

Validation of Cote d'Ivoire
Final Validation Report
Adam Smith International Independent Validator
March 21st 2018

1. EXECUTIVE SUMMARY

The Government of the Republic of Cote d'Ivoire (RCI) expressed interest in implementing the EITI in May 2006 and was admitted as a Candidate country in May 2008. Despite the 2010-2011 political crisis, EITI Cote d'Ivoire completed a first Validation in 2010 and achieved compliance with the EITI Rules after a second Validation in May 2013.

On 25 October 2016, the Board agreed that the RCI's Validation under the 2016 EITI Standard would commence on 1 April 2017 (EITI Board, 2016). This final validation report follows on from a quality assurance review of the International Secretariat's initial assessment as well as a consideration of feedback on the draft validation report by the MSG in Cote d'Ivoire.

The Validator agrees with the International Secretariat's preliminary assessment that the RCI has made satisfactory progress on 16 EITI requirements (with two beyond satisfactory), while 12 requirements of the EITI Standard have not yet been fully addressed in the RCI. However, the Validator recommends that requirements 2.2 and 2.6 be upgraded to meaningful progress.

2. BACKGROUND

The extractive industry in Cote d'Ivoire is characterised by maturing oil fields, significant exploration activities for oil and gas and rapidly growing mining sector. Commodities produced in Côte d'Ivoire in 2015 included diamond, gold, manganese, natural gas and crude oil.

Mining: Gold production has more than doubled between 2013 to 2015, growing from 11,53 tonnes in 2013 to 23.56 tonnes in 2015 (2015 EITI Report, p.51). Construction work at the Agbaou gold mine was completed in November 2013 and production ramped up quickly thereafter. Agbaou Gold Operations, which is 84.8% owned by Endeavour Mining Corp of Canada, employed 503 employees in 2015 and exported 5,166 kg of gold (2015 EITI Report, pp.83, 114 and 119). Gold production also increased by more than 10% per year at the Bonikro, the Ity and the Tongon Mines. The later was 90% owned by Rangold and was the largest producers and exporter of gold in 2015. The construction of two new gold mines and a new manganese mine in 2015, were likely to increase the production in the coming years. The production license for the gold mine of Sissingué (Tengréla) which will be operated by the Australian company Perseus Mining, was signed in July 2015. The EITI Report notes that construction work started in November 2015 and the first production is expected in 2017. The production license for the gold mine of Aféma (Aboisso) which will be operated by the South African company Taurus Gold was also signed in November 2015. Production is scheduled to begin in July 2018. A third operation license was granted to the Indian company Bethel Mining and Investment in November 2015 for the Lagnonkaha manganese mine (Korhogo). The prospects for iron ore production were diminished after TATA Steel withdrew from its licence in 2015. Several Australian and South African companies including Apollo, Perseus Mining, Taruga Gold, and Jofema Minerals Resources carried out exploration and project development activities in 2015 and 2016. After a three-year suspension, diamond production resumed in 2013 under SODEMI's supervision and Cote d'Ivoire exported 14 925 carats of diamond in 2015 (2015 EITI Report, p.51).

Hydrocarbons: Exploration activities picked up in 2015. Vitol, Total, Tullow, Lukoil and mostly Foxtrot International and CNR International drilled 17 exploration wells in 2015. Only five wells were drilled in 2014 (2015 EITI Report, p.36). Oil production recovered somewhat in 2015 after a long period of decline and natural gas production remained relatively stable from 2013 to 2015 (2015 EITI Report, p.37).

According to National Institute of Statistics the extractive industries contributed 5.15% of GDP in 2015 (2015 EITI Report p 10, 58).

The Government of the RCI provides funding for EITI implementation and participates actively in EITI implementation through MSG meetings and EITI reporting. The government budget shows that the XOF 663 800 754 (approximately USD 1.2 m) was earmarked for EITI implementation in 2017¹.

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”). Adam Smith International (ASI) was appointed as the independent Validator to evaluate whether the Secretariat’s work was carried out in accordance with the Validation Guide. ASI’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.

1. Work Performed by the Independent Validator

The Secretariat’s Initial Assessment was transmitted to ASI on 28th December, 2017. 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 this draft Validation Report, sent to the International Secretariat on the 22nd January, 2018.

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 took place on 3-7 July 2017. All meetings took place in Abidjan and by teleconference. The secretariat met with the multi-stakeholder group and its members, the IA and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group.

Finally, the International Secretariat prepared a report making an initial assessment of progress against requirements in accordance with the Validation Guide. The initial assessment did not include an overall assessment of compliance. The report was submitted to the Validator, with the National Coordinator (NC) also receiving a copy.

3. GENERAL COMMENTS

¹ http://budget.gouv.ci/sites/default/files/Donnees-budgetaires/1-loi_de_finances_2017_du_05_12_2016.pdf

- **Progress in EITI Implementation**

EITI has provided a useful governance tool to RCI to reform its extractive sector. Almost all EITI Requirements are already applicable in the RCI. As the mining sector continues to grow, more requirements will become applicable in the coming years. The hydrocarbon sector has been in decline since the 1990s due to maturing oil fields, while the mining sector has grown rapidly since the RCI began implementing the EITI in 2008. Gold production has doubled since 2011 and reached 23 tonnes per year in 2015, overtaking oil as the top export from the extractive industry, but well behind agricultural products. The mining sector now employs more than 5,000 full time employees, and large projects at the development phase that are due to start production in 2018 will increase the sector's contribution to the economy. The new mining code adopted in 2014 also provides additional incentives to attract investment and help diversify the economy and reduce the country's dependence on cocoa exports. Exploration activities in the oil sector also picked up in 2015. Natural gas is primarily used to produce electricity, making Cote d'Ivoire a net exporter of electricity to neighbouring countries Burkina Faso and Ghana.

A key strength of EITI implementation in Cote d'Ivoire is the unique space for dialogue it provides to the government, companies and civil society to develop coherent and implementable policies to help resolve conflicts between local communities and companies. Transparency provisions and allocation of revenues to local communities are now embedded in both the 2012 amendments to the hydrocarbon code and the 2014 mining code. EITI Cote d'Ivoire plays a key role in the drafting, adoption and implementation of this legislation. It also monitors and supports ongoing reforms of the cadastre system and the creation of local communities' development funds (CDLMs).

The quality of EITI reporting has improved significantly following the implementation of the EITI Standard. EITI Reports have become more comprehensive and more useful, providing reliable information on production, exports, government revenues, employment, mandatory and voluntary social payments and the extractive sector's overall contribution to the economy. EITI reporting has also played a key role in improving transparency in the financial relationship between the two SOEs, PETROCI and SODEMI, and the state. Government agencies participating in EITI reporting have improved their procedures and practices.

- **Impact of EITI Implementation**

Despite the small and fragmented groups of civil society organisations interested in extractive industries in Cote d'Ivoire, active civil society engagement has generated a robust national debate on revenue management and the impact for local communities. A robust dissemination and outreach effort led by civil society with support from GIZ has highlighted significant popular demand for information, such as subnational transfers, mandatory and voluntary social payments, production figures, local content requirements and artisanal mining. The challenge for EITI Cote d'Ivoire is to establish robust mechanisms to provide timely information on these issues and help ensure that local community development funds are adequately managed to benefit local citizens.

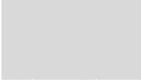
The key challenges faced by EITI Cote d'Ivoire include updating its own statutory documents to improve internal governance. Large per diem payments present an important credibility risk for EITI Cote d'Ivoire, and the cumulative functions of Chair of MSG and Head of the national secretariat can exacerbate those risks. An effective and accountable MSG requires adequate representation of all stakeholders following clear, open and transparent nomination and replacement procedures, a transparent policy on per diem payments, and transparent management of the budget allocated to EITI implementation.

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)		█			
	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	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.

4. DETAILED FINDINGS

This section highlights areas where the Validator disagrees with the findings of the Initial Assessment or requires further clarification.

5. RECOMMENDATIONS

- The MSG may wish to encourage various government agencies at the central and local level and the National Assembly to use EITI data to promote public debate and monitor government revenues and expenditures in the national budget.
- To strengthen implementation, the MSG could consider including the Mining Association, (GPMC-CI), which can play a coordinating role with mining companies at the production and exploration phase, as well as buying houses involved in artisanal mining.
- To strengthen implementation, the MSG may wish to improve the representation of the civil society constituency on the MSG. Given the critical role that civil society plays in Cote d'Ivoire, the MSG may also wish to build capacities of civil society groups and broaden the reach of the EITI in Cote d'Ivoire.
- In accordance with Requirement 1.4, the MSG should update its TOR, renew its membership in line with statutory procedures and the industry and civil society constituencies are encouraged to agree public nominations procedures ahead of MSG member selection. EITI Cote d'Ivoire should formalise its per diem policy to be in line with national practice. The government should ensure that the MSG has adequate financial oversight of the management of funds allocated to EITI implementation.
- To strengthen implementation, the MSG should consider updating the work plan annually and include fully costed and time bound activities. The MSG is also encouraged to publish its budget and its financial accounts.
- In accordance with Requirement 2.2, the MSG is required to ensure that the relevant authorities, DGMG and DGH disclose the technical and financial criteria for all license awards and transfers taking place during the accounting year covered by the EITI Report, including license allocations pertaining to companies that are not included in the EITI Report. The MSG may wish to seek clarity from the relevant authorities on the conditions under which direct negotiations are used instead of competitive bidding for issuing licenses.
- In accordance with the EITI Requirement 2.3, the Government of the RCI is required to maintain a publicly accessible register. Similar to the mining sector, efforts should be made to ensure comprehensive disclosure of the information required under 2.3.a for the hydrocarbon sector.
- The government should consider implementing the relevant legal provisions (Law n° 2012-369) to ensure that the practice in contract transparency is aligned with government's policy."
- In accordance with Requirement 2.6, the RCI must disclose an explanation of the prevailing rules and practices regarding the financial relationship between the government and PETROCI. This could include the publication of PETROCI's audited financial statement, its annual budget and an explanation of allocation of retained earnings for investments.
- To strengthen implementation, EITI Cote d'Ivoire may wish to include purchasing houses of diamond and gold from artisanal mining within the scope of the EITI reporting.
- In accordance with Requirement 3.2, EITI Cote d'Ivoire could ensure that future EITI Reports provide more disaggregated figures of production volumes and values for all minerals produced in the RCI in the year(s) under review. EITI Cote d'Ivoire may also wish to consider the extent to which such information could be regularly disclosed on government websites (DGMG and DGH) more timely information on production and export figures.
- To further strengthen implementation, EITI Cote d'Ivoire may wish to ensure that future EITI Reports provide the method of calculation of export volumes and values for all commodities exported in the year(s) under review, including artisanal-mined commodities like gold.
- In accordance with EITI Requirement 4.2, the government, including PETROCI and its subsidiaries, are required to disclose the volumes of crude oil and natural gas sold and revenues received. The published data must be disaggregated by individual buying company and to levels commensurate with the reporting of other payments and revenue streams. The MSG may wish to publish the volumes of oil and natural gas delivered, volumes sold,

unit price by individual buyer that PETROCI is required to submit to DGI, in accordance with article 1066:10 of the tax code.

- In accordance with Requirement 4.3, the MSG and the IA need to gain full understanding of the terms of the swap agreements, the parties involved, the resources which have been pledged by the state in the forms of crude oil, the value of the balancing benefit stream (natural gas, then electricity delivered). The MSG and the IA are required to ensure that the EITI Report addresses these agreements, providing a level of detail and transparency commensurate with the disclosure and reconciliation of other payments and revenues streams.
- In accordance with EITI Requirement 4.5, the MSG should undertake a comprehensive assessment of transactions between PETROCI and its subsidiaries and oil and gas companies, as well as between PETROCI subsidiaries and government entities including Cote d'Ivoire Energy, DGI and the treasury. The MSG may wish to publish the information submitted to DGI by PETROCI and Cote d'Ivoire Energy.
- The MSG is encouraged to explore opportunities to disclose data as soon as practically possible, for example through continuous online disclosures on the open data portal of production and oil sales data, transfers to local communities and statistics compiled by the institute of national statistics.
- In accordance with Requirement 5.1, EITI-Cote d'Ivoire should indicate extractive industry revenues, whether cash or in-kind, that are not recorded in the national budget and provide an explanation of the allocation of these revenues, with links to relevant financial reports, including from DGH, PETROCI and Cote d'Ivoire Energy. The MSG is encouraged to reference national revenue classification systems, and/or international standards such as the IMF Government Finance Statistics Manual.
- In accordance with Requirement 5.2, EITI Cote d'Ivoire is required to assess the materiality of subnational transfers, provide the specific formula for calculating subnational transfers of extractives revenues to individual local governments, disclose any material subnational transfers in the year(s) under review and highlight any discrepancies between the transfer amount calculated in accordance with the relevant revenue-sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity.
- EITI Cote d'Ivoire can play a key role in the implementation of the new mining code, especially as it relates to setting up and monitoring local communities' development funds. To achieve this, EITI Cote d'Ivoire could consider including additional information on extractives revenues earmarked for specific purposes, such as the CDLM, as well as on the budget-making and auditing process for government accounts in future EITI Reports.
- In accordance with Requirement 6.2, EITI Cote d'Ivoire, should undertake a comprehensive review of all expenditures undertaken by extractives SOEs, including PETROCI and its foundation that could be considered quasi-fiscal expenditures. The MSG should develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include PETROCI's subsidiaries and joint ventures, PETROCI's Foundations, the DGH and possibly Cote Energy.
- The MSG may wish to work with the INS to ensure that estimates of employment figures are more comprehensive (including for artisanal mining), more accurate, expressed as a percentage of total employments not just as a percentage of the active population, and regularly disclosed as part of routine government disclosures.
- Given high expectation from mining companies, the MSG should consider ways to ensure that key stakeholders, such as the Chamber of Mines are encouraged to participate more actively in the design and development of communications strategies instead of only dissemination activities. The MSG and civil society should redouble its efforts of formalising local communities' fora, especially those that are creating local community funds (CDLM).
- Given that implementation of recommendations in previous EITI reports is still ongoing, the MSG and the Government of the RCI should continue to follow up on these recommendations and ensure that future recommendations and findings from EITI Reports are evaluated and acted upon in a timely manner.
- The MSG should consider discussing the role the EITI could play in achieving national priorities in reforms of the extractive industries, including ASM and local revenue management, as part of its annual review of the work plan. The MSG may also wish to consider undertaking an impact assessment, with a view to identifying tangible impacts to local communities and other stakeholders to determine the extent to which the EITI has contributed to improving public financial management and governance of the mining, oil and gas sectors.
