



Review of EEITI Roadmap on Beneficial Ownership Disclosure (December 2016)

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Introduction

As part of producing a beneficial ownership scoping study for EEITI, we undertook a review of EEITI's Roadmap on Beneficial Ownership Disclosure dated December 2016. We note that this roadmap was produced to comply with the requirement that all EITI implementing countries produce a roadmap on beneficial ownership disclosure by 1 January 2017. EITI Standard requirement 2.5 makes it mandatory after 1 January 2020 for all implementing countries to request beneficial ownership information and for companies to disclose this information.

In reviewing EEITI's Roadmap, we relied on EITI Secretariat's Guidance Note 22 dated May 2016 and our own experience in producing and reviewing similar types of roadmaps. Our review against the checklist contained in Guidance Note 22 is set out in Appendix 2.

On 29 March, we held a workshop in Addis Ababa to raise awareness of beneficial ownership and to provide feedback on the Roadmap. The EEITI Secretariat organised the workshop at the Ministry of Mines. The invitees included:

- Representatives from companies that have engaged with EITI (eg through reporting data for the first EEITI report) and those that have had no prior engagement but may fall within scope in the future;
- Civil society representatives;
- Ministry of Mine officials.

A majority of the approximately 30 people who attended the workshop were company representatives.

In relation to the Roadmap, the key message that we delivered was that the Roadmap provided a starting point but there are significant gaps that need addressing. The workshop included:

- A review of the draft Roadmap, including lessons learned from other countries and suggested areas for improvement. During this section, attendees were invited to suggest elements that should be included in the roadmap;
- An exercise for attendees to commit to one action in their sphere of responsibility that would contribute to advancing the implementation of beneficial ownership requirements.

In undertaking our review, we noted that the key features of the requirements for beneficial ownership are that it should be mandatory, complete, up to date and accessible. We give our observations on the Roadmap below and set out our recommendations. A suggested model for a Roadmap is set out in Appendix 1.

Observations

We note that EEITI met the deadline for producing a roadmap before 1 January 2017 and that it contains references to most of the elements contained in Guidance Note 22.

That said, the Roadmap has a number of weaknesses which we outline below:

- Some of the objectives do not relate to the Roadmap but to a broader set of aims. The Roadmap sets out five objectives but these are a mixture of broad objectives for the country (such as eliminating corruption) and objectives for the EITI process (improving transparency). Successful implementation of the Roadmap should contribute to fulfilling these objectives. The fifth bullet gives a specific objective for the Roadmap;
- It is unclear the contribution that implementing the Roadmap will make to achieving national priorities. While the Roadmap clearly states these national priorities, it lacks sufficient explanation of how implementing the Roadmap will contribute to them being achieved;
- The Roadmap, and particularly the table at the end of the report, makes frequent reference to identification and consultation but there are few references to concrete actions that would achieve progress towards implementing the Roadmap. For example, there is no reference to the work already undertaken to include beneficial ownership in the first EEITI report and incorporating the lessons learned into the Roadmap and future actions;
- The timeframe included in the Roadmap does not extend to 2020 but only covers 2017. Therefore, it does not set out the full path, including interim milestones, towards achieving implementation. This may reflect an over-optimistic expectation that robust beneficial ownership disclosure will be achieved in 2017, perhaps through the EITI Proclamation;
- The Roadmap does not identify the beneficial ownership information intended to be collected for each EITI Report between 2016 and 2020;
- The Roadmap does not contain an estimation of the costs involved or budget required for implementation, or the proposed source of funds to meet these costs. Likewise, it does not contain any reference to the human and technological resources that will need to be deployed to ensure implementation.

At the workshop, we emphasized the following points:

- The need to have interim milestones through to 2020, such as the adoption of legislation;

- The Roadmap should have a budget to cover all the proposed activity;
- Considerable thought should be given to what systems are required and whether existing systems and processes can be adapted or new ones need to be created;
- Some of the lessons that can be learnt from other countries, particularly Ukraine and Zambia.

The main points made by participants at the workshop were:

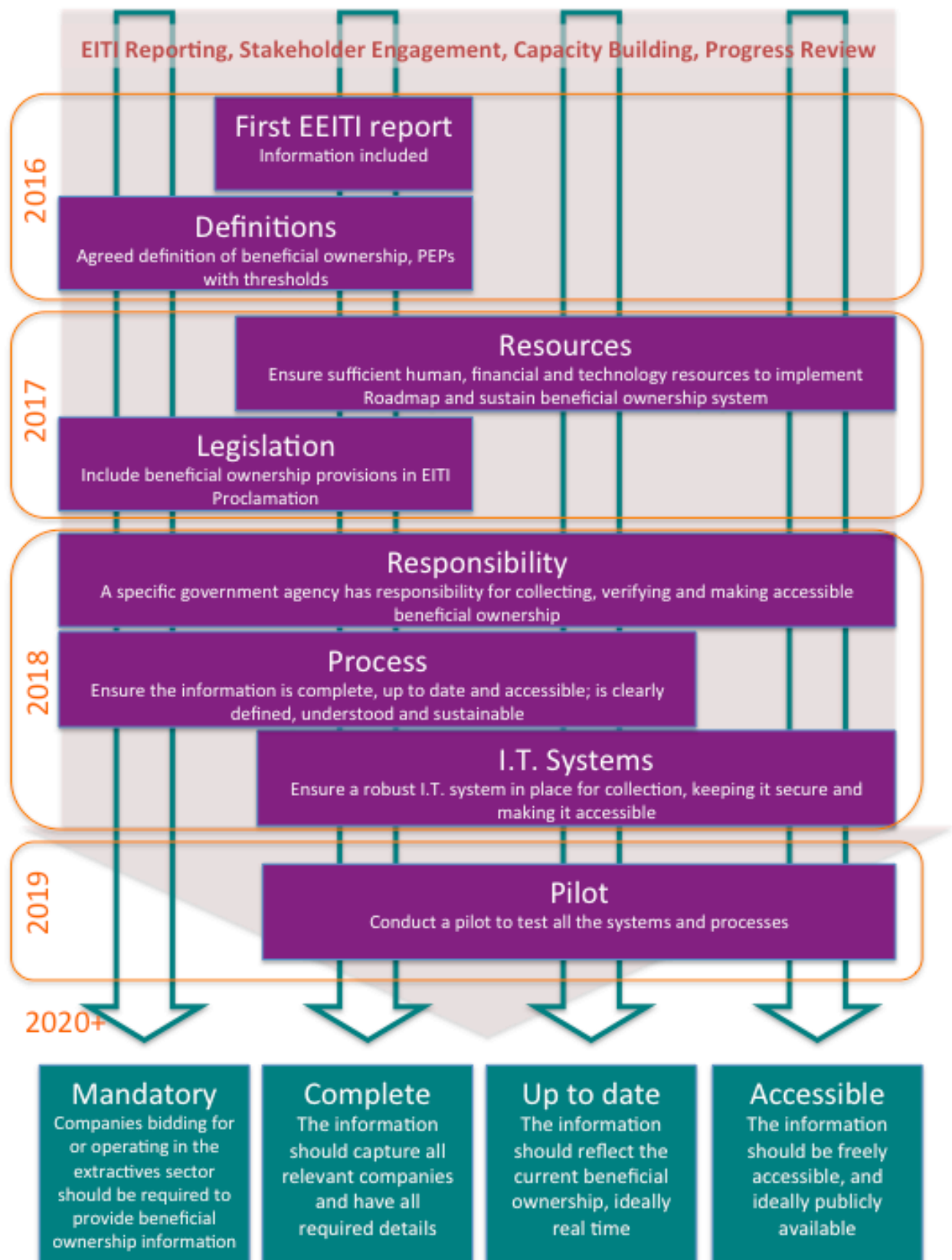
- The need to engage with a wider group of stakeholders, particularly in government;
- Recognised the importance of the Roadmap;
- Recognised the complexity of implementing robust systems and processes to gather beneficial ownership information.

Overall, the Roadmap sets out the areas that need to be addressed and details some of the initial work (such as consultations) that is required. However, it does not set out how implementation will be achieved and the full set of actions required to meet the 1 January 2020 deadline.

Recommendations

- Amend the Beneficial Ownership Disclosure Roadmap based on the model set out below (see Appendix 1) and taking into account EITI requirements. It should set clear objectives for the roadmap: eg implement a robust system to collect and make available beneficial ownership data to meet EITI Standard requirement 2.5 and to contribute to achieving the national priorities for the extractive sector. It should include:
 - A clear explanation of how beneficial ownership will contribute to achieving national priorities (eg helping in the attraction of FDI);
 - A complete set of actions and milestones through to 2020 including regular progress reviews;
 - A budget and identification of specific sources of funding;
 - Identification of the human and technology resources required to achieve implementation including capacity building needs.
- Engage with a wide range of stakeholders in government who may be users of the information collected to understand their requirements and expectations.

Appendix 1: Outline of Beneficial Ownership Roadmap



Appendix 2: EITI Guidance Note 22 Checklist

Checklist item	EEITI Roadmap
<p>Institutional framework for beneficial ownership disclosure <i>Has the multi-stakeholder group considered whether the roadmap should include activities aimed at...</i></p> <ul style="list-style-type: none"> ○ consultations with government agencies in order to identify the agency(ies) that is responsible or could best suited to oversee, collate and maintain beneficial ownership information? ○ reviewing any legal, regulatory or practical barriers to disclosure of beneficial ownership? ○ undertaking legal reviews and amendments with a view to incorporate requirements for beneficial ownership disclosure in relevant law(s)? 	<p>Reference to the relevant governments agencies (p7, section 4.2). In the Activities Table (p15), action 2 includes holding a workshop and broader consultation process in April-July 2017.</p> <p>No reference to legal, regulatory or practical barriers.</p> <p>Reference to existing Proclamation (816/2013) and commitment to propose existing legislation cover beneficial ownership. However, there are several other potentially relevant pieces of legislation.</p> <p>No reference to draft EITI Proclamation and using this to provide legal basis</p>
<p>Beneficial ownership definitions <i>Has the multi-stakeholder group considered whether the roadmap should include activities aimed at...</i></p> <ul style="list-style-type: none"> ○ reviewing whether national laws include a definition of beneficial owners? ○ reviewing existing international definitions and definitions used in other countries? ○ agreeing an appropriate definition and ownership thresholds in order to operationalize reporting of beneficial ownership? 	<p>Reference to consultation with relevant government agencies to understand existing definitions (p8, section 4.3).</p> <p>Reference to reviewing EITI model definition but no reference to reviewing any other international definition.</p> <p>Description of two step process to arrive at agreed definition.</p> <p>Definition and threshold agreed based on EITI model but lacking key elements (see Scoping Study).</p> <p>Commitment to undertake further consultation on definition by July 2017</p>
<p>Politically exposed persons <i>Has the multi-stakeholder group considered whether the roadmap should include activities aimed at...</i></p> <ul style="list-style-type: none"> ○ investigating existing national definitions and reporting 	<p>Reference to existing requirement for PEPs disclosure requirements (Proclamation 433/2005).</p> <p>Definition of PEPs stated but no definition agreed by MSG.</p>

<p>requirements for PEPs with a view to align the beneficial ownership definition accordingly?</p>	<p>Commitment to further consultation by August 2017 with Federal Ethics and Anti-Corruption Commission (FEACC).</p>
<p>Level of disclosure details and data reliability <i>Has the multi-stakeholder group considered whether the roadmap should include activities aimed at...</i></p> <ul style="list-style-type: none"> ○ consultation with government, civil society and companies with a view to determine the level of detail of the beneficial ownership disclosures (nationality, country of residence, level of ownership, how ownership is exerted, date of birth, residential address, means of contact, etc.), including opportunities and challenges with such disclosures ? ○ identifying an appropriate mechanism for companies to assure the data in the beneficial ownership declarations prior to data collection? 	<p>Commitment to undertake consultation on level of disclosure details by September 2017. Some consultation with Ministry of Mines already undertaken.</p> <p>Level of detail subject to consultation noted above.</p> <p>Reference (p11, section 4.7) to suggested data assurance method, including verification by cross checking with other sources. MSG to make decision by September 2017.</p>
<p>Data timeliness <i>Has the multi-stakeholder group considered whether the roadmap should include activities aimed at...</i></p> <ul style="list-style-type: none"> ○ reviewing what would be the most appropriate time for data collection of beneficial ownership information ? ○ how to reflect changes in ownership over time, once a baseline has been established? 	<p>Consultation on time for data collection to be undertaken by August 2017. Reference to collection at same time as financial data as option under consideration (p12, section 4.8)</p> <p>No reference to reflecting changes of ownership over time.</p>
<p>Data collection procedures and data accessibility <i>Has the multi-stakeholder group considered whether the roadmap should include activities aimed at...</i></p> <ul style="list-style-type: none"> ○ identifying the companies that will be required to participate in beneficial ownership reporting? ○ identifying the most efficient and sustainable data collection approach, including for example developing a beneficial ownership declaration form, or adaptation of the EITI's model beneficial 	<p>Commitment (p11, section 4.6) to identify companies in scope and reference to staged approach with 5 largest companies to be initial pilot.</p> <p>Brief reference in same section to identifying most efficient and sustainable collection method. Also commitment to consult with FEACC for integration into its systems.</p> <p>Commitment (p12, section 4.9) to make data publicly available online, tag and to translate into local</p>

<p>ownership declaration form as tools for collecting beneficial ownership data?</p> <ul style="list-style-type: none"> ○ increasing data accessibility, for example by publication of data in electronic or other open data formats? ○ considering establishing a public beneficial ownership register, ideally integrated in existing corporate or extractive license holder registers? 	<p>language.</p>
<p>Capacity building, and technical and financial assistance <i>Has the multi-stakeholder group considered whether the roadmap should include activities aimed at...</i></p> <ul style="list-style-type: none"> ○ capacity building and awareness raising campaigns, and/or actions aimed at identifying capacity building needs ? ○ identifying funding for the implementation of the roadmap and further funding for implementation of the beneficial ownership requirements on an ongoing basis ? 	<p>Specific capacity building requirements identified (p13, section 4.10) for government, companies and civil society plus a broader need to raise awareness and stage a nationwide campaign.</p> <p>No funding or other resources identified for implementing the roadmap or beneficial ownership requirements.</p>
<p>Deadlines and responsibilities for roadmap activities <i>Has the multi-stakeholder group made sure that the roadmap..</i></p> <ul style="list-style-type: none"> ○ includes measurable and time bound activities ? ○ assigns responsibilities for the various activities? ○ estimates the cost of the activities and identifies funding sources? ○ considers whether it is necessary to establish a working group to oversee the development and execution of the roadmap? 	<p>Timeframe identified but milestones and other measures of progress not identified.</p> <p>No indication as to whether additional beneficial ownership information required to be published for full compliance will be introduced on a phased basis or just in 2020.</p> <p>Responsible organisation identified.</p> <p>No costs or budget identified (see above on funding).</p> <p>No reference to working group or other staff resources required to implement the roadmap.</p>