported by IOCs	70.78%
				Implied share of CIT of non-reporting IOCs	29.22%

Annex F – The 2015 IEITI Report’s “other” reconciliations

In addition to the reconciliation of company payments to government, the 2015 IEITI Report provides the results of reconciliation of government payments to companies (remuneration fees and cost recovery), intra-SOE physical product transfers (reconciliation of material balances of crude oil and natural gas) and payments from government to SOEs (internal service payments). Given that such payments are not covered under Requirement 4.1 of the EITI Standard, which only covers company payments to government, the International Secretariat has included a review of the documentation of progress in Annex to the initial assessment.

Material revenue streams: In terms of *government payments to companies*, the 2015 IEITI Report presents the results of reconciliation of remuneration fees (2015 IEITI Report, pp.92, 93-95) and cost recovery (2015 IEITI Report, pp.113-115).

In terms of *intra-SOE transactions*, the 2015 IEITI Report provides the results of reconciliation of internal service payments from SOMO to each of the four NOCs (2015 IEITI Report, Section 4.1.3, pp.102-105).

In terms of *physical flows*, the 2015 IEITI Report presents the results of reconciliation of **crude oil** production volumes between MoO and each of the four NOCs (2015 IEITI Report, Sections 3.2.1-4, pp.52-53), crude oil lifting volumes between SOMO and the four NOCs (2015 IEITI Report, Sections 3.3.1-4, pp.60-63), crude oil volumes supplied to refineries between NOCs and state-owned refining companies (2015 IEITI Report, Sections 3.4.1-3, pp.82-83), crude oil volumes supplied to the Electricity Generation Directorates (2015 IEITI Report, Section 3.4.4, p.84), refined oil products between MoO, OPDC and OPC (2015 IEITI Report, Section 3.4.7, p.87) and of net revenues from the sale of refined oil products to the domestic market between MoF and OPDC (2015 IEITI Report, Section 4.1.2, p.91). The 2015 IEITI Report also provides the results of reconciliation of **natural gas** volumes supplied by NOCs to the three state-owned gas companies (2015 IEITI Report, Section 3.2.5-7, pp.54-55), natural gas volumes supplied to the Electricity Generation Directorates (2015 IEITI Report, Section 3.4.5, p.85), natural gas volumes supplied for internal consumption (2015 IEITI Report, Section 3.4.9, p.88), natural gas volumes supplied to four MIM companies (2015 IEITI Report, Section 3.4.8, p.87) and LPG volumes supplied by national gas companies to the Gas Filling Company (2015 IEITI Report, Section 3.4.6, p.86).

Company reporting: In terms of *government payments to companies*, there appear to have been omissions from several companies’ reporting of their receipt of remuneration fees and cost recovery payments. Eight companies¹⁵⁸ do not appear to have reported their receipts of remuneration fees paid by the MoO, based on the results of reconciliation (2015 IEITI Report, Section 4.1.2.1, pp.93-95):

- BP and PetroChina do not appear to have reported remuneration fee receipts for the Rumaila oilfield, for which the MoO had reported paying USD 377.177m). While it is stated that BP reported that the company had made inadequate recovery and accumulated debt, it is unclear how this impacted the two partners’ ability to report.
- Shell, Pertamina and PetroChina do not appear to have reported remuneration fees from West Qurna

¹⁵⁸ BP, PetroChina, Shell, Pertamina, KOGAS, Al Waha Petroleum, Total, Japan Petroleum.

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(Phase 1), although ExxonMobil had reported its share of remuneration fees. Assuming a lack of discrepancies between what MoO paid and what companies received, the materiality of the three non-reporting companies' omissions could be calculated as USD 94,305m¹⁵⁹, based on MoO disclosures.

- KOGAS does not appear to have reported remuneration fee revenues from Zubair oilfield. Although ENI reported remuneration fee receipts, it is unclear whether it reported an aggregate sum on behalf of both KOGAS and ENI, or merely ENI's own remuneration fee revenues.
- Al Waha Petroleum Co. Ltd does not appear to have reported remuneration fees for Ahdab oilfield, for which MoO had reported paying USD 255,546m. The IEITI 2015 Report only stated that these figures were "to be provided" (2015 IEITI Report, Section 4.1.2.1, p.94).
- Total and PetroChina do not appear to have reported remuneration fees for Halfaya oilfield, although their partner Petronas had. Assuming a lack of discrepancies between what MoO paid and what companies received, the materiality of the two non-reporting companies' omissions could be calculated as USD 102.830m¹⁶⁰, based on MoO disclosures.
- Japan Petroleum did not report its remuneration fee revenues for the Garraf oilfield, although partner Petronas had. Assuming a lack of discrepancies between what MoO paid and what companies received, the materiality of Japan Petroleum's non-reported remuneration fees amounted to USD 8.780m¹⁶¹, based on MoO disclosures.
- In addition, no remuneration fees were reported as having been paid by MoO or received by IOCs for the Missan and Badra oilfields, with the IEITI Report only reporting that these oilfields had "inadequate recovery and accumulated debt for the company" (2015 IEITI Report, Section 4.1.2.1, pp.94-95).

Based on the 2015 IEITI Report's results of reconciliation of cost recovery between MoO and IOCs, aggregated per field (2015 IEITI Report, Section 5.2.3, pp.114-116), it appears that ten companies¹⁶² did not report:

- PetroChina did not report cost recovery figures associated with the Rumaila field. Assuming a lack of discrepancies between what MoO reported as paying and what companies reported as receiving, the materiality of PetroChina's omissions could be calculated as USD 1.051bn.¹⁶³
- Shell, Pertamina and PetroChina do not report cost recovery figures associated with the West Qurna (Phase 1) oilfield. Assuming a lack of discrepancies between what MoO reported as paying and what companies reported as receiving, the materiality of the three companies' combined omissions could be calculated as USD 538.415m.¹⁶⁴

¹⁵⁹ This calculation is based on subtracting the USD 31,527,073 reported as received by ExxonMobil from the total USD 125,832,065 reported as paid to all four partners on the West Qurna (Phase 1) oilfield by MoO.

¹⁶⁰ This calculation is based on subtracting USD 7.369m reported as received by Petronas from the total of USD 110.199m reported as having been paid to all three partners on the Halfaya oilfield by MoO.

¹⁶¹ This calculation is based on subtracting USD 18.176m reported as received by Petronas from the total of USD 26.956m reported as having been paid to the two partners on the Garraf oilfield by MoO.

¹⁶² PetroChina, Shell, Pertamina, CNOOC, TPAO, Al Waha Petroleum, Kogas, Total, Japan Petroleum, Gazprom.

¹⁶³ This calculation is based on subtracting the USD 1,279,023,445 reported as received by BP from the total USD 2,330,126,442 reported as paid in cost recovery to the two partners on the Rumaila oilfield by MoO.

¹⁶⁴ This calculation is based on subtracting the USD 254,037,843 reported as received by ExxonMobil from the total USD 792,452,914 reported as paid in cost recovery to all four partners on the West Qurna oilfield by MoO.

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- Neither CNOOC nor TPAO reported cost recovery figures associated with the Missan oilfield, with their reporting marked as “to be provided”. Based on MoO’s disclosure the materiality of this omission can be estimated as USD 462,128,899.
- Al Waha Petroleum Co. Ltd. Did not report cost recovery figures associated with Ahadab oilfield, with their reporting marked as “to be provided”. Based on MoO’s disclosure the materiality of this omission can be estimated as USD 754,361,166.
- Kogas did not report cost recovery figures associated with the Al Zubair oilfield, while ENI did. Assuming a lack of discrepancies between what MoO reported as paying and what ENI reported as receiving, the materiality of Kogas’ omission could be calculated as USD 659.812m.¹⁶⁵
- Total and PetroChina did not report cost recovery figures associated with the Halfaya oilfield, while Petronas did. Assuming a lack of discrepancies between what MoO reported as paying and what Petronas reported as receiving, the materiality of Total and PetroChina’s combined omissions could be calculated as USD 862.565m.¹⁶⁶
- Japan Petroleum did not report cost recovery figures associated with the Al Gharraf oilfield, while Petronas did. Assuming a lack of discrepancies between what MoO reported as paying and what Petronas reported as receiving, the materiality of Japan Petroleum’s omission could be calculated as USD 229,647m.¹⁶⁷
- JSC Gazprom, Korea Gas and TPAO did not report cost recovery figures associated with the Badra oilfield, while Petronas did. Assuming a lack of discrepancies between what MoO reported as paying and what Petronas reported as receiving, the materiality of the three companies’ combined omissions could be calculated as USD 172.578m.¹⁶⁸

There is also a significant discrepancy between the USD 1.167bn that MoO reported as having paid in cost recovery to the two partners on the Majnoun oilfield and what Shell IPD BV and Petronas reported as having received in cost recovery payments on the oilfield, at USD 1.75bn and USD 881.2m respectively for the year 2015 (2015 IEITI Report, Section 5.2.3, p.116).

Government reporting: In terms of *government payments to companies*, the 2015 IEITI Report provides the NOCs’ reporting of remuneration fees paid to IOCs (2015 IEITI Report, pp.15, 33-41) and cost recovery (2015 IEITI Report, pp.15, 33-41).

¹⁶⁵ This calculation is based on subtracting the USD 584,611,151 reported as received by ENI from the total USD 1,244,423,455 reported as paid in cost recovery to the two partners on the Al Zubair oilfield by MoO.

¹⁶⁶ This calculation is based on subtracting the USD 298,234,021 reported as received by Petronas from the total USD 1,160,798,779 reported as paid in cost recovery to the three partners on the Halfaya oilfield by MoO.

¹⁶⁷ This calculation is based on subtracting the USD 492,286,751 reported as received by Petronas from the total USD 721,934,198 reported as paid in cost recovery to the two partners on the Al Gharraf oilfield by MoO.

¹⁶⁸ This calculation is based on subtracting the USD 59,252,555 reported as received by Petronas from the total USD 231,830,902 reported as paid in cost recovery to all four partners on the Badra oilfield by MoO.

Annex G – Cost of EITI Reports

EITI Report	Cost (USD)	Independent Administrator
2009	190,000	PwC
2010	225,000	PwC
2011	119,000	EY
2012	119,000	EY
2013	157,500	PwC
2014	157,500	PwC
2015	110,000	Kawasamy and Partners (KPMG Jordan)
<i>Source: IEITI</i>		

Annex H – KPMG’s description of 2015 IEITI Report assurance methodology
KPMG Methodology & Spot Check:

First: KPMG Methodology

Our project approach was to be in line with 2016 EITI Standard and with the MSG’s agreed objectives and expectations for the IEITI process

The project approach was broken into the following phases; Preliminary Analysis to produce an inception report in accordance with EITI requirements followed by data collection, initial reconciliation and investigation of discrepancies, then producing draft report, final report and executive summaries

- 1- Preliminary Analysis: Ensure that the scope of the IEITI reporting process has been clearly defined, including the reporting templates, data collection procedures, and the schedule for publishing the IEITI Report for the year 2015
 - Review the relevant background information
 - Work with the MSG to agree on the procedures for incorporating and analyzing contextual and other non-revenue information in the IEITI Report.
 - Review the payments and revenues to be covered in the IEITI Report
 - Review the companies and government entities that are required to report
 - Provide advice to the MSG on the reporting templates based on the agreed benefit streams to be reported and the reporting entities.
 - Provide advice to the MSG in examining the audit and assurance procedures in companies and government entities participating in the EITI reporting process
 - Provide advice to the MSG on what information the MSG should require to be provided by the participating companies and government entities to assure the credibility of the data
 - Provide advice to the MSG on agreeing appropriate provisions relating to safeguarding confidential information.
- 2- Data Collection: Collect the supporting documentation, as well as any information requested to be collected by the MSG, directly from the participating reporting entities and contact the reporting entities directly to clarify any information gaps or discrepancies
 - Distribute the reporting templates and collect the completed forms and associated supporting documentation, as well as any other contextual or other information requested to be collected by the MSG, directly from the participating reporting entities.
 - Contact the reporting entities directly to clarify any information gaps or discrepancies.
- 3- Initial Reconciliation: Reconcile the information disclosed by the reporting entities, identifying any discrepancies and prepare an initial reconciliation report

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- Compile a database with the data provided by the reporting entities.
 - Reconcile the information disclosed by the reporting entities, identifying any discrepancies (including offsetting discrepancies) in accordance with the agreed scope.
 - Prepare an initial reconciliation report based on the reported (unadjusted) data for consideration by the MSG in accordance with the agreed scope.
 - Compile the data collected by the government, MSG, or reporting entities and prepare an initial report based on the reported contextual and other information in the format agreed by the MSG for reporting this information.
- 4- Investigation of Discrepancies: Contact the reporting entities in seeking to clarify any discrepancies in the reported data and submit a draft IA Report to MSG
- Contact the reporting entities in seeking to clarify any discrepancies in the reported data and collect additional data from reporting entities.
 - Review audit reports for publicly available information. We also reviewed DFI reports and management letters which capture information to oil and gas sectors and governmental entities.
 - Submit a draft Independent Administrator's Report to MSG that comprehensively reconciles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the MSG.
 - The draft Independent Administrator's report should:
 - Describe the methodology adopted for the reconciliation of company payments and government revenues, and demonstrate the application of international professional standards.
 - Include a description of each revenue stream, related materiality definitions and thresholds (Requirement 4.1).
 - Include an assessment on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
 - Based on the government's disclosure of total revenues as per Requirement 4.2(b), indicate the coverage of the reconciliation exercise.
 - Include an assessment of whether all companies and government entities within the agreed scope of the IEITI 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 of the report (Requirement 5.3(d)).
- 5- Reporting: Issue the final IEITI report for the year 2015

- Produce electronic data files that can be published together with the final Report.

Second: Spot Check

Through our preliminary study at the beginning of the project and since the inception report, we have been aware of the reconciliations that will be included in the IEITI 2015 report, and accordingly the templates (which have been approved by the MSG) have been prepared and distributed to respective entities. To illustrate this we will give an example of one of the reconciliation in the report which is “the reconciliation of the exported crude oil between the buyers and SOMO”.

We determine who are the parties involved in this reconciliation such as SOMO and Bahart Oman (buyer) and we refer to the template that we received from the respective entities.

In addition, we also did the matching between the ending balances for both entities (SOMO and Baharat Oman), if the two balances matched between the two entities, we review each shipment (cargo) to verify that the shipment registered in the buyer’s accounts is the same as the one registered in SOMO’s account by checking the shipment number and making sure it is registered in the same period.

However, If the balances do not match, we do the following:

- o Matching the two balances (buyer and SOMO records) and determine what are the reasons for these differences
- o Contact with the two entities (buyer and SOMO) asking for the supporting documents related for mismatch transaction (Cargo / shipment) and trying analysis the reason for this mismatching and suggesting an appropriate recommendation to avoid their occurrence in the future.

Annex I – Quality assurance from reporting companies in the 2015 IEITI Report

Name of the Entity	Quality Assurance for the reported info.					Notes
	Approved Templates	Name of the Authorized Person	Officially received	According to IAS	Spot checks on reconciling items?	
Basra Gas Company	✓	✓	✓	✓	✓	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Al WAHA	-	-	-	-	-	No Data were reported
Bashneft International	✓	✓	✓	✓	✓	<input type="checkbox"/>
BP Iraq	✓	✓	✓	✓	✓	<input type="checkbox"/>
CNOOC	-	-	-	-	-	No Data were reported
Dragon	-	-	-	-	-	No Data were reported
ENI	✓	✓	✓	✓	✓	<input type="checkbox"/>
ExxonMobil	✓	✓	✓	✓	✓	Part of the financial statement where added
INPEX	-	-	-	-	-	No Data were reported
Japex	✓	✓	✓	✓	✓	<input type="checkbox"/>
KOGAS	-	-	-	-	-	No Data were reported
Lukoil	✓	✓	✓	✓	✓	
Occudiential	-	-	-	-	-	No Data were reported
Petrochina	-	-	-	-	-	No Data were reported
PETRONAS	✓	✓	✓	✓	✓	<input type="checkbox"/>
Shell	✓	✓	✓	✓	✓	<input type="checkbox"/>
Gas Prom	-	-	-	-	-	No Data were reported

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Kuwait Energy	✓	✓	✓	✓	✓	<input type="checkbox"/>
Premier	-	-	-	-	-	No Data were reported
TPAO	-	-	-	-	-	No Data were reported
Total	-	-	-	-	-	No Data were reported
Sonangol	-	-	-	-	-	No Activities at qaiyarah and Najmah Oilfield
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aioli Limited	✓	✓	✓	✓	✓	<input type="checkbox"/>
Bharat Oman Refineries Limited	✓	✓	✓	✓	✓	<input type="checkbox"/>
Bharat Petroleum Corporation LTD.	✓	✓	✓	✓	✓	<input type="checkbox"/>
BP OIL INTERNATIONAL LIMITED	✓	✓	✓	✓	✓	<input type="checkbox"/>
CEPSA TRADING SAU	✓	✗	✓	✓	✓	<input type="checkbox"/>
Chevron Products Co. A Division Of Chevron U.S.A. Inc.	✓	✓	✓	✓	✓	<input type="checkbox"/>
China National United Oil Corporation	✓	✓	✓	✓	✓	<input type="checkbox"/>
China International (UNIPPEC Asia Co. Ltd)	✓	✓	✓	✓	✓	<input type="checkbox"/>
China Offshore Oil (Singapore) International Pte Ltd	✓	✓	✓	✓	✓	<input type="checkbox"/>
ENI Trading & Shipping SPA	✓	✓	✓	✓	✓	<input type="checkbox"/>
ERG Supply & Trading S.P.A	✓	✓	✓	✓	✓	<input type="checkbox"/>

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ExxonMobil Sales and Supply LLC. U.S.A	✓	✓	✓	✓	✓	<input type="checkbox"/>
GS Caltex Corporation	✓	✓	✓	✓	✓	<input type="checkbox"/>
GUNVOR SA	✓	✓	✓	✓	✓	<input type="checkbox"/>
Hindustan Petroleum Corporation Ltd. – India	✓	✓	✓	✓	✓	<input type="checkbox"/>
HPCL - Mittal Energy Limited	✓	✓	✓	✓	✓	<input type="checkbox"/>
IPLOM INTERNATIONAL SA	✓	✓	✓	✓	✓	<input type="checkbox"/>
JX Nippon Oil & Energy Corporation	✓	✓	✓	✓	✓	<input type="checkbox"/>
Koch Supply & Trading, LP	-	-	-	-	-	No Data were reported
LITASCO MIDDLE EAST DMCC	✓	✓	✓	✓	✓	<input type="checkbox"/>
MOTOR OIL HELLAS CORINTH REFINERIES S.A	✓	✓	✓	✓	✓	<input type="checkbox"/>
China Zhen Hua Oil Co.Ltd.- Main/ (North Petroleum)	✓	✓	✓	✓	✓	<input type="checkbox"/>
Petro Diamond Company limited / Care of Mitsubishi Corporation	✓	✓	✓	✓	✓	<input type="checkbox"/>
PETCO Trading Labuan Company Limited (PTLCL) / PETRONAS	✓	✓	✓	✓	✓	<input type="checkbox"/>
Petro bras Global Trading B.V.	✓	✗	✓	✓	✓	<input type="checkbox"/>
PETROGAL S.	✓	✓	✓	✓	✓	<input type="checkbox"/>

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Phillips 66 International Trading Pte. Ltd.	✓	✓	✓	✓	✓	<input type="checkbox"/>
REPSOL TRADING, S.	✓	✓	✓	✓	✓	<input type="checkbox"/>
RELIANCE INDUSTRIES LIMITED(RIL)	✓	✓	✓	✓	✓	<input type="checkbox"/>
SARAS S.P.A.	✓	✓	✓	✓	✓	<input type="checkbox"/>
SOCIETE ANONYME MAROCAINE DE L'INDUSTRIE DU RAFFINAGE (SAMIR)	✓	✓	✓	✓	✓	<input type="checkbox"/>
SHELL INTERNATIONAL EASTERN TRADING COMPANY	✓	✓	✓	✓	✓	<input type="checkbox"/>
Sinochem International Oil (London) Co. LTD	✓	✓	✓	✓	✓	<input type="checkbox"/>
SK Energy Co., Ltd.	-	-	-	-	-	No Data were reported
SOCAR TRADING SA	✓	✓	✓	✓	✓	<input type="checkbox"/>
TOTSA TOTAL OIL TRADING SA	✓	✓	✓	✓	✓	<input type="checkbox"/>
Toyota Tsusho Corporation	✓	✓	✓	✓	✓	<input type="checkbox"/>
TURKISH PETROLEUM REFINERIES CORP.(TUPRAS)	✓	✓	✓	✓	✓	<input type="checkbox"/>
Valero Marketing & Supply Co.	✓	✓	✓	✓	✓	<input type="checkbox"/>
VITOL REFINING SA	✓	✓	✓	✓	✓	<input type="checkbox"/>
PT PERTAMINA (persero)	-	-	-	-	-	No Data were reported
Indian Oil Corporation Limited – India	✓	✓	✓	✓	✓	<input type="checkbox"/>

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(CHENNI Petroleum)	✓	✓	✓	✓	✓	☐
	☐	☐	☐	☐	☐	☐
Basra Gas Company	✓	✗	✓	-	✓	☐
South Gas Company	✓	✗	✓	-	✓	☐
North Gas Company	✓	✗	✓	-	✓	
Missan Oil Company	✓	✗	✓	-	✓	☐
North Oil Company	✓	✗	✓	-	✓	☐
South Oil Company	✓	✗	✓	-	✓	☐
North Refineries	✓	✗	✓	-	✓	☐
Midland Refineries	✓	✗	✓	-	✓	
South Refineries	✓	✗	✓	-	✓	
North Oil Company Domestic	✓	✗	✓	-	✓	
Midland Oil Company Domestic	✓	✗	✓	-	✓	
Missan Oil Company Domestic	✓	✗	✓	-	✓	
SOC Oil Company Domestic	✓	✗	✓	-	✓	
North Oil Company	✓	✗	✓	-	✓	
Midland Oil Company	✓	✗	✓	-	✓	
Missan Oil Company	✓	✗	✓	-	✓	
South Oil Company	✓	✗	✓	-	✓	
Corporate Tax MoO	-	-	-	-	-	
Transportation Revenue MoO	✗	✗	✓	-	✓	

Source: KPMG Jordan

Annex J – List of stakeholders consulted

Government

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Name	Position/ Organisation	Contact info
Adnan Bhayea	Director/ Akad Institute (CSO)	adnanbhaya2003@yahoo.com ahmediraq7008@yahoo.com
Ahmad Jassam	Director/ Al-Noor organization(CSO), former MSG	
Abdulsahib Najim	Director/ Association of Accountants and auditors(MSG)	sahib49@yahoo.co.uk
Akram sadiq	Senior Researcher/ Iraqi Institute for economic reforming	
Mohammad O AbuDalo	Director/ KPMG (Independent Administrator of IEITI 2015 report)	mabudalo@kpmg.com
Nidhal Abdul Zahrah	Director General/ FBSA(MSG)	nidhalmrdaw@yahoo.com
Saeed Yaseen	Director/ Shauub Organization(CSO), (MSG)	Saidmy04@yahoo.com

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Yasseen Mahdi	Deputy Director General-Oil Pipelines Company/ Ministry of Oil	
Sundus Moussa	Office of Director General/ SOMO(MSG)	sundusamousa@gmail.com
Saffa Fakhri	Director General-Board of Geological survey/ Ministry of Industry	Saffa.fouad1957@gmail.com
Abdulridha Hmood Hameed Abood Ahmed Khalaf	-Midland Oil Company/ Ministry of Oil	
Mansoor Abdulmajeed	Deputy Director General, Former MSG- Technical Directorate/ Ministry of Oil	Oil_tech2@yahoo.com
Khalida Al-Mubarak	Senior Head of Researches- Iraqi Exploration Company/ Ministry of Oil	Khalda_m_baker@yahoo.com

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Dhiaa' Jaafar	Advisor-Former director General of SOC, former MSG / Ministry of Oil	
Shaker Hamed Hamza Mohammed Ali Mohammed Kadhem	PCLD/ Ministry of Oil(MSG)	Sabah law@yahoo.com
Khalid Salahuldeen	(MSG) Director General- Administrative Directorate/ Ministry of Finance (MSG)	khalidmurad@yahoo.com
Saad Frayeh	Director-Fuel Department/ Ministry of Electricity	
Nicola F. Sayegh 	Director/ Ernest and Young (Independent Administrator of IEITI 2011&2012 reports)	nicola.sayegh@jo.ey.com

Haitham S. El-Boukhary	PwC (Independent Administrator of IEITI 2015 report)	<p><u>Mobile Phone: +16479397000 (GMT -4)</u></p> <p><u>Skype Name: haithamsb</u></p> <p><u>Email: haithamsb@yahoo.com</u></p>
Dr. Ali Alshukry	Inspector General/ Ministry of Culture	<u>aalshukry45@yahoo.com</u>
Dr. Othman Ghailan	Director General/ Legal Directorate, Office of Prime Minister	<u>dr.othman_74@yahoo.com</u>

Parliament

XXXXXX

Industry

XXXXXX

Civil Society

XXXXXX

Independent administrators

XXXXXX

Development partners

XXXXXX

Media

XXXXXXX

Others

XXXXXXX

Annex K – List of news and stories items provided by IEITI

المواضيع	الروابط	ت
إقامة ورشة عمل في النجف الأشرف لمعرفة عمل مبادرة الشفافية للصناعات الاستخراجية	http://www.almasaraloula.tv/images/sys/articles/artemai.png	1
مبادرة الشفافية في الصناعات الاستخراجية في محافظة السماوة _ كاظم مسافر_ علي وناس _ السومرية	https://youtu.be/vwQTSAGAI3c	2
النفط تقدم تقريرها الاول الى مبادرة الشفافية	https://youtu.be/l7Tlh2Kp1ul	3
انضمام العراق الى مبادرة الشفافية الدولية 2012 - 5 - 29	https://youtu.be/ZfQIPVkedAo	4
العراق يحصل على العضوية الكاملة للمبادرة الشفافية للصناعات الاستخراجية	https://youtu.be/0xdmKNmw17g	5
موقع مؤسسة الهدى للدراسات الاستراتيجية في محافظة العمارة	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwj7n7fLraPSAhXCNxQKHRSzDmwQFggMAA&url=http%3A%2F%2Fahudamissan.com%2F&usg=AFQjCNEv6wXnLc2vQWQYD2smRSxdgy1z-A&sig2=jgJMivrFXtLzH-UG4ttViQ	6
المنافع الاجتماعية أموال مستردة	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwjp_sT2raPSAhXJshQKHSSJD24QFggYMAA&url=http%3A%2F%2Fburathaneews.com%2Farabic%2Freports%2F283134&usg=AFQjCNF3ZaNoVc_Cuwgknk2zKDhw77mHbQ&sig2=rC6wseaWdLazASJ9ewWZMQ&bvm=bv.147448319,d.d24	7
مركز الحياة ينشر تقريره حول الاداء الحكومي نحو خطته الاولى لمبادرة الشراكة الحكومية الشفافة	http://www.youtube.com/user/AlHayatcenter	8
الفساد والإصلاح _ الصحافة الدولية وقضايا الإصلاح السياسي - عقيل الخفاجي	http://www.youtube.com/user/AlHayatcenter	9
وزارة المالية	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwjpXNvksKPSAhWFtBoKHdTCCLIQFggMAA&url=http%3A%2F%2Fwww	10

	w.mof.gov.iq%2F&usg=AFQjCNHMxN1Dgokw9vCQYake7uZp-rYKpw&sig2=qKQzEp8xBVWdLuFeoOU8dw	
شفافية التعامل بالمال العام من مفردات _files الادارة والحكم الرشيد	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiSooyLsaPSAhXEuRoKHQVRDLEQFggcMAA&url=http%3A%2F%2Fwww.naliraqnews.com%2Findex.php%3Faa%3Dnews%26id22%3D4558&usg=AFQjCNE54-W-7XTg97uem-AeG8Uj_arq5w&sig2=t9w2sLutu3pZ30kikppoaA	11
_files الصوت الجالية العراقية	file:///C:/sharer.php?u=http%3A%2F%2Fwww.iraqi.com%2Fnews.php%3Fid%3D2499%26news%3D6&display=popup&ref=plugin&src=like	12
منظمة المرأة الديمقراطية تنظم ورشة عن مبادرة الشفافية في الصناعات _files الاستخراجية	http://wasitnews.net/?p=1933	13
الصناعات الأستخراجية النفطية في العراق وامكانية توظيفها في المنافع الاجتماعية _files وفق مفهوم التنمية المستدامة	http://www.facebook.com/sharer.php?u=http://www.mustaqila.com/2014/07/%d9%85%d8%a8%d8%a7%d8%af%d8%b1%d8%a9-%d8%a7%d9%84%d8%b4%d9%81%d8%a7%d9%81%d9%8a%d8%a9-%d9%84%d9%84%d8%b5%d9%86%d8%a7%d8%b9%d8%a7%d8%aa-%d8%a7%d9%84%d8%a7%d8%b3%d8%aa%d8%ae%d8%b1%d8%a7%d8%ac%d9%8a/	14
مبادرة الشفافية للصناعات الاستخراجية في العراق تقيم احتفالية في المثنى - وكالة _files الصحافة المستقلة	http://www.mustaqila.com/2014/07/%D9%85%D8%A8%D8%A7%D8%AF%D8%B1%D8%A9-%D8%A7%D9%84%D8%B4%D9%81%D8%A7%D9%81%D9%8A%D8%A9-%D9%84%D9%84%D8%B5%D9%86%D8%A7%D8%B9%D8%A7%D8%AA-%D8%A7%D9%84%D8%A7%D8%B3%D8%AA%D8%AE%D8%B1%D8%A7%D8%AC%D9%8A/	15
كلية الادارة والاقتصاد جامعة بابل مشاركة الاعلامي عماد الزامل في ورشة عمل حول _files الإعلام والتنمية	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiPr_jmt6PSAhXicBoKHSoHDbcQFggaMAA&url=http%3A%2F%2Fwww.uobabylon.edu.iq%2Fuobcoleges%2Faction_news.aspx%3Ffid%3D9%26nid%3D5045&usg=AFQjCNEjuXT59yLu2ISB1Hy3b_Jp5LRLdA&sig2=rPhK36P4WPDF7bJ4-tsuug	16
وكالة صدى الحرية الدولية - مبادرة الشفافية للصناعات الاستخراجية تعلن عن موعد انتخابات اصحاب المصلحة	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwiB3JHHuKPSAhXKiRoKHQLOCb8QFggjMAE&url=http%3A%2F%2Fwww.sada-freedom.net%2Fnews-	17

	iraq%2F3034.html&usg=AFQjCNHNi5FIGyuAqmVqipDBU0QMBKOCA&sig2=7r7CKgusULUCAe7uMJtwJw	
مبادرة الشفافية في الصناعات الاستخراجية _ ذي قار	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=0ahUKEwi_iY7buaPSAhVFCBoKHce4D7EQFggqMAI&url=http%3A%2F%2Fmoadarah.blogspot.com%2F&usg=AFQjCNFYsisCElu4d5E3IlgWS8uv5JGG7lg&sig2=3JPmQln4zrM9XE9v0eJ-IQ	18
العراق ينضم الى مبادرة الشفافية للصناعات الاستخراجية _ أخبار الاقتصاد Reuters	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiD_8SXuqPSAhXDXRoKHTvPCRgQFggYMAA&url=http%3A%2F%2Fara.reuters.com%2Farticle%2FbusinessNews%2FidARACAE6090LP20100110&usg=AFQjCNFkSqThHtvbL9SgIbyGQHxYYwCpQw&sig2=FG_JNy1Z7WTRlfdlfcCoQ	19
مركز النور	http://www.alnoor.se/article.asp?id=214781	20
مبادرة الشفافية للصناعات الاستخراجية في العراق ... تجربة رائدة نحو عراق ديمقراطي	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwi8rZyTv6PSAhUHtBoKHTxvCbEQFggMAA&url=http%3A%2F%2Firaqiwomensleague.com%2Fnews_view_6901.html&usg=AFQjCNGWxNt5ozV509LgMMNsXjVSusQyKw&sig2=ekC4jW5UJMZbk4htq8L7rw	21
مبادرة الشفافية في المثنى	https://youtu.be/q0l1C1B0gHw	22
موسى ياسين سعيد العدد-المتحدث الجوار : 3636 المدنى المجتمع: المحور	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=9&cad=rja&uact=8&ved=0ahUKEwixvyZw6PSAhUEVRQKHdAB2wQFghcMAg&url=http%3A%2F%2Fwww.ahewar.org%2Fdebat%2Fshow.art.asp%3Faid%3D295016&usg=AFQjCNF8EW6zWdw1V0Q3rM6gHudhUu32Ug&sig2=EZMqPZGrz9MfE0QcmJYu7g	23
الاخبارية الحرة واحة	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=0ahUKEwixvyZw6PSAhUEVRQKHdAB2wQFgg9MAQ&url=http%3A%2F%2Fahlurrya.com%2Farchives%2F42664&usg=AFQjCNEBWNy4UcQStOP_3AXoiupliyTU8g&sig2=15Wp_1dD9meT7kNIOlW3qg	24
في الاستخراجية للصناعات الشفافية مبادرة الثالث تقريرها تصدر العراق	https://www.google.iq/url?sa=t&rct=j&q=&esrc=s&source=web&cd=7&cad=rja&uact=8&ved=0ahUKEwixvyZw6PSAhUEVRQKHdAB2wQFghMMAY&url=http%3A%2F%2Fwww.aynaliraqnews.com%2Findex.php%3Faa%3Dnews%26id22%3D16929&usg=AFQjCNF6ecO2qNyEcoKXCIRTSt_Uml2irA&sig2=T3y0ZXrz4a84HiepAeqjEg	25

احتفاليه حصول العراق على عضوية مبادرة الشفافية للصناعات الاستخراجية منى الهلالي	https://www.google.ig/url?sa=t&rct=j&q=&esrc=s&source=web&cd=11&cad=rja&uact=8&ved=0ahUKEwifnsuoxaPSAhXKPbQKHS3yBms4ChAWCBcwAA&url=http%3A%2F%2Fwww.alnoor.se%2Farticle.asp%3Fid%3D195836&usg=AFQjCNGxpNrg7QUAkxMvliE4H44i92hgg&sig2=kzNlwg m5sf5n1la0zOwxmw	26
مبادرة الشفافية للصناعات الاستخراجية تؤدي دور الضامن لعوائد النفط جديدة الصباح	https://www.google.ig/url?sa=t&rct=j&q=&esrc=s&source=web&cd=13&cad=rja&uact=8&ved=0ahUKEwifnsuoxaPSAhXKPbQKHS3yBms4ChAWCCcwAg&url=http%3A%2F%2Fwww.alsabaah.iq%2FArticleShow.aspx%3FID%3D53706&usg=AFQjCNFOO1CZxsKd0VLUqxIL2i6hwn2Yaw&sig2=leqUf-0wlyJLmzlcYTZYcw	27
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بين النفطية المشاكل: الشفافية مبادرة تقاريرنا إعداد على تؤثر وأربيل بغداد	http://www.alsumaria.tv/news/102161/alsumaria-news/ar	30

الاعلام لحرية العراقي المركز	https://www.facebook.com/photo.php?fbid=521116558000238&set=a.521112248000669.1073741904.100003056950870&type=3	32
المصادف الاثني اليوم هذا اجتماع المجتمع منظمات من لعدد ٢٠١٤/٨/١٨ الشفافية لمبادرة الوطنية الأمانة مع المدني في الرمية قاعة في الاستخراجية للصناعات انتخابات موضوع لمناقشة النفط وزارة مقر المصلحة اصحاب ضمن المنظمات تلك	https://www.facebook.com/photo.php?fbid=298995203617047&set=pcb.298995420283692&type=3	33
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كردستان ادارة تدعو الدولية الشفافية النقطة الصادرات معرفة في للتعاون المرشحين نشرصور لغرض هاشتاك المدني المجتمع لمنظمات الامير عبد منار الصحفية	http://www.youtube.com/watch?v=ewfQhRLoB20&feature=share&fb_ref=share	36
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عام الشركات عروض 2013	http://ieiti.org.iq/ArticleShow.aspx?ID=81	39
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