

Accelerating systematic disclosure

For decision

The Implementation Committee recommends that the Board reviews progress with encouraging systematic disclosure. The Implementation Committee has assessed the progress made in implementing the recommendations agreed in February 2018. The Committee's main finding is that implementing countries have made limited progress with systematic disclosures.

Further effort is needed to accelerate this work in 2020. In accordance with the 2020 work plan, the International Secretariat is undertaking a wide range of implementation support activities to reframe and reenergize MSG discussions regarding systematic disclosure. The Secretariat is also addressing the demand from implementing countries to strengthen EITI reporting and reduce costs by fostering peer learning and best practice.

The Implementation Committee recommends that the Board establishes a pilot, overseen by the Implementation Committee. The International Secretariat would work with interested MSGs to develop alternative approaches to EITI reporting based on collating and analysing systematically disclosed data. The pilot would consider a wide range of context and conditions, encouraging MSGs to become active agents in using data to undertake analysis, influence decision makers and direct information to wider set of users. Several implementing countries have expressed an interest in developing these approaches.



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Supporting documentation

[Encouraging systematic disclosure](#) (Board decision [2018-08/BM-39](#)).

Has the EITI competence for any proposed actions been considered?

[Article 12](#) of the EITI Articles of Association empowers the EITI Board to “Monitor and support implementation of the EITI in implementing countries and establish its procedure” and to “Adopt more detailed procedures and rules for the management and operation of the EITI Association”.

The terms of reference for the Implementation Committee mandates the Committee to oversee mainstreaming.

Financial implications of any actions

The paper aims to make EITI implementation more efficient and cost effective in the long term, addressing the increasingly limited funding available for standalone EITI reporting.

Document history

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1. Recommendation

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2. Summary

The 2019 EITI Standard expects countries to disclose the information required by the EITI Standard through routine government and corporate reporting, and through consultation systems such as websites, data portals and annual reports. This is often referred to “systematic disclosure” or “EITI mainstreaming”. In February 2018, the EITI Board agreed that systematic disclosure should be firmly established as the default expectation, with EITI Reports used to address any gaps and concerns about data quality. This paper reviews progress in encouraging systematic disclosure in accordance with the strategy agreed by the Board in February 2018 and makes recommendations to help accelerate progress.

Review of previous recommendations

The Secretariat has reviewed the implementation of recommendations adopted by the Board in February 2018 to encourage systematic disclosure. **The Secretariat's main finding is that implementing countries have made limited progress with systematic disclosures.** This is due to multiple factors including inadequate incentives, a lack of political support, capacity and financial constraints, uncertainty and inertia (see section 4 for details).

There has been some significant progress in encouraging systematic disclosure in accordance with the Board strategy, especially in terms of reframing the 2019 EITI Standard and some important examples of mainstreaming in EITI countries (see section 4, below). However, the ambitious target set in February 2018 has not been met. The Board agreed that: “...by end 2018, all implementing countries are expected to develop a costed work plan for 2019 and onwards that includes steps to mainstream EITI implementation in company and government systems within 3-5 years”. Only one in five (11) implementing countries have a current work plan for 2020

as of 10 January 2020, and most have not comprehensively addressed this expectation.

The review also finds that the recommendations agreed by the Board for mainstreaming the EITI have been partially implemented. The recommendations put the burden on MSGs to develop a coherent plan with one size fits all approach that did not incentivise a gradual transition to systematic disclosures. Countries with strong systems, where routine disclosure is already the norm and where there is high degree of trust in institutions can take advantage of the additional flexibility introduced in the 2016 and 2019 Standard. However, countries with weak systems, limited disclosure and lack of trusted oversight institutions face considerable challenges in meeting the expectation established by the EITI Board. Most lack a credible transition plan from data collection and reconciliation to systematic disclosure.

The EITI's work on mainstreaming in 2020

There is a clear need to reenergize and reframe the EITI's mainstreaming work. In the majority of EITI implementing countries, EITI reporting is an established and trusted approach to data collection and disclosure. There are often considerable institutional and technical barriers to systematic disclosure by companies and government agencies, especially in countries with weak systems and/or capacity constraints. These countries need support in identifying pathways to improve routine disclosure practices, taking stakeholder priorities and capacity constraints into account. These should not be separate roadmaps, but rather concrete actions that are an integral part of EITI work plans.

In several countries, mainstreaming is perceived as an “all or nothing” exercise that has been rejected as “something to consider after we achieve compliance”. The International Secretariat's communications strategy addresses the challenge of slow progress towards systematic disclosure by placing a high priority on explaining successful examples of government and company disclosure under this new norm. Greater clarity on the expectations for companies regarding systematic disclosure, and examples of best practice, is a priority. The EITI's training and guidance materials are also being revised to emphasise an incremental approach to systematic disclosure focused on cost effective actions that reflect national priorities and meeting the EITI requirements.

The Secretariat is putting a greater emphasis on the central role of MSGs. The only country to “fully mainstream” EITI implementation under the 2016 Standard was Norway. Norway simultaneously applied for Board approval to disband its multi-stakeholder group, a move supported by stakeholders. A perception has emerged that mainstreaming is risky, and can undermine the importance of the EITI's multi-stakeholder groups (and national secretariats). The experience to date suggests the opposite: the transition to systematic disclosure is expected to require extensive MSG oversight and engagement with decision makers responsible for governance reforms. This work links the EITI to other reform efforts and networks, and can open up new avenues of support and funding. It also opens up opportunities for MSGs to review their role in data analysis, information dissemination and promoting public debate (beyond report production). The EITI's communications and guidance materials are being revised to highlight these opportunities.

Concurrently, the International Secretariat is working to strengthen EITI reporting and reduce costs. Implementing countries (and organisations that provide financial support) have clearly highlighted challenges with EITI reporting. Further efforts are needed to make EITI reporting more

efficient, timely and cost-effective. There is considerable flexibility within the (recently revised) 2019 Standard terms of reference for EITI reporting that enables MSGs and national secretariats to reduce the complexity and cost of EITI reporting. This includes: clearer scoping to exclude requirements that are not applicable or material; setting appropriate materiality definitions and thresholds; improved communication with reporting entities; aligning the reporting schedules with other audit and compliance activities; and streamlining data collection. Several EITI countries are exploring opportunities to speed up data collection and to strengthen collaboration with supreme audit institutions.

Recommendation

The 2019 Standard enables implementing countries to deviate from the standard terms of reference for EITI reporting with prior Board approval. Requirement 4.9 also enables the Board to approve alternative reporting procedures. The review of EITI Report completed in 2019 identified a number of opportunities to make EITI reporting more effective. However, there is a reluctance to depart from existing approaches to reporting, especially where countries are having difficulties in meeting reporting and Validation deadlines. In countries that have recently published EITI Reports, there is a window of opportunity to revisit reporting practices.

The Implementation Committee recommends that the Board establishes a pilot, overseen by the Implementation Committee. The International Secretariat would work with interested MSGs to develop alternative approaches to EITI reporting based on collating and analysing systematically disclosed data. The pilot would consider a wide range of context and conditions, encouraging MSGs to become active agents in using data to undertake analysis, influence decision makers and direct information to wider set of users. Several implementing countries have expressed an interest in developing these approaches.

In countries that have made substantial process with systematic disclosure, for example, data collection through the EITI is increasing redundant. The role of the Independent Administrator (IA) could be reframed to: (1) collate information disclosed by companies and government entities (including on related audit and assurance work); (2) identify any gaps, inconsistencies and irregularities; and (3) collect additional data (where needed) in order to compile a complete EITI report. The IA could be tasked with evaluating the reporting entities' compliance with the EITI Standards, including recommendations (where applicable) on priorities for strengthening disclosure practices, addressing data quality and data accessibility.

As noted above, this is not an “all or nothing” approach. The pilot should consider a wide range of context and conditions. The logic above could be applied on a sector by sector basis, or there could be hybrid approaches that combine conventional EITI reporting with systematic reporting for some requirements.

The MSG, freed from the time-consuming task of collecting data, could refocus its efforts on leveraging this information to promote informed public debate. There are opportunities to encourage MSGs to become more active in commissioning analysis, and agreeing dissemination work to influence decision makers and channel information to different users.

Additional work is needed to identify the methods (and professional standards) that would underpin this work, to define the roles and responsibilities of the reporting entities, the MSG, the

IA and the national secretariat, and to consider the cost implications. It is suggested that the Implementation Committee oversees this work, and that an update is prepared for the Board meeting in June. The Implementation Committee could also consider whether countries participating in the pilot could be given some additional time to meet reporting and Validation deadlines.

3. Background

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

*In considering the future arrangements for EITI both at the country level and internationally, the IAG reaffirmed the principle that the primary responsibility for implementing EITI should continue to be with participating governments themselves. The international community should provide support to countries that wish to implement EITI. It was recognised that an international structure was required to channel advice and financial support and to exchange lessons learnt. However, **such a structure should be light touch and designed with an eye on the ultimate goal for EITI to be ‘mainstreamed’, with its criteria and principles becoming the normal way of working in all the relevant extractive industries within three to five years.** [emphasis added]*

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

In February 2018 the EITI Board agreed a set of recommendations to encourage implementing countries to move to systematic disclosure¹. The Board agreed the following statement:

The Board reaffirms that implementing countries are expected to take steps to integrate EITI implementation in company and government systems. This should include an explanation of the underlying audit and assurance procedures that the data has been subject to, with public access to the supporting documentation. The 2016 EITI Standard enables this transition. Systematic disclosure is the default expectation, with EITI Reports to be used where needed to address any gaps and concerns about data quality.

¹ See Board decision 2018-8/BM-39/BP-39-4-A

In taking this decision, the Board recognises that implementing countries face challenges in fully mainstreaming EITI implementation. In some countries, this transition will require substantial reforms and sustained political, technical and financial support. Not all countries will be able to transition to systematic disclosure at the same speed. Multi-stakeholder groups should consider the opportunities and priorities.

To support this decision, the EITI Board agreed nine more detailed recommendations.

4. Review of implementation of recommendations

Progress with implementing each of the nine recommendations is assessed below.

Table 1 – Assessment of Progress in implementing the Board’s recommendations to encourage systematic disclosures

Recommendation	Assessment of Progress
<p>R1. That by end 2018, all implementing countries are expected to develop a costed work plan for 2019 and onwards that includes steps to mainstream EITI implementation in company and government systems within 3-5 years, with the scope to seek a longer transitional period where needed². This approach acknowledges that the circumstances differ in each country, that not all countries will be able to transition to systematic disclosure at the same speed, and that the financial implications need to be considered, both in the near and long term. It enables MSG’s to request a longer transitional schedule where needed.</p> <p>To support this work, the guidance note on developing an EITI workplan be revised to put greater emphasis on systematic disclosure. This should include making clearer linkages to existing systems and reforms, such as reforms to public financial management, audit and assurance</p>	<p>Partially implemented.</p> <p>The guidance note on work plans (Guidance Note 2) was updated in August 2018. More could be done to back this up with sufficient technical assistance, support and encouragement. The International Secretariat held five regional webinars for implementing countries in December 2019 to support MSGs’ updates of their annual work plans for 2020. The Secretariat has also recently undertaken a review of 2020 work plans to identify good practice and identify countries in need for more targeted support.</p> <p>While some MSGs have made good progress in updating their EITI work plans for the transition to systematic disclosures, the majority have not. A holistic approach to systematic disclosures still remains a challenge for most MSGs. Many struggle to envisage what systematic disclosure will look like in practice other than online portals, which remain beyond the reach of many countries.</p> <p>The review of work plans in the February 2019 Implementation Progress Report found that 28 countries (57%) had updated work plans</p>

² This allows one year (2018) to consider mainstreaming opportunities and challenges, and will ensure all implementing countries have a mainstreaming plan ahead of the next Global Conference.

<p>procedures, public consultation, and open government and e-governance initiatives. The Secretariat should also develop additional guidance materials demonstrating how the EITI requirements can be satisfied through systematic disclosure by governments and companies.</p>	<p>covering 2019, although only 19 of these had included activities related to systematic disclosures. The updated review of work plans in the February 2020 Implementation Progress Report found that over half of implementing countries (28) had updated work plans for 2019 as of 10 January 2020, and only 19 for 2020. Of these 19 countries, 14 work plans had included activities related to scoping of systematic disclosures, while 11 countries' work plans included activities related to concrete transitions to systematic disclosures of specific EITI data.</p> <p>The incremental progress in adapting work plans to the default expectation of systematic disclosures implies that the 3-5 year timeframe for mainstreaming EITI implementation is not realistic.</p>
<p>R2. That the EITI Board calls on implementing countries, supporting countries and supporting organisations to support the development and implementation of these work plans, shifting the focus from financing EITI reports to supporting reforms to promote systematic disclosure. The funding provided to the transition phase would support feasibility studies and ensure that technical assistance and advice on EITI implementation focuses on opportunities for systematic disclosure. This provides an opportunity to address the significant funding constraints in many implementing countries, and to ensure that EITI implementation is financially sustainable.</p>	<p>Partly implemented.</p> <p>Most MSGs have not included clear costings for the transition to systematic disclosures. At best, those 19 countries that included concrete activities to establish or strengthen systematic disclosures of specific EITI data in their latest workplan have included associated costs.</p> <p>Of the concrete systematic disclosure activities in the 11 countries' 2020 work plans, the majority are funded by development partners such as the World Bank, GiZ, DfID and EBRD.</p> <p>Development partners have provided funding for systematic disclosures feasibility studies, including the German cooperation (GiZ) in Armenia and Mauritania and the World Bank in Indonesia. The UK Department for International Cooperation (DfID) has provided a USD 55,000 grant to the International Secretariat to support systematic disclosure efforts in 2020. However, there is a shortfall in funding available for implementing countries' systematic disclosures feasibility studies and concrete activities.</p> <p>There has been insufficient attention to mainstreaming in corporate disclosures of financial data. Of the 11 countries that have included activities on systematic disclosures in their latest workplan as of January 2020, none have included activities related to private companies' systematic disclosures.</p>

<p>R3. That the guidance notes for prospective candidate countries (e.g., the guidance note on becoming an EITI candidate) are updated, emphasising disclosure through existing systems, and encouraging prospective candidate countries to identify potential barriers to systematic disclosures from the outset. The Board could consider making a mainstreaming feasibility study a requirement for all new candidate countries. This should include reviewing existing platforms for information disclosures, public consultation and dialogue, rather than creating standalone EITI reports and multi-stakeholder groups.</p>	<p>Partially implemented.</p> <p>Progress on systematic disclosures as part of EITI candidature applications has been limited, primarily because outreach more broadly has not been prioritised by the EITI Board in 2018 and 2019.</p> <p>For new countries, which have 2.5 years to publish their first report, a traditional EITI Report may still be desirable in many cases. This can establish a baseline mapping existing systematic disclosures as a means of developing concrete plans to fully transition to mainstreamed EITI implementation in the medium term.</p> <p>While Latin American countries like Argentina and Mexico had plans for building on systematic disclosures of EITI data from the outset, the traditional approach of standalone EITI reporting has been prioritised in both cases. In Mexico, the political transition in the second half of 2018 exacerbated weaknesses in inter-government coordination that led to the prioritisation of conventional EITI reporting. Argentina is using its first round of EITI reporting to map existing systematic disclosures, with a view to transitioning towards systematic disclosures over the medium term (3 years).</p> <p>The Netherlands opted for traditional EITI reporting for its first reporting cycle, but could transition to mainstreamed reporting in subsequent EITI reporting periods.</p> <p>With support from the International Secretariat, including through an outreach mission in December 2019, Uganda is exploring options for partially mainstreamed EITI reporting as part of its candidature application, by building on the capacities of the Office of the Auditor General to provide Independent Administrator services in the first instance.</p>
<p>R4. That awareness raising, training activities and the Terms of Reference for a mainstreaming feasibility studies are revised to give greater attention to the future role of the MSG and multi-stakeholder consultation more broadly, alongside the technical discussions regarding timely,</p>	<p>Partly implemented.</p> <p>The International Secretariat has given this some attention, including by updating its guidance and standard Terms of Reference. However, the International Secretariat's general guidance on the future role of the MSG and multi-stakeholder consultations in systematic</p>

<p>comprehensive and reliable disclosures. This should include options for assessing outcomes and impact (requirement 7).</p>	<p>disclosure has not yet been matched with detailed guidance to countries. The Terms of Reference for EITI systematic disclosure feasibility study (formerly mainstreaming feasibility study) were last updated in March 2018. A systematic disclosure toolkit was developed and launched in April 2018. The Summary Data Template 2.0 launched in July 2019 includes a general mapping of systematic disclosures, on which countries can build in developing full-fledged mainstreaming feasibility studies.</p> <p>Partners, particularly from civil society, have facilitated conversations at the global level about the future opportunities for multi-stakeholder consultations in a mainstreamed EITI implementation. Following public consultations, NRGi published a briefing note on opportunities and risks for civil society in EITI mainstreaming in June 2019. NRGi has also published interviews with civil society stakeholders for country perspectives on the prospects for EITI mainstreaming in October 2019.</p> <p>As is visible from the results under recommendation R5, there has been progress in revising the Guidance Note on <i>establishing</i> MSGs, although updates in the guidance on <i>MSG oversight of the reporting cycle</i> are pending.</p>
<p>R5. That the guidance note on the establishment and governance of multi-stakeholder groups is reviewed, highlighting the importance of the multi-stakeholder group in exploring options for mainstreaming. The guidance note should also highlight that implementing countries may consider opportunities for multi-stakeholder consultation and oversight to be integrated using existing representative bodies. This has the potential to increase stakeholder engagement, and make this participation more effective. Where proposals for mainstreamed implementation do not retain conventional MSG oversight, care</p>	<p>Fully implemented.</p> <p>Guidance Note on establishing MSGs (Guidance Note 14) was updated in August 2018 in light of the expected transition to systematic disclosures. However, updates to the Guidance Note on MSG oversight of the reporting cycle (Guidance Note 8) are only planned for 2020.</p> <p>In explaining this recommendation, the International Secretariat has encountered strong sentiments that the importance of MSG should not be downgraded. More attention is needed to the opportunities that mainstreaming offers MSGs and ways to integrate more channels for multi-stakeholder consultations in extractives governance.</p>

<p>should be taken to ensure that the alternative processes that are in place for multi-stakeholder consultation and dialogue encompass possibilities for shaping the scope and nature of extractives transparency and making recommendations for governance reform, and that all stakeholders have an opportunity to shape decisions, be heard and contribute. Where these conditions do not exist, requests to mainstream multi-stakeholder oversight would not be approved.</p>	
<p>R6. That the Board, through the Implementation Committee, agrees to undertake an independent review of EITI Reports prepared in accordance with the standard terms of reference for Independent Administrators. Building on the findings from the 2016 and 2017 Validations, this would include:</p> <ul style="list-style-type: none"> i. An assessment of Independent Administrators' adherence to the standardised procedure; ii. A review of the assurance procedures most commonly adopted by implementing countries, the time required and compliance costs; iii. An independent assessment of the extent to which the work undertaken safeguards comprehensive and reliable data. <p>The consultant would also be invited to propose amendments to the procedure, and/or to propose cost effective alternatives that would provide an equivalent level of assurance.</p> <p>Subject to the findings of this review, the Implementation Committee will consider possible modifications to the standard terms of reference for</p>	<p>Partially implemented.</p> <p>The Implementation Committee undertook an independent review of EITI Reports and reconciliation reports, which was considered by the working group on EITI Requirements in December 2018-January 2019. The working group drew on the review's findings in developing the 2019 EITI Standard. However, the review of EITI Reports has not been discussed more widely beyond the working group's work on the 2019 EITI Standard, without discussion or implementation of several of the review's recommendations.</p> <p>A review of Validation data for 42 first Validations indicates that only 35.7% of countries fully adhered to the standardised procedures, which resulted in an assessment of "satisfactory progress" on data reliability (Requirement 4.9). However, six of the eight countries that have undergone a second Validation have fully addressed the corrective action.</p> <p>The 2019 EITI Standard was updated to provide for alternative models to reconciliation for EITI reporting. Requirement 4.9 now includes the default expectation that government and companies ensure comprehensive and reliable disclosure of payments and revenues, regardless of whether these are reconciled.</p> <p>The Implementation Committee has agreed updates to the standard Terms of Reference for Independent Administrators in December 2019, with relatively minor revisions to reflect changes in the 2019 EITI Standard. However, further</p>

<p>Independent Administrators, reframing the procedure as a “standard terms of reference for EITI disclosures”, putting a greater emphasis on mainstreamed, integrated and systematic disclosure and public consultation. This could include clarifying the expectations for the timeliness of EITI data, i.e., that mainstreamed disclosures are expected to be published well in advance of the 2 year-rule.</p>	<p>work is needed to develop alternative models to reconciliation.</p> <p>The International Secretariat has encouraged countries to consider alternative approaches to EITI disclosures as part of its implementation support, albeit on an ad hoc basis. To date, countries have been reluctant to be the first movers in applying to the Board for approval of alternative approaches than reconciliation.</p>
<p>R7. That the guidance on EITI open data policies is revised to put a greater emphasis on open data policies and practices of the participating companies and government agencies. While it is important to ensure that the data in the EITI Reports is more accessible, transition to integrated transparency will make it more important to ensure that there are open data policies and practices in the companies and government agencies that are the primary sources of data, and to consider actions to improve direct access.</p>	<p>Fully implemented.</p> <p>At its December 2019 teleconference, the Implementation Committee approved updates to the two previous Guidance Notes related to open data – on publishing EITI data (Guidance Note 19) and creating open data policies (Guidance Note 27) – and combined them into a single Guidance Note on open data policies and disclosures.</p> <p>The EITI’s new Open Data Policy was agreed in April 2019 and reflected in the 2019 EITI Standard (Chapter 1, section 8). The main updates relate to building on lessons from national implementation and emerging international best practice and encourage systematic disclosure. However, none of the EITI implementing countries have updated their national open data policies in light of these changes to date. The International Secretariat has not devoted concerted attention to encouraging implementing countries to update their national open data policies to date.</p>
<p>R8. That mainstreamed, integrated and systematic disclosure is a major focus of the 2019 EITI Global Conference and the EITI Chair Awards. In preparation for the Conference, the EITI Chair writes to the EITI Champion in every implementing country, urging the government to commit to mainstreaming and requesting that MSGs review and address mainstreaming opportunities in their forthcoming work plans.</p>	<p>Partially implemented.</p> <p>The 8th EITI Global Conference in June 2019 showcased the mainstreaming of extractives data into government and company systems so as to facilitate openness, improve decision-making and enhance trust. The focus of the infographics competition for the EITI Chair Awards at the Global Conference was on how natural resource data is being collected, mainstreamed and used in order to build trust among different stakeholders, actors and communities at the national and subnational levels.</p>

	<p>Official letters to implementing countries have emphasised the opportunities for systematic disclosures of EITI data, albeit combined with other messages focused on implementation support. The EITI Chair has not yet written to the EITI Champion in every implementing country specifically on addressing mainstreaming opportunities in their work plans.</p>
<p>R9. That the Board tasks the Implementation Committee with considering whether the EITI Standard should be revised to modify or remove procedures and processes that become redundant with mainstreamed implementation. This would not alter the content of the EITI disclosure requirements, but would serve to simplify implementation of the EITI requirements and make sure that the EITI Standard is formulated in a way that better supports systematic disclosure.</p>	<p>Fully Implemented.</p> <p>The 2019 EITI Standard was agreed and published on 18 June 2019. The 2019 EITI Standard continues to shift the focus from publishing EITI Reports toward encouraging systematic disclosure, opening up new opportunities for MSG discussion and oversight. In particular, revisions to Requirements 4.1 (comprehensiveness) and 4.9 (data reliability) have shifted the emphasis to comprehensive and reliable disclosures by reporting entities rather than reconciliation. More broadly, requirements of the EITI Standard related to data disclosures have been rephrased to place the default expectation on systematic disclosures rather than standalone EITI reporting.</p>

5. Barriers to systematic disclosures

Implementing countries' progress in transitioning from EITI reporting to systematic disclosures has been slower than expected. The Secretariat has identified five broad barriers that hinder progress in transitioning towards systematic disclosures.

1. Political commitment

Systematic disclosures require commitment and action from several government agencies and companies that are used to submitting data to the Independent Administrator upon request. Governance, oversight and capacity challenges of some MSGs have exacerbated challenges in planning the transition towards systematic disclosures. Where MSGs do not include representation from the appropriate institutions or at a sufficiently senior level, discussions of systematic disclosures have remained theoretical at best. To date, focus has largely been placed on government entities, with less attention to corporate disclosures. Commitment by the national secretariat and MSG members needs to translate into institutional commitment across *all* entities with custody of relevant data. This requires not only demonstrating the benefits of systematic disclosures but also practical, tailored guidance.

2. Inertia and scepticism

The EITI process, guidance and standardised documents have been geared towards producing reconciliation reports, which have influenced stakeholders' understanding of and expectations for the EITI. National secretariats and MSGs of countries with long-standing experience in implementing the EITI Standard have become experts in producing EITI Reports. There are often concerns that mainstreaming will undermine the role of MSGs and national secretariats. Norway's simultaneous application for a mainstreamed *and* adapted implementation has caused confusion. The adapted implementation, which allowed Norway to rely on alternative mechanisms for stakeholder engagement than the multi-stakeholder group, created a misconception that applications for mainstreaming would automatically dissolve MSGs' responsibilities for oversight and dissemination of EITI disclosures.

At the same time, there is also a growing appreciation that the current approach to reporting is unsustainable and ineffective. The current procedure for engaging an IA provides some flexibility, but most MSGs are focused on detailed reconciliation work (often with low materiality thresholds), while neglecting more significant governance and corruption risks. There is also a lack of recognition amongst many EITI stakeholders that applications for mainstreaming to the EITI Board are only required for financial data (Requirement 4), while countries are free to systematically disclose non-financial (contextual) information without any application.

In light of the above challenges, conveying the message that producing comprehensive EITI Reports is not longer the default approach to EITI implementation requires time, appropriate incentives and examples of practical pathways.

3. Time and incentives

Reporting and Validation deadlines encourage MSGs to prioritise reporting to address corrective actions and avoid suspension. EITI reporting occupies national secretariats' and MSGs' time and attention, and preparations for systematic disclosures are being deferred. Following the publication of an EITI Report, MSGs engage in communicating its findings and often start procurement for the Independent Administrator of the next EITI Report to meet the annual reporting deadline.

Validation adds to the workload, and there are strong pressures to achieve "satisfactory progress" overall. Mainstreaming is often perceived as an "all or nothing" exercise that has been rejected as "something to consider after we achieve compliance". As a result, shifting the mindset of stakeholders towards a reporting cycle that gradually shifts the emphasis to systematic disclosures is challenging.

4. Funding and capacity

Mainstreaming is often considered too demanding and expensive, and there are limited options for seeking technical and financial support. While systematic disclosures should bring down the cost of EITI implementation over time, the transition requires reallocating resources. In several instances, Independent Administrators' reviews of audit and assurance practices remain a significant gap in EITI reporting, which is reflected in [the](#)

[2016-2019 Validation results](#).³ The government agencies and companies that maintain the data have varying readiness to disclose it – not all have websites, for example. Online data collection tools and registers can be costly to set up and require maintenance. Where MSGs have not been involved in the detail of scoping, data collection and analysis, their familiarity with the technical aspects of different institutions' disclosure mechanisms are more rudimentary. Designing sophisticated disclosure systems requires expertise that national secretariats and MSGs may not have.

5. Low data quality and weak institutions

In many EITI countries, revenue and payment data is not based on externally audited financial statements. This is a barrier to moving from reconciliation to fully mainstreamed disclosures. However, this does not prevent the systematic disclosures of other types of data or systematically disclosing unaudited data that is later verified. Challenges in data reliability may contribute to the psychological barrier as countries perceive that they are not “ready” for systematic disclosures.

In most EITI countries, slow progress in systematic disclosures is the result of all five factors. **Norway** is the only country that has fully mainstreamed EITI disclosures. This is due to pre-existing disclosure mechanisms, rather than a result of EITI implementation. In some countries, such as **Zambia**, there is political buy-in for the mainstreaming agenda and government agencies are generally committed to systematic disclosures, but EITI reporting deadlines are hindering progress. Zambia's Office of the Auditor General has committed to undertake some of the functions of the Independent Administrator to ensure data reliability. However, capacity building was postponed due to the end-of-year deadline for the EITI report. **Uganda**, an EITI outreach country, is currently developing a system in which its Supreme Audit Institution would provide Independent Administrator services from the beginning.

There are positive examples of partial progress in systematic disclosures from all regions. Many countries disclose timely data on licenses through an interactive online portal. Given international reporting requirements of the United Nations on National Accounts and Trade⁴, data on production, exports and the extractive sector's contribution to the economy is at least partially systematically disclosed. In the absence of international reporting, **Ukraine** was among the first countries to adopt a public register of beneficial owners. Some countries, such as **Kazakhstan** and **Armenia** have created online portals to facilitate reporting revenues and payments. The **Dominican Republic** and **Germany** publish their EITI Reports as a website providing links to information available elsewhere. In these countries, the Independent Administrator was only tasked to undertake reconciliation of payments and revenues. Mainstreaming feasibility studies have been conducted or are being conducted in at least **Armenia, Indonesia, Kazakhstan, Kyrgyzstan, Mauritania, Mongolia, the Philippines, Senegal and Timor-Leste**.

³ Validation Committee Paper 7-4-B – Review of findings from the 2016-2019 Validations

⁴ See [UN SNA database](#), [UN Comtrade database](#) and [WTO database](#)

6. Accelerating systematic disclosures and piloting alternative approaches

In line with the objectives and actions agreed in the [Secretariat's 2020 work plan](#), the following implementation support activities are proposed to accelerate systematic disclosures:

- **Reenergizing and reframe the EITI's mainstreaming work.** In several countries, mainstreaming is perceived as an “all or nothing” exercise that has been rejected as “something to consider after we achieve compliance”. The International Secretariat's communications strategy addresses the challenge of slow progress towards systematic disclosure by placing a high priority on explaining successful examples of government and company disclosure under this new norm. The EITI's training and guidance materials are also being revised to emphasise an incremental approach to systematic disclosure focused on cost effective actions that reflect national priorities and meeting the EITI requirements. Greater clarity on the expectations for companies regarding systematic disclosure, and examples of best practice, is a priority.
- **Engaging multi-stakeholder groups.** A perception has emerged that mainstreaming is risky, and can undermine the importance of the EITI's multi-stakeholder groups (and national secretariats). The experience to date suggests the opposite: the transition to systematic disclosure is expected to require extensive MSG oversight and engagement. This work links the EITI to other reform efforts and networks, and can open up new avenues of support and funding. It also opens up opportunities for MSGs to review their role in information dissemination and promoting public debate (beyond report production). The EITI's communications and guidance materials are being revised to highlight these opportunities.
- **Strengthening EITI reporting and reduce costs.** Implementing countries (and organisations that provide financial support) have clearly highlighted challenges with EITI reporting. Further efforts are needed to make EITI reporting more efficient and cost-effective. There is considerable flexibility within the (recently revised) standard terms of reference for EITI reporting that enables MSGs and national secretariats to reduce the complexity and cost of EITI reporting. This includes: clearer scoping to exclude requirements that are not applicable or material; setting appropriate materiality definitions and thresholds; improved communication with reporting entities; aligning the reporting schedules with other audit and compliance activities; and streamlining data collection. The new cover page to the standard terms of reference emphasises this flexibility. Several EITI countries are exploring opportunities to speed up data collection and to strengthen collaboration with supreme audit institutions.
- **Mapping progress country by country.** The Secretariat will continue to review progress in systematic disclosures in key areas of the EITI Standard across EITI countries. The newly approved summary data template will facilitate this work.
- **Prioritising support for countries where there is commitment to systematic disclosures.** The Secretariat will provide support to implementing countries in planning the transition towards systematic disclosures. Engaging with key actors, such as Supreme Audit Institutions, mining, oil and gas regulators, statistics offices and revenue authorities, can help gain buy-in and ensure that relevant institutions are brought into the EITI process.

Peer learning and mentoring schemes at the regional level could help leverage momentum in specific countries and overcome scepticism. Committed national secretariat or MSG members could be trained to increase capacity and awareness of systematic disclosures.

The 2019 Standard enables implementing countries to deviate from the standard terms of reference for EITI reporting with prior Board approval. Requirement 4.9 also enables the Board to approve alternative reporting procedures. The review of EITI Report completed in 2019 identified a number of opportunities to make EITI reporting more effective. However, there is a reluctance to depart from existing approaches to reporting, especially where countries are having difficulties in meeting reporting and Validation deadlines. In countries that have recently published EITI Reports, there is a window of opportunity to revisit reporting practices.

The Implementation Committee recommends that the Board establishes a pilot, overseen by the Implementation Committee, whereby the International Secretariat would work with MSGs to develop alternative approaches to EITI reporting based on collating and analysing systematically disclosed data.

In countries that have made substantial process with systematic disclosure, data collection through the EITI is increasing redundant. The role of the Independent Administrator (IA) could be reframed to: (1) collate information disclosed by companies and government entities (including on related audit and assurance work); (2) identify any gaps, inconsistencies and irregularities; and (3) collect additional data (where needed) in order to compile a complete EITI report.

The Independent Administrator could be tasked with evaluating the reporting entities' compliance with the EITI Standards, including recommendations (where applicable) on priorities for strengthening disclosure practices, improving data quality and data accessibility.

As noted above, this is not an "all or nothing" approach. The pilot should consider a wide range of contexts and conditions. The logic above could be applied on a sector by sector basis, or there could be hybrid approaches that combine conventional EITI reporting with systematic reporting for some requirements.

The MSG, freed from the time-consuming task of collecting data, could refocus its efforts on leveraging this information to promote informed public debate. There are opportunities to encourage MSGs to become more active in commissioning analysis, and agreeing dissemination work to influence decision makers and channel information to different users.

Additional work is needed to identify the methods (and professional standards) that would underpin this work, to define the roles and responsibilities of the reporting entities, the MSG, the IA and the national secretariat. The cost implications need to be carefully considered, including the cost of engaging the IA, and the costs incurred by reporting entities. It is suggested that the Implementation Committee oversees this exploratory work, and that an update is prepared for the EITI Board meeting in June. The Implementation Committee could also consider whether countries participating in the pilot could be given some additional time to meet reporting and Validation deadlines.