1. **The first challenge is that the current validation model does not recognize the diversity among all of the 48 implementing countries.**

Tsolmon from Mongolia noted that EITI implementation and validation involves a lot of hard work. It is hard to compare different countries with extractive industries of varying levels of complexity. Indeed countries with relatively small sectors have a very different situation than countries with more diversified and complex sectors. It is not an even comparison.

Edi from Indonesia argued that it is not fair if the standard for Validation is exactly the same for every country, regardless of the complexity of their extractive industries. For example Indonesia is very complex and for the current EITI Report it is preparing, they still face difficulties in getting companies and government agencies to comply with reporting requirements, even though this is the third EITI Report. Smaller countries with simpler sectors would not face such challenges. Edi noted that there should be a Standard of course, but that there should be some nuance in the way in which it is applied.

Elda from Timor-Leste noted that compliance is not only a technical matter, that is what is contained in an EITI Report, but also looks at whether the EITI process leads to anything, to reforms. However, each country has it own circumstances to fully comply with certain requirements in the EITI. In Timor-Leste, for example, there are currently only two production fields with different products, thus disclosing the information by commodity is sensitive. Therefore, the TL MSG agreed to publish production data as aggregated information, rather than disaggregating it as required by Req. 3.5

Gay from the Philippines noted that the current Validation system does not take into account the innovations that MSGs make in implementing the EITI, beyond basic requirements. For instance the PH-EITI MSG included Indigenous Peoples payments, more details on subnational transfers and IP procedures in their first EITI Report, but they will not be recognised for this at Validation.

2. **The second challenge is that the pass/fail approach of validation fails to recognise progress. It only measures if a requirement is met or not. In other words, the current validation system does not distinguish between a country that has fulfilled 90% of a requirement and a country that has only completed 20% of the work. The consequence is the same - both countries would fail- without giving any recognition to the country that has put in the greater effort and is making progress.**

Tsolmon from Mongolia also proposed a scoring system. One type of system he considered was a scoring of each of the seven EITI Requirements, divided into three or more sub-indicators, which would receive a score. All of the scores
would then be added up and countries with e.g. 10-20 scores would fail, those with 30-50 would not be deemed compliant but would demonstrate some progress, and those above 50 could pass for instance. Mongolia has seen this type of system in other evaluations.

One idea Edi from Indonesia proposed was similar to Tsolmon’s, i.e. that each indicator would be scored, but he also proposed a type of scoring of countries according to the complexity of their sectors. Tri from Indonesia agreed with Tsolmon’s proposal for a scoring system, with countries ranked according to an index. This would seem more fair than a binary met/unmet system.

Zar Ni from Myanmar agreed with Edi that the current EITI Standard and Validation is not entirely fair to countries with vastly different circumstances and differing levels of complexity. He proposed a type of scoring system to assess the levels of complexity of a country’s extractive industries. Of course one of the major challenges of such a proposal would be how one would identify the level of complexity in a country’s extractive industries. Would one contract an independent consultant to conduct such an assessment, for instance? Another issue is when such complexity would be assessed. Zar Ni made the point that countries learn about the complexity of their own sectors as they implement the EITI – EITI Candidature is a learning process. So complexity should not be assessed at sign-up, but rather once a country has produced at least one EITI Report.

Gay from the Philippines noted that the current Validation system assumes that all countries have the same baseline, or point of departure, with the required data not always available, either in as granular a detail as required by the EITI or with no adequate systems in place. So countries should be given reasonable time to comply. Gay understands the concerns that more flexible timeframes might discourage countries from making meaningful progress, but countries could set a reasonable time in conjunction with the Board so that it is not left to whim. She also notes that Validation effectively makes MSG decisions about the scope of reporting irrelevant since the requirements are set and what is achieved beyond this is not considered. Given the time constraints to produce EITI Reports it is not possible to give all information required as much priority as it should be given. Gay said she would welcome a scoring system. Another option might be to consider assessment on a per-sector basis – ie oil and gas, mining and coal separately for the Philippines, which has challenges in reporting in the coal sector.

3. **A third issue is the current use of the term “candidate and compliant” as well as other terminology used in validation.**

Tri from Indonesia used the analogy of the TI Corruption Perception Index as an example of an index that provides a more nuanced assessment. So while the terms candidate and compliant would be preserved, two countries that are compliant could still have different scores.
Tsolmon agreed that the status of candidate and compliant should be preserved.

Elda from Timor-Leste agreed that there must be a global Standard for the EITI and that the status of candidate and compliant should be preserved. She noted however that Validation should be both backwards looking, as it is now, but also forward looking and prescribe some advice and encouragements of good practice for the government, because each country has its specific challenges in nature and maturity of the extractive sector and structural challenges its has, hence timeframe for achieving compliance status should differ. Refering to point one, depending on each country’s nature, Elda expressed that a fixed timeframe between 2 to 3 years should be sufficient to obtain a compliance status as progress of implementation can be monitored and measured.

Zar Ni from Myanmar agreed with Tsolmon's proposal to keep candidate and compliant status, as it is very important for countries to achieve milestones. He also agreed with Elda's proposal for a forward-looking Validation process, as well as looking at achievements. He noted however that it is very important to have strict rules and regulations to push stakeholders to make meaningful progress. There needs to be a punishment mechanism to maintain political will and support for EITI implementation.

4. The final issue that I wanted to highlight is whether the current use validators is appropriate. Many stakeholders have pointed out that validators are expensive, and the quality of the work remains poor.

Tsolmon from Mongolia noted that the current Validation system is quite expensive and there may be some scope to find a more cost effective way to conduct Validation.

Zar Ni highlighted the pros and cons of each approach to Validation. The cost of using international consultants is expensive, and it would be good to include local consultants as part of the work. Over time, it would perhaps be possible to have local consultants play a more active role in Validation. However in countries like Myanmar there is significant lack of trust and using international consultants helps ensure the process is seen as credible.