
EITI Implementing Countries Constituency Meeting

Approaches to Reporting: Peer-Learning Session with Country Cases

15 June 2022
14:00 – 15:30

Germany and Mauritania: Innovators in EITI reporting

Background

In February 2020, the [EITI Board](#) tasked the International Secretariat to work with interested implementing countries to develop alternative approaches to EITI reporting based on collating and analyzing systematically disclosed data. The broad objective was to encourage MSGs to become active agents in the use of extractive data and facilitate evidence-based policy and decision making. **Germany** and **Mauritania** agreed to participate in the pilot.

The **German** approach to alternatives to EITI reporting is based on the experience of two costly reconciliations which found no discrepancies. Its participation in the pilot is in line with the objective of Germany's EITI implementation to contribute to the further development of the EITI Standard. The pilot has two objectives. Firstly, to establish an alternative, more cost-effective method to reconciliation to assure the quality of systematically disclosed revenue data (in line with requirement 4.9). Secondly, the pilot is to strengthen the oversight role of the MSG on disclosures.

As one of the pioneer countries in systematic disclosures, **Mauritania** sought to capitalize on its progress in that domain and to deepen the use of EITI data. In 2018, **EITI Mauritania** developed its systematic disclosure strategy, which resulted in the adoption of a [decree on systematic disclosure](#) in 2019. The decree describes the role of the MSG in the oversight and analysis of disclosures and mandates reporting entities to publish the information themselves, regularly. **Mauritania** EITI also created a data collecting and publishing platform called 'Data Warehouse' with support from the German development agency (GIZ). The objective of the participation of the pilot is to develop an alternative to full reconciliation, using revenue data collected and published through the data warehouse.

Methodology

Germany developed a risk-based approach that focuses on the systematic analysis of payment systems on government side and safeguards against corruption. Firstly, the MSG determined that there was sufficient information from previous reconciliation reports to use for a risk-based assessment of discrepancies. Secondly, the independent administrator was tasked to do a comprehensive analysis of the government's internal control systems, including interviews with civil servants working in the administration. The analysis of internal processes and controls, as is done when companies are audited, was complemented by a review of key developments in the year under review. Key developments could be any changes to the legal framework which would change existing internal processes of revenue collection and allocation. Based on this risk assessment, the MSG decides on plausibility checks of specific payment flows which are then conducted by the Independent Administrator. Compared with conventional reporting, the pilot model in **Germany** requires more information on the government's internal control systems and expands role of the MSG to conducting a risk assessment. Revenues are reported by companies in the requested detail of Requirement 4.7. The government routinely publishes revenues from royalties aggregated by *Bundesland*, which are republished in the EITI Report.

Mauritania is building on **Germany's** proof of concept and will apply the risk assessment methodology. Although inspired by the German experience, **Mauritania's** approach to the pilot will be adapted to the national context, as government institutions do not allow the same level of data reliability. An additional module designed to analyze the revenues from a particular extractive project is foreseen and should allow for the comparison of expected and actual revenues. **Mauritania** will have a chance to explore the extent to which this analysis can be used as an alternative to reconciliation to assess the reliability of the data.

Results

The pilot has only been fully implemented by **Germany** to date. By adopting an audit-based approach of analysing payment processes and internal controls of government entities, the German MSG has gained a better understanding of the payment ecosystems for payments related to the extractive industry. There is agreement between the independent administrator and the MSG that the two-step approach allows for greater confidence in the quality of the information disclosed by companies. The execution of the pilot was demanding on the MSG, independent administrator and the secretariat. However, if this approach is deemed sufficient to adhere to Requirement 4.9, it would allow to more quickly publish subsequent EITI Reports.

The lessons learned review in February 2022 (Board Paper 52-4-B) found that approaches to EITI reporting have resource implications that are important to consider when evaluating results. The cost of **Germany's** EITI Report fell from EUR 130,000 for the conventional report covering 2017 to EUR 100,000 for the first year of the pilot in 2018. The significant role of the MSG in producing the pilot report indicates possible opportunity costs with other EITI implementation activities beyond disclosures. The timeliness of **German** EITI reporting has remained constant under the pilot.

The Board envisioned knowledge sharing would underpin the process for development of alternative approaches to EITI reporting. In February, **German** colleagues held a virtual meeting with counterparts in **Mauritania** EITI to share their experience with the pilot. These exchanges with both the national secretariats and the independent administrators proved to be crucial to **Mauritania's** understanding of the concrete implementation of the pilot, the chosen methodology and its implications for the work of the secretariat and independent administrator.

Next steps

Mauritania is still at an early stage of participation in the pilot. It has developed terms of reference for its 2020 report to be published this year and is holding its first meetings with the independent administrator to agree the next steps.

Germany's MSG is currently considering a possible third phase of the pilot scheme. The focus is on formulating a procedure that could be used over several years. A key consideration is annual follow-up on the processes and controls for risk assessment. This is to ensure alignment of reporting with the EITI Standard. Agreement on a standard procedure that is fully compliant with the EITI Standard would reduce the extra time required by the MSG to implement the pilot scheme.

Senegal: Example of good reporting practices

Senegal ensures timely disclosures that provide a basis both for public debate and policymaking related to the extractive industries and public finance management. Senegal now has one of the timeliest sets of data required under the EITI Standard worldwide with EITI data disclosed to the public within one year of the end of the fiscal period covered. There are numerous examples of



Extractive Industries
Transparency Initiative

use of EITI data to drive policy and administrative reforms that are at least partly attributable to EITI.

Senegal has effectively used reporting as an in-depth diagnostic in key areas of the nascent oil and gas sector as well as the more mature mining sector, including in the financing of the oil and gas SOE's participation in new projects, in clarifying the level of subnational transfers statutorily due to local communities and in the development of local content in the extractive industries.