VALIDATION COMMITTEE

EITI International Secretariat 3 June 2014

Secretariat Review: Guinea

For decision

Recommendation:

Subject to any further comments by the MSG on the Secretariat Review, the Secretariat recommends that the Validation Committee recommends to the Board that Guinea is designated EITI Compliant.

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SECRETARIAT REVIEW: GUINEA

Recommendation

Subject to any further comments by the MSG on the Secretariat Review, the Secretariat recommends that the Validation Committee makes the following recommendation to the Board:

The EITI Board designates Guinea as EITI Compliant as of <date of Board decision>. In accordance with the EITI Standard:

- *Guinea must be revalidated within three years i.e. Validation will commence on <date of Board decision + three years> or earlier upon request of the Steering Committee. Validation will be conducted in accordance with the EITI Standard.*

- *Stakeholders in the process may call for a new validation at any time within that period if they think the process needs reviewing. Where valid concerns exist that a country has become EITI Compliant, but its implementation of the EITI has subsequently fallen below the standard required for Compliance, then the Board reserves the right to require the country to undergo a new Validation or face delisting from the EITI.*

- *In accordance with the EITI Standard, Guinea is expected to produce EITI reports annually. EITI Reports should cover data no older than the second to last complete accounting period. Guinea is required to produce the 2013 EITI Report by 31 December 2015 in accordance with the EITI Standard.*

- *In accordance with requirement 7.2, Guinea is required to publish an annual report on the previous year's activities, detailing progress in implementing the EITI. The annual report for 2013 should be published by 1 July 2014.*

The Board congratulates the government of Guinea for its sustained commitment and leadership of the EITI process. The Board also congratulates the EITI Guinea Steering Committee for its efforts and effective leadership in EITI implementation.

The Board takes note of the Steering Committee's efforts to develop a new workplan in accordance with requirement 1.4 of the EITI Standard, outlining objectives for EITI implementation reflecting the EITI Principles and national priorities for the extractive sector. As part of this work, the Board encourages the Steering Committee to ensure that its current composition is suitable to deliver on the workplan objectives and that the national EITI secretariat has the adequate human resources to support the Steering Committee's work.

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1 Executive Summary

In October 2012, the EITI Board established seven corrective actions required for Guinea to achieve EITI Compliant status[1]. The Steering Committee published the 2011 and 2012 EITI Reports in December 2013 and subsequently invited the International Secretariat to assess whether the remaining EITI requirements have been met. In the Secretariat's view, all remedial actions have been completed and the outstanding requirements have been met. The draft Secretariat Review was circulated to the Steering Committee on23 May. The Secretariat received comments on xxx June.

2 Introduction

Guinea announced its intention to implement EITI in 2005 and published its first EITI Report in July 2007, prior to being designated EITI Candidate on 27 September 2007. Social and political unrest led Guinea to apply for voluntary suspension in December 2009. The suspension was lifted in March 2011. Subsequent to the lifting of the suspension, Guinea published the EITI Reports covering 2006-2010 in August 2012.

In December 2013, Guinea published its 2011 and 2012 EITI Reports. With two thirds of the world's largest bauxite reserves, the single largest unexploited iron ore assets in the world, and significant deposits of gold and diamonds, Guinea's mineral riches should be driving economic growth and prosperity. However, the 2012 EITI report shows that the mining sector contributed a modest 17 % of total government revenues in 2012. Apart from a spike in 2011 when government revenues from mining reached US$ 974 m due to a US$ 700 m payment by Rio Tinto for the rights to develop the Simandou iron ore, EITI reporting shows that Guinea has seen limited increase in government revenues from mining over the past five years. According to President Alpha Condé, years of corruption, poor governance and instability has prevented Guinea's mining sector from achieving its potential. Immediately after his election, in 2010, President Alpha Condé launched an ambitious agenda to reform the mining sector. During a meeting between the President and the EITI Chair in October 2013, the President expressed strong interest in using the EITI as a tool for implementing and monitoring some of these reforms.

The Validation report for Guinea was received on 31 August 2012. The Board on 26 October 2012 concluded that Guinea had made meaningful progress in implementing the EITI but that compliance had not been achieved. The Board gave Guinea until 26 April 2014 to complete seven remedial actions. Following the publication of the 2011 and 2012 EITI Reports in December 2013, and subsequent dissemination activities in the period February-March 2014, the Steering Committee wrote to the International Secretariat on 18 April 2014 noting that the remedial actions had been completed.

The remedial actions agreed by the Board related to requirements 5, 9, 11, 12, 13, 14, 15, 17 and 18:

1. The Steering Committee should agree and publish a comprehensive (time-bound and costed) work plan (requirement 5) that: (1) covers the publication and dissemination of the next EITI report and steps toward regular and timely EITI reporting thereafter; (2) addresses the recommendations from previous reconciliation reports and from the validator; and (3) addresses the corrective actions highlighted below. The Steering Committee should agree a clear definition of "material payments and revenues" and incorporate this definition into the reporting templates and reconciliation process for the next EITI report

[1] Annex A – EITI Board decision on Guinea 26 October 2012, available from http://eiti.org/files/Minutes-from-the-21st-EITI-Board-meeting-Lusaka.pdf

(requirement 9). This should specifically address the materiality of payments by companies in the exploration phase, and barter agreements.

2. The next EITI report should clearly demonstrate that all entities that make or receive material payments are participating in the reporting process (requirement 11).

3. The Steering Committee should take steps to ensure that company and government disclosures to the reconciler are based on audited accounts to international standards and agree an approach for addressing these issues (requirements 12 & 13);

4. In accordance with the agreed definition of materiality (see point 2, above), the Steering Committee should ensure that all material mining payments by companies to government have been disclosed to the reconciler and incorporated into the next EITI Report (requirement 14);

5. In accordance with the agreed definition of materiality (see point 2, above), the Steering Committee should ensure that all material mining revenues received by the government have been disclosed to the reconciler and incorporated into the next EITI Report (requirement 15);

6. The Steering Committee should agree a process for addressing recommendations for remedial actions outlined in previous EITI reports and document progress in addressing these (requirement 17);

7. The Steering Committee should ensure that EITI reports are publicly accessible in such a way as to encourage that its findings contribute to public debate (requirement 18).

Guinea's next EITI Report covering 2013 is expected to be published in the third quarter of 2014 under the EITI Standard. The Steering Committee is currently discussing the Terms of Reference for the report.

3 Guinea's response to the Board decision

Guinea undertook a number of activities to address the seven corrective measures agreed by the Board and comply with the unmet requirements (5, 9, 11, 12, 13, 14, 15, 17 and 18).

Guinea has submitted evidence that these corrective actions had been undertaken as part of the 2011/2012 EITI reporting process. Specifically, the Steering Committee has:

- Agreed a workplan that addresses the remedial actions requested by the Board, the recommendations from previous EITI Reports, and a schedule for the forthcoming EITI reports and further workplan revisions.
- Conducted a scoping study to establish which revenue streams were material and consequently which companies and government entities should be covered in the EITI report. Based on the findings of the scoping study, Guinea agreed a definition of materiality and established a materiality threshold.
- Ensured that all 18 mining companies and eight trading houses that made payments above the materiality threshold reported. Payments from these companies accounted for over 99.85% of total mining revenues.
- Ensured that all government entities that received material revenues reported.
- Agreed an approach for assuring the data submitted by companies and government entities, and ensured compliance with this approach.
- Agreed an action plan for following up on the recommendations from EITI reporting, and either completed or begun implementing the action plan.
- Ensured extensive dissemination of the 2011 and 2012 EITI Reports.

The Steering Committee's summary report on Guinea's response to the corrective actions, including supporting evidence is available in annex B.

Based on the above, the EITI International Secretariat proceeded with a Secretariat Review. The Terms of reference for the review are presented in Annex C. The International Secretariat conducted a desk review in April-May 2014. During the review, stakeholders in Guinea were consulted and given an opportunity to share their views.

4 Secretariat review of remedial actions and assessment of requirements

The EITI Board agreed seven remedial actions and tasked the Secretariat with reassessing compliance with Requirements 5, 9, 11, 12, 13, 14, 15, 17 and 18.

4. 1 Remedial action 1

The Steering Committee should agree and publish a comprehensive (time-bound and costed) work plan (requirement 5) that: (1) covers the publication and dissemination of the next EITI report and steps toward regular and timely EITI reporting thereafter; (2) addresses the recommendations from previous reconciliation reports and from the validator; and (3) addresses the corrective actions highlighted below. The Steering Committee should agree a clear definition of "material payments and revenues" and incorporate this definition into the reporting templates and reconciliation process for the next EITI report (requirement 9). This should specifically address the materiality of payments by companies in the exploration phase, and barter agreements.

Validator's findings

Workplan (requirement 5)

At the time of Validation, the Validator noted that a 2011-2013 workplan had been formally approved by the Steering Committee on 15 February 2012. However, the workplan had not been published nor made available on the website of EITI Guinea. In addition, the workplan was incomplete, lacking an assessment of capacity constraints and details of the scope of the 2011 and 2012 EITI Reports. The Validator nevertheless concluded that the requirement was met. The EITI Board disagreed with the validator concluding that the Steering Committee did not have an up to date, formally approved and published workplan.

Materiality (requirement 9)

The Validator assessed the requirement as unmet and concluded that:

- "The grounds for determining the materiality threshold are not established (e.g. there is no connection with the total revenues received from the extractive sector);
- The exhaustiveness of the scope of benefit streams selected for the EITI reports is not proven (e.g. there is no connection with the Mining Code and the General Tax Code, no rationale for excluding "barter payments/contracts" and no "Other significant payments " category included in the reporting templates);
- The exhaustiveness of the scope of companies selected for the EITI reports is not proven (e.g. there is no connection with the Mining register and no justification of non-payment for Signatures bonuses for the period);
- The degree of aggregation or disaggregation of the EITI reports is not specified;
- The ToRs of the independent reconciler have not been formally approved; and
- The final reporting templates have not been formally approved". (Validation report, p. 51).

Progress since Validation

Workplan (requirement 5)
The Steering Committee concluded a first round of revisions of the workplan in October 2013. Further revisions were subsequently made resulting in the approval and publication of a workplan covering 2014 on 7 March 2014 (MSG meeting minutes).

Materiality (requirement 9)
In May 2013, the Steering Committee commissioned Moore Stephens to conduct a scoping study to inform the 2011/2012 EITI Reports and the reporting templates, and to subsequently produce the 2011/2012 EITI Reports. On 19 September 2013 the final scoping study was presented to the Steering Committee (MSG meeting minutes). Based on this study, the Steering Committee agreed the definition of materiality, i.e. the revenue streams considered material and reporting thresholds, the reporting entities, a threshold for the margin of error, and the EITI reporting templates.

Definition of material revenue streams:
Based on the scoping study, the Steering Committee identified and agreed on a total of 36 revenue streams to be material for the purpose of the 2012 report. The revenue streams were identified through reviews of the mining code and regulations, tax code, investment code and a sample of mining contracts. An additional reporting line entitled 'other significant payments' was added to the reporting template and reporting entities were asked to declare any other payment above the materiality threshold.

With regards to barter arrangements, several enquiries were made during the scoping phase including during interviews with government entities and other stakeholders. On 4 September 2013, Mohamed Lamine Fofana, Minister of Mines, wrote to Moore Stephens confirming that there had not been any in-kind revenue flows or other barter-type payments in 2011 and 2012. The letter confirmed that license permits had been issued during the time the army was in power and that the permits retained, including those involving Chinese companies, were subject to the same arrangements as other license permits. Moore Stephens concluded that based on the research conducted, they were not aware of any existing barter agreements. The Steering Committee supported this conclusion.

Moore Stephens used data provided by the government to suggest reporting thresholds. This data was checked against TOFE (Tableau des Opérations Financières de l'Etat) data. According to the government, GNF 2 149 878 m (US$ 322 m) was received from the extractive sector in 2012. According to TOFE, GNF 1 607 000 m (US$ 241 m) was received from the extractive sector, but TOFE figures only included two revenue streams – corporate income tax from mining companies and minerals tax.

Based on Moore Stephen's analysis, the Steering Committee agreed a reporting threshold of GNF 700 m (US$ 100 000). It was estimated that this threshold would capture 99.2 % of the total revenues that the government had reported to have received in 2012.

Identifying reporting entities – companies:
The oil and gas sector is currently limited to exploration activities. While two production sharing contracts were signed in 2011 and 2012, the reconciler received a letter from the government confirming that no signature bonuses or other fees had been paid in 2011 and 2012. Thus, oil and gas companies were excluded from the scope of the report.

All mining companies and trading houses that made payments equal to or exceeding the reporting threshold were included in the scope of the report. 18 mining companies and eight trading houses were identified as making payments above the threshold.

174 mining companies were identified as making payments below the threshold. The Steering Committee decided that the revenues from these companies would not be unilaterally disclosed because of time constraints and technical difficulties including the lack of tax identification numbers for all companies.

112 trading houses were identified as making payments below the threshold. The Steering Committee decided that the revenues from these trading houses would be unilaterally disclosed.

Finally, it was decided that the government would unilaterally disclose revenues from quarry companies.

<u>Identifying reporting entities – government:</u>
The scoping study identified twelve government entities receiving the material benefit streams. The Steering Committee decided that ten of these should be required to submit reporting templates. The Steering Committee agreed that data related to the two other government entities– the Mining Investment Fund and local governments – would be disclosed but not reconciled. The Mining Investment Fund does not receive direct payments from extractive companies. However, three types of extractive industry benefit streams are transferred to the Fund by other government agencies. Local governments receive three types of direct payments from extractive companies. The Steering Committee decided that due to challenges with tax collection systems and record keeping at local levels, direct payments would be unilaterally reported by the extractive companies but not reconciled with local government data. The materiality of revenues received by the Fund and local governments are discussed under remedial action 3.

Secretariat's Assessment

Workplan (requirement 5)

The International Secretariat's assessment is that in accordance with the remedial actions requested by the Board:

- The workplan includes dissemination activities for the 2011/2012 EITI report, which were completed in the first quarter of 2014, and plans for disseminating the 2013 EITI report in the last quarter of 2014.
- Attached to the workplan is a detailed overview of the recommendations from the 2010-2012 EITI reports and the previous validation, including the remedial actions requested by the Board. The extent to which recommendations have been followed up is considered in more detail in the assessment of requirement 17/remedial action 6 below.

In accordance with requirement 5 of the EITI Rules:

- The workplan has been published on the EITI-Guinea website and in three local newspapers.
- The workplan includes measurable and time bound targets, objectives, activities, actions and responsible parties.
- With regards to capacity building, the MSG has agreed a capacity building plan[2]. It includes a schedule of activities such as training on monitoring and evaluation, communication and dissemination, and

[2] See http://eiti.org/files/Responses%20from%20EITI%20Guinea.pdf

workshops on the EITI Standard. Some additional activities are also set out in the workplan, including training on the EITI Standard for the Steering Committee, civil society and trade unions, companies, and relevant government entities; workshops on the mining code and community development; capacity building for secretariat staff; regional and international peer exchanges; a study of the management capacity in mining communities; and a feasibility study for the establishment of a database on revenues from the extractive sector.

- The workplan does not contain a list of companies operating in the extractive sector, but includes plans for establishing the scope of the 2013 EITI Report through a scoping study, which will include a list of all companies with mining licenses in 2013. The scoping study for the 2012 EITI report already contained a list of all companies with valid mining licenses in 2012. It is envisaged that the scoping study for the 2013 EITI report will be completed by 10 June 2014. The Steering Committee has also planned outreach and training for new reporting entities.
- The workplan is fully costed. A total of US $1,442,500 is allocated to implementation activities in 2014. 74% of the funding is provided by the government, 19% is from the World Bank and 7 % is provided by the African Development Bank.

It should be noted that the 2014 workplan does not comply with the workplan requirements of the EITI Standard. While Guinea was expected to align its workplan with the EITI Standard by 31 December 2013, stakeholders have focused on completing the remedial actions and workplan revisions in accordance with the EITI Rules. The International Secretariat visited Guinea in February 2014 to commence discussions around new objectives for the implementation process, with a view to encourage the Steering Committee to develop a workplan that is better aligned with the ongoing reforms and priorities for the extractive sector. A workplan committee has been established for this purpose. The Steering Committee notes that this work should be completed by July 2014. The 2014 workplan also includes a schedule for revising the workplans for 2015, 2016 and 2017.

Materiality (requirement 9)

The International Secretariat's assessment is that in accordance with the remedial actions requested by the Board:

- The Steering Committee has agreed a definition of "material payments and revenues" and incorporated this definition into the reporting templates and reconciliation process for the 2011/2012 EITI Reports.
- The Steering Committee has investigated whether there were any existing barter arrangements and concluded that there were none.
- The Steering Committee has addressed the materiality of payments by companies in the exploration phase. The 174 oil and gas companies below the materiality threshold, most of which in the exploration phase, collectively contributed 3 547 618 848 GNF (US $500,000), or 0.15 % of total revenues. Disaggregated revenue figures for all 174 companies have been provided by the government. Disaggregated disclosure of revenues from the trading houses that did not meet the materiality threshold are provided in Annex 9 of the EITI report.

Additionally, as per requirement 9:

- The Steering Committee has agreed an approach for coverage of direct subnational payments, asking extractive companies to unilaterally disclose this data.
- The Steering Committee agreed to include further relevant information in the EITI Report including, transfers between central and subnational government; production and export volumes as well as value of exported minerals; license holders, including the type of license, commodity, and the duration of the

license; and discretionary social expenditures.

The EITI International Secretariat is satisfied that the remedial action requested by the Board has been completed.

4.2 Remedial Action 2

The next EITI report should clearly demonstrate that all entities that make or receive material payments are participating in the reporting process (requirement 11).

Validator's findings

The validator noted that while some of the government declarations were incomplete, analysis of the 2007-2010 EITI reports showed that government agencies receiving significant revenues from the mining sector had indeed disclosed their data' (Validation report, p.54). The validator did not clarify whether all companies with material payments reported. The Board disagreed with the validator that the requirement was met.

Progress since Validation

All 18 mining companies and eight trading houses identified as making material payments reported.

112 trading houses did not meet the threshold. 57 of these are named in the report (annex 9) with unilateral disaggregated government disclosure of receipts amounting to **US $1.27m** or **0.03%** of total revenues. The MSG has confirmed that the remaining trading houses did not make any payments to the government in 2012 and are therefore not listed in Annex 9.

174 companies did not meet the threshold. These 174 companies collectively contributed 3 547 618 848 GNF (US$500,000), or 0.15 % of total revenues. Disaggregated revenue figures for all 174 companies have been provided by the government.

The government's unilateral disclosure of taxes received by quarry companies amounted to **US $1.1m** or **0.03%** of total revenues.

All ten government entities identified as receiving material revenues reported. In addition, the government entities effectuating transfers to the Mining Investment Funds unilaterally disclosed the details of these transfers, amounting to a total of **US $3.7 m**. As mentioned under remedial action 2, the Steering Committee decided that direct payments to local governments would be unilaterally disclosed by the extractive companies effectuating these payments. The total amounts paid by companies directly to local governments amounted to **US $6.9m** or **1.9%** of total government revenues.

Secretariat's Assessment

The International Secretariat's assessment is that all companies, trading houses and government entities identified as payers and recipients of material revenue streams participated in the reporting process.

Unilateral disclosures by the government of revenues received from mining companies, trading houses and quarry companies below the threshold confirm that these revenues were immaterial.

The EITI International Secretariat is satisfied that the remedial action requested by the Board has been completed.

4.3 Remedial Action 3

The Steering Committee should take steps to ensure that company and government disclosures to the reconciler are based on audited accounts to international standards and agree an approach for addressing these issues (requirements 12 & 13).

Validator's findings

Regarding the assurance of company data (requirement 12), the validator noted that "based on the documents obtained and on the discussions held with the EITI stakeholders, we understand that the companies' reporting templates used for the EITI reports have not been certified by their external auditor"(Validation report, p.58). The validator concluded that the requirement was unmet.

Regarding government data (requirement 13), the validator noted that "the 2007, 2008, 2009 and 2010 EITI reports clearly affirm that no government agency has been able to submit this confirmation letter [from an external auditor/public authority/entity capable of certifying the data disclosed by the administration]" (Validation report, p.59). The validator concluded that the requirement was unmet.

Progress since Validation

The Steering Committee agreed the following approach to data assurance for the companies:

- All reporting templates should be signed by a senior company official;
- All reporting templates should be certified by an external auditor;
- Receipts confirming that the payments had been effectuated should be provided to the reconciler.

The reconciler confirms that all companies complied with this approach.

With regards to the government entities, the Steering Committee lamented that the Supreme Audit Institution was not yet operational. The Committee thus on 19 September and 18 October 2013 discussed and agreed the following approach for assuring the data submitted by government entities:

- All reporting templates should be signed by a senior government official;
- All reporting templates should be signed by the General Inspectorate of Finance (IGF). The decree governing the IGF specifies that one of the objectives of the IGF is to ensure compliance and enforcement of the laws and regulations related to the control and management of public finances.
- Receipts confirming that the revenues had been received should be provided to the reconciler.

The reconciler confirms that all government entities complied with this approach. The National Bank of Social Security and the National Institute of Mining Infrastructure Planning had their templates certified by their auditors. The reporting templates from the remaining government agencies were certified by the IGF.

Secretariat's Assessment

The International Secretariat's assessment is that the Steering Committee agreed an approach for data assurance consistent with what has been adopted in other countries, and ensured that this approach was complied with by all reporting entities.

The EITI International Secretariat is satisfied that the remedial action requested by the Board has been completed.

4.4 Remedial Action 4

In accordance with the agreed definition of materiality (see point 2, above), the Steering Committee should ensure that all material mining payments by companies to government have been disclosed to the reconciler and incorporated into the next EITI Report (requirement 14).

Validator's findings

The validator noted that "based on the documents obtained and on the discussions held with the EITI stakeholders, we understand that the companies did not disclose, for the elaboration of the 2007-2010 EITI reports, all the significant payments made to the State:

- Some EITI declarations are incomplete (e.g. lack of reporting from SAG in 2009 amounting to US$ 5.671 m).
- Several organisations provided in the ToRs of the reports have been excluded from the reconciliation process (e. g. Comptoirs d'Achat du Diamant in 2010, creating a discrepancy of US$ 707 000 and the Bureaux Agréés d'Exportation, for approximately US$ 532 000).
- Some reporting templates have been presented in an aggregated format, impeding reconciliation of data on a disaggregated basis (e.g. in 2010, SEMAFO, CBG and CBK, for US$ 580 000, Rusal Friguia for approximately US$ 4 m and Rio Tinto for close to US$ 3.5 m)," (Validation report, p.64).

Progress since Validation

According to the 2012 EITI report, four extractive companies – BSGR, SMFG, Bellzone and Wega mining – did not fully report all customs payments. The collective omission by these four companies amounted to **US$ 272 166** or **0.07 %** of total revenues**.** The report notes two reasons for the discrepancy:

- The subcontractors contracted by BSGR and SMFG were using the tax registration number (NIF) of BSGR and SMFG in order to clear their imports from the latter and to take advantage of the tax benefits granted to them; and
- Lack of disaggregated information in the Bellzone and Wega mining accounts for customs duties paid because their import clearance activities had been outsourced to forwarding agents.

None of these four companies were responsible for making their customs payments.

In addition, the company Gutier did not confirm having paid a US$90,000 for infrastructure rent, reported to have been received by the government.

Secretariat's Assessment

The International Secretariat's assessment is that while there were some minor discrepancies in the report resulting from omitted and unconfirmed tax declarations, these omissions amounted to 0, 07% of total revenues and thus did not materially affect the EITI Report.

The EITI International Secretariat is satisfied that the remedial action requested by the Board has been completed.

4.5 Remedial Action 5

In accordance with the agreed definition of materiality (see point 2, above), the Steering Committee should ensure that all material mining revenues received by the government have been disclosed to the reconciler and incorporated into the next EITI Report (requirement 15);

Validator's findings

The validator noted that "based on the various documents obtained and discussions held with the representative of the EITI independent reconciler as well as with the EITI stakeholders, we find that the government did not disclose, for the elaboration of the 2007-2010 EITI reports, all significant revenues. Indeed:

- Some EITI declarations are incomplete (e.g. in 2009, the DNI did not disclose revenues declared by CBG, SBK and SEMAFO, for a total amount of USD 12.256.00075; in 2010, the DNI did not disclose revenues declared by SEMAFO, for a total amount of USD 1.447.00076).
- Several government agencies provided in the ToRs have not been included into the data collection and the reconciliation process (e.g. municipalities in 2010, for an amount of USD 1.310.00077, as well as the ANAIM)". (Validation report, p.68).

Progress since Validation

All government entities comprehensively disclosed all material revenues in the reporting templates. There are no discrepancies or other findings in the EITI report that suggest that the government omitted reporting receipt of any revenues.

Secretariat's Assessment

The EITI International Secretariat is satisfied that the remedial action requested by the Board has been completed.

4.6 Remedial Action 6

The Steering Committee should agree a process for addressing recommendations for remedial actions outlined in previous EITI reports and document progress in addressing these (requirement 17).

Validator's findings

The validator noted that some of the recommendations from the 2005 and 2006 EITI reports had been followed up, but that others had not been addressed. The validator did not comment on progress in addressing the nine recommendations from the 2007-2010 EITI report.

The EITI Board disagreed with the validator that the requirement was met, noting that the 2005 and 2006 EITI reports made recommendations for improving future reconciliation cycles. Several of these recommendations were not implemented by EITI Guinea. As a consequence, there were weaknesses in the 2007-2010 EITI reports that could otherwise have been avoided.

Progress since Validation

The 2012 EITI Report highlighted the following challenges and recommendations:

1. Outdated mining cadastre
2. Lack of follow-up of companies in which the state holds an equity stake
3. Lack of a government database of companies registered in the country
4. Lack of an information system at the Treasury and National Bureau of Expertise (BNE) for managing revenues from mining
5. Inadequate traceability of subnational transfers
6. Lack of a computerised management system for mining revenues at the Centre for Mining Promotion and Development (CPDM)
7. Failure to apply the laws in effect

The Steering Committee is undertaking the following actions to address these recommendations:

1. <u>Outdated mining cadastre:</u> an assessment study is currently underway, funded by the World Bank.

Amongst other things, the study will identify the procedures and controls that need to be implemented to ensure an exhaustive and up to date mining cadstre. The ToR for the study are available here. A Consultant was recruited on the basis of the ToR and began work on 25 March 2014. The assessment and proposals for improvement are expected to be completed by the end of May 2014.

2. Lack of follow-up of companies in which the state holds an equity stake: A bill instigated by the Ministry of the Economy and Finance addressing this issue has been drafted and is currently being reviewed by the ministries concerned. It will then be submitted to the Council of Ministers and Parliament for approval. The law is applicable to financial oversight of public enterprises in which the State holds more than a 50% stake. It proposes improvements in terms of (i) clarifying the different types of SOEs and conditions for establishing SOEs; (ii) introduces internal governance rules for SOEs and (iii) clarifies the financial relationships with the State including management and oversight.

3. Lack of a government database of companies registered in the country**:** A meeting took place between the Inland Revenue Department (DNI) and the Centre for Mining Promotion and Development (CPDM) on 15 April 2014 at the initiative of the Ministry of Mines and Geology. At the end of the meeting, the CPDM was asked to in the future grant mining titles only to operators with a NIF [tax registration number] duly issued by the DNI. The measure will be implemented following the introduction of the new mining registry. In the meantime, the CPDM will ensure that all companies with mining titles valid in 2013 have NIF numbers.

4. Lack of an information system at the Treasury and the National Bureau of Expertise (BNE) for managing revenues from mining**:**
   BNE acquired Sage software in 2013 to manage its finances and accounts. As far as the Treasury is concerned, it should be noted that it intends to make use of the National Payments System (SNP) project, which is scheduled to be introduced this year. The project is funded by the ADB for four countries in the WAMZ (Gambia, Guinea, Liberia and Sierra Leone). Its implementation should allow the Treasury and Public Accounts Department to:

   - Avoid physical exchanges of payment instruments (payment orders and cheques);
   - Improve the security of financial transactions between the state and its partners;
   - Reduce clearing times to D or D+1;
   - Improve real-time mobilisation and consolidated management of state assets and those of decentralised government entities.

5. Inadequate traceability of subnational transfers: This issue will be taken into account in the drafting of the implementing rules for the new Mining Code, which is currently being finalised.

6. Lack of a computerised management system for mining revenues at the CPDM: This issue is being reviewed through the study mentioned in point 1. By the end of the study it is expected that the CPDM will have a modern, computerised registry management system.

7. Failure to apply the law: the government is currently developing the implementing rules for the 2011 Mining Code.

The 2011 EITI Report was issued together with the 2012 EITI Report and thus contained the same seven recommendations listed above.

The 2012 EITI Report includes a stocktake of progress in implementing the recommendations from the 2010 EITI Report. The reconciler notes that of the nine recommendations, four recommendations have been addressed and four are in progress. One recommendation is yet to be followed up. This relates to taxes that are collected and handled manually at local government levels, and which are not recorded at central level in the information systems of DNI. The Steering Committee notes that it has met with DNI on several occasions to discuss this issue. DNI has indicated that it is in the process of increasing its management capacity by providing all bodies with efficient computerised systems capable of recording all data in real time. Further information regarding follow up on the recommendations from the 2010 EITI Report is available in Annex B, page 8.

Secretariat's Assessment

In accordance with the remedial action requested by the EITI Board, the International Secretariat's assessment is that the Steering Committee has sufficiently demonstrated that recommendations from previous EITI Reports are either in progress or have been addressed. The International Secretariat also notes that some of the recommendations made by the reconciler such as enforcement of the mining law appear to be beyond the mandate of an MSG.

In accordance with requirement 17, the 2012 EITI Report explains and addresses discrepancies. The final net unresolved discrepancy amount to 0.02%.

The EITI International Secretariat is satisfied that the remedial action requested by the Board has been completed.

4.7 Remedial Action 7

The Steering Committee should ensure that EITI reports are publicly accessible in such a way as to encourage that its findings contribute to public debate (requirement 18).

Validator's findings

The Validator noted that "Since joining the Initiative, the Steering Committee commissioned six EITI reports. To date, only the 2005 EITI report has been widely disseminated. The 2006 EITI report was officially presented on 1 April 2010 and is available on the EITIG website. It has not however been widely disseminated. The 2007, 2008, 2009 and 2010 EITI reports were officially presented on the 6 July 2012. They are not yet available on the EITIG website and have not, to date, been widely circulated", (Validation report, p.77). The Validator concluded that the requirement was unmet.

Progress since Validation

The 2011 and 2012 EITI reports were published on 27 December 2013. In the period 16 February - 12 March 2014, EITI Guinea undertook an extensive dissemination campaign which included visits to 18 mining prefectures, four sub-prefectures, five universities and the national press office. The EITI reports were also published in four prominent newspapers, in online media, discussed on three television channels and featured in around ten radio broadcasts. The Steering Committee has produced a summary report from the dissemination campaign documenting the discussions with local communities and universities. The Steering Committee notes that "it should be emphasised that the publication of the reports prompted debate and reached a wide audience, included local elected representatives, mining companies, academics, journalists, etc." (Annex B, p.9). A list of selected news articles is available in Annex B, p.9-10.

All Guinea's EITI Reports are available online.

Secretariat's Assessment

The International Secretariat's assessment is that the Steering Committee has ensured that the EITI Report is comprehensible and publicly assessable, and has been disseminated in a way that has contributed to public debate.

The EITI International Secretariat is satisfied that the remedial action requested by the Board has been completed.

5 Conclusion

The Board decision stipulated that seven remedial actions should be completed in order for Guinea to achieve Compliance. The International Secretariat is satisfied that the remedial actions have been satisfactorily completed and that the outstanding requirements are met.

Annex A - EITI Board decision on Guinea 26 October 2012

Available from http://eiti.org/files/Minutes-from-the-21st-EITI-Board-meeting-Lusaka.pdf

Annex B – Steering Committee report on corrective measures

Available from http://eiti.org/internal/validation-committee

Annex C –Terms of Reference for the Secretariat Review for Guinea

Available from http://eiti.org/internal/validation-committee