

Extractive Industries Transparency Initiative (EITI)

Second Validation of Iraq

Final assessment by the EITI International Secretariat

22 July 2019

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1. Summary

Iraq's second Validation commenced on 26 April 2019. The EITI International Secretariat has assessed the progress made in addressing the 22 corrective actions established by the EITI Board following Iraq's first Validation in 2017.¹ The 22 corrective actions relate to:

1. Government engagement (Requirement 1.1)
2. Industry engagement (Requirement 1.2)
3. MSG oversight (Requirement 1.4)
4. Workplan (Requirement 1.5)
5. Legal framework and fiscal regime (Requirement 2.1)
6. License allocations (Requirement 2.2)

¹ <https://eiti.org/validation/iraq/2017>

7. License registers (Requirement 2.3)
8. Contract disclosure (Requirement 2.4)
9. State participation (Requirement 2.6)
10. Production data (Requirement 3.2)
11. Comprehensiveness (Requirement 4.1)
12. Transactions related to state-owned enterprises (Requirement 4.5)
13. Direct subnational payments (Requirement 4.6)
14. Level of disaggregation (Requirement 4.7)
15. Data quality (Requirement 4.9)
16. Distribution of extractive industry revenues (Requirement 5.1)
17. Subnational transfers (Requirement 5.2)
18. Social expenditures (Requirement 6.1)
19. Economic contribution (Requirement 6.3)
20. Public debate (Requirement 7.1)
21. Discrepancies and recommendations from EITI Reports (Requirement 7.3)
22. Outcomes and impact of EITI implementation (Requirement 7.4).

The Secretariat’s assessment is that Iraq has fully addressed ten of the 22 corrective actions, having made “satisfactory progress” on the corresponding requirements, and has made “meaningful progress” with considerable improvements in addressing the other 12 corrective actions. The draft assessment was sent to the Iraqi Stakeholders Council (MSG) in English on 23 May 2019 and was shared in Arabic on 11 June 2019. Following comments from the MSG received on 10 July 2019, the assessment was finalised for consideration by the EITI Board.

2. Background

Iraq was admitted as an EITI implementing country in January 2010 and was designated as compliant with the EITI Rules in December 2012. The first Validation of Iraq against the EITI Standard commenced on 1 January 2017. On 26 October 2017, the EITI Board found that Iraq had made inadequate progress overall in implementing the 2016 EITI Standard.² Twenty-two corrective actions were identified by the Board, pertaining to the following requirements: government engagement (#1.1), industry engagement (#1.2), MSG oversight (#1.4), workplan (#1.5), legal framework and fiscal regime (#2.1), license allocations (#2.2), license registers (#2.3), contract disclosure (#2.4), state participation (#2.6), production data (#3.2), comprehensiveness (#4.1), transactions related to state-owned enterprises (#4.5), direct subnational payments (#4.6), level of disaggregation (#4.7), data quality (#4.9), distribution of extractive industry revenues (#5.1), subnational transfers (#5.2), social expenditures (#6.1), public debate (#7.1), discrepancies and recommendations from EITI Reports (#7.3), outcomes and impact of EITI implementation (#7.4).

Iraq has undertaken a number of activities to address the corrective actions:

² Validation of Iraq 2017 – Documentation, accessed [here](#) in March 2019.

- The Iraq EITI MSG held 11 meetings in 2018, on 29 January, 7 March, 7 May, 4 June, 2 July, 7 August, 3 September, 8 October, 15 November, 11 December and 20 December.³
- On 7 January 2018, the MSG established a committee to engage with the Kurdistan Regional Government. An official letter proposing an EITI visit to Iraqi Kurdistan was sent on 26 February 2018, with no response.⁴
- On 13 March 2018, Iraq EITI held a workshop in Basra on crude oil marketing and EITI implementation for government entities, state-owned enterprises (SOEs) and civil society.⁵
- On 28 March 2018, Iraq EITI held a capacity-building workshop for civil society on use of EITI data.⁶
- On 1 April 2018, Iraq EITI held a workshop for government entities on systematic disclosures of EITI data at the Ministry of Oil.⁷
- On 4 June 2018, the civil society constituency held a workshop at the Cultural Centre in Baghdad to clarify MSG member nominations procedures and proceed with the election of new CSO MSG members to the MSG. The MSG had previously established a committee to oversee civil society MSG member nominations, on 7 May 2018.⁸
- On 1-3 July 2018, the MSG held a capacity-building workshop in Dubai for its MSG members to discuss progress on corrective actions from Validation and strengthening capacities for effective oversight of EITI implementation.⁹
- Ernst & Young (EY) was selected as the IA for the 2016 and 2017 EITI Reports based on a government procurement process overseen by the MSG in line with the World Bank's cost- and quality-based procedures (QCBS), with the contract signed on 16 July 2018.¹⁰
- The MSG updated and published its 2018-2019 Iraq EITI work plan in September 2018.¹¹
- The MSG approved and published a study on the legal framework for the mining, oil and gas sectors in September 2018.¹²
- On 1-2 October 2018, the MSG held a workshop on corrective actions from the first Validation, supported by the EITI International Secretariat.
- Iraq EITI National Coordinator Alaa Mohie El-Deen met with Deputy Prime Minister and the Minister of Oil Thamer Al-Ghadhban on 13 December 2018.¹³
- The MSG approved and published the 2016 IEITI Report on 28 December 2018.¹⁴
- On 4 December 2018, the Iraq EITI website published a link to a Ministry of Oil webpage with information on the process for awarding Technical Service Contracts (TSCs) through licensing round, including bid criteria.¹⁵

³ Iraq EITI (January 2019), 2018 EITI annual progress report, accessed [here](#) in March 2019, pp.37-42.

⁴ *Ibid*, p.8.

⁵ *Ibid*, p.5.

⁶ *Ibid*, p.4.

⁷ *Ibid*, p.12.

⁸ *Ibid*, p.7.

⁹ *Ibid*, p.5.

¹⁰ *Ibid*, p.10.

¹¹ Iraq EITI (September 2018), 2018-2019 Iraq EITI work plan, accessed [here](#) in March 2019.

¹² Iraq EITI (September 2018), 'Study of the legal framework governing the mining, oil and gas sectors', accessed [here](#) in April 2019.

¹³ Iraq EITI (December 2018), Iraq's representative to EITI meets Minister of Oil', accessed [here](#) in March 2019.

¹⁴ Iraq EITI (December 2018), 2016 IEITI Report, accessed [here](#) in March 2019.

¹⁵ Iraq EITI website, License rounds contracts outlines which are published by us and obtained from Petroleum Contracts and License Directorate', accessed [here](#) in March 2019.

- Iraq submitted a request to the EITI Board for adapted implementation related to reporting in Iraqi Kurdistan for its 2016-2018 EITI Reports on 18 December 2018, having discussed the draft request since September 2018.¹⁶
- Deputy Prime Minister and the Minister of Oil Thamer Al-Ghadhban called for Iraq EITI to monitor all of SOMO's monthly oil-pricing meetings during his tenure on 26 December 2018.¹⁷
- The MSG approved and published Iraq's 2018 annual progress report (APR) in January 2019.¹⁸
- The 2016 EITI Report was formally launched at a press conference chaired by Deputy Prime Minister and Minister of Oil Thamer Al-Ghadhban on 5 February 2019.
- On 13-16 March 2019, Iraq EITI led by National Coordinator Alaa Mohie El-Deen held a capacity-building workshop with 17 journalists and CSOs on EITI related issues.¹⁹
- On 18 March 2019, the secretariat of the Council of Ministers issued a *Diwani* (Order) assigning Deputy Prime Minister and Minister of Oil Thamer Al-Ghadhban as chair of the Iraq EITI MSG and reassigning Alaa Mohie El-Deen as Executive Manager.²⁰
- On 25 March 2019, Deputy Prime Minister and Minister of Oil Thamer Al-Ghadhban chaired a symposium of representatives of International Oil Companies (IOCs), National Oil Companies (NOCs) to discuss key issues of EITI implementation such as systematic disclosures and contract disclosure.²¹
- The Board approved Iraq's request for adapted implementation for its 2016-2018 EITI Reports in relation to coverage of Iraqi Kurdistan on 15 April 2019.²²
- The MSG approved and published an addendum to the 2016 EITI Report on 20 April 2019.²³
- In April 2019, following direction from the MSG at its 8 April 2019 meeting, all 17 oil and gas SOEs published their financial statements for 2016 (and in some cases subsequent years)²⁴ and their statements and certificates of establishment.²⁵

¹⁶ Iraq EITI (September 2018), 'Meeting of the Board of Trustees of the Extractive Industries Transparency Initiative (EITI)', accessed [here](#) in April 2019.

¹⁷ Iraq EITI (December 2018), 'Deputy Prime Minister calls for Iraqi EITI to attend SOMO oil pricing meetings', accessed [here](#) in March 2019.

¹⁸ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*.

¹⁹ Iraq EITI (March 2019), 'Towards Governance of the Oil Sector, Iraqi Transparency Initiative Organizes an Interactive Media Course', accessed [here](#) in March 2019.

²⁰ Iraq EITI (March 2019), 'The Secretariat of the Council of Ministers assigns Thamer Al-Ghadhban as president of the Transparency Initiative Board and Alaa Mohie Al-Deen as Executive Manager', accessed [here](#) in March 2019.

²¹ Iraq EITI (March 2019), 'Al-Ghadhban: Iraq supports EITI and work with the IOCs to adopt its global standard We adopt systematic disclosure and will soon announce the government's policy on contracts transparency', accessed [here](#) in March 2019.

²² EITI (April 2019), 'The Board approved Iraq's request for adapted implementation', accessed [here](#) in April 2019.

²³ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', accessed [here](#) in April 2019.

²⁴ Basra Oil Company's unaudited financial statements for 2016 [here](#), 2017 [here](#) and 2018 [here](#); Iraq Drilling Company's unaudited financial statements for 2016 [here](#); Midland Oil Company's unaudited financial statements for 2016 [here](#) and 2016 audit opinion [here](#); Missan Oil Company's unaudited financial statements for 2016 [here](#) and [here](#); North Oil Company's audited financial statements for 2016 [here](#) and for 2017 [here](#); Iraq Oil Exploration Company's unaudited financial statements for 2016 [here](#), 2017 [here](#) and 2018 [here](#); Thi Qar Oil Company's unaudited financial statements for 2018 [here](#); State Oil Marketing Company's (SOMO) unaudited financial statements for 2016 [here](#), 2017 [here](#) and 2018 [here](#); North Gas Company's audited financial statements for 2016 [here](#) and (unaudited) for 2017 [here](#) and 2018 [here](#); South Gas Company's unaudited financial statements for 2016 [here](#); North Refinery Company's unaudited financial statements for 2016, 2017 and 2018 [here](#); Midland Refinery Company's unaudited financial statements for 2016 [here](#), 2017 [here](#) and 2018 [here](#); South Refinery Company's unaudited financial statements for 2016 [here](#) and 2017 [here](#).

²⁵ Basra Oil Company's certificate of incorporation [here](#); Iraq Drilling Company's statement of constitution [here](#); Midland Oil Company's statement and certificate of establishment [here](#) and [here](#); Missan Oil Company's certificate of establishment [here](#); North Oil Company's certificate from corporate register [here](#) and statement of establishment [here](#); Iraq Oil Exploration Company's certificate of establishment [here](#); Thi Qar Oil Company [certificate of incorporation [here](#); State Oil Marketing Company (SOMO)'s certificate of incorporation [here](#); North Gas Company's statement and certificate of incorporation [here](#); South Gas Company's statement and certificate of incorporation [here](#); North Refinery Company's certificate of establishment [here](#) and [here](#); and Midland Refinery Company's certificate of establishment [here](#).

The following section addresses progress on each of the corrective actions. The assessment is limited to the corrective actions established by the Board and the associated requirements in the EITI Standard. The assessment follows the guidance outlined in the Validation Guide.²⁶ In the course of undertaking this assessment, the International Secretariat has also considered whether there is a need to review additional requirements, i.e. those assessed as “satisfactory progress” or “beyond” in the 2016 Validation. While these requirements have not been comprehensively assessed, in the Secretariat’s view there is no evidence to suggest progress has fallen below the required standard and no additional issues that warrant consideration by the EITI Board.

1. Review of corrective actions

As set out in the Board decision on Iraq’s first Validation, the EITI Board agreed 22 corrective actions.²⁷ The Secretariat’s assessment below considers whether the corrective actions have been sufficiently addressed. The assessments are based on the Iraq EITI 2018-2019 work plan, the 2016 EITI Report, the 2017 and 2018 APRs and minutes of the MSG meetings from October 2017 to April 2019, alongside various documents submitted by the national secretariat to the International Secretariat, e-mail correspondence, and stakeholder consultations (in-person and via teleconference). The International Secretariat undertook a stakeholder consultations and pre-Validation mission to Baghdad on 6-10 April 2019, following up from previous implementation support missions in February and October 2018.

The Iraq EITI MSG approved and published a study on the legal framework for the mining, oil and gas sectors in September 2018²⁸ and the 2016 IEITI Report in December 2018. On 15 April 2019, the Board granted Iraq’s adapted implementation request related to Iraqi Kurdistan for the 2016-2018 EITI Reports. The Board agreed that, where comprehensive information was not obtained from companies and government entities in the Iraqi Kurdistan region, the MSG was expected to reference other publicly available sources of information. The Board confirmed that it was a requirement that there continued to be full unilateral disclosure of any revenues received by the Federal Government of Iraq from companies and government agencies in the Iraqi Kurdistan region. The Board required that EITI Reports should include an assessment of the comprehensiveness of this information, highlighting any gaps in the information available.²⁹ The MSG approved and published an addendum to the 2016 EITI Report in April 2019. References to ‘Federal Iraq’ are to the territory administered by the Federal Government of Iraq directly, excluding areas of Iraq controlled by the Kurdistan Regional Government (KRG).

3.1 Corrective action 1 – Government engagement (#1.1)

In accordance with Requirement 1.1, the government should demonstrate that it is fully, actively and effectively engaged in the EITI process. The government should demonstrate its commitment to the EITI by appointing a government lead to chair the process and ensure that senior government officials are represented and engaged in the multi-stakeholder group. The government should also ensure that links are made between Iraq’s EITI’s objectives and ongoing work within their respective agencies. In accordance with Requirement 8.3.c.i, the government is required to develop and disclose an action plan for addressing the deficiencies in government engagement documented in the initial assessment and Validator’s report within three months of the Board’s decision, i.e. by 26 January 2018.

²⁶ EITI Validation, Guide, available [here](#).

²⁷ Validation of Iraq 2017 – Documentation, accessed [here](#) in March 2019.

²⁸ Iraq EITI (September 2018), ‘Study of the legal framework governing the mining, oil and gas sectors’, *op.cit.*.

²⁹ EITI (April 2019), ‘The Board approved Iraq’s request for adapted implementation’, *op.cit.*.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress in meeting this requirement. The extent of senior government officials' support for the EITI appeared to have slowed markedly after Iraq was accepted as an EITI compliant country in 2012. While the National Coordinator Alaa Mohie El-Deen had consistently made public statements of support for EITI and was a senior government official in his position as the Ministry of Electricity's Inspector General, his dual function as National Coordinator was considered to create some confusion in responsibilities (*see Requirement 1.4*). With few exceptions, the EITI Chair Dr. Mehdi Al Alaq had not taken an effective government leadership role in the EITI in Iraq. Demonstrations of government engagement in the EITI were 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 was reportedly too busy to engage actively with the EITI process. The MSG and national secretariat had sought to compensate through personal relations with influential individuals within and outside the government, however high-level participation by or engagement with the Ministry of Oil was all but non-existent.

Progress since Validation

The period since the EITI Board's decision on Iraq's first Validation in October 2017 witnessed important political developments. These changes had a significant effect on the context in which EITI implementation takes place in Iraq, developments IEITI has sought to leverage. Following a referendum on independence in Iraqi Kurdistan on 25 September 2017, in which 92% of Kurds voted in favour³⁰, Iraqi federal military forces took control of key contested areas including the northern city of Kirkuk.³¹ By the end of October 2017, Kurdistan Regional Government (KRG) President Masoud Barzani resigned.³² As conflict in Iraq's north subsided in late 2017, preparations began for parliamentary elections in May 2018.³³ Final election results released in August 2018.³⁴ Following two months of political negotiations, a new government led by Prime Minister Adel Abdul Mahdi took office on 25 October 2018.³⁵

Action plan: On 14 December 2017, the MSG established a committee that included government representatives to oversee implementation of corrective actions from Iraq's first Validation, enshrined in Decree 40397.³⁶ The MSG discussed the need for the government to agree a time-bound action plan to address findings of the first Validation at its 29 January 2018 meeting, including resolving weaknesses in the constituency's engagement.³⁷ On 1 February 2018, Minister of Oil Jabar Ali al-Luaibi approved the adoption of the government constituency's action plan on transitioning to systematic disclosures of EITI data in Executive Order 52.³⁸ While not published on the IEITI website, a copy of the action plan and Executive Order 52 was provided to the International Secretariat and stakeholders confirmed that these were publicly-accessible given that they are official government documents.

³⁰ The New York Times (October 2018), 'Update: Kurdistan and the Battle Over Oil', accessed [here](#) in April 2019.

³¹ The Washington Institute (November 2018), 'The Kurdish Referendum and Kirkuk: Lessons for U.S. Policymakers', accessed [here](#) in April 2019.

³² Lawfare (October 2018), 'Iraqi Kurds Return to Polls after Independence Referendum, Iranian Missiles Target Syria, Turkey Tries to Mend Ties with Germany', accessed [here](#) in April 2019.

³³ Al Jazeera (May 2018), 'Iraq elections: All you need to know', accessed [here](#) in April 2019.

³⁴ Reuters (August 2018), 'Recount shows Iraq's Sadr retains election victory, no major changes', accessed [here](#) in April 2019.

³⁵ Reuters (October 2018), 'Iraq's new PM struggles at first hurdle: forming a government', accessed [here](#); and Foreign Policy (February 2019), 'Will Iraq's Old Divisions Undermine Its New Prime Minister?', accessed [here](#) in April 2019.

³⁶ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.18-19.

³⁷ *Ibid*, p.37.

³⁸ *Ibid*, pp.18-19.

Public statement: While there is no evidence of public statements of support for EITI implementation from high-level political figures in Iraq in the October 2017-October 2018 period, there have been numerous and at least monthly statements of support for EITI from high-level political leaders since October 2018. Deputy Prime Minister and Minister of Oil Al-Ghadhban has reiterated the government's commitment to EITI in public on several occasions since his appointment, including in calling on Iraq EITI's oversight of SOMO's crude oil pricing meetings in December 2018.³⁹ At the official launch of the 2016 EITI Report on 26 December 2018, Deputy Prime Minister Al-Ghadhban highlighted the EITI's role in the Ministry of Oil's plans to disclosure accurate information on the oil and gas sector.⁴⁰ Iraq's 2018-2022 National Development Plan also explicitly refers to the IEITI MSG as an actor providing evidence on which the government can base its policy-making.⁴¹

Senior lead: Secretary General of the Council of Ministers Dr Mehdi Al Alaq formally remained the MSG Chair until March 2019. There is no indication that either the MSG Chair, Secretary General of the Council of Ministers Dr Mehdi Al Alaq, or the Minister of Oil Jabar Ali al-Luaibi attended any EITI event, including MSG meetings, until the inauguration of a new government in October 2018. The appointment of Thamer Al-Ghadhban as Deputy Prime Minister for Energy Affairs and Minister of Oil in October 2018 led to a net improvement in high-level political engagement in EITI implementation. In early March 2019, the General Secretariat of the Council of Ministers issued a decree appointing Deputy Prime Minister for Energy Affairs and Minister of Oil Al-Ghadhban as MSG Chair, replacing Dr Al Alaq, and renewing the mandate of Alaa Mohie El-Deen as IEITI National Coordinator.⁴² However, there is evidence that Deputy Prime Minister and Minister of Oil Al-Ghadhban met with Iraq EITI representatives over a dozen times in the October 2018-April 2019 period, including a first meeting with Iraq EITI National Coordinator Alaa Mohie El-Deen in December 2018.⁴³ There is evidence that MSG Chair Al-Ghadhban has taken several actions to overcome challenges to EITI implementation, including hosting a meeting of international oil companies (IOCs) and national oil companies (NOCs) in March 2019 to discuss ways of improving the industry constituency's engagement in all aspects of EITI implementation.⁴⁴

Active engagement: Amidst the political developments of the 2017-2018 period, government representatives on the Iraq EITI MSG continued to attend MSG meetings based on a review of MSG meeting minutes.⁴⁵ Attendance of the formal MSG members was often delegated to proxies, whose meeting attendance were relatively consistent. The basis for selection of proxies to attend MSG meetings was often unclear. The government constituency renewed its membership on the Iraq EITI MSG in March 2019, appointing representatives at the Director General level from the Ministry of Oil, the Ministry of Industry and Minerals, the Ministry of Finance, the Ministry of Planning, the Federal Board of Supreme Audit and the Kurdistan Regional Government.⁴⁶ There is evidence that government representatives have

³⁹ Rebuilding Iraq (December 2018), 'Deputy Prime Minister for Energy Affairs and Minister of Oil announces Iraq's full compliance with the EITI standards', accessed [here](#) in April 2019.

⁴⁰ Iraq EITI (December 2018), 'The initiative announces the release of its new report at a press conference on Wednesday 26 December 2018', accessed [here](#); and Iraq EITI (December 2018), 'Supporting the Transparency Initiative for Extractive Industries in Iraq', accessed [here](#); in April 2019.

⁴¹ Ministry of Planning (June 2018), 'National Development Plan 2018-2022', accessed [here](#) in April 2019, p.39.

⁴² Iraq EITI (March 2019), 'The Secretariat of the Council of Ministers is entrusted with Thamer Al Ghadhban, the Chairman of the Transparency Initiative Board and Alaa Mohieddin as its Executive Director', accessed [here](#) in April 2019.

⁴³ Iraq EITI (December 2018), 'Iraq's representative in the Transparency Initiative meets the Minister of Oil', accessed [here](#) in April 2019.

⁴⁴ Iraq EITI (March 2019), 'Al-Ghadhban: Iraq supports EITI and work with the IOCs to adopt its global standard We adopt systematic disclosure and will soon announce the government's policy on contracts transparency', *op.cit.*

⁴⁵ See Iraq EITI website, 'Minutes of MSG meetings' section, accessed [here](#) in April 2019.

⁴⁶ Iraq EITI (March 2019), 'The Secretariat of the Council of Ministers is entrusted with Thamer Al Ghadhban, the Chairman of the Transparency Initiative Board and Alaa Mohieddin as its Executive Director', *op.cit.*

engaged in dissemination and outreach activities, including the launch of the 2016 EITI Report and the capacity-building workshop for media in March 2019 (see Requirement 7.1).

In April 2019, the Ministry of Oil formalised and published the government's policy on disclosure of oil and gas contracts on the Ministry of Oil website.⁴⁷ The government has taken steps to embed provisions of the EITI Standard in national legislation, even if Draft Law 39321 on the Committee on Transparency in Extractive Industries was only approved by the Secretariat Council of Ministers of the State Council on 4 December 2017 but not yet enacted by Parliament at the commencement of the second Validation (24 April 2019).⁴⁸ The government has also enacted regulations to restructure the MSG, such as Executive Order 135 of 21 December 2017 (see Requirement 1.4).⁴⁹

There is evidence that the government has followed up with material companies and government entities to facilitate data collection for the 2016 and 2017 EITI Reports, as evidenced by the meeting of IOCs and NOCs convened by MSG Chair Al-Ghadhban in late March 2019.⁵⁰ The Office of Legal Affairs of the Ministry of Oil has also circulated guidelines for systematic disclosures of EITI data to NOCs in 2018.⁵¹ The government has continued to provide around 40% of the funding for EITI implementation in 2018⁵², with plans for the equivalent financial support for 2019-2020.⁵³

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on government engagement has been addressed and considers that Iraq has made **satisfactory** progress on Requirement 1.1. There have been regular, public statements of support from the government and a senior individual has been appointed to lead on the implementation of the EITI since the inauguration of a new government in October 2018. Senior government officials are represented on the MSG and appear effectively engaged in all aspects of EITI implementation.

To strengthen implementation, Iraq may wish to ensure that transparency provisions are embedded in national legislation related to the mining, oil and gas sectors. Iraq is encouraged to ensure that the operational EITI engagement in all aspects of EITI implementation is consistent across of all relevant government entities, including within the Ministry of Finance. The government is encouraged to use the EITI to meet its objectives of transparent management of the extractive industries and as a means of consulting industry and civil society on key regulatory reforms.

3.2 Corrective action 2 – Industry engagement (#1.2)

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. In accordance with Requirement 8.3.c.i, the company constituency is required to develop and disclose an action plan for addressing the

⁴⁷ Ministry of Oil (April 2019), 'Ministry of Oil Policy on Information Dissemination', accessed [here](#) in April 2019.

⁴⁸ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.18-19.

⁴⁹ *Ibid*, pp.21-22.

⁵⁰ Iraq EITI (March 2019), 'Al-Ghadhban: Iraq supports EITI and work with the IOCs to adopt its global standard We adopt systematic disclosure and will soon announce the government's policy on contracts transparency', *op.cit.*

⁵¹ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.18-19.

⁵² In 2018, the Federal Government of Iraq provided USD 166,924 of a total budget of USD 415,944. See Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.35.

⁵³ According to the draft 2019-2020 IEITI workplann, unpublished in draft format, provided by the IEITI Secretariat.

deficiencies in company engagement documented in the initial assessment and Validator's report within three months of the Board's decision, i.e. by 26 January 2018.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress in meeting this requirement. The industry constituency was understood to cover international oil companies (IOCs) exclusively, not including state-owned enterprises (SOEs). Industry engagement was limited to one participant on the MSG who functioned as a point of contact for the three other nominal representatives of international oil companies. There were no procedures in place or plans to engage the broader constituency. Industry had 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 did not seem to be the fruit of a conscientious effort to keep industry from participating and there were efforts to ensure an enabling environment for company participation. Rather, it appeared that stakeholders had struggled to find a way to engage industry when EITI work plans had narrowly focused on reporting (*see Requirement 1.5*) and the security situation further complicated company participation.

Progress since Validation

There were several developments in Iraq's oil and gas industry in the 2017-2019 period, which should be understood as the context for industry's engagement in EITI implementation. These changes included Royal Dutch Shell's relinquishment of its 45% participating interest and operatorship of the Majnoon oilfield TSC to Basra Oil Company in June 2018⁵⁴ and the launch of Iraq's fifth bid round for oil and gas service contracts in April 2018.⁵⁵ A strategic review of the outcomes of the fifth bid round was ongoing as the second Validation commenced.⁵⁶

Action plan: The MSG discussed the need for the industry constituency to agree a time-bound action plan to address findings of the first Validation at its 29 January 2018 meeting.⁵⁷ In February 2018, National Coordinator Alaa Mohie El-Deen met with the Iraq International Oil Companies Forum in Dubai to discuss means of enhancing industry's participation in EITI implementation. In its comments on the draft assessment, the MSG highlighted that IOC representatives on the MSG consulted their broader constituency in developing an action plan for addressing weaknesses in their engagement. In April 2019, the Iraq International Oil Companies Forum submitted a letter to Iraq EITI, published on their website⁵⁸, with an overview of the industry constituency's plan of action for addressing the corrective actions from Validation and codifying the constituency's procedures for nominating representatives to the MSG. Industry stakeholders consulted explained that the April 2019 letter was a response to the MSG's broader action plan for addressing corrective actions from Iraq's first Validation. They noted that further refinements to the IOCs' plans would be considered at the June 2019 meeting of the Iraq International Oil Companies Forum. In its comments on the draft assessment, the MSG noted that delays in agreeing the industry constituency action plan had not affected the MSG's broader EITI work plan. While the IOCs' April 2019 letter defines industry's nominations procedures for MSG representatives, it does not define constituency coordination mechanisms. Rather, it includes pledges to disclose data on production volumes and values, employment and social expenditures in accordance with the EITI Standard. Upon

⁵⁴ Reuters (June 2018), 'Shell hands over Iraq's Majnoon oilfield: oil officials', accessed [here](#) in April 2019.

⁵⁵ Iraq Energy Institute (May 2018), 'Iraq 5th Bid Round Analysis', accessed [here](#) in April 2019.

⁵⁶ MEES (April 2019), 'Iraq Bidding Contracts On Hold As New Oil Team Seeks Reform', accessed [here](#) in April 2019.

⁵⁷ *Ibid*, p.37.

⁵⁸ Iraq EITI (April 2019), 'A letter from the Global Extractive Companies Forum working in Iraq regarding the companies plan to address the requirements of the corrective measures to exit the suspension of membership. It also explains the mechanism for selecting their representatives on the Board of Trustees', accessed [here](#) in April 2019.

consultations, secretariat staff provided a copy of the MSG's action plan for addressing corrective actions from Validation and the Forum's letter to the IEITI in April 2019, noting that these constituted the industry constituency's action plan for addressing the corrective action related to Requirement 1.2. The MSG noted in its comments that it would urge companies to improve and further develop the plan with the aim of transitioning towards systematic disclosures of EITI data.

Active engagement: The Iraq International Oil Companies Forum, the industry association for foreign-invested oil and gas companies operating in Iraq, has continued to meet around once a quarter throughout the 2017-2019 period with ad hoc discussions on EITI, according to industry stakeholders consulted. While industry representatives attended MSG meetings in 2018, their broader engagement in EITI implementation has appeared limited to MSG meetings and specific meetings convened by the Iraq EITI, such as a capacity-building workshop for material companies in the 2016 and 2017 EITI Reports. From December 2018 onwards however, there is more evidence of industry's coordination on EITI implementation, with meetings between IOCs and the MSG Chair, through meetings of the Iraq International Oil Companies Forum and via regular correspondence.

The Iraq International Oil Companies Forum leads the industry constituency's coordination on EITI engagement. While the Forum only met in Dubai, United Arab Emirates, prior to 2018, industry and secretariat stakeholders consulted highlighted the Forum's decision in 2018 to start holding meetings in Baghdad as an important development that was expected to ensure greater engagement in issues such as EITI. Industry representatives explained that the Forum's discussions on the EITI were ad hoc but that the IOC representatives on the MSG circulated frequent emails to the Forum's members with updates on EITI-related issues. While the Forum kept records of their meetings and discussions, these were not publicly disclosed. In terms of IOCs' objectives for EITI implementation, industry representatives consulted highlighted the desire to demonstrate IOCs' compliance with their contractual terms, to increase national oil and gas production, to develop local capacities and employment, as well as to support the country's social development goals. There appear to have been only a few public statements of support for EITI implementation in Iraq in speeches and corporate communications from IOCs operating in Iraq, aside from a presentation to an OECD conference by Lukoil in 2018⁵⁹ and references to EITI in seven IOCs' mandatory payments to governments' reports submitted to European Union jurisdictions.⁶⁰ However, letters from the Iraq International Oil Companies Forum to Iraq EITI National Coordinator El-Deen in July 2018⁶¹ and April 2019⁶² have reiterated the industry constituency's commitment to EITI implementation in Iraq.

The industry constituency's representation on the MSG was renewed in mid-2018. At its 7 August 2018 meeting, the MSG discussed the nominations of substitutes for IOC representatives on the MSG.⁶³ Whereas only one of the three IOC representatives on the MSG, Dr Christos Mylonas of Shell Iraq,

⁵⁹ Lukoil Oil Company (2018), 'Lukoil: Trading Iraqi oil', accessed [here](#) in April 2019.

⁶⁰ See for instance BP website, 'Promoting revenue transparency', accessed [here](#); Royal Dutch Shell website, 'Payments to governments', accessed [here](#); Total website, 'Reports on payments made to governments', accessed [here](#); ENI website, 'Payment transparency', accessed [here](#); Gazprom website, 'Reports 2017', accessed [here](#); Rosneft website, 'Reports on payments to governments', accessed [here](#); and Lukoil website, 'Payments to governments and tax', accessed [here](#) in April 2019.

⁶¹ Iraq International Oil Companies Forum (July 2018), 'Letter to Iraq EITI National Coordinator Alaa Mohie El-Deen, Ref: 001/IOC/30.07.2018', unpublished, provided by the IEITI Secretariat in April 2019.

⁶² Iraq EITI (April 2019), 'A letter from the Global Extractive Companies Forum working in Iraq regarding the companies plan to address the requirements of the corrective measures to exit the suspension of membership. It also explains the mechanism for selecting their representatives on the Board of Trustees', *op.cit.*.

⁶³ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.39-40.

attended MSG meetings in the 2014-2017 period⁶⁴, the renewal of industry's MSG representation led to the appointment of three new representatives from BP, Lukoil and Petronas⁶⁵ with three respective alternates.⁶⁶ This renewal was formalised in March 2019 with a decree from the General Secretariat of the Council of Ministers restructuring the MSG membership.⁶⁷ A review of MSG meeting minutes indicates that all industry MSG members or their alternates attended all MSG meetings in 2019.⁶⁸ Stakeholders consulted from government, industry and the IEITI Secretariat considered that the new industry MSG members made proactive contributions to MSG discussions on the design, implementation and monitoring of the EITI process. Industry stakeholders consulted highlighted the active participation and contributions of industry MSG representatives in the development of the IEITI work plan, annual progress report and scoping decisions. However, several industry representatives consulted described industry's engagement in the EITI primarily in terms of providing data for EITI reporting, rather than using the MSG as a forum for discussing oil and gas issues of relevance to the industry constituency. There is little evidence of industry's engagement in dissemination and outreach events related to EITI implementation in the 2017-2019 period however. Upon consultation, industry stakeholders noted that various IOC Forum sub-committees worked closely to review and consider IEITI requests for disclosure of information and to enhance industry practices, but did not highlight industry's participation in any IEITI dissemination and outreach activities.

Reporting by IOCs has generally improved from the 2014 and 2015 EITI Reports to the 2016 EITI Report, although several IOCs including TPAO, Totsa Total, Petronas, Dragon Oil and EGPC did not provide all information required in the reporting templates (*see Requirements 4.1 and 4.9*). The number of reporting companies has grown from 64 in 2013-2015 to 73 in 2016, including 45 companies that purchased crude oil from Iraq in 2016 and 28 IOCs operating under Service Contracts.

There have been a handful of capacity-building workshops and consultation meetings with the industry constituency in the 2017-2019 period, such as in August 2018 on submitting EITI reporting templates for the 2016 and 2017 EITI Reports, as well as several meetings on clarifying the responsibilities of constituencies and supporting industry's formulation of its objectives for EITI implementation.⁶⁹ Stakeholders highlighted the March 2019 meeting of IOCs and NOCs convened by MSG Chair Al Ghadhban as a landmark, given that it was the first Ministry of Oil consultations with IOCs on EITI specifically and led to concrete pledges to improve industry's disclosures of data required under the EITI Standard. While arguing that the corrective action related to Requirement 1.2 had been fully addressed, the MSG considered in its comments that the industry constituency was in the process of ensuring full, active and effective participation in the EITI process.

Enabling environment: There continues to be an enabling legal environment for EITI implementation in line with the findings of the first Validation. In April 2019, the government formalised its policy on contract disclosure in the extractive industries, which included provisions for disclosure of signed operating contracts upon agreement by both government and companies parties to the contract (*see Requirement 2.4*).

⁶⁴ MSG representatives from ExxonMobil and CNPC had been rotated out of Iraq without being replaced.

⁶⁵ The MSG members nominated by industry in 2018 were Zaid El-Yasiri of BP, Gatti Jubouri of Lukoil and Abdul Malik Jafar of Petronas. Their alternates were nominated as Mostafa Mohamed Reda of BP, Ghassan Sidawi of Lukoil and Najem al-Tai of Petronas.

⁶⁶ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.19-20.

⁶⁷ Iraq EITI (March 2019), 'The Secretariat of the Council of Ministers is entrusted with Thamer Al Ghadhban, the Chairman of the Transparency Initiative Board and Alaa Mohieddin as its Executive Director', *op.cit.*

⁶⁸ See Iraq EITI website, 'Minutes of MSG meetings' section, *op.cit.*

⁶⁹ Iraq EITI (August 2018), 'In coordination with Extractive Industries Transparency Initiative (EY), an interactive training workshop is held with representatives of the entities exposed to the 2016 and 2017 reports', accessed [here](#) in April 2019. Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.19-20.

Secretariat's Assessment

The International Secretariat considers that the corrective action on industry engagement has been partly addressed and considers that Iraq has made **meaningful progress on Requirement 1.2**. Despite missing the deadline of 26 January 2018 for agreeing a time-bound action plan for addressing weaknesses in their constituency's EITI engagement, the industry constituency belatedly agreed and published this action plan in April 2019 before the commencement of Iraq's second Validation. The renewal of industry's MSG representation in late 2018 brought about a significant improvement in the constituency's coordination on EITI issues, including more frequent consultations in person and via email through the Iraq International Oil Companies Forum. Industry representatives regularly attend MSG meetings, submit data for EITI reporting and more frequently consult with the broader constituency. However, the industry constituency's engagement in EITI implementation appears to remain primarily focused on the provision of data for EITI reporting. The industry constituency does not yet appear to be fully, actively and effectively engaged in all aspects of implementation, including on dissemination and outreach. Nonetheless, the direction of progress is encouraging given IOCs' pledges of support for systematic disclosures of data required under the EITI Standard.

In accordance with Requirement 1.2, the industry constituency should ensure that it is fully, actively and effectively engaged in all aspects of EITI implementation, beyond submission of data. Industry is encouraged to refine its constituency action plan to ensure that it provides robust guidelines for structuring the constituency's engagement in EITI implementation and to move forward with efforts to systematically disclose information required under the EITI Standard through their systems.

3.3 Corrective action 3 – Multi-Stakeholder Group oversight (#1.4)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress towards meeting this requirement. The statutory rules for the MSG's structure and membership were not clear and indeed contradictory, which made it impossible to assess deviations in practice. The nomination processes were independent and civil society groups were operationally, and in policy terms, independent of government and companies. The fact that industry had no process in place to renew its MSG membership, last renewed in 2010, was a particular concern. The delay in new elections for civil society MSG members from December 2016 was also a (smaller) concern and implied that two of the constituencies did not have a clear mandate at the start of Validation. The lack of evident distinction between constituencies, leading to a lack of clarity on whether there were three or four of them, did not provide for clear constituency coordination and constructive engagement. The length of MSG members' tenure, aside from CSOs, was unclear, with roughly a fifth of members unchanged since 2010. With the MSG's governance documents last updated in 2010, there appeared to be widespread concerns amongst stakeholders consulted over an imbalanced relation between the national secretariat and the MSG that hampered the MSG's effective

oversight of EITI reporting. There was also evidence of some coercion being applied to decision-making and agreement of minutes.

Progress since Validation

The MSG established a committee to oversee implementation of the corrective actions from Iraq's first Validation through Decree 40391 of on 14 December 2017.⁷⁰ The MSG discussed its Terms of Reference (ToR) at several meetings in 2018, including on 7 May and 4 June.⁷¹ The MSG's revised ToR, agreed at the MSG's 4 June 2018 meeting⁷², was enacted with General Secretariat of the Council of Ministers Administrative Order 359 of 15 October 2018.⁷³

MSG composition and membership: The MSG's December 2010 ToR defined the 14-strong MSG's membership.⁷⁴ The revised October 2018 ToR expanded the MSG's membership to 21, including three from government (Ministry of Oil, Ministry of Industry and Minerals, Ministry of Finance), two from regulatory bodies (the Federal Board of Supreme Audit (FBSA) and the Integrity Commission), three from IOCs, three from NOCs, four from CSOs, two from trade unions, one from academia and one from non-governmental organisations representing the private sector, alongside a Chair and a Vice-Chair. The new ToR require the three representatives from government to be of the Director General rank and for the MSG Chair to hold a ministerial rank. It also introduces provisions allocating one of the four CSO MSG seats to civil society in Iraqi Kurdistan and one to a women's civil society organisation. This new statutory composition is in line with the actual practice of MSG meeting attendance in the 2015-2017 period. There are slight discrepancies between provisions related to representation from the KRG between Decree 12-2010 that established the MSG and the new MSG ToR. While the former requires that a representative from the Kurdistan Regional Government be appointed as a MSG member, the ToR also requires that a civil society representative from Iraqi Kurdistan be appointed to the MSG. This assessment is based on the MSG composition described in the MSG's 2018 ToR.

The 2018 APR confirms the MSG's membership, with some deviations from the October 2018 ToR.⁷⁵ However, the IEITI website provides different details of the MSG's membership as of April 2019, including representatives from four ministries (Ministry of Finance, Ministry of Oil, Ministry of Planning and Ministry of Industry and Minerals), one representative from a regulatory body (the FBSA), four NOCs (Basra Oil Company, Midland Oil Company, North Oil Company and SOMO), three IOCs (BP, Lukoil and Petronas), seven CSOs (including from one women's association) and one trade union (Iraqi Union of Accountants and Auditors).⁷⁶ This renewal was formalised in March 2019 with a decree from the General Secretariat of the Council of Ministers restructuring the MSG membership, which codified six seats for government (the four ministries, the FBSA and the KRG).⁷⁷

While the MSG ToR does not define the procedures for nominating MSG members other than those from civil society (*see below*), it includes provisions requiring MSG members to be familiar with Iraq EITI and its

⁷⁰ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.18-19.

⁷¹ *Ibid.*, pp.38-39.

⁷² *Ibid.*, pp.18-19.

⁷³ Iraq EITI (October 2018), 'Rules of procedure', accessed [here](#) in April 2019.

⁷⁴ The MSG included: three representatives from government (Ministry of Oil, Ministry of Industry and Minerals, Ministry of Finance), three from regulatory bodies (House of Representatives, the Federal Board of Supreme Audit (FBSA) and the Integrity Commission), three from IOCs, three from CSOs and three from trade unions (Iraqi Accountants and Auditors Association, Iraqi Bar Association and Iraqi Journalists Syndicate), alongside a Chair and Vice Chair.

⁷⁵ Including the Minister of Oil as MSG Chair, the IEITI National Coordinator as Vice-Chair, government representatives from the three ministries, four national oil companies (Basra Oil Company, Midland Oil Company, North Oil Company and SOMO), three IOCs (BP, Lukoil and Petronas), three CSOs, one representative of a non-governmental organisation representing the private sector, and one trade union (the Association of Accountants and Auditors). Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.36.

⁷⁶ Iraq EITI website, 'Multi-Stakeholder Group' section, accessed [here](#) in April 2019.

⁷⁷ Iraq EITI (March 2019), 'The Secretariat of the Council of Ministers is entrusted with Thamer Al Ghadhban, the Chairman of the Transparency Initiative Board and Alaa Mohieddin as its Executive Director', *op.cit.*.

activities. The October 2018 MSG ToR sets MSG members' terms at two years renewable. It is implied that the renewal of MSG membership is required to follow the same procedures as for their original appointment. In practice, MSG membership appears to be representative of the diversity of civil society organisations, industry and relevant government entities in Iraq, with the notable exception of representation for companies in the solid minerals sector. However, the lack of representation for CSOs from Kurdistan and the KRG at the commencement of Iraq's second Validation represent a deviation from the MSG's ToR in practice.

Civil society representation: The October 2018 MSG ToR requires the MSG to form a committee to oversee the nomination of the four CSO representatives on the MSG. The ToR defines membership of this committee as including an IEITI Secretariat staff as committee chair, a representative of the Iraqi Alliance for Transparency in Extractive Industries (IATEI), a representative from the lawyers' trade union and two neutral representatives from outside the IEITI. The MSG ToR sets three key criteria for CSOs' candidature to MSG membership: due legal registration, knowledge of the IEITI and a proven track record of participating in EITI-related capacity-building activities and in media engagement on extractives issues. The MSG ToR also defines the procedure for holding the civil society elections, including publication of the call for nominations in a Baghdad-based Arabic-language newspaper and a Kurdistan-based Kurdish-language newspaper, a period of seven days to submit applications and pre-selection of qualified applicants by the MSG's dedicated committee and modalities of the election. The MSG ToR also defines the procedures for the MSG selecting the MSG representatives from two trade unions and from one non-governmental organisation representing the private sector. For the two trade unions, the ToR allow the MSG to select two relevant trade unions, which are then requested to select a representative to the MSG. For the private-sector NGO representative, the ToR require relevant NGOs to submit a list of organisations to the MSG, which subsequently selects a relevant private-sector NGO to nominate a representative to the MSG. Stakeholders consulted considered that the civil society constituency included both four CSOs and representatives from trade unions, academia and private-sector associations.

The IATEI continues to act as the key coordination forum for civil society's engagement in EITI implementation and is the body that organises civil society elections for MSG representatives. The IATEI revised its internal procedure rules in 2018, following a month of consultations. The reforms included modifications to the alliance's mission statement and objectives, and provisions allowing members of the coalition to hold the IATEI Coordinator and Board of Directors accountable.⁷⁸

The MSG established a committee to oversee the civil society MSG member nominations at its 7 May 2018 meeting.⁷⁹ On 4 June 2018, the civil society constituency held a workshop at the Cultural Centre in Baghdad to clarify MSG member nominations procedures and proceed with the election of new CSO MSG members.⁸⁰ On 6 August 2018, the call for candidatures was published in the Arabic-language newspaper Al-Sabah and the Kurdish-language newspaper Rudaw.⁸¹ It included the requirements codified in the MSG's October 2018 ToR.⁸² The MSG's committee to oversee CSO nominations convened in August 2018

⁷⁸ As well as a new member evaluation methodology, requirements for coalition members to disclose any conflict of interest, a ban on the IATEI Coordinator serving on the MSG to preserve his independence, improved regional representation within the Board of Directors, and new mechanisms for electronic meetings and elections. Madjid Abu Kalal, General Coordinator IATEI (April 2019), WhatsApp message, unpublished, provided to the International Secretariat.

⁷⁹ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.38.

⁸⁰ *Ibid*, p.7; and Iraq EITI (June 2018), 'Dialogue seminar with civil society organizations', accessed [here](#) in April 2019.

⁸¹ Iraq EITI (August 2018), 'Elections of representatives of civil society for the membership of the Board of Trustees', accessed [here](#) in April 2019.

⁸² Iraq EITI (August 2018), 'General invitation to all civil society organizations working in Baghdad and the provinces and the Kurdistan region of Iraq', accessed [here](#) in April 2019.

to approve the names of civil society candidates for the elections to the MSG.⁸³ The elections of civil society representatives to the MSG were held on 15 September 2018.⁸⁴ Media coverage and stakeholder consultations confirmed that the elections of CSOs to the MSG were held in a free, fair and transparent way.⁸⁵

The process for electing a CSO from Iraqi Kurdistan to the MSG was not successful however. Following similar procedures as for the elections in Baghdad in September 2018, civil society attempted to hold elections to the MSG in Erbil on 22 September 2018.⁸⁶ However, the voting process could not be completed given disagreements between stakeholders. Stakeholders consulted explained that a new attempt at elections in the region was planned for 2019. At its 8 October 2018 meeting, the MSG approved the results of civil society's election for MSG members from all provinces aside from Iraqi Kurdistan.⁸⁷

Industry representation: In April 2019, the Iraq International Oil Companies Forum submitted a letter to Iraq EITI, published on their website⁸⁸, with an overview of the industry constituency's plan of action for addressing the corrective actions from Validation and codified the constituency's procedures for nominating representatives to the MSG (*see Requirement 1.2*). The IOC Forum had previously shared drafts of its action plan via email with the IEITI Secretariat and International Secretariat in July 2018. The procedures require that MSG nominations take place every two years, with IOCs submitting nominations to the Iraq International Oil Companies Forum in the fourth quarter of the year. The Forum is expected to subsequently discuss the nominations and agree on three MSG representatives, to be presented to the MSG for approval. Despite the lack of publicly-accessible evidence on industry nominations to the MSG in 2018, industry stakeholders consulted confirmed that the Iraq International Oil Companies Forum proceeded with the selection of three MSG members and three alternates in early 2018, in accordance with the procedures subsequently set out in the IOCs' March 2019 letter to IEITI. The three new MSG representatives appointed were selected from BP, Lukoil and Petronas⁸⁹, with three designated alternates within the same companies.⁹⁰ There is no evidence that any IOC was excluded from the process for nominating industry's MSG representatives. Industry stakeholders consulted highlighted that the next renewal of industry representation on the MSG was scheduled to be discussed at the IOC Forum's June 2019 meeting and confirmed that the next renewal would be undertaken in line with the selection criteria described in the IOC Forum's April 2019 letter to IEITI. There is however no evidence of outreach by IOCs to companies buying Iraqi crude oil, despite their inclusion in the scope of EITI reporting. Industry stakeholders consulted confirmed that they had not had direct contact with companies buying oil from Iraq and that outreach to the buying companies was undertaken by SOMO, rather than the industry constituency.

⁸³ Iraq EITI (August 2018), 'Meeting of the committee supervising the elections of representatives of civil society', accessed [here](#) in April 2019.

⁸⁴ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.20-21.

⁸⁵ Iraq EITI (September 2018), 'Transparency Initiative organizes elections for civil society representatives in the Stakeholder Council', accessed [here](#) in April 2019.

⁸⁶ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.32-33.

⁸⁷ *Ibid*, p.40.

⁸⁸ Iraq EITI (April 2019), 'A letter from the Global Extractive Companies Forum working in Iraq regarding the companies plan to address the requirements of the corrective measures to exit the suspension of membership. It also explains the mechanism for selecting their representatives on the Board of Trustees', *op.cit.*

⁸⁹ The MSG members nominated by industry in 2018 were Zaid El-Yasiri of BP, Gatti Jubouri of Lukoil and Abdul Malik Jafar of Petronas. Their alternates were nominated as Mostafa Mohamed Reda of BP, Ghassan Sidawi of Lukoil and Najem al-Tai of Petronas.

⁹⁰ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.19-20.

National Oil Companies: The 2018 APR confirms that the four NOC representatives described in the MSG's 2018 ToR have been duly appointed to the MSG.⁹¹ While the MSG's 2018 ToR does not name the three specific NOCs to be represented on the MSG, stakeholders consulted explained that the MSG had continued to select the same three NOCs previously represented on the MSG (Basra Oil Company, Midland Oil Company and North Oil Company), in addition to the State Oil Marketing Company (SOMO), which is named in the 2010 Decree establishing the MSG. In practice, the Director Generals of each NOC are nominated to the MSG in line with the MSG's 2018 ToR.

Government representation: The 2018 APR confirms that the renewal of government MSG members was completed in December 2018.⁹² While the five government MSG members codified in the MSG's 2018 ToR have been duly appointed, there is no evidence that the sixth government representative named in the General Secretariat of the Council of Ministers' March 2019 decree⁹³, the MSG member representing the KRG, had yet been appointed as of the commencement of Iraq's second Validation (24 April 2019), based consultations and on information in the IEITI website⁹⁴ and MSG meeting minutes,⁹⁵ Government and secretariat stakeholders consulted confirmed that the Minister of the four ministries and the Chairman of the FBSA had nominated their respective MSG representatives based on the Director General rank.

Terms of reference: The MSG's revised ToR, known as the 'internal rules', were agreed by the MSG in June and enacted in Administrative Order 359 in October 2018. While the 2010 and March 2019 Decrees establishing the MSG provide the legal framework for EITI implementation in Iraq, all stakeholders consulted confirmed that the MSG's 'internal rules' were considered to be the *de facto* ToR. They provide important updates to the MSG's internal governance and procedures. While removing the 2010 MSG ToR's section on the MSG's mission and objectives, the revised ToR expand on the roles and responsibilities of MSG members, the MSG's internal governance and decision-making. The 2018 APR explicitly states that the revisions to the ToR were to align statutory rules with current practices and ensure that all constituencies are treated equally.⁹⁶ In terms of MSG members' responsibilities, the revised ToR defines these in accordance with Requirement 1.4.b.ii. It also confirms the MSG's right to revise its own ToR, subject to subsequent approval by the General Secretariat of the Council of Ministers.

The MSG has exerted efforts to establish the legal basis for IEITI, agreeing a Draft Law (39321) on the Committee on Transparency in the Extractive Industries at its 4 December 2017 meeting.⁹⁷ The draft law is currently under review by the Council of Ministers, according to secretariat staff consulted.

Internal governance and procedures: The MSG's October 2018 ToR requires the MSG to hold "periodic" meetings as required by work needs, with advance notification, as well as "extraordinary" meetings at the request of the MSG Chair, the Vice-Chair or by written request of at least six MSG members. Meetings are to be chaired by the MSG Chair, or its Vice-Chair in the Chair's absence. In practice, review of MSG meeting minutes indicates that the MSG has met around once a month in the 2017-2019 period, usually on the first Monday of every month as confirmed by secretariat staff. Consultations with MSG members indicated that they considered that MSG meetings were announced with sufficient advance notice and

⁹¹ *Ibid*, p.36.

⁹² *Ibid*, pp.18-19.

⁹³ Iraq EITI (March 2019), 'The Secretariat of the Council of Ministers is entrusted with Thamer Al Ghadhban, the Chairman of the Transparency Initiative Board and Alaa Mohieddin as its Executive Director', *op.cit.*.

⁹⁴ Iraq EITI website, 'Multi-Stakeholder Group' section, *op.cit.*.

⁹⁵ See Iraq EITI website, 'Minutes of MSG meetings' section, *op.cit.*.

⁹⁶ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.21-22.

⁹⁷ *Ibid*, pp.18-19.

that relevant documents were circulated sufficiently ahead of meetings. At its 15 November 2018 meeting, the MSG discussed options for alternatives for chairing MSG meetings in the absence of the MSG Chair's attendance, confirming the Vice-Chair's responsibilities for chairing MSG meetings in such cases.⁹⁸

The MSG adopted the use of Arabic as its language of work at its 17 May 2017 meeting.⁹⁹ Review of IEITI documents indicates that while most of the key EITI documents have been elaborated in Arabic since mid-2017, the ToR for the Independent Administrator are discussed and approved in English.¹⁰⁰ Stakeholders from different constituencies confirmed that the inception report and draft EITI Report were discussed in both English and Arabic.

Decision-making: The MSG's revised ToR define quorum as the attendance of at least 51% of MSG members and at least one representative from each constituency. Stakeholders consulted confirmed that they considered NOCs to be a separate constituency, implying that attendance from one representative each from all four constituencies on the MSG (government, industry, NOCs and civil society) was required in order to achieve quorum. It codifies the MSG's decision-making procedures as by consensus and, in cases where consensus is not reached, by decision of the MSG Chair in consultation with MSG members. The ToR explicitly states that MSG decisions are binding on all MSG members.

Record-keeping: The MSG's revised ToR requires records to be kept of each MSG meeting, including an overview of all issues discussed and key decision points. Minutes of MSG meetings are required to be signed by the MSG Chair and all MSG members. In practice, the minutes of MSG meeting are published on the Iraq EITI website.¹⁰¹ While certain civil society representatives consulted raised concerns over the lack of publication of several MSG meeting minutes in late 2018, secretariat staff explained that delay in publication of these records was due to a backlog of approvals for MSG meeting minutes by the former MSG Chair Dr Al Alaq. The former MSG Chair's sign-off on the outstanding meeting minutes was secured in April 2019 and the records were subsequently published on the IEITI website.

Capacity of the MSG: The MSG's revised ToR include provisions for all MSG members to have adequate knowledge of the EITI and that MSG members should ensure that necessary resources be available for EITI implementation, but do not explicitly state that MSG members should have the capacities to carry out their duties. The 2018-2019 IEITI work plan includes activities related to capacity-building of government entities and NOCs on systematic disclosures, of government entities and companies on social expenditures reporting and of government entities on mining data disclosures required under the EITI Standard.¹⁰² In addition, the ToR for the IA for the 2016 and 2017 EITI Reports include provisions requiring the IA to provide training for six members of the IEITI secretariat as well a workshop to provide guidance to material companies on EITI reporting templates.¹⁰³ However, one stakeholder consulted expressed concern that there was little clarity on the purpose of these trainings and little evidence of subsequent knowledge-transfer to other IEITI stakeholders as a result of the trainings. The IA (EY) held a workshop for material companies ahead of data collection for the 2016 and 2017 EITI Reports in August 2018.¹⁰⁴ On 1-2

⁹⁸ *Ibid*, p.41.

⁹⁹ *Ibid*, pp.20-21.

¹⁰⁰ Iraq EITI website, 'Terms of Reference for the Independent Administrator' for 2016 and 2017, accessed [here](#) in April 2019.

¹⁰¹ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.21-22. See Iraq EITI website, Minutes of MSG meetings, *op.cit.*

¹⁰² Iraq EITI (2018), 'Iraq EITI 2018-2019 work plan', *op.cit.*

¹⁰³ Iraq EITI website, 'Terms of Reference for the Independent Administrator' for 2016 and 2017, *op.cit.*

¹⁰⁴ Iraq EITI (August 2018), 'In coordination with Extractive Industries Transparency Initiative (EY), an interactive training workshop is held with representatives of the entities exposed to the 2016 and 2017 reports', accessed [here](#) in April 2019.

October 2018, the MSG held a capacity-building workshop for MSG members, with support from the EITI International Secretariat and the World Bank.¹⁰⁵ There were other capacity-building activities in 2018.¹⁰⁶

Per diems: The 2018 APR and the 2016 EITI Report note the MSG's decision at its 12 October 2018 meeting to agree a policy of per diems of IQD 500,000 (around USD 420) to each of the three MSG members elected by the civil society coalition (IATEI) for each MSG meeting, capped at one meeting per month (p.18).¹⁰⁷ While this per diem policy was only described in the minutes of the MSG's 12 October 2015 meeting at the start of Iraq's second Validation, the IEITI website published the per diem policy as a standalone document on 8 May 2019, after the commencement of Validation.¹⁰⁸ The policy is that three CSO MSG members are entitled to receive IDQ 500,000 per meeting (capped at one meeting per month) and that no other member than the three CSOs received these payments.

Attendance: The Iraq EITI MSG held 12 meetings in 2018¹⁰⁹ and four meetings in the first four months of 2019.¹¹⁰ Review of MSG meeting minutes indicates that a quorum was achieved at all MSG meetings in the 2017-2019 period. In its comments on the draft assessment, the MSG emphasised the full and free participation of MSG members in all meetings in the 2017-2019 period. It also noted that the MSG had adopted more effective communication channels through WhatsApp and email.

National secretariat: The IEITI Secretariat, currently housed at the Ministry of Oil, continues to be led by National Coordinator and MSG Vice Chair Alaa Mohie El-Deen. The 2018-2019 IEITI workplan includes a USD 100,000 budget for the secretariat's operating costs. The secretariat employs six staff.¹¹¹ While some civil society stakeholders not directly represented on the MSG expressed concerns over the work of the IEITI Secretariat, including non-specific allegations of financial mismanagement, all other stakeholders consulted expressed confidence in the secretariat's serving of all constituencies on the MSG fairly and equally.

Secretariat's Assessment

The International Secretariat considers that the corrective action on multi-stakeholder group oversight has been partly addressed and considers that Iraq has made **meaningful** progress on Requirement 1.4. The MSG has been formed and includes self-appointed representatives from each stakeholder group with no suggestion of interference or coercion, even if nominations procedures for industry were only belatedly codified ahead of the second Validation. The mechanism for civil society nominations on the MSG was open to the public, and CSO members of the MSG are operationally and in policy terms independent from government and companies. Information on nominations procedures is publicly available. The ToR for the MSG addresses the requirements of the EITI Standard, although there appear to be deviations in practice in terms of actual MSG membership for the different constituencies. Meetings

¹⁰⁵ Iraq EITI (October 2018), 'EITI organizes a workshop (Capacity Building for Board Members and Discussion, Direct Disclosure Project)', accessed [here](#) in April 2019.

¹⁰⁶ Other capacity-building activities that were leveraged for outreach purposes included a seminar on corrective actions from Validation in Baghdad for MSG members and stakeholders from all three constituencies in January 2018, a training workshop for civil society on the constituency's monitoring responsibilities in the EITI in Baghdad in February 2018, a workshop on social expenditures and impact in Baghdad in February 2018, a workshop on SOMO's pricing mechanisms for crude oil exports in March 2018, a workshop for IOCs and NOCs in Basra, Missan and Thi Qar provinces in Basra in March 2018, a roundtable discussion on petrodollar transfers in Basra in March 2018, a workshop for government entities on systematic disclosures in April 2018, a workshop on civil society's internal rules and nominations to the MSG in Baghdad in June 2018, and a general EITI capacity-building workshop in Dubai in June 2018. See 'Overview of capacity-building activities' provided by the IEITI Secretariat, unpublished.

¹⁰⁷ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.21-22.

¹⁰⁸ Iraq EITI website, IEITI per diem policy, accessed [here](#) in May 2019.

¹⁰⁹ MSG meetings were held on 29 January, 7 March, 7 May, 4 June, 2 July, 7 August, 3 September, 8 October, 15 November, 11 December and 20 December 2018. See Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.37-42.

¹¹⁰ MSG meetings were held on 7 January, 4 February, 4 March and 8 April 2019. See Iraq EITI website, 'Minutes of MSG meetings' section, *op.cit.*

¹¹¹ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.35.

are convened with sufficient advance warning and MSG members generally appear to have sufficient time to review documents ahead of meetings. Attendance of the large majority of MSG members is consistent. The MSG's per diem policy was publicly codified in MSG meeting minutes at the start of Iraq's second Validation, while the IEITI website published the policy as a standalone document two weeks after the commencement of Validation.

In accordance with Requirement 1.4, Iraq should ensure that any non-trivial deviations from the MSG's ToR in practice are adequately codified, including a clear procedure for appointing proxies in the event that a MSG member is not available.

3.4 Corrective action 4 – Work plan (#1.5)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made meaningful progress towards meeting this requirement. The MSG maintained a current EITI work plan, that was fully costed and aligned with the reporting and Validation deadlines established by the EITI Board. The 2017-2018 work plan was an important improvement on previous work plans. It set EITI implementation objectives that were linked to the EITI principles and to some extent reflected national priorities for the extractive industries. The work plan also included measurable and time-bound activities, identified domestic and external sources of funding and was updated regularly. There was a concern however that the work plan did not reflect consultations with key stakeholders or serve as a tool to support implementation but was instead perceived as a re-packaging of previous work plans to conform with the requirements of the EITI Standard. Validation considered it noteworthy that most of the key issues identified by stakeholders as national priorities, or issues identified through previous reporting exercises as requiring additional attention, were not addressed by the work plan.

Progress since Validation

The MSG discussed the updating of the Iraq EITI work plan to align it with the priorities of the Ministry of Oil and the Ministry of Industry and Minerals at its 7 March 2018 meeting.¹¹² At its 7 May 2018 meeting, the MSG discussed and approved an IEITI work plan covering the March 2018 – April 2019 period.¹¹³ At the commencement of Iraq's second Validation (on 24 April 2019), the MSG had formed a working group to develop the work plan covering April 2019-May 2020, and discussed a draft of this work plan at its 8 April 2019 meeting. Finalisation of the new work plan was expected to be on the agenda of the MSG's 6 May 2019 meeting, but was yet to be published on the IEITI website as of 11 July 2019.

Publicly accessible workplan: The 2018-2019 IEITI work plan is accessible on the IEITI website.¹¹⁴

Secretariat staff explained that the MSG had formed a multi-stakeholder committee to draft the 2018-2019 IEITI work plan in March 2018. Staff confirmed that the committee had taken into consideration both national priorities as communicated by the Ministry of Oil as well as priorities of IOCs, but did not confirm whether views of the broader civil society constituency had been canvassed in developing the work plan. Industry stakeholders consulted highlighted the active participation and contributions of

¹¹² Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.38.

¹¹³ *Ibid*, pp.10,11.

¹¹⁴ Iraq EITI (2018), 'Iraq EITI 2018-2019 work plan', *op.cit.*.

industry MSG representatives in the development of the IEITI work plan. In its comments on the draft assessment, the MSG emphasised that the 2019-2020 work plan was the product of extensive consultations with stakeholders.

Objective for implementation: Four of the five objectives in the 2018-2019 IEITI work plan appear to be aligned with national priorities, including integrating transparency into the government's management of the extractives sector, implementing social expenditure clauses of oil and gas service contracts, promoting transparency in the award of mining licenses, and promoting transparency and good governance in the establishment of a national oil company. The 2018 APR confirms that the objectives of the 2018-2019 IEITI work plan are aligned with national priorities.¹¹⁵

Measurable and time-bound activities: While most of the activities in the 2018-2019 work plan are time-bound and measurable, several individual activities under Objectives 2, 3 and 5 do not include any clear timeframe beyond the general timeframe for completing all activities under the objective. In addition, the timeframe for completing most activities is set at between nine and 12 months.

Addressing any capacity constraints: The 2018-2019 work plan includes activities related to capacity-building of government entities and NOCs on systematic disclosures, of government entities and companies on social expenditures reporting and of government entities on mining data disclosures. However, the work plan does not include any capacity building activities specifically dedicated to MSG members.

Scope of EITI reporting: The 2018-2019 work plan includes activities related to transitioning towards systematic disclosures of EITI data, enhancing transparency in social expenditures and improving disclosures of mining license allocations.

Legal or regulatory obstacles: While the 2018-2019 work plan does not include activities specifically related to overcoming legal or regulatory obstacles to EITI implementation, it includes one activity related to producing a study on the different laws and regulations governing the mining, oil and gas sectors.

Plans for implementing recommendations: All activities under Objectives 1 and 4 of the 2018-2019 work plan relate to follow-up on corrective actions and recommendations from Validation. However, the work plan does not include any activities specifically related to follow-up on recommendations from past EITI Reports.

Costings and funding sources: Around half of activities are clearly costed with indications of the funding sources. However, the other half of activities do not appear to be costed, although funding required for these activities appears to be included in the overall costing of the objective under which these activities fall. While the cost of the 2018-2019 work plan is provided as USD 1.422m, the 2018 APR highlights a significant shortfall in funding, with only USD 415,944 spent in practice in 2018.¹¹⁶ It also highlights delays in disbursement of World Bank funding as a key challenge to full implementation of the work plan.¹¹⁷ In its comments on the draft assessment, the MSG argued that only a few activities in the work plan did not include costings, given that they did not require funding for implementation. The MSG also emphasised that the 2019-2020 work plan included costings and funding sources for each activity.

Secretariat's Assessment

The International Secretariat considers that the corrective action on the work plan has been partly addressed and considers that Iraq has made **meaningful progress on Requirement 1.5**. The 2018-2019

¹¹⁵ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.22.

¹¹⁶ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.35.

¹¹⁷ *Ibid*, p.35.

IEITI work plan is publicly accessible, produced in a timely manner and updated annually, with objectives aligned with national priorities. However, the degree of consultations with the broader constituencies represented on the MSG, particularly civil society, is unclear. The work plan also includes specific activities to follow up on recommendations from Validation, but not from EITI reporting. While around half of the activities are costed, with sources of funding clearly indicated, the other half are not.

In accordance with Requirement 1.5, Iraq should ensure that the annual IEITI work plan is the product of consultations with the broader government, industry and civil society constituencies, includes individually costed activities with clear sources of funding for each, and includes plans for follow-up on recommendations from Validation and EITI reporting. Iraq may wish to publish more regular updates of its work plan execution to reflect consistent monitoring of implementation and support Iraq's efforts to reach out to prospective donors to support specific activities.

3.5 Corrective action 5 – Legal framework (#2.1)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress in meeting this requirement. The 2015 IEITI Report provided 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 were only provided for PSCs in the KRG, not for TSCs in the rest of Iraq. The degree of fiscal devolution was explained briefly, although the description was unclear. The relevant government entities were listed but their roles were not described. It was 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 were listed but not described, the fiscal regime was not described, and the MIM's role in regulating the sector was only briefly described.

Progress since Validation

The 2016 EITI Report, published in December 2018, provides an overview of the legal environment and fiscal regime for the extractive industries. The report confirms that the MSG did not consider any revenue stream from the mining sector to be material (pp.108-109), based on its materiality threshold for selecting revenue streams for reconciliation (2% of total revenues). Nonetheless, non-financial information on the mining sector was included in the report.

Legal framework: In *oil and gas*, the 2016 EITI Report highlights the lack of standalone oil and gas legislation in Federal Iraq and provides a cursory description of relevant section of the 2005 Iraqi Constitution, the 1976 Organization of the Ministry of Oil Law and five other laws¹¹⁸ (pp.21-25). In *mining*, the report provides brief descriptions of two laws¹¹⁹ (pp.25-26). The report also briefly describes the 2009

¹¹⁸ the 1997 Public Companies Law, the 2006 Investment Law, the 2007 Crude Oil Refining Investment Law, the 1982 Income Tax Law, the 2010 Law of Income Taxation on Foreign Oil Companies Working in Iraq.

¹¹⁹ the 2011 Iraqi Ministry of Industry and Minerals Law, the 1988 Mineral Investment Law.

Law on the Protection and Improvement of the Environment, and lists seven other laws (pp.25-26). Brief descriptions of the eight SOEs operating in the mining sector are also provided (pp.36-38). Regarding the KRG, the report describes provisions of the 2007 Oil and Gas Law of the Kurdistan Region (p.29).

Government agencies' roles: In *oil and gas*, the report provides brief descriptions of the two relevant directorates of the MoO¹²⁰ and of the nine SOEs operating upstream, the five SOEs operating in transportation, distribution and marketing as well as the three SOEs operating downstream (pp.30-35). In *mining*, the report states that the MoIM is the sole governing body for the mining sector (pp.22-23), albeit without describing its key roles and responsibilities. The report also provides a cursory description of the Energy Committee of the Council of Ministers, which covers both mining and oil and gas (p.23). Regarding the KRG, the report includes a quote from the KRG's Ministry of Natural Resources (MNR) website, which briefly describes the MNR's roles and responsibilities (p.29). Brief descriptions of the five SOEs in the KRG are also provided (pp.40-41).

Fiscal regime: In *oil and gas*, the report provides a brief description of the corporate income tax (CIT) and withholding tax regimes applicable to oil and gas (pp.27-28), including applicable rates and tax collection procedures. An overview of the fiscal framework for oil and gas in Federal Iraq is provided, including a diagram of in-kind and cash flows (pp.43-44). An overview of fiscal terms of oil and gas contracts in Federal Iraq is provided (pp.62-64). In the KRG, the report provides an overview of fiscal terms of Production-Sharing Contracts (PSCs) (pp.64-65).

In *mining*, the report does not explicitly provide an overview of the fiscal regime in the mining sector. However, the report implies that there are no private companies operating under license in the mining sector as it states that the only revenues accruing to the government from mining consist of SOE payments to the state treasury of 45% of their distributable net profits (pp.8,108-109). However, the report also highlights the lack of response from MoIM on fundamental issues such as "details of contracts signed with the private sector" (p.13), implying a lack of clarity on the fiscal terms applicable in the mining sector. In consultations, the IA highlighted the lack of clarity on the fiscal terms applicable to private mining companies given the lack of response from MoIM during data collection.

Degree of fiscal devolution: In *oil and gas*, the report provides an overview of fiscal devolution in its discussion of the two types of applicable subnational transfers (pp.147-150). In *mining*, while the report indicates that the government only collects revenues in the form of SOE payments of 45% of their net profits to the state treasury (pp.8,108-109), it does not clarify the level of fiscal devolution in the mining sector.

Reforms: In *oil and gas*, the report provides an overview of recent and ongoing legal reforms in Federal Iraq (pp.45-46). The report does not describe any recent, ongoing or planned reforms in either *mining* or the KRG. There is publicly-available evidence of reforms in the KRG's oil and gas sector in 2016, including the introduction of a new payment arrangement for IOCs enacted in February 2016.¹²¹

Iraq published an addendum to its 2016 EITI Report on 20 April 2019¹²², which provided some additional information on ongoing and planned reforms, consisting of a cursory list of three general ongoing reforms including amending the National Oil Company Law No.4 of 2018 (p.5).

¹²⁰ The Petroleum Contracts and Licensing Directorate (PCLD) and the Technical Directorate.

¹²¹ Iraq Energy Institute (February 2018), 'A Rocky Road: Kurdish Oil & Independence', accessed [here](#) in January 2019, p.48.

¹²² Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.5.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on the legal framework and fiscal regime has been addressed and considers that Iraq has made **satisfactory** progress on Requirement 2.1. The 2016 EITI Report provides a cursory overview of the legal framework for the oil and gas sector (including the KRG) and of the fiscal terms applicable both in Federal Iraq and in the KRG. The degree of fiscal devolution as well as the roles and responsibilities of relevant government entities are briefly described. The report provides an overview of recent and ongoing reforms in Federal Iraq. While there are gaps in the coverage of the mining sector, including a lack of clarity on the fiscal regime for private companies, the degree of fiscal devolution and ongoing reforms, the International Secretariat's view is that these gaps are not significant given the report's clear statement that government mining revenues were not deemed material in 2016.

To strengthen implementation, Iraq may wish to consider bolstering the analysis of the legal environment and fiscal regime in oil and gas in its EITI reporting, as a means of supporting public debate over proposed legal and regulatory reforms.

3.6 Corrective action 6 – License allocations (#2.2)

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.

Findings from the first Validation

Since no oil and gas licenses changed hands in 2015 and the equity in TSC consortiums remained unchanged, the first Validation considered that it could have been argued that this requirement was “not applicable” to the oil and gas sector in Federal Iraq for 2015. A description of the process for transferring or awarding the licenses was nonetheless required. It was unclear whether any mining license was allocated or transferred in 2015 and given that Iraq had included mining in the scope of its EITI reporting, it was not possible to say that the requirement was not applicable. In addition, oil and gas PSC allocations in the KRG were only perfunctorily discussed and it was unclear whether any new oil and gas PSC was awarded by the KRG in 2015. Furthermore, the 2015 IEITI Report did not describe the statutory procedures for transferring equity in a TSC, did not describe publicly-available information on the process of concluding PSCs with the KRG and did not provide an overview of the process for allocating or transferring licenses in the mining sector. Thus, the first Validation concluded that Iraq had made inadequate progress towards meeting this requirement.

Progress since Validation

On 4 December 2018, the Iraq EITI website published a link to a Ministry of Oil webpage with information on the process for awarding TSCs through licensing round.¹²³ On 5 April, the Iraq EITI website published an overview of the technical and financial criteria assessed during the first four bid rounds in the period 2009-2012.¹²⁴

Mining: There is no information in the 2016 IEITI Report on mining licenses, nor on mining license awards or transfers in 2016. The report explains that MoIM allocates specific mineral quantities for lifting by companies in Federal Iraq, who are assigned quarries for specific periods of time (pp.52-53), although it does not clarify whether any such quarry assignments took place (or were transferred) in 2016. In consultations, the IA noted that it had requested information on contracts signed with private companies and on the process for awarding licenses in the mining sector, but that MoIM had not responded to these requests.

However, the addendum to the 2016 EITI Report published on 20 April 2019 provides a description of the process for MoIM contracting public and private companies in the mining sector, through competitive bidding in line with the 1997 Public Companies Law and the 2011 Ministry of Industry and Minerals Law.¹²⁵ It provides the technical and financial criteria required from companies bidding for public mining contracts.¹²⁶ The addendum does not explicitly provide the license number and identity of companies for mining contracts awarded and transferred in 2016, although the list of mining projects approved by the National Investment Authority provides evidence of three mining licenses awarded in 2016.¹²⁷ Nonetheless, the MSG did not consider any revenue stream from the mining sector to be material (pp.108-109) and that no mining company was included in the scope of reporting (p.110). While there is publicly-available evidence of bidding rounds for mineral blocks having been launched by the KRG in 2016¹²⁸, these are not described in the report.

Oil and gas: In *Federal Iraq*, all oil and gas oilfields are owned by NOCs. On a number of these oilfields, the Ministry of Oil, through the NOCs, has concluded TSCs with IOCs, whereby the licenses are held by NOCs but production is operated by IOCs as service providers to the NOCs. On the other oilfields, the NOCs operate their own production, categorised as "national effort production". The assessment of this requirement considers the process for awarding and transferring oilfields to NOCs, the process for concluding TSCs and transferring participating interests therein.

Awards/transfers: With regards to *awards* and *transfers* of oil and gas oilfields in *Federal Iraq*, the report lists the oilfields held by each NOC, segregating the fields operated by IOCs through TSCs from fields operated independently by the NOCs for their "national production" (pp.68-69). For the latter, the report explains that oil fields are allocated to NOCs "*in accordance with each company's activities as per their certificates of incorporation, and in accordance with MoO plans*" and that none of the oil fields had been allocated through license round bidding (p.67). The addendum to the 2016 EITI Report explains that the specific oilfields to be operated by each NOC are declared by Decree of the Ministry of Oil, based on recommendations made by the Ministry's Reservoirs and Field Development Directorate and the Legal

¹²³ Iraq EITI website, License rounds contracts outlines which are published by us and obtained from Petroleum Contracts and License Directorate', *op.cit.*

¹²⁴ Iraq EITI (April 2019), 'Technical and Financial criteria - Licensing round allocations and transfers', accessed [here](#) in April 2019.

¹²⁵ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.9-12.

¹²⁶ *Ibid*, p.10.

¹²⁷ For the Hilal cement factory, for the Shahi Ziyar cement factory and for the Najaf cement factory. *Ibid*, pp.13,15.

¹²⁸ Kurdistan Regional Government, Ministry of Natural Resources (June 2016), 'Mineral exploration & investment in the Kurdistan region-Iraq: notice of invitation of expression of interest', accessed [here](#) in January 2019.

Directorate. The addendum cites Midland Oil Company's statement that the decisions to allocate fields to NOCs is published in the official gazette, the date of which is considered the date of effectiveness.¹²⁹ The 2016 addendum and stakeholder consultations confirmed that no oilfield was transferred between NOCs in 2016.¹³⁰

In terms of *awards* of TCSs in *Federal Iraq*, the report confirms the lack of oil and gas license awards in 2016, noting confirmations from the MoO's PCLD that no new licenses were awarded through competitive tender in 2016 and that no oil and gas license had been awarded to any international oil company outside of bidding rounds (p.47). This was confirmed through stakeholder consultations.

With regards to license *transfers* in *Federal Iraq*, the report describes the transfer of Occidental's 29.69% participating interest in the Zubair TSC to South Oil Company, effective in September 2016 (p.57). The report also refers to three other transfers of participating interests, but confirms that the effective dates of transfers were in 2015 and 2017 (p.58).

With regards to license *awards* and *transfers* in the *KRG*, the report provides a general description of the licensing process (p.54) but does not clarify whether any oil and gas licenses were awarded in 2016. While the report refers to the lack of publicly-available evidence of any amendments, assignments or novation agreements concluded in 2016 (p.60), it does not include a similar assessment of the existence of any license award in this period. While reiterating the lack of cooperation by the KRG, the addendum to the 2016 EITI Report clarifies that the IA found no evidence of new oil and gas license awards or transfers of participating interests in oil and gas PSCs in the KRG in 2016, either in the public domain or from consultations with North Oil Company given its proximity to the KRG in Kirkuk.¹³¹

Award/transfer and bidding process: With regards to license *awards* in *Federal Iraq*, the report describes the process for awarding oil and gas licenses to IOCs through competitive tender, as well as an overview of the five licensing rounds conducted to date (pp.47-52). On 4 December 2018, the IEITI website published a link to a Ministry of Oil webpage with information on the process for awarding TSCs through licensing round, including bid criteria.¹³² In terms of areas operated independently by NOCs for their "national production", the report and its addendum only describe the statutory procedures for allocating oilfields to NOCs (p.67).¹³³

With regards to license *transfers* in *Federal Iraq*, the report provides a brief description of the process for assigning participating interests in oil and gas contracts with reference to Article 28 of the TSCs and includes a link¹³⁴ to the model Development and Production Service Contract (pp.58-59). The 2016 report addendum describes the statutory procedures for assigning interests in TSCs to other companies, in line with Article 28 of the standard TSC.¹³⁵

With regards to license *awards* and *transfers* in the *KRG*, the report provides a general description of the licensing process (p.54), but does not describe the process for transferring participating interests in PSCs.

¹²⁹ *Ibid*, pp.6-7.

¹³⁰ *Ibid*, p.8.

¹³¹ *Ibid*, p.17.

¹³² Iraq EITI website, License rounds contracts outlines which are published by us and obtained from Petroleum Contracts and License Directorate', *op.cit.*.

¹³³ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.6-7.

¹³⁴ Model Development and Production Service Contract, accessed [here](#) in January 2019.

¹³⁵ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.8.

It implies that no such transfers were identified for 2016 based on the IA's review of publicly-accessible documents (p.60).

Technical and financial criteria: With regards to license awards in *Federal Iraq*, the report provides an overview of the general technical and financial criteria for pre-qualifying companies in the first phase of the TSC bidding rounds. It quotes the PCLD's statement that the specific weightings of the different criteria in the overall assessment are considered confidential (p.49). On 4 December 2018, the Iraq EITI website published a link to a Ministry of Oil webpage with information on the process for awarding TSCs through licensing round, including bid criteria.¹³⁶ On 5 April, the Iraq EITI website published an overview of the technical and financial criteria assessed during the first four bid rounds (in 2009-2012).¹³⁷

With regards to license transfers in *Federal Iraq*, the report quotes Article 28.3 of the standard service contracts, which refers to the need for the assignee to be qualified by the MoO, which implies providing evidence of "technical and financial competence" (p.59). Stakeholder consultations and the addendum to the 2016 IEITI Report confirmed that the MoO assesses the same technical and financial criteria for transfers of participating interests as for the pre-qualification of bidders for the original licensing round.¹³⁸

With regards to license awards in the *KRG*, the report quotes the KRG's MNR website's description of the process for awarding oil and gas licenses through PSCs, but only refers to "technical and commercial considerations" (p.54) without describing them. The report does not refer to any technical and financial criteria assessed in transfers of participating interests in PSCs.

License awardee information: With regards to *Federal Iraq*, the report confirms the lack of oil and gas license awards in 2016 (p.47). The list of bidders for each oil field awarded through each of the five licensing rounds is provided in annex (pp.181-185). The 2016 IEITI Report addendum confirms the absence of new oilfield allocations to NOCs in 2016.¹³⁹

With regards to license transfers in *Federal Iraq*, the report provides the names of the assignor and assignee in the transfer of Occidental's 29.69% participating interest in the Zubair TSC to South Oil Company in 2016 (p.57).

With regards to license awards and transfers in the *KRG*, the 2016 IEITI Report addendum confirms the lack of awards and transfers in 2016.¹⁴⁰

Non-trivial deviations: With regards to the transfers of Occidental's 29.69% participating interest in the Zubair TSC to South Oil Company in 2016, the report quotes PCLD's assurances that "the process of transferring shares in the service contracts mentioned above was done in accordance with Article 28 of service contracts and its internal procedures". However, it notes that since no supporting documentation was provided by PCLD to support this statement, the IA was "unable to identify any deviations in this process (if any)" (pp.59-60). The 2016 report addendum quotes the MSG's assessment that there were no non-trivial deviations and notes assurances from Dr Sabah Al-Saadi, who was Deputy Director General of the PCLD at the time of the transfer.¹⁴¹

Commentary on efficiency: The report does not include any commentary on the efficiency of the process for awarding and transferring licenses, either in Federal Iraq or in the KRG.

¹³⁶ Iraq EITI website, License rounds contracts outlines which are published by us and obtained from Petroleum Contracts and License Directorate', *op.cit.*

¹³⁷ Iraq EITI (April 2019), 'Technical and Financial criteria - Licensing round allocations and transfers', *op.cit.*

¹³⁸ *Ibid.* Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.8.

¹³⁹ *Ibid.*, p.8.

¹⁴⁰ *Ibid.*, p.17.

¹⁴¹ *Ibid.*, p.8.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on license allocations has been addressed and considers that Iraq has made **satisfactory** progress on Requirement 2.2. The 2016 EITI Report confirms the lack of new oil and gas license awards to international oil companies in Federal Iraq in 2016, while the 2016 report addendum confirms the lack of oilfield allocations to national oil companies in 2016. The 2016 EITI Report lists the one license transfer in Federal Iraq executed in 2016 and the 2016 addendum confirms the lack of transfers of oilfields between NOCs. The report provides a description of the statutory process for awarding and transferring oil and gas licenses in Federal Iraq, including technical and financial criteria for bidding rounds albeit without their precise weightings, while the 2016 addendum confirms that the same criteria are applied to transfers of participating interests. The 2016 EITI Report and its addendum provide the identity of assignor and assignee for the one transfer of participating interests in Federal Iraq in 2016 and quotes stakeholders' views that there were no non-trivial deviations from statutory procedures. In mining, while the report does not provide clear information on license allocations and transfers in the mining sector, it clearly states that no mining company was considered to have made material payments to government in 2016. The report provides publicly-available information on license allocations and transfers in the Iraqi Kurdistan in 2016 and clearly highlights the gaps in publicly-available information. In light of the EITI Board's approval of Iraq's adapted implementation covering the 2016-2018 EITI Reports, the International Secretariat considers that all aspects of the requirement have been met and that the broader objective has been achieved.

To strengthen implementation, Iraq is strongly encouraged to clarify the weightings of different technical and financial criteria assessed for license allocations and transfers. Iraq 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. Iraq is encouraged to continue to clarify the process for mining license awards and transfers in both Federal Iraq and the KRG, as well as the process for oil and gas license awards in the KRG.

3.7 Corrective action 7 – License register(s) (#2.3)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress towards meeting this requirement. The 2015 IEITI Report provided 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 did 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 differed. While it was not made explicit that licenses cover both oil and gas, production data disaggregated by oilfield in the report showed that licenses covered both commodities. No information was provided about national production fields or fields in the KRG. The 2015 IEITI Report did not refer to any licenses in the mining sector, nor any mining, oil and gas cadastre, either public or private.

Progress since Validation

In *Federal Iraq*, all *oil and gas* oilfields and licenses are held by NOCs. On a number of the NOCs' oilfields, the Ministry of Oil, through the NOCs, has concluded Technical Service Contracts with IOCs. On the other oilfields, the NOCs operate their own production, categorised as "national effort production". Given that Requirement 2.3 covers, at the least, licenses held by material companies, this assessment focuses on oilfields operated by NOCs as well as licensed oilfields under TSCs involving IOCs.

The 2016 EITI Report provides information on licenses in the oil and gas sector in both *Federal Iraq* and the *KRG*, but not in the *mining* sector. The report confirms that the MSG did not consider any revenue stream from the mining sector to be material (pp.108-109) and that no mining company was included in the scope of reporting (p.110). On 4 December 2018, the IEITI website published a link¹⁴² to the MoO's PCLD webpage¹⁴³, which provides some details on TSCs awarded to IOCs, included in the 2016 EITI Report (p.55).

Oil and gas licenses under service contracts: In terms of *oil and gas* licenses covered by contracts with IOCs in *Federal Iraq*, the report provides a list of contracts awarded to IOCs, including oil field name, name of license-holding NOC, operator name, participating interests of all partners in the contract as of 2018, the dates of contract signing, effectiveness and contract period (pp.55-57). The commodities covered by production contracts are provided (p.57). The coordinates of all contracts aside from those awarded in the fifth licensing round in 2018 are provided in annex (pp.187-191). However, the report does not provide the dates of application for any of the oil and gas licenses. During consultation, the IA quoted the PCLD's statement that contracts were awarded on the same day as the submission of bids, implying that the date of award was the same as the date of application for all contracts awarded through licensing rounds. This is confirmed in the addendum to the 2016 EITI Report, which provides the deadlines for submissions of bids for each of the five bidding rounds to date.¹⁴⁴

However, given that the Ahdeb contract was awarded outside of licensing rounds in 2008, it is not possible to use the date of award as a proxy for the date of application for the Ahdeb contract. The 2016 Report addendum describes the process for awarding the Ahdeb Service Contract to Al-Waha Petroleum Co. in 2008, including key dates in the "reactivation" of the Ahdeb license in 2007.¹⁴⁵

Oil fields operated by NOCs: In terms of oil fields operated by NOCs, the report explains that fields are allocated to NOCs "in accordance with each company's activities as per their certificates of incorporation, and in accordance with MoO plans" and that none of the oilfields had been allocated through bid round (p.67). However, it does not clarify whether the NOC-operated oil fields were under license. Upon consultation, the IA explained that there had been no licenses allocated to NOCs for these oilfields, according to the MoO's PCLD, and that oilfields were simply "awarded" to NOCs. The 2016 Report addendum explains that the specific oilfields to be operated by each NOC are declared by Decree of the Ministry of Oil, based on recommendations made by the Ministry's Reservoirs and Field Development Directorate and the Legal Directorate. The addendum cites Midland Oil Company's statement that the decisions to allocate fields to NOCs is published in the official gazette, the date of which is considered the date of effectiveness.¹⁴⁶ Appendix 1 of the 2016 Report addendum provides information on the oilfields

¹⁴² IEITI website (December 2018), 'License rounds contracts outlines which are published by us and obtained from Petroleum Contracts and License Directorate', *op.cit.*

¹⁴³ Ministry of Oil website, 'Oil contract information' page, accessed [here](#) in January 2019.

¹⁴⁴ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.5.

¹⁴⁵ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.5-6.

¹⁴⁶ *Ibid.*, p.6.

operated independently by NOCs, including data on the oilfield name, the production status, name of NOC operating the oilfield, date of award, commodities covered and geographic coordinates. It confirms that dates of application and expiry as well as partner names are not applicable for these oilfields, as NOCs do not apply for oilfield allocations. Their ownership of the oilfields continues until terminated in line with the Public Companies Law and NOCs operate these oilfields independently without partners.¹⁴⁷

Oil and gas licenses in the KRG: In terms of oil and gas licenses in the KRG, the report provides a list of 42 PSCs available on the KRG's MNR website and highlights a number of PSCs that have not been published to date (p.61). The report provides a link to the full-text of the 42 PSCs on the KRG's MNR website¹⁴⁸ (p.61). Information accessible through the full-text of PSCs includes dates of award and expiry, operator name, partner names and participating interests, commodities covered and license coordinates. The 2016 EITI Report also provides coordinates of 37 oil and gas licenses in the KRG in annex (pp.193-199). However, dates of application for oil and gas licenses in the KRG are not publicly accessible. Despite the gaps in publicly-accessible PSCs on the KRG's MNR website, the report clarifies that the only companies operating in the KRG considered material for EITI reporting purposes were those purchasing crude oil exports (p.109).

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on license register(s) has been addressed and considers that Iraq has made **satisfactory** progress on Requirement 2.3. The 2016 EITI Report provides guidance to accessing all information listed under Requirement 2.3.b aside from dates of application for licenses covered by TSCs with IOCs. The addendum to the 2016 EITI Report provides dates of application for all licenses under TSCs, as well as all relevant information on oilfields operated independently by NOCs, in line with Requirement 2.3.b. In mining, the report does not provide information on licenses but confirms that no mining companies were considered material for the 2016 EITI Report. The report provides publicly-available information on license register(s) in Iraqi Kurdistan in 2016 and clearly highlights the gaps in publicly-available information. In light of the EITI Board's approval of Iraq's adapted implementation covering the 2016-2018 EITI Reports, the International Secretariat considers that all aspects of the requirement have been met and that the broader objective has been achieved.

To strengthen implementation, Iraq is strongly encouraged to maintain a publicly-accessible register or cadastre system(s), including comprehensive information on licenses for all oil, gas and mining companies. In the interim, Iraq could ensure that license information as per Requirement 2.3 is publicly-accessible in open-data format for all mining, oil and gas licenses and oilfields held by material companies.

3.8 Corrective action 8 – Policy on contract disclosure (#2.4)

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.

¹⁴⁷ *Ibid.*, pp.40-50.

¹⁴⁸ Kurdistan Regional Government Ministry of Natural Resources website, 'PSCs signed' page, accessed [here](#) in January 2019.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress towards meeting this requirement. The 2015 IEITI Report did 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 was evidence of at least one publicly-accessible TSC available online and at least six PSCs that had not been published by the KRG.

Progress since Validation

Government policy: In *Federal Iraq*, the 2016 EITI Report states that there is no "written" contract disclosure policy but notes the MSG's "understanding" that the PCLD's practice is to not disclose contracts (p.60). It notes that the MoO's PCLD has confirmed in writing that contracts are not disclosed due to confidentiality clauses in the contracts and that this is "common practice" for resource-rich countries (pp.60-61). However, upon consultation, the IA noted that "anyone wishing to review the contracts" was able to do so by sending a written request to the PCLD. The 2018 APR describes the MSG's efforts to document reforms and to clarify the government's policy on contract disclosures.¹⁴⁹

The 2016 Report addendum notes the Ministry of Oil's publication of the government's contract disclosure policy in April 2019 and provides a link.¹⁵⁰ The policy states that all oil and gas service contract templates are available on the Ministry of Oil website and that the government will publish all provisions, conditions, addenda and attachments to those contracts. While noting that all signed contracts are identical to the templates, it notes that disclosure of "some of the technical and financial articles" of the contracts is not possible without permission from the two parties to the contract.¹⁵¹ The 2018 APR describes the MSG's efforts to work with MoO to include requirements related to EITI reporting in the model technical service contract used for the fifth licensing round, launched in 2018.¹⁵²

In terms of contract disclosure in the *KRG*, the report describes the actual practice in the KRG of publishing some of the signed PSCs in Kurdistan (p.61), but does not clarify whether the KRG's policy is in favour of contract disclosure, or whether publication of signed PSCs is only done on an ad hoc, non-formalised, basis. Upon consultation, the IA explained that it could thus not identify the KRG's policy on contract disclosure.

The 2016 EITI Report does not clarify whether there are any contracts in the *mining* sector in either Federal Iraq or the KRG. The 2016 Report addendum provides a list of mining contracts, albeit casting doubt on the comprehensiveness of the list given the lack of response from the Ministry of Industry and Minerals. The addendum confirms that the Ministry considers mining contracts to be confidential.¹⁵³

Actual practice and accessibility: In *Federal Iraq*, the 2016 EITI Report describes the "current practice" of the PCLD's publication of contract templates, but not of signed contracts, and provides links to the model Development and Production Service Contract¹⁵⁴ and the model Exploration, Development and Production Service Contract¹⁵⁵ (p.60). It states that all signed contracts are in line with template contracts, aside from "some information, which is disclosed separately" (p.60). While the report implies that no

¹⁴⁹ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.9.

¹⁵⁰ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.9. Ministry of Oil Petroleum Contracts & Licensing Department website, 'Ministry of Oil Policy on Information Dissemination', *op.cit.*.

¹⁵¹ Ministry of Oil Petroleum Contracts & Licensing Department website, 'Ministry of Oil Policy on Information Dissemination', *op.cit.*.

¹⁵² Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.9.

¹⁵³ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.12-17.

¹⁵⁴ Federal Iraq, Model Development and Production Service Contract, accessed [here](#) in January 2019.

¹⁵⁵ Federal Iraq, Model Exploration, Development and Production Service Contract, accessed [here](#) in January 2019.

signed oil and contract in Federal Iraq has been published to date, it appears that the 2009 Rumaila TSC is publicly accessible from the Iraqi Economists website.¹⁵⁶ Upon consultation, the IA noted that the Rumaila contract was not published on a government website and therefore the MSG could not comment on the reasons for its publication.

In the *KRG*, the 2016 EITI Report provides a list of 42 oil and gas PSCs that are published on the KRG's MNR website and includes a link, albeit raising concerns over the comprehensiveness of contract disclosures in the KRG (p.61).

In mining, the 2016 report addendum confirms that mining contracts are not publicly disclosed in practice.¹⁵⁷

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on contract disclosure has been addressed and considers that Iraq has made **satisfactory** progress on Requirement 2.4. The 2016 EITI Report highlights the lack of formal government policy on contract disclosure in Federal Iraq but documents the current practice of non-disclosure, with an overview of the government's reasons for not disclosing contracts. However, in April 2019, the Ministry of Oil published the government's policy on contract disclosure in the extractives on its website. The report provides links to model oil and gas contracts on the Ministry of Oil website. While it does not clarify the policy on contract disclosure in the KRG, it documents actual disclosure practice. The addendum to the 2016 EITI Report clarifies the government's policy not to disclose mining contracts and documents actual disclosure practice. The report provides publicly-available information on contract disclosure in Iraqi Kurdistan in 2016 and clearly highlights the gaps in publicly-available information. In light of the EITI Board's approval of Iraq's adapted implementation covering the 2016-2018 EITI Reports, the International Secretariat considers that all aspects of the requirement have been met and that the broader objective has been achieved.

To strengthen implementation, Iraq is strongly encouraged to work with relevant government entities like the Ministry of Oil's PCLD and international oil companies to operationalise the government's contract disclosure policy in practice. Iraq may wish to draw on the expectations for EITI Supporting Companies to explore opportunities for disclosure of key service contracts, and any related amendments, upon agreement by both contractual parties.

3.9 Corrective action 9 – State participation (#2.6)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress in meeting this requirement. While the MSG did not seem to have agreed its own definition of SOE for EITI reporting purposes, the

¹⁵⁶ Technical service contract for the Rumaila oil field between South Oil Company of the Republic of Iraq and BP Iraq Limited and CNPC International (Iraq) Limited and SOMO (27 July 2009), accessed [here](#) in January 2019.

¹⁵⁷ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.12-17.

2015 IEITI Report provided 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 was 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 were not addressed and there was 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.

Progress since Validation

Following direction from the MSG at its 8 April 2019 meeting, all 16 oil and gas SOEs published their financial statements for 2016 (and in some cases subsequent years) in April 2019¹⁵⁸, although the majority of these had not yet been audited by the FBSA as confirmed by stakeholder consultations. All SOEs also published their statements and certificates of establishment.

SOE definition: The 2016 EITI Report defines SOEs for EITI reporting purposes in line with the amended 1997 Public Companies' Law, namely as "a self-funded economic unit which is fully owned by the state, has a legal personality, financially and economically independent, and operates according to economic bases" (p.30). This definition explicitly excludes companies that are majority-, but not wholly-, owned by the government (p.30). Upon consultation, the IA confirmed that companies in which the state held interests that were not wholly-owned by government were considered "mixed-sector companies" governed by a different law, and were not considered SOEs for EITI reporting purposes. The addendum to the 2016 EITI Report reiterates the MSG's definition of SOEs in line with national legislation (that excludes SOE joint-ventures).¹⁵⁹

Materiality: For oil and gas in *Federal Iraq*, the report lists a total of 17 SOEs in line with the SOE definition adopted, including nine SOEs operating in the upstream¹⁶⁰, five SOEs in transport and marketing¹⁶¹, and three SOEs in downstream/refining¹⁶² (pp.30-35). It clarifies that one of the nine upstream SOEs, Thi Qar Oil Company, was only formally established in March 2017 (p.32), meaning that there were only 16 SOEs in the oil and gas sector in 2016.

The report does not clearly demonstrate the materiality of payments from each of these SOEs. It provides the value of 2016 payments to government (as 'Treasury share of SOE reported profits (45%') from eight¹⁶³ of the 16 SOEs and confirms that none of these were considered material since each contributed

¹⁵⁸ Basra Oil Company's unaudited financial statements for 2016 [here](#), 2017 [here](#) and 2018 [here](#); Iraq Drilling Company's unaudited financial statements for 2016 [here](#); Midland Oil Company's unaudited financial statements for 2016 [here](#); Missan Oil Company's unaudited financial statements for 2016 [here](#) and [here](#); North Oil Company's audited financial statements for 2016 [here](#) and for 2017 [here](#); Iraq Oil Exploration Company's unaudited financial statements for 2016 [here](#), 2017 [here](#) and 2018 [here](#); Thi Qar Oil Company's unaudited financial statements for 2018 [here](#); State Oil Marketing Company's (SOMO) unaudited financial statements for 2016 [here](#), 2017 [here](#) and 2018 [here](#); North Gas Company's audited financial statements for 2016 [here](#) and (unaudited) for 2017 [here](#) and 2018 [here](#); South Gas Company's unaudited financial statements for 2016 [here](#); North Refinery Company's unaudited financial statements for 2016, 2017 and 2018 [here](#); Midland Refinery Company's unaudited financial statements for 2016 [here](#), 2017 [here](#) and 2018 [here](#); South Refinery Company's unaudited financial statements for 2016 [here](#) and 2017 [here](#).

¹⁵⁹ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.18.

¹⁶⁰ South Oil Company (now Basra Oil Company), North Oil Company, Missan Oil Company, Midland Oil Company, Thi Qar Oil Company, Oil Exploration Company, Iraq Drilling Company, North Gas Company and South Gas Company.

¹⁶¹ State Oil Marketing Organization (SOMO), Oil Pipelines Company, Gas Filling Company, Oil Products Distribution Company and Iraqi Oil Tankers Company.

¹⁶² North Refineries Company, South Refineries Company and Midland Refineries Company.

¹⁶³ South Refineries Company, SOMO, North Oil Company, South Oil Company, Missan Oil Company, Oil Tankers Company and Oil Exploration Company.

less than 1% of total government extractives revenues in 2016 (pp.108,127). It is unclear from the report whether the other nine oil and gas SOEs made any payments to government in 2016.

The report confirms that six oil and gas SOEs¹⁶⁴ were considered material for EITI reporting purposes in 2016 (p.111). It explains that SOMO was considered material given that it is responsible for maintaining records of exported crude oil quantities and values (p.111), although it does not receive payments for the purchase of exported crude oil. Given that Internal Service Payments (ISP) from government to SOEs were included as a material revenue stream, the report explains that five (of the nine) upstream SOEs were considered material given that they received ISP in 2016 (p.111). Stakeholders consulted confirmed the none of the oil and gas SOEs aside from the six material ones operated in exploration and production, noting that the National Gas Companies operated in the midstream processing of natural gas rather than upstream extraction.

For mining in *Federal Iraq*, it is evident from the selection of SOEs for EITI reporting purposes (p.111) that no mining SOE was considered material for 2016.¹⁶⁵ The report lists the nine SOEs¹⁶⁶ under the Ministry of Industry and Mining (pp.22,36-38), confirming that four¹⁶⁷ undertake mineral exploration or mining activities (pp.36-38). It is unclear from the report's description of the Iraq State Cement Company (p.38) whether it undertakes limestone mining as an entrant to the cement production process. The report confirms that three SOEs¹⁶⁸, including two SOEs that undertake mineral production, were "not operational" in 2016 (p.88) and that the State Company for Mining Industries was the only operational state-owned entity involved in the extractives in 2016 (p.89).

For *oil and gas* in the *KRG*, the 2016 EITI Report lists five oil and gas SOEs¹⁶⁹ owned by the KRG's MNR (pp.40-41). The report states that IOC payments in the KRG are made to the MNR, based on review of a selection of IOCs' "payments to government reports" in overseas jurisdictions (p.109). It also explains that the Kurdistan Oil Trust Organization (KOTO) maintains an account for "Revenues from Petroleum Operations in respect of Current Fields (the Current Fields Account)" (p.41). Despite providing brief descriptions of the role of each SOE (pp.40-41), the report does not provide the value of payments to government from any of these regional SOEs. The 2016 report addendum cites North Oil Company's confirmation that the five oil and gas SOEs listed in Kurdistan's 2007 Oil and Gas Law have not been created to date.¹⁷⁰ For *mining* in the *KRG*, while the 2016 EITI Report does not provide any information on SOEs operating in this sector, the 2016 report addendum confirms that there are no SOEs in the mining sector in the KRG and that all mining activities were handled through the KRG's MNR.¹⁷¹

¹⁶⁴ State Oil Marketing Organization (SOMO), South Oil Company (now Basra Oil Company), North Oil Company, Missan Oil Company, Midland Oil Company and Oil Exploration Company.

¹⁶⁵ The report provides the value of 2016 payments to government ('Treasury share of SOE reported profits (45%)') from only one of the nine SOEs (the State Company of Fertilizers – Southern Region) (pp.108,127), even though this company is not active in the upstream mining sector. The revenues from this one SOE were considered non-material given that they accounted for 0.005% of total 2016 government extractives revenues (pp.108,127). Yet the materiality of payments from the State Company for Mining Industries is unclear from the report.

¹⁶⁶ The State Company for Mining Industries, the State Company of Fertilizers – Southern Region, the State Company of Fertilizers– Northern Region, the State Company for Petrochemical Industries, the State Company for Phosphates, Mishraq Sulphur State Company, the State Company for Iron & Steel, Iraq State Cement Company, the Iraqi Geological Survey and Mining Company,

¹⁶⁷ The State Company for Mining Industries, the State Company for Phosphates, Mishraq Sulphur State Company and the Iraqi Geological Survey and Mining Company.

¹⁶⁸ The State Company of Fertilizers– Northern Region, the State Company for Phosphates and Mishraq Sulphur State Company.

¹⁶⁹ Kurdistan Exploration and Production Company (KEPCO), Kurdistan National Oil Company (KNOC), Kurdistan Oil Marketing Organization (KOMO), Kurdistan Organization for Downstream Operations (KODO) and Kurdistan Oil Trust Organization (KOTO).

¹⁷⁰ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.20.

¹⁷¹ *Ibid*, p.20.

Financial relationship with government: In *Federal Iraq*, the report provides a cursory overview of the statutory financial relations between SOEs and the state in line with the 1997 amended Public Companies Law, including the rules related to distribution of dividends (labelled ‘Treasury share of SOE reported profits (45%)’), retained earnings, reinvestment and third-party funding (p.42). The report provides an overview of the flow of physical product and revenues between SOEs and government and includes a diagram as illustration (pp.43-44). The 2016 report addendum describes provisions of the 1997 Public Companies Law that allow SOEs to lend, borrow to finance their activities in loans of up to 50% of their paid-up capital, and borrow internationally subject to approval by the Council of Ministers.

In terms of the practice of financial relations, the 2016 EITI Report states that the MSG “has determined” that the distribution of SOE profits was in line with statutory procedures and that SOEs do not receive third-party loans (p.42). In addition, the publication of all oil and gas SOEs’ 2016 financial statements, albeit not yet audited by the FBSA in most cases, provides information on SOEs’ distribution of profits, retained earnings and reinvestments.¹⁷² The 2016 Report addendum also clarifies that, in practice, SOEs do not resort to third-party loans from either the state or any other party.¹⁷³

Government ownership: In *Federal Iraq*, the report confirms that all 17 *oil and gas* SOEs are fully-owned by the MoO (p.30), but does not provide a list of oil and gas companies in which the government holds equity. The 2016 Report addendum confirms that the four of the six material NOCs¹⁷⁴ did not have any subsidiaries or joint-ventures.¹⁷⁵ While it is unclear from the 2016 EITI Report or its addendum whether the Iraq Oil Exploration Company or SOMO have any subsidiaries or joint ventures, stakeholder consultations confirmed that these two SOEs did not have any subsidiaries.

The 2016 EITI Report describes the BGC, which is 51%-owned by South Gas Company (SGC) (p.39), and describes the terms associated with SGC’s equity interest in BGC (p.40). The 2016 report addendum confirms that BGC is the only such “mixed-sector” company in the oil and gas sector.¹⁷⁶ The 2016 Report addendum describes the statutory financial relations between BGC and its majority shareholder SGC, and the terms associated with SGC’s equity interest in BGC.¹⁷⁷

In terms of *mining* SOEs in *Federal Iraq*, the report confirms that all SOEs are wholly-owned by the MoIM (p.36) but does not describe whether any of the mining SOEs hold equity in any other companies, nor whether the government holds equity in any other companies that are not wholly-owned by the government (‘mixed-sector companies’).

In the *KRG*, the report implies that the KRG’s MNR owns the five oil and gas SOEs by stating that the MNR “MNR exerts control and oversight over the Kurdish region” through these SOEs (p.40), but does not explicitly state so. However, the 2016 report addendum confirms that the five oil and gas SOEs in the KRG have not been created to date.¹⁷⁸ In terms of mining in the *KRG*, the report does not comment on the existence of any SOEs in the mining sector.

Ownership changes: In *Federal Iraq*, the report provides a list of *oil and gas* contracts, including the participating interest of the relevant SOE as of 2018 (pp.55-57). It only highlights one change in state participation in 2016, namely South Oil Company’s acquisition of Occidental’s interest in the Zubair TSC (p.48, 57). However, it does not describe the terms of the transaction, such as any consideration paid for the interest transfer. While the report describes the Council of Ministers’ vote to establish a new SOE, Thi

¹⁷² See oil and gas SOEs’ 2016 financial statements, *op.cit.*

¹⁷³ Iraq EITI (April 2019), ‘Addendum to the 2016 IEITI Report’, *op.cit.*, pp.18-19.

¹⁷⁴ Basra Oil Company, North Oil Company, Missan Oil Company, Midland Oil Company and North Gas Company.

¹⁷⁵ Iraq EITI (April 2019), ‘Addendum to the 2016 IEITI Report’, *op.cit.*, p.18.

¹⁷⁶ *Ibid*, p.18.

¹⁷⁷ *Ibid*, p.19.

¹⁷⁸ *Ibid*, p.20.

Qar Oil Company, in October 2016, it confirms that the SOE was only officially established in March 2017 (p.32). The IA confirmed during consultations that all declarations regarding changes in state ownership submitted by the MoO's PCLD were included in the report. Other stakeholders consulted confirmed the lack of other changes in state participation in the oil and gas sector in 2016. The report does not refer to any changes in state participation in the *mining* sector in 2016.

In the *KRG*, the report does not refer to any changes in state participation either in mining or in oil and gas.

Loans and guarantees: The 2016 EITI Report and the 2016 Report addendum clarify that, in practice, SOEs do not grant loans to third parties despite being statutorily entitled to do so¹⁷⁹ (p.42). However, the report does not comment on any loans or loan guarantees provided by the government to any companies in the extractive industries, either SOEs, 'mixed-sector companies', or others. This was reiterated in the 2018 APR.¹⁸⁰ Consultations with government representatives confirmed that the government had not provided any loans or loan guarantees to upstream mining, oil and gas companies as of 2016. In its comments on the draft assessment, the MSG emphasised that the Arabic version of the 2016 EITI Report had clearly stated that there were no outstanding loans or guarantees from the state or SOEs to any extractives companies in Iraq in 2016.

Secretariat's Assessment

The International Secretariat considers that the corrective action on state participation has been partly addressed and considers that Iraq has made **meaningful** progress on Requirement 2.6. The 2016 EITI Report provides a list of state-owned enterprises in the oil and gas sector in both Federal Iraq and Kurdistan, as well as a list of SOEs in the mining sector in Federal Iraq but not in Kurdistan. The report confirms that SOEs in the KRG and in the mining sector are not considered material in 2016. While the definition of SOEs for EITI reporting, in line with Iraqi legislation, is narrower than that provided in Requirement 2.6.a by excluding companies that are not wholly-owned by the government, the 2016 report addendum confirms that the only oil and gas company majority-owned by government (and categorised as 'mixed-sector' rather than state-owned) is a joint venture involving South Gas Company, which is not considered a SOE for EITI reporting since it operates in the midstream. While the 2016 EITI Report states that none of the SOEs' payments to government were considered material, the report nonetheless identifies six oil and gas companies owned by the Federal Government of Iraq as material for EITI reporting in 2016 based on their receipt of material transfers from the government. The report provides an overview of financial relations between these six SOEs and the government, both statutorily and, albeit only generally, in practice. The publication of all oil and gas SOEs' 2016 financial statements in April 2019, albeit in most cases not yet audited by the FBSA, provides additional information on the practice of financial relations between SOEs and the state in 2016. The 2016 EITI Report clarifies the level of government ownership in 17 oil and gas SOEs, one majority-owned by government gas SOE and nine mining SOEs in Federal Iraq as well as five oil and gas SOEs in Kurdistan, while the 2016 report addendum confirms the lack of subsidiaries and joint-ventures of material SOEs aside from the Iraq Oil Exploration Company and SOMO. The terms associated with state equity in the six material SOEs and one majority government-owned gas company are described. Thus, while most aspects of Requirement 2.6 have been addressed, the MSG and IA have not described the actual practice of financial relations in 2016, for example through a comprehensive review of the recently published financial statements of the SOEs.

¹⁷⁹ *Ibid*, p.19.

¹⁸⁰ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.25-26.

Thus, the International Secretariat cannot yet conclude that the broader objective of transparency in state participation in the extractives has been fully achieved.

In accordance with Requirement 2.6.a, Iraq should ensure that an explanation of the financial relations between material state-owned enterprises (SOEs) and the government in practice during the year under review is publicly-accessible. To strengthen implementation, Iraq is encouraged to consider means of disclosing this information through routine government and SOE disclosure systems, as well as the scope for using EITI implementation as an annual diagnostic of SOE financial relations with the state in practice.

3.10 Corrective action 10 – Production data (#3.2)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made meaningful progress towards meeting this requirement. The IEITI Report provided the volumes of production of oil, gas and four minerals, but only provided the production value for crude oil and natural gas, not the minerals. Volumes and values were not provided for the KRG's natural gas production.

Progress since Validation

Production volumes: For *oil in Federal Iraq*, the 2016 EITI Report provides 2016 production volumes, disaggregated per NOC and between 'national effort production' and 'licensing round production' (p.74), as well as per producing field for the 81.65% of Federal Iraqi production controlled by South Oil Company (p.75). The names of producing fields controlled by each of the four NOCs is provided (p.75), from which it is possible to estimate the location of production.

For *gas in Federal Iraq*, the report provides 2016 production volumes, disaggregated per NOC (pp.79-80). In addition, the production volumes of liquefied petroleum gas (LPG), condensate and dry gas produced by Basra Gas Company in 2016, disaggregated by month (p.81). The disaggregation by NOC provides an approximate indication of the location of production.

For *mining in Federal Iraq*, the report provides 2016 production volumes for four quarrying products¹⁸¹ produced by the State Company for Mining Industries, which the report confirms was the only operational SOE in the mining sector in 2016 (p.89). The location of mineral production is not provided in the report, although a map of mineral deposits is provided in annex (p.200).

For *oil in the KRG*, the report provides production volumes, disaggregated by month for the January-October 2016 period, not for November-December 2016, given that the IA was only able to source publicly-accessible reports for this period on the KRG's MNR website (pp.90-91). For *gas in the KRG*, the report provides production volumes for the period June-August 2016, disaggregated per month, but does not provide figures for other months given the lack of publicly-accessible reports on gas production for this period (p.92). For *mining in the KRG*, the report explains that the IA was unable to source any publicly-available information (p.92).

¹⁸¹ Industrial salt, ore salt, standard sand, filter sand.

Production values: For oil in Federal Iraq, the 2016 EITI Report provides an overview of each of the four NOC's mechanisms for calculating production costs in Annex 15 (pp.206-211). It does not provide oil production values nor an average 2016 value of oil production from which total production values could be calculated. Nonetheless, the report provides an average sales price (USD 35.5 per barrel) for exported crude oil in 2016 (pp.11,161). The 2016 report addendum provides the values of oil production disaggregated by NOC.¹⁸² Monthly disclosures of crude oil export volumes and values sourced from SOMO and published on the IEITI website also provide monthly average sales prices per barrel.¹⁸³

For gas in Federal Iraq, the report provides an overview of each of the four NOC's (and BGC's) mechanisms for calculating production costs in Annex 15 (pp.206-215), but does not provide gas production values nor an average 2016 price of gas from which production values could be calculated. The 2016 report addendum provides the values of gas production disaggregated by NOC.¹⁸⁴

For mining in Federal Iraq, the report does not provide production values for the four quarrying materials produced by the State Company for Mining Industries. The 2016 report addendum provides the 2016 production values for three of the four minerals produced in 2016, noting that the State Company for Mining Industries had not reported production values for filter sand, used for drinking water treatment.¹⁸⁵

For oil and gas in the KRG, the report does not provide production values nor average 2016 prices for oil and gas from which production values could be calculated. For mining in the KRG, the report explains that the IA was unable to source any publicly-available information on 2016 mineral production in Kurdistan (p.92).

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on production data has been addressed and considers that Iraq has made **satisfactory** progress with improvements on Requirement 3.2. The 2016 EITI Report provides production volumes for oil, gas and mining in Federal Iraq, together with an approximate description of the location of production. It includes an extensive discussion of National Oil Companies' computations of production volumes and values. The 2016 report addendum provides 2016 production values for crude oil, natural gas and three of the four minerals produced in Iraq in 2016. The International Secretariat's view is that gaps in production values for one of the four minerals produced in 2016 are of marginal importance given that the mining sector was not considered material in 2016 and that the mineral commodity for which production values are missing is a quarrying product. The report provides publicly-available information on production data in Iraqi Kurdistan in 2016 and clearly highlights the gaps in publicly-available information. In light of the EITI Board's approval of Iraq's adapted implementation covering the 2016-2018 EITI Reports, the International Secretariat considers that all aspects of the requirement have been met and that the broader objective has been achieved.

To strengthen implementation, Iraq is encouraged to ensure that production volumes and values for every extractive commodity produced (including crude oil, natural gas and solid minerals) are publicly accessible through routine government and company systems.

3.11 Corrective action 11 – Comprehensiveness (#4.1)

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

¹⁸² Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.21-22.

¹⁸³ Iraq EITI website, Iraq's monthly crude oil export data from SOMO, accessed [here](#) in March 2019.

¹⁸⁴ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.21-22.

¹⁸⁵ *Ibid*, p.23.

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 accordance with requirement 8.3.c.i, the MSG is required to develop and disclose an action plan for addressing weaknesses in data comprehensiveness documented in the initial assessment and Validator's report within three months of the Board's decision, i.e. by 26 January 2018.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress towards meeting this requirement. The MSG did 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 was understood in the report as the threshold for assessing discrepancies. Although Validation considered that it could have been argued that in the absence of a materiality threshold the *de facto* threshold would be zero, it was 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 appeared not to have reported. The materiality of these omissions had not been assessed. Finally, the government did 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.

Materiality threshold for revenue streams: The report describes the MSG's materiality threshold for selecting revenue streams for reconciliation, at 2% of total government revenues from the mining, oil and gas sectors collected by both the national and regional governments (pp.8,108,109). The report explains the justification for this materiality threshold on the basis of it being "*broadly consistent with materiality thresholds used for other EITI-compliant countries*", noting that lowering the materiality threshold would not have "significantly" increased the coverage of the report (pp.8,106). The report confirms that the threshold ensured that all revenues and payments whose "*omission or misstatement could significantly affect the comprehensiveness of the EITI Report*" were included in the scope of reconciliation (pp.9,106).

On this basis, the report describes crude oil export revenues to both the Federal Government and the KRG as the only material revenue stream (pp.9,108). In addition, the report explains that three government payments to companies¹⁸⁶ were included as material for reconciliation given that the MSG considered these important and "*of interest to the public*" (p.9). The report confirms that mining payments and revenues were not considered material, given that they were below the 2% materiality threshold, but explains that non-financial (contextual) information on the mining sector was included in the report nonetheless (p.109).

However, the report raises concerns over the value of crude oil export revenues reported both by SOMO and in the Federal Government budget. It explains that the reported revenue stream includes both *bona fide* export revenues as well as the value of crude oil lifted by IOCs operating in Federal Iraq, in compensation for cost recovery and remuneration fee (net of corporate income tax) (pp.106,110). Indeed, excerpts from the DFI audited 2016 financial statements included in the report indicate that

¹⁸⁶ Cost recovery, remuneration fees and internal service payments.

SOMO reported crude oil export revenues (of USD 43.6bn) that were 42% higher than the crude oil export revenues reported by the DFI (USD 30.7bn). The difference is explained by SOMO's counting of crude oil lifted by IOCs (for cost recovery and remuneration fees), crude oil lifted by GS CALTEX for the Karbala refinery and crude oil lifted by ENI "for partnership contracts" as crude oil export revenues, while DFI did not count these as revenues (pp.143-144). This implies that the value of crude oil exports on which materiality decisions were based includes both government revenues and expenditures (cost recovery and net remuneration fees).

Upon consultation, the IA reiterated the report's statement that crude oil export revenues reported by SOMO included the two expenditure streams. The IA justified the inclusion of the total crude oil export revenue figure by explaining that cost recovery and net remuneration fees were counted both as income and expenditures in the Federal Government budget, and should thus be included for a comprehensive picture of gross government oil and gas revenues recorded by the government. The IA noted that the value of government expenditures on cost recovery and remuneration fees was a debt by the government, with the government selling crude oil to the IOCs to pay off the debt. Thus, the IA considered that the value of government compensation to IOCs was considered a sale that generated revenue and therefore should be added to crude oil sales revenues.

The results of reconciliation of crude oil export revenues imply that the reconciliation of crude oil export revenues covered both commercial oil exports as well as crude oil liftings in payment of cost recovery and remuneration fees to IOCs, since a total of 70 companies reported such payments. This would seem to include both the 45 material buyers of crude oil exports and 28 material IOCs operating under TSCs in Federal Iraq (pp.113-114).

Although revenue streams listed under Requirement 4.1.b, such as corporate income tax, have been excluded from the scope of reconciliation, this is justified in the report on the basis of their contribution being below the 2% materiality threshold (pp.8,108,109).

Descriptions of material revenue streams: The report provides descriptions of the four material revenue streams, including crude oil export revenues (pp.106-107), cost recovery (p.62), remuneration fees (pp.50-51,62-64,106) and ISPs (pp.43,111,130). The 2018 APR confirms that the MSG approved a materiality threshold for selecting revenue streams at 2% of total government extractives revenues.¹⁸⁷

Materiality threshold for companies: The report describes the materiality threshold for selecting companies for reporting. The materiality threshold for selecting IOCs "*contributing to material revenue streams*" was set at zero (pp.9,110), implying that all companies receiving cost recovery and remuneration fees ('International Oil Companies') and all companies purchasing exported crude oil ('International Oil Buyers') were included in the scope of reconciliation.

The report also explains that five NOCs¹⁸⁸ that received ISPs in 2016 were included in the scope of reporting, given that ISPs were considered a material revenue stream (p.111). It appears that the materiality threshold for selecting NOCs receiving ISP in 2016 was implicitly set at zero. The 2018 APR confirms that the MSG approved a materiality threshold for selecting companies at zero for companies involved in material revenue streams.¹⁸⁹

The report presents inconsistent information on whether any companies operating in Kurdistan were required to report. On the one hand, it notes that companies contributing making material payments to the KRG (i.e. buying exported crude oil from the KRG) were excluded from the scope of reconciliation (p.9,110). On the other, it notes that companies operating under the KRG did not report any data

¹⁸⁷ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.26-27.

¹⁸⁸ North Oil Company, Basra Oil Company (then South Oil Company), Midland Oil Company, Missan Oil Company and Oil Exploration Company.

¹⁸⁹ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.26-27.

(pp.9,109,178). Upon consultations, secretariat staff and the IA confirmed that companies operating in the KRG had not been included in the scope of reporting given broader challenges in engaging the KRG in EITI implementation. Nonetheless, the report provides information on two companies' (Genel Energy Plc and Gulf Keystone Petroleum Ltd.) payments to the KRG based on their 2016 'payments to government' reports (p.132).

Material companies: The list of 45 material international oil buyers is provided in Annex 11 (p.201), while the list of 28 material IOCs under licensing round TSCs is provided in Annex 12 (p.202). The six material SOEs are also listed in the report (p.111).

Material company reporting: Based on information in the report, it appears that a total of eight material companies¹⁹⁰ did not report.

For *crude oil export revenues*, it appears that 70 of the 73 material companies reported, based on the results of reconciliation¹⁹¹ (pp.113-114).

For *cost recovery*, the results of reconciliation indicate that five material companies did not report¹⁹² (p.121).

For *remuneration fees*, the results of reconciliation indicate that four companies did not report¹⁹³ (p.123).

The report presents the results of *reconciliation of cost recovery and remuneration fees* combined for the three oil fields¹⁹⁴ under South Oil Company's (now BOC) jurisdiction (p.122). It clarifies that South Oil Company (now BOC) reported on behalf of Occidental, Shell West Qurna, Pertamina and Shell Majnoon (p.122), implying that these four companies did not report.

Neither the 2016 EITI Report nor its addendum provide an explicit assessment of the materiality of payments from each of the eight non-reporting companies. It is possible to calculate the materiality of payments from some, but not all, non-reporting companies based on data in the 2016 EITI Report and its addendum. For two of the eight non-reporting companies (Totsa Total and Petronas Halfaya), it is possible to calculate each company's respective shares as 3.36% each of 2016 cost recovery (excluding cost recovery from the Zubair, West Qurna Phase 1 and Majnoon fields), 1.58% each of 2016 remuneration fees (excluding remuneration fees for the same three fields) and 0.61% and 0.63% respectively of 2016 crude oil sales. The shares of 2016 cost recovery and remuneration fees (excluding the three fields) can be calculated for two other non-reporting companies as 0.22% and 0.25% respectively for Dragon Oil and 0.07% and 0.08% respectively for EGPC, although their share of 2016 crude oil sales cannot be calculated since their shares were reported combined with Kuwait Energy's. TPAO's share of cost recovery cannot be calculated since it was reported combined with CNOOC's, while the report notes that no remuneration fees were reported for TPAO and there is no evidence of TPAO's share of 2016 crude oil sales in the report. Finally, the share of three non-reporting companies' (Pertamina, Shell Majnoon and Shell West Qurna) cost recovery and remuneration fees cannot be calculated, as figures for three fields (Zubair, West Qurna Phase 1 and Majnoon) are reconciled combined in the report, not disaggregated by revenue stream. Nonetheless, Pertamina, Shell Majnoon and Shell West Qurna's shares of 2016 crude oil sales can

¹⁹⁰ Dragon Oil, EGPC, PT Pertamina Iraq, Shell Majnoon, Shell West Qurna, Totsa Total, Petronas and TPAO.

¹⁹¹ The report explains that Kuwait Energy lifted crude oil on behalf of its partners on Block 9 TSC, Dragon Oil and EGPC (p.114). It also explains that BOC (then South Oil Company) reported on behalf of PT Pertamina Iraq, Shell Majnoon and Shell West Qurna, given that PT Pertamina Iraq and Shell West Qurna did not report and that Shell Majnoon requested BOC (then SOC) to report given that it had sold its interest in the Majnoon field to BOC (then SOC) (pp.114-115).

¹⁹² The report states that CNOOC reported on behalf of its consortium partner TPAO, Petrochina Halfaya reported on behalf of partners Totsa Total and Petronas, and Kuwait Energy reported on behalf of partners Dragon Oil and EGPC.

¹⁹³ The report states that Petrochina Halfaya reported on behalf of partners Totsa Total and Petronas, and Kuwait Energy reported on behalf of partners Dragon Oil and EGPC.

¹⁹⁴ Zubair, West Qurna (Phase 1) and Majnoon.

be calculated as 0.33%, 1.53% and 0.42% respectively (pp.114-115,122; Addendum pp.26-27). Additional information on these materiality calculations is provided in Annex A.

Finally, the results of reconciliation of ISPs between SOMO and the five material NOCs indicates that all five material NOCs reported (pp.130,137).

Material government entities: The report explains that government entities that received or made material payments in 2016 were included in the scope of reporting, which resulted in the selection of the Ministry of Oil and the Ministry of Finance (p.111). In addition, SOMO was included in the scope of reporting despite not receiving any material revenues, given that it maintains records of crude oil export revenues and was responsible for making payments of ISP to the five material NOCs on behalf of the Ministry of Finance (p.111).

Government reporting: The results of reconciliation of the four material revenue streams appear to indicate that the three material government entities reported all material revenues and payments (pp.113-130), albeit not consistently to levels of disaggregation required under the EITI Standard (*see Requirement 4.7*). The 2018 APR explains that government entities reported on behalf of companies that did not submit reporting templates.¹⁹⁵

Discrepancies: There is no materiality threshold for investigating discrepancies in the report, implying that all discrepancies should have been investigated regardless of their value. The report identifies discrepancies in the reconciliation of the four material revenue streams (pp.113-130). While these are disaggregated per company for crude oil export revenues (pp.113-114) and ISPs (p.130), they are only disaggregated per oil field/contract, not per company, for cost recovery and remuneration fees (121-123).

While the report presents the value of discrepancies per company (for crude oil export revenues and internal service payments) or per oil field/contract (for cost recovery and remuneration fees), the aggregate discrepancies provided are presented net (i.e. with positive discrepancies off-setting negative discrepancies), rather than gross (cumulating positive and negative discrepancies). The aggregate net value of all discrepancies in the reconciliation of crude oil export revenues are presented as 3.1% of total crude oil export revenues disclosed by the government (SOMO), although the gross value can be calculated as 4.4%¹⁹⁶ of total crude oil export revenues disclosed by the government. The aggregate net (and gross¹⁹⁷) value of all discrepancies in the reconciliation of cost recovery is provided as 19.4% of total cost recovery payments reported by the government (PCLD), excluding the three fields under South Oil Company's jurisdiction. The aggregate net value of all discrepancies in the reconciliation of remuneration fees (excluding the three fields under South Oil Company's jurisdiction) is provided as 40.4% of remuneration fee payments reported by government (PCLD), although the gross value can be calculated as 47.5%. The aggregate net value of all discrepancies in the reconciliation of cost recovery and remuneration fees for the three fields under South Oil Company's jurisdiction is provided as 55.7% of payments reported for these three fields by government (PCLD), although the gross value can be calculated as 57.1%.

The report provides explanations for all discrepancies aside from discrepancies in the reconciliation of two companies' payments¹⁹⁸ for crude oil exports (pp.116,120). The main reasons for discrepancies are provided as lack of reporting of delay penalties, cut-off dates and reporting on an accrual, rather than cash, accounting basis (p.12).

¹⁹⁵ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.26-27.

¹⁹⁶ Gross aggregate discrepancies can be calculated as USD 1,928,303,980, while net aggregate discrepancies are provided as USD 1,342,916,388.

¹⁹⁷ Given that all discrepancies are negative (higher reporting by companies than government), the gross discrepancies are the same as net discrepancies.

¹⁹⁸ BP & Petrochina International and SOCAR.

Full government disclosure: Given that the materiality threshold for selecting companies for reconciliation was *de facto* set at zero and that all material government entities reported, government disclosures of total revenues for each of the four material revenue streams can be equated as full unilateral disclosure of these revenue streams. While government disclosures were not systematically disaggregated by company (e.g. cost recovery and remuneration fees reporting by SOMO) or by revenue stream (cost recovery and remuneration fees for the Zubair, West Qurna Phase 1 and Majnoon fields), this omission is assessed under Requirement 4.7.

Secretariat's Assessment

The International Secretariat considers that the corrective action on comprehensive disclosure has been partly addressed and considers that Iraq has made **meaningful** progress on Requirement 4.1. The MSG has agreed materiality thresholds for selecting companies and revenue streams, effectively removing the mining sector from the scope of reconciliation. The 2016 EITI Report lists and describes all material companies and revenue streams, and names the eight non-reporting companies, although the materiality of payments from non-reporting companies is not explicitly assessed. The lack of sufficient disaggregation of reconciled financial information in the report hinders a consistent assessment of the materiality of omissions per company (*see Requirement 4.7*). While the value of aggregate net discrepancies appears to be below 5% of total reconciled revenues, significant discrepancies in the reconciliation of cost recovery and remuneration fees are a concern. The fact that the materiality threshold for selecting companies for reconciliation is set at zero entails that full government reporting of all material revenues is provided, per revenue stream.

In accordance with Requirement 4.1, Iraq should ensure that future EITI reconciliations include the IA's clear assessment of the materiality of payments from each non-reporting company, to support an assessment of whether omissions could have affected the comprehensiveness of the reconciliation of payments and revenues (*see Requirement 4.9*). The MSG should document the options considered and the rationale for establishing the materiality definitions and thresholds. Iraq is encouraged to strengthen its efforts to ensure that all companies making material payments to government duly submit their EITI reporting templates.

3.12 Corrective action 12 – SOE transactions (#4.5)

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.

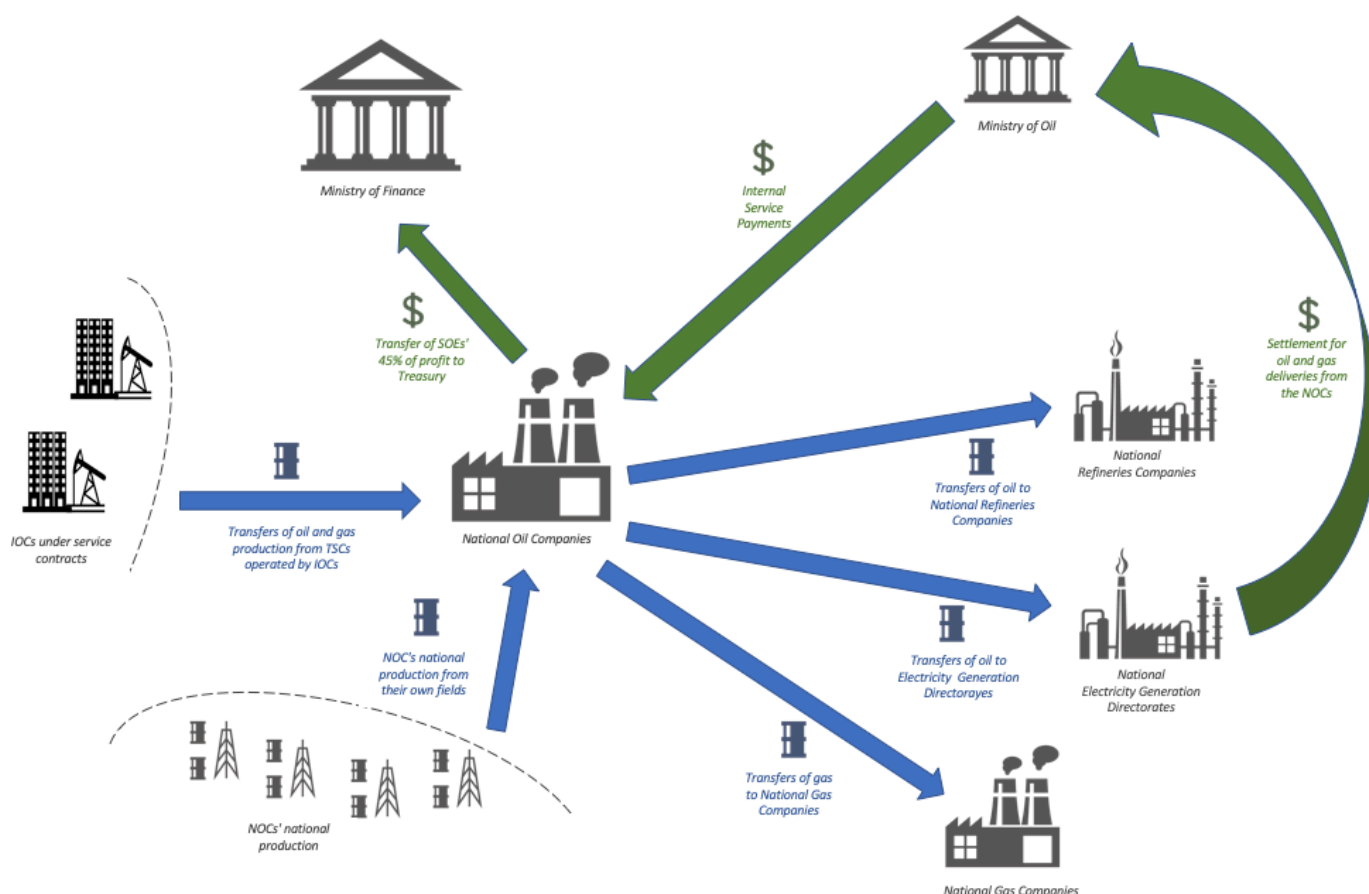
Findings from the first Validation

The first Validation concluded that Iraq had made meaningful progress in meeting this requirement. The 2015 IEITI Report disclosed 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 reconciled 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 were not reported. While the report did not disclose the MoO's cash settlement of inter-SOE physical oil and gas transfers, Validation considered that 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.

Progress since Validation

FIGURE 1 – PHYSICAL PRODUCT AND FINANCIAL FLOW INVOLVING SOEs IN FEDERAL IRAQ



Source: International Secretariat diagram.

Materiality: While the 2016 EITI Report does not provide comprehensive information on the materiality of payments to government from each of the 16 oil and gas SOEs and nine mining SOEs in Federal Iraq as well as the five oil and gas SOEs under the KRG (see Requirement 2.6), it confirms that only six oil and gas SOEs¹⁹⁹ in Federal Iraq were considered material for EITI reporting purposes in 2016 (p.111). It explains that one of these SOEs (SOMO) was considered material given that it is responsible for maintaining records of exported crude oil quantities and values (p.111), although it does not receive payments for the purchase of exported crude oil. Given that ISPs from government to SOEs was included as a material revenue stream, the report explains that five of the nine upstream SOEs were considered material given that they received ISP in 2016 (p.111).

¹⁹⁹ State Oil Marketing Organization (SOMO), South Oil Company (now Basra Oil Company), North Oil Company, Missan Oil Company, Midland Oil Company and Oil Exploration Company.

In *mining*, the report confirms that the State Company for Mining Industries was the only operational state-owned entity involved in the extractives in 2016 (p.89), although it does not provide the value of its payments to government in 2016. However, it is evident from the selection of SOEs for EITI reporting purposes (p.111) that no mining SOE was considered material for 2016. In the KRG, the materiality of payments from the five oil and gas SOEs and the existence of any mining SOEs is not assessed, although the 2016 report addendum confirms that none of the statutory SOEs in the KRG had been created as of 2016 (*see Requirement 2.6*). Thus, transactions involving only six oil and gas SOEs in Federal Iraq are considered for the purposes of the assessment of Requirement 4.5.

In terms of *company payments to SOEs*, the report confirms that SOMO does not collect crude oil export revenues, which are transferred directly to the Development Fund for Iraq (pp.43-44,109,140-141). However, the report justifies the inclusion of SOMO as the reporting government entity for crude oil export revenues by explaining that it is the entity recording oil export revenues on behalf of the government (p.109). The results of reconciliation of crude oil export revenues are provided (pp.113-115) (*see Requirement 4.1*).

With regards to company payments to the five upstream SOEs considered material, the report's overview of the fiscal regime for oil and gas in Federal Iraq clarifies that crude oil produced both under 'national effort production' and under licensing round contracts is transferred to SOMO (for export), refineries (for domestic refining) and to power plants (for power generation) (p.43). The production data for "licensing round production" of both crude oil and natural gas reported is sourced from each of the four NOCs (pp.74,79-80, Addendum pp.21-22), implying that IOCs do transfer oil and gas produced to NOCs. The 2016 Report addendum clarifies that IOCs operating in Iraq under service contracts have no ownership of the oil produced, which is transferred to the NOCs as owners of the production.²⁰⁰ In its comments on the draft assessment, the MSG noted that future EITI reporting would disclose all significant company payments to SOEs, whether in cash or in kind.

Finally, the report explains that South Gas Company is entitled to receive its share of Basra Gas Company's profits in line with its 51% equity interest in the 'mixed sector company' (p.44). While the report does not provide the value of BGC's dividend payments to SGC in 2016 and does not include South Gas Company in the scope of reporting (p.111), these payments do not relate to upstream oil and gas activities given that both Basra Gas Company and South Gas Company operate in the midstream gas processing sector.

In terms of *SOE payments to government*, the report only provides unilateral disclosure of the value of 2016 payments to government (as 'Treasury share of SOE reported profits (45%') from five²⁰¹ of the 6 material SOEs, but confirms that none of these were considered material since each contributed less than 1% of total government extractives revenues in 2016 (pp.108,127). It is unclear from the report whether the sixth material SOE, Midland Oil Company, made any payments to government in 2016. The report only notes that SOEs' payments to the state treasury are executed following approval of the SOEs' accounts by the Federal Board of Supreme Audit (FBSA) and that all but one SOE's 2016 accounts (North Oil Company) had not yet been approved in 2016. While the report explains that all but one SOE's payments to the state treasury represented payments in relation to profits in previous years and that "*some SOEs have made no payments to the MoF during 2016*" (p.127), it does not explicitly confirm whether Midland Oil Company made any payments to the state treasury in 2016 (including in relation to

²⁰⁰ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.20.

²⁰¹ SOMO, North Oil Company, South Oil Company, Missan Oil Company and Oil Exploration Company.

profits from previous years). Rather, the report provides information on Midland Oil Company's 2016 mandatory social expenditures (p.157) and implies that their financial accounts had been audited by the FBSA (although this is not explicitly stated). However, the 2016 financial statements published by Midland Oil Company in April 2019 are clearly marked as "not yet audited by the FBSA".²⁰²

In terms of *government payments to SOEs*, the report explains that ISPs are made by the MoF "through SOMO" to NOCs to cover the cost of production that is exported (pp.43,111,130,177). The 2018 APR confirms the MSG's decision to consider ISP as the only material transaction involving SOEs in 2016.²⁰³ The report provides the results of reconciliation of ISP from SOMO to each of the five material upstream SOEs (p.130), with an explanation of the discrepancy in the reconciliation of ISP to the Oil Exploration Company (equivalent to 1.2% of total ISP payments disclosed by SOMO). However, it is unclear from the report whether the MoF first makes transfers for ISP to SOMO, before these are subsequently transferred to NOCs. Government officials and secretariat staff consulted confirmed that ISP payments were first transferred by the Ministry of Finance to SOMO, before being on-transferred to each NOC. In its comments on the draft assessment, the MSG confirmed that ISP was transferred from the Ministry of Finance to SOMO, which then remitted these funds to SOEs upon instruction from the Ministry of Oil. Neither the 2016 EITI Report nor its addendum refer to or disclose budget transfers to any of the six material SOEs.

The report explains that the SOEs involved in service contracts as the state partner are entitled to a share of the remuneration fee paid to IOCs operating under service contracts, in line with their participating interest in the oil field. However, the report clarifies that the state partner's share is paid by the MoO to the MoF, as remittances to the state treasury (p.106). It provides MoO's unilateral disclosure of the state partners' share of remuneration fees paid in 2016 (p.129). It justifies the exclusion of the state partners' share of remuneration fees from the scope of reconciliation on the basis that the aggregate value of such transfers amounted to only 0.44% of total extractives revenues in 2016, below the MSG's 2% materiality threshold (p.108). The explanation of the settlement of state partners' share of remuneration fees as a transfer from MoO to MoF implies that this is an intra-ministry transfer in practice.

In terms of *intra-SOE transfers*, the report indicates that Midland Oil Company and Missan Oil Company transferred 51.3m barrels and 127.6m barrels of crude oil to South Oil Company (p.76) and that North Oil Company transferred 6.3m barrels of crude oil to Midland Oil Company (p.77) in 2016. These transfers are explained in the report, which states that crude oil is transferred to NOCs that have control over export terminal ports and that crude oil is sometimes transferred to NOCs that do not have sufficient production to cover internal consumption in their provinces (p.76). However, these transfers of crude oil are only unilaterally disclosed by the two receiving NOCs, not reconciled with disclosures from NOCs making the in-kind transfers.

In terms of *transfers of crude oil and natural gas to the refineries, electricity generation directorates and national gas companies*, the 2016 EITI Report and its addendum provide complimentary information. The 2016 EITI Report provides the volumes of crude oil supplied by each of the four material NOCs (excluding Iraq Oil Exploration Company and SOMO) in aggregate to refineries, power plants and export respectively (pp.76-78). The 2016 Report addendum provides the valuation of these in-kind deliveries of crude to refineries, power plants and export (to SOMO), as well as the value of gas production.²⁰⁴ Government and national secretariat representatives explained that the values provided represented the notional value of deliveries of oil and gas in-kind, but that the refineries and power plants had built up significant arrears in

²⁰² Midland Oil Company (April 2019), Unaudited 2016 financial statements, accessed [here](#) in April 2019.

²⁰³ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.28-29.

²⁰⁴ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.21-22.

payment for these deliveries. Unpaid arrears from the Ministry of Electricity to the MoO had reached an aggregate debt of IQD 12tn (around USD 11bn) as of 2019, according to government officials consulted.

Neither the 2016 EITI Report nor its addendum refers to any other *ad hoc transfers* between material SOEs and any other government entity in 2016.

Secretariat's Assessment

The International Secretariat considers that the corrective action on transactions related to SOEs has been partly addressed and considers that Iraq has made meaningful progress on Requirement 4.5, with considerable improvements. The 2016 EITI Report clearly defines six SOEs as material, based on their involvement in collecting or receiving revenue streams that were material in 2016 (see Requirement 4.1). This effectively narrows the scope of disclosures to SOEs in the oil and gas sector in Federal Iraq and excludes SOEs in the mining sector and under the KRG. The report confirms the lack of financial payments by companies to material SOEs, and the 2016 Report addendum confirms that NOCs receive oil and gas produced by IOCs under service contracts in line with their legal entitlements, not in a transfer of custody. The report includes an assessment of SOE payments of dividends ('Treasury share of SOE reported profits (45%)') to government in 2016 and concludes that these were not material based on a quantitative materiality threshold. The report comprehensively discloses and reconciles SOMO transfers of ISPs to each of the five SOEs receiving such payments in 2016, although it remains unclear the extent to which the Ministry of Finance first transfers ISPs to SOMO. The MSG's comments confirm that they were, in which case such transfers of ISPs from the Ministry of Finance to SOMO would have to be reconciled. Finally, the report includes unilateral disclosure of intra-SOE transfers of crude oil and natural gas in kind, but does not reconcile these intra-SOE transfers.

In accordance with Requirement 4.5, Iraq should ensure that all material company payments to SOEs, whether in cash or in kind, and all material SOE transfers to and from government are comprehensively disclosed and reconciled. To strengthen implementation, given the importance of SOEs in the oil and gas sector, Iraq is encouraged to ensure that a clear mapping of all transactions involving extractives SOEs is publicly available.

3.13 Corrective action 13 – Direct subnational payments (#4.6)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made no progress towards meeting this requirement. The 2015 IEITI Report provided 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 did not assess the materiality of specific oil and gas companies and revenue streams, nor the publicly-available information from companies operating in Kurdistan. There was 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.

Progress since Validation

Iraq applied for adapted implementation related to reporting in Iraqi Kurdistan for its 2016–2018 EITI Reports in December 2018. The EITI Board’s Implementation Committee recommended that Iraq’s request be granted on 27 March 2019. On 15 April 2019, the Board granted Iraq’s adapted implementation request related to Iraqi Kurdistan for the 2016–2018 EITI Reports. The Board agreed that, where comprehensive information was not obtained from companies and government entities in the Iraqi Kurdistan region, the MSG was expected to reference other publicly available sources of information. The Board confirmed that it was a requirement that there continued to be full unilateral disclosure of any revenues received by the Federal Government of Iraq from companies and government agencies in the Iraqi Kurdistan region. The Board required that EITI Reports should include an assessment of the comprehensiveness of this information, highlighting any gaps in the information available.²⁰⁵

While the 2016 EITI Report does not explicitly state that there are no other direct subnational payments in Iraq aside from payments to the KRG, the findings from Iraq’s first Validation demonstrated this finding. The report sets a materiality threshold for selecting revenue streams at 2% of total mining, oil and gas revenues (pp.109-110) and clarifies that crude oil export revenue received by the KRG was the only revenue stream considered material for EITI reporting purposes on subnational payments²⁰⁶ (p.109). Upon consultations, national secretariat staff and the IA confirmed that companies operating in the KRG had not been included in the scope of reporting given broader challenges in engaging the KRG in EITI implementation.

The report highlights the KRG’s refusal to participate in EITI reporting for 2016, despite “exhaustive efforts” and “repeated attempts” by the MSG and the IA, and describes Iraq EITI’s request to the EITI Board in November 2018 for adapted implementation for the 2016 and 2017 EITI Reports (pp.9,109,178). The IA reiterated this general description during consultations.

The report provides unilateral disclosure of net crude oil export revenue collected by the KRG in the February-October 2016 period (p.131), although this information excludes revenues collected in January, November and December 2016. The disclosures are sourced from the KRG Ministry of Natural Resources’ monthly export reports²⁰⁷, but not reconciled with company disclosures. In addition, the report makes some attempt at sourcing information on payments to government related to PSCs from two companies operating in Kurdistan (Gulf Keystone Petroleum Ltd (GKP) and TTOPCO) from their respective shareholders’ statutory payments to government reports to the UK government (pp.131-132).

The IEITI website posts several reports from the KRG, including an audit by Deloitte of the KRG’s oil and gas revenues in the first half of 2017 and various publications by the KRG’s MNR.²⁰⁸

Secretariat’s Assessment

The International Secretariat considers that the corrective action on direct subnational payments has been addressed and considers that this requirement is **not applicable** to Iraq in the year under review (2016). The 2016 EITI Report describes the MSG’s view that crude oil export revenue collected by the KRG was the only direct subnational payment stream considered material in 2016. While the lack of coverage of extractives companies’ direct payments to the KRG is a concern, the 2016 EITI Report and the IEITI website provide publicly available information on a few companies’ 2016 payments to the KRG and the

²⁰⁵ EITI (April 2019), ‘The Board approved Iraq’s request for adapted implementation’, *op.cit.*.

²⁰⁶ However, the report presents inconsistent information on whether any companies operating in Kurdistan were required to report. On the one hand, it notes that companies contributing making material payments to the KRG (i.e. buying exported crude oil from the KRG) were excluded from the scope of reconciliation (p.9,110). On the other, it notes that companies operating under the KRG did not report any data (pp.9,109,178).

²⁰⁷ Kurdistan Regional Government Ministry of Natural Resources website, ‘Monthly Export Reports’ section, accessed [here](#) in January 2019.

²⁰⁸ Iraq EITI website, ‘Other reports and publications’, accessed [here](#) in April 2019.

KRG's revenues in H1-2017 based on publicly-accessible data. The report provides publicly-available information on direct subnational payments in Iraqi Kurdistan in 2016 and clearly highlights the gaps in publicly-available information. In light of the EITI Board's approval of Iraq's adapted implementation covering the 2016-2018 EITI Reports, the International Secretariat considers that all aspects of the requirement have been met and that the broader objective has been achieved.

Iraq is reminded that its adapted implementation for Iraqi Kurdistan is timebound for the 2016-2018 EITI Reports. In accordance with the EITI Board's decision per Requirement 8.1, it is a requirement that there continues to be full unilateral disclosure of any revenues received by the Federal Government of Iraq from companies and government agencies in the Kurdistan region. EITI Reports should include an assessment of the comprehensiveness of this information, highlighting any gaps in the information available. To strengthen implementation, Iraq is encouraged to continue to engage with companies and government agencies in the region with a view to ensuring comprehensive disclosure in accordance with the EITI Standard.

3.14 Corrective action 14 – Disaggregation (#4.7)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made meaningful progress in meeting this requirement. The IEITI Reports presented reconciled oil sales data disaggregated by company, but only presented reconciled CIT information disaggregated by oilfield, not by company. Given that most TSCs involved consortia of several companies, information in the 2015 IEITI Report did not allow readers to calculate each company's share of payments to government. The lion's share²⁰⁹ of reconciled government oil and gas revenues were disaggregated by company, revenue stream and receiving government entity.

Progress since Validation

The 2016 EITI Report presents reconciled financial information disaggregated by government entity, but does not consistently disaggregate the results of reconciliation by revenue stream and by company. The results of reconciliation of crude oil export revenue (pp.113-114) and ISPs (p.130) are disaggregated both by revenue stream and by company, although the reconciliation results for cost recovery and remuneration fees are not consistently disaggregated to this level. The reconciliation of cost recovery and remuneration fees for the three oil fields²¹⁰ under South Oil Company's jurisdiction are not disaggregated by revenue stream nor by company (p.122). While the reconciliation of cost recovery for all other oil fields under TSCs are disaggregated by revenue stream, they are not disaggregated by company for five of the material companies in relation to two oil fields²¹¹ (p.121). While the reconciliation of remuneration fees for all but the three SOC oil fields under TSCs are disaggregated by revenue stream, they are not disaggregated by company (p.123). In its comments on the draft assessment, the MSG noted that some companies had not submitted data disaggregated by company and that consortium operators had

²⁰⁹ In 2015, proceeds from oil sales (USD 37bn) were 100-fold higher than CIT revenues (USD 308m).

²¹⁰ Zubair, West Qurna (Phase 1) and Majnoon.

²¹¹ Totsa Total and Petronas for the Halfaya field or to Dragon Oil and EGPC for the Faihaa (Block 9) field.

reported on behalf of their partners. The MSG noted that 88.14% of reconciled financial flows had been presented disaggregated by company.

The 2016 Report addendum explains that the reconciliation of cost recovery and remuneration fees between SOMO and IOCs was undertaken in aggregate because SOMO does not have records of liftings of each revenue stream disaggregated.²¹² However, it presents information on cost recovery and remuneration fees disaggregated by company for companies' disclosures, not for government's.²¹³ The 2018 APR notes the detail of disaggregation required, as per Requirement 4.7.²¹⁴

While the report and its addendum do not confirm that the MSG approved the reporting period, its content (pp.19,58,72-73,79-80,99,102) implies that the MSG approved the reporting period as 1 January – 31 December 2016, which was confirmed by MSG members consulted.

Secretariat's Assessment

The International Secretariat considers that the corrective action on the level of disaggregation has been partly addressed and considers that Iraq has made **meaningful** progress on Requirement 4.7. The 2016 EITI Report presents reconciled financial data disaggregated by government entity, but not consistently by revenue stream and by company. A higher share of material revenues have been disaggregated by company, revenue stream and government entity than in the 2015 EITI Report reviewed in the first Validation however. The MSG approved the reporting period.

In accordance with Requirement 4.7, Iraq should ensure that all reconciled financial data, including cost recovery and remuneration fee, is disaggregated by company, revenue stream and government entity. Iraq may wish to consider the extent to which it can make progress in implementing project-level EITI reporting of sector-specific levies and taxes ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018, agreed by the EITI Board at its 36th meeting in Bogotá.

3.15 Corrective action 15 – Data reliability (#4.9)

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. In accordance with requirement 8.3.c.i, the MSG is required to develop and disclose an action plan for addressing weaknesses in data reliability documented in the initial assessment and Validator's report within three months of the Board's decision, i.e. by 26 January 2018.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress towards meeting this requirement. While the MSG had adopted ToR for the IA that were generally consistent with the EITI Board-approved template, there was 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 did not appear to have undertaken a

²¹² Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.24.

²¹³ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.24,26,27..

²¹⁴ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.29.

review of auditing practices in 2015 nor agreed robust quality assurance procedures with the MSG. The 2015 IEITI Report did not provide an estimate of reconciliation coverage, nor assessments of the comprehensiveness and reliability of financial data. While the IA had formulated several recommendations on the basis of the 2015 IEITI Report, it had not assessed specific follow-up on past EITI recommendations.

Progress since Validation

The MSG approved the IA's ToR for the 2016 EITI Report that were broadly consistent with the standard Board-approved template. The procurement of the IA was approved by the MSG. The approved ToR for the 2016 and 2017 EITI Reports are available on the Iraq EITI website²¹⁵ and were approved at the MSG's 7 May 2018 meeting.²¹⁶ Ernst & Young (EY) was selected as the IA for the 2016 and 2017 EITI Reports based on a government procurement process overseen by the MSG in line with the World Bank's cost- and quality-based procedures (QCBS), with the contract signed on 16 July 2018.²¹⁷ The MSG approved reporting templates for the 2016 EITI Report as part of its approval of the scoping study.

Review of audit practices: For *government entities*, the 2016 EITI Report describes the statutory audit procedures both for the Federal Budget and the Development Fund for Iraq (DFI), which received proceeds from crude oil exports (p.143). While the report does not refer to audit standards on which these audits are based, it can be assumed that the Federal Budget is audited by the FBSA according to the same standards as for SOEs, described in the report (p.134). The standards for the audit of the DFI are unclear from the report, which only states that audits are undertaken by "independent public accountants" (p.143). In practice, the report confirms that the Federal Budget audit has not been completed for the years 2014-2017 (p.143) but confirms that the DFI audit was completed for 2016 (pp.143-144).

For *SOEs*, the report provides a cursory overview of the statutory audit procedures for SOEs in Federal Iraq, with reference to local accounting standards. While it does not explicitly refer to deviations from international audit standards, it provides a link²¹⁸ to a description of the Iraqi Council of Auditing and Accounting Standards available on the IEITI website (p.134). The report confirms that none of the SOEs apart from North Oil Companies had 2016 financial statements that were audited (pp.12,135,137). The report appears to imply that Midland Oil Company's 2016 financial statements had been audited by FBSA given that it provides information on Midland Oil Company's 2016 mandatory social expenditures while stating that no such expenditures were made by Missan Oil Company or South Oil Company in 2016 because their financial statements had not yet been audited by FBSA (p.157). However, the 2016 financial statements published by Midland Oil Company in April 2019 are clearly marked as "not yet audited by the FBSA".²¹⁹ A government official explained that the FBSA had already reviewed the 2016 financial statements of several SOEs (such as North Oil Company), but that the audit of public accounts since 2014 had not yet been completed given the lack of 2014 budget approved by Parliament to date.

For *companies*, the report provides a brief description of statutory audit procedures for IOCs operating under service contracts in Federal Iraq, for both financial statements and field financial statements, with reference both to Iraqi Uniform Accounting Standards (UAS) and to International Standards on Auditing (ISA) (pp.27,135). In practice, the report confirms that only 26.1% of the 28 material IOCs (seven companies) provided audited financial statements and 74% of the 28 material IOCs (20 companies) provided audited field financial statements (pp.12,137). The report confirms that financial statements of

²¹⁵ Iraq EITI website, Terms of Reference for Independent Administrators section, accessed [here](#) in March 2019.

²¹⁶ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.38.

²¹⁷ *Ibid*, p.10.

²¹⁸ IEITI website, 'Overview of the Council of Auditing and Accounting Standards', accessed [here](#) in January 2019.

²¹⁹ Midland Oil Company (April 2019), Unaudited 2016 financial statements, *op.cit.*.

companies buying exported Iraqi crude oil are required to be audited by international audit firms (p.135). In practice however, the report states that only 43.5% of the 45 material international oil buyers (20 companies) provided audited 2016 financial statements to the IA (pp.12,137). The names of specific companies that provided evidence that their 2016 financial statements had been audited are not disclosed in the report or its addendum.

The report confirms that the review of material entities' audit practices was undertaken prior to agreement on assurances for EITI reporting for 2016, as part of preparations of the scoping study (p.178).

With regards to the *KRG*, the report states that the Current Fields Account and the Future Fields Account maintained by Kurdistan Oil Trust Organization (KOTO) is required to be subject to "regular independent audit" (p.41), but does not describe statutory audit procedures for other material entities in the *KRG*, nor confirm that statutory audits were completed for 2016. Yet the 2016 report addendum clarifies that none of the statutory SOEs in *KRG* had yet been established as of 2016.²²⁰

Assurance methodology: For *government entities*, the report does not specify what assurances were required for EITI reporting. The addendum to the 2016 EITI Report clarifies that the MSG agreed to require sign-off and stamp of EITI reporting templates by representatives of each entity.²²¹

For *SOEs*, the report describes agreed assurances for EITI reporting as consisting of submission of copies of 2016 audited financial statements where completed (i.e. only for North Oil Company), copies of final accounts signed by the Internal Audit Committee and Board of Directors for other SOEs, and reporting templates that are signed and stamped by a company representative, confirming the accuracy of reported data (p.135).

For *companies*, the report describes assurances for EITI reporting for both international oil buyers (IOBs) and IOCs, although the assurances appear to leave reporting companies some latitude (two options) in the types of assurances provided. For IOBs, it explains that reporting entities were required to submit copies of their 2016 audited financial statements. However, given that the report highlights potential resistance to disclosing these statements by some companies given that they cover both purchases from SOMO and other business conducted outside Iraq, it explains that the invoices issued by SOMO and supporting documentation were required in cases where the IOB refused to provide copies of their 2016 audited financial statements. Finally, IOBs were required to submit reporting templates that were signed and stamped by a (unspecified) "company representative", confirming the accuracy of reported data (p.135). For IOCs, the report describes assurances for EITI reporting as consisting of audited 2016 financial statements signed by the companies' external auditor or, in cases where audited financial statements were not submitted, submission of "special-purpose" field financial statements signed by the field external auditor (p.136). The 2016 report addendum clarifies that material IOCs and IOBs were required to provide copies of their 2016 audited financial statements as well as EITI reporting templates that were signed and stamped by company management.²²²

The report confirms that all reporting entities were required to submit templates completed on a cash-accounting basis, but notes that the PCLD reported cost recovery, remuneration fees, and corporate income tax on an accrual accounting basis (p.139). In consultation, the IA noted, as reflected in the draft 2017 EITI Report (not yet published at the commencement of Iraq's second Validation), that the 2016 EITI Report undertook a double reconciliation of cost recovery and remuneration fees, once between IOCs and PCLD and once between IOCs and SOMO. The IA noted that the MSG had decided to exclude PCLD from

²²⁰ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.20.

²²¹ *Ibid*, p.29.

²²² *Ibid*, p.29.

the scope of reconciliation for the 2017 EITI Report, but explained that SOMO's reporting of cost recovery and remuneration fees had not been disaggregated by revenue stream.

Confidentiality: The report does not refer to any mechanisms established to preserve the confidentiality of information pre-reconciliation. Upon consultation however, the IA confirmed that adequate mechanisms had been established to preserve the confidentiality of financial information pre-reconciliation, including submission of templates directly to the IA.

Reconciliation coverage: The report provides the reconciliation coverage target as 87.57% of total government extractives revenues (p.108). However, given that the materiality of payments can only be assessed for two of the eight companies that did not report crude oil export payments (pp.113-114) (see *Requirement 4.1*), the final reconciliation coverage cannot be calculated for each revenue stream based on data in the report. Nonetheless, it is possible to calculate a final net reconciliation coverage in aggregate based on data in the report (pp.113-115,121-123), which can be estimated as 97.47% of all crude oil sales, cost recovery and remuneration fees in 2016.

Assurance omissions: For *government entities*, the 2016 EITI Report does not confirm whether the MoO and MoF provided the required quality assurances for their EITI reporting. The addendum to the 2016 EITI Report confirms that representatives of each reporting government entity provided the required sign-off and stamp for their EITI reporting templates.²²³

For *SOEs*, the report notes that, while all material SOEs submitted templates signed by management, only three of the six SOEs provided the agreed quality assurances.²²⁴ (p.137). However, the report does not name the three non-complying SOEs, which means that the materiality of payments from these three cannot be assessed. The 2016 Report addendum confirms that all SOEs did not provide all the required quality assurances for their EITI reporting, but notes that the "completeness and reliability of the data received from the SOEs was established by the signatures of senior officers" of each SOE.²²⁵

For *IOBs*, the report provides the share of reporting companies that provided signed templates (78.3%²²⁶, or 35 IOBs), audited 2016 financial statements (43.5%, or 19 IOBs) and SOMO invoices (26%, or 12 IOBs) (p.137). The addendum to the 2016 EITI Report confirms that nine of the 46 IOBs did not comply with the agreed quality assurances for their EITI reporting and provides the value of each of the nine non-complying companies' payments to government in 2016, in absolute terms and relative to total 2016 gross crude oil sales. The aggregate value of payments from the nine non-reporting companies amounted to 19.11% of total 2016 gross crude oil sales, with five companies²²⁷ accounting for more than 1% of total 2016 gross crude oil sales.²²⁸

For *IOCs*, the report provides the share of reporting companies that provided signed templates (69.6%²²⁹, or 14 IOCs), audited 2016 financial statements (26.1%, or five IOCs) and field financial statements (74%, or 15 IOCs) (p.137). This implies that at least six reporting IOCs did not provide the required quality

²²³ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.29.

²²⁴ One SOE (North Oil Company) provided copies of their audited 2016 financial statements and two (un-named) SOEs submitted 2016 financial statements that were approved by their respective Internal Audit Department and Board of Directors.

²²⁵ *Ibid*, p.29.

²²⁶ Based on reconciliation results, it appears that all 45 material IOBs submitted reporting templates, given that the five companies that did not report crude oil export payments were IOCs (see Requirement 4.1). Thus, 78.3% of 45 companies equates to 35 IOBs submitting signed templates.

²²⁷ Sinochem accounted for 7.38% of 2016 gross crude oil sales, China National for 3.44%, Reliance Industries Ltd (RIL) for 2.67%, Valero Marketing & Supply for 2.05% and JX Nippon Oil for 1.19%.

²²⁸ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.29-30.

²²⁹ Based on reconciliation results, it appears that a total of eight of the 28 material IOCs did not submit reporting templates (see Requirement 4.1). Thus, 69.6% of 20 companies equates to 14 IOCs submitting signed templates.

assurances for EITI reporting, assuming that all reporting IOCs that submitted signed templates also provided either their financial statements or their field financial statements, or both (this is not confirmed in the report). However, the report does not list the names of non-complying IOCs, thereby hindering an assessment of the materiality of their payments. The 2016 Report addendum notes that IOCs still all provided “*at least one quality assurance measure to establish the quality of the reported data*”.²³⁰

Data reliability assessment: The 2016 EITI Report does not include the IA’s assessment of the comprehensiveness of reconciled financial data. It only includes a footnote related to the lack of impact of non-reporting by two IOCs (PT Pertamina and Shell West Qurna) on the comprehensiveness of reconciliation (pp.114-115). The report includes a statement from the IA related to the reliability of reconciled financial data (pp.12,138), although it does not amount to an assessment of whether the data is reliable. It is worth quoting in full:

“From the aforementioned analysis, it is clear that reporting companies favoured the approach of sending signed and stamped reporting templates. Although this is acceptable according to the approach approved by the MSG, reported data would be of higher credibility if the reporting packages included copies of audited financial statements.” (p.138)

The 2016 Report addendum confirms the IA’s assessment that “*the financial data presented by reporting companies and government agencies were comprehensive and reliable with some limitations as presented hereunder*”, noting each type of reporting entities’ adherence to agreed quality assurances.²³¹

Sourcing of information: While most of the information in the report is clearly sourced, the table of government extractives revenues on which materiality calculations were based is not clearly sourced (p.108).²³² Upon consultations, the IA and national secretariat staff confirmed that the was based on full government unilateral disclosures.

Summary tables: The IEITI Secretariat submitted draft summary data for the 2016 EITI Report to the International Secretariat on 16 January 2019. While review of the draft summary 2016 data tables was still ongoing at the start of Validation, these were expected to be published on the Iraq country page of the EITI website in line with previous years.²³³

Recommendations: The report includes a set of eight new recommendations based on reporting for 2016 (pp.171-172), as well as an overview of follow-up on 27 corrective actions from Iraq’s first Validation under the EITI Standard (pp.173-180). The report does not include an overview of follow-up on recommendations from the 2015 EITI Report, despite provisions in the IA’s ToR to include such a summary, but indicates that an assessment of progress in addressing recommendations from the 2015 EITI Report are included in IEITI’s 2016 APR²³⁴ (p.173). The 2016 Report addendum provides the IA’s overview of the MSG’s follow-up on ten recommendations from the 2014 and 2015 EITI Reports.²³⁵

Secretariat’s Assessment

The International Secretariat considers that the corrective action on data reliability has been partly addressed and considers that Iraq has made meaningful progress on Requirement 4.9. The MSG adopted

²³⁰ Iraq EITI (April 2019), ‘Addendum to the 2016 IEITI Report’, *op.cit.*, p.29.

²³¹ Iraq EITI (April 2019), ‘Addendum to the 2016 IEITI Report’, *op.cit.*, p.29.

²³² While the table includes a column labelled “received by / reported by” identifying specific government entities, it is unclear whether this data is sourced directly from each of the government entities named.

²³³ EITI website, Revenue collection section of Iraq country page, accessed [here](#) in April 2019.

²³⁴ IEITI (2017), ‘2016 annual progress report’, accessed [here](#) in January 2019. The English version of the 2016 annual progress report is accessible [here](#).

²³⁵ Iraq EITI (April 2019), ‘Addendum to the 2016 IEITI Report’, *op.cit.*, pp.36-39.

ToR for the IA for the 2016 EITI Report that are generally consistent with the EITI Board-approved template, and the IA appears to have adhered to the terms of the ToR in practice. The IA undertook a review of auditing practices in 2016, and agreed quality assurance procedures with the MSG on that basis. However, the discretion afforded to reporting companies with regards to specific quality assurances provided is a concern. The 2016 EITI Report provides an aggregate overview of the level of compliance with agreed quality assurances, while the 2016 report addendum names individual non-complying companies and assesses the materiality of their payments to government. While the report only includes a target reconciliation coverage, it is possible to calculate an aggregate net final reconciliation coverage in light of reporting omissions. The 2016 Report addendum does include the IA's clear assessment. Of the comprehensiveness and reliability of reconciled financial data. The report includes the IA's recommendations on the basis of the 2016 reconciliation and provided an overview of follow-up on corrective actions from Validation, while the 2016 report addendum included an assessment of follow-up on recommendations from the 2014 and 2015 EITI Reports. Summary data tables have been prepared for Iraq's 2016 EITI Report.

In accordance with Requirement 4.9, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with Requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:

- a. ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.
- b. ensure that the Independent Administrator provides an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided, alongside the Independent Administrator's clear assessment of comprehensiveness and reliability of the (financial) data presented.

3.16 Corrective action 16 – Distribution of revenues (#5.1)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress in meeting this requirement. While the 2015 IEITI Report clearly stated that all oil and gas revenues aside from those collected by the KRG were recorded in the national budget, there was evidence of off-budget oil and gas revenues earmarked for the UN Compensation Fund. The report did not explain the allocation of any mining, oil and gas revenues that were not recorded in the national budget.

Progress since Validation

The 2016 EITI Report states that all extractives revenues are recorded in the Federal Budget, with the exception of revenues collected by the KRG (pp.10,140-141,178). This is confirmed in the 2018 APR.²³⁶ Copies of the annual Federal Government of Iraq Budget for the years 2015-2017²³⁷ and the statutory government audit procedures for mining and oil sectors²³⁸ are available on the IEITI website.

The report notes that, while 5% of Iraqi crude oil export revenues are earmarked for transfer by the DFI to a United Nations (UN) Compensation Fund established in accordance with UN Security Council Resolution (UNSCR) 687 of 1991 and subsequent UNSCRs, these transfers are nonetheless recorded in the Federal Budget (pp.140-142). In addition, the report confirms the lack of DFI transfers to the UN Compensation Fund in 2016 due to a postponement of payments to the UN Compensation Fund since October 2014 due to the security situation in Iraq (p.142).

The report explains that, although the Federal Budget includes a fixed contribution from the KRG's crude oil export revenues, the Federal Government does not receive these revenues in practice, including in 2016 (pp.10,142). It provides some information on crude oil export revenues collected by the KRG in the February-October 2016 period only, sourced from the KRG's Ministry of Natural Resources website (p.131), but does not explain the allocation of extractives revenues collected by the KRG, nor provide links to relevant financial reports of the KRG. The 2016 KRG Budget does not appear to be publicly accessible, either on the KRG Ministry of Planning website²³⁹ or on the KRG Ministry of Finance and Economy website.²⁴⁰

The report does not refer to national or international revenue classification systems.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on distribution of revenues has been addressed and considers that Iraq has made **satisfactory** progress on Requirement 5.1. The 2016 EITI Report confirms that all extractives revenues, other than those collected by the KRG, are recorded in the Federal Iraq national budget. The report does not explain the allocation of extractives revenues collected by the KRG, nor provide links to relevant financial reports. However, the report provides publicly-available information on distribution of revenues in Iraqi Kurdistan in 2016 and clearly highlights the gaps in publicly-available information. In light of the EITI Board's approval of Iraq's adapted implementation covering the 2016-2018 EITI Reports, the International Secretariat considers that all aspects of the requirement have been met and that the broader objective has been achieved.

To strengthen implementation, Iraq is encouraged to ensure that the allocation of extractives revenues not recorded in the national budget, namely those collected by the KRG, are publicly explained, included through relevant financial and budget reports as applicable.

3.17 Corrective action 17 – Subnational transfers (#5.2)

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

²³⁶ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.32.

²³⁷ Iraq EITI website, Federal Government of Iraq Budgets for 2015-2017, accessed [here](#) in March 2019.

²³⁸ Iraq EITI website, Audit programmes for the oil and mining sectors, accessed [here](#) in March 2019.

²³⁹ See Kurdistan Regional Government Ministry of Planning website, 'Budget Law and Regulation' section, accessed [here](#) in January 2019.

²⁴⁰ See Kurdistan Regional Government Ministry of Finance and Economy website, 'Budget Law' section, accessed [here](#) in January 2019.

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.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress towards meeting this requirement. The 2015 IEITI Report provided 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 were provided, there was insufficient information to identify any discrepancies between the amounts that should have been transferred according to the formula and actual transfers. Based on NRG’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 did not comment on whether its disclosures of “petrodollar” allocations to only two Governorates was comprehensive was a concern. Although the RDP transfers to the KRG in the first half of 2015 were not statutorily linked to extractives revenues, Validation understood 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 were disclosed in the 2015 IEITI Report, there was 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.

Progress since Validation

The 2016 EITI Report describes statutory subnational transfers of 17% of total Federal Iraq budgeted revenues from the Federal Government to the KRG, linked to the transfer of a fixed contribution of a share of the KRG’s crude oil export revenues, but confirms that the budgetary allocation to the KRG was not transferred in 2016 (p.142).

The report describes two other types of statutory subnational transfers (pp.147-150). The first type, linked to extractives revenues, consists of ‘petrodollar allocations’ that are described as budgetary transfers from the Federal Government to regional Governorates that host oil and gas production or refineries, linked to their production or refining levels. The report provides the general revenue-sharing formula for ‘petrodollar allocations’ (p.147), although the levels of production and refining in 2016 in each Governorate (on which notional subnational transfer values are based) are not provided in the report. The report provides the value of ‘petrodollar allocations’, disaggregated by Governorate, allocated in line with the revenue-sharing formula, as well as executed transfers and amounts allocated but not transferred (p.148). The report highlights that ‘petrodollar allocations’ were only transferred to one of the seven Governorates (Al-Basrah) that should have received such transfers in 2016 and quotes the explanation from the MoF’s Accounting Directorate that the lack of transfers was due to the lack of claims by concerned Governorates and the lack of Ministry of Planning letter to the MoF instructing it to transfer the allocated amounts (p.148). Consultations with government stakeholders confirmed the lack of effective petrodollar allocations to Governorates other than Al-Basrah in 2016. Several government officials confirmed that Governorates were required to earmark petrodollar allocations to capital expenditures, which tended to exacerbate delays in these subnational transfers even though Governorates were considered to only rarely respect the earmark requirement in practice. Stakeholders consulted from all constituencies highlighted the significant public interest in petrodollar allocations and widespread concerns over the lack of execution of the transfers in practice.

The second type of subnational transfers, not linked to extractives revenues, consists of Governorate Development Program Allocations (GDPA), which are described as general transfers to Governorates (including in the KRG) to fund development plans approved by each provincial council (p.149). These are described as linked to the population of each Governorate rather than to extractives revenues (p.149). Nonetheless, despite not being extractives-related, the report describes the general revenue-sharing formula, albeit not the specific formula and variables for 2016, the value of 2016 allocations of GDPA in line with the revenue-sharing formula and the value of executed subnational transfers in 2016, disaggregated by Governorate (p.149).

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on subnational transfers has been addressed and considers that Iraq has made **satisfactory** progress on Requirement 5.2. The 2016 EITI Report confirms the lack of effective subnational transfers to the Kurdistan Regional Government in 2016, but describes the general revenue-sharing formula. The report describes the only type of subnational transfers linked to extractives revenues that was effective in 2016, the 'petrodollar allocations', provides the general revenue-sharing formula and highlights discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the Federal Government and each relevant Governorate. The report describes a second type of subnational transfers, not linked to extractives revenues, providing the general revenue-sharing formula and highlighting the same discrepancies between allocated and executed subnational transfers in 2016.

To strengthen implementation, Iraq may wish to ensure that details of calculations of allocations of subnational transfers linked to extractives revenues be publicly disclosed. Given the strong public interest in Iraq could consider reconciling extractives subnational transfers with Governorates' receipts, as encouraged in Requirement 5.2. Iraq is encouraged to consider ways of systematically disclosing information related to extractives subnational transfers through routine government systems, such as the annual budget or the Ministry of Finance website.

3.18 Corrective action 18 – Social expenditures (#6.1)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress towards meeting this requirement. The 2015 IEITI Report provided a general description of some types of mandatory social expenditures and discloses some of these expenditures, but not all. The categorisation of social spending was unclear, as was the distinction between cash and in-kind spending, and any non-government beneficiaries of mandatory social expenditures were not clearly identified.

Progress since Validation

The 2016 EITI Report describes two types of mandatory social expenditures, namely social benefits and social contributions (pp.152-157).

Social benefits: The first, mandated by the Council of Minister's Energy Committee Resolution Number 139 in December 2013, is described as requiring all IOCs operating under service contracts to undertake expenditures of "up to" USD 5m on social benefits to areas surrounding the oil fields and exploration blocks on which they operate. The report clarifies that these social expenditures are cost recoverable by the IOCs (p.152). It explains that these mandatory social expenditures were not reconciled, given that they amounted to less than 1% of total government extractives revenues in 2016, and were thus not considered material. It notes that operators were required to unilaterally disclose information on these mandatory social expenditures for the 2016 EITI Report (p.152).

The disclosures reveal that, of the 18 block operators, five IOCs reported these mandatory social expenditures, eight stated that they did not undertake mandatory social expenditures in 2016 and five did not report (pp.153-156). The report and its addendum explain that, for four of the five operators that did not report their mandatory social expenditures, the data was sourced from the relevant license-holding national oil companies based on IOCs' statutory reporting of such expenditures to government (p.152; Addendum p.31). It is possible to estimate the materiality of payments from four of the five non-reporting companies based on the respective NOCs' disclosures provided (pp.154-156). For the one operator²⁴¹ for whom mandatory social expenditures were not disclosed by either the IOC or the NOC, the report notes that mandatory social expenditures would not have been due given that Block 12 was still at the exploration phase (p.154). This explanation was reiterated by the IA during consultations. However, this information contradicts the report's description of these mandatory social expenditures (described as applicable to blocks both at the exploration and production phases) (p.152). Government officials consulted clarified that this was likely a typo, and that social expenditures were only contractually required when a project moved to production. The addendum to the 2016 EITI Report confirms that mandatory social expenditures are not applicable to oil and gas blocks at the exploration stage.²⁴²

The information disclosed in the report on these mandatory social expenditures includes field and operator names, project description (for eight of the nine operators), beneficiary name (for six of the nine operators), the identity of the recipient of funds (contractor) (for four of the nine operators) and expenditure amount (pp.154-156). In the addendum, unilateral disclosures of mandatory social expenditures are presented disaggregated by project description, beneficiary name, the identity of the recipient of funds (contractor) and expenditure amount, for seven of the eight operators listed.²⁴³ While the report and its addendum do not explicitly state whether these mandatory social expenditures were made in cash or in kind, this distinction can be inferred based on the identity of the funds recipients provided for four of the nine operators for whom such social expenditures were reported.

Social projects: The second type of mandatory social expenditures described is required for all SOEs, in line with Article 11 of the 1997 Public Companies Law n.22 (pp.156-157). The required social expenditures are described as 5% of SOEs' net profits, together with the split in recipients of these social expenditures (p.156). The report describes the MSG's view that these social expenditures were "immaterial" in 2016 as justification for their exclusion from the scope of reconciliation (p.156), with data on aggregate mandatory social expenditures by SOEs (p.157) revealing that they accounted for less than 1% of total government extractives revenues in 2016.

The report also confirms that only one mining SOE made a profit in 2016, although it does not name the SOE and only states that the SOE had not disclosed information on its mandatory social expenditures (p.156). The unilateral reporting by two SOEs (Midland Oil Company and North Oil Company) are disclosed, disaggregated by expenditure purpose, although the report does not consistently specify the

²⁴¹ Bashneft, operator of Block 12.

²⁴² Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, p.31.

²⁴³ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.32-33.

identity of non-government beneficiaries. While the report does not specify whether these expenditures were provided in cash or in kind, it can be assumed that SOEs make payments in cash given the reference to SOEs paying the amounts directly to relevant recipients (p.156).

Training support: The report describes a third type of social expenditures, although it provides contradictory information on whether these are mandatory. These are described as IOCs' contributions to training courses, technology and scholarships in accordance with contractual terms (known as 'Training, Technology and Scholarship Fund (TTS fund)'), but the report states that they "*are mandatory expenditures as per the contract terms, however, do not constitute a form of mandatory social expenditures*" without further explanation (p.169). Upon consultation, the IA explained that the MSG had agreed that these were not considered mandatory social expenditures despite being categorised as such in the terms of the contract. The 2016 Report addendum clarifies that IOCs' contributions to the TTS Fund are entirely cost-recoverable expenditures by IOCs agreed with the Ministry of Oil, reimbursing IOCs for the cost of development of the MoO's workforce, research centres, fellowships and technology transfers. They were thus not considered mandatory social expenditures.²⁴⁴

The report provides eight IOCs' reporting of such expenditures (and four companies' statement that they had not undertaken training programmes in 2016), with information including IOC and field name, training course name, number of beneficiaries and cost (pp.169-170,204-205). Although the report does not explicitly state that expenditure on such training courses is provided in kind rather than in cash, this can be deduced by the indication that beneficiaries were course participants themselves (pp.169-170).

In its comments on the draft assessment, the MSG described plans to ensure that mandatory social expenditures were presented disaggregated by type of payment and beneficiary, indicating the name and function of any non-governmental beneficiaries and whether such expenditures were paid in cash or in kind.

Voluntary social expenditures: The report describes IOCs' voluntary social expenditures and provides three operators' unilateral disclosures of their voluntary social expenditures in 2016 and quotes six IOCs' assurances that they did not undertake any voluntary social expenditures in 2016 (pp.158-160). Information provided includes operator and field names, project description, beneficiary name, identity of funds recipient (contractor) and amount spent.

Secretariat's Assessment

The International Secretariat considers that the corrective action on social expenditures has been partly addressed and considers that Iraq has made **meaningful** progress on Requirement 6.1. The 2016 EITI Report describes two types of mandatory social expenditures, while its addendum clarifies that IOCs' expenditures on training courses are not a form of mandatory social expenditures. The report and its addendum provide companies' unilateral disclosures of a large share of the information on mandatory social expenditures listed under Requirement 6.1.a, including the identity of beneficiaries, whether in cash or in kind, albeit not consistently for all mandatory social expenditures reported. The lack of reporting of social expenditures by several material companies is a concern. The report also provides three companies' reporting of their voluntary social expenditures. None of the companies operating in the KRG were considered material (*see Requirements 4.1 and 4.6*).

²⁴⁴ *Ibid*, p.34.

In accordance with Requirement 6.1, Iraq 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 and whether expenditures were provided in cash or in kind.

3.19 Corrective action 19 – Economic contribution (#6.3)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made meaningful progress towards meeting this requirement. The 2015 IEITI Report provided, 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 was also provided of the main areas of oil and gas production, not including the KRG. However, the 2015 IEITI Report provided none of this information for the mining sector, nor for the oil and gas sector in Iraqi Kurdistan. The report also did not include exports from the extractive industries as a percentage of total exports.

Progress since Validation

Share of GDP: The 2016 EITI Report provides both the contribution of crude oil and "other types of mining" to Iraq's GDP in 2016, in absolute terms and as a share of GDP at basic current prices, sourced from the Ministry of Planning (p.162). There is no information in the report specifically on the contribution of the extractives industries in the KRG to national GDP.

Government revenues: The report provides the contribution of extractives revenues to total Federal Government revenues in both absolute and relative terms, disaggregated by revenue flow, sourced from the Ministry of Finance (p.163). Information on the contribution of oil and gas revenues collected by the KRG is provided in the report, but only as a share of total extractives revenues (p.108), not in absolute terms.

Exports: The report provides the contribution of crude oil and oil products exports in each year in the 2013-2016, in absolute terms as well as the value of total exports, from which the relative contribution of extractives to exports can be calculated (p.164). The data is sourced from the Ministry of Planning. The report provides the value of crude oil exports by the KRG for the period February-October 2016 in absolute terms (p.105), but not as a share of total exports. There is no more recent data available on the KRG's MNR website at the time of Iraq's second Validation.²⁴⁵ However, the relative value of KRG crude oil exports can be estimated for the period February-October 2016 based on data in the report (pp.105,164).

Employment: The report provides, in absolute and relative terms, the contribution to total employment of the Ministry of Oil and its constituent parts (p.165), oil and gas SOEs (p.166), in licensing round fields (p.167), by IOCs (p.168) and in the mining sector (p.166), sourced from the respective ministries, SOEs and IOCs. There is no information in the report on extractives employment in the KRG. The 2016 report addendum provides revised numbers for employment in the oil and gas and mining sectors, which it notes are higher figures sourced from the federal budget for 2016.²⁴⁶ This data includes employment in all of the relevant Ministries and SOEs.

²⁴⁵ Kurdistan Regional Government Ministry of Natural Resources website, 'Monthly export and production data', *op.cit.*.

²⁴⁶ Iraq EITI (April 2019), 'Addendum to the 2016 IEITI Report', *op.cit.*, pp.34-35.

Location: The report provides an overview of the main locations of production, including maps of oil and gas in Federal Iraq (p.186), of oil and gas in Iraqi Kurdistan (p.192), and of mineral deposits nationwide in Iraq (p.200). Oil and gas production data provided in the report includes the names of locations (see Requirement 3.2). The locations of mineral production by the State Company for Mining Industries, described as the sole mining SOE in Federal Iraq, are provided (p.36).

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on economic contribution has been addressed and considers that Iraq has made **satisfactory** progress on Requirement 6.3. The 2016 EITI Report provides, in absolute and relative terms, the contribution of the extractive industries (including mining) to GDP, government revenues, exports and employment in Federal Iraq. Challenges in sourcing data from the Kurdistan Regional Government are clearly highlighted in the report and efforts were made to source publicly-accessible information where possible. The report provides publicly-available information on the economic contribution of the extractive industries in Iraqi Kurdistan in 2016 and clearly highlights the gaps in publicly-available information. In light of the EITI Board's approval of Iraq's adapted implementation covering the 2016-2018 EITI Reports, the International Secretariat considers that all aspects of the requirement have been met and that the broader objective has been achieved.

To strengthen implementation, Iraq is encouraged to ensure that information on the KRG extractive industries' contribution to GDP, government revenues, exports and employment is publicly accessible. Iraq is encouraged to study the extent to which it could provide updated macro-economic information on the extractive industries' contribution in a timelier manner through systematic government disclosures.

3.20 Corrective action 20 – Public debate (#7.1)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made meaningful progress in meeting this requirement. Iraq EITI produced abundant paper copies of the IEITI Report and these were 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 was considered standard practice in Iraq. There were also efforts underway to revamp the Iraq EITI website and the national secretariat actively promoted the EITI through social media. However, there were strong stakeholder concerns that the 2015 Report was confusing and difficult to read, and that promotion efforts had not actually contributed to the public debate. Iraq had not agreed a clear policy on the access, release and re-use of EITI data and EITI Reports were not available in an open data format online.

Progress since Validation

The Iraq EITI MSG approved and published the 2016 IEITI Report, which was launched at a press conference chaired by MSG Chair Deputy Prime Minister Thamer Al-Ghadhban in December 2018 and a conference in February 2019. The MSG approved and published an addendum to the 2016 EITI Report in April 2019.

Comprehensibility: Iraq EITI has published the 2015 and 2016 EITI Reports, summary data tables and simplified versions of the reports in English and Arabic on its website, alongside some data visualisations.²⁴⁷ The website has posted two infographics related to oil and gas revenues and the budget to date, alongside a secondary source map of oil and gas fields allocated under service contracts.²⁴⁸ The 2018 APR documents the extensive use of USB flash drives in the distribution of IEITI Reports.²⁴⁹ In line with the 2018-2019 IEITI work plan, the 2016 EITI Report and its summary were translated into Kurdish and Arabic²⁵⁰, although the Kurdish versions do not appear accessible on the IEITI website.

Promotion: Staff of the national secretariat have continued to be active users of social media, with meetings and workshops regularly shared online in the 2017-2019 period.²⁵¹ Publicly-available evidence suggests that the IEITI Secretariat has remained the driver of dissemination and outreach efforts in this period.²⁵² there is evidence of relatively frequent (e.g. quarterly) interviews by IEITI National Coordinator El-Deen in the 2017-2019 period, such as in May 2018²⁵³ and in April 2019.²⁵⁴ There is little evidence of individual MSG members or constituencies leading dissemination efforts. However, with growing high-level government engagement in EITI implementation more generally since October 2018, there appears to have been growing national media coverage of EITI activities. The coverage of Deputy Prime Minister Thamer Al-Ghadhban's chairing of the launch of the 2016 IEITI Report in December 2018 is an example of this.²⁵⁵ However, most stakeholders consulted beyond those directly involved in EITI implementation considered that there was not significant dissemination of the findings of EITI reporting, although they noted that IEITI Secretariat was active in seeking to promote the EITI more generally. In its comments on the draft assessment, the MSG noted that hard-copy and electronic versions of the EITI Report were disseminated through workshops, at a frequency of three workshops a month. It also noted the presentation of key EITI findings by various MSG members as part of their normal work, such as Member of the Parliamentary Energy Committee Ibrahim Bahr Uloum's citing of findings in television programmes. The MSG noted plans for developing a media strategy for IEITI in future.

The MSG has not agreed a communications strategy for several years, since a first communication strategy categorised by secretariat staff as "primitive". With support from German Cooperation (GIZ), the MSG is planning a workshop in mid-2019 to develop a new communications strategy.

Public accessibility: The IEITI Secretariat has organised capacity-building and outreach activities for the national media, including a workshop in March 2019 for 17 media representatives and activists.²⁵⁶ Other capacity-building activities included a seminar on corrective actions from Validation in Baghdad for MSG members and stakeholders from all three constituencies in January 2018, a training workshop for civil society on the constituency's monitoring responsibilities in the EITI in Baghdad in February 2018, and

²⁴⁷ Iraq EITI website, 'Reports and publications – annual report' section, accessed [here](#) in April 2019.

²⁴⁸ Iraq EITI website, 'Maps and infographics' section, accessed [here](#) in April 2019.

²⁴⁹ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.32.

²⁵⁰ The Kurdish versions of the 2016 IEITI Report and its summary were provided by the IEITI Secretariat but do not appear to be published on the IEITI website at the time of Iraq's second Validation. Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, pp.9,11-12.

²⁵¹ See Iraq EITI Facebook page, accessed [here](#) in April 2019.

²⁵² Iraq EITI website, 'Photos and videos' section, accessed [here](#) in April 2019; Iraq EITI Facebook page, *op.cit.*.

²⁵³ Iraq EITI (May 2018), 'Al - Sabah report on the achievements of the initiative', accessed [here](#) in April 2019.

²⁵⁴ Iraq EITI (April 2019), 'Mohie El Deen: Ministry of Oil publishes Contracts Transparency and hopefully publishes licensing contracts within the next week', accessed [here](#) in April 2019.

²⁵⁵ Iraq EITI (December 2018), 'The initiative announces the release of its new report at a press conference on Wednesday 26 December 2018', accessed [here](#); and Iraq EITI (December 2018), 'Supporting the Transparency Initiative for Extractive Industries in Iraq', accessed [here](#); in April 2019.

²⁵⁶ Iraq EITI (March 2019), 'Towards Oil Sector Governance The Transparency Initiative organizes an interactive session with the media', accessed [here](#) in April 2019.

others.²⁵⁷ The 2018-2019 workplan included USD 10,000 allocation for participation in government events on the extractive sector to ensure that the IEITI contributes to the national debate. The work plan also includes provisions for the dissemination of license information that IEITI planned to publish on its website.

Open data: The MSG developed an Open Data Policy at a three-day workshop in December 2016, facilitated by the International Secretariat. The IEITI Open Data Policy is published on the IEITI website.²⁵⁸ The policy covers the terms for release, use and reuse of EITI data. In practice, data from the three first IEITI Reports under the EITI Standard, covering 2013-2015, have been published in machine-readable format on the Iraq country page of the global EITI website,²⁵⁹ with publication of the 2016 summary data expected upon their finalisation (see *Requirement 4.9*). Proxy summary data tables have been prepared for IEITI Reports covering 2009-2012 by the International Secretariat.²⁶⁰

Summary data of Iraq's EITI reporting for 2009-2015 is available both on the Iraq EITI website²⁶¹ and on the Iraq country page of global EITI website.²⁶² The 2016 summary data is pending final review by the International Secretariat (see *Requirement 4.9*). The 2018 APR notes progress in providing data from EITI Reports in open format on the IEITI website.²⁶³

Contribution to public debate: There is little evidence, on the IEITI website or from a cursory review of publicly-available sources, of use of Iraq's EITI data as part of research, advocacy or lobbying. While there is national media coverage of sporadic and specific EITI events²⁶⁴, there is little evidence of EITI data use beyond civil society analysis and opinion pieces critical of Iraq's EITI reporting.²⁶⁵

Government pronouncements have increasingly referenced EITI implementation however (see *Requirement 1.1*). Iraq's 2018-2022 National Development Plan explicitly refers to the IEITI MSG (Committee of the Transformative and Extractive Industries') as providing evidence on which the government can base its policy-making.²⁶⁶

Secretariat's Assessment

The International Secretariat considers that the corrective action on public debate has been partly addressed and considers that Iraq has made **meaningful progress on Requirement 7.1, with considerable improvements**. The Iraq EITI Reports are comprehensible and published in local languages and in open data format, although they appear far more actively promoted online than through print or active outreach. While the IEITI Secretariat has made efforts to disseminate EITI Reports, there is little evidence of MSG members contributing to outreach and dissemination in practice. While the EITI Reports themselves are publicly accessible on the IEITI website, there is little evidence of use of EITI data in practice. Data from EITI reporting has tended to remain in a silo, not tangibly contributing to public

²⁵⁷ Other capacity-building activities included a workshop on social expenditures and impact in Baghdad in February 2018, a workshop on SOMO's pricing mechanisms for crude oil exports in March 2018, a workshop for IOCs and NOCs in Basra, Missan and Thi Qar provinces in Basra in March 2018, a roundtable discussion on petrodollar transfers in Basra in March 2018, a workshop for government entities on systematic disclosures in April 2018, a workshop on civil society's internal rules and nominations to the MSG in Baghdad in June 2018, and a general EITI capacity-building workshop in Dubai in June 2018. See Overview of capacity-building activities provided by the IEITI Secretariat, unpublished.

²⁵⁸ Iraq EITI website, IEITI Open Data Policy, accessed [here](#) in May 2019.

²⁵⁹ <https://eiti.org/iraq#revenue-collection>

²⁶⁰ <https://eiti.org/iraq#revenue-collection>

²⁶¹ Iraq EITI website, 'Reports and publications – annual report' section, *op.cit.*.

²⁶² EITI website, Revenue collection section of Iraq country page, *op.cit.*.

²⁶³ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.32.

²⁶⁴ Iraq EITI (May 2018), 'Al - Sabah report on the achievements of the initiative', *op.cit.*.

²⁶⁵ See for instance Iraq Business News (February 2019), 'IEITI: Making Iraq "Compliant" Again', accessed [here](#) in April 2019.

²⁶⁶ Ministry of Planning (June 2018), 'National Development Plan 2018-2022', *op.cit.*, p.39.

debate on the extractive industries in Iraq. There have been limited attempts at active dissemination of visualisations of EITI information, including regular subnational outreach and dissemination.

In accordance with Requirement 7.1, Iraq should ensure that EITI data is actively promoted, publicly accessible and contributes to public debate. Iraq should consider developing a communications strategy that looks beyond building brand recognition to addressing the national priorities identified in the work plan. Iraq is encouraged to engage with a broader group of relevant stakeholders in its EITI dissemination and outreach, including parliamentarians, academia, the media and host communities. Iraq should also agree a clear policy on the access, release and reuse of EITI data.

3.21 Corrective action 21 – Follow-up on recommendations (#7.3)

In line with Requirement 7.3, the MSG should consider how to act upon lessons learned with 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.

Findings from the first Validation

The first Validation concluded that Iraq had made meaningful progress in meeting this requirement. The MSG had 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 had also made attempts at engaging influential political figures and parliamentarians in order to implement reforms in the sector. Validation found, however, that additional work was required to ensure that recommendations were meaningful, that they addressed the wider challenges in the sector, that they were structured and actionable. Validation considered that this could be achieved through updates to the ToRs for the IA that specifically requested these recommendations and in the MSG taking a proactive role in formulating its own recommendations.

Progress since Validation

MSG input: There is little evidence of MSG input to the formulation of recommendations of IEITI Reports in MSG meeting minutes, inception reports or the IEITI Reports themselves.

Follow-up: The 2016 Report addendum published in April 2019 included the IA's overview of follow-up on past EITI recommendations. There is evidence in MSG meeting minutes in the 2017-2019 period of MSG discussions of follow-up on corrective actions and recommendations from Iraq's first Validation, but not necessarily from previous IEITI Reports.²⁶⁷ Particularly from October 2017 when the EITI Board agreed the outcomes of Iraq's first Validation, much of the MSG's discussions and the IEITI's outreach to government entities and companies has been driven by the follow-up on the first Validation. The MSG formed a working group to oversee follow-up on the corrective actions from Validation, formally established through Government Decree 40397 on 14 December 2017.²⁶⁸ The MSG held a workshop to discuss follow-up on corrective actions and recommendations of Validation on 1-2 October 2018, supported by the International Secretariat and the World Bank.²⁶⁹

²⁶⁷ See Iraq EITI website, 'Minutes of MSG meetings' section, *op.cit.*

²⁶⁸ Iraq EITI (January 2019), 2018 EITI annual progress report, *op.cit.*, p.19.

²⁶⁹ *Ibid*, p.3.

The 2018 APR states that the MSG uses the annual progress report as a means of monitoring implementation of recommendations and the work plan more broadly.²⁷⁰ The 2018 APR also provides an overview of the MSG's follow up on all corrective actions and recommendations from Iraq's first Validation.²⁷¹ The 2018-2019 IEITI work plan – and the draft 2019-2020 IEITI work plan that the International Secretariat reviewed during Validation – include activities related to follow-up on specific recommendations and corrective actions from Validation (*see Requirement 1.5*).

However, the MSG has not had a structured way of following up on recommendations from past IEITI Reports until April 2019, when the MSG established a permanent working group on follow-up on IEITI recommendations, with one representative from each constituency and chaired by the IEITI Secretariat.

Discrepancies: There is evidence of the MSG discussing the causes of discrepancies regularly prior to publication of the 2016 EITI Report and in the preparations of the 2017 EITI Report. However, there is no evidence of the MSG taking steps to follow up on the causes of discrepancies after publication of the EITI Reports.

Reforms: There are signs that EITI implementation has led to several procedural revisions since October 2018, including formalisation of the government's policy on oil and gas contract disclosure (*see Requirement 2.4*), publication of 17 oil and gas SOEs' certificates of establishment and 2016 financial statements (*see Requirement 2.6*), disclosure of basic license data on oilfields operated by national oil companies (*see Requirement 2.3*) and inclusion of provisions related to EITI reporting in the service contract template used in the fifth bid round in 2018 (*see Requirement 2.2*). Implementation of the EITI has remained insulated from broader reforms despite their relevance for the EITI, such as debates over the creation of an Iraqi National Oil Company, the transition from a withholding to a cash-based corporate income tax system for oil and gas and the EU-World Bank's public finance management reform project to date.

Secretariat's Assessment

The International Secretariat considers that the corrective action on follow-up on recommendations has been partly addressed and considers that Iraq has made **meaningful** progress on Requirement 7.3, with **considerable improvements**. The MSG and the government have taken steps to consider the recommendations for improvements from past EITI Reports and Iraq's first Validation. While there was a clear framework for the MSG's follow-up on corrective actions from Validation, there was no mechanism for consistent follow-up on past EITI Reports' recommendations in the period from October 2017 to April 2019. The MSG has discussed the causes of discrepancies in EITI reconciliations ahead of publication of EITI Reports, but there is little evidence of MSG efforts to identify, investigate and address the causes of any discrepancies and weaknesses of the EITI process after publication of EITI Reports. A mechanism for the MSG to consistently follow up on recommendations from past EITI Reports was belatedly established at the MSG's 8 April 2019 meeting. In the International Secretariat's view, this mechanism needs to be implemented to demonstrate that Iraq has made satisfactory progress in achieving the broader objective of consistent follow-up on EITI recommendations.

In accordance with Requirement 7.3, Iraq should implement a mechanism for consistent follow-up on recommendations from past EITI reporting and Validation. Iraq should also consistently make efforts to identify, investigate and address the causes of any discrepancies and weaknesses of the EITI process after

²⁷⁰ *Ibid*, p.33.

²⁷¹ *Ibid*, pp.18-33.

publication of EITI Reports. The MSG is also encouraged to take a more proactive role in formulating its own recommendations as part of EITI reporting.

3.22 Corrective action 22 – Assessment of outcomes and impact (#7.4)

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.

Findings from the first Validation

The first Validation concluded that Iraq had made inadequate progress in meeting this requirement. Annual progress reports were published, but only perfunctorily. Text was largely incomprehensible, even for a native English speaker, and there was no indication that the MSG used 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.

Progress since Validation

Stakeholder input: The 2018 APR appears to be the product of consultations both with MSG members and their broader constituencies, as confirmed in the report (p.36). It notes the MSG's use of the annual progress report as a means of monitoring implementation of the work plan and follow-up on past recommendations.²⁷² Industry stakeholders consulted highlighted the active participation and contributions of industry MSG representatives in the development of the IEITI annual progress report.

Summary of activities: The APR provides an overview of the main activities in 2018 (pp.3-15,34,36-42), an overview of performance against requirements of the EITI Standard (pp.17-32) and a cursory assessment of progress against workplan objectives (p.3).

Impact assessment: While the APR provides an overview of the MSG's follow-up on recommendations of past IEITI Reports and Validation (pp.4-8,18-32) and a narrative description of strengths and weaknesses of implementation (pp.34-35), it does not provide an overview of the MSG's assessment of the impact of EITI implementation to date.

Accessibility: The APR is accessible both on the IEITI website²⁷³ and the Iraq country page of the global EITI website.²⁷⁴ It is published in Arabic, but not in English or Kurdish.

Secretariat's Assessment

The International Secretariat considers that the corrective action on outcomes and impact of implementation has been partly addressed and considers that Iraq has made **meaningful progress on Requirement 7.1**. The MSG has reviewed progress and outcomes of implementation on a regular basis, including by publishing the 2018 APR that provided an overview of activities and progress against work plan objectives. While it appears that the 2018 APR was the product of consultations within each of the

²⁷² *Ibid*, p.33.

²⁷³ *Ibid*.

²⁷⁴ *Ibid*.

three constituencies, there is no evidence that the MSG has assessed the impact of EITI implementation to date, either through the annual progress report or other channels.

In accordance with Requirement 7.4, Iraq should ensure that all stakeholders are given an opportunity to provide input to the annual progress report and that their views are adequately reflected. Iraq should also ensure that the next annual progress report includes a narrative account of efforts to strengthen the impact of EITI implementation on natural resource governance.

2. Conclusion

Having reviewed the steps taken by Iraq to address the 22 corrective actions requested by the EITI Board as of the commencement of its second Validation (26 April 2019), it can be reasonably concluded that **ten of the 22 corrective actions have been fully addressed and that Iraq has made meaningful progress in implementing the EITI Standard, with *considerable improvements across several individual requirements***. The outstanding gaps relate to industry engagement (Requirement 1.2), MSG oversight (Requirement 1.4), work plan (Requirement 1.5), state participation (Requirement 2.6), comprehensiveness (Requirement 4.1), SOE transactions (Requirement 4.5), disaggregation (Requirement 4.7), data reliability (Requirement 4.9), social expenditures (Requirement 6.1), public debate (Requirement 7.1), follow-up on recommendations (Requirement 7.3) and outcomes and impact of implementation (Requirement 7.4).

Annexes

Annex A – Materiality of omissions from non-reporting companies in 2016

Company name	Company 2016 cost recovery	Company share of total 2016 cost recovery	Company 2016 remuneration fees	Company share of total 2016 remuneration fees	Company 2016 crude oil purchases	Company share of total 2016 crude oil purchases	Reference
PT Pertamina Iraq	Part of the USD 141,652,379 reported for cost recovery and remuneration fees combined	Not possible to calculate	Part of the USD 141,652,379 reported for cost recovery and remuneration fees combined	Not possible to calculate	USD 141,612,379	0.33%	2016 EITI Report, pp.114,122
Shell Majnoon	Part of the USD 663,018,087 reported for cost recovery and remuneration fees combined	Not possible to calculate	Part of the USD 663,018,087 reported for cost recovery and remuneration fees combined	Not possible to calculate	USD 663,018,087	1.53%	2016 EITI Report, pp.115,122
Shell West Qurna	Part of the USD 184,652,178 reported for cost recovery and remuneration fees combined	Not possible to calculate	Part of the USD 184,652,178 reported for cost recovery and remuneration fees combined	Not possible to calculate	USD 184,652,178	0.42%	2016 EITI Report, pp.115,122
TPAO	Part of the USD 503,756,976 reported by CNOOC on behalf of the consortium	Not possible to calculate	No remuneration fees reported for 2016	Not possible to calculate	N/A	N/A	2016 EITI Report addendum, pp.26,27
Totsa Total	USD 196,096,093	3.36%	USD 13,735,700	1.58%	USD 265,023,042	0.61%	2016 EITI Report, p.115; 2016 EITI Report addendum, pp.26,27
Petronas (Halfaya)	USD 196,096,093	3.36%	USD 13,735,700	1.58%	USD 272,689,953	0.63%	2016 EITI Report, p.114; 2016 EITI Report addendum, pp.26,27
Dragon Oil	USD 12,867,625	0.22%	USD 2,158,265	0.25%	Part of the USD 22,651,516 reported by Kuwait Energy on behalf of the consortium	Not possible to calculate	2016 EITI Report, p.114; 2016 EITI Report addendum, pp.26,27
EGPC	USD 4,289,209	0.07%	USD 719,422	0.08%	Part of the USD 22,651,516 reported by Kuwait Energy on behalf of the consortium	Not possible to calculate	2016 EITI Report, p.114; 2016 EITI Report addendum, pp.26,27
Total disclosed by government	USD 5,832,027,643		USD 868,674,498		USD 43,450,607,236		
	<i>(Note: excluding 2016 cost recovery for the Zubair, West Qurna 1 and Majnoon fields, for which cost recovery and remuneration fees were presented combined)</i>		<i>(Note: excluding 2016 remuneration fees for the Zubair, West Qurna 1 and Majnoon fields, for which cost recovery and remuneration fees were presented combined)</i>				

Annex B – Stakeholders consulted

Government

- H.E. Thamer Al-Ghadban, Deputy Prime Minister for Energy Affairs and Minister of Oil
- Dyaa Gumer Sufar, Director-General, Technical Department, Ministry of Oil
- Abdul Mahdi AL-Amedi Director-General, Petroleum Contracts and Licensing Directorate), Ministry of Oil
- Alaa Khudhur Al-Yasiri, Director-General, SoMo, Ministry of Oil
- Ahmed Fadhil, Deputy Director-General Basra Oil Co.
- Ali Warrid, Director-General, Dhi Qar Oil Co.,
- Fareed Jadir Al-Jadir, Director-General, North Oil Co.
- Jalal Ahmed Mahmoud, Director-General, Midland Oil Co.
- Sadiq Hussain Sadiq, Director-General, North Gas Co.
- Nshwan Mohammed Norri, Director-General, Iraq Oil Exploration Co.
- Habeeb Hadi Mohsin, Deputy General Manager of Mayssan Oil Co.
- Abdulridha Hmood, Manager of Operations Committee, Midland Oil Co
- Mohammed Khalaf Mohammed, Manager of Contracts Scrutiny Department, Midland Oil Co
- Mohammed Abdulrazzaq Salim, Senior Engineer, Midland Oil Co
- Hussam Falih Hasan, Manager of Meters Department, Mayssan Oil Co.
- Ismael Khalid Obaid, Senior Accountant, Mayssan Oil Co.
- Dr. Alaa Eleed Jaafer, Director-General of Economic Policies, Ministry of Planning
- Taif S.M. Alshakarchi, Director-General of Budget, Ministry of Finance
- Najha Abbass Ali, Director-General of Taxes, Ministry of Finance
- Dakishani, Director-General of Economic Department, Ministry of Finance
- Dr. Safaa'deen Fakhri, Director-General of Geological Survey
- Saadi Mohammed Ayesh, Director-General of Investment, Ministry of Industry and Mines
- Hayfaa Abdul sada, Deputy, Director-General of Studies and Planning, Ministry of Industry and Mines
- Dr. Nidhal Abdul zahrra, Director-General, Federal Board of Supreme Audit
- Muna TALIB Mohaemmed, Federal Board of Supreme Audit
- Alaa Mohie El-Deen, National Coordinator and Head of Iraq EITI Secretariat
- Moushtaq Taleb Fadle, Iraq EITI Secretariat
- Azez Abtan, Iraq EITI Secretariat
- Yasir Khammas, Iraq EITI Secretariat
- Hamza Abdulsahib, Iraq EITI Secretariat

Industry

- Zaid EL-Yaseri, BP Iraq
- Rasaan AL-Sadayi, Lukoil Iraq
- Dr. Najim AL-Taaia, Petronas Iraq
- Mustafa Kubba, BP Iraq

Civil society

- Saad Jabbar Ni'ma Al-Battat, Al-Khair Humanitarian Organization, Mayssan Province
- Hana Mohammed Ajeel Al-Shimmari, Hona Al-Shabab Organization, Baghdad Province
- Ali Nima, Rafidi Iraq Foundation, Babel Province

- Azhar Hasan Hussain Mohsin Al-Maliki, Al-Zuhoor Organization, Baghdad Province
- Hazim A'mmer Kadhim, Woman and Child organization, Wasit Province
- Salih Hadi, Ibn Al-Iraq Humanitarian Organization, Wasit Province
- Ra'oof Mohammed Nori Hameed, Tawasol Organization for Youth Enablement, Baghdad Province
- Asaad Al-Zilzali, Maraiya Institute for Youth enablement, Baghdad Province
- Mohammed Raheem Zegair, Al-Nahrain institute for Transparency and Integrity Support, Baghdad Province
- Mustafa Nasir Kadhim, Press Freedom Advocacy Association, Baghdad Province
- Dr Ahmed Mousa Jiyad, independent development consultant and scholar
- Hussam Hakim Barznji, General Director, Kurdistan Economic Development Org. (KEDO)
- Akram Sadiq AL-Khuzai, Senior Research Fellow at IIER (Iraqi Institute for Economic Reform)
- Ben Van Heuvelen, Editor-in-Chief, Iraq Oil Report

Development partners

- Salam Falah Hassan Almaroof, Public-Sector Specialist, World Bank
- Sridar Kannan, World Bank
- Gavin Gray, Mission Chief for Iraq, International Monetary Fund
- Erik Magdanze, US Embassy
- Taghreed AL-Qaragoli, US Embassy
- Ahmed Al-Darjee, UK Embassy
- Ahmmed Alyassery, UNDP
- Hrvoje Curic Hrvatinic, First Secretary, EU Delegation in Baghdad

Consultants and independent administrators

- Mohammed Kirkukl
- Nicoal Soyegh /EY
- Ahmed Elkady, OPartner, EY
- Ayad Mirza, Country Managing Partner, Deloitte
- Rowena Caine, Senior Middle East Correspondent & European Jet Fuel Reporter, Argus Media