

EITI STRATEGY REVIEW MEETING, HENLEY, 11-12 APRIL 2012

# Quality assurance including scoring

Background paper

**EITI International Secretariat**

Oslo, 4 April 2012

## Recommendation

1. It is proposed that the Board considers adopting a revised methodology for assessing EITI implementation performance. This paper draws on the earlier submission by the Secretariat ahead of the Board's meeting in October 2011, Board Paper 18-10. The proposal is set out below and includes the following elements:
  - a) An annual numerical scoring system for present EITI requirements, including the maintenance of the pass/fail compliance element.
  - b) An annual alphabetical scoring system for wider reforms that the MSG has decided to include.
  - c) A peer review mechanism.
  - d) Decisions, as today, to be taken by the Board, following recommendations by its Validation Committee.

## Background

2. The following aims have been guiding in drafting this proposal:
  - **to create a system that better addresses the EITI principles by providing implementing countries and their stakeholders with incentives for going beyond the minimum standard, including making links to other governance reform programmes;**
  - **to maintain the current minimum standard, meaning that the current pass/fail appraisal** of the requirements remains in place;
  - **to address some of the weaknesses with the current validation procedures**, including the inherent incentive for validators to be generous when considering countries compliance, which puts a burden on the Board and Secretariat to reassess the assessments; and replacing most of the focus from validation deadlines to reconciliation reporting deadlines.
3. The proposal is that implementing countries are scored every year by the EITI Board, based on recommendations by the Validation Committee and a new EITI Review Panel.
4. The current concepts of candidacy, compliance and delisting would remain. It is suggested that the EITI maintains the current requirements as the EITI standard.

## The proposal

5. In the below the basic two elements of a possible solution are outlined:
  - a) implementing countries are scored numerically on EITI requirements; and
  - b) alphabetically on wider associated reforms that the MSG has decided to include.

The exact design of the scoring system would need to be further developed. The numerical scoring is based on objective factors and should be comparable amongst countries. Alphabetical scoring is

based on performance against the country's own objectives and not comparable amongst countries.

### Self-assessment forms

6. At the beginning of the year, all EITI implementing countries would be required to submit a report on their efforts to meet and exceed the EITI requirements. This would be in accordance with the existing Requirement 21 (c), but would apply beyond the compliant countries. The annual reports that compliant countries are currently required to submit would evolve into self-assessment forms. MSGs would also be able to identify relevant innovations and linkages to the broader EITI Principles, as encouraged in the 2011 Rules. These reports would be endorsed by the multi-stakeholder group and published on [www.eiti.org](http://www.eiti.org), inviting stakeholders to comment before the review by the Board is undertaken. This will increase transparency, and ensure everyone has an opportunity to comment on compliance and beyond compliance issues.

### Numerical scoring on EITI requirements

7. The numerical scoring would be based on the self-assessment forms plus other information eg. the EITI reconciliation report produced by the implementing country that year, feedback from MSG members and other stakeholders, etc.
8. The scoring would be initially prepared by the International Secretariat. The numerical scoring would have to be weighted. This would reflect the fact that some requirements are broader and more important in terms of promoting transparency and accountability than others. This proposed score would be submitted to the Board, following recommendations by its Validation Committee (see Quality Assurance process below). The numerical scoring would be comparable between countries.
9. If any requirements are identified as falling below the compliance standard for a compliant country, the Board would, as today, be recommended to conclude that requirements are unmet. In addition, as per the current rules, countries would still be delisted if they did not achieve compliance within a fixed "maximum candidacy period".

### Alphabetical scoring on wider associated reforms

10. The alphabetical scoring would also be based on the country's self-assessment of its efforts to meet and exceed the EITI requirements, as set out in requirement 21 (c). Wider associated reform efforts might include licensing, contracting, regulation, citizen participation, public oversight, revenue collection, revenue management, linking revenue spending to development planning, budget openness and public financial management, social and environmental issues, local content, etc. An example would be where countries go beyond the EITI requirements to use the EITI Reports to verify and audit that the payments and revenues received are consistent with the regulatory/contractual obligations.
11. The self-assessment report and the Secretariat's review would then be considered by an "EITI Peer Review Panel". The Panel would score performance of the country's efforts. It may visit countries. It is anticipated that the Panel would consist of 3 to 5 persons, a majority of which coming from implementing countries. The Panel would then make a recommendation on alphabetic scores to the Board and its Validation Committee. The alphabetical would not be comparable between countries – it would rather be an assessment by the Panel and the Board based on the country's plans.

## Quality Assurance

12. The Board and its Validation Committee would receive recommendations on numerical scoring from the Secretariat, and on alphabetical scoring from the Peer Review Panel. It would review these and ensure consistent standards before making a final recommendation including any suggested further actions to the Board. The EITI Board would then issue a numerical and alphabetical score.

### Advantages of moving to this assessment and scoring system

13. The suggested proposal contains the following key advantages over the present system:

- There would be no need for external validators in the current form. Validation is costly, time-consuming and can undermine in-country ownership. The independence is often questioned, forcing the Secretariat to undertake follow-up reviews of draft validation reports and take on a de facto role of validator. Validation is also a snapshot assessment, and fails to assess progress on a continuous and timely basis. The proposed system would address all of these weaknesses.
- This system would put more focus on reconciliation report deadlines than on validation deadlines. This would effectively keep the momentum and country focus on the national EITI process, rather than on meeting international deadlines.
- Having a process with a stronger element of self-assessment would increase in-country ownership and continuous learning. Having a peer review panel assisting the Board would enhance legitimacy, increase peer lesson-learning, and ease some of the burden on the Board.
- The costing and resource implications would need to be further investigated, but it is unlikely that this approach would require a major increase in the Secretariat's burden or budget.
- Countries would be more regularly assessed. This form of continuous assessment creates greater incentives for progress and innovation, and more potential more recognition, than the present once-every-five-year process.
- Scoring would recognise innovations and efforts in candidate countries, as well as compliant countries.

14. In addition, it should be noted that this system builds on the existing key strengths of the present system: country-ownership, a compliance standard, and Board oversight – including ability to delist countries and continued central role of Validation Committee to advice Board.

15. A transition to the new system would not be complicated. This system could be introduced to all countries at the same time eg. from 2014. A timetable for the assessment of all the scoring (numerical and alphabetical) could be established for all countries, enabling the EITI to produce a high profile annual report of progress across all implementing countries.