

Validation of Suriname
Draft Validation Report
CowaterSogema Independent Validator
12th February, 2020

1. EXECUTIVE SUMMARY

The Government of Suriname announced its commitment to join the EITI in February 2016 during the 7th EITI Global Conference in Lima and during a symposium on EITI in Suriname in April 2016.¹ A temporary Multi-Stakeholder Group (MSG) was set up in August 2016. A permanent MSG was appointed in October 2016. A candidature application was submitted on 24 March 2017² and approved by the EITI Board at its meeting on 24 May 2017³.

On 24 May 2017, the Board agreed that Suriname's Validation under the 2016 EITI Standard would commence on 24 October 2019. At its 46th meeting, the EITI Board concluded that Suriname was ineligible for an extension and its Validation started on 13 February 2020.⁴ Given that the 2017 EITI Report was published in December 2019, Suriname is being validated under the 2016 EITI Standard. In May 2020, the Board agreed to extend the period for data collection until the 1 September 2020 due to the Covid-19 pandemic.⁵

This draft validation report reviews and summarises the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. The International Secretariat followed the Validation procedure and applied the Validation Guide in assessing Suriname's progress with the EITI Standard. While the assessment has gone through a review process with the appointed 3rd party Validator, it has not yet been reviewed by the MSG in Suriname. The Validator agrees with the Secretariat's preliminary assessment is that most of the requirements of the EITI Standard have not been fully addressed. Requirements related to the work plan (Requirement 1.5), license allocation (Requirement 2.2), register of licenses (Requirement 2.3), beneficial ownership (Requirement 2.5), social expenditures (Requirement 6.1), quasi-fiscal expenditures (Requirement 6.2), and outcomes and impact (Requirement 7.4) are unmet with inadequate or no progress. The 19 proposed corrective actions and a number of strategic recommendations identified through this process relate in particular to the work plan, licensing, social expenditures, and outcomes and impact.

¹ Agenda and presentations for the Symposium "EITI in Suriname: Moving towards implementation" where an official commitment to implement the EITI was announced by the Minister of Natural Resources, Mr Regilio Dodson.

² Letter from the Minister of Energy and Mines, Mr Regilio Dodson, expressing the intention of Suriname to be a EITI Candidate Country accessed on <https://eiti.org/document/suriname-letter-minister-dodson-to-international-secretariat> in March 2020. In addition, the Suriname Candidature Application Form accessed on <https://eiti.org/document/suriname-candidature-application> in March 2020.

³ 37th EITI Board Minutes reflecting the Board admitting Suriname as an EITI candidate accessed on https://eiti.org/files/documents/final_37th_eiti_board_meeting_minutes.pdf in March 2020.

⁴ 46th EITI Board Minutes reflecting the Board denying the extension of the first validation of Suriname accessed on <https://eiti.org/board-decision/2020-18> in March 2020.

⁵ Board decision 2020-32/BC-290: <https://eiti.org/board-decision/2020-32>.

2. BACKGROUND

The economy of Suriname relies on extractive industries and agriculture. Suriname was ranked as the world's most mining-dependent country in the latest ICMM Mining Contribution Index 2018.⁶ This is explained by a rise in production value, combined with the contraction of the economy overall since 2014. Suriname's population is only about 0.6m, which underlines the significance of natural resources to the economy, despite relatively modest production volumes and values. The country is well-known for its abundant natural resources, primarily gold and crude oil. Suriname had a prosperous bauxite industry for decades. The main company Suriname Aluminum Company however shut its aluminium smelter in 1999 and in 2015, alumina production in the refinery was stopped. Currently, the gold industry has surpassed the bauxite/alumina industry in Suriname. Gold is an essential export good for the country making up approximately three-quarters of its exports by value in 2017.⁷ There are two large scale mining companies operating in Suriname: Newmont Suriname LLC (Newmont), and Iam Gold Rosebel Gold Mines N.V (Iam Gold) which operates the Rosebel Gold mine together with the Government of Suriname, and the Merian Gold Project, respectively. The Artisanal and Small-scale gold Mining (ASM) plays an important role in Suriname with approximately 12,000 to 15,000 miners operating in the country including service providers.⁸ In 2014, ASM production represented 65.4% of total gold production in the country.⁹ Suriname had only onshore oil production at the moment of writing this assessment. Apache Suriname Corporation LLC (Apache) and Total however recently made the first-ever offshore discovery for Suriname.¹⁰ Refined petroleum represented 5% of total exports in 2017.¹¹ Staatsolie Maatschappij Suriname N.V (Staatsolie), a vertically integrated state-owned company explores, drills, produces, refines, markets, sells and transports petroleum in Suriname.

In line with the Validation Guide, the International Secretariat carried out the first phase of validation—initial data collection, stakeholder consultations, and preparation of their initial evaluation of progress against the EITI requirements (the “Initial Assessment”). CowaterSogema was appointed as the independent Validator to evaluate whether the Secretariat's work was carried out in accordance with the Validation Guide. CowaterSogema's principal responsibilities as Validator are to review and amend the Initial Assessment, as needed, and to summarize its independent review in this Validation Report for submission to the Board through the Validation Committee.

⁶ International Council on Mining & Metals (2018). Role of Mining in National Economies. Mining Contribution Index 2018. 4th Edition. https://www.icmm.com/website/publications/pdfs/social-and-economic-development/181002_mci_4th-edition.pdf (last accessed on 14th October 2020).

⁷ Observatory for Economic Complexity (OEC). (2020) “Suriname” <https://oec.world/en/profile/country/sur/> (last accessed on 04 March 2020).

⁸ The World Bank. (2019) “Suriname Competitiveness and Sector Diversification Project (SCSD) Rapid Social Assessment”. <http://documents.worldbank.org/curated/en/473361549897914424/pdf/Rapid-Social-Assessment.pdf> (last accessed on 04 March 2020).

⁹ Idem

¹⁰ Oil Price. (2020) “How Important Is The Suriname Oil Discovery?” <https://oilprice.com/Energy/Oil-Prices/How-Important-Is-The-Suriname-Oil-Discovery.html> (last accessed on 04 March 2020).

¹¹ Observatory for Economic Complexity (OEC). (2020).

1. Work Performed by the Independent Validator

The Secretariat's Initial Assessment was transmitted to CowaterSogema on 23rd December, 2020. Our Validation Team undertook this phase of the Validation process through: (1) In-depth review and marking up of the EITI Assessment by each team member; (2) Detailed review and comments by the Multi-Stakeholder Specialist of Requirements 1 and the Civil Society Protocol; (3) Detailed review and comments by the Financial Specialist of Requirements 4, 5 and 6; (4) Consolidation of reviews and the production of this draft Validation Report, sent to the International Secretariat on the 12th February 2021.

2. Comments on the Limitations of the Validation

The Validator carefully reviewed the Secretariat's Initial Assessment and at this stage has no comments on the limitation of the validation process.

3. Comments on the International Secretariat's Initial Assessment

The initial data collection, stakeholder consultations, and drafting of the Initial Assessment were generally undertaken by the International Secretariat in accordance with the 2016 Validation Guide. Firstly, a desk review of the available documentation relating to the country's compliance with the EITI Standard, including but not limited to:

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

Remote stakeholder consultations took place from the 8th October to 2nd December, 2020. The International Secretariat met virtually with the MSG and its members, the IA and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the MSG. In addition to meeting virtually with the MSG as a group, the International Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders are able to freely express their views and that requests for confidentiality are respected.

Finally, the International Secretariat prepared a report making an initial assessment of progress against requirements in accordance with the Validation Guide. The initial assessment did not include an overall assessment of compliance. The report was submitted to the Validator, with the National Coordinator (NC) also receiving a copy. This report follows on from a review of the initial assessment by the appointed Validator.

2. GENERAL COMMENTS

- **Progress in EITI Implementation**

EITI implementation in Suriname has improved the availability and accessibility of data, as well as dialogue between stakeholders operating in the extractives sector. The civil society constituency has been fully and actively engaged in EITI implementation. However, there is room for improving the engagement of the government and industry constituencies in the process. EITI Reports publicly disclose data that is not systematically disclosed on government or company websites, in key areas of the extractive industries such as in-kind payments and the distribution of extractive revenues.

- **Impact of EITI Implementation**

EITI implementation in Suriname has improved the availability and accessibility of data, as well as dialogue between stakeholders operating in the extractives sector. The civil society constituency has been fully and actively engaged in EITI implementation. However, there is room for improving the engagement of the government and industry constituencies in the process. EITI Reports publicly disclose data that is not systematically disclosed on government or company websites, in key areas of the extractive industries such as in-kind payments and the distribution of extractive revenues.

The EITI's impact in Suriname has been limited. The objectives in the latest work plan are focused on compliance with the EITI Standard, rather than on key areas for the government's policy on the extractive sector. The EITI could cover topics of national and local relevance related to, for example, the enhancement of transparency in the artisanal and small-scale mining sector and informing debate about the potential to restart the bauxite industry. EITI implementation provides an opportunity for the Government of Suriname to enhance investor confidence in the oil and gas sector and to engage with artisanal and small-scale mining companies in more depth. While the MSG's work has been process-oriented to date, the MSG could serve as a platform for discussing reforms in the sector.

Mining contract transparency and openness related to Staatsolie's transactions with the Government of Suriname facilitates further analysis. Public debate based on EITI data and findings has however been limited to date. The main challenge for the EITI in Suriname is to move from data disclosures to using the data as a basis for dialogue on reforms. Mining and, increasingly, oil and gas are priority sectors in Suriname, and the EITI has the potential to strengthen transparency and accountability in these sectors by improving systematic disclosures by government and companies and providing a platform for multi-stakeholder dialogue.

The Independent Validator's Assessment of Compliance

Figure 1 – Validator's assessment

EITI Requirements		Level of progress				
Suriname Validation scorecard		No progress	Inadequate	Meaningful	Satisfactory	Outstanding
Categories	Requirements					
MSG oversight	Government engagement (#1.1)			Meaningful		
	Industry engagement (#1.2)			Meaningful		
	Civil society engagement (#1.3)				Satisfactory	
	MSG group (#1.4)			Meaningful		
	Work plan (#1.5)		Inadequate			
Licenses and contracts	Legal framework and fiscal regime (#2.1)				Satisfactory	
	License allocations (#2.2)		Inadequate			
	Register of licenses (#2.3)		Inadequate			
	Policy on contract disclosure (#2.4)			Meaningful		
	Beneficial ownership (#2.5)		Inadequate			
	State participation (#2.6)			Meaningful		
Monitoring production	Exploration (#3.1)				Satisfactory	
	Production (#3.2)				Satisfactory	
	Exports (#3.3)				Satisfactory	
Revenue collection	Comprehensiveness (#4.1)			Meaningful		
	In-kind revenues (#4.2)			Meaningful		
	Barter agreements (#4.3)	No progress	No progress	No progress	No progress	No progress
	Transportation revenues (#4.4)	No progress	No progress	No progress	No progress	No progress
	SOE transactions (#4.5)			Meaningful		
	Direct subnational payments (#4.6)	No progress	No progress	No progress	No progress	No progress
	Disaggregation (#4.7)				Satisfactory	
	Data timeliness (#4.8)				Satisfactory	
	Data quality and assurance (#4.9)			Meaningful		
Revenue allocation	Distribution of revenues (#5.1)				Satisfactory	
	Subnational transfers (#5.2)	No progress	No progress	No progress	No progress	No progress
	Revenue management & expenditures (#5.3)	No progress	No progress	No progress	No progress	No progress
Socio-economic contribution	Social expenditures (#6.1)		Inadequate			
	SOE quasi-fiscal expenditures (#6.2)	No progress				
	Economic contribution (#6.3)			Meaningful		
Outcomes and impact	Public debate (#7.1)			Meaningful		
	Data accessibility and open data (#7.2)	No progress	No progress	No progress	No progress	No progress
	Recommendations from EITI (#7.3)			Meaningful		

Legend to the assessment card

	The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
	The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
	The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
	The country is compliant with the EITI requirement.
	The country has gone beyond the requirement.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

3. DETAILED FINDINGS

After clarification on several issues, the Validator agrees with the findings of the Initial Assessment.

4. RECOMMENDATIONS

The EITI International Secretariat's draft assessment proposes nineteen corrective actions that address gaps in compliance with the EITI Standard. Additionally, the Secretariat proposes some strategic recommendations to strengthen EITI implementation and its impact.

1. In accordance with **Requirement 1.1**, the government must be fully, actively and effectively engaged in the EITI process. The government should guarantee the participation of senior government representatives in MSG meetings assuring the government engagement is consistent across all government departments. The government is required to mobilise resources for EITI implementation entrenching EITI funding in government budgeting to ensure the sustainability of EITI implementation over the long term, to address the staffing and capacities challenges faced so far, and to guarantee the autonomy of Suriname EITI (EITI-SR). To further strengthen implementation of Requirement 1.1, the government is encouraged to embed the EITI in their national policies and make use of the data disclosed through the process. The government is also encouraged to ensure that government representatives on the MSG attend meetings regularly.
2. In accordance with **Requirement 1.2**, the industry should demonstrate that it is fully, actively and effectively engaged in the EITI process. Companies should review their engagement and work further in EITI implementation, ensuring that the objectives and activities of the process correspond to the priorities of wider industry constituency. Companies should also formalize and document their constituency coordination mechanisms and guarantee regular attendance at MSG meetings. To strengthen implementation of Requirement 1.2, the industry constituency of the MSG in Suriname is encouraged facilitate the publication of Beneficial Ownership information, as well as routine disclosures of data.
3. In accordance with **Requirement 1.4**, the MSG should ensure that the procedures for nominating its representatives are adequately codified and documented, and that there are established mechanisms for liaising with their broader constituencies, which are followed in practice. The MSG should ensure that deviations from their ToRs are recorded and transparent, and adequately and publicly codified. The MSG should ensure that its lack of per diem practice is publicly clarified. The MSG should guarantee there is sufficient advance notice of meetings and timely circulation of documents prior to their debate and proposed adoption, and that written records of its discussions and decisions are adequately kept through Minutes. Government and company constituencies are should to ensure that their representatives' attendance at MSG meetings is consistent and of sufficiently high level to allow the MSG to take decisions and follow up on them. To strengthen implementation of Requirement 1.4, the MSG is encouraged to re-orient its focus from the EITI reporting process to reforms in extractive sector governance. The MSG is encouraged to make use of the subcommittees (Article 3.2 of the MSG's ToRs) and invite key government institutions that regulate the extractive sector such as the Central Bank to participate closely in EITI debate.
4. In accordance with **Requirement 1.5**, the MSG is required to agree on an updated, revised and fully costed work plan which reflects wide stakeholders' priorities for the extractive sector, and is organized through specific and measurable activities. The work plan should address the scope of EITI

disclosures and follows-up of recommendations, as well as focus on issues like contract transparency and implementation of project level reporting. The MSG should ensure consultation on the work plan beyond MSG members. The MSG is encouraged to consider whether the EITI process could contribute in addressing broader issues related to the extractive activities in Suriname, such as free and informed prior consent for the mining projects.

5. In accordance with **Requirement 2.2**, Suriname should ensure that comprehensive information about the recipients of mining, oil and gas licenses awarded and transferred in the year(s) under review are publicly accessible, alongside a description of the actual allocation and transfer process including the roles of relevant government entities and technical and financial criteria assessed (and weightings if applicable), and any non-trivial deviations from statutory procedures in practice. Where licenses are awarded through a bidding process, the government is required to disclose the list of applicants and the bid criteria. Suriname 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.
6. In accordance with **Requirement 2.3**, Suriname should maintain a publicly available register or cadastre system with timely and comprehensive information on all mining, oil and gas licenses including license-holder name, dates of application, award and expiry, commodity(ies) covered and coordinates. The MSG should work with the MONR, GMD and Staatsolie to ensure all license information listed in Requirement 2.3.b is available for all extractives licenses active in the period under review.
7. To meet the **Requirement 2.4**, Suriname must document the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This should include relevant legal provisions, actual disclosure practices and any reforms that are planned or underway. An overview of the contracts and licenses that are publicly available should be disclosed in the public domain and include a reference or link to the location where these are published. Suriname is encouraged to publish PSCs currently in force with relevant annexes, and to undertake a review of published mining and oil contracts ensuring that the published contracts are available in a centralized website which should be regularly updated. In accordance with Requirement 2.4.a, Suriname is required to disclose any contracts and licenses that are granted, entered into or amended from 1 January 2021
8. In accordance with **Requirement 2.5** and the Board-agreed framework for assessing progress, Suriname is required to disclose the beneficial owners of all companies holding or applying for extractive licenses by 31 December 2021. To achieve this target, the following measures are recommended:
 - i. Suriname is requested to agree an appropriate definition for the terms "beneficial owner" and "politically exposed person".
 - ii. Suriname is expected to request all companies holding oil, gas and mining licenses to disclose BO information and provide adequate assurances for data reliability. The government is encouraged to establish a public register of beneficial owners which could be integrated into the Trade Register managed by the SCCI.
 - iii. Suriname is encouraged to require all applicants of oil, gas and mining licenses to disclose their beneficial owners at the application stage. An assessment of the comprehensiveness and reliability of this information should be integrated into the licensing procedures followed by the MONR and Staatsolie.
 - iv. Suriname is encouraged to agree priorities for BO disclosures and, based on these priorities, plan efforts to obtain this data. For example, Suriname may prioritise disclosures by certain types of companies holding a certain type of license or producing a certain commodity due to

- risks related to corruption or tax evasion. These priorities should guide outreach efforts to companies and provide them guidance.
- v. It is recommended that Suriname considers using the EITI's model BO declaration form to ensure that disclosures are published in open data format, comparable and easy to analyse.
 - vi. Suriname may also wish to expand BO disclosures to other segments of the upstream extractive value chain, for instance through collection and disclosure of BO information from extractive-sector service providers to improve the public debate.
9. In accordance with **Requirement 2.6.a**, Suriname should ensure that a comprehensive overview of Grassalco is publicly disclosed, including an explanation of the prevailing rules and practices related to Grassalco's retained earnings, reinvestment and third-party funding. The government should also ensure annual disclosure of a comprehensive account of any loans or loan guarantees extended by the state or Grassalco to mining, oil, and gas companies in line with Requirement 2.6.b. The terms of Staatsolie's participation in the Merian Gold Mine should be comprehensively disclosed. Suriname is required to clarify whether NV1 is a government-owned corporation, and whether it is a material state-owned enterprise.
 10. In accordance with **Requirement 4.1**, Suriname should demonstrate that all material payments and revenues are comprehensively disclosed by government entities and extractive companies. In addition, Suriname should guarantee that any material omissions should be disclosed, and the non-reporting entities named. Suriname must assess whether gold exporters should be considered as material companies ahead of future EITI reporting.
 11. In accordance with **Requirement 4.2**, the MSG should agree whether the sale of the state's share of production or other revenues collected in kind is material. Suriname is required to disclose the volumes sold and revenues received, disaggregated by individual company and to levels commensurate with the reporting of other payments and revenue streams. Reporting could also break down disclosures by the type of product, price, market and sale volume. The MSG is encouraged to task the IA with reconciling the volumes sold and revenues received by including the buying companies in the reporting process.
 12. In accordance with **Requirement 4.5**, Suriname must ensure that the EITI reporting process comprehensively includes material payments to SOEs from oil, gas and mining companies, and transfers between SOEs and other government agencies. In particular, Suriname should ensure that all material dividends collected by SOEs such as Staatsolie from extractive companies such as Surgold JV be comprehensively and reliably disclosed.
 13. In accordance with **Requirement 4.9**, Suriname should ensure that future EITI Reports include a clear assessment of the IA on the comprehensiveness and data reliability. The MSG must clearly agree what assurances should be provided by the MOF, and later assess the compliance with the assurance agreed. The MSG is encouraged to document the audit policy and practice of the MOF.
 14. In accordance with **Requirement 6.1**, Suriname should ensure that a clear definition of any mandatory social expenditures mandated by law or contract is publicly provided and assess the materiality of such expenditures in the period under review. Suriname may wish to consider the extent to which disclosure of PSCs would be necessary to provide a comprehensive overview of all mandatory social expenditures in the oil sector. Suriname should ensure that public disclosure of mandatory social expenditures be disaggregated by type of payment (distinguishing cash and in-kind) and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures.

15. In accordance with **Requirement 6.2**, Suriname should undertake a comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal expenditures. Suriname should develop a reporting process for quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams.
16. In accordance with **Requirement 6.3**, Suriname should disclose employment in the extractive industries in absolute terms and as a percentage of the total employment. Given the importance of artisanal mining for Suriname's economy, Suriname should also provide estimates of informal extractive activities, including artisanal and small-scale mining, in future EITI reporting.
17. In accordance with **Requirement 7.1**, Suriname should ensure that EITI reports are comprehensible, actively promoted, publicly accessible and contribute to public debate. Suriname should ensure timely communication of EITI data and findings, as well as effective outreach to key stakeholders. Outreach events should be undertaken to spread awareness of and facilitate dialogue about EITI disclosures across the country. EITI-SR should adopt an open data policy and ensure that EITI data is available in open format. To strengthen implementation, the MSG may wish to consider linking a clear EITI-SR communications strategy more closely to the work plan and tailoring key messages to sector priorities rather than to EITI implementation more broadly. Suriname is encouraged to explore creative ways to strengthen the EITI's contribution to public debate and engage with the communities in the hinterland where extractive activities take place. It is recommended that Suriname updates the EITI-SR website
18. In accordance with **Requirement 7.3**, Suriname is required to take steps to act upon lessons learnt with a view to strengthen the impact of EITI implementation on natural resource governance. In particular, Suriname should consider improving its procedures to analyse and follow-up on the recommendations resulting from EITI reporting making use of tools established in its own ToRs such as the subcommittees.
19. In accordance with **Requirement 7.4**, Suriname is required to review the outcomes and impact of EITI implementation on natural resource governance. Suriname should ensure that all stakeholders are able to participate in the production of the annual progress report and review the impact of EITI implementation. Stakeholders beyond the MSG should be able to provide feedback on the EITI process and have their views reflected in the annual progress report. The MSG should ensure that an assessment of progress with achieving the objectives set out in its work plan is carried out, including the impact and outcomes of the stated objectives. The MSG may wish to also ensure that the APR, the MSG's action plan and any other management tools are used to feed into the annual work plans.