

Validation Committee Paper 71-3

Submitted by: EITI International Secretariat

on: 30 January 2019

Validation of Guinea

For decision

For discussion

For information

The International Secretariat recommends that the Validation Committee recommends that the EITI Board agree that Guinea has made *meaningful progress* in implementing the 2016 EITI Standard. In accordance with requirement 8.3c, Guinea will be requested to undertake corrective actions before the second Validation on **<date of Board decision + 18 months>**.

Supporting documentation

Validation report [\[English\]](#) [\[French\]](#)

Comments on the draft Validation Report by the MSG [\[English\]](#) | [\[French\]](#).

Draft Validation report [\[English\]](#) | [\[French\]](#).

Initial assessment by the International Secretariat [\[English\]](#) | [\[French\]](#).

Has the EITI competence for any proposed actions been considered?

The Articles of Association mandate the Board to classify implementing countries as candidate countries or compliant countries (Article 5(2)(i)(a)). The EITI Standard ([Requirement 8.3](#)) addresses [EITI Validation deadlines and the consequences](#) following Validation.

Financial implications of any actions

The recommendation implies a second Validation commencing in mid-2020. The cost of second Validations varies depending on the complexity of the extractive industries and the number of corrective actions. In this case, a second Validation is expected to cost circa 25 000 USD, including staff time and travel (if needed).

Document history

Draft Board Paper reviewed by the Validation Committee	6 February 2019
Validation Committee agreement on a Board Paper	TBC

VALIDATION OF GUINEA

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Proposed Board decision on the Validation of Guinea

The Validation Committee recommends that the EITI Board takes the following decision:

Following the conclusion of Guinea's Validation, the EITI Board decides that Guinea has made meaningful progress overall in implementing the EITI Standard.

The Board congratulates the Government of Guinea and the Multi-Stakeholder Group (MSG) on the progress made in improving transparency and accountability in the extractive industries. In the context of rapidly growing mining sector, the Board believes that Guinea EITI has the potential to play a key role in supporting sector reforms and informing the public debate on natural resource governance.

The Board congratulates stakeholders for strengthening the comprehensiveness and quality of EITI reporting, and enhancing transparency in licence allocation procedures, the licence register, and in the disclosures of state-owned enterprises. The Board also recognises Guinea's efforts to go beyond the requirements of the EITI Standard in the disclosure of mining contracts through its contract transparency portal (www.contratsminiersguinee.org).

The Board encourages Guinea EITI to ensure that improvements in MSG oversight over the EITI process are commensurate with improvements in EITI reporting. The Board encourages Guinea EITI to deepen efforts in the disclosure of direct subnational payments, licence allocation, and quasi-fiscal expenditures by state-owned enterprises. It also encourages stakeholders to strengthen the MSG's follow-up on EITI recommendations and evaluation of outcomes and impact of EITI implementation.

The Board encourages Guinea EITI to shift the focus from overseeing the preparation of EITI Reports to supporting changes to enable systematic and regular disclosure of EITI data through government systems; and to support the implementation of the new Local Economic Development Fund (FODEL).

*The Board has determined that Guinea will have 18 months, i.e. until **<date of Board decision + 18 months>** before a second Validation to carry out corrective actions regarding the requirements relating to industry engagement (1.2), MSG governance (1.4), license allocation (2.2), Infrastructure agreements (4.3), direct subnational payments (4.6), quasi-fiscal expenditures (6.2), follow up on recommendations (7.3), and documenting outcomes and*

impact of implementation (7.4). Failure to achieve meaningful progress with considerable improvements across several individual requirements in the second Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Guinea's MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

The Board's decision followed a Validation that commenced on 1 July 2018. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed by an Independent Validator, who submitted a draft Validation report to the MSG for comment. The MSG's comments on the report were taken into consideration by the independent Validator in finalising the Validation report and the independent Validator responded to the MSG's comments. The final decision was taken by the EITI Board.

Background

The Government of Guinea committed to implement the EITI in April 2005 and was accepted as an EITI Candidate in September 2007. Guinea was declared compliant with the EITI Rules in July 2014.

The Validation process commenced on 1 July 2018. In accordance with the Validation procedures, an initial assessment [[English](#) | [French](#)] was prepared by the International Secretariat. The Independent Validator reviewed the findings and wrote a draft Validation report [[English](#) | [French](#)]. Comments from the MSG [[English](#) | [French](#)] were received on 8 May 2018. The Independent Validator reviewed the comments and responded to the MSG, before finalising the Validation report [[English](#)] [[French](#)].

The Validation Committee reviewed the case on 6 February 2019. Based on the findings above, the Validation Committee agreed to recommend the assessment card and corrective actions outlined below. The Committee also agreed to recommend an overall assessment of "meaningful progress" in implementing the 2016 EITI Standard. Requirement 8.3.c. of the EITI Standard states that:

ii. Overall assessments. Pursuant to the Validation Process, the EITI Board will make an assessment of overall compliance with all requirements in the EITI Standard.

...

iv. **Meaningful progress.** The country will be considered an EITI candidate and requested to undertake corrective actions until the second Validation.








The Validation Committee agreed to recommend a period of **18 months** to undertake corrective actions. This recommendation takes into account that the challenges identified are relatively significant and seeks to align the Validation deadline with the timetable for Guinea's 2017 and 2018 EITI Reports.

Assessment card

The Validation Committee recommends the following assessment:

EITI Requirements		LEVEL OF PROGRESS				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
Categories	Requirements					
	Government engagement (#1.1)					
	Industry engagement (#1.2)					
	Civil society engagement (#1.3)					
	MSG governance (#1.4)					
	Workplan (#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)					
	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

	No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
	Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
	Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
	Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	Beyond. The country has gone beyond the requirements.
	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.

Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Guinea. Progress in addressing these corrective actions will be assessed in a second Validation commencing on **<date of Board decision + 18 months>**:

- 1) In accordance with Requirement 1.2, the industry constituency should demonstrate that they are fully, actively and effectively engaged in the EITI process. In accordance with requirement 8.3.c.i, the industry constituency should develop and disclose an action plan for addressing the deficiencies in industry engagement documented in the Validator's report within three months of the Board's decision, i.e. **by <Board Decision + 3 months>**.
- 2) In accordance with requirement 1.4b, the MSG should update the 2012 Decree and Ministerial Order on MSG membership, and the June 2018 ToR to ensure that they align with the 2016 EITI Standard. The industry and civil society constituencies should develop, publish and implement procedures for an inclusive, fair, and transparent nomination of their representatives on the MSG. The MSG may also wish to consider options to broaden industry participation on the MSG. The MSG may wish to clarify the MSG governance framework, which is currently described over four different documents. It may wish in particular to combine the Ministerial Order on the composition of the MSG, the Internal Rules and the ToR into a single document.
- 3) In accordance with Requirement 2.2, Guinea should ensure that the detailed technical and financial criteria for both license awards and transfers be publicly accessible. In light of significant public concern over the legacy of non-trivial deviations from statutory licensing procedures, Guinea should ensure that its approach to publicly disclosing non-trivial deviations be commensurate with the number of licenses awarded and transferred in the year under review.
- 4) In accordance with Requirement 4.3, Guinea should assess the existence of infrastructure provisions during the scoping phase for its next EITI reporting cycle to ensure disclosure of any agreements, or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities. Guinea should gain a full

understanding of the terms of the relevant agreements and contracts, the parties involved, the resources that have been pledged by the state, the value of the balancing benefit stream (e.g. infrastructure works), and the materiality of these agreements relative to conventional contracts.

- 5) In accordance with Requirement 4.6, Guinea should ensure that information on extractives company direct payments to subnational governments, where material, be comprehensively disclosed and reconciled with each local government's receipts of these payments.
- 6) In accordance with Requirement 6.2, Guinea should undertake a comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal and develop a reporting process with a view to achieving a level of transparency on all types of quasi-fiscal activities linked to extractives revenues commensurate with other payments and revenue streams. To strengthen implementation, Guinea is strongly encouraged to consider the extent to which routine publication of SOEs' annual audited financial statements would help promote greater trust in the quality and comprehensiveness of public disclosures of quasi-fiscal expenditures.
- 7) In accordance with Requirement 7.3, the MSG should introduce a systematic and structured mechanism to track and follow up on recommendations, with a clear timeframe and clear responsibilities for following up. The MSG should also take a more proactive role in formulating its own recommendations. The MSG may also wish to include Validation, as a means of ensuring closer attention to implementation. The MSG may also wish to consider utilising the Supervisory Committee to follow-up on recommendations from past EITI Reports and Validation as a means of ensuring the sustainability and continued effectiveness of follow-up channels.
- 8) In accordance with Requirement 7.4, the MSG should consider using the annual progress report to evaluate the impact of the EITI, beyond describing outputs and outcomes of workplan activities. The MSG should also undertake an impact assessment with a view to identify opportunities for increasing the impact of implementation in Guinea. Greater effort could also be made to canvass the broader constituencies for input in assessing the outcomes and impact of EITI implementation through the annual progress report.

The government and the MSG are encouraged to consider the other recommendations in the Validator's Report and the International Secretariat's initial assessment, and to document the MSG's responses to these recommendations in the next annual progress report.