

Iraqi Extractive Industries Transparency Initiative



مبادرة لشفافية للصناعات الاستخراجية في العراق

# ANNUAL ACTIVITY REPORT 2013





## **PREFACE**

*Iraq was accepted as an EITI Candidate country by the Board on 10 February 2010. The first EITI Report was published in December 2011. On 9 August 2012 the Iraq EITI Council agreed a final Validation report. The EITI Board declared Iraq compliant on 12 December 2012 on the basis of the Report. All officially exported oil from Iraq, including from Kurdistan, goes through the Iraq-Turkey pipeline with ports at Basra and Ceyhan (in Turkey). Any oil in that pipeline is the property of SOMO, the Iraqi state-owned oil company. The 2009 EITI Report covered these export sales. The EITI Board declared Iraq compliant on the basis of the 2009 report. Following protracted and difficult negotiations between the EITI and the KRG, the Iraq EITI produced an update of its 2010 report in May, including a chapter on Kurdistan's oil and gas production and revenues from exports, assessed by the Supreme Audit Board. The 2010 report also includes payments to the 16 international service companies in Iraq. The production of data on domestic consumption/sales will be a larger challenge. Through its 80 known oil fields, Iraq is estimated to have almost 10% of the world's proven reserves (143 billion barrels) and 2% of the world's natural gas reserves, making it the largest EITI implementing country by oil and gas reserves. The Rumaila and West Qurna fields together hold more proven oil reserves than the entire United States. According to the International Energy Agency, Iraq has the potential to earn US\$ 5 trillion in oil revenues between 2013 and 2035. For the same time period, it is estimated that Iraq will provide 45 per cent of global production growth and become the world's second largest exporter of oil. In Baghdad- Iraq, the industry is completely state-owned, with the oil marketing company SOMO selling crude to 34 accredited international companies on behalf of four producing companies, South Oil Company, North Oil Company, Missan Oil Company and Midland Oil Company. Over three million barrels per day were produced in 2012. The eleven international Technical Service Contracts (TSCs) that have been signed hold the promise of a total production of over 13 million barrels per day. If this figure were ever achieved, Iraq would become the largest oil producer in the world. The country produces EITI Reports that disclose revenues from the extraction of its natural resources. Companies disclose what they have paid in taxes and other payments and the government discloses what it has received. These two sets of figures are compared and reconciled. The semi-autonomous Kurdish Regional Government (KRG) has a series of production.*

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## **EXUCTIVE SUMMARY**

*The Extractive Industries Transparency Initiative (EITI) is started in Iraq based upon Iraqi Government oils sales and on Transparency of the Iraqi Oil companies creating this initiative to clarify the Extractive Industries Transparency. IG 2009 includes the oil and gas as well as the mining sectors. The Initiative is created by a stakeholder group nominally known as the Transparency Team. The Transparency Team is comprised of a Steering Team which is chaired by the Coordinating Secretariat General of Council of Ministries Mr.Ali l-Alaq, Minister-level officials and Secretariat General of Ministry of Oil Mr. AlaaMohie EL-Deen.*

*During 2012 - 2013, various activities have been undertaken which can be classified as key activities and other supporting activities. The key activities are defined as those that are explicitly relevant to the core of IEITI events, such as meetings between the executive Team and Human Resources Team, reconciliation Company, validation, information, dissemination, EITI conference participation and communications, civil society meetings.*

*Reconciliations started during 2012-2013 were for IEITI Report for 2011 Year report, and for the Second IEITI Report for Calendar Year 2012. The first report was published in 2013 and was reconciled and validated by an independent company. IEITI based on the Valuator's Report and evaluation by the IEITI Iraqi team, events happened on October 2013-2013, the International EITI Board announced that Iraq officially is an active member , have gained significant progress in one of the meetings were attended by the Head Deputy Mr.Edi Rich accompanied by Mr.PabloValverde. Disseminations in regards to IEITI Iraq took its preparation To the Second Report which have been distributed manually by the team members The information of dissemination events were. Attended by all relevant stakeholders. Meanwhile, communications activitiesWere undertaken through pressannouncements and releases as well as media.*

## **CHAPTER I INTRODUCTION**

### **1.1 Legal Basis**

*The missions of the Iraqi Extractive Industries Transparency Initiative (IEITI) in Iraq is based on the Iraqi crude Oil Companies, consisting the managers of these companies as a members in deciding each event or movement of the IEITI activities or missions to accomplish and achieve the heist level of the prosperity in Iraq Industries, the Iraqi extractive industries is defined as an active phenomena which looks for all means of Transparency in the Iraqi extracted natural resources directly from the Earth in the form of minerals, miners , natural oil and gas. At the same time, Iraq revenue is defined as all revenues generated of payments of tax and non-tax, acknowledged as net asset increments from the Iraqi extractive industries.*

### **1.2 IEITI National Secretariat**

*IEITI National Secretariat has sub-divisions:*

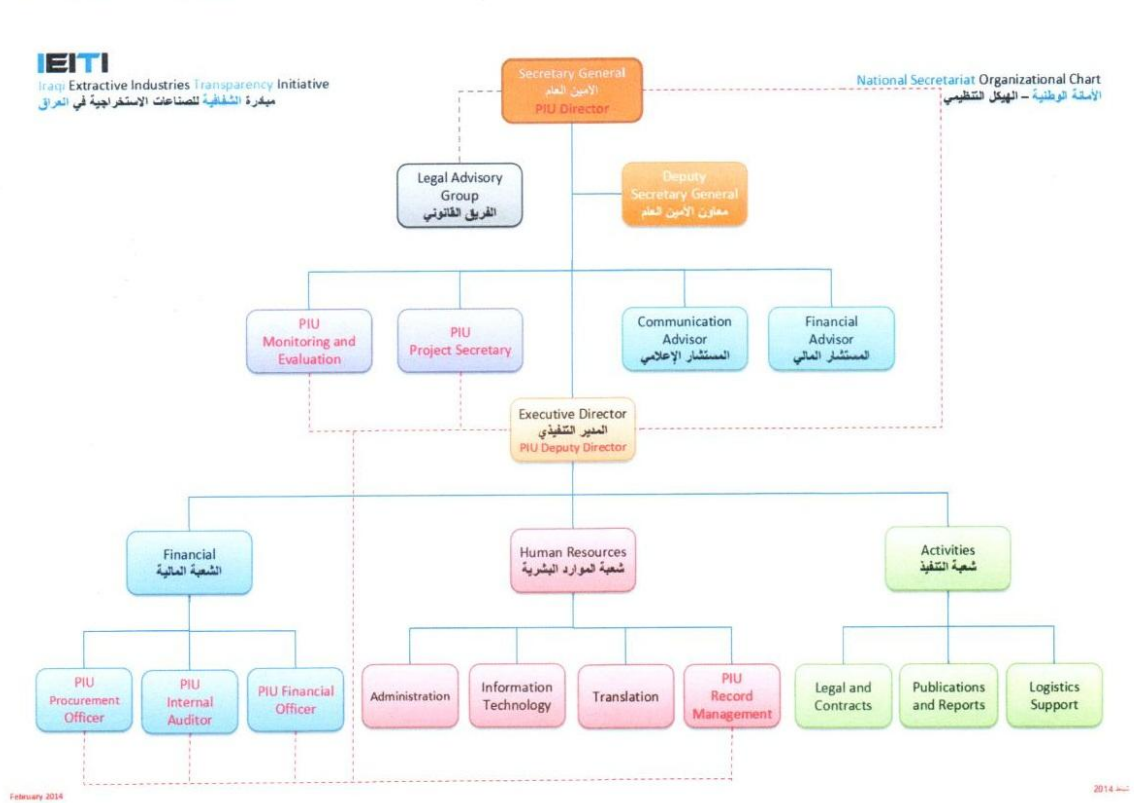
*1-Financial department (which consists of: PIU Procurement Officer, PIU internal auditor, PIU financial officer)*

*2-human resources department (which consists of: Information Technology, Translation, PIU Record Management, and Administrative teams)*

*3-Activities department (which consists of: legal and contracts, Publication and Reports, and Logistic Support teams)*

*Financial Team works actively on the budget of the World Bank Grant within the IOCs Grant (MDTF) to provide the IEITI important funding beside the necessary funding that might the official activities need. Legal team works on the contracts and legal basics of the law of EITI International Board requirements , the Administrative team is concerned with storing the official papers on each official event happens in regard, this team is the biggest in the structure of IEITI its importance is obviously clear when the decisions of IEITI is stored and located and then suddenly needed by the General Secretariat in many cases like changing a specialist or canceling a contract, all handwork is available but the formal data or documented data is the most important content which is difficult to have an alternative . The Executive Team has an active team,who works on the principle of think globally act locally , speed in managing the public relations is depicted in the Executive team*

overwhelmingly. Quickness in the Executive team is needed intensively when it is related to public relations or the impact of the event .



### **1.3 Stakeholder council (MSG):**

*The MSG is directly under and responsibility of general secretariat of council of ministers H.E Ali Al-Alaq the chairman of the IEITI (MSG). The Iraqi Extractive Industries Transparency Initiative Team is consisted of representantives of government IOCs, Civil Society, National Oil Companies, Supreme Audit Board, Trade Unions.*

*The Civil Society representantives submits a regular monthly report to general secretariat of ministry of oil about the mechanism of the report activities and the way of aiding the IEITI. Responsibilities of the Civil Society representantives are stipulated among others. The Authority to formulate general policy of Iraqi extractive industries transparency initiative .The Executive team is consisted on establishing work plans and conducting evaluations annual activity report, dealing with the reconciliation company, contacting the international board members .*

*The (MSG) is responsible on the Steering facilities and report all progress to the Chair of the MSG.The responsibilities of the Implementation (MSG) is stipulated in Articles of the EITI equipments among other requirements consider the establishment of a two -year work plan.*

*formulation of reporting format, appointing an independent reconciler, various reports composition of the Implementation MSG which consists of 16 Deputies and Director Generals from the Coordinating Ministry for Oil, the Ministry of Oil Depts. , the Ministry of Energy and Mineral Resources; representantives from Regional Governments; representantives of industrial associations; and representantives of civil society organizations. Representantives from regional governments, industrial associations.*



#### **1.4 Mechanism of Transparency and Extractive Industries Transparency Initiative (EITI) Standards**

*EITI has its different standards among the regular depts... In the ministry, its standards are depicted from the EITI standards; it depends on some proved statistics. Disseminations and publishing the incredibility of the oil sales in each rich country, this can improve the way of dealing with these riches and improve the way of living, besides raising the public awareness of the citizen, in particular the normal citizen who has no idea about the sales of his country's fortune like oil industries, this mechanism needs some characteristics and some conducting on the events where they held, when, and some evidences like photos or media recorders and recovery on publishing these events . Publishing them isn't merely steps has come true, publishing them means reaching the idea in a very direct clear way even some regions need a very simple, brief way of expressing, like explain exactly like the way some people understand.*

## **Chapter II**

### **KEY ACTIVITIES IN IMPLEMENTING EITI IN IRAQ**

#### **2.1 MSG meetings**

*Today most of the organizations across the world follow a traditional approach in their hierarchical structure and their leadership style. They range from line and staff organizations, to vertical or horizontal organizations, to matrix or pyramid structure, to a newer project management structure. All these models evolved through the time in the quest for better, efficient and effective management structure to remove the limitations of other structures and to implement the structure which suits best for that particular organization. The changes which organization brings are rare, as it changes the entire working style and thus the productivity of the organization. Generally this happens when business process reengineering is implemented in the organization. The self managed teams concept is rather a very new concept, which still finds difficulty in its implementation and in acceptance by the large organizations. This method is easy to implement for very small scale companies, but the difficulty to implement increase with the increase in the size of the workforce. It is very important to note that, most of the changes have failed due to improper leadership style, and thus to successfully implement this concept one needs to implement proper leadership style. As the success of implementation depends a lot on the type of leadership used during and after the transition period. There are again limitations and advantages to both the types of teams, i.e. conventional and self managed. Therefore it is important for any organization to understand its own requirements and map it with the benefits that each of the style provides. Implementation team is divided to three parties, each part of it responsible on specific field, all the parts of the team takes under consideration time given by the in charge and commitments, all of executive team works on team soul with high level of creativity and system .*

## **2.2 Reconciliation Company**

*It is an independent Company, Its job is consisted by gathering the INFO from oil marketing company SOMO which is considered the richest company in Iraq except KRG, petroleum contracts licensing directorate( PCLD) .It has various total INFO about any sales in each oil sector in the oil field, it has good way of co-operation with the Iraqi Extractive Industries Transparency Intuitive, The employees of this company are so active, works hardly on collecting, and auditing the accurate numbers of oil sales with having all possibilities might happen through oil sailing operations .The Ernest & Young company is the present Reconciliation Company of the IEITI.*

## **2.3 Publishing and Disseminating of 2011 Report**

*Dissemination has taken a place in the governmental centers at the percentage of 90% of whole Iraq even the unsafe provinces which have been occupied by gangsters; they have taken their part of the dissemination. The reports were distributed by a very high level, vital team, the executive team spends one month in this mission after heavy burden were exhausted by the members .The team everyday goes in this mission a among all difficult situations in the country and street, it is no longer in charge on the latest news until the reports is distributed within enough explanation gives each Dep. Its vision upon the content of the report. Reports were explained by some well-trained members of the Iraqi Extractive Industries Transparency Initiative, the members trained under an experienced public relation experts in a matter of two months .Most of citizen in Iraq do not know about our initiative even if they receive the printed copies, most are overwhelmed of having this as an aim to educate the Iraqi citizen of what can be known importantly, considering it as one of his rights. 'Awareness' was dominated through the process of dissemination to a high rate of knowledge. Information dissemination to the media was undertaken through a media briefing after the publication of EITI First Report (2009). The method was chosen in lieu of a press conference due to the fact that information regarding the report was mainly technical in nature and requires prior understanding, which would be difficult to convey in a relatively short press conference. During 2013, the Secretariat conducted one media briefing which took place on 4 June 2013, or one month after the publication of EITI Iraq Report. The decision to undertake the briefing*

was taken after the Secretariat evaluated the situation in which there were misinformation due to the complexities of the published report and limited space for explanation if relying solely on press release or a relatively short press conference

The media briefing discussed several topics, such as

- *Scope of the report.*
- *Contributions from each revenue stream.*
- *Results of reconciliation from each sector.*
- *Participants/entities which submitted reports.*

## **2.4 The Departments & The ministries where the reports were distributed among.**

### **General Secretariat of the Council of Ministers 1- 2-Ministry of Oil**

#### **Ministry Depts.**

1. *Minister Office*
2. *Inspector General*
3. *South Oil Company*
4. *Oil Products Distribution Company*
5. *Oil Products Distribution Company/ legal division*
6. *Midland Refineries Company*
7. *Gas Filling Company*
8. *Pipe Line Company*
9. *Oil Exploration Company*
10. *State Company for Oil Projects*
11. *Iraqi Drilling Company*
12. *State Organization for Marketing of Oil*
13. *North Oil Company*
14. *South Gas Company*
15. *North Gas Company*
16. *South Refineries Company*
17. *North Refineries Company*
18. *Iraqi Oil Tankers Company*
19. *Midland Oil Company*
20. *Heavy equipments engineering state company*
21. *Oil training institute/ Baghdad*
22. *Oil training institute/ Basrah*
23. *Oil training institute/ baiji*
24. *Oil research & development Center*
25. *Information & communication technology centre*
26. *guest house*
27. *Studies follow up and planning directorate*

28. *Administrative directorate*
29. *Petroleum contracts & licenses directorate*
30. *Technical directorate*
31. *Internal audit directorate*
32. *Reservoirs & fields development directorate*
33. *Training & development directorate*
34. *Legal directorate*

### **Oil Sector Companies**

1. *North Oil Company (NOC)*
2. *South Oil Company (SOC)*
3. *Petroleum Research & Development Center (PRDC)*
4. *Baiji Oil Training Institute (BAJOTI)*
5. *Basra Oil Training Institute (BASOTI)*
6. *Kirkuk Oil Training Institute (KOTI)*
7. *Baghdad Oil Training Institute (BOTI)*
8. *Heavy Engineering Equipments Company (HEESCO)*
9. *South Refineries Company (SRC)*
10. *Midland Refineries Company (MRC)*
11. *North Refineries Company (NRC)*
12. *Gas Filling Company (GFC)*
13. *Midland Oil Company (MDOC)*
14. *South Gas Company (SGC)*
15. *North Gas Company (NGC)*
16. *Missan Oil Company (MOC)*
17. *Iraqi Drilling Company (IDC)*
18. *Oil Products Distribution Company (OPDC)*
19. *State Organization for Marketing of Oil (SOMO)*
20. *Oil Pipelines Company (OPC)*
21. *Iraqi Oil Tankers Company (IOTC)*
22. *Oil Exploration Company (OEC)*

### **Iraq: Government Agencies**

- 1-*Supreme Judicial Council*
- 2-*Office of the President of the Supreme Judicial Council*
- 3-*Ministry of Displacement and Migration*
- 4-*Office of the Minister*
- 5-*The Ministry of Tourism and Antiquities Minister's Office*
- 6-*The Ministry of Municipalities and Public Works Office Minister*
- 7-*Commission on Public Integrity*
- 8-*Office of the Chairman of the Commission*
- 9-*Iraqi Olympic Committee*
- 10-*Office of the Prime DFI*
- 11-*Foundation House of Wisdom*
- 12-*Office of the Secretary-General*
- 13-*Foundation of political prisoners*

- 14-Office of the President of the Foundation**
- 15-Martyrs Foundation**
- 16-Office of the Chairman of the Commission**
- 17-Iraqi Commission for control of the sources of ending**
- 18-Office of the Chairman of the Commission**
- 19-National Intelligence Service**
- 20-Office of the Director device**
- 21-Federal Court**
- 22-Office of the President of the Federal Court**

### **Universities**

- 1. AL turath College**
- 2. Presidency University**
- 3. Imam Sadiq University**
- 4. Presidency University**
- 5. Amena University**
- 6. Presidency University**
- 7. Sader Al-Iraq University**
- 8. College of science**
- 9. AL-salam University**
- 10. Dijlah University**
- 11. AL-Hikma University**
- 12. Farahidi University**
- 13. Al-Nahrain University**
- 14. University Of Technology**
- 15. University of Baghdad**

## **2.5 Releasing 2012 Report first Draft Media Role in disseminating2011**

*Raising of Public awareness was the first step to make the 2012 report better known to the public; inform the widest possible public about releasing the report to break the news of media with IEITI reports update. Make the public understand the issues of extractive industries .Increase the impact that the report could have Internationalization of visibility of reports contents. Two workshops, one conference, within Newspapers articles/reports, Educational programs with local media, Media, debates, participation in dissemination's event, Better public awareness about IEITI and extractive industries sector. The Secretariat had disseminated media releases in three separate occasions during 2013 in line with the developments and milestones of its responsibilities. The dissemination detail is asFollow;*

- 1. **On 22 April**, titled "Announcement on the Publication of Iraqi Extractive Industries Report -Transparency Report from the Extractive Industries", which publicly announced to the general public on the existence, for the first time, corporate payment-government revenue reconciliation report both for tax and non-tax revenue stream in the form of 2009 E&Y Reconciliation Report.*
- 2. **On 8 May**, titled "News Perspective for the Iraqi Extractive Industries through IEITI Iraq First Report", The event was a social workshop with the MSG dealing how to inform the public, in detail, the figures of State revenues and any discrepancies found after reconciliation. The release also highlighted the finding of a weakness in the management of data and information at the Directorate General of some companies. It also highlighted the public to find payment figures from all extractive companies which related to the regions based upon principles of derivation and realization.*
- 3. **On 4 June**, titled "Understanding the IEITI Iraq's First Report", which was disseminated at the same time as the execution of a Media Briefing. The release covers highlights over: scope of the EITI Report, contributions in each revenue stream, and reconciliation results for each sector and continuing plans.*

## **2.6 Organizing a workshop for Civil Society, Academia, Oil Experts.**

*Workshop has taken a place in ministry of oil on May ,The workshop was attended by the Stakeholders Members within Media Editors, Civil Society Members and Minister of oil EITI members .The subjects were raised was related to the producing the reports decisions, the Agenda were issued was containing the decisions which has to be accordingly shared by each side of the structure of IEITI, if a delay has happened by one of the sides which were considered an obstacle the delayed side decision can be made by the general secretariat, .Some companies made some decisions*

- *Auditing Differences*
- *IOCs Election Decision*
- *Locations of making the events of IEITI*
- *MoO Access to some members of media*
- *Auditing Discussion by the E&Y Reconciliation Company*
- *Locations of Disseminations*
- *Adding new updates to the 2012 reports*
- *New version of Terms of References in 2013 instead of 2012*
- *Implementation and Outreach Progress Report*
- *Candidature applications*
- *EITI Rules revision*

## **2.7 Signing A contract with a specialist to write a new version TORs .**

*The text of the ToR should provide sufficient background Information related to the assignment, and then move in Logical order from the evaluation objectives and intended users through to the required qualifications of the consultant or team and the resources available. The level of detail and ordering of specific sections will vary based on the nature and magnitude of the evaluation task but standard topics are typically covered. The event has taken a palace in MoO ,the specialist is one of the previous reconciliation companies members, a specialist with a great background of writing the TORs with IEITI 2009, 2010.*



## **2.8 Organizing five workshops in five provinces**

*The national Secretariat staff successfully organized workshops in five provinces .Participants were ; civil society, academia elected city councils, local government, tribes- men, clerks and active society figures .The workshops were organized in collaboration with the provinces and were auspices by the governor of each province . Program included introduction to the new IEITI standards and open discussion on 2012 report. An impressive number of 2012 &2011 report were disseminated all over each province attached are some photos.*



**Secretary general, Governor and notable figures of Al-Najaf province.**



**Mr. .Adnan Bhaya the IEITI'S lecturer in AL-Najaf explaining the standards of the IEITI.**



***Five golden Armors were distributed among the governors of provinces, Babel governor's representative***



***Al-Njaf Governor receiving the thanking reward***



***AL-Dewanya Governor receiving the thanking reward***



***Notable figures of Babel with local civil society representatives***



***Governor, local government representatives and civil society representatives of  
Al\_ Dewanya***

## **2.9 Organizing a high level workshop with RWI,PWYP, EITI**

*A delegation of the Iraqi Center for Media Freedom Porsche of Iraqi Extractive Industries Transparency Initiative held at the Hall of the Rumaila oil ministry in Baghdad by the presence of Secretary General of the initiative Mr. Alaa Mohie Al-deen and also attended a delegation from international Transparency of extractive industries, and delegations from the Ministry of Oil and the Office of Financial Supervision and the Ministry of Industry and civil society organizations in addition to the owners of interest in the initiative, national secretariat Mr.Eddie Rich & Mr.Valverde Country manager. The workshop was held to discuss the development of the initiative and ways to do so, Mr. Hayder president of the center of the Iraqi freed media from his side showed the importance of the media in the success of the national initiative and announced support for the Iraqi Center for each benevolent efforts that serve to serve Iraq .At the same time the reconciliation companies representatives were existed , a discussion were very important served the local sides to recognize the initiative to be well-known more year after year since 2009.*



**Secretary General with media and journalists**



***Eddie Rich, Deputy Head of EITI and Saeed Yaseen, Civil Society***



***Alaa Mohie-El- Deen, Eddie rich and Saeed Yaseen***

***EITI-IEITI –CS \Green Zone –Council of Ministries Building/stakeholder twenty ninth meeting .***

### **2.10 Internal workshop to write a new version work plane**

*The workshop has taken a place in MoO, it happens several times each month, particularly it seeks points which meet the standards of the IEITI National secretariat team works on the AAR and the WP together after discussing a lot of important matters.*

### **2.10 Local Civil Society workshop**

*The workshop was spectacularly with the civil society members, it was attended by number of representatives of civil society .It discussed the civil society motivation and activities which need to be recovered and declared. Members have explained their being busy because of the situation they were living recently has taken their time to help people who are living a sever situations in some provinces. Members have promised they will give their role its right. Alaa Mohie EL Deen has promised them too to give them a hand as an Iraq citizen .The work shop was like a meeting to recover the missing gaps which was made the members. They have discussed the civil society election under the upcoming and present circumstances, the facilities of the election in the provinces of Iraq was discussed and the way will be used to make the delegation .They decided that the voting will be happen by using e-mail .*



**Secretary General in a meeting civil society members representing Baghdad, Nainawa,Salahudeen Provinces**

## **2.11 Capacity Building**

*Courses were distributed among the teams of the national secretariat, preparing the administrative leadership of the team with modern strategic in managing the governmental financial developments . The capacity building programs was chosen accurately by the executive team under the directing of Secretariat general who has an excellent background in this field .Each team has gained a fantastic benefit from these courses, that provided national secretariat team a well –proper training to be involved in IEITI Administration and Directing with the financial methods of dealing with the major . It has taken a place in Paris, the courses were developmental and cultural with a prosperous guiding Turkey, Dubai, , and London .*