

Terms of Reference EITI reporting



The global standard for the good governance
of oil, gas and mineral resources.

Agenda

1. Criteria for TOR for EITI reporting
2. Role of MSG in EITI reporting
3. Emphasis on systematic disclosures
4. Approaches to data quality

1. Criteria for ToRs for EITI Reporting

- a) **Flexibility and relevance:** by allowing MSGs to prioritise certain disclosures that are most relevant for the extractive sector in their countries.
- b) **Timeliness:** producing data and information that is more current by placing a stronger emphasis on systematically disclosed data required by the EITI Standard and the contribution to the public debate and policy development.
- c) **Accessibility:** by producing shorter and more accessible reports for MSGs that draw on available sources of data rather than long narrative explanations.
- d) **Cost effectiveness:** by building on systematically disclosed data and by introducing a new systems analysis based approach to quality assurances for EITI reporting.
- e) **Data quality:** by maintaining the requirement for MSGs to agree and implement procedures related to the quality of EITI disclosures while providing a menu of options of data quality and assurance procedures from which MSGs can choose, depending on the country context.

2. Role of MSG in EITI reporting

- The draft ToRs emphasises the role of the MSG in its oversight of EITI disclosures.
- As per EITI requirement 4.9.c, the multi-stakeholder group is required to **agree a procedure to address data quality and assurance** in line with one of the standard procedures endorsed by the EITI Board.
- The multi-stakeholder group is required to **document the rationale** for adopting a particular standardised procedure and to apply the standard procedure without any material deviations.

2. Role of MSG in EITI reporting

- The EITI Standard is not **prescriptive on the entity** should conduct data collection as well as data quality assurance once the entity selected for preparing the EITI report.
- However, the Standard notes that the data is deemed **credible and subject to independent audit, applying international standards.**
- Recognize the importance of an independent third party in contexts with little government trust or trust in companies. Several risks in producing data that has not been verified by an external third party.

2. Role of MSG in EITI reporting

- Any entity (organisation or individual) could act as **Independent Administrator** provided that entity had the MSG's confidence and demonstrated sufficient professional aptitude to prepare an EITI Report.
- **Role of Validation** in reviewing the approach adopted by the MSG and making recommendations for improvements where necessary.

3. Systematic disclosures

- TOR for EITI reports but TORs for EITI reporting.
- Recognize that Standard covers both financial and non-financial data.
- Disclosures take place in EITI Reports but via other fora such as license registers etc.
- Countries are at different stages of systematically disclosing data.
- Goal is to avoid duplication of reporting where information is systematically disclosed.

3. Systematic disclosures

- EITI reports should collate and analyse information from primary sources in order to make this information more accessible and comprehensible.
- Key questions
 - Is the information systematically disclosed?
 - If not, is it disclosed via another format? i.e. location, summary etc
 - How can gaps in disclosure to be covered by EITI reporting?
 - How comprehensive and reliable is the data?
 - How accessible is the data?
 - How can publication and use of data be improved?

3. Systematic disclosures

- The ToRs underscores the MSG's role in defining and overseeing the reporting process, while seeking to ensure that **EITI reporting is meaningful**.
- EITI provisions are presented by **modules of interconnected requirements**.
- Presenting results by modules will help **track outcomes of EITI implementation in specific areas**, such as state participation in the extractive industries.
- It will become easier to identify **common challenges and areas** where the country has improved over time.
- This is in line with the **EITI Validation model**.

3. Systematic disclosures

Financial disclosures:

- Revenue collection (Requirements 4.1, 4.3, 4.4, 4.7-4.9)

Non-financial disclosures:

- Overview of the extractive sector (Requirements 3.1, 6.3)
- Legal and fiscal framework (Requirements 2.1, 6.4)
- Licenses (Requirements 2.2, 2.3, 2.4)
- Beneficial ownership (Requirement 2.5)
- State participation & SOEs (Requirements 2.6, 4.2, 4.5, 6.2)
- Production and exports (Requirements 3.2, 3.3)
- Revenue allocation (Requirements 5.1, 5.3)
- Subnational contribution (Requirements 4.6, 5.2, 6.1)

4. Data quality assurance

- Only **one standardised approach** has been approved by the EITI Board, i.e., the conventional reporting procedure based on reconciliation.
- **Reconciliation** is a process where a credible and independent entity responsible for EITI reporting, such as an Independent Administrator, would compare company payments and government revenues per company and revenue stream.
- These ToRs provide four options for data quality assurance piloted during the period of **flexibility introduced by the Board** as a result of the Covid-19 pandemic.
- There are viable alternative approaches to ensuring the reliability of government disclosures of revenues other than conventional reconciliation.

4. Data quality assurance

- Reconciliation with management attestations
 - *majority of implementing countries*
- Reconciliation with auditor opinions
 - *Burkina Faso, Cameroon, Guyana, Madagascar, Mongolia, the Republic of the Congo and Senegal*
- Reconciliation between revenue-collecting government agencies
 - *Chad & Democratic Republic of Congo)*
- Systems and risk-based quality assurance
 - *Germany & Mauritania*



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