

# Board decision on the second Validation of Mali

Decision reference: 2019-47/BM-43

# Table of contents

<b>The Board's decision</b> .....	3
<b>Background</b> .....	3
<b>Scorecard</b> .....	5
<b>Corrective actions</b> .....	6
<b>News</b> .....	7

## The Board's decision

Following the conclusion of Mali's second Validation on 17 June 2019, the EITI Board concluded that Mali has made meaningful progress overall in implementing the EITI Standard, with considerable improvements across individual requirements.

The EITI Board agreed that Mali has partly addressed the corrective actions from the country's first Validation. Consequently, Mali has made meaningful progress overall with implementing the EITI Standard, with considerable improvements across several individual requirements.

The Board recognised Mali's efforts to use the EITI to as an annual diagnostic of government systems in challenging circumstances linked to country's political and security fragility. Mali's EITI implementation was recognised as having led to tangible reforms in the country's public financial management, tax administration and tax policy.

The Board noted that, while the EITI's requirement on subnational transfers is not applicable to Mali in the years under review, stakeholders have gone beyond the EITI Requirements in using EITI reporting as a means of ensuring greater transparency and accountability in the public financial management of extractives revenues, particularly with the redistribution of taxes to local governments, to meet robust popular demand for this information.

While recognising improvements in the multi-stakeholder group's (MSG) oversight of implementation, the Board encouraged Mali to strengthen the accountability of MSG representatives to their respective constituencies. Mali is also encouraged to strengthen its use of EITI as a diagnostic of license allocations and transfers, while adopting a more systematic approach to following up on recommendations and assessing impact. The Board encouraged Mali to explore opportunities to improve government and company disclosures through systematic disclosures of data required under the EITI Standard.

The Board has determined that Mali will have **12 months, i.e. until 17 June 2020** before a third Validation to carry out corrective actions regarding MSG oversight (1.4), license allocations (2.2), discrepancies and recommendations from EITI Reports (7.3), outcomes and impact of EITI implementation (7.4). Failure to achieve meaningful progress with considerable improvements across several individual requirements in the third Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Mali's MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

## Background

Mali was admitted as an EITI Candidate in September 2007. The first Validation of Mali commenced on 1 July 2016. On 24 May 2017, the EITI Board found that Mali had made meaningful progress in implementing the 2016 EITI Standard. Nine corrective actions were established by the EITI Board, pertaining to the following requirements:

1. MSG governance (Requirement 1.4)
2. Workplan (Requirement 1.5)

3. Licence allocation and licence registers (Requirements 2.2 and 2.3)
4. Comprehensiveness (Requirement 4.1)
5. Data quality (Requirement 4.9)
6. Subnational transfers (Requirement 5.2)
7. Public Debate (Requirement 7.1)
8. Follow up on Recommendations (Requirement 7.3)
9. Review of outcomes and impact (Requirement 7.4).

The Board asked Mali to address these corrective actions to be assessed in the second Validation. Mali has undertaken a number of activities to address the corrective actions:

- Publishing its 2017 Annual Progress Report on 31 July 2018;
- Publishing its 2016 EITI Report on 31 December 2018;
- Adopting a revised EITI Decree on 10 January 2019;
- Publishing the updated MSG ToR on 21 February 2019;
- Publishing the industry constituency ToR on 21 February 2019;
- Publishing the 2019 Mali EITI work plan on 21 February 2019;
- Publishing a plan to follow-up on EITI recommendations on 21 February 2019.

Mali's second Validation commenced on 27 February 2019. The Secretariat assessed the progress made in addressing the nine corrective actions established by the EITI Board. **The EITI International Secretariat's assessment is that Mali has fully addressed five of the nine corrective actions, with significant improvements on the four outstanding requirements.** The draft assessment was sent to the Multi-Stakeholder Group (MSG) on 3 May 2019. Following MSG comments expected on 24 May 2019, the assessment will be finalised for consideration by the EITI Board.

# Scorecard

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
MSG oversight	Government engagement (#1.1)				█	
	Industry engagement (#1.2)				█	
	Civil society engagement (#1.3)				█	
	MSG governance (#1.4) 			█		
	Workplan (#1.5) 				█	
Licenses and contracts	Legal framework (#2.1)				█	
	License allocations (#2.2) 			█		
	License register (#2.3) 				█	
	Policy on contract disclosure (#2.4)				█	
	Beneficial ownership (#2.5)					
	State participation (#2.6)				█	
Monitoring production	Exploration data (#3.1)				█	
	Production data (#3.2)				█	
	Export data (#3.3)				█	
Revenue collection	Comprehensiveness (#4.1) 				█	
	In-kind revenues (#4.2)					
	Barter agreements (#4.3)					
	Transportation revenues (#4.4)					
	SOE transactions (#4.5)					
	Direct subnational payments (#4.6)					
	Disaggregation (#4.7)				█	
	Data timeliness (#4.8)				█	
	Data quality (#4.9) 				█	
Revenue allocation	Distribution of revenues (#5.1)				█	
	Subnational transfers (#5.2) 					█
	Revenue management and expenditures (#5.3)					

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
Socio-economic contribution	Mandatory social expenditures (#6.1)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1) 					
	Data accessibility (#7.2)					
	Follow up on recommendations (#7.3) 					
	Outcomes and impact of implementation (#7.4) 					
Overall Progress						

 **No progress.** All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.

 **Inadequate progress.** Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.

 **Meaningful progress.** Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.

 **Satisfactory progress.** All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.

 **Beyond.** The country has gone beyond the requirements.

 This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.

 The MSG has demonstrated that this requirement is not applicable in the country.

## Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Mali. Progress in addressing these corrective actions will be assessed in a third Validation commencing on **17 June 2020**:

1. In accordance with Requirement 1.4, Mali should ensure that the procedures for nominating and changing EITI multi-stakeholder group representatives are public and implemented in practice. Mali is encouraged to ensure that effective outreach activities are undertaken with civil society groups and companies, including through communication such as media, website

and letters, informing stakeholders of the government's commitment to implement the EITI, and the central role of companies and civil society. Members of the MSG are strongly encouraged to liaise with their constituency groups on a regular basis, and to consult broadly on EITI documents, including the annual progress report, the work plan, and the EITI Report.

2. In accordance with Requirement 2.2.a, Mali should ensure that the awards and transfers of mining, oil, and gas licenses during the year are publicly disclosed annually, highlighting the process for awarding and transferring licenses, including technical and financial criteria, and any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers.
3. In accordance with Requirement 7.3, Mali should introduce a systematic and structured mechanism to track follow-up on recommendations from EITI Reports and from Validation, with a clear timeframe and clear responsibilities for follow-up. Mali should also take a more proactive role in formulating its own recommendations. Mali should ensure that the next annual progress report and EITI Report provide a detailed summary of progress in implementing recommendations from EITI Reports and Validation.
4. In accordance with Requirement 7.4.a.iv, Mali should include an assessment of progress with achieving the objectives set out in its work plan, including the impact and outcomes of the stated objectives. Mali may wish to conduct a dedicated assessment of the impact of EITI implementation in Mali.

## News

### **EITI countries progress on path to transparent and accountable extractive sectors**

*EITI Board assesses implementation in eight countries*

The EITI Board assessed the status of eight implementing countries, including [Ethiopia](#), [Ghana](#), [Guinea](#), [Malawi](#), [Mauritania](#), [Nigeria](#), [Norway](#) and [Trinidad and Tobago](#) at its meeting in Kyiv on 27-28 February. The Board agreed that Nigeria and Norway had achieved satisfactory progress overall in implementing the EITI Standard. In the other cases, the Board noted progress and outlined the corrective actions needed to meet this Standard.

#### **Why the EITI Validates countries**

The status of an EITI implementing country is determined through [Validation](#), the EITI's quality assurance mechanism. The process assesses the country's performance against the requirements of the [EITI Standard](#) by reviewing documentation and consulting with government, company and civil society stakeholders. A Validation outlines and identifies a country's weaknesses and strengths and prescribes a set of corrective actions that must be addressed within a 12 to 18 month period, after which a country will undergo a second Validation to assess progress. The Validation [scorecard](#)

provides an overview of a country's results. The EITI Board makes the final decision on a country's EITI status.

*“Over half of all EITI countries have now undergone Validation against the EITI Standard,”* said EITI chair Fredrik Reinfeldt. *“The overall travel of direction is positive and governments, companies and civil society across regions are demonstrating strong commitment to bringing transparency and accountability to the management of their natural resources and using EITI data to instigate reforms. Validation has shown that many EITI countries are going beyond the EITI Standard, with innovative disclosures related to extractives contracts, licensing and sales of the state's share of oil, gas and minerals.”*

### **Validations: Mapping the sector, assessing strengths, recognising impact and diagnosing weaknesses**

Ethiopia, Guinea, Malawi and Trinidad and Tobago have recently undergone their first Validations and have all achieved meaningful progress against the EITI Standard.

The Board welcomed [Ethiopia](#)'s effort to report on issues of national importance such as artisanal and small-scale mining and socio-environmental issues. The Board commended ongoing reforms to shift the mandate of government agencies from control and monitoring, to supporting and enabling civil society to contribute to public debate. Going forward, the EITI can play a key role in improving the relationship between companies and affected local communities. Validation has also shown that work remains to ensure comprehensive disclosures on state participation in the sector and reporting at the subnational levels of government. This will be important as the country embarks on the development phase of oil and gas projects in the Ogaden basin and pursues efforts to formalise the mining sector. In taking this decision, the Board took note of the government's efforts to repeal or amend laws that restrict civil society's freedom of expression, operation and association, which have had an impact on their ability to engage in the EITI process. Nonetheless, the Board commended the efforts to include civil society groups in ongoing reforms.

[Guinea](#), which has a rapidly developing bauxite sector and is rich in iron ore reserves, made improvements in the comprehensiveness and quality of its EITI reporting. The Board outlined eight corrective actions, including disclosing more information on infrastructure agreements, direct subnational payments and quasi-fiscal expenditures. The Board noted that the EITI should play a role in overseeing the new Local Economic Development Fund (FODEL).

[Malawi](#) has established its multi-stakeholder group as a platform for fact-based debate and allowed its production and export data to be scrutinised through the publication of its second EITI Report. While the country has significant deposits of bauxite, coal, limestone, phosphate and uranium, the extractive sector is still in development, with few large-scale mining operations in place and a petroleum sector in exploration phase. To ensure terms of operations are accessible to the public, Malawi has published all contracts in line with the encouragements in the EITI Standard. These contracts have been used by civil society to create financial models and clarify the precise terms associated with the agreements. More work remains to be done to ensure clarity surrounding Malawi's off-budget petroleum funds, a gap in an otherwise transparent environment. There are also concerns regarding data quality and who receives social contributions.

[Trinidad and Tobago](#) was acknowledged for having built a dynamic platform to collect, publish, and debate information about how the country's natural resources are managed. EITI Reports have identified gaps in revenue collection, production and cost monitoring and cadastre information.

Moving forward, there are opportunities to strengthen oversight of mining licence management to ensure that information on beneficial owners are made publicly accessible, and to enhance public trust in official production and export data. Victor Hart, chair of the TTEITI steering committee, said the country will “continue innovating through the EITI by promoting contract transparency, environmental reporting and reaching out to midstream and downstream companies to participate in EITI implementation.”

## **Second Validations: deepening transparency and strengthening government systems**

*“Several EITI countries are now going through their second Validations and have made significant progress in bringing transparency to their oil, gas and mining sectors,”* said Mark Robinson, executive director of the EITI International Secretariat. *“These second Validations have shown that countries are successfully reforming their sectors and making noteworthy advancements in systematically disclosing EITI data, strengthening government systems.”*

Ghana, Mauritania, [Nigeria](#) and Norway have undergone their second Validations and were evaluated based on the prescribed corrective actions.

[Ghana](#) was found to have made meaningful progress and fully addressed six out of the eight corrective actions. Ghana’s implementation of EITI recommendations contributed to reforms that have increased the government’s revenues from the sector, a priority for the government that wants to [decrease its reliance on foreign aid](#). The country was lauded for publishing all its mining, oil and gas contracts and making these accessible through online portals. Yet work remains to ensure comprehensive disclosure by the country’s largest oil and gas companies.

Several large oil and gas projects are being developed in [Mauritania](#), a leading producer of iron ore. The country has achieved meaningful progress against the EITI Standard, having made improvements in the oversight of EITI implementation by the government, industry and civil society. The Board recognised Mauritania’s efforts in using EITI reporting as a diagnostic tool to drive reforms in the management of extractives licences and state participation in the mining sector. A set of corrective actions were assigned to enhance disclosures of licence allocations and the licence register, improve disclosures on state participation in the mining sector, and strengthen the evaluation of the EITI’s impact. The Board welcomed ongoing efforts to ensure systematic disclosure of EITI data, which will strengthen government systems and make EITI implementation more meaningful moving forward.

[Norway](#), which has supported the EITI since its inception, has achieved satisfactory progress. Widely lauded as a success story in the management of oil wealth, it was the first OECD country to implement the EITI, publishing eight EITI Reports from 2008 to 2015. In 2017, Norway was the first country to make an application to the EITI Board to mainstream EITI implementation. Timely, comprehensive and reliable information is published through the government’s [Norwegian Petroleum website](#) and in companies’ country-by-country reports. Accordingly, the EITI Board agreed that standalone EITI Reports were no longer necessary and Norway applied to disband its EITI multi-stakeholder group. Transparency and inclusive governance are safeguarded through a range of forums that industry and civil society are using to promote good governance, including annual stakeholder meetings that address progress with EITI implementation.

Learn more:

- Overview of [Validation decisions](#) and documentation pages

- Validation scorecards:
  - [Ethiopia](#)
  - [Ghana](#)
  - [Guinea](#)
  - [Malawi](#)
  - [Mauritania](#)
  - [Norway](#)
  - [Trinidad and Tobago](#)
  
- EITI's [Validation process](#)