

World Bank oil gas and mining unit (SEGOM) and EITI Multi-donor Trust Fund (WB/MDTF)

Companion Matrix on EITI mainstreaming linkages

Background

In May 2011, the SEGOM team prepared a EITI MDTF strategy paper for the MDTF donor Management Committee on options for continuing technical assistance (TA) and support to EITI-compliant countries – showing a pathway for TA beyond EITI at the country level.

Separately, at the EITI global level, the SEGOM team has provided written overview inputs addressed to the EITI Board’s strategy working group on the external evaluation of global EITI (ScanTeam, May 2011). These inputs made suggestions on ways in which global EITI can move towards a stronger global EITI standard, and for global EITI to similarly be a catalyst for countries to go beyond validation by mainstreaming EITI into their broader agenda for good governance of EI resources; revenue management; public financial management and accountability.

These inputs also included the suggestion that global EITI build systematic linkages at global level via MOUs with **a few selected and relevant global initiatives**, in order to help cement an extended remit of global EITI -- and to help EITI countries and multi-stakeholder groups to themselves build the necessary country-level linkages and mainstreaming actions mentioned earlier.

This Companion Matrix

This Companion Matrix expands on these linkage possibilities, by showing a snapshot of the key facts of selected global initiatives (from among the many potential linkages that may exist). The matrix sets out an overview of the potential two-way benefits to be had from systematic linkages **at the EITI global level** - in order to help smooth the pathway for individual EITI countries/ MSWGs to, in turn, build their own linkages **at country-level**. The matrix can also be used independently in WB/MDTF country dialogue in the context of EITI follow-on.

The selected global initiatives shown in the matrix below follow the sequence of the “value chain” for EI projects as follows. **Note that the entries highlighted in red are those assessed to be the most-promising in terms of their potential for global and country linkages with EITI.**



Companion Matrix on EITI follow-on linkages: for EITI MDTF post-compliance TA strategy and WB-MDTF inputs to EITI Board Strategy Working Group

Cross-cutting linkages: Initiatives; EI standards and codes etc. which cut-across all links of the EI value chain:			
Name / Location / Contacts	Type and Purpose of Initiative	Current Coverage	Possible two-way links with EITI
<p>1. Africa Mining Vision 2050 (AMV) (and related initiatives at NEPAD, ECOWAS etc)</p> <p>Wilfred Lombe / Ayoup Zaid Elrashid AU Commission / UN Econ Commission for Africa, Addis Ababa Email: ElrashdiAZ@africa-union.org</p>	<p>Jointly established by the African Union (AU) and UN Economic Commission for Africa (ECA). Includes representatives from the African Mining Partnership (African mining ministers forum), AfDB and UNCTAD/ UNIDO.</p> <p>Sets out strategies to help Africa ensure that mineral resources contribute meaningfully to development as a spur to industrialization of the economy, and benefits people</p>	<p>Continent of Africa – members of the African Union</p>	<p>Global level:</p> <ul style="list-style-type: none"> Global political support by EITI for AMV to encourage an “owned” process for good management of EI <p>Country-level:</p> <ul style="list-style-type: none"> Effective extension of the transparency and participation “base” that EITI provides - to a systematic framework for mining strategies
<p>2. ICMM Sustainable Development Framework</p> <p>Dr Antony Hodge, President London, UK Info@icmm.com</p>	<p>International Council of Mining and Metals is an industry body covering the largest mining companies and its members are required to implement the Sustainable Development Framework.</p> <p>This includes integrating a set of 10 principles and seven supporting position statements into corporate policy, and setting up of transparent, accountable reporting practices. ICMM conducts an annual assessment of the progress</p>	<p>15-18 of ICMM’s current membership have sought ICMM central review of the members’ commitments under the ICMM Framework</p>	<p>Global level:</p> <ul style="list-style-type: none"> Potential for two-way linkage of global EITI with mining industry—to encourage <u>corporate</u> commitment to broad EITI follow-up <p>Country-level:</p> <ul style="list-style-type: none"> Potential lever to encourage greater <u>corporate</u> engagement (in countries) on expanding from EITI to the broader ICMM Sust. Development Framework
<p>3. Natural Resource Charter (NRC)</p> <p>Prof. Paul Collier / Verity Outram CSAE, Oxford University, UK verity.outram@naturalresourcecharter.org</p>	<p>A set of economic principles for governments and societies on how to best manage the opportunities created by natural resources for development. NRC comprises twelve precepts that encapsulate the choices and suggested strategies that governments might pursue to increase the prospects of sustained economic development from natural resources.</p> <p>NRC indicate the Charter is intended as a 'living document', open for inputs updating and refining based on best practice, country experience, and expert evidence.</p>	<p>Global in scope, for all resource-rich developing countries</p>	<p>Global level:</p> <ul style="list-style-type: none"> Potential for NRC to be logical extension of the EITI transparency platform to a systematic set of principle for good management of EI resources – as a holistic framework <p>Country-level:</p> <ul style="list-style-type: none"> As above, but at country-level- with the potential for debate and consensus around <u>individual precepts</u>
<p>4. Transparency International (TI) Cobus de Swartdt, Managing Director, TI Berlin csswardt@transparency.org</p>	<p>Global network of TI Chapters in the fight against corruption focused on creating a coalition for change in anti-corruption; awareness-raising and implementing practical actions to address corruption, transparency and reforms</p>	<p>Global in scope, including a specific focus on resource sector (through the assessments of transparency of governments and companies)</p>	<p>Global and country levels:</p> <p>Potential for further close links of EITI, e.g. on TI resource sector assessments or if EITI were a <u>specific indicator</u> in TI A/C Index</p>
<p>5. IMF Topical TF for Natural Resource Management (IMF TTF for NRM)</p> <p>IMF, Office of TA Management Washington DC Email: GlobalPartnerships@imf.org</p>	<p>IMF’s Donor-funded Trust Fund for technical assistance (TA) to EI countries to help overcome the “resource curse” effects – with TA in five areas: EI fiscal regimes; EI revenue administration; Macro-fiscal policies and public financial management; Asset and liability management; and Statistics for natural resource management</p>	<p>Selected EI countries, integrated into IMF’s work program and TA priorities in the five areas of focus shown. Focus on countries in Africa</p>	<p>Global and country levels:</p> <p>Potential for good coordination with EITI globally – and at country-level by mapping the <u>available sources</u> of TA and policy advice in EI management, in a way that can build on and integrate EITI findings / actions</p>

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Cross-cutting linkages: Initiatives; EI standards and codes etc. which cut-across all links of the EI value chain (continued):			
Name / Location / Contacts	Type and Purpose of Initiative	Current Coverage	Possible two-way links with EITI
6. Global rating agencies (Moody's, Standard & Poors, Fitch etc.)	Private sector undertaking on analysis and rating of credit risk including for sovereigns	Essentially global, covering all major borrowers and issuers of debt instruments	Global and country levels: Potential for systematic inclusion of EITI compliance as a factor that <u>positively impacts</u> on sovereign risk rating
7. WB "Doing Business" Indicators (DB) The World Bank Group Financial and Private Sector Development Washington DC <i>rru@worldbank.org</i>	Managed by WB and IFC and supported by many donors, DB provides an objective measure of business regulations and their enforcement to encourage countries towards more efficient regulation and as a benchmark for reform, ultimately as an indicator of the investment climate – both foreign and domestic	DB covers 180+ countries (and at sub-national and regional levels in some cases), many of them resource-rich countries and EITI countries	Global and country levels: Potential for linking EITI to DB on the goal promoting investment (topics like payment of taxes; enforcement of contracts etc) Also, potential for EITI compliance to itself be among the DB indicators
8. Other examples of potential linkages for EITI at global and country levels – initiatives which cut across EI value chain:			
<ul style="list-style-type: none"> • Standards: "CoST" - Construction Sector Transparency Initiative– especially for high-value oil, gas and mining plant construction / capex projects • Standards: International Financial Reporting Standards (for oil, gas and mining sectors and/or for public sector financial management generally) • Anti-corruption: G20 working groups (on Tax and Development; anti-corruption etc) • Anti-corruption: Financial Action Task Force (FATF) and related Anti Money Laundering (AML) initiatives • Information: "Access to Information" legislation giving rights to citizens to have access to national information 			

Link 1 of EI Value chain: Award of Contracts and Licenses			
Name / Location / Contacts	Type and Purpose of Initiative	Current Coverage	Possible two-way links with EITI
1. Natural Resource Charter (NRC)	As in "cross-cutting" section above	As in "cross-cutting" section above	As in "cross-cutting" section above
2. Contract transparency and third-party monitoring initiatives (CSO-led initiative - Oxfam USA etc. supported by WBI, and by IFC safeguards policies which also affect contract transparency in oil, gas and mining projects)	Advocating for disclosure of contracts in EI countries, and building of associated monitoring capability / networks In the case of IFC's private sector investments in oil, gas and mining, requiring (in most cases) disclosure of relevant contracts / key contracts terms, starting Jan 1, 2012 (with two-year lead-in period)	At nascent stage – WBI-led events in Liberia, Sierra Leone etc. so far	Global and country levels: Ongoing dialogue, and efforts to build consensus for, contracts disclosure to be a part of global EITI aspirations. IN parallel at country level, extending EITI to disclosure of contracts / contract terms as part of the EITI process <u>if so</u> agreed by national EITI stakeholders
Link 2 of EI Value chain: Compliance with operational agreements / contract and laws (and operational / volume collaboration for EITI)			
1. Kimberley Process (KP) World Diamond Council, Antwerp / NY (Rotating Chair – no permanent Secretariat as yet)	Kimberley Process (KP) is a multi-stakeholder process with a certification (and review) system to enable members to certify that diamonds are conflict-free.	Approx 75 member countries, covering all major producers and traders	Global and country levels: Potential for systematic linkages globally, and at country-level, ways to match <u>KP-certified</u> production volumes / grades / export data with EITI revenues and payments disclosures

Companion Matrix on EITI follow-on linkages: for EITI MDTF post-compliance TA strategy and WB-MDTF inputs to EITI Board Strategy Working Group

Link 2 of EI Value chain: Compliance with operational agreements / contract and laws (continued)			
Name / Location / Contacts	Type and Purpose of Initiative	Current Coverage	Possible two-way links with EITI
<p>2. IEF / Joint Organization Data Initiative</p> <p>Noe Van Hulst , Secretary-General Riyadh, Saudi Arabia <i>info@ief.org</i></p>	<p>International Energy Forum (IEF) is the world's largest gathering of Energy Ministers and is an intergovernmental arrangement that serves as a neutral facilitator global energy dialogue among its membership of energy producing and energy consuming States, IEF covers around 90% of global oil and gas supply and demand</p> <p>The JODI database is a concrete outcome of the producer-consumer energy dialogue and exchanges and maintains data on production, exports, supply/demand etc a means to enhance transparency of global commodity markets</p>	<p>Global in scope, covering about 90 countries – including all major oil producing countries.</p> <p>Covers approximately 90% of global oil trade</p>	<p>Global level:</p> <ul style="list-style-type: none"> High potential for linkages with JODI by systematically bringing in volumes / export information as well as revenue information in one place – allowing both to be matched <p>Country-level:</p> <ul style="list-style-type: none"> As above, but at country-level - with the potential to extend EITI to cover matching to JODI-recorded production/exports data
<p>3. Coltan certification – for DRC etc</p> <p>(a) Required certification of affected mineral's origin, as a sub-set of USA's Dodd-Frank Act</p> <p>(b) ICGLR - International Conference on Great Lakes region</p>	<p>(a) Industry-led initiative to ensure these USA (and perhaps other) legislative requirements on sourcing of key metals are fulfilled, throughout the supply-chain</p> <p>(b) ICGLR provides a broader forum of countries affected, supported by key partners/ donors – and including certification of minerals' origin</p>	<p>(a) Legislation is very specific to certain countries – hence <u>may not</u> warrant formal linkage with EITI globally</p> <p>(b) But, global linkages with ICGLR <u>are</u> feasible however, to provide incentives for the country-specific linkages shown</p>	<p>Specific countries affected:</p> <p>Potential to strengthen EITI process at country-level by harmonizing EITI revenue disclosures with (i) ICGLR certifications or (ii) other audits of the coltan supply chain - if such linkage is agreed by all EITI stakeholders (e.g. by reconciling volumes and revenue information in EITI)</p>
Link 3 of EI Value chain: Collecting taxes and other revenues (and financial reporting / taxation collaboration for EITI)			
Name / Location / Contacts	Type and Purpose of Initiative	Current Coverage	Possible two-way links with EITI
<p>1. OECD Model tax Convention (OECD) -- with a specific focus on:</p> <p>a) transfer pricing; and b) tax administration</p> <p>Jeffery Owens, Director Center for Tax Policy and Administration <i>ctp.contact@oecd.org</i></p>	<p>Provides the forum for exchanging views on tax policy and administrative issues. Within this mandate are:</p> <p>a) OECD Transfer Pricing Guidelines; and b) Forum on Tax Administration, to help assure strategic management of tax administration issues</p> <p>Relevant fora includes: Global Forum on Tax Transparency and Exchange of Information for Tax Purposes (OECD)</p>	<p>For OECD members but transfer pricing issues affect all resource-rich developing countries</p>	<p>Global level:</p> <ul style="list-style-type: none"> Potential for EITI to establish formal linkages with OECD tax directorate/ fora to attain a concrete platform for tax linkages / issues in the EI sectors <p>Country-level:</p> <ul style="list-style-type: none"> Linkages tailored to country specifics; investor companies / domiciles etc.
<p>2. Africa Tax Administrators Forum</p> <p>Logan Wort, Treasury Dept, South Africa <i>info@ataftax.net</i></p>	<p>Forum to encourage and support new partnerships among all African countries in developing the capacity of African Tax Administrations – and achieve their revenue objectives including combating tax evasion and avoidance</p>	<p>All countries in Africa – currently coordinated by South Africa Treasury / tax administration (relevant in EITI context)</p>	<p>Country-level linkages in Africa:</p> <p>Systematic linkages in Africa on better tax administration in EI, as a specific EITI follow-on and in transfer pricing context</p>
<p>3. Statutory reporting requirements in USA (and likely in EU)</p> <p>(Dodd-Frank Act (Section 1502 - mandating disclosure of payments to host countries by EI companies)</p>	<p>Final SEC regulations awaited (at Aug 2011) on form and scope of required reporting</p>	<p>Statutory process so global EITI linkages not likely</p>	<p>Country-level linkages:</p> <p>Potential at country-level to harmonize EITI revenue / payments disclosures with statutory disclosures and harmonizing reporting cycles and content (to minimize disconnect with reported data under each)</p>

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Link 4 of EI Value chain: Revenue Management and spending / allocation (beyond revenue transparency- focus of EITI)			
Name / Location / Contacts	Type and Purpose of Initiative	Current Coverage	Possible two-way links with EITI
<p>1. Public Expenditure and Accountability (PEFA)</p> <p>Frans Ronsholt, Head of Secretariat, PEFA Washington DC <i>fronsholt@pefa.org</i></p>	<p>PEFA sets an accepted standard and assessment methodology for national public expenditure and financial accountability systems – and provides a practical framework for sequenced reform and capacity building. A PFM Performance Measurement system is integral to this</p>	<p>Global in scope – with 200+ PEFA assessments completed, several more than once, thus allowing a systematic assessment of progress against baseline</p>	<p>Global level:</p> <ul style="list-style-type: none"> • <u>High potential</u> for global EITI to create formal linkages with PEFA for two-way benefit <p>Country-level:</p> <ul style="list-style-type: none"> • Potential for systematic inclusion of EITI in PEFA assessments - <u>both</u> in matching revenues and in enabling follow-on national systems
<p>2. Open Budget Initiative (IBP / Network)</p> <p>Warren Krafchik, Director, IBP Washington DC <i>info@internationalbudget.org</i></p>	<p>International Budget Partnership (IBP) runs the OBI to help ensure that government budgets are responsive to the needs of poor and low-income people in society and to help make national budget systems transparent and accountable to the public, in a participatory way to promote governance</p>	<p>Global scope as a CSO network, with active chapters / national networks in many countries, several of them EITI countries</p>	<p>Global level:</p> <ul style="list-style-type: none"> • <u>High potential</u> for mutual links to strengthen overall transparency goals <p>Country-level:</p> <ul style="list-style-type: none"> • Logical extension of EITI processes into participation in, and publication of, national / local budgets
Link 5 of EI Value chain: Environment and social sustainable development of EI projects (especially community and CSO-related)			
Name / Location / Contacts	Type and Purpose of Initiative	Current Coverage	Possible two-way links with EITI
<p>1. Accountability initiatives support for national civil society organizations</p> <p>(programmed by various international CSOs and other funding agencies, globally)</p>	<p>Civil society support and capacity building programs and approaches (similar to DFGG above) – but focused specifically on CSOs and their ability to engage in EITI and EITI follow-on issues - to help promote accountability in a sustained way</p>	<p>Global in scope – but especially relevant to civil society in EITI / oil gas and mining countries with weak capacity and CSO movements and networks</p>	<p>Country-level linkages:</p> <p>Building on EITI by systematic efforts to strengthen civil society and their ability to effectively participate in EITI and EITI following-on - to help accountability</p>
<p>2. Private-sector led CSR support for affected communities (especially mining)</p> <p>(organized and funded by mining and oil and gas companies – usually working in concert with faith group; national CSOs and other community-based agencies)</p>	<p>Industry-provided corporate social responsibility (CSR) and community development work in social areas such as health; education; small infrastructure and water and sanitation provision; vocational skills training and; local employment; SME development and; artisanal and small scale mining linkages - to help promote a social “license to operate” in a sustained manner</p>	<p>Global in scope as the topic applies in all mining communities – but in a practical sense, this linkage is best addressed in specific oil gas and mining countries and communities</p>	<p>Country-level linkages:</p> <p>Building on national EITI by systematic efforts to <u>create and link</u> EITI structures (and detailed EITI reports) with industry-led CSR initiatives at community level - to help build trust and company-community dialogue</p>
<p>3. Demand for Good Governance (DFGG) approaches by development agencies</p> <p>(World Bank and all other development agencies and MDBs)</p>	<p>DFGG ("demand-side") development approaches focus on citizens as the ultimate stakeholders for better governance, aimed at strengthening capacity of civil society, local communities, media, parliament etc to hold authorities accountable for better development results – e.g. in mining.</p>	<p>Global in scope – but especially relevant in oil gas and mining linkages at country and community level</p>	<p>Country-level linkages:</p> <p>Potential at country-level to leverage and link with DFGG efforts to mutually strengthen voice of mining communities, and civil society, on accountability issues</p>

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Link 5 of EI Value chain: Environment and social sustainable development of oil, gas and mining projects (continued)			
Name / Location / Contacts	Type and Purpose of Initiative	Current Coverage	Possible two-way links with EITI
<p>4. Global Reporting Initiative (GRI)</p> <p>Ernst Ligteringen, Chief Executive GRI, Amsterdam, Netherlands <i>info@globalreporting.org</i></p>	<p>GRI network sets out a comprehensive sustainability reporting framework, designed to help achieve continuous improvement and mainstreamed disclosure on environmental, social and governance performance</p> <p>GRI operates as a voluntary, multi-stakeholder process.</p>	<p>Global in scope, with a CSR Framework that is widely used by companies globally., especially in oil, gas and mining sectors</p>	<p>Global level:</p> <ul style="list-style-type: none"> Potential to build two-way linkage with global EITI – for EITI follow-on <p>Country-level:</p> <ul style="list-style-type: none"> Potential lever to encourage greater <u>corporate</u> harmonization (and aligning) of EITI reporting/audits with same for GRI Reports

SEGOM
August 2011

World Bank oil gas and mining unit (SEGOM) and EITI Multi-donor Trust Fund (WB/MDTF)

Overview WB/MDTF inputs - for EITI Board strategy working group

(based on extensive WB institutional experience with EITI and a range of related global initiatives)

Introduction

1. ***This paper provides overview written inputs by WB/MDTF.*** The Paper is addressed to the EITI Board's strategy working group established to assess the findings of the external evaluation of global EITI (ScanTeam, May 2011). As such, the Paper covers the issues from the lens of global EITI ¹ /.

Context - and the strategic challenge for global EITI

2. ***The track record of global EITI thus far is self-evident,*** as recognized in the ScanTeam evaluation. The momentum of EITI (35 countries and growing) and EITI's continuing appeal to stakeholders and countries is a testimony to the essential soundness of global EITI's tripartite structure and methodology. At country-level, this basic soundness is replicated.

3. ***Yet, expectations of EITI are ever-rising – and it is clear that EITI cannot remain static.*** However observers and EITI participants, globally and at country level, believe that EITI can and should do more ("EITI as a means to an end, not an end in itself"). High expectations exist among stakeholders about EITI's remit and what EITI should cover. Others feel EITI needs to more clearly show its impact in EITI countries.

4. ***But, this widening expectation gap is itself a credit to EITI*** in that it also highlights the lack of alternative instruments with similar global reach or track record, which can achieve similar goals. This fact also thus creates an opportunity for global EITI.

5. ***The evaluation of global EITI covers this expectations gap at length.*** The Scanteam evaluation makes a distinction (at Chapter 5) between the (i) EITI Principles (aspirations for global EITI including for societal change in EITI countries) and (ii) EITI Criteria (the operational EITI standard today including for EITI compliance). The evaluation's core findings in this regard (Page 39) include that (i) "There is recognition that the scope of the EITI Criteria and the applied Global Standard are too narrow to achieve the higher level goals". Also, the evaluation notes (at page 48) that "Today's EITI Standard falls short of the EITI Principles and are limited". In short, the core ScanTeam evaluation finding is that the global EITI standard needs to be revisited.

¹/ For a country-level perspective regarding WB/MDTF's own emerging approach for post-compliance support in countries, see Annex I (excerpts from the draft strategy for country-level technical assistance currently being discussed with MDTF donors).

Two possible directions are possible

6. ***For global EITI, there would appear to be two feasible responses to this challenge:***

- **Maintain the status quo on the EITI standard** - where global EITI retains the current candidacy-to-validation cycle, and encourages EITI countries to continually improve their national EITI processes.
- **Embrace the need for a stronger global EITI standard** - and lead the effort for EITI to be a catalyst for countries to go beyond validation and mainstream EITI into their broader agendas for good governance of EI resources; EI revenue management; national public financial management and accountability.

7. ***The opportunity to go beyond core EITI standard has always been foreseen.*** The 2011 EITI Rules document (at page12) refers to the 2005 London EITI Conference as having declared, that countries “*are encouraged to go beyond these minimum requirements (EITI Criteria) where possible*”. At country level, a higher-than-minimum scope of EITI has indeed been designed from the start by some (e.g. Nigeria) or is now beginning in some EITI-compliant countries (e.g. Mongolia, Ghana).

8. Hence the challenge now is for global EITI to devise a response to the core ScanTeam evaluation findings, namely **to maintain the strategic relevance of global EITI over the longer term, by aiming to be a more visible catalyst for positive change in resource-rich countries.** But what exact positive change? And how to enforce and measure such change?

A concrete suggestion by WB/MDTF

9. ***This paper suggests a concrete framework for discussion,*** aimed at bringing about a strengthened global EITI standard to further the EITI Principles and help global EITI to better meet rising expectations. The suggestions recognize that any effort to raise the bar on global EITI standard and extend EITI’s remit will need considerable effort to create consensus among the EITI tripartite coalition.

10. ***The framework suggested has four elements.***

Step A: To gain consensus for the notion that the status quo standard for global EITI is not sustainable – and hence to consider (i) strengthening the current EITI standard and (ii) extending the remit of EITI by requiring EITI countries to continue follow-on and mainstreaming of EITI after EITI validation. Since EITI in such a scenario will extend beyond today’s compliance, a key implication is that **the current concepts of candidacy and compliance will need revisiting**, as detailed further below in this Paper.

Step B: To handle these twin-tracks of “strengthening EITI” and “building on EITI” as two separate actions:

i) Strengthening EITI - to raise the standard and increase the quality and relevance of EITI data:

squarely address perceptions that the core EITI product, EITI financial information, is too “basic” by adding verification of the data as a core EITI Criteria – i.e. not just disclose the reconciled revenue and payments data but also **verify that the payments and revenues are what they should be** (by reference both to volume of production/sales as well as [underlying contracts](#) and other laws). Table 1 below illustrates a version of the revisions to the EITI Criteria which could occur if this option were adopted.

Importantly, given the sharp increase in the scope of the EITI audit work needed, the latter verification work could be done under MSWG oversight and under the responsibility of the independent reconciler/auditor, but actually handled by other competent inspection bodies like [State Auditor-Generals](#). Indeed such an approach, by blending a multi-stakeholder approach with a government statutory function, could be seen as an example of EITI being embedded in national systems cited below.

ii) Extending the remit of global EITI, including via linkages to other initiatives: Adding new steps in the EITI Criteria which require the country and MSWG to go beyond the current EITI validation/compliance, and develop and implement a strategy of concretely linking and mainstreaming EITI into overarching national processes and related initiatives.

Importantly, **it would be the country and MSWG to choose their specific follow-up priorities**, sequence of linkages and specific reform actions, according to national circumstances and political economy. Also, the follow-on actions **may be led by government or by other groups** e.g. by industry (for CSR or community-level issues, working with local authorities) or by civil society (e.g. on demand for accountability or communities issues).

In this scenario, the EITI Board’s role is to (a) **prescribe** that a systematic strategy for follow-on actions and mainstreaming be prepared and implemented (with priorities as the country/MSWG determines) and (b) **enforce** this requirement as an integral part of the EITI cycle. e.g. (i) by requiring public reporting of these follow-up plans for linkage actions and mainstreaming; (ii) judging the degree of effort (but not outcomes) in the implementation of this own follow-on strategy and; (iii) recognizing and showcasing best practice.

Step C: Global EITI could consider building systematic linkages at global level via MOUs with a few selected and relevant global initiatives, in order to help cement the extended remit of global EITI and to help countries to build the necessary follow-on linkages and mainstreaming actions at the country level. Table 2 further below expands on these linkage possibilities. The emphasis would be on having few but effective linkages.

Step D: Given the lengthier EITI cycle that would arise from an extended remit of global EITI standard, to revisit the current concepts of candidacy and compliance as the end-point today’s EITI cycle. Two

alternative designations are suggested, corresponding to the today's EITI and the future EITI:

i) “EITI implementing” status, combining the current candidate and compliant designations into a single, new designation. This would imply a broader range of countries in this group than is now the case, encompassing countries which are new entrants to EITI (or after the countries meet a key milestone such as issuing the first EITI Report) right up to countries which have completed validation and working on follow-on steps beyond validation. This designation would still follow the current 2011 Rules and EITI cycle (modified by adding the new verification requirement after a 3-4 year lead-in period). Importantly, **the validation processes including delisting remain unchanged in this scenario**, except the purpose of validation would be to assess whether countries can retain EITI-implementing status rather than confer EITI-compliant status.

At first sight, it may seem that there is too wide span of the implementation status of countries in this category (from entry/issuance of first EITI Report to beyond validation). However it should be noted that there are now fewer numbers of countries still to enter EITI compared to those already in EITI – i.e. the larger task ahead for global EITI is to focus on countries which are now or will soon be EITI-compliant. Further, the EITI Board's new up-front role in vetting new entrants into EITI via the (renamed) Candidacy and Outreach Committee will be an important function in this scenario, along with the work of the Validation Committee.

ii) “Best Practice Model of EITI Follow-on [for Development]” status, as an integral part of the extended EITI Criteria, **overseen and enforced** by the EITI Board as a part of its normal remit. As earlier noted, this will involve EITI Board judging the degree of effort (but not the outcomes) by a country / MSWG against their own strategies for continuing EITI-linked reform, anywhere along value chain of oil, gas and mineral projects. If needed, and as a way to motivate policy action to improve rankings, relative performance could be distinguished by rankings (similar to “Doing Business” or TI rankings).

A tougher means of enforcement (of this extended EITI remit) and to motivate continued progress could be for countries to face delisting from EITI altogether if they do not reach this second designation within a set time-period after attaining the earlier “EITI implementing” designation (recognizing though the difficulty for consensus on this, involving “sanction” over sovereign governments' national systems and processes).

11. ***These suggestion would represent major step-change for global EITI***, and have significant implications for cost and effort for EITI globally and at country-level:

- **Effort on building consensus – including on the significant revisions to EITI rules needed:** The suggestions in this Paper can only be accomplished by a major effort, and stakeholders agreeing on the need for a strengthened EITI standard, working collectively towards this goal. Also, these suggestions

(or any other change proposals) would then need a further effort to translate them into detailed EITI rules, i.e. revising and extending the 2011 EITI Rules. Annex II highlights some of these implications.

- **Resources:** For countries to achieve the new, higher standard for the “EITI implementing” designation, countries will need to significantly boost investment in EITI to meet the more stringent requirement of having reported revenues and payments verified against volumes, contracts and laws. Even if [government audit](#) authorities took up some of this role, the cost of EITI Reports can expect to increase 5-10 fold from today’s levels. This incremental cost will need to be planned for and accommodated.
- **Systematic global linkages to related global initiatives:** Global EITI will need to consider MOUs with a few select global initiatives, where there is potential for mutual benefit of two-way global linkages, to help smooth the pathway for EITI countries/ MSWGs to build their own linkages at country-level.

Focus on a stronger EITI results measurement framework

12. ***The suggestions of this Paper have to be complemented by a concrete framework for results.*** In addition to aiming for a strengthened global EITI standard which meets higher expectations of EITI, global EITI will also need a stronger focus on demonstrating the impact of EITI, globally and in countries. Indeed this results-focus will be even more important if the EITI standard is strengthened and extended as suggested in this Paper. The Scanteam evaluation (and the World Bank’s independent evaluation of the EITI MDTF’s technical assistance to countries/ MSWGs and civil society) both stress the need for a stronger demonstration of EITI to positive outcomes. Each of these evaluations has, separately, noted the need to articulate a “theory of change” which shows the results chain from EITI-implementation to visible progress on good governance of EI resources in individual countries.

13. ***Measuring impact and demonstrating causality by EITI is no small task.*** An inherent challenge exists generally in pursuing the governance agenda in any country (more so in resource-rich countries) since progress is closely tied to factors like the political economy, rule of law, strength of citizens voice, CSOs, etc.

14. ***Yet, it is equally clear that a rigorous results chain for global EITI is essential,*** in order to address any concerns or doubts on the efficacy of EITI, the standard it represents and the EITI methodology. For this reason, we in the World Bank will be happy to collaborate in the results-related effort ahead, especially since the ScanTeam evaluation findings, and those of the WB’s evaluation unit regarding EITI MDTF’s country-level work, are broadly similar.

15. ***The following two tables further explain the suggestions made in this Paper.***

Table 1: Possible revisions to the EITI Criteria (which sets the EITI standard)

Criteria to be designated as “EITI-implementing”:

- 1 Regular publication of all material oil, gas and mining payments by companies to governments (“payments”) and all material revenues received by governments from oil, gas and mining companies (“revenues”) to a wide audience in a publicly accessible, comprehensive and comprehensible manner. **After xxx (date), verification of these published revenues and payments as to whether or not they are what should be – i.e. disclosed amounts (i) are reconciled with production / sales volumes and applicable market prices; and (ii) are in accordance with underlying contracts and agreements and applicable laws.**
- 2 Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
- 3 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, **together with recommendations for improvements. After xxx (date), the scope of these reconciliations of revenues and payments also cover the verification requirement specified in Criteria 1. above.**
- 4 This approach is extended to all companies including state-owned enterprises. **The concept of payments cover in-kind transactions including any “infrastructure-for-mineral-concessions” arrangements.**
- 5 Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
- 6 A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

Criteria to be designated as “Best Practice Model of EITI follow-on [for Development]”

- 7 Above and beyond the six core Criteria listed above for retaining “fully EITI-implementing” designation, host governments and national EITI stakeholders develop and implement a strategy of “EITI follow-on for Development”, designed to concretely link and mainstream multi-stakeholder EITI into overarching national processes for accountability and for management of national EI resources and revenues.
- 8 The choices on which specific national processes to mainstream into (such as national fiduciary accountability systems, citizens participation and voice, anti-corruption mechanisms and institutions for good management of EI resources) and the sequencing of such linkages rests with host government and national stakeholders, depending on country circumstances and political economy considerations.
- 9 In developing these strategies for “EITI follow-on for Development”, there is emphasis on implementation feasibility and adequate human and financial resources (including partnership with development partners, where required) and include clear political commitments for effective inter-agency consultation and the necessary collaboration between affected government institutions.
- 10 A good faith effort to implement this “EITI follow-on for Development” strategy is evident, including regular high-level progress monitoring and public reporting of progress showing progress against implementation targets and timetable, outcomes and impact achieved - and assessments of potential obstacles and risks.

Table 2: Examples of potential systematic linkages of global EITI with related global initiatives

<ul style="list-style-type: none"> • Natural Resource Charter (NRC) (meeting NRC policy guidance) 	<ul style="list-style-type: none"> • Kimberley Process (matching to diamond exports and volumes data) 	<ul style="list-style-type: none"> • OECD Model Tax Convention (link to tax and transfer pricing) 	<ul style="list-style-type: none"> • PEFA (linkages to public expenditure and financial accountability) 	<ul style="list-style-type: none"> • DFGG / CSO support initiatives (demand for good governance initiatives)
<ul style="list-style-type: none"> • Contract disclosure initiatives (link EITI to ongoing global initiatives) 	<ul style="list-style-type: none"> • Coltan etc Certification Schemes (link certification exports/ volumes) 	<ul style="list-style-type: none"> • AFR Tax Adminstrat. Forum (tax compliance capacity build.) 	<ul style="list-style-type: none"> • Open Budget Initiative (linking to national budget transparency) 	<ul style="list-style-type: none"> • Private sector CSR in communities (incl. ASM-related initiatives)
<ul style="list-style-type: none"> • Links to MDBs and Internat. Financial Institutions (linking EITI to TA/ policy work by IFIs – IMF, WB, AfDB) 	<ul style="list-style-type: none"> • Int'l. Energy Forum / JODI database (link to petroleum export statistics – IEF and IEA) 	<ul style="list-style-type: none"> • Dodd-Frank and similar laws (e.g. in EU) (complementing mandatory reporting laws) 	<ul style="list-style-type: none"> • Global Forum for Tax Transparency 	<ul style="list-style-type: none"> • Global Reporting Initiative (link to sustainability reporting)
Examples of cross-cutting global linkage possibilities (which cut across the EI value chain):				
<i>Legal frameworks for EITI and follow-up actions:</i>				
<ul style="list-style-type: none"> • regional treaties or similar for EITI, transparency and good governance of EI resources • regional institutions (properly mandated and resourced) e.g. peer review mechanisms to enforce • “access to information” legislation in countries 				
<i>Global standards and codes – and similar initiatives:</i>				
<ul style="list-style-type: none"> • Africa Mining Vision (AU) / related regional initiatives for governance of EI resources • ICMM Sustainable Development Framework • Natural Resource Charter 				
<ul style="list-style-type: none"> • Construction Sector Transparency Initiative (CoST) – especially for EI plant construction projects • International Financial Reporting Standards (for EI sectors / public sector financial statements) • G20 working group on Tax and Development. 				
<i>Anti-corruption and financial resources:</i>				
<ul style="list-style-type: none"> • Transparency International • Financial Action Task Force (FATF) and related Anti Money Laundering (AML) initiatives • G20 working group on anti-corruption Tax and Development / OECD Anti-Bribery Working Group 				
<i>Foreign and domestic investment in sector:</i>				
<ul style="list-style-type: none"> • ‘Doing Business’ Index – annual indicators 				

16. ***In conclusion, the suggestions are challenging.*** A significant effort, and need for consensus, can be expected. Further, each step below has significant policy, resource and operational implications.

- To strengthen the EITI standard - and extend its remit - with an expanded set of EITI Criteria:
 1. **EITI Criteria as now:** to make the current EITI standard much more stringent by requiring verification of reported revenues and payments data (after a lead-in period of 3-4 years); and
 2. **New Criteria added:** requiring countries and MSWGs to go beyond the current EITI cycle and develop and implement a strategy of “EITI follow-on for Development, to concretely mainstream EITI into key national processes and other initiatives.
- For the latter new criteria, the country/MSWG needs to choose their own follow-up and linkage priorities according to national circumstances and political economy. **Industry and CSOs should play a key part in the follow-up actions.** EITI Board’s role is (i) prescribe that systematic follow-on actions are planned and implemented; and (ii) enforce this by requiring public reporting of follow-on actions and linkages; judging the depth of effort (not outcomes) and; to recognize best practice - all as an integral part of EITI.
- To consider build global-level linkages and MOUs with a handful of relevant global initiatives for two-way leverage and benefit, in order to help individual countries / MSWGs to build similar follow-on linkages.
- To revisit existing EITI designations and consider moving to two new forms of EITI designations:
 1. **“EITI implementing”**, which combines today’s candidacy and compliance into a single designation, tested by validation. Implies that global EITI will no longer use the “EITI-compliant” label.
 2. **“Best Practice Model of EITI follow-on [for Development]”** as an integral part of EITI, overseen and enforced by the EITI Board. Involves recognition by EITI Board of follow-on mainstreaming of EITI (anywhere along EI value chain), with relative performance distinguished by rankings. To ensure progress, countries / MSWGs could face delisting from EITI altogether if this designation is not reached within a prescribed time after having attained the earlier “EITI implementing” status.
- In these changes, the EITI Board’s current enforcement mandate, especially delisting, remain unchanged.

17. ***Taken together, these suggestions represent major change from the current consensus*** and are presented as a basis for debate. Though the suggestion have key implications, we believe the changes are feasible, and can help global EITI increase relevance and credibility, and be a durable catalyst for positive change in EI countries.

SEGOM -- EITI Multi-donor Trust Fund (MDTF)

Technical assistance and financial support to EITI-compliant countries: a country-level strategy

(Excerpts)

In 2010, as the number of candidate countries who were successfully completing validation and achieving EITI compliant status began to increase, the Management Committee of the EITI multi-donor trust fund (MDTF) began to discuss the implications of this shift of countries from candidate to compliant status.

Strategic goal for compliant phase TA

The core strategic goals of MDTF-funded TA in EITI-compliant countries can be summarized as helping MSWGs to **raise the quality of their EITI processes and EITI reporting for lasting impact—and to build on EITI by steps for better governance of EI resources (“deepen and widen EITI”)**.

This means in particular (i) ensuring EITI is **sustained and made irreversible** along with raising the bar of quality of EITI and reporting and (ii) **systematic improvements in governance** along the EI value-chain (the so-called EITI++ agenda). An overview of possible sub-components of these two goals is described below.

Compliant country TA work – core differences compared to EITI TA to candidate countries

Compared to the “standard” TA and funding programs that SEGOM designs and delivers for outreach to new countries and to EITI candidate countries (until they attain compliant status), there are certain important differences in TA for compliant countries, especially:

- **No single template for compliant country TA:** Unlike TA for candidate countries (which follow a well-established framework, per EITI validation criteria), the TA needs to be specifically tailored to country situations - needing to be scoped, designed and delivered individually, depending on country needs and circumstances, based on recommendations from the validation report.
- **No clear-cut measure of success for TA:** Whereas for candidate countries becoming compliant is a clear indicator of success, there is no single easily-visible indicator of progress on goals or TA for compliant countries (i.e. measures to be developed individually).
- **Strong country demand is key:** These two factors make country ownership – strong demand and clear commitment for action – even more important to ensure the compliant country TA yields its results. Supply-driven TA or funding support will just not work.
- **Much higher expectations:** The narrow focus of EITI means that stakeholder expectations from core EITI are tempered, but expectations in compliant countries will be justifiably higher—especially seeking evidence of positive changes from EITI.

A key pre-requisite: strong partnership and coordination is essential

The factors as outlined above, and the much greater breadth of potential topic areas that compliant country TA may cover, **means a critical need for close working with partners**. This is to ensure that any compliant country TA provided by SEGOM is well-coordinated with all existing TA work being done by or planned by other development partners. This liaison, especially in the field, is essential to ensure efficiency and effectiveness of the TA effort and to avoid duplication.

The table below, which follows the value chain of EI projects, provides more detail.



Topics with close association with EITI (where SEGOM takes lead and handles TA)	Related topics which should leverage-off EITI (where SEGOM role is to link/refer to others) **
EI value chain link #3 (revenue management)	
1. Ensuring a sustainable EITI process:	
<ul style="list-style-type: none"> strong EITI institutions and funding national laws to help make EITI irreversible etc. etc. 	EI value chain link #3 (revenue management)
	8. Links to public sector improvement activities:
	<ul style="list-style-type: none"> public sector auditing capacity building public financial management improvements
2. Improving quality of EITI processes/Reports:	<ul style="list-style-type: none"> links to automated disclosures to public links to other national transparency steps. integrating EITI with national budget process etc. etc.
<ul style="list-style-type: none"> increasing credibility and utility of EITI reports <i>Incorporating sub-national revenues in EITI *</i> EITI options for topics like coltan certification adding artisanal mining / new sectors to EITI disclosure of contracts or key terms therein etc. etc. 	
	9. EI taxation-related linkages:
	<ul style="list-style-type: none"> incorporating transfer pricing aspects in EITI strengthened tax administration
3. Systematic follow-up of validation findings:	<ul style="list-style-type: none"> capacity building for EI tax collection creating EI-specific tax collection units strengthened audits of costs in EI operations etc. etc.
<ul style="list-style-type: none"> remediation of systemic weaknesses raised institutional reforms recommended by EITI making use of EITI findings for lasting change etc. etc. 	
4. Significantly strengthened communications:	EI value chain link #5 (soc./env. sustainability)
<ul style="list-style-type: none"> sustained outreach to citizens / CSOs on EITI engaging communities on EI issues using EITI etc. etc. 	10. Leveraging EITI for social development:
	<ul style="list-style-type: none"> using EITI to reach communities/open debate linking to local royalty management schemes EITI-like mechanisms for conflict resolution etc. etc.
EI value chain links #1-2 (contracts; monitoring)	
5. Assessing extension of scope of EITI:	EI value chain links # 1-5 (across value chain)
<ul style="list-style-type: none"> license award transparency / cadastre audits assessment of contract compliance – oil/gas audit of contract/development plan - mining etc. etc. 	11. Links to governance and anti-corruption:
	<ul style="list-style-type: none"> linking EI sector governance to macro level linkages of EITI to anti-corruption institutions institutional reviews of EI contracts/ awards etc. etc.
EI value chain links #1-5 (across value chain)	
6. Promoting accountability / citizens voice:	
<ul style="list-style-type: none"> <i>Direct support for CSO capacity building *</i> focus on gender dimension of EI operations linking to Demand for good Governance work 	12. Other significant EI-related concerns:
	<ul style="list-style-type: none"> indicators – evidence of EITI results /impact cross-sector review of benefits of EI activities etc. etc.
7. Promoting reforms across value chain:	
<ul style="list-style-type: none"> leveraging EITI for better EI governance 	

* These two topics, (i) Sub-national dimensions of EITI and (ii) Direct support to strengthen civil society capacity, are being prioritized as part of the TA effort for compliant countries in SEGOM's work plans for FY11-FY12.

** As a practical means to ensure this coordination takes place at an early stage, the MDTF will use the information sharing modality to communicate MDTF donors, on a country basis, the scope of activities funded by MDTF and related SEGOM supported activities (1 to 7, first column above). Donors would be able to identify their relevant representatives and activities (8 to 12, second column above) in the field and to propose follow up coordination activities at the country level.

Indicative revisions to EITI Rules needed to accommodate suggested changes in this Paper

The suggested changes set out in this Paper relates just to the EITI Criteria, which need to be “operationalized” by the body of rules and guidance that global EITI operates by. The table below shows the indicative implications for these EITI rules if the suggested changes to EITI Criteria were adopted.

Change to EITI Criteria - as suggested	Indicative implication for EITI Rules / Procedures
Strengthening existing EITI Criteria	
New requirement for reported EITI data to be verified – “payment is what should be”	Detailed specification of the extent and depth of such verification against production volumes/ contracts/ laws
	Clarity on use of state bodies (Auditor General’s staff; other oversight bodies etc.) under the oversight of the Administrator / Reconciler appointed by the MSWG
	Transitional arrangements for lead-in period
Extending remit of EITI - adding new Criteria for mainstreaming of EITI	
Prepare national “EITI follow-on strategy”	Detailed specification of the form and content, and degree of within-government consultation and engagement
Implementation of this “follow-on” strategy	Specifying that implementation can be led, depending on subject, by government, industry or civil society
	Guidance on form and content of progress reporting on implementation of progress report
“Fully EITI implementing” designation	
Combining candidate and compliant status into a single new designation	Rules for milestone (if not at entry) to be met - and vetting before can be designated as “fully EITI-implementing”)
	Revision of 2011 EITI rules for validation and its new emphasis (to retain EITI status, no longer for compliance)
	Transition arrangements for changes in designation
	Rules of (renamed) candidacy and outreach committee
New “best practice model of EITI follow-on” designation	
Global EITI recognition of good faith effort on developing/acting on follow-on strategy	Detailed assessment methodology and standards (akin to Validation guide) for judging degree of follow-on effort
	Procedures for sanction, e.g. delisting from EITI for countries/MSWGs which do not adhere to the EITI Rules
	Transitional arrangements and new Rules
Results monitoring framework	
N/A	Development of and publicizing of a “theory of change” (ToC) for EITI towards positive outcomes at country level
	Specifying the results measures and M&E indicators to be tracked and reported by EITI countries against this ToC