

This note has been issued by the EITI International Secretariat to provide guidance to implementing countries on meeting the requirements in the EITI Standard. Readers are advised to refer to the EITI Standard directly, and to contact the International Secretariat to seek further clarification. Contact details can be found at www.eiti.org.

Developing, implementing and monitoring recommendations from EITI reporting

Guidance note 20 - Requirements 7.3 and 7.4.a (iii), 1.5 c (iv)

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1. Summary

In many countries, one of the most important impacts of EITI implementation has been the recommendations that have emerged from EITI reporting. These recommendations have typically focused on improving technical aspects of the EITI reporting process. However, with the expansion of the EITI Standard to cover the full extractive industry value chain and a greater focus on addressing national priorities for the extractive sector, EITI Reports are increasingly generating information that is more relevant to policy debates in implementing countries. EITI reporting can thus help identify issues and shortcomings related to natural resource governance, and recommendations from EITI Reports have the potential to strengthen government and company systems.

The Standard Terms of Reference for Independent Administrators gives the Independent Administrator a mandate to make recommendations based on EITI reporting. This includes recommendations aimed at improving auditing systems and reforms needed to bring them in line with international standards, as well as recommendations for other extractive sector reforms related to strengthening the impact of implementation of the EITI on natural resource governance (where appropriate). The Independent Administrator should also review progress with implementing recommendations from previous EITI Reports. In some countries, the MSG has taken an active role in supporting the Independent Administrator with developing recommendations, or has developed their own recommendations complementing those from the Independent Administrator.

In order to ensure that recommendations are followed up, EITI Requirement 7.2 requires that the MSG takes steps to act upon lessons learnt and consider the recommendations resulting from EITI Reports, including documenting any activities to follow-up on the recommendations. Countries like Nigeria and the Philippines have developed dedicated action plans to this end. The MSG should also include any plans for implementing recommendations in its work plan (Requirement 1.5.c.iv).

Drawing on examples and practice from implementing countries, this guidance note highlights some of the issues that the MSG may wish to consider in order to ensure that EITI Reports contain useful recommendations. The first part of this note looks at how recommendations may be developed. The second part provides suggestions on how MSGs can develop action plans to ensure that recommendations are being considered and implemented where relevant by appropriate stakeholders.

2. Requirements covering this topic

Box 1 –EITI Requirements related to recommendations, as well as the relevant provisions covering recommendations in the Standard Terms of Reference for the Independent Administrator

Standard Terms of Reference (TORs) for Independent Administrators¹: Assessment and recommendations

The TORs state:

“Where previous EITI Reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures.”

In addition, the MSG might wish to task the Independent Administrator with the following:
“The Independent Administrator should make recommendations for strengthening the reporting process in the future, including any recommendations regarding audit practices and reforms needed to bring them into line with international standards, and where appropriate, recommendations for other extractive sector reforms related to strengthening the impact of implementation of the EITI on natural resource governance. The Independent Administrator is encouraged to collaborate with the MSG in formulating such recommendations”.

EITI Standard Requirements

7.3 Discrepancies and recommendations from EITI Reports.

With a view to strengthen the impact of EITI implementation on natural resource governance, as per Requirement 7.4, the multi-stakeholder group is required to take steps to act upon lessons learned; to identify, investigate and address the causes of any discrepancies; and to consider recommendations resulting from EITI reporting.

1.5 Work plan.

The multi-stakeholder group is required to maintain a current work plan, fully costed and aligned with the reporting and Validation deadlines established by the EITI Board. The work plan must:

- c. iv. Outline the multi-stakeholder group’s plans for implementing the recommendations from Validation and EITI reporting.

¹ According to EITI Requirement 4.9.b.iii, “the multi-stakeholder group and the Independent Administrator are required to agree a Terms of Reference for the EITI Report based on the Standard Terms of Reference endorsed by the EITI Board”. This means that EITI Reports need to address the provisions in the TORs in order to comply with EITI Requirement 4.9.b.iii. Requirement 4.9.b.ii further states that “should the multi-stakeholder group wish to adapt or deviate from these agreed upon procedures, approval from the EITI Board must be sought in advance”.

The Standard Terms of Reference for Independent Administrators are available here: <https://eiti.org/guidance-notes-and-standard-terms-reference#ToRIA>

7.4 Review the outcomes and impact of EITI implementation.

The multi-stakeholder group is required to review the outcomes and impact of EITI implementation on natural resource governance.

a. The multi-stakeholder group is required to publish annual progress reports. The annual progress reports must include:

iii. An overview of the multi-stakeholder group's responses to and progress made in addressing the recommendations from reconciliation and Validation in accordance with Requirement 7.3. The multi-stakeholder group is required to list each recommendation and the corresponding activities that have been undertaken to address the recommendations and the level of progress in implementing each recommendation. Where the government or the multi-stakeholder group has decided not to implement a recommendation, it is required that the multi-stakeholder group documents the rationale in the annual progress report.

Source: Standard TORs for Independent Administrators, p. 10 and EITI Standard, p. 30-31

3. Guidance on how to develop useful recommendations

The EITI International Secretariat suggests that the MSG considers what role it should have in developing the recommendations and what type of issues the recommendations should address.

3.1 The role of the MSG and the Independent Administrator: Who develops the recommendations?

MSGs have adopted different approaches to developing EITI Report recommendations. While it is only encouraged that the MSG includes the provision related to recommendations in the Standard Terms of Reference for Independent Administrators), practice in implementing countries shows that there are three ways in which recommendations are typically developed:

- i) The Independent Administrator develops the recommendations. Most countries task the Independent Administrator with developing the recommendations as needed and appropriate. As per the Standard Terms of Reference for Independent Administrators, these recommendations are typically oriented towards improving the EITI reporting process or strengthening auditing systems, though the Independent Administrator should also, where appropriate, make recommendations for other extractive sector reforms related to strengthening the impact of implementation of the EITI on natural resource governance. The MSG can also task the Independent Administrator with developing recommendations on other issues, for instance in line with national priorities or their EITI work plan objectives. Although the final recommendations remain the responsibility of the Independent Administrator, the MSG must ultimately approve the EITI Report prepared by the Independent Administrator,

including the recommendations, and follow up on these in accordance with Requirement 7.4.a.iii.

Example: In Nigeria, the Independent Administrator developed recommendations during the EITI reporting process. The national secretariat and the MSG then used the final report findings as a basis for a strategic action plan to implement the recommendations.

- ii) The Independent Administrator and the MSG develop separate recommendations. In the process of developing the report, the Independent Administrator might identify issues and weaknesses affecting the EITI reporting process and provide suggestions for improvements. However, MSG representatives and their constituencies may sometimes be equally well or even better suited to develop recommendations related to wider sector governance reforms, in particular in cases where the Independent Administrator is an international accounting firm with limited non-financial sector expertise or understanding of local context. In such cases, some MSGs have found it useful to develop their own set of recommendations to be approved by the MSG and incorporated into the EITI Report alongside the recommendations from the Independent Administrator.

Example: In the Philippines, the MSG and the Independent Administrator divided the responsibilities for developing recommendations. The EITI 2012 Report includes one set of recommendations developed by the Independent Administrator addressing EITI reporting issues specifically, while the MSG developed another set of recommendations addressing wider extractive sector issues and assigning responsibilities for remedial actions and follow-up to the relevant agencies/stakeholders:

- *Recommendations developed by MSG members:* During the preparation of the EITI Report, each constituency - government, civil society and industry - identified gaps highlighted in the EITI Report and formulated suggested recommendations. The MSG then reviewed the recommendations put forward by each constituency and agreed on a shared set of recommendations in the form of a memorandum. The memorandum was then submitted to the Mining Industries Coordinating Council, a high-level council with the legal mandate to require government agencies to follow up on actions.
 - *Recommendations developed by Independent Administrator:* The set of recommendations developed by the Independent Administrator followed the instructions in the Standard Terms of Reference for Independent Administrators, and hence sought to address improvements to the EITI reporting process and auditing practices. The Independent Administrator regularly reported to the MSG on any gaps or shortcomings identified during the reporting progress, and the MSG and secretariat started working on addressing the recommendations as soon as the gaps were identified. The recommendations from the Independent Administrator were also included in the consolidated memorandum.
- iii) The Independent Administrator develops the recommendations in close collaboration with the MSG during the preparation of the report. The MSG can also work together with the Independent Administrator while the report is being produced to develop recommendations. The Standard TORs for Independent Administrators encourages the Independent Administrator

to collaborate with the MSG in formulating the recommendations. In this case the Independent Administrator could report regularly to the MSG on the findings of the reconciliation and issues that emerge. The MSG may wish to establish a working group or sub-committee to consider technical aspects of the identified issues.

Example: In Ghana, the MSG developed the recommendations in collaboration with the Independent Administrator. The Independent Administrator proposed recommendations at each stage of the production of the report (inception, draft and the final report) and at each stage, while the MSG reviewed and approved the recommendations. Subsequent to MSG approval of the final EITI Report, the MSG and the National Secretariat developed an action plan for implementing the recommendations.

Box 2 – Example of additional provisions in the Terms of Reference for the Independent Administrator in Ghana

The ToR for the GHEITI 2012-2013 EITI Oil and Gas Reports specifically tasked the Independent Administrator with analysing and proposing recommendations on the following issues:

- Verifying the basis for the determination of Benchmark Revenue, Annual Budget Funding Amount, and confirming whether they are in accordance with the provisions of the Petroleum Revenue Management Act.
- Reporting on disbursements from the Petroleum Holding Fund to the Annual Budget Funding Amount, Heritage and Stabilization Funds and confirming whether they are in conformity with legal provisions.
- Analysing and reporting on the performance of the investment activities of the Ghana stabilization Fund and the Ghana Heritage Fund in accordance with legal provisions.

3.2 Type of recommendations: What issues do the recommendations address?

The nature of recommendations in EITI Reports is one important factor that may influence the extent to which the report findings will have an impact on extractive sector reforms. Are issues identified in the EITI Report specifically related to EITI reporting, such as suggestions for improving the reporting templates, scope and materiality? Are there discrepancies or irregularities in payments that highlight issues in the government or company accounting systems? Does the process of collecting contextual information reveal gaps in or deviations from existing legal frameworks, licencing or tax collection systems related to the extractive sector, or highlight legal or regulatory reform needs? These are some questions that the MSG might wish to consider when developing recommendations or tasking the Independent Administrator to do so.

As the experience from implementing countries shows (see table 1 and box 3), EITI reporting can potentially be a diagnostic tool highlighting needs for improvements in government and/or company systems and providing insights on how these can be addressed.

Table 1: Examples of EITI Report recommendations

Main aim of recommendation	Examples of recommendations
Strengthening the EITI reporting process	<ul style="list-style-type: none"> - Reporting template should be revised to provide more detailed data on company payments (Timor-Leste 2012 EITI Report). - The MSG should consider adjustments to the materiality threshold (Peru 2011-12 EITI Report). - New scoping study should be performed to define an appropriate materiality threshold and update overview of material revenue streams (Mongolia 2012 Report).
Making extractive sector data accessible	<ul style="list-style-type: none"> - Government reporting on projects in which it participates should be broken down by company (Philippines 2012 EITI Report). - Changes should be made to online cadastre to improve its functions and make the information more available (DRC 2011 EITI Mining Report). - MSG should consider to include contracts and beneficial ownership in reporting (Kazakhstan 2012-13 EITI Report) - Publication of contracts should be centralised (DRC 2012 EITI Report). - Companies should publicly disclose mandatory social and environmental expenditures (Philippines 2012 EITI Report).
Improving government/company audit practices and bringing these in line with international standards	<ul style="list-style-type: none"> - Government revenue collection monitoring systems should be centralised and regularly updated (Mozambique 2011 EITI Report). - Government agency should monitor company payments made directly to the Central Bank (DRC 2011 EITI Oil/Gas Report). - Ministry of Mining should regularly audit royalty and other statutory remittances paid by companies (Nigeria EITI 2007-2010 Report). - Taxpayer codes should be used consistently within government systems (Mozambique 2010 EITI Report) - Categorisation of payments to government should be consistent to avoid inaccurate recording of payments (Trinidad and Tobago 2011 EITI Report). - Government should review audit practices between Ministries of Energy and Finance (Trinidad and Tobago 2011

	EITI Report).
Wider issues related to extractive sector governance (such as collection and monitoring of sector revenues, legal and fiscal regimes, and inter-ministerial coordination)	<ul style="list-style-type: none"> - Open licencing rounds should be introduced and existing system should be reformed to make bidding competitive (Ghana 2012-13 EITI Reports). - Petroleum tax regime should be amended to ensure that changes in ownership of petroleum rights attract capital gains tax payments (Ghana 2011-12 EITI Oil/Gas Report). - Oversight agency should be appointed to run Mineral Development Fund and disbursements should be duly supervised (Ghana 2009 Mining Report). - Consistent formula for calculating minerals royalty payment should be established (Nigeria 2007-10 EITI Mining Report). - Monitoring of disbursements of deposit on environmental protection and restoration to local fund should be improved (Mongolia 2011 EITI Report). - Government agencies in charge of regulating mining sector should improve inter-ministerial channels of communication (Nigeria 2007-2010 Mining Report).

Box 3: Recommendations addressing extractive sector related legal and fiscal frameworks in Ghana

Ghana's EITI Reports provide recommendations that are policy relevant and aimed at addressing gaps in the legal and fiscal frameworks governing the extractive sector. The 2010-11 Oil and Gas EITI Report highlighted various challenges around royalty and corporate tax payments. For example, the report identified missing capital gains tax from a liable transaction (acquisition by Tullow Oil of EO Group) due to lack of clarity in the Petroleum Income Tax Law, and recommended to streamline legislation on capital gains for future acquisitions.

Significant findings related to capital gains tax in Ghana's 2010-2011 Oil and Gas EITI Report:

- **Capital Gains Tax**

Finding

Tullow Oil Plc. acquired the only indigenous partner in the Jubilee oil field, EO Group Limited in 2011. The reconciler did not come across any capital gain tax in the transaction. GRA has issued a ruling that the transaction is liable to tax.

The Petroleum Revenue Management Act, Act 815 section 6(e) indicate capital gains tax derived from the sale of ownership of exploration, development and production rights as a possible receipt for the petroleum holding fund.

Recommendation:

It is recommended that GRA pursues the issue of capital gains tax on the E.O Group's acquired 1.75% equity and other such acquisitions to its logical conclusion. It may also be prudent for the necessary legislation on capital gains to be streamlined as the E.O Group acquisitions may only be the beginning of such transactions.

Source: eiti.org/files/Ghana-2010-2011-Oil&Gas-EITI-Report.pdf

This recommendation was followed up by the Ghanaian Revenue Authorities, and the relevant legal provisions - the Petroleum Income Tax Law and the Internal Revenue Act - were amended to cover such capital gains tax payments from the oil sector in the future.

Update on progress of implementing recommendations, Ghana 2012-2013 Oil and Gas EITI Report:

- **Capital gains tax and 2010/2011 report recommendations on the fiscal regime.**

The interest of Sabre Oil/Gas Ltd in the Jubilee Fields was acquired by PetroSA in 2012. There was no payment of capital gains tax.

Several recommendations relating to the fiscal regime of the petroleum sector were made in the 2010/2011 report. The recommendation on capital gains tax has been addressed with the passage of ACT871 (*Internal Revenue (Amendment) (NO.2) ACT, 2013*). Other recommendations such as those on ring fencing and thin capitalization are still outstanding.

Recommendation: In order to ensure the effective management of the petroleum sector it is important that the regulations in PITL and the Internal Revenue Act, 2000; Act 592 are harmonized.

Source: <https://eiti.org/files/2012-2013%20Ghana%20EITI%20Oil%20and%20Gas%20Sector%20Report.pdf>

Ghana's 2012-13 Oil & Gas and Mining Reports, the first under the EITI Standard, contained further recommendations aimed at improving policies and procedures. Examples of some of the recommendations include ensuring open licensing rounds; establishing an online repository on petroleum blocks; developing an investment guide for the Ghana Petroleum Funds; publishing an

investment plan for the Ghana National Petroleum Company (GNPC); and ensuring consistency in the methodology used by the revenue authority and GNPC for revenue computation to ensure that figures match.

3.3 Checklist for developing recommendations

- In order to ensure that the EITI Report includes useful and relevant recommendations, the multi-stakeholder group may wish to consider the following questions when developing the terms of reference for the Independent Administrator and/or the MSG's own work plan: Should the Independent Administrator be tasked with including recommendations addressing wider governance issues? Should this be provided for in the Terms of Reference for the Independent Administrator? Are there specific national policy objectives to which the EITI work plan is linked that could be advanced via such recommendations?
- Should the MSG to be involved with developing recommendations, either by working closely with the Independent Administrator, or developing an own set of recommendations, or consulting external stakeholders/partners?

The MSG may wish to consider the following questions when reviewing the draft EITI Report:

- What issues have been identified in the EITI Report that could form the basis for report recommendations? In addition to improving the EITI reporting process, do the findings in the report point to any needs for recommendations aimed at improving access to data on the extractive sector, improvements to public financial management and auditing systems, or wider legal, regulatory or administrative issues related to the extractive sector ?
- Are there findings in the EITI Report linked to any ongoing reforms and if so, can recommendations inform further implementation of such reform efforts? Are findings linked to any ongoing debates in parliament, government or media? If not, how could future reports be improved to ensure that EITI Report data and recommendations are relevant to such ongoing public debates?
- How clear and tangible are the recommendations, and do they indicate the responsible or relevant agencies/stakeholders who should address the recommendation?

4. Guidance on how to plan, implement and monitor recommendations

The extent to which the recommendations are followed up by the MSG and the government may significantly influence the potential impact of EITI implementation. The EITI Standard requires that the MSG considers the recommendations given by the Independent Administrator and take steps to act upon lessons learnt. The International Secretariat therefore suggests that MSG reviews the recommendations in the EITI Report, outlines necessary actions for implementing the recommendations that are considered relevant in the work plan, and uses available tools to monitor progress with implementing the recommendations, including through the annual progress report.

4.1 Actions required to implement recommendations: How to develop an action plan?

The EITI Standard requires the MSG to consider recommendations for improvements from the Independent Administrator, including through the annual progress report providing “an overview of the multi-stakeholder group’s responses to and progress made in addressing the recommendations from reconciliation and Validation... the multi-stakeholder group is required to list each recommendation and the corresponding activities that have been undertaken to address the recommendations,” as well as the rationale for deciding to not follow up on recommendations if that is the case (EITI Requirement 7.4.a.iii). This forms a key input into the broader objective of Requirement 7, that the MSG must review the outcomes and impact of EITI implementation on natural resource governance. Action planning should be based on a review of the recommendations from the reports, and where recommendations are considered appropriate and desirable by the government and the MSG, actions to implement recommendation should be tangible and the responsibilities for implementing the recommendation should be clearly allocated. Where EITI Reports yield a large number of recommendations, there may be a need to prioritise the most urgent and important recommendations, including considering how the recommendations relate to national priorities for the extractive sector.

Below (box 4) is a suggested framework for developing actions to implement recommendations from EITI Reports, and a suggested template for outlining an action plan. Such an action plan should be referenced, integrated or linked to the MSG work plan as appropriate (requirement 1.5.c.iv).

Box 4: Suggested framework for extracting recommendations from an EITI Report and prepare an action plan

The MSG may wish to consider the following questions:

1. What are the issues/recommendations? Clarify the specific recommendation.
2. How can the recommendations be addressed? What actions need to be taken to address the issues? How can the EITI process facilitate public consultation and debate on the recommendations? What would be the most effective strategy for getting the recommendation adopted by the relevant actor? This could include sharing analysis in bilateral meetings, media campaigns, regional cooperation/advocacy, MSG actions etc.
3. Who are the bodies responsible for implementing the actions? Which actor is best placed to act on the recommendation? (e.g. Ministry, Agency, SOE, Parliament, MSG, CSO, Company etc.)
4. When would the actions be completed? Are there upcoming decision points/openings to target? Deadlines?

Example Template for outlining actions from EITI Report recommendations

WHAT?	HOW?	WHO?	WHEN?
<p>Example: Policy on license allocations Open licencing rounds should be introduced to make bidding competitive</p>	<p>Revisions to petroleum law and regulations. MSG to submit proposal for transparency provisions related to bidding.</p>	<p>Ministry of Energy MSG</p>	<p>By [insert date]</p>
<p>Example: Monitoring of royalty payments Monitoring system to ensure correct calculation of mining royalty payments need to be improved</p>	<p>Establish monitoring mechanism that enables confirmation of actual royalty payments</p>	<p>Ministry of Mining</p>	<p>Implementation update to be provided at next MSG meeting</p>
<p>Example: Transparency Signature bonuses from companies operating in the extractive sector should be disclosed</p>	<p>ToR for next EITI Report should be modified to include reconciliation of material signature bonus payments</p>	<p>MSG</p>	<p>Provision in ToR to be approved by MSG in preparation of next EITI Report</p>

4.2 Implementing recommendations: How to execute the action plan?

Recommendations that address issues related to natural resource governance may often require actions that are outside of the MSG's mandate to execute. This requires that the MSG members engage with their constituencies and relevant actors to facilitate appropriate consideration and potentially implementation of recommendations. The MSG may also wish to clarify or establish an appropriate channel to the government agencies that should be responsible for considering and potentially implementing the recommendations. Boxes 5 and 6 provide examples of how national MSGs have engaged with government and other relevant actors in Nigeria and Philippines.

Box 5: Inter-Ministerial task team (IMTT) for implementation of report recommendations in Nigeria

In Nigeria, the government has established an Inter-Ministerial task team (IMTT) - a committee consisting of the heads of government, petroleum, mining and financial departments – with a mandate to address the sector gaps identified in NEITI Reports. The IMTT is chaired by the MSG chair and functions as an external committee of the MSG. The committee ensures that remedial issues are adequately addressed by taking responsibility for "the custody, management, monitoring

and regulation of extractive industries revenues with the primary mandate of developing an efficient interface framework to address remedial issues” (Nigeria Annual Activity Report 2013). The IMTT’s responsibilities are:

1. To work closely with NEITI and ensure prompt recovery of all outstanding revenues due to the government as identified in NEITI Reports;
2. To examine the findings and recommendations from NEITI Reports and advise the relevant agencies on the appropriate steps to address the issues;
3. To identify any challenges to the implementation of the recommendations;
4. To undertake any other measures to ensure that NEITI recommendations add value to ongoing reforms in the industry;
5. To advise the Federal Executive Council on any issue from NEITI Report findings that needs the Council’s intervention.

Once an EITI Report is completed, the NEITI Secretariat extracts the recommendations from the report and inserts them into a remediation template which outlines the action necessary and indicates the agency responsible for the implementation of the recommendation. The final document (Remediation Plan) is submitted to the IMTT for approval, and the IMTT meets regularly to report on the progress of implementation of the recommendations as outlined in the plan.
(Example on next page)

Documentation of IMTT resolution and progress of recommendation in NEITI Annual Activity Report 2013:

c. Bid rounds & signature bonus

Some oil blocks are subjects of court litigation in relation to Department Petroleum Resources’ (DPR) right to offer the blocks e.g. (OML 13, 16, & 69). The consequence of these litigations includes block sterilization, nonpayment of signature bonus and eventual delay in allocation of blocks with attendant setbacks in production and income loss to the Federation.

Action: DPR has initiated an out of court settlement with Shell.

IMTT Resolution: IMTT is to write the Minister of Petroleum Resources for early resolution of the matter out of court.

Update: Signature Bonus issue has been resolved. The DPR shall implement an appropriate accounting system to manage all signature commitments entered into by companies

Source: <http://www.neiti.org.ng/sites/default/files/news/uploads/eiti-neiti-activity-report-2013-final.pdf>

Box 6: Outreach to stakeholders for implementation of recommendations in Philippines

PH-EITI is represented in the technical working group of the Mining Industries Coordinating Council (MICC), a high-level council with the legal mandate to require government agencies to follow up on actions from the EITI Report recommendations. This means that there is a high-level government body that can make sure that the recommendations are considered and potentially implemented by the different agencies that may be outside the reach of the PH-EITI. The MICC has established directives for all agencies that have been allocated responsibilities for areas covered by the EITI recommendations to develop action plans for implementation of the recommendations. A deadline has been given for submitting these action plans. PH-EITI has engaged with representatives in the Senate and Congress, as some of the recommendations require legal amendments. PH-EITI has reached out to representatives that might have the related recommendations on their agenda. For instance, someone working closely on issues related to local government is more likely to be interested in supporting implementations of recommendations addressing revenue shares of local government. PH-EITI has also involved the broader public and stakeholders in the follow up on recommendations. Local EITI Report dissemination events have facilitated collaboration between civil society organisations and local governments, allowing these to jointly express the need to implement the report recommendations. Key to making this possible was identifying and inviting the appropriate government officials in the locality and/or national government agency (such as regional directors of government agencies or local chief executives) and allowing the public to directly follow up on the progress. One example is the recommendation that the Department of Budget should disclose the sources of the local governments' share of extractive industry revenues (including which sector and company). In response to this, the Department of Budget made a commitment to disclose this information in the next EITI Report.

Read more about this example in the blog "[From Recommendations to Action](#)" by PH-EITI National Coordinator Alessandra Gay Ordenes: eiti.org/blog/recommendations-action

4.3 Following up on implementation of recommendations: How to monitor progress?

The EITI Standard requires that the MSG follows up on and documents the progress made in implementing report recommendations (Requirement 7.4.a.iii). There are different tools that the MSG may wish to employ:

- i) **EITI Reports:** According to the Standard Terms of Reference for Independent Administrators, the Independent Administrator should comment on progress "where previous EITI Reports have recommended corrective actions and reforms". The EITI Report is therefore one tool to monitor and document the status of implementation of recommendations.
- ii) **Annual progress reports:** The annual progress report is a tool for the MSG to take stock of the progress made in EITI implementation. Requirement 7.4.a.iii states that the annual progress

report must include “an overview of the multi-stakeholder group’s responses to and progress made in addressing the recommendations from reconciliation and Validation.” The multi-stakeholder group is also “required to list each recommendation and the corresponding activities that have been undertaken to address the recommendations; and the level of progress in implementing each recommendation”.

- iii) **Work plan:** The MSG should use its work plan to outline any actions that the MSG has agreed to undertake to follow up on recommendations from EITI Reports (requirement 1.5.c.iv).
- iv) **Other ways to monitor implementation:** The MSG may develop its own tools that can be useful to monitor implementation of recommendations, as illustrated by NEITI’s remediation plan.

Box 7: Remediation Plan to implement and monitor recommendations from Nigeria EITI Reports

Nigeria has developed a Remediation Plan which is followed up by the Inter-Ministerial task team (IMTT). The remediation plan organises the recommendations by focus area and clarifies whether the recommendation has a long or short-term timeline for implementation. The plan also outlines specific required actions, agencies involved, potential costs and deadline for implementation.

Documentation of recommendation and planned actions in NEITI Remediation Plan:

ISSUES	REPORTING PERIOD	ACTION REQUIRED	AGENCY INVOLVED	COMMENTS
Non-payment for domestic crude allocations on the due dates by NNPC- NNPC is expected to pay the Federation for domestic crude oil allocation not later than 90 days from the bill of lading date. This was however not the case. NEITI is of the opinion that the Federation may have lost the time value of money for the amounts not remitted on due dates.	2006-2008	A monitoring framework should be developed jointly by OAGF/RMAFC/ NNPC which will ensure that payments are made by NNPC as at when due.	NNPC/RMAFC/OAGF	<p>Specific actions needed to be taken: RMAFC: The commission has developed a revenue monitoring template to sort issues, it will also circulate the template on completion to all relevant Govt Agencies for their input.</p> <p>NNPC: awaiting framework from RMAFC</p> <p>RMAFC: Has sent in template to NNPC and awaiting response</p> <p>Costs:</p> <p>Timeline: JUNE 2013.</p> <p>Update RMAFC:</p> <p>The Template is in use but NNPC is yet to respond on the Draft sent to them.</p> <p>Remarks: OAGF: The RMAFC has the constitutional responsibility to monitor revenue generation by any government agency. The OAGF is to effect collection and disbursement of such revenue generated.</p>

Source: NEITI Remediation Plan

4.4 Checklist for following up on recommendations

The MSG may wish to use the following checklist:

1. Considering implementing recommendations and allocating responsibilities for action:
 - Are the recommendations from the Independent Administrator feasible and appropriate? Have they been the subject of public consultation and debate? Should they be implemented, and what actions and timeframes would be required?
 - Is the recommendation within the mandate of the MSG? If not, what actors and agency would need to be involved for the issue to be addressed and for the recommendation to be implemented and how can the MSG coordinate with them?
 - Are there any other actors or stakeholders who would have an interest in supporting the implementation of the recommendations?
 - Does the work plan outline the multi-stakeholder group's plans for implementing the recommendations EITI reporting?
2. Monitoring progress of implementation:
 - Have the responsibilities for monitoring progress with implementing the recommendations been allocated within the MSG or responsible agency? Is there an MSG sub-committee, a representative from the relevant agency, or any other actor that is responsible for following and reporting on the progress?
 - Is the progress with implementing the recommendations documented in the EITI Report, the annual progress report, and any other tool the MSG may have developed for this purpose, in accordance with requirement 7.3 and 7.4.a?
 - Does the EITI Report include an update on the progress of recommendations from previous reports, in accordance with the Standard Terms of Reference for Independent Administrators (p. 10, point 4.3)?
 - Does the annual progress report list each recommendation, the corresponding activities that have been undertaken to address these, and the level of progress in implementing each recommendation, in accordance with requirement 7.4.a?
 - If the government or the multi-stakeholder group has decided not to implement a recommendation, is the rationale for this documented in the annual progress report, in accordance with requirement 7.4.a?

5. Case study: Impact of recommendations on subnational transfers in Ghana

In Ghana, 20% of the revenues from the extractive sector are earmarked for sharing between various national regulatory and oversight bodies, the local government authorities (District and Municipal Assemblies), the traditional land-owning authorities and other communities which are impacted by the mining activity. 40% of the local governments' budget comes from mining royalties. Misapplication of these funds by local authorities financing expenditures as well as and lack of proper accounting for and reporting of the use of these resources, were some of key findings of Ghana EITI Reports covering the period 2004-2011.

Findings from Ghana EITI Reports (2004 -2011) related to subnational transfers:

- The amount of payments from the government to the regional Offices of the Administrator of Stool Lands (OASL) and local governments were inaccurate: The actual payments by OASL to District and Municipal Assemblies were often smaller than they should have been.
- Irregular transfers made budgeting challenging: The OASL did not always forward the full amount due to districts and municipalities and payments were made in instalments, which made planning and budgeting difficult for the District Assemblies.
- Misapplication of funds by local authorities: Much of the revenue was spent on recurrent expenditures such as waste management, purchase of fuel and vehicles instead of economic development projects.

Recommendations from Ghana 2011 EITI Report:

- The revenue authority should regulate the timeliness of royalty transfers from companies.
- Transfer of royalty from government to District Assemblies should be made in full and not in tranches.
- Monthly royalty payments should be regularized for efficient calculation of royalty based on production.
- Guidelines for the utilization of royalty receipts by District Assemblies should be implemented to avoid recurring expenditure.

Results from the implementation of EITI Report recommendations:

- *Increased accountability at subnational levels:* The MSG and the national secretariat have worked closely with the OASL to ensure that the correct amounts of mining royalties are passed on to districts and municipalities.

- *Dedicated accounts setup for local governments:* District Assemblies have established dedicated bank accounts for the revenues being transferred from central government.
- *Guidelines developed on the use of mineral revenues at subnational levels:* The Minerals Commission, a member of the MSG, has developed policy guidelines for the use of mineral revenues at the subnational level. The guidelines were developed alongside tracking mechanisms to ensure that the guidelines are being followed. Guidelines for corporate social responsibility, such as community health projects, construction of schools and support for sports infrastructure have also been developed and applied.

Sources: [Ghana 2011 EITI Report](#), [Ghana EITI 2013 Annual Activity Report](#)

Read more about this case study in the blog "[Improving the impact of mining royalties at the local level in Ghana](#)" by Ghana EITI's National Coordinator Franklin Ashiadey: eiti.org/blog/improving-impact-mining-royalties-local-level-ghana