

Board decision on the Validation of Peru

Decision reference: 2019-45/BM-43

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The Board's decision

The EITI Board agreed that Peru has **partly addressed** the corrective actions from the country's first Validation. Consequently, Peru has **made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several individual requirements.**

The Board recognised Peru's efforts to align its objectives for EITI implementation with national priorities for the extractive industries. Peru's EITI implementation is also recognised for providing a constructive platform for discussion and debates about extractive sector management, involving all stakeholders. The second Validation confirmed Peru's efforts to ensure that extractives data disclosed by companies and government entities participating in EITI reporting is subject to audit and assurance procedures in line with international standards. The Board welcomed the regular reviews of lessons learnt and recommendations from EITI implementation.








The Board welcomed ongoing efforts to consider further the opportunities to improve government and company disclosures through systematic disclosures. The Board also welcomed ongoing efforts to decentralise the EITI by implementing it at the subnational level. The five regional EITI processes in Apurimac, Arequipa, Loreto, Moquegua and Piura are a significant development in bringing transparency to resource's management in Peru and an example of best practices to the rest of the EITI family. Peru is encouraged to continue to ensure adherence to the EITI Principles and Requirements while ensuring comprehensiveness in disclosure of revenue and payments, as well as social expenditures. The Board welcomed the emerging coverage of these social expenditures which represent a substantial part of the industry's contribution to local development. The progress and plans in bringing more information on those contributions through DATAMART is noted and encouraging. The Board and the International Secretariat are available to support Peru on increasing transparency on this important area.








The Board has determined that Peru will have 12 months, i.e. **until 17 June 2020** before a third Validation to carry out corrective actions regarding comprehensiveness (4.1) and mandatory social expenditures (6.1). Failure to achieve satisfactory progress in the third Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Peru's MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

Scorecard

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond

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 Peru. Progress in addressing these corrective actions will be assessed in a third Validation commencing on **17 June 2020**:

1. In accordance with Requirement 4.1, the multi-stakeholder group is required to agree which companies are material and therefore be included in the scope of reconciliation. The MSG is invited to consider whether setting a materiality threshold in terms of companies' share of government revenues would ensure that all material companies were covered in the

reconciliation. In light of constitutional taxpayer confidentiality provisions, the MSG is urged to ensure that it undertakes annually at least a confirmation that all material revenues and companies have been included in the reconciliation, in close collaboration with the tax authority (SUNAT).

2. In accordance with Requirement 6.1, Peru is required to review the coverage of mandatory social expenditures to all stakeholders, including indigenous communities, and agree an approach to address this requirement in accordance with the EITI Standard. Once a decision is taken and documented, social payments shall be disclosed in publicly available format, and in accordance with Requirement 6.1.

News

EITI countries progress on path to transparency and accountability

The EITI Board assessed the status of four implementing countries - Albania, Mali, Peru and Sierra Leone - at its meeting in Paris on 17 June.

What is Validation?

The EITI is implemented at the national level. In accordance with the EITI Standard, all EITI implementing countries are subject to periodic evaluation (“[Validation](#)”). Validation focuses on adherence to the EITI’s requirements on stakeholder engagement and government and company disclosures.

“The majority of EITI countries have now undergone Validation against the EITI Standard”, said EITI Executive Director Mark Robinson. “The overall direction of travel is positive with implementing countries showing a growing commitment to transparency, and using EITI data to inform public debate. These cases also illustrate how implementing countries are going beyond the EITI Standard, with innovative disclosures on hydropower, subnational EITI implementation and sub-national transfers.”

Albania

The EITI Board found that Albania had made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several EITI requirements. The full Board decision is [here](#).

Albania was recognised for strengthening its multi-stakeholder oversight of extractives governance, with a clear impact on the efficiency of subnational transfers of mining, oil and gas royalties to the country’s 61 local governments. The Board outlined six corrective actions for the mineral-rich country, including clarifying license allocations and transfers, subnational revenue flows, state participation and further strengthening civil society engagement in EITI. A key aspect of Albania’s EU accession ambitions, there is scope to use the EITI’s diagnostic elements to improve the accountability of extractive industry governance just as the Trans-Adriatic Pipeline comes online in

2020.

Mali

The EITI Board found that Mali had made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several EITI requirements. The full Board decision is [here](#).

The Board recognized Mali's efforts to use the EITI to inform the public debate on natural resource governance, in challenging circumstances linked to the country's political and security fragility. The Board congratulated Malian stakeholders for their efforts to go beyond EITI requirements, by 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.

Peru

The EITI Board found that Peru had made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several EITI requirements. See [here](#).

Since its first Validation, Peru has made significant progress in reporting on the state's participation in the extractive sector. The EITI Board commended Peru on its five regional EITI processes in Apurimac, Arequipa, Loreto, Moquegua and Piura as a significant development in bringing transparency to the local level. The Board welcomed the improved coverage of social expenditures, which often represent a substantial part of companies' contribution to local development. The progress and plans to disclose more information on those contributions through DATAMART, an online portal, was welcomed as an example of EITI mainstreaming.

Sierra Leone

The EITI Board found that Sierra Leone had made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several EITI requirements. The full Board decision is [here](#).

The Board noted that EITI implementation in Sierra Leone had improved the availability of information and strengthened dialogue between stakeholders. There has been a significant drop in revenues generated by the sector from USD 74m in 2013 to USD 26m in 2016, due to the fall in commodity prices and the Ebola crisis. The Government of Sierra Leone has embedded provisions related to EITI in national legislation. However, the focus on reconciliation of extractives revenues collected at the national level has not yet been combined with efforts to clarify subnational revenue flows, both in terms of direct payments to subnational governments from companies and transfers from the national government. Moving forward, the Extractive Industries Revenues Act 2018 (EIRA) obliges companies to publish their payments to government.

"The Government of Sierra Leone is committed to using EITI as a tool to improve investment climate by providing a clear signal to investors and international financial institutions that the country is committed to greater transparency. This will aid in mitigating political and reputational risks as well as creating a level playing field in Sierra Leone." - Minister of State and SLEITI MSG Chair, Frances Piagie Alghali, Sierra Leone

Learn more:

- Overview of Validation decisions and documentation pages [here](#)
- Summary and resources on the EITI Global Conference [here](#)