**São Tomé and Príncipe 2016 Validation comparison matrix**

| **Requirement** | **International Secretariat’s initial assessment** [**(Source)**](https://eiti.org/sites/default/files/sao_tome_initial_assessment_for_validation_final.pdf) | **Comments from stakeholders on the Secretariat’s initial report** [**(Source)**](https://eiti.org/sites/default/files/msg_comment_on_initial_data_collection_and_stakeholder_consultat._portuguese.pdf) | **Independent Validator’s assessment** [**(Source)**](https://eiti.org/files/document/sdsgvalidationreportstp201725docx) | **Comments from stakeholders on the Validation report**  ***(Pending)*** | **Next steps** |
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| **2.2 License allocations.**  a) Implementing countries are required to disclose the following information related to the award or transfer of licenses pertaining to the companies covered in the EITI Report during the accounting period covered by the EITI Report:  i. a description of the process for transferring or awarding the license;  ii. the technical and financial criteria used;  iii. information about the recipient(s) of the license that has been transferred or awarded, including consortium members where applicable; and  iv. any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards.  It is required that the information set out above is disclosed for all license awards and transfers taking place during the accounting year covered by the EITI Report, including license allocations pertaining to companies that are not included in the EITI Report, i.e. where their payments fall below the agreed materiality threshold. Any significant legal or practical barriers preventing such comprehensive disclosure should be documented and explained in the EITI Report, including an account of government plans for seeking to overcome such barriers and the anticipated timescale for achieving them.  b) Where companies covered in the EITI Report hold licenses that were allocated prior to the accounting period of the EITI Report, implementing countries are encouraged, if feasible, to disclose the information set out in 2.2(a) for these licenses.  c) Where licenses are awarded through a bidding process during the accounting period covered by the EITI Report, the government is required to disclose the list of applicants and the bid criteria.  d) Where the requisite information set out in 2.2(a-c) is already publicly available, it is sufficient to include a reference or link in the EITI Report.  e) The multi-stakeholder group may wish to include additional information on the allocation of licenses in the EITI Report, including commentary on the efficiency and effectiveness of licensing procedures. | The International Secretariat’s initial assessment is that STP has made meaningful progress with regards to this provision. For the 2014 Report, the coverage of the award of licenses in the EEZ appears adequate, although there is limited information about the process for transferring licenses. There was no reporting from companies in the JDZ. While there do not appear to have been any license awarded in 2014, the lack of information in previous years is problematic.  The legal or practical barriers preventing comprehensive disclosure (as required by 2.3) are that the government of STP cannot compel the JDA to participate fully in the reporting process. By approving the request for adapted implementation by STP in late 2015, the EITI International Board acknowledged the exceptional circumstances related to reporting on the JDZ, and approved the request with respect to reconciliation of revenues and disclosure of contextual information from the zone. The request was accepted concerning the 2015 and 2016 EITI Reports and would not apply to the assessment of the 2014 report.  If the assessment focuses solely on the 2014 report and takes these legal or practical barriers into account, it is possible to consider that satisfactory progress has been made in meeting this requirement, with the only information gap being related to the process for transferring licenses. However, this arguably contradicts the spirit of the provision given that comprehensive information on JDZ licenses has never been made public (to our knowledge anywhere). |  | “São Tomé and Príncipe’s adapted implementation with respect to revenue reconciliation and disclosure of contextual information applies only to 2015 and 2016. We therefore agree with the finding of the International Secretariat that the country has not been able to fully disclose information on license allocations within the JDZ for 2014 and the years prior thereto. Consequently, its progress here has been **MEANINGFUL** and not satisfactory. Additionally, we note that it is very difficult to ascertain whether the initial assessment addresses each of the requirements” (p. 6) |  | The Secretariat’s initial assessment and the Validator’s report both conclude that STP has made meaningful progress on this requirement. However, the Validation Committee may wish to consider whether to find the requirement met, noting that the gaps in reporting appear trivial and that STP has been granted an adapted implementation request with regards to license information from the JDZ for future EITI Reports |
| **2.3 Register of licenses.**  a)    The term license in this context refers to any license, lease, title, permit, contract or concession by which the government confers on a company(ies) or individual(s) rights to explore or exploit oil, gas and/or mineral resources.  b)    Implementing countries are required to maintain a publicly available register or cadastre system(s) with the following timely and comprehensive information regarding each of the licenses pertaining to companies covered in the EITI Report:  i.       License holder(s).  ii.      Where collated, coordinates of the license area. Where coordinates are not collated, the government is required to ensure that the size and location of the license area are disclosed in the license register and that the coordinates are publicly available from the relevant government agency without unreasonable fees and restrictions. The EITI Report should include guidance on how to access the coordinates and the cost, if any, of accessing the data. The EITI Report should also document plans and timelines for making this information freely and electronically available through the license register.  iii.   Date of application, date of award and duration of the license.iv.   In the case of production licenses, the commodity being produced.  It is expected that the license register or cadastre includes information about licenses held by all entities, including companies and individuals or groups that are not included in the EITI Report, i.e. where their payments fall below the agreed materiality threshold. Any significant legal or practical barriers preventing such comprehensive disclosure should be documented and explained in the EITI Report, including an account of government plans for seeking to overcome such barriers and the anticipated timescale for achieving them.  c)    Where the information set out in 2.3.b is already publicly available, it is sufficient to include a reference or link in the EITI Report. Where such registers or cadastres do not exist or are incomplete, the EITI Report should disclose any gaps in the publicly available information and document efforts to strengthen these systems. In the interim, the EITI Report itself <https://eiti.org/sites/default/files/sao_tome_initial_assessment_for_validation_final.pdf>should include the information set out in 2.3.b above. | The requirement refers to “timely and comprehensive information regarding each of the licenses *pertaining to companies covered in the EITI Report*”. For the 2014 Report, there was no reporting from companies in the JDZ and it thus would have been possible to consider that satisfactory progress has been made. However, this arguably contradicts the spirit of the provision. If the gaps in 2003-13 report are taken into account, there has been meaningful progress, as comprehensive information on JDZ licenses has never been made public (to our knowledge). The data on licenses in the EEZ does not include the date of application. The International Secretariat’s initial assessment is that **MEANINGFUL** progress has been made in meeting this requirement. | “It is important to know whether the shortcomings identified by the International Secretariat relate only to the non-inclusion of the application dates. Does the International Secretariat have any suggestions to improve the registration of licenses, that in the case of STP relates to the Authorization Portal on the ANP website.” | “We agree with the finding of the International Secretariat that São Tomé and Príncipe has made **MEANINGFUL** progress in meeting this requirement. As with the discussion above under 2.2, information on licenses within the JDZ is not fully disclosed in the EITI Reports. Moreover, the information that is provided even with respect to licenses within the EEZ does not include the required dates of application (p. 7)” |  | The Secretariat’s initial assessment and the Validator’s report both conclude that STP has made meaningful progress on this requirement. However, the Validation Committee may wish to consider whether to find the requirement met, noting that the gaps in reporting appear trivial and that STP has been granted an adapted implementation request with regards to license information from the JDZ for future EITI Reports. |
| **2.4 Contracts.**  a) Implementing countries are encouraged to publicly disclose any contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals.  b) It is a requirement that the EITI Report documents 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. Where applicable, the EITI Report should provide an overview of the contracts and licenses that are publicly available, and include a reference or link to the location where these are published. | The International Secretariat’s initial assessment documents that “the report cites the legal provision for contract transparency” and that “the report documents the policy and practice for disclosure of JDZ contracts” (p. 26), which includes highlighting that the JDZ reports are not made available in practice despite the disclosure policy.  The International Secretariat’s initial assessment is that STP has made **SATISFACTORY** progress in meeting this requirement.” (p. 26-27). | The STP EITI Reports refer to the availability of contracts from GRIP, which are published in full as provided by law, with the exception of PSCs in the JDZ whose contracts are not made available because the JDA does not consider itself obliged to publish them. | “We disagree with the International Secretariat that São Tomé and Príncipe’s progress is satisfactory and instead find that it is **MEANINGFUL**. While the EITI Report documents the policy on contract disclosure applicable to both the EEZ and JDZ and notes actual disclosure practices, it does not provide an overview of publicly available contracts nor does it discuss whether any relevant reforms are planned” (p. 7). |  | The Committee needs to make a recommendation on whether the Board’s assessment of requirement 2.4 should be “satisfactory progress” or “meaningful progress”.  If “meaningful progress”, the Committee should specify which provisions it considers to be breached, and recommend corrective actions. |
| **2.6 State participation.**  Where state participation in the extractive industries gives rise to material revenue payments, implementing countries must disclose:  a)    An explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g., the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing.  For the purpose of EITI reporting, a SOE is a wholly or majority government- owned company that is engaged in extractive activities on behalf of the government. Based on this, the multi-stakeholder group is encouraged to discuss and document its definition of SOEs taking into account national laws and government structures.  b)    Disclosures from the government and SOE(s) of their level of ownership in mining, oil and gas companies operating within the country’s oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period.  This information should include details regarding the terms attached to their equity stake, including their level of responsibility to cover expenses at various phases of the project cycle, e.g., full-paid equity, free equity, carried interest. Where there have been changes in the level of government and SOE(s) ownership during the EITI reporting period, the government and SOE(s) are expected to disclose the terms of the transaction, including details regarding valuation and revenues. Where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these transactions should be disclosed. | The initial assessment documents the coverage of state participation in the EITI Report (the state is attributed a holding of 10-15% in EEZ blocks in PSAs, which includes an overview of level of ownership and the terms of state participation, p. 27). The International Secretariat’s initial assessment is therefore “that STP has made **SATISFACTORY** progress in meeting this requirement” (p. 28). |  | We disagree with the finding of the International Secretariat that São Tomé and Príncipe’s progress under this requirement is satisfactory. The Initial Assessment appears to equate state participation under a production sharing contract with state participation as a state-owned entity (SOE). An SOE is a wholly or majority government owned company engaged in extractives on behalf of the government. It does not appear that there are SOEs in the country’s oil sector, thus, this provision is **NOT APPLICABLE***.* (p. 7). |  | The Committee needs to make a recommendation on whether the Board’s assessment of requirement 2.6 should be “satisfactory progress” or “not applicable”.  If “meaningful progress”, the Committee should specify which provisions it considers to be breached, and recommend corrective actions. |
| **3.1 Exploration.** Implementing countries should disclose an overview of the extractive industries, including any significant exploration activities. | An overview of the sector, EEZ and JDZ is activities. The JDA did not provide all requested information about exploration activities in the JDZ (p. 29).  “The International Secretariat’s initial assessment is that STP has made **SATISFACTORY** progress in meeting this requirement” (p. 29). |  | We disagree that São Tomé and Príncipe has made satisfactory progress and find that its progress is **MEANINGFUL.** Information on exploration activities within the JDZ is lacking in the 2014 EITI Report and for prior years. Given that adapted implementation covers only the 2015 and 2016 reports, full disclosure with respect to exploration activities in the JDZ for the prior years is required. |  | The Committee needs to make a recommendation on whether the Board’s assessment of requirement 3.1 should be “satisfactory progress” or “meaningful progress”.  If “meaningful progress”, the Committee should specify which provisions it considers to be breached, and recommend corrective actions. |
| **4.1 Comprehensiveness**  a) In advance of the reporting process, the multi-stakeholder group is required to agree which payments and revenues are material and therefore must be disclosed, including appropriate materiality definitions and thresholds. Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI  Report. A description of each revenue stream, related materiality definitions and thresholds should be disclosed. In establishing materiality definitions  and thresholds, the multi-stakeholder group should consider the size of the  revenue streams relative to total revenues. The multi-stakeholder group  should document the options considered and the rationale for establishing the definitions and thresholds.  b) The following revenue streams should be included:  i. The host government’s production entitlement (such as profit oil)  ii. National state-owned company production entitlement  iii. Profits taxes  iv. Royalties  v. Dividends  vi. Bonuses, such as signature, discovery and production bonuses  vii. License fees, rental fees, entry fees and other considerations for licences  and/or concessions  viii. Any other significant payments and material benefit to government  Any revenue streams or benefits should only be excluded where they are not applicable or where the multi-stakeholder group agrees that their omission will not materially affect the comprehensiveness of the EITI Report.  c) Implementing countries must provide a comprehensive reconciliation of government revenues and company payments, including payments to and from state-owned enterprises, in accordance with the agreed scope. All companies  making material payments to the government are required to comprehensively disclose these payments in accordance with the agreed scope. An entity  should only be exempted from reporting if it can be demonstrated that its payments and revenues are not material. All government entities receiving material revenues are required to comprehensively disclose these revenues in accordance with the agreed scope.  d) Unless there are significant practical barriers, the government is additionally required to provide aggregate information about the amount of total revenues  received from each of the benefit streams agreed in the scope of the EITI  Report, including revenues that fall below agreed materiality thresholds.  Where this data is not available, the Independent Administrator should draw on any relevant data and estimates from other sources in order to provide a comprehensive account of the total government revenues. | The International Secretariat’s initial assessment documents that “there is a clear definition of materiality and thresholds for company and government reporting” (p. 31). Revenue flows are mapped and all payments were considered material. “The rationale for establishing thresholds is clearly documented” (p. 31).  The MSG’s discussion on materiality does not appear to be documented in MSG meeting minutes, although the Annual Progress Report 2015 notes that this has been discussed.  “According to the report, all payments by companies (and receipts by government) from the EEZ are included in the report and there were no financial flows from the JDZ in 2014” (p. 31).  On this basis, “the International Secretariat’s initial assessment is that STP has made **SATISFACTORY** progress in meeting this requirement” (p. 32). |  | We disagree with the International Secretariat’s Initial Assessment that São Tomé and Príncipe’s progress is satisfactory and find that it is **MEANINGFUL**. The MSG did not, as required, document their discussion regarding materiality, including the options they considered and their rationale for establishing definitions and thresholds. (p. 7) |  | The Committee needs to make a recommendation on whether the Board’s assessment of requirement 4.1 should be “satisfactory progress” or “meaningful progress”.  If “meaningful progress”, the Committee should specify which provisions it considers to be breached, and recommend corrective actions. |
| **4.9 Data quality and assurance.**  a)    The EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards.  b)    It is a requirement that payments and revenues are reconciled by a credible, Independent Administrator, applying international auditing standards, and with publication of the administrator’s opinion regarding that reconciliation including discrepancies, should any be identified.  i.      The reconciliation of company payments and government revenues must be undertaken by an Independent Administrator applying international professional standards.  ii.     The Independent Administrator must be perceived by the multi-stakeholder group to be credible, trustworthy and technically competent. The multi- stakeholder group should endorse the appointment of the Independent Administrator.  iii.   The multi-stakeholder group and the Independent Administrator are required to agree a Terms of Reference for the EITI Report based on the standard Terms of Reference and the ‘agreed upon procedure for EITI Reports’3 endorsed by the EITI Board. Should the multi-stakeholder group wish to adapt or deviate from these agreed upon procedures, approval from the EITI Board must be sought in advance (Requirement 8.1).  c)    Where the assessment in 4.9(a) concludes that there is (i) routine disclosure of the data required by the EITI Standard in requisite detail, and (ii) that the financial data is subject to credible, independent audit, applying international standards, the multi-stakeholder group may seek Board approval to mainstream EITI implementation in accordance with the ‘Agreed upon procedure for mainstreamed disclosures’.4 Without such prior approval, adherence to 4.9.b is required | “The International Secretariat’s initial assessment is that STP has made **MEANINGFUL** progress in meeting this requirement. The EITI Report appears to be of high quality, but closer adherence to the EITI’s requirements is needed. The report does not include a clear indication of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. There is no discussion of any gaps or weaknesses in reporting to the Independent Administrator, including naming any entities that failed to comply with the agreed procedures“ (p. 35). | The MSG considers that the international standards required by both the funder and the International Secretariat have been met.  Revisit Annual Progress Report 2015 (Provision 4.9 on Data quality  ([APR 2015, p. 23](https://eiti.org/sites/default/files/documents/relatorio_anual_de_progresso_eiti-stp_2015.pdf): It is the MSGs understanding that the process of producing EITI Reports has followed the international standards required by both the funder and the International Secretariat. The IA’s TORs followed the advanced design criteria, were widely discussed by stakeholders and approved by the National Committee, as well as templates for obtaining information. It was in both reports respected the materiality defined and approved by the MSG. The reports were produced by a company of international credibility.) | We agree that São Tomé and Príncipe’s progress in implementing this provision has been **MEANGINFUL**. MSG documentation is lacking with respect to, among others, whether all entities required to report provided the required information and how the Independent Administrator determined the assurances to be provided by reporting entities. |  | The Secretariat’s initial assessment and the Validator’s report both conclude that STP has made meaningful progress on requirement 4.9. However, given that the MSG has submitted comments on the assessment of this requirements, it is proposed that the Committee reviews and considers the MSG comments. |
| **5.1 Distribution of extractive industry revenues.**  Implementing countries must disclose a description of the distribution of revenues from the extractive industries.  a)    Implementing countries should indicate which extractive industry revenues, whether cash or in kind, are recorded in the national budget. Where revenues are not recorded in the national budget, the allocation of these revenues must be explained, with links provided to relevant financial reports as applicable, e.g., sovereign wealth and development funds, subnational governments, state-owned enterprises, and other extra-budgetary entities.  b)    Multi-stakeholder groups are encouraged to reference national revenue classification systems, and international standards such as the IMF Government Finance Statistics Manual. | “The International Secretariat’s initial assessment is that STP has made **SATISFACTORY** progress in meeting this requirement” (p. 36).  The EITI Report “notes that all oil revenues go to the National Oil Account (NOA). The ANP receives only administration fees. It is not clear whether the fees received by ANP or social payments channelled through ANP are also recorded in the budget, although one can interpret that they are not since they do not pass through the treasury. Annual transfers from the NOA to the state budget are recorded” (p. 36).  This was confirmed by stakeholders: “Representatives from the government, ANP and companies confirmed that while ANP manage the social projects, companies pay social payments directly to the beneficiaries and that these are not recorded in the budget” (p. 36). |  | We disagree with the International Secretariat’s Initial Assessment that São Tomé and Príncipe’s progress is satisfactory and find that it is **MEANINGFUL.** With a materiality threshold set at zero, there are payment streams that are not recorded to national budget and the EITI Report does not disclose the information nor does it link to the financial statements required by 5.1. The Initial Assessment does not, however, sufficiently discuss the nature and process around social payments. |  | The Committee needs to make a recommendation on whether the Board’s assessment of requirement 5.3 should be “satisfactory progress” or “meaningful progress”.  If “meaningful progress”, the Committee should specify which provisions it considers to be breached, and recommend corrective actions. |
| **6.1 Social expenditures by extractive companies.**  a)    Where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, implementing countries must disclose and, where possible, reconcile these transactions. Where such benefits are provided in kind, it is required that implementing countries disclose the nature and the deemed value of the in kind transaction. Where the beneficiary of the mandated social expenditure is a third party, i.e. not a government agency, it is required that the name and function of the beneficiary be disclosed. Where reconciliation is not feasible, countries should provide unilateral company and/or government disclosures of these transactions.  b)    Where the multi-stakeholder group agrees that discretionary social expenditures and transfers are material, the multi-stakeholder group is encouraged to develop a reporting process with a view to achieving transparency commensurate with the disclosure of other payments and revenue streams to government entities. Where reconciliation of key transactions is not possible, e.g., where company payments are in kind or to a non-governmental third party, the multi-stakeholder group may wish to agree an approach for voluntary unilateral company and/or government disclosures. | “The International Secretariat considers that STP has made **SATISFACTORY** progress in meeting this requirement. Mandatory payments are disclosed, with nature and value disclosed for in-kind payments. Payments for training to NPA and the government are disclosed, but there is little information on how parts of these are spent. This is highlighted as a gap and recommendations are provided. Despite some unclear issues, the report provides valuable information on social expenditure and the low level of execution” (p. 39). |  | We disagree with the International Secretariat’s assessment. Very good information regarding mandatory social expenditures is provided, however, the names and functions of non-government beneficiaries are required to be disclosed. Given that this required information is not disclosed, São Tomé and Príncipe’s progress is **MEANINGFUL** rather than satisfactory. |  | The Committee needs to make a recommendation on whether the Board’s assessment of requirement 5.3 should be “satisfactory progress” or “meaningful progress”.  If “meaningful progress”, the Committee should specify which provisions it considers to be breached, and recommend corrective actions. |