Validation of the Democratic Republic of the Congo
Final Validation Report
CowaterSogema Independent Validator
25th July 2019

1. EXECUTIVE SUMMARY

The Government of the Democratic Republic of the Congo (DRC) committed to implement the EITI on 17 March 2005, and issued a Prime Ministerial Decree in November 2005 creating the EITI National Committee (the multi-stakeholder group - MSG). The country was accepted as an EITI Candidate in February 2008. Following two Validations, the Democratic Republic of the Congo was declared compliant under the EITI Rules in July 2014. On 25 October 2016, the Board agreed that the country's Validation under the 2016 EITI Standard would commence on 1 July 2018. On 4 September 2018, the EITI Board agreed that the Democratic Republic of the Congo was eligible for an extension of its Validation deadline. The Validation commenced on 1 October 2018.

This final validation report follows on from a quality assurance review of the International Secretariat's initial assessment as well as clarifications and feedback on the draft report from the DRC MSG. The Validator agrees with the initial assessment that the DRC has not met the requirements of the EITI Standard, with 13 of the requirements of the EITI Standard not fully addressed in the DRC.

The recommendations and suggested corrective actions identified through this process relate in particular to MSG governance (#1.4), license allocations (#2.2), license register (#2.3), state participation (#2.6), production data (#3.2), export data (#3.3), comprehensiveness (#4.1), SOE transactions (#4.5), direct subnational payments (#4.6), data quality (#4.9), distribution of revenues (#5.1), subnational transfers (#5.2), mandatory social expenditures (#6.1) and SOE quasi-fiscal expenditures (#6.2).

2. BACKGROUND

The DRC holds some of the world's most extensive deposits of copper, cobalt, coltan, diamonds, gold, silver, tin, iron ore, zinc and oil.[1] Untapped mineral deposits are estimated to be worth up to USD24 trillion at current market prices.[2] The country is a leading exporter of minerals, accounting for 51% of the global production of cobalt, 17% of tantalum, 15% of coltan, 13% of diamonds, 6% of copper, 4% of refined cobalt and 2% of tin in 2015.[3] The DRC overtook Zambia as Africa's largest producer of copper in 2013.[4]

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[1] NRGI (October 2015), 'Country strategy note: Democratic Republic of Congo (DRC)', https://resourcegovernance.org/sites/default/files/documents/nrgi_drc-strategy_20160629.pdf, accessed in February 2019.

[2] Nik Stoop (July 2018), 'More legislation, more violence? The impact of Dodd-Frank in the DRC', https://journals.plos.org/plosone/article/file?id=10.1371/journal.pone.0201783&type=printable; UK Department for International Development (July 2018), 'DFID Democratic Republic of Congo (DRC) profile', https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/723135/Democratic-Republic-Congo-July-2018.pdf, both accessed in February 2019.

[3] U.S. Geological Survey (December 2017), 'The Mineral Industry of Congo (Kinshasa)', https://minerals.usgs.gov/minerals/pubs/country/2014/myb3-2014-cg.pdf, accessed in February 2019.

[4] NRGI (October 2015), op.cit., and Nik Stoop (July 2018), op.cit.

The extractive industries have accounted for over 80% of the country's exports for several decades[5] and contributed 68.3% of government revenues in 2015.[6]

The resource-rich former Katanga Province, in the country's south-east, accounted for around 82% of the central government's extractives revenues in 2015.[7] While the country's current crude oil production is modest at around 25,000 barrels per day (bpd), based offshore and entirely exported[8] from the western port of Banana[9], the DRC has untapped potential both offshore and onshore, including in the eastern part, of approximately 7.2 million barrels of recoverable oil in 2016.[10] Crude oil production is dominated by PERENCO (French oil and gas company), although there has been exploration in new areas. There have been criticisms of oil exploration in the protected areas of Virunga and Salonga.[11]

Despite this mineral wealth, the DRC, with a population of around 80 million spread out over a land mass the same size as Western Europe[12], ranks 176th of 189 countries in the United Nation's Human Development Index for 2018.[13] Two civil wars in the 1990s-2000s claimed over 5 million lives.[14] Access to mineral wealth was a key factor in the conflict. Privatisations in the mining sector coincided with a rebound in global commodity prices to yield significant inbound foreign direct investment in the country's mining sector, worth USD2.1bn in 2006 alone.[15] Mining investment was both through joint ventures with the DRC's SOEs, chief among them GÉCAMINES (*La Générale des carrières et des mines*) with over 38 mining joint ventures with private investors[16], as well as through conventional mining licenses.[17] The DRC is also strategically important for global mining companies, accounting for 19% of Glencore's copper output and 82% of its cobalt output globally in 2015.[18]

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[5] KPMG (2017), 'DRC Economic Snapshot H2, 2017', https://home.kpmg/content/dam/kpmg/za/pdf/2017/12/DRC-2017H2.pdf, accessed in February 2019.

[6] Secure Livelihoods Research Consortium (July 2018), 'Mining minerals or mining the state? The practical norms governing mineral extraction in former Katanga, Democratic Republic of Congo', https://securelivelihoods.org/wp-content/uploads/Mining-minerals-or-mining-the-state-Claude-Iguma-final-online.pdf, accessed in February 2019.

[7] Secure Livelihoods Research Consortium (July 2018), op.cit.

[8] KPMG (2017), 'DRC Economic Snapshot H2, 2017', https://securelivelihoods.org/wp-content/uploads/Mining-minerals-or-mining-the-state-Claude-Iguma-final-online.pdf, accessed in February 2019.

[9] PwC (2018), 'Democratic Republic of Congo update', https://www.pwc.com/gx/en/transportation-logistics/publications/africa-infrastructure-investment/assets/drc.pdf, accessed in February 2019.

[10] NRGI (October 2015), 'Country strategy note: Democratic Republic of Congo (DRC)', https://resourcegovernance.org/sites/default/files/documents/nrgi_drc-strategy_20160629.pdf, accessed in February 2019.

[11] Oil rights threatening DRC's Salonga National Park , Global Witness February 2019. https://www.globalwitness.org/en/press-releases/oil-rights-salonga-national-park-could-be-null-and-void-global-witness-analysis-reveals/

[12] U.S. Department of State (July 2018), 'Integrated Country Strategy: Democratic Republic of the Congo', https://www.state.gov/documents/organization/284871.pdf, accessed in February 2019.

[13] United Nations Development Programme (2018), 'Human Development Reports: Congo (Democratic Republic of the)', http://hdr.undp.org/en/countries/profiles/COD, accessed in February 2019.

[14] NRGI (October 2015), op.cit.

[15] Secure Livelihoods Research Consortium (July 2018), op.cit.

[16] NRGI (2017), '2017 Resource Governance Index: Democratic Republic of Congo (mining)', accessed here in February 2019.

[17] Secure Livelihoods Research Consortium (July 2018), op.cit.

[18] Bread for all, RAID and Fastenopfer (June 2014), 'PR or Progress? Glencore's Corporate Responsibility in the Democratic Republic of the Congo'.

Over the past decade, the People's Republic of China has replaced the European Union as the DRC's main trading partner.[19] A minerals-for-infrastructure agreement between the Government of the DRC and Chinese SOEs in 2007, valued at between USD6 billion [20] and USD9 billion [21], was a watershed in the two country's economic relations. Exceeding the Government of the DRC's annual budget, the agreement consisted of public-use infrastructure, such as roads, railways, hospitals, schools and dams, as well as mine infrastructure, worth an estimated USD6.2 billion in exchange for mining rights.[22]

In 2015, Zijn Mining acquired a 49.5% stake in Kamoa Holding, which operates one of the largest copper mines in the country.[23] In 2016, U.S.-based Freeport McMoran sold its 54% interest in Tenke Fungurume copper mine, the DRC's single largest industrial mine, to China Molybdenum for USD2.65bn.[24] In 2018, China Nonferros Metal Mining Group Ltd. finalised an agreement with GÉCAMINES to exploit the Deziwa concession. The Deziwa SAS joint venture was hailed as a new type of agreement by the Government of DRC that holds 49% of its shares.[25]

While the DRC hosts an extensive industrial mining sector, particularly focused on copper and cobalt, there is also a significant informal sector, including artisanal and small-scale mining.[26] There were an estimated 800,000 artisanal diamond miners in 2014[27], out of a total of several million informal miners. Artisanal and small-scale miners are estimated to account for most of the country's diamond, niobium, tantalum, tin and tungsten production.[28] The United Nations Panel of Experts has estimated that some 98% of the DRC's gold production is smuggled out of the country, primarily through neighbouring Uganda.[29] Coltan, tin and tungsten (known as the '3Ts') and gold have been categorised as "conflict minerals" given the involvement of armed groups in their production in the DRC.[30] The U.S. Congress' enactment of Section 1502 of the

https://resourcegovernanceindex.org/system/documents/documents/000/000/134/original/Resource_Governance_Index_DRC_mining_profile_%28English%29.pdf?1502816516, accessed here in February 2019, p.7.

[19] CSS Analysis (February 2019), 'More Continuity than Change in the Congo', accessed here in February 2019.

[20] CSS Analysis (February 2019), op.cit.

[21] Congo Mines (2017), 'Rapport d'évaluation des impacts du projet Sicomines sur les droits humains', accessed here in February 2019.

[22] Global Witness (March 2011), 'China and Congo: Friends in Need', accessed here in February 2019.

[23] Ivahoe Mines, https://www.ivanhoemines.com/; Mining and Business Magazine (October 2018), 'Kamoa: Ivanhoe détient le plus grand projet de cuivre d'Arique à Kakula', https://www.miningandbusiness.com/actualite/kamoa-ivanhoe-detient-le-plus-grand-projet-de-cuivre-dafrique-a-kakula-103; Agence Ecofin (May 2017), 'RD Congo: Ivanhoe recoit un dernier paiement de USD 41,2 millions de la part de Zijn Mining', https://www.agenceecofin.com/cuivre/2405-47599-rd-congo-ivanhoe-recoit-un-dernier-paiement-de-41-2-millions-de-la-part-de-zijin-mining accessed in February 2019.

[24] Congressional Research Service (August 2018), 'Democratic Republic of Congo: Background and U.S. Relations', accessed here in February 2019.

[25] Congo Actuel (April 2018), 'Mine: la Gécamines scelle le projet minier « Deziwa » avec CNMC pour USD880 millions d'investissement', http://www.congoactuel.com/mine-la-gecamines-scelle-le-projet-minier-deziwa-avec-cnmc-pour-880-millions-usd-dinvestissement/, accessed in February 2019.

[26] Congressional Research Service (August 2018), op.cit.

[27] US Geological Survey (December 2017), op.cit.

[28] Ibid.

[29] The Carter Centre (November 2017), 'A State Affair: Privatizing Congo's Copper Sector', accessed here in February 2019.

[30] Nik Stoop (July 2018), 'More legislation, more violence? The impact of Dodd-Frank in the DRC', accessed here in February 2019.

Dodd-Frank Act in 2010 introduced disclosure requirements for US-listed companies sourcing these minerals[31], leading to the establishment of two global coalitions[32] of electronic companies pledging to only buy minerals with clear responsible sourcing.[33]

According to the Natural Resource Governance Institute (NRGI) 2017 Resource Governance Index, the DRC's oil and gas sector was ranked 84th of 89 countries and its mining sector was ranked 75th of 89.[34] The main challenges identified relate to revenue management, oversight of SOEs and the enabling environment. Corruption probes have been launched against companies associated with Israeli businessman Dan Gertler, an investor in the DRC's mining sector closely associated with former President Joseph Kabila, in the U.S., Canada and the United Kingdom, and the U.S. Department of the Treasury imposed sanctions on Gertler-related companies in 2017.[35] The International Monetary Fund suspended its lending to the DRC in 2012 on concerns over lack of transparency in mining contracts.[36] Since then, a new Hydrocarbons Code was enacted in 2016 and a new Mining Code in 2018, while presidential elections brought a new administration led by President Félix Tshisekedi to power in January 2019.[37]

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 summarise its independent review in this Validation Report for submission to the Board through the Validation Committee.

1. Work Performed by the Independent Validator

The Secretariat's Initial Assessment was transmitted to CowaterSogema on 20th April 2019. Our Validation 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) Consolidation of reviews and the production of the final Validation Report, sent to the International Secretariat on the 25th July 2019.

31 NRGI (October 2015), op.cit.

32 The Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainable Initiative (GeSI).

33 Nik Stoop (July 2018), op.cit.

34 NRGI (2017), '2017 Resource Governance Index: Democratic Republic of Congo (oil and gas)',accessed here; and NRGI (2017), '2017 Resource Governance Index: Democratic Republic of Congo (mining)',accessed here; both accessed in February 2019.

35 Congressional Research Service (August 2018), op.cit.

36 Ibid.

37 CSS Analysis (February 2019), op.cit.

2. Comments on the Limitations of the Validation

The Validator carefully reviewed the Secretariat's Initial Assessment and at this stage has no comments on the limitation of the validation process.

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.

Secondly, a country visit, which took place from 3-15 November 2018. Meetings took place in Kinshasa and Lubumbashi. The International 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 confidentially are respected.

2. GENERAL COMMENTS

- **Progress in EITI Implementation**

The EITI Standard is particularly relevant to the DRC's extractive industries. The requirements for multi-stakeholder dialogue on extractives governance are critical in a complex and fragmented industry that has traditionally been closed to public scrutiny. SOEs play a central role in the management of the extractive industry in the DRC. The need to clarify financial flows managed by state-owned enterprises (SOEs) goes to the very core of the legacy of opacity in the country's extractive industries. Contract transparency is particularly relevant to a sector where bespoke contracts have historically offered differing terms to investors. The need to clarify barter and infrastructure arrangements is of great significance to a sector where billions of dollars worth of minerals for infrastructure developments agreements have been concluded. In a country where extractives accounted for 98% of exports and 18% of the gross domestic product (GDP) in 2016, the distribution of revenues at the local level is a key issue.

It is widely agreed that EITI implementation has had a significant impact in the DRC. Disclosure of EITI data has opened up key parts of the extractive industries to public oversight, including contractual terms awarded to some of the largest companies in the country, transactions between SOEs and the state and foreign investments in infrastructure works pledged in exchange for access to natural resources. EITI reporting has shed light on the sector's highly fragmented and complex fiscal regime, as well as the profile of the numerous companies operating in the DRC.

In addition, the EITI process has led government agencies and companies to improve their own data collection and reporting procedures, with online disclosures by the Ministry of Mines and the Ministry of Finance leading the way in providing timely data. While further efforts are crucial to ensure that the information disclosed is user-friendly to enable analysis by local stakeholders, stakeholders have gradually built a capacity to understand and monitor the sector through the EITI process.

The vibrant civil society constituency has supported the promotion of significant public debate on EITI-related topics through diverse means, including community radio shows and student initiatives. Despite a challenging environment, the EITI's multi-stakeholder platform has therefore provided a key channel for civil society to participate in discussions about the management of the sector and to have access to public decision-making.

The success of the multi-stakeholder approach has been most apparent in the EITI's contribution to regulatory reform. The addition of transparency provisions to the Mining Code and its implementing decree related to licensing, beneficial ownership and changes in government ownership was partly a result of a constructive dialogue among EITI stakeholders. Beyond pushing for legislative change, the EITI also contributed to monitoring the implementation of regulations, including in the disclosure of contracts and revenues managed by SOEs.

As transparency has grown through the EITI, so has the public realisation that implementation could yield even greater impacts. Gaps identified in EITI disclosures through reporting and Validation are fundamentally linked to weaknesses in government and company record keeping. Greater clarity on SOEs' group-level financial relations with the government have highlighted the need for more openness in SOEs' intra-group transactions, particularly in their joint-ventures with private investors. Openness in license management and production data has shed light on weaknesses in government oversight.

The identification of significant off-budget extractive revenues has highlighted the lack of public accountability in the management of these revenues. While there have been substantive efforts to clarify subnational revenue flows and companies' contributions to local development, the application of the regulatory framework in practice has been uneven at best. Moreover, transparency and accountability challenges differ from one subsector and extractives commodity to another.

The oversight of EITI implementation itself has also faced its own internal governance challenges. While industry and civil society engagement in EITI implementation has proven resilient in often challenging circumstances, the government needs to respect all constituencies involved in the EITI as equal partners and to exert adequate oversight over the governance of implementation, including financial management. Given the ambitions linked to the EITI process and the remarkable engagement of all constituencies, the implementation of the EITI in the DRC should lead by example in terms of probity and adherence to the EITI's Code of Conduct and Civil Society Protocol.

- **Impact of EITI Implementation**

By addressing gaps in data disclosures and multi-stakeholder governance, the DRC can make even greater use of EITI implementation to drive reforms in the governance of its extractive industries. Concerns around the comprehensiveness and reliability of data provided by both government and company systems continue to foster mistrust from civil society organisations, hampering efforts to move towards systematic disclosure of data. Ultimately, the EITI needs to address concerns from all stakeholders that revenues from the sector are still not benefitting citizens.

Clearly defining the EITI's mandate and scope, as well as its relation to national priorities, will be key to ensuring that the initiative has a meaningful and sustained impact. The watershed transition of political power between two administrations in January 2019 offers an opportunity for stakeholders to take stock of a decade of implementation to further deepen the EITI's impact on the broader governance of the extractive industries.

The Independent Validator's Assessment of Compliance

Figure 1 – Validator's assessment

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

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 and therefore requires no further clarification.

4. RECOMMENDATIONS

This validation report includes recommendations for specific improvements DRC may wish to consider implementing and a list of strategic corrective actions that could help DRC make even greater use of the EITI as an instrument to support reforms, as follows:

1. In accordance with Requirement 1.4, the industry constituency should agree to public nominations procedures ahead of MSG member selection and the DRC should renew the MSG's membership in line with statutory procedures. The DRC should update its internal governance rules to cover all provisions of Requirement 1.4.b and ensure that any deviations from the ToR in practice are properly codified. In accordance with Requirement 1.4.b.vi, the DRC must clarify the practice of per diems for attending EITI meetings or other payments to MSG members to ensure that it does not affect the governance of EITI implementation, or cause any conflict of interest.

2. In accordance with Requirement 2.2, the DRC is required to publicly disclose information about licenses awarded and transferred, including any non-trivial deviations from the applicable legal and regulatory framework and the detailed technical and financial criteria assessed. The DRC is encouraged to ensure the EITI works closely with the relevant ministries to also disclose information about pending applications. In the event of bidding rounds, the DRC is required to disclose the bid criteria, the full list of applicants and is encouraged to document the results of the process.

3. In accordance with Requirement 2.3, the DRC is required to maintain a publicly available register or cadastre system with timely and comprehensive information regarding all licenses held by extractive companies. The DRC should work closely with the Ministry of Hydrocarbons, the Hydrocarbon General Secretariat (SGH) and partners to ensure that a register of oil and gas licenses is publicly available. The CAMI is encouraged to improve the timeliness and comprehensiveness of data on its online cadastre, adding geographical coordinates where possible. It might also wish to make its data available in open data format.

4. In accordance with Requirement 2.6, the DRC should ensure that there is a publicly available and comprehensive list of extractives companies in which the government, or any SOE, holds equity, and the existence of any change in the year under review and a description of the terms associated with the government's, or SOE's, equity should also be included. The DRC should ensure that the prevailing rules and practices regarding the financial relationship between the government and SOEs, e.g. the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing are publicly

disclosed. The DRC should ensure that the terms of loans and loan guarantees provided by the state and SOEs to extractives companies are comprehensively disclosed in the public domain.

5. In accordance with Requirement 3.2, the DRC is required to publicly disclose production values by commodity, and where relevant by state/region, for all extractive commodities produced in the year under review. The DRC is encouraged to explore ways of using the EITI to roll out the new valuation methodology for extractives production agreed in May 2018 by all mining companies. It may wish to work closely with the Ministry of Mines to ensure that production data compiled by the Cellule Technique de Coordination et Planification Minière (CTCPM) is widely disseminated and compared with data disclosed by mining companies. The DRC is urged to ensure the EITI works closely with the SGH and the CHEVRON ODS, MIOC and TEIKOKU consortium to publicly disclose oil production values in future.

6. In accordance with Requirement 4.1, the DRC should ensure that all companies selected in the scope of reporting comprehensively report all material payment flows, and that decisions on the materiality of revenue flows are based on government unilateral disclosure of total extractives revenues, including those not statutorily-mandated, but nevertheless collected. The DRC should also ensure that full unilateral government disclosure of material revenues, including from non-material companies, is presented disaggregated by revenue flow rather than by company. The DRC may wish to consider revisiting its scoping and materiality decisions, potentially including a two-tiered approach for mid-sized and larger companies, to strike a balance between the comprehensiveness of disclosures and the quality of reporting. To strengthen implementation, the DRC is urged to reassess the existence of government in-kind revenues on an annual basis, with a view to publicly disclosing volumes collected, volumes sold and proceeds of sales per buyer once production commences within areas covered by oil and gas PSCs.

7. In accordance with Requirement 4.5, the DRC should ensure that the role of SOEs, including company payments to SOEs and transfers between SOEs and government entities, is comprehensively and publicly addressed. This should include the disclosure and reconciliation of all material transactions involving SOEs.

8. In accordance with Requirement 4.6, the DRC is encouraged to establish whether direct subnational payments are material. The DRC should clearly document the method behind selecting and reconciling revenue streams, building on improvements in the 2016 scoping study. Following changes in mining legislation in June 2018, the DRC is encouraged to work closely with provincial governments to systematically disclose timely and comprehensive information about payments of shares of mining royalties to relevant subnational governments.

9. In accordance with Requirement 4.9, the DRC should review the agreed quality assurances required from companies and government entities for their EITI reporting. The DRC may wish to ensure that data collection deadlines are established with a view to ensuring full adherence with the quality assurances agreed to for EITI reporting.

10. In accordance with Requirement 5.1, the DRC is required to explain the allocation of extractive revenues that are not recorded in the national budget, including revenues withheld by tax

collecting agencies and SOEs. The DRC is encouraged to collaborate with the Ministry of Finance, the Ministry of Budget and SOEs to disclose the allocation of these revenues and provide references to financial reports where relevant. The DRC EITI is also encouraged to provide more information about the “special accounts” to which the CAMI contributes.

11. In accordance with Requirement 5.2.a, the DRC should ensure that material subnational transfers in the extractive sector are publicly disclosed, highlighting discrepancies between subnational transfers in practice and calculations based on the revenue-sharing formula, disaggregated by province and Decentralised Territorial Entity (ETD). The DRC is encouraged to work closely with the Provincial Mining Divisions (*Divisions Provinciales des Mines*), the Ministry of Finance and the DGRAD to publicly disclose timely and comprehensive data about subnational transfers of mining royalties until the change in revenue-sharing in June 2018. In accordance with Requirement 5.2.b, the DRC is encouraged to ensure that any material discretionary or ad-hoc subnational transfers are also disclosed and, where possible, reconciled.

12. In accordance with Requirement 6.1, the DRC is required to disclose material mandatory social expenditures and, where possible, to reconcile them. The DRC is encouraged to pursue its EITI disclosures of voluntary social expenditures. Following legal reforms in the mining sector, the government may wish to explore opportunities for publicly disclosing social and environmental expenditures through routine government systems.

13. In accordance with Requirement 6.2, the DRC is required to disclose quasi-fiscal expenditures where state participation in the extractive sector gives rise to material revenue payments. The DRC should ensure close consultations with SOEs and the Ministry of Portfolio to ensure comprehensive EITI reporting of such expenditures and to develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, including SOE subsidiaries and joint-ventures.

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