

Validation of Dominican Republic
Final Validation Report
CowaterSogema Independent Validator
6th June, 2019

1. EXECUTIVE SUMMARY

The Dominican Republic joined the EITI in February 2016. Validation commenced on 1 January 2019. The International Secretariat followed the Validation Procedures and applied the Validation Guide in assessing the Dominican Republic's progress with the 2016 EITI Standard. This assessment has also been reviewed by the MSG, who agrees with both the independent Validator and the International Secretariat's assessment that three of the requirements of the EITI Standard have not been fully addressed. The suggested corrective actions identified through this process relate to production data (3.2), subnational transfers (5.2) and the outcomes and impact of implementation (7.4). Additional recommendations focus in particular on ensuring that EITI implementation further contributes to public debate and to improved extractive sector governance.

2. BACKGROUND

The main commodities produced in the Dominican Republic are gold, silver, copper and ferronickel. The extractive sector contributes roughly 2% of GDP and 3% of government revenue (2016). The sector's contribution to the economy was merely 0.4% before the Pueblo Viejo gold mine re-opened in 2012.¹ Pueblo Viejo, jointly owned by Barrick and Goldcorp, is one of the world largest gold mines². Minerals account for 42% of national exports (2016), mostly consisting of gold.³ The Dominican Republic does not produce petroleum, but preparations for exploration are underway. The government has identified six zones that have potential for petroleum discoveries and is planning a bidding round.⁴

1. Work Performed by the Independent Validator

In line with the Validation Guide, the International Secretariat carried out the first phase of validation—initial data collection, stakeholder consultations, and preparation of their initial evaluation of progress against the EITI requirements (the “Initial Assessment”). CowaterSogema was appointed as the independent Validator to evaluate whether the Secretariat's work was carried out in accordance with the Validation Guide. CowaterSogema's principal responsibilities as Validator are to review and amend the Initial Assessment, as needed, and to summarize its independent review in this Validation Report for submission to the Board through the Validation Committee.

The Secretariat's Initial Assessment was transmitted to CowaterSogema on 2nd May 2019. Our Validation

¹ pp. 80-84, 2016 EITI Report

² <https://www.barrick.com/operations/pueblo-viejo/default.aspx>.

³ pp. 85-86, 2016 EITI Report

⁴ pp. 4-5, 2016 EITI Report

Team undertook this phase of the Validation process through: (1) In-depth review and marking up of the EITI Assessment by each team member; (2) Detailed review and comments by the Multi-Stakeholder Specialist of Requirements 1 and the Civil Society Protocol; (3) Detailed review and comments by the Financial Specialist of Requirements 4, 5 and 6; (4) Following on from receiving feedback on the draft validation report, this final report was sent to the International Secretariat on the 6th June, 2019.

2. Comments on the Limitations of the Validation

The Validator carefully reviewed the Secretariat’s Initial Assessment and has one comment on the limitation of the validation process. As with other assessments, it is possible to be compliant with Requirement 7.1 – Public Debate – without actually contributing significantly to public debate. The bar of precedence appears to be set too low here, reflecting output-based indicators rather than outcome-based indicators, and contravenes the last five words of the opening sentence for this requirement in the Standard (bold added), “The multi-stakeholder group must ensure that the EITI Report is comprehensible, actively promoted, publicly accessible **and contributes to public debate.**”

3. Comments on the International Secretariat’s Initial Assessment

The initial data collection, stakeholder consultations, and drafting of the Initial Assessment were generally undertaken by the International Secretariat in accordance with the 2016 Validation Guide. The data collection took place across three phases. Firstly, a desk review of the available documentation relating to the country’s compliance with the EITI Standard, including but not limited to:

- The EITI work plan and other planning documents such as budgets and communication plans;
- The multi-stakeholder group’s Terms of Reference, and minutes from multi-stakeholder group meetings;
- EITI Reports, and supplementary information such as summary reports and scoping studies;
- Communication materials;
- Annual progress reports; and
- Any other information of relevance to Validation.

A country visit took place on 7-13 March 2019. All meetings took place in Santo Domingo. The secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group. In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders are able to freely express their views and that requests for confidentiality are respected.

2. GENERAL COMMENTS

- **Progress in EITI Implementation**

EITI implementation has improved the availability and accessibility of data, as well as dialogue between stakeholders. There is potential for further impact. EITI could cover topics of local relevance related to, for example, environmental reporting and revenue management on the subnational level. Stakeholders on the MSG are committed, but currently the MSG's work is process oriented. The MSG could serve as a platform for discussing reforms in the sector.

The online portal for EITI data is comprehensive and easy to use. Contract transparency and the publication of, for example, production and export data in open format facilitates analysis. Public debate is, however, limited. Data is mostly available on government websites, and there is potential for further mainstreaming disclosures. The correct level of subnational transfers is a topic of interest for stakeholders, and the issue has been debated in MSG meetings.

- **Impact of EITI Implementation**








The main challenge for the EITI in the Dominican Republic is to take the step from disclosures to using the data as a basis for dialogue about reforms. Mining, and potentially petroleum, are priority sectors for the government, and the EITI has potential to strengthen governance in the sector. A focus on impact and embedding disclosures in government systems would help ensure the continued commitment of stakeholders and the sustainability of the process.

The Independent Validator's Assessment of Compliance

Figure 1 – Validator's assessment

| EITI Requirements | | LEVEL OF PROGRESS | | | | |
|-----------------------------|--|-------------------|------------|------------|--------------|--------|
| | | No progress | Inadequate | Meaningful | Satisfactory | Beyond |
| Categories | Requirements | | | | | |
| MSG oversight | Government engagement (#1.1) | | | | | |
| | Industry engagement (#1.2) | | | | | |
| | Civil society engagement (#1.3) | | | | | |
| | MSG governance (#1.4) | | | | | |
| | Work plan (#1.5) | | | | | |
| Licenses and contracts | Legal framework (#2.1) | | | | | |
| | License allocations (#2.2) | | | | | |
| | License register (#2.3) | | | | | |
| | Policy on contract disclosure (#2.4) | | | | | |
| | Beneficial ownership (#2.5) | | | | | |
| | State participation (#2.6) | | | | | |
| Monitoring production | Exploration data (#3.1) | | | | | |
| | Production data (#3.2) | | | | | |
| | Export data (#3.3) | | | | | |
| Revenue collection | Comprehensiveness (#4.1) | | | | | |
| | In-kind revenues (#4.2) | | | | | |
| | Barter agreements (#4.3) | | | | | |
| | Transportation revenues (#4.4) | | | | | |
| | SOE transactions (#4.5) | | | | | |
| | Direct subnational payments (#4.6) | | | | | |
| | Disaggregation (#4.7) | | | | | |
| | Data timeliness (#4.8) | | | | | |
| | Data quality (#4.9) | | | | | |
| Revenue allocation | Distribution of revenues (#5.1) | | | | | |
| | Subnational transfers (#5.2) | | | | | |
| | Revenue management and expenditures (#5.3) | | | | | |
| Socio-economic contribution | Mandatory social expenditures (#6.1.) | | | | | |
| | SOE quasi-fiscal expenditures (#6.2) | | | | | |
| | Economic contribution (#6.3) | | | | | |
| Outcomes and impact | Public debate (#7.1) | | | | | |
| | Data accessibility (#7.2) | | | | | |
| | Follow up on recommendations (#7.3) | | | | | |
| | Outcomes and impact of implementation (#7.4) | | | | | |

Legend to the assessment card

| | |
|---|--|
|  | The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled. |
|  | The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled. |
|  | The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled. |
|  | The country is compliant with the EITI requirement. |
|  | The country has gone beyond the requirement. |
|  | This requirement is only encouraged or recommended and should not be taken into account in assessing compliance. |
|  | The MSG has demonstrated that this requirement is not applicable in the country. |

3. DETAILED FINDINGS

The Validator agrees with the findings of the Initial Assessment. However, for Requirement 2.2, the Validator finds the wording of the initial assessment somewhat unusual, “The process for awarding and transferring licenses is described. Clear internal criteria for assessing applications appears not to have existed in 2016.” The EITI Standard does not require the disclosure of “internal criteria” for assessing licence applications – only that the technical and financial criteria are disclosed. In the case of the Dominican Republic, they are clearly stated online.⁵

In addition, for Requirement 2.4, while there is no reference to an explicit policy for disclosing contracts and licences in the above, the Validator finds the International Secretariat’s assessment of satisfactory is valid, given that all contracts are published in the official gazette.

4. RECOMMENDATIONS

The Validator proposes three corrective actions that address gaps in compliance with the EITI Standard. Additionally, Validator proposes a number of strategic recommendations to strengthen EITI implementation and its impact.

Corrective actions

- In order to meet **Requirement 3.2**, the Dominican Republic should publish the value of production of non-metallic minerals by commodity. In order to improve the reliability of production data, the government is encouraged to ensure that the accuracy of volumes reported by companies is sufficiently monitored.
- To meet **Requirement 5.2**, the MSG is required to assess and disclose any discrepancies between the formulas and actual amounts transferred (1) from the central government to FOMISAR and (2) from FOMISAR to municipalities. The MSG is encouraged to document and disclose disagreements related to the interpretation of the concept of ‘net benefit’ in the Pueblo Viejo contract.
- In accordance with **Requirement 7.4**, Dominican Republic is expected to assess the impact and outcomes of EITI in Dominican Republic and identify opportunities for strengthening the impact of EITI implementation on natural resource governance.

Strategic recommendations

- To strengthen the implementation of **Requirement 1.1**, the government is encouraged to engage relevant agencies such as the Directorate-General of Mining and the Ministry of Environment and Natural Resources in EITI implementation. The Dominican Republic should also guarantee the participation of senior government representatives in MSG meetings. The government is encouraged to ensure that its commitment is sustained if the administration changes, including through sustained funding for the EITI.
- To strengthen implementation of **Requirement 1.2**, the industry constituency is encouraged to

⁵ For example, <http://dgm.gob.do/transparencia/index.php/servicios/recomendacion-para-otorgamiento-de-las-solicitudes-de-concesion-para-exploracion-minera>

continue active participation in the EITI and facilitate the publication of beneficial ownership information, as well as routine disclosures of revenue data.

- To strengthen implementation of **Requirement 1.3**, the Dominican Republic is encouraged to consider funding capacity-building for CSOs interested in extractives governance. The civil society constituency is encouraged to clearly document the selection process of MSG members and to build the capacity of CSOs outside the MSG.
- To strengthen implementation of **Requirement 1.4**, the MSG is encouraged to re-orient its focus from the EITI process to reforms in extractive sector governance. The MSG is encouraged to revive the technical committee and invite key government institutions that regulate the extractive sector to participate closely in EITI debates.
- Civil society MSG members should develop a mechanism for systematic communication with the broader constituency, and the MSG is encouraged to support capacity-building of CSOs outside the MSG to ensure continuity and broad representation (**Requirement 1.4**).
- To strengthen EITI implementation, the MSG is encouraged to consider broadening the scope of implementation to cover topics considered relevant by stakeholders (**Requirement 1.5**). These could include, for example, environmental disclosures and revenue management on the subnational level. The MSG is encouraged to monitor regularly the implementation of the work plan and ensure that activities reflect current priorities.
- To strengthen the implementation of **Requirement 2.2**, the Dominican Republic is encouraged to continue the work to clarify the internal criteria for assessing license applications and to communicate these publicly. DGM and MEM are encouraged to further clarify their roles in the licensing process to avoid unnecessary overlaps.
- To strengthen the implementation of **Requirement 2.3**, the Dominican Republic is encouraged to continue the development of a digital license cadastre with a public interface containing all information featured in the requirement.
- To prepare for the implementation of *Requirement 2.5*, the MSG is encouraged to work with extractive companies, including non-metallic mining companies, to ensure that information on their beneficial owners can be published by 1 January 2020. DGM is encouraged to request beneficial ownership information as part of the licensing process.
- The MSG is strongly encouraged to continue disclosing information regarding state participation in the extractive sector and to engage with the government entities taking over ownership of mining concessions and Falconbridge shares following the dissolution of CORDE (**Requirement 2.6**). The MSG should annually review, whether state participation gives rise to material revenues.
- The Dominican Republic is encouraged to improve the timeliness of revenue and payment disclosures (**Requirement 4.8**). The tax authorities (DGII) and companies are encouraged to seek solutions for real-time or regular disclosures of payments.
- To strengthen implementation of **Requirement 4.9**, the MSG should ensure that future EITI Reports include the Independent Administrator's assessment of data reliability. The MSG is encouraged to document the audit policies and practices of government entities. If the MSG concludes that all financial data is subject to credible, independent audit, and can work towards routine disclosure of the requisite information in the necessary level of detail, it may wish to consider options for mainstreaming that put less focus on reconciliation of payments and revenues.
- The MSG is encouraged to include information about auditing policies and practices in the online portal. The MSG is also encouraged to consider further disclosures related to the management of

extractive revenue on subnational level (**Requirement 5.3**).

- To strengthen implementation of **Requirement 6.1**, the MSG is encouraged to regularly review the existence of mandatory social expenditures and to disclose voluntary social payments by extractive companies.
- The MSG is encouraged to create a communications strategy focused on enticing public debate on national and local level (**Requirement 7.1**). This is closely related to ensuring that EITI implementation covers topics of relevance in the Dominican Republic and leads to clear policy recommendations that are followed up on.
- To strengthen implementation of **Requirement 7.2**, Dominican Republic is encouraged to undertake capacity-building efforts that support the use of EITI data, especially with civil society organisations, media and parliamentarians. The MSG is also encouraged to continue to explore possibilities for routine disclosures through government systems.
- To strengthen implementation of **Requirement 7.3**, the Dominican Republic is encouraged to take steps to act upon lessons learnt with a view to strengthen the impact of EITI implementation on natural resource governance. The MSG is encouraged to draw from this Validation and existing studies to agree recommendations related to strengthening extractive sector governance.
