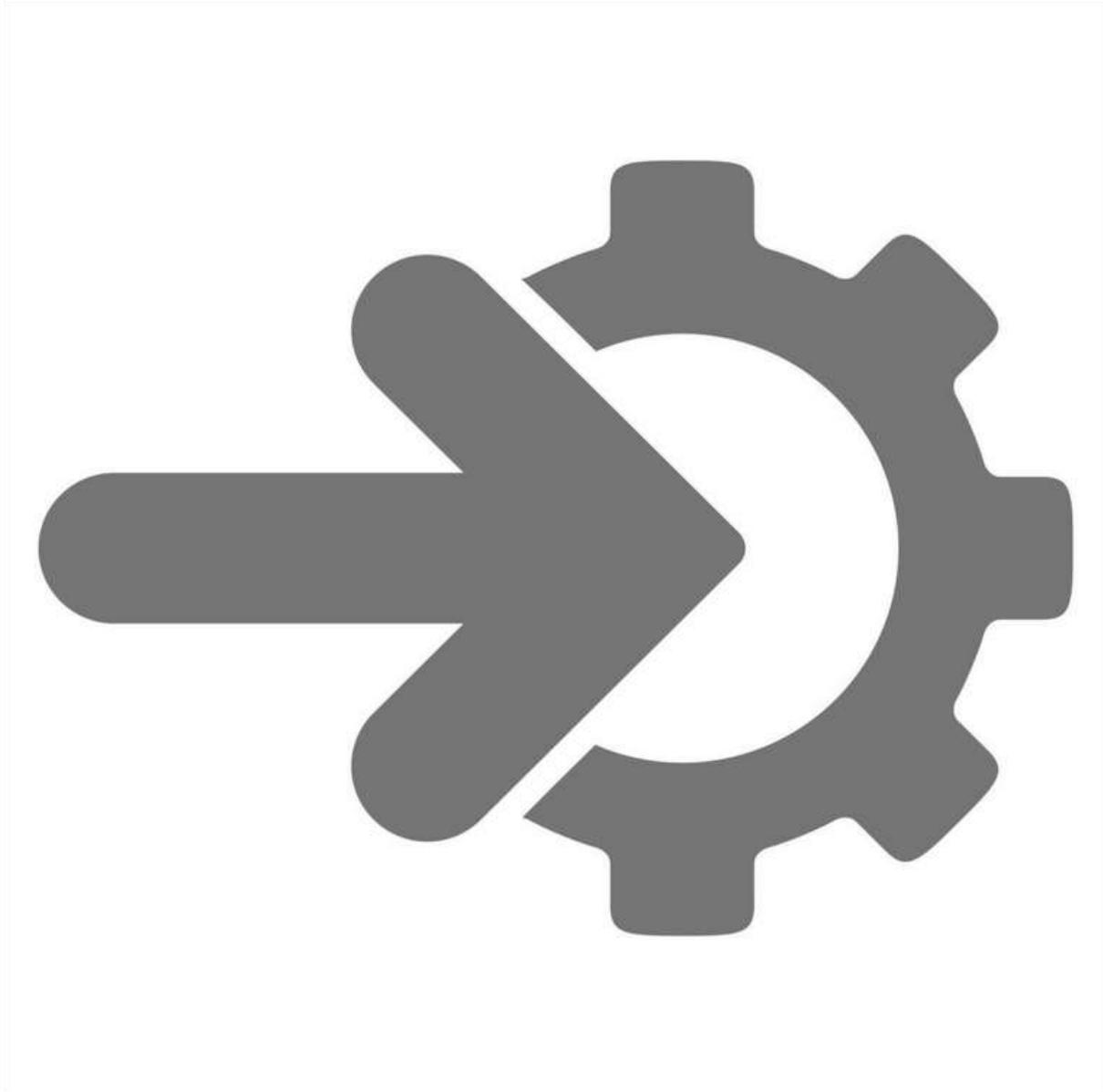


## ENCOURAGING SYSTEMATIC DISCLOSURE

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## Summary

The 2016 EITI Standard enables implementing countries to disclose the information required by the EITI Standard through routine government and corporate reporting, and consultation systems such as websites, annual reports etc. This paper recommends that systematic disclosure should be firmly established as the default expectation, with EITI Reports used to address any gaps and concerns about data quality. Implementing countries could still continue to publish annual EITI reports collating and analysing the information from primary sources in order to make this information more accessible and comprehensible, especially for stakeholders that do not have access to online information.

This approach to EITI implementation can deliver more timely, comprehensive and reliable data to inform public debate. It will reduce the number of EITI processes operating in a silo detached from other government efforts. It is also more cost effective and helps address the limited funding available for standalone EITI reporting and national secretariats.

While this transition is already well underway in many implementing countries, most countries face challenges in fully mainstreaming EITI implementation. In some countries, this transition will require substantial reforms and sustained political, technical and financial support. Not all countries will be able to transition to systematic disclosure at the same speed. The paper therefore suggests a gradual transition that takes national circumstances into account.

This work raises questions about the future role and responsibilities of EITI multi-stakeholder groups (MSGs). In some cases, the function of MSGs may evolve to focus on monitoring whether disclosures are comprehensive, analysing the data, raising public awareness, and/or developing recommendations for reform. In other cases, as illustrated in Norway, stakeholders may prefer other channels for stakeholder consultation, advocacy, engagement and dialogue.

# ENCOURAGING SYSTEMATIC DISCLOSURE

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## Terminology

The terms “mainstreaming”, “integrated reporting” and “systematic disclosure” are often used interchangeably. For the purposes of this paper, the terms systematic disclosure and integrated reporting are synonymous. They refer to the desired end-state, where **the EITI’s disclosure** requirements are met through routine and publicly available company and government reporting. This could include, public financial reporting, annual reports, information portals, and other open data and freedom of information initiatives. This should include an explanation of the underlying audit and assurance procedures that the data has been subject to, with public access to the supporting documentation. Mainstreaming refers to the process for realising this goal, which may include interim measures, pilots, and other capacity building activities. EITI websites would then increasingly be used as a portal for accessing these systematic disclosures, with EITI Reports disclosing information not available elsewhere.

### 1. Policy recommendations

The EITI Board agreed the following at the Board meeting in Oslo in February 2018:

- R1. That by end 2018, all implementing countries are expected to develop a costed work plan for 2019 and onwards that includes steps to mainstream EITI implementation in company and government systems within 3-5 years, with the scope to seek a longer transitional period where needed<sup>1</sup>. This approach acknowledges that the circumstances differ in each country, that not all countries will be able to transition to systematic disclosure at the same speed, and that the financial implications **need to be considered, both in the near and long term. It enables MSG’s to request a longer** transitional schedule where needed.

To support this work, the [guidance note on developing an EITI workplan](#) be revised to put greater emphasis on systematic disclosure. This should include making clearer linkages to existing systems and reforms, such as reforms to public financial management, audit and assurance procedures, public consultation, and open government and e-governance initiatives. The Secretariat should also develop additional guidance materials demonstrating how the EITI requirements can be satisfied through systematic disclosure by governments and companies.

- R2. That the EITI Board calls on implementing countries, supporting countries and supporting organisations to support the development and implementation of these work plans, shifting the focus from financing EITI reports to supporting reforms to promote systematic disclosure. The funding provided to the transition phase would support feasibility studies and ensure that technical assistance and advice on EITI implementation focuses on opportunities for systematic disclosure. This provides an opportunity to address the significant funding constraints in many implementing countries, and to ensure that EITI implementation is financially sustainable.
- R3. That the guidance notes for prospective candidate countries (e.g., the [guidance note on becoming an EITI candidate](#)) are updated, emphasising disclosure through existing systems, and

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<sup>1</sup> This allows one year (2018) to consider mainstreaming opportunities and challenges, and will ensure all implementing countries have a mainstreaming plan ahead of the next Global Conference.

encouraging prospective candidate countries to identify potential barriers to systematic disclosures from the outset. The Board could consider making a mainstreaming feasibility study a requirement for all new candidate countries. This should include reviewing existing platforms for information disclosures, public consultation and dialogue, rather than creating standalone EITI reports and multi-stakeholder groups.

- R4. That awareness raising, training activities and the [Terms of Reference for a mainstreaming feasibility studies](#) are revised to give greater attention to the future role of the MSG and multi-stakeholder consultation more broadly, alongside the technical discussions regarding timely, comprehensive and reliable disclosures. This should include options for assessing outcomes and impact (requirement 7).
- R5. That [the guidance note on the establishment and governance of multi-stakeholder groups](#) is reviewed, highlighting the importance of the multi-stakeholder group in exploring options for mainstreaming. The guidance note should also highlight that implementing countries may consider opportunities for multi-stakeholder consultation and oversight to be integrated using existing representative bodies. This has the potential to increase stakeholder engagement, and make this participation more effective. Where proposals for mainstreamed implementation do not retain conventional MSG oversight, care should be taken to ensure that the alternative processes that are in place for multi-stakeholder consultation and dialogue encompass possibilities for shaping the scope and nature of extractives transparency and making recommendations for governance reform, and that all stakeholders have an opportunity to shape decisions, be heard and contribute. Where these conditions do not exist, requests to mainstream multi-stakeholder oversight would not be approved.
- R6. That the Board, through the Implementation Committee, agrees to undertake an independent review of EITI Reports prepared in accordance with the [standard terms of reference for Independent Administrators](#). Building on the findings from the 2016 and 2017 Validations, this would include:
- i. **An assessment of Independent Administrators' adherence to the standardised procedure;**
  - ii. A review of the assurance procedures most commonly adopted by implementing countries, the time required and compliance costs;
  - iii. An independent assessment of the extent to which the work undertaken safeguards comprehensive and reliable data.

The consultant would also be invited to propose amendments to the procedure, and/or to propose cost effective alternatives that would provide an equivalent level of assurance.

Subject to the findings of this review, the Implementation Committee will consider possible modifications to the [standard terms of reference for Independent Administrators](#), reframing the procedure as a “**standard terms of reference for EITI disclosures**”, putting a greater emphasis on mainstreamed, integrated and systematic disclosure and public consultation. This could include

clarifying the expectations for the timeliness of EITI data, i.e., that mainstreamed disclosures are expected to be published well in advance of the 2 year-rule.

- R7. That the [guidance on EITI open data policies](#) is revised to put a greater emphasis on open data policies and practices of the participating companies and government agencies. While it is important to ensure that the data in the EITI reports is more accessible, transition to integrated transparency will make it more important to ensure that there are open data policies and practices in the companies and government agencies that are the primary sources of data, and to consider actions to improve direct access.
- R8. That mainstreamed, integrated and systematic disclosure is a major focus of the 2019 EITI Global Conference and the EITI Chair Awards. In preparation for the Conference, the EITI Chair writes to the EITI Champion in every implementing country, urging the government to commit to mainstreaming and requesting that MSGs review and address mainstreaming opportunities in their forthcoming work plans.
- R9. That the Board tasks the Implementation Committee with considering whether the EITI Standard should be revised to modify or remove procedures and processes that become redundant with mainstreamed implementation. This would not alter the content of the EITI disclosure requirements, but would serve to simplify implementation of the EITI requirements and make sure that the EITI Standard is formulated in a way that better supports systematic disclosure.

## 2. Introduction

In accordance with the mainstreaming action plan, the International Secretariat has encouraged all implementing countries to assess what disclosures can be made through existing systems. An overview of progress with feasibility studies is provided in Annex A.

In some countries, there are excellent conditions for systematic disclosure. In Norway, Mongolia and Timor-Leste for example, almost all data required to be disclosed under the EITI is already publicly available from government sources. While the next steps for these countries in terms of adopting fully mainstreamed disclosure are clear, it is less clear what this means for the architecture of the EITI in terms of the role of the multi-stakeholder governance, annual work plans, annual progress reports, and Validation. In particular, the need for more integrated EITI implementation raises questions about the role and responsibilities of EITI multi-stakeholder groups (MSGs). This aspect is considered in more detail in section 4 below.

While most implementing countries have embraced some aspects of mainstreaming, especially with respect to contextual information relating to licensing, contract transparency, production and export data, many countries face challenges with “full mainstreaming”, i.e., routine disclosure of *all* the data required by the EITI Standard in requisite detail. A common challenge in the Latin American and Caribbean (LAC) region, for example, is that confidentiality or privacy provisions require a company waiver before government agencies can disclose company-specific data. However, these challenges should not detract from the long-term objective to ensure mainstreamed, integrated and systematic disclosure.

Mainstreaming is not yet a feature of MSG discussions in many EITI countries. There is a perception that mainstreaming is only relevant for countries that have achieved compliance with the Standard. In some countries, there is also a concern that mainstreaming will undermine the role of national secretariats and multi-stakeholder groups. These factors contribute to the problem that overall transition to integrated transparency is moving too slowly.

At the same time, the future of the EITI is arguably dependent on successful transition to integrated transparency in order for the organisation to stay relevant. It is no longer financially sustainable to maintain the current set up of national secretariats, EITI reports and expensive long lists of corrective actions from Validations. Experience with implementation, including Validation, has also shown that the **current set up contributes to maintain “siloeed” EITI processes detached from other government processes**, severely limiting the impact and possibility for the EITI to contribute to reform. In some countries, including for example Norway, the current EITI set up is simply considered out of date and **Norwegian stakeholders have quoted it as “unfit for democratic countries”**.

This paper therefore proposes that systematic disclosure should be firmly established as the default expectation, with EITI Reports used as a data collection tool where needed to address any gaps and stakeholder concerns about data quality. Specifically, it is proposed that the EITI now expects all countries to transition to integrated disclosures over the period of the next 3-5 years, and that the requirements of the EITI Standard, the technical support and financial assistance to the transition phase is tailored accordingly. Implementing countries could still continue to publish annual reports collating and analysing the information from primary sources in order to make this information more accessible and comprehensible. This approach to EITI implementation would deliver more timely, comprehensive and reliable data to inform public debate. It would reduce the number of EITI processes operating in a silo detached from other government efforts, and ensure sustainability of the disclosures. It is also more cost effective in the long term, and helps address the limited funding available for standalone EITI reporting and national secretariats. This approach puts a greater emphasis on the routine audit and assurance work undertaken by the reporting entities, and ensuring that this work is in line with international best practice. Where there are concerns about the quality of this work there should be additional interim measures to address data quality.

### 3. Background

EITI mainstreaming is not a new idea. In 2005, the 2<sup>nd</sup> EITI Global Conference in London agreed the **EITI Criteria, calling for “regular publication of all material oil, gas and mining payments by companies ... and all material revenues received by governments ... to a wide audience in a publicly accessible, comprehensive and comprehensible manner”** (EITI Criteria, 2005; §1). The Conference established an international advisory group (IAG) to guide the further work on defining and refining proposals on the future of the EITI. [The IAG Report](#)<sup>1</sup> stated that:

*In considering the future arrangements for EITI both at the country level and internationally, the IAG reaffirmed the principle that the primary responsibility for implementing EITI should continue to be with participating governments themselves. The international community should provide support to countries that wish to implement EITI. It was recognised that an international structure was required to channel advice and financial support and to exchange lessons learnt. However, such a structure should be light touch and designed with an eye on*

***the ultimate goal for EITI to be ‘mainstreamed’, with its criteria and principles becoming the normal way of working in all the relevant extractive industries within three to five years.*** (emphasis added)

While the IAG advocated a process that was “light touch, and does not create unnecessary bureaucracy” and that “wherever possible... builds on existing organisations and capacity”, in many countries the promotion of routine disclosures by companies and government agencies was often neglected. Rather, disclosures were sought through a designated EITI reporting procedure, whereby “payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator’s opinion regarding that reconciliation including discrepancies, should any be identified” (EITI Criteria, 2005; §3). The resulting EITI Reports were often valuable, but at times of limited value especially due to the time lag between the payments and the publication of the Reports.

A decade later, the adoption of the 2016 EITI Standard in February 2016 revived and revigorated the notion of mainstreamed transparency. In short, mainstreaming the EITI Standard means that extractive industry transparency should become a routine and integral part of how governments manage the extractive industries. Rather than simply relying on EITI Reports to bring about transparency, governments implementing the EITI should to a greater extent make the information required by the EITI Standard available through government and corporate reporting systems such as databases, websites, annual reports, portals etc. This would avoid duplication of reporting and make EITI data more timely and accessible.

The 2016 EITI Standard included several provisions that encourage and enable mainstreaming, including:

- The broad definition of “EITI Report” in the 2016 Standard (“The data [required by the EITI] can be disclosed in the form of an EITI Report, or constitute publicly available information and data gathered or cross-referenced as part of the EITI process”);
- Several provisions that encourage mainstreaming, e.g., Requirement 2.2 on License allocations, which states that “[where] the requisite information ... is already publicly available, it is sufficient to include a reference or link in the EITI Report”.
- The scope, within the standard Terms of Reference the work to be undertaken by the Independent Administrator, to collect data through existing reporting mechanisms (see section 2.1), and the scope for the MSGs to further adapt or deviate from the standard Terms of Reference, so long as EITI Board is sought in advance (as per requirement 4.9.b.iii).
- The option to seek Board approval for mainstreaming, as per requirement 4.9.c.
- The scope to seek Board approval for adapted implementation “should the multi-stakeholder group conclude that it faces exceptional circumstances that necessitate deviation from the implementation requirements” (Requirement 8.1);

In addition, in 2016 the EITI Board adopted an [open data policy](#). It encourages EITI implementing countries to orient government systems towards open data by default, so that the latest information is readily available. While it is recognised that there are national and international norms, in particular

pertaining to intellectual property, personally-identifiable and sensitive information, which must be observed, in many cases there are no major barriers to releasing this data. When countries make this transition, EITI reporting becomes simpler and cheaper. It enables the EITI multi-stakeholder group to shift their attention away from collecting data toward encouraging stakeholders to make effective use of this information.

In October 2016, the EITI Board adopted a [towards mainstreaming action plan](#). It outlines activities to be undertaken by the EITI International Secretariat, working together with supporting organisations, to accelerate the trend toward mainstreaming. The action plan has four elements:

1. Efforts to raise awareness and developing the business case for mainstreaming.
2. Targeted support to implementing countries that have agreed to prioritise mainstreaming.
3. **“Practical tools for mainstreaming”, including guidance and providing access to technical expertise.**
4. Policy development, including opportunities to refine the EITI Standard and Validation procedures to ensure that efforts to mainstream EITI implementation are appropriately incentivised and recognised.

At the Board meeting in Oslo in May 2017, the EITI Board discussed a number of strategic questions relevant to mainstreaming (Board paper 37-2-A). It was proposed that the Implementation Committee establishes a sub-group of the Implementation Committee to prepare a report, including recommendations to the Board, addressing these strategic questions. The Implementation Committee established the group in July, with the terms of reference attached at Annex B. The group met three times in the period July-October 2017. This report builds on the discussions of the group.

## 4. Strategic questions related to mainstreaming

### 4.1 Mainstreaming the multi-stakeholder approach

With mainstreamed disclosure, what role is there for the MSG? Will it still function as a monitoring body, ensuring that the systems are maintained and that the disclosures do not fall below the Standard, or as a consultative body in terms of what further disclosures government or companies could take on?

Are there opportunities for governments to consider mainstreaming multi-stakeholder dialogue, i.e. by making multi-stakeholder consultations and participation in public policy-making, e.g. in parliament, in the media, in other consultation forums, part and parcel of how the government operates? Are there any country examples to learn from?

The multi-stakeholder nature of the EITI is central to the EITI Standard. Although the mandate of the MSG varies across countries, the MSG is the main decision-making body responsible for setting objectives for EITI implementation.

In countries where EITI reporting is becoming more mainstreamed and integrated into government systems, this work is increasingly an effort led by the government<sup>2</sup>. While all stakeholders would continue to play important roles in the use of information stemming from the implementation of the EITI, the need and justification for an MSG to oversee the process is being questioned. As noted above, **one of the key barriers to mainstreaming is the perception that it may weaken the country's commitment to the EITI Standard, in particular with respect to the multi-stakeholder group.**

A common finding from the 2016 Validations is that the MSG process is valued by stakeholders, particularly in countries where other opportunities for engagement are limited. For example, mainstreaming conversations in Kazakhstan have pointed to a desire to retain the MSG as a multi-stakeholder platform to monitor that the mainstreamed disclosures are taking place in the way they should. In Timor-Leste, there have been discussions about the MSG taking on a more analytical role.

In some countries, in particular with low levels of trust in government, the value of an EITI Report produced by an independent third party, in turn overseen by a multi-stakeholder body, has been emphasised. At the same time, there is a need to recognise that the EITI Report mainly reproduces the data provided by the government to the Independent Administrator, without any further quality assurance or checks. As such, it could equally be argued that the EITI Report contributes to maintain distrust in the government by creating an illusion that the same data within the cover of an EITI Report is more reliable.

In other cases, Validation has shown that there are weak links between the MSG members and the wider constituencies, not least because there are other channels for stakeholders to access information and to discuss the outlook for the extractive industries. This has been a key feature of the mainstreaming discussions in Norway, where stakeholders have shown that various industry and civil society fora, conferences, parliamentary hearings and debates are better avenues for stakeholder input on natural resource governance than the Norway EITI MSG. In Kazakhstan, there have been discussion about delegating the responsibilities of the MSG in terms of dissemination and use of data to public councils which are councils comprised of government and civil society representatives, established by law at the regional and local levels. Although these councils are not multi-stakeholder, local stakeholders appear to consider them appropriate for the purpose of discussion and debate about EITI data. In Timor-Leste, the Petroleum Fund Consultative Council, comprised of representatives from government, industry, civil society, parliament etc., already has a statutory role in overseeing and advising on the policies and practices regarding the management of the revenue from oil and gas, and could constitute an alternative platform for future EITI-related conversations.

The role of the MSG is likely to vary from country to country opting for some form of mainstreamed implementation depending on their circumstances. The MSGs should address these issues when considering mainstreaming. Some sub group members argued that the role of the MSG could change for the better, with less focus on technical aspects of EITI reporting and more attention to substantive issues such as considering wider opportunities to strength governance and inform public debates. Others were concerned that a mainstreamed approach would reduce the incentive for government and

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<sup>2</sup> While historically companies and government agencies used to have an equal role in disclosing data for EITI reporting, the adoption of the 2013 EITI Standard shifted the burden of disclosure significantly towards the government.

industry representatives to participate.

Therefore, the Board agreed:

**R5.** That the guidance note on the establishment and governance of multi-stakeholder groups is reviewed, highlighting the importance of the multi-stakeholder group in exploring options for mainstreaming. The guidance note should also highlight that implementing countries may consider opportunities for multi-stakeholder consultation and oversight to be integrated using existing representative bodies. This has the potential to increase stakeholder engagement, and make this participation more effective. Where proposals for mainstreamed implementation do not retain conventional MSG oversight, care should be taken to ensure that the alternative processes that are in place for multi-stakeholder consultation and dialogue encompass possibilities for shaping the scope and nature of extractives transparency and making recommendations for governance reform, and that all stakeholders have an opportunity to shape decisions, be heard and contribute. Where these conditions do not exist, requests to mainstream multi-stakeholder oversight would not be approved.

## 4.2 Mainstreaming in prospective candidate countries

*Are there opportunities for prospective candidate countries to fast-track mainstreamed implementation, for example by undertaking baseline assessments/feasibility studies as part of their candidature preparations? Could this include exploring any existing multi-stakeholder bodies and mechanisms that could be used to oversee EITI implementation?*

Prospective implementing countries have found it useful to map existing disclosures and/or conduct feasibility studies as part of the initial preparations for candidature. Many countries already undertake scoping studies as part of their preparation for EITI candidature and these could more usefully be recast as mainstreaming feasibility studies. It is likely that the outcomes of such feasibility studies would also **help inform the MSG's objectives for implementation** as well as the work plan, anticipate disclosure barriers and ensure that implementation is more efficiently and effectively designed from the outset. Some countries with low institutional capacity and entities that are not used to reporting may still need a conventional EITI Reporting process as a way to build support for the EITI principles. But this should not be used to indefinitely delay wider reforms. In other countries, it may be that the potential (and support for) mainstreaming only becomes clearer after the first EITI Reports have built awareness and commitment. For example, the Mexican candidature application already foresees in the work plan the use of the Transparency Portal in the Ministry of Finance as a means of publishing EITI-related information on revenue, budgeting and expenditures, and contracts.

Prospective candidate countries should also be encouraged to look at existing multi-stakeholder platforms that the EITI could become part of. For example, in Argentina, there is already an informal Dialogue Platform for Sustainable Use of Natural Resources that promotes dialogue between civil society and companies on mining issues. This could potentially serve as a starting point for bringing in other stakeholders and widening the conversation to EITI issues. In Lebanon, the Petroleum Authorities and LOGI, a civil society network, are already collaborating on the development of the legal framework for the oil and gas industry. Furthermore, in some prospective candidate countries like for example Tunisia, where the extractive industry is already matured and in decline, it might be reasonable to look

at alternative governance arrangements for an EITI process rather than taking on the complete architecture, including establishing an MSG.

Therefore, the Board agreed:

- R3. That the guidance notes for prospective candidate countries (e.g., the [guidance note on becoming an EITI candidate](#)) are updated, emphasising disclosure through existing systems, and encouraging prospective candidate countries to identify potential barriers to systematic disclosures from the outset. The Board could consider making a mainstreaming feasibility study a requirement for all new candidate countries. This should include reviewing existing platforms for information disclosures, public consultation and dialogue, rather than creating standalone EITI reports and multi-stakeholder groups.

### 4.3 Building political commitment for mainstreaming

*How is support for mainstreaming secured in countries where i) the EITI institutions have become powerful, ii) stakeholders are making use of the EITI to protect certain interests, or iii) stakeholders are concerned about giving up certain benefits that they receive from being part of the multi-stakeholder group?*

A key issue the Board needs to address is how to enhance the motivation for mainstreamed reporting and EITI implementation. Implementation is in some of the 51 implementing countries structured around conventional EITI reports. Some countries, including Liberia and Nigeria, have the oversight of the production of EITI reports embedded in law. Mainstreaming and engaging with other agencies is sometimes regarded as a threat to this institution building, preventing progress on mainstreamed disclosure. The same can be argued for some Independent Administrators that have long-term contracts to produce EITI Reports in multiple countries, and may not be incentivised to propose long term, mainstreamed alternatives to conventional EITI Reporting. In Norway, one of the challenges to achieving mainstreaming has been that some of the stakeholders appear to tie their support for mainstreaming with a wider campaign for financial reform that goes beyond the extractive industries and would encompass all companies operating in Norway.

Validation provides an opportunity for an independent review of these tensions. Donors can also play an important role in advocating that technical assistance is oriented toward long-term mainstreamed solutions. However, strong high level political support for mainstreaming will be necessary to deal with these types of barriers. In addition, because of these tensions there may be cases where it will not be possible to achieve multi-stakeholder support for mainstreaming applications as required by the EITI Standard. The EITI Board should consider the possibility of deviating from this requirement, depending on the circumstances, albeit with a clear preference for requests that have the full support of all stakeholders.

Therefore, the Board agreed:

- R1. That by end 2018, all implementing countries are expected to develop a costed work plan for 2019 and onwards that includes steps to mainstream EITI implementation in company and government

systems within 3-5 years, with the scope to seek a longer transitional period where needed<sup>3</sup>. This approach acknowledges that the circumstances differ in each country, that not all countries will be able to transition to systematic disclosure at the same speed, and that the financial implications need to be considered, both in the near and long term. **It enables MSG's to request a longer transitional schedule where needed.**

To support this work, the [guidance note on developing an EITI workplan](#) be revised to put greater emphasis on systematic disclosure. This should include making clearer linkages to existing systems and reforms, such as reforms to public financial management, audit and assurance procedures, public consultation, and open government and e-governance initiatives. The Secretariat should also develop additional guidance materials demonstrating how the EITI requirements can be satisfied through systematic disclosure by governments and companies.

- R2. That the EITI Board calls on implementing countries, supporting countries and supporting organisations to support the development and implementation of these work plans, shifting the focus from financing EITI reports to supporting reforms to promote systematic disclosure. The funding provided to the transition phase would support feasibility studies and ensure that technical assistance and advice on EITI implementation focuses on opportunities for systematic disclosure. This provides an opportunity to address the significant funding constraints in many implementing countries, and to ensure that EITI implementation is financially sustainable by embedding EITI transparency standards into national systems and processes. A costed transition plan for each country could be elaborated.
- R4. That awareness raising, training activities and the [Terms of Reference for a mainstreaming feasibility studies](#) are revised to give greater attention to the future role of the MSG and multi-stakeholder consultation more broadly, alongside the technical discussions regarding timely, comprehensive and reliable disclosures. This should include options for assessing outcomes and impact (requirement 7).
- R8. That mainstreamed, integrated and systematic disclosure is a major focus of the 2019 EITI Global Conference and the EITI Chair Awards. In preparation for the Global Conference 2019, the EITI Chair writes to the EITI Champion in implementing countries, urging the government to commit to mainstreaming and requesting that MSGs review and address mainstreaming opportunities in their forthcoming work plans.

## 4.4 The outcomes from mainstreaming

*What will happen to the recommendations for improving the sector, currently provided by the EITI Reports if there is a mainstreamed approach?*

The EITI is designed as a country led process and this is reflected in how impact is measured, with workplans, Annual Progress Reports and Validation ensuring an in-country planning, monitoring and evaluation process. The attention of most MSGs has and continues to be largely devoted to various

<sup>3</sup> One option would be to require these roadmaps by 1 January 2019 (covering 2019 onwards). That would allow countries a year to consider mainstreaming opportunities and challenges. It would also ensure that all implementing countries have a mainstreaming plan ahead of the next Global Conference.

technical aspects related to EITI reporting, a trend reinforced by a Validation procedure that tends to focus on corrective actions rather than deepening the impact of the EITI.

The EITI Reports prepared by independent administrators often include useful recommendations for improving extractive industry governance, and there is a concern that these recommendations may be lost under a mainstreamed model. That said, the recommendations from Independent Administrators **often focused on “internal” EITI reporting procedures, rather than outward looking opportunities** to improve systems. In a few countries, including Ghana, Nigeria, the Philippines and PNG, the MSG has developed and put forward own recommendations for reform based on the data from EITI Reports. These recommendations have tended to be of greater value to government reforms and has often led to concrete impact. The Validations conducted to date have revealed a common weakness: the EITI **requires “an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards”**. **These assessments have often been cursory, and they** are essential in considering opportunities for mainstreaming. Only in a couple of countries, including DRC, have these assessments and associated recommendations resulted in improvements in government assurance and auditing procedures.

In some cases, a reduced focus on data collection and reconciliation would allow more time and resources to be dedicated to analysing data and to emerging governance challenges. The MSG could, for example, engage independent experts to undertake reviews of key challenges in the sector. Where mainstreamed implementation retains MSG oversight, the MSG could continue to have a role in conducting analysis and producing recommendations for reform. Where mainstreamed implementation does not retain conventional MSG oversight, care should be taken to ensure that the alternative processes that are in place for multi-stakeholder dialogue encompass possibilities for making recommendations for governance reform.

The agreed upon procedures for mainstreaming continues to require an annual EITI Report, prepared by an independent administrator:

The procedure requires that the production of an annual EITI Report that collates data from the various (publicly available) sources. It is a requirement that this work is undertaken by a consultant or organization perceived by the multi-stakeholder group to be credible, trustworthy and technically competent.

Phase 6 of the procedure provides additional detail. In some countries, an annual EITI Report prepared by an independent Administrator may not be needed, especially where there are existing mechanisms for collating information from primary sources.

Therefore, the Board agreed:

R9. That the Board tasks the Implementation Committee with considering whether the EITI Standard should be revised to modify or remove procedures and processes that become redundant with mainstreamed implementation. This would not alter the content of the EITI disclosure requirements, but would serve to simply implementation of the EITI requirements and make sure that the EITI Standard is formulated in a way that better supports systematic disclosure.

## 4.5 More timely reporting

*Should the "two-year rule" be revised to require more timely publication of data and encourage countries to move mainstream EITI implementation?*

The EITI Standard requires that implementing countries disclose data no older than the second to last complete accounting period (e.g. an EITI Report covering the fiscal year ending 31 Dec 2016 must be published by 31 Dec 2018). The users of EITI data often lament that 2-year-old data is of limited value. For the debate in the media, amongst parliamentarians or investors, data needs to be more up to date. A number of countries are addressing this issue and have moved to publishing reports within 12 months. **Tightening the "two-year rule" would encourage more countries to work toward mainstreamed EITI implementation.** Not doing so would risk the EITI continuing to produce largely out-of-date information that is of limited relevance to current debates.

Some implementing countries struggle to meet the two-year rule, but mostly because: (1) the procurement of the Independent Administrator starts too late, which is often linked to funding constraints and/or donor procurement requirements, and (2) the reconciliation process is cumbersome as reporting entities collect data from earlier financial periods. Validation has shown that in most countries, audited financial data is available within 10-12 months of the end of the financial year. For example, in the Kyrgyz Republic, companies are required by law to submit completed EITI reporting templates by 15 May the year following the end of the financial year. This means that 2016 data has been available with the line Ministry since May 2017. Despite the data being available, Kyrgyz Republic is likely to miss the deadline of 31 December 2017 for publishing 2015 data due to lack of funds to hire an Independent Administrator.

The sub-group considered whether to revise the rule for countries applying for mainstreaming, but noted that this may act as a disincentive. Rather, it was noted that there was an expectation that **countries applying for mainstreaming would publish information well in advance of the "2-year rule"**, and that the Board would consider this when reviewing mainstreaming applications. One way to **address this would be to replace the "two-year rule" for timely EITI Reporting with a 12 or 18-month rule** that requires comprehensive disclosure, with any further reconciliation, spot checks and other assurance work to be completed within 6 months. The Board could maintain the current scope for extensions in exceptional circumstances. This would enable a two-step approach with the disclosure of preliminary and unaudited data as early as possible (address stakeholder demands for timely data), with final, audited data to follow at a later date with links to the associated documentation. It is recommended that the Board revisits this issue following a review of the EITI Reports prepared in accordance with the [standard terms of reference for Independent Administrators](#) (see 4.7, below).

## 4.6 Links between mainstreaming and open data

*How can EITI data become more accessible?*

The trend toward mainstreaming and open data are mutually reinforcing. As noted above, an emerging

risk is that “EITI open data” portals are being developed independently of core administrative information management systems. This can lead to duplication and inattention to the strengthening the systems that the primary source and guarantor of reliable data.

For government agencies, there are large “up front” costs in developing IT systems, particularly systems that link internal administrative processes with publicly accessible content. These systems should be geared towards ensuring that legislation and regulations are enforced consistently and efficiently, promoting “open government” while also protecting confidential information. Cadastre systems are a prominent example, but there are other systems that could be “opened up” for greater public scrutiny, promoting both greater transparency and greater accountability.

In 2016, the EITI introduced a requirement for MSGs to agree an open data policy. Reflecting the tensions highlighted above, these policies have often focused on how to make the data in the EITI Report more accessible. A more effective approach is to review the open data policies and practices of the companies and government agencies that are the primary sources of data, and to consider actions to improve their open data policy and increase public access to more timely data.

In some countries, stakeholders do not have access to reliable internet connections, and other forms of information dissemination will continue to be important. These challenges should be clearly addressed in EITI work plans. However, this should not be used to avoid publishing data in open data formats, especially when there are very low-cost options for doing so.

Therefore, the Board agreed:

- R7. That the [guidance on EITI open data policies](#) is revised to put a greater emphasis on open data policies and practices of the participating companies and government agencies. While it is important to ensure that the data in the EITI reports is more accessible, transition to integrated transparency will make it more important to ensure that there are open data policies and practices in the companies and government agencies that are the primary sources of data, and to consider actions to improve direct access.

## 4.7 Reconciliation

### *Is it time to let go of reconciliation?*

There are divergent views on the value of reconciliation as part of EITI implementation. Reconciliation is often complex, involving dozens of revenue streams, low materiality thresholds and a large number of reporting entities. The data collection process is often time consuming. The Validations that have been completed to date have shown that most of the discrepancies identified during the reconciliation process arise from reporting errors created by the complexity EITI reporting procedures themselves, not by missing payments or intentional gaps in company or government disclosure. In addition, the overall assessments from IAs are either absent or have so many caveats that they add very little in terms of assuring the quality of the data.

Nevertheless, stakeholders often consider reconciliation as a valuable exercise in verifying that

government and company disclosures are complete. However, reconciliation is not the only or best way to safeguard reliable data. In many EITI Reports, the disclosures are not audited, and are only assured in the narrowest sense through attestations from senior representatives of the entities submitting the data. One of the most important outcomes of EITI implementation is that it requires disclosures from reporting entities on their routine audit and assurance practices, and whether these are up-to-date, and whether national standards are in line with international best practice. Where these systems are weak, reconciliation is valued because it provides some additional assurances that the disclosures are complete. However, this is not a sustainable solution. The goal should be to strengthen routine audit and assurance procedure so that additional assurances are unnecessary.

The results from the 2016 and 2017 Validations also show that reconciliation has sometimes become an end in itself, without sufficient attention to the underlying audit and assurance procedures that ought to be the primary guarantor of data quality. Where these audit and assurance systems are strong, MSGs are increasingly arguing that reconciliation is unnecessary. As the D-EITI national secretariat have commented:

*In some countries, the reconciliation process is not at the heart of challenges that might arise in the national resource sector. As reconciliation is very costly, the Board should consider possibilities to let go of reconciliation, if certain criteria are fulfilled. A possible criterion could be that there are no material discrepancies in reconciliation two years in a row. The reconciliation process could then be paused for two/three years. In the following year reconciliation takes place again, when there are no material discrepancies, reconciliation will be paused again for two/three years. When there are material discrepancies the country has to undergo reconciliation in the next year.*

There are variations to this proposal by D-EITI. One alternative could be to let go of reconciliation, but to give stakeholders the right to ensure that an independent review of company and government data is carried out if the annual disclosures show material discrepancies that cannot be explained to the satisfaction of stakeholders. Another alternative could be to let go of reconciliation in principle, but to undertake annual spot checks of certain transactions.

Therefore, the Board agreed:

R6. That the Board, through the Implementation Committee, will undertake an independent review of EITI Reports prepared in accordance with the [standard terms of reference for Independent Administrators](#). Building on the findings from the 2016 and 2017 Validations, this would include: (i) **An assessment of Independent Administrators' adherence to the standardised procedure;** (ii) A review of the assurance procedures most commonly adopted by implementing countries, the time required and compliance costs; (iii) An independent assessment of the extent to which the work undertaken safeguards comprehensive and reliable data. The consultant would also be invited to propose amendments to the procedure, and/or to propose cost effective alternatives that would provide an equivalent level of assurance.

Subject to the findings of this review, the Implementation Committee will consider possible modifications to the [standard terms of reference for Independent Administrators, reframing](#) the procedure as a **"standard terms of reference for EITI disclosures"**, putting a greater emphasis on

mainstreamed, integrated and systematic disclosure and public consultation. This could include clarifying the expectations for the timeliness of EITI data, i.e., that mainstreamed disclosures are expected to be published well in advance of the 2 year-rule.

## 5. Implications and next steps

A transition to integrated transparency for all EITI countries is a necessary step, but requires that the Board simplifies the requirements of the standard to remove procedures that are redundant under this approach. It also requires a parallel commitment from supporters that the funding available for the EITI will be channelled to support a transition phase of 3-5 years for all countries, as reflected in implementing their costed transition plans. It would also be an opportunity for the Board to review the Validation model and consider the Validation schedule as countries transition to an integrated approach. Several of the recommendations highlighted above address this transition, including:

- R2. That the EITI Board calls on supporting organisations to finance the implementation of these work plans, shifting the focus from financing EITI reports to supporting reforms to promote systematic disclosure. The funding provided to the transition phase would support feasibility studies and ensure that technical assistance and advice on EITI implementation focuses on opportunities for mainstreamed, integrated and systematic disclosure. This provides an opportunity to address the significant funding constraints in many implementing countries, and to ensure that EITI implementation is financially sustainable by embedding EITI transparency standards into national systems and processes. A costed transition plan for each country could be elaborated.
- R8. That mainstreamed, integrated and systematic disclosure is a major focus of the 2019 EITI Global Conference and the EITI Chair Awards. In preparation for the Conference, the EITI Chair writes to the EITI Champion in every implementing country, urging the government to commit to mainstreaming and requesting that MSGs review and address mainstreaming opportunities in their forthcoming work plans.
- R9. That the Board tasks the Implementation Committee with considering whether the EITI Standard should be revised to modify or remove procedures and processes that become redundant with mainstreamed implementation. This would not alter the content of the EITI disclosure requirements, but would serve to simply implementation of the EITI requirements and make sure that the EITI Standard is formulated in a way that better supports systematic disclosure.

If the Board agrees to the recommendation in this paper, the Secretariat envisages the following next steps and timeframes:

### Q4 2017

- Further elaboration and refinement of the recommendations in this paper by the Implementation Committee, including a more detailed examination of the financial implications and a more detailed road map for Board review and approval.
- Work with the World Bank and other donors on financial commitments to support implementing countries in the transition phase.

- Continued efforts to raise awareness regarding integrated transparency in EITI implementing countries, including at the regional training events in Anglophone Africa, Francophone Africa and LAC.
- Identification of priority / pilot countries to develop examples of costed transition plans, likely to focus on the countries that have completed mainstreaming feasibility studies (see Annex B).
- Validation Committee review of the lessons learned from the 2016 and 2017 Validations, including a presentation of initial findings in Oslo and recommendations for consideration in Berlin.

#### Q1 2018

- The transition to integrated transparency to be a key focus of the Oslo Board meeting, including examples of costed transition plans.
- Letters to the EITI Champion and multi-stakeholder groups in every EITI implementing **country, outlining the Board's strategy and seeking renewed government commitment to integrated EITI implementation.**
- A donor roundtable in the margins of the 1<sup>st</sup> Board Meeting of 2018 to confirm commitments to support implementing countries in the transition phase.

#### Q2 & Q3 2018

- Intensive efforts to support implementing countries in the elaboration of costed transition plans, likely to include regional workshops and country missions (coordinated with key donors).

#### TBC 2019

- Country commitments and work plans to be a focal point of the 2019 EITI Global Conference and the EITI Chair Awards.

## Annex A – Review of mainstreaming feasibility studies

### Norway

Norway's proposal for mainstreaming implementation was presented at the 37<sup>th</sup> EITI Board meeting in Oslo and approved at the 38<sup>th</sup> EITI Board meeting in Manila. All stakeholders in Norway agreed that it was timely to mainstream implementation. However, the application did not have the full support of the civil society constituency. Their concerns related to the auditing of company disclosures made in accordance with Norway's regulations on country-by-country reporting.

The feasibility study found that company data currently included in the EITI Report is also available from the companies' payments to governments reports published on their company webpages. Most of the "contextual information" is accessible via a single portal - <http://www.norskpetroleum.no/> and the associated app *Oil Facts*. Revenue transparency is high, with timely and reliable information available for corporate income tax and petroleum tax (48% of petroleum revenues in 2015), the State's Direct Financial Interest (42%) and dividends from Statoil (7%). In addition, there are a number of arenas for public debate about natural resource governance, and there appears to be a consensus that the multi-stakeholder group is not necessary.

The study identifies two main areas to be addressed as part of the transition to mainstreaming:

- (1) Establishing a mechanism for government disclosures of taxes and other payments as per Requirement 4.1 on <http://www.norskpetroleum.no/>, disaggregated by company. The current data on the portal is sourced from the EITI reporting templates collected and compiled by the Independent Administrator, and will in the future need to be gathered directly from the collecting government agencies.
- (2) Implementation of requirement #2.5 on beneficial ownership transparency by 2020. The ongoing developments related to amendments to the 4<sup>th</sup> EU Anti-Money Laundering Directive will inform Norway's next steps on this issue.

Implementation in the future will consist of: (1) continuous stakeholder consultation and dialogue using existing multi-stakeholder platforms, with an annual stakeholder meeting; (2) continuous disclosure of the information required by the EITI Standard on company websites and on [www.norskpetroleum.no](http://www.norskpetroleum.no/); and (3) Validation every three years in accordance with the EITI Standard.

### Timor-Leste

The Government of Timor-Leste and the TL-EITI multi-stakeholder working group (MSWG) have expressed an interest in exploring mainstreamed EITI implementation. A feasibility study was conducted by the International Secretariat assessing the routine online disclosures in Timor-Leste's petroleum sector to examine the country's readiness to mainstream EITI implementation and identify next steps.

Based on the study and consultations with stakeholders, it is likely that mainstreamed implementation in Timor-Leste would have the following elements: (1) the MSG would likely be retained, but with a different role and mandate focusing more on analysis and dissemination of data; (2) Financial data would no longer be reconciled, but government data would be available from the different Ministries involved in the management of the petroleum sector. Company data would either be published on company websites (for companies reporting under the EU Directive), or on [www.eiti.tl](http://www.eiti.tl) using existing reporting templates; (3) [www.eiti.tl](http://www.eiti.tl) would become a hub for extractive sector data, redirecting users to the relevant government and company websites enabling access to the data at source; and (4) An annual report would be produced providing analysis of the findings and results pertaining to the previous financial year and projections for the coming financial year.

The feasibility study found that most financial and contextual information required by the 2016 EITI Standard is routinely disclosed by relevant government agencies. A transparency portal discloses fiscal and budget information and most government agencies also have online reports that are timely. It is also noted that government and company data reliability is strong; shown by the fact that Timor-Leste has produced six EITI reports without discrepancies and that figures from government and companies are subject to annual independent third-party audits.

There are however some issues that would need to be addressed as part of the transition to mainstreaming, such as completion and/or updating of information on licensing, employment, production, exports, beneficial ownership, and complying with the required level of disaggregation of taxes received by the government. For example, income tax (20% of 2014 revenues), and additional **profits tax (16% of 2014 revenues) are available in the Petroleum Fund's Annual Report, but are only reported as aggregate tax payments per company, i.e. not disaggregated by individual tax type.** The study also highlights that *data retention* needs to be considered.

Recently the MSG has discussed whether to hire a consultant for preparing a detailed roadmap for mainstreaming, which would accompany a mainstreaming application. However, as Timor-Leste recently concluded its parliamentary elections, a new coalition government has been formed. This has halted the recent progress of discussions, but the International Secretariat continues to provide support.

## Kazakhstan

The feasibility study in Kazakhstan is close to being finalised. A draft report has been commented on and the final submission of the report is expected shortly. The Kazakh MSG will then discuss its findings and agree whether to seek approval of a mainstreaming application from the EITI Board.

The study is being conducted by Ernst & Young and funded by the World Bank. Its preliminary findings conclude that Kazakhstan is ready to move toward mainstreaming EITI disclosures. The study highlights all necessary disclosures that are publicly available, as well as detailed recommendations on addressing any gaps. It is accompanied by a suggested roadmap/timeline for implementation, although it does not provide an estimated budget.

The EITI reporting forms are already incorporated into an existing [online platform](#) under the Ministry of Investment and Development. Through this portal, companies also record all other information pertaining to their contractual obligations on a monthly basis, including production data, procurement etc. **From this portal, Kazakhstan’s five largest revenue streams account for 95% of total revenues in 2015:** corporate income tax (31%), customs payments (25%), mineral production tax (21%), proceeds from PSAs (10%), and lastly rents from petroleum exports (9%).

The online portal allows for subsoil license holders upload the EITI machine readable data together with their audit statements within the first quarter of the following year. This system enabled Kazakhstan to be a leading country on data timeliness several years in a row, and as the study finds, discrepancies have continuously been at, or below, 1 per cent during the last five EITI Reporting years. Despite having all the company and government data available online with limited discrepancies, Kazakhstan still hires an Independent Administrator at an annual cost of USD 40 000 to reconcile the figures.

There are certain concerns regarding disclosures of data in Kazakhstan related to license allocations (EITI Requirement 2.2), beneficial ownership (2.5), and state participation (2.6). There are also some concerns regarding data quality (4.9) that also seem to coincide with preliminary findings of the on-going Validation of Kazakhstan, which should be addressed in the final report.

## Kyrgyz Republic

The International Secretariat and NREGI jointly facilitated a workshop from 7-9 June to kick off the mainstreaming feasibility study, with a detailed examination of existing disclosure practices. **The Kyrgyz Republic maintains a centralised tax reporting system similar to Kazakhstan’s portal described above.** The Kyrgyz government therefore asked for support with a mainstreaming feasibility study, which the [Eurasia Foundation of Central Asia](#) (EFCA) have been contracted to produce. The study is now **underway, with funding from the World Bank’s EGPS, and a final submission is expected by early October 2017.**

The preliminary findings identify multiple opportunities, one of which is identifying an open budget portal managed by the Ministry of Finance, which discloses revenue information by taxpayer ID, government recipient as well as payment type. These revenue disclosures include all tax and non-tax payments, apart from one. Unfortunately, the missing revenue stream is the social insurance contribution, which is the second largest revenue stream according to numbers from 2014. It accounts for 20% of total revenues, while the largest revenue stream is gross income tax accounting for 48%.

The study also has some shortcomings; it does not link to a wider e-governance project “Taza Koom”. **This project was initiated by the President’s Office and is funded by the World Bank.** Otherwise, the study provides evidence that there are several gaps to be addressed which may require longer-term reforms or changes in regulations. **The study’s preliminary findings still conclude that Kyrgyz Republic should move towards mainstreamed disclosures.** A roadmap to address the above challenges and other identified in the study has not yet been submitted.

Related to mainstreaming, but also implementation more generally, there are significant resource

constraints of the national secretariat in the Kyrgyz Republic. Funding by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is currently being phased out and funding of the national secretariat by European Bank for Reconstruction and Development (ERBD) is due to end in December 2017. Combined this amounts to significant pressure on the KR-EITI process and the feasibility of implementing a mainstreaming roadmap in the country.

## Liberia

**The mainstreaming feasibility study for Liberia is in its final stages. A ‘zero-draft report’ was submitted to the Secretariat and there are on-going discussions on improvements. The Secretariat is still seeking updates after a second mission was conducted early September. The submission of a final draft is expected late September.**

The preliminary findings recognise that **Liberia is not ready for ‘full mainstreaming’** due to both legal barriers and capacity constraints in the Liberian system. Government agencies are bound by confidentiality-clauses which hinders disclosure of information on company-payments and similar. The report also identifies that there are significant constraints in the technical capacity of government Information Technology (IT) systems, which would also require a longer-term improvement before enabling mainstreamed EITI disclosures.

Data quality is also a concern in Liberia, as external audits of companies are not mandatory. Also, although mandated by Liberian legislation, audits of government accounts often experience significant delays. The draft study notes that the Government Audit Commission lacks the financial and human resources to fulfil these obligations. Still, the commission did certify LEITI reporting templates provided by government entities for the 2013/14 EITI Report.

Despite the challenges reflected in the draft study, **Liberia’s EITI process is already ‘partially mainstreamed’**. LEITI, a government agency created by the LEITI Act of 2009, has an expanded mandate to ensure publication and disclosures that circumvents the confidentiality clauses highlighted above. This ensures that LEITI discloses revenues from the extractive sector, especially for major taxes. Three of these are withholding taxes, and therefore subject to confidentiality laws affecting the Liberia Revenue Authority: personal income taxes (21%), payments to third parties (11%) and non-resident taxes (7%). The second-largest revenue stream, royalties (14%), as well as other fees are already publicly available **through Liberia’s Mining Cadastre Administration System which is managed by the Ministry of Lands, Mines and Energy.**

**Lastly, LEITI’s role opens an opportunity to become a key government agency which performs the necessary disclosures in a mainstreamed setting.** The LEITI Act also ensures that LEITI as an agency is managed by a MSG in its traditional sense (under EITI), with the potential of less confusion regarding the future role of LEITI and the MSG.

## Mauritania

With support from GIZ, the MSG published a mainstreaming feasibility study in July to assess the

potential to entrench EITI reporting in routine government systems. The feasibility study also implies that **‘partial mainstreaming’ is the most applicable solution for now, focusing more on ensuring open data disclosures of EITI-required information by the government agencies themselves.**

The findings are overall positive. The study identifies that most of EITI data is available. However, although it is disclosed the information is spread across multiple agencies and available in varying degrees of disaggregation.

Two specific reporting frameworks that the study highlights are monthly publications of the **Table of State Financial Operations (TOFE, Tableau des Opérations Financières de l’État)** and others such as the Petroleum Report. These two are both published by the treasury (Direction Générale du Trésor et de la Comptabilité Publique), and captures the major revenue streams of 2014 such as royalties (25%), dividends from state participation (21%) and, perhaps most importantly, the *exceptional* budget contributions of extractive companies (Contributions au budget de l’etat, 11%).

The study identifies several challenges mainly related to two themes:

- i. Similar to Liberia, disclosure of tax-payments by company is prohibited through confidentiality laws. This hinders the proactive disclosures of government agencies and would require legal reform. There is no barrier for disclosure of non-tax payments.
- ii. Data quality has so far not been deemed satisfactory, especially related to state-owned enterprises. Previous EITI Reports have pointed out that audits of SOEs are not being undertaken in a constant and regular manner. More generally, there is a major challenge of auditing sector-specific revenues. This is due to the internal tracking-systems of the treasury which has to rely on manual separation of receipts from specific companies for the purpose of **EITI’s reconciliation procedures. Here, the treasury is looking to reform its classification system** and are currently exploring opportunities for using the extractive-specific GFS framework which was developed jointly by EITI and IMF.

Lastly, and with support from key institutions, the MSG is working to embed reporting of production and export data through the Customs website<sup>4</sup> (Direction Générale des Douanes). The response from SOEs has been less enthusiastic, but this is still an example of an implementing country making use of **the change of wording from the 2013 to 2016 EITI Standard; from “... the EITI Report must contain ...” to “... the MSG must disclose ...”.**

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<sup>4</sup> <http://www.dgdmr.com/dgd/statistiques>

## Annex B – Sub-group Terms of Reference

### Summary

At the EITI strategy discussion at the Board meeting in Oslo, it was proposed that the Implementation Committee establishes a sub-group of the Implementation Committee to monitor the implementation of the [mainstreaming action plan](#) (IC Paper 16-2-A). Specifically, it is suggested that the group prepares a report, including recommendations to the Board, addressing the questions outlined in the strategy paper discussed in Oslo (Board Paper 37-2-A).

It is suggested that the sub-group comprises members of the Implementation Committee. The Committee may wish to invite representatives from implementing countries and from supporting organisations that are involved in supporting mainstreaming activities to participate in the meetings as observers.

### Background

The adoption of the 2016 EITI Standard in February 2016 marked a milestone for the EITI by including provisions that enable mainstreamed transparency. In short, mainstreamed transparency means that in the long term, extractive industry transparency should become an integral part of how governments manage their sector. Rather than simply relying on the EITI reporting mechanism to bring about transparency, governments implementing the EITI should to a greater extent make the information required by the EITI Standard available through government and corporate reporting systems such as databases, websites, annual reports, portals etc. This would avoid duplication of reporting and make EITI data more widely accessible.

To achieve mainstreamed transparency, the EITI Standard has been refined to outline two possibilities for EITI disclosures:

1. “conventional EITI reporting” with data collection and reconciliation by an Independent Administrator; and
2. “mainstreamed EITI reporting” where public disclosures of the information required by the EITI Standard are made through existing government systems.

In October 2016, the EITI Board adopted a towards mainstreaming action plan. It outlines activities to be undertaken by the EITI International Secretariat, working together with supporting organisations, to accelerate the trend toward mainstreaming. The action plan has four elements:

5. Efforts to raise awareness and developing the business case for mainstreaming.
6. Targeted support to implementing countries that have agreed to prioritise mainstreaming.

7. “Practical tools for mainstreaming”, including guidance and providing access to technical expertise.
8. Policy development, including opportunities to refine the EITI Standard and Validation procedures to ensure that efforts to mainstream EITI implementation are appropriately incentivised and recognised.

These activities are reflected in the **International Secretariat’s 2017 work plan**.

In June 2017, the International Secretariat prepared an update on EITI mainstreaming (see IC Paper 16-2-A). It surveys the growing awareness and interest in mainstreaming from EITI Implementing countries, and highlights several challenges, including mobilising technical and financial support, the rigidity of the agreed upon procedure, and uncertainty regarding the role of multi-stakeholder groups in mainstreamed EITI implementation.

## Sub-group objectives

The sub-group is tasked with:

1. Preparing a report, including options and recommendations to the Board, addressing questions related to advancing mainstreaming as outlined in the strategy paper discussed in Oslo (Board Paper 37-2-A). This should include exploring the following issues:
  - a. With mainstreamed disclosure, what role is there for the MSG? Will it still function as a monitoring body, ensuring that the systems are maintained and that the disclosures do not fall below the standard or as a consultative body in terms of what further disclosures government or companies will take on?
  - b. Should governments consider mainstreaming multi-stakeholder dialogue, i.e. by making multi-stakeholder consultations and participation in public policy-making, e.g. in parliament, in the media, in other consultation forums, part and parcel of how the government operates?
  - c. What will happen to the recommendations for improving the sector, currently provided by the EITI Reports if there is a mainstreamed approach?
  - d. Is there a tension between the EITI as a way of holding in particular governments to account and the EITI as a platform for reforms?
  - e. How do we secure political support for mainstreaming in countries where the EITI institutions have become too powerful?
  - f. Should the "two-year rule" be revised to require more timely publication of data and encourage countries to move mainstream EITI implementation?

- g. How can EITI data become more accessible?
- h. Is it time to let go of reconciliation?

Upon completion of the report, the Implementation Committee might decide that the sub-group should be tasked with exploring further issues related to mainstreaming.

## Time schedule

It is suggested that the group meets in July, as soon as possible after agreeing the terms of Reference. The group would then agree a schedule that would enable the report to be prepared for the Board Meeting in Manila.

## Compositions of the working group

It is suggested that the sub-group comprises members of the Implementation Committee. The Committee may wish to invite representatives from implementing countries and supporting organisations that are involved in supporting mainstreaming activities to participate in the meetings as observers.