

LIBERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
 INITIAL RESPONSE TO THE EITI INITIAL VALIDATION REPORT ON LIBERIA
 January 25, 2017

The EITI submitted to Liberia in December 2016 a report from her initial data collection and stakeholder consultation regarding Liberia’s validation under the EITI 2016 Standard. As is expected, wider consultation and analysis of the report is on-going. However, we present to you a segment of our intended feedback which---in the meantime---addresses two (2) of the four conclusions of “inadequate progress” in the report. Our feedback is presented in the table below:

The Standard/ Requirement	Initial Assessment by the International Secretariat	LEITI’s Response and how 7 th Report addressed the issues raised in the initial Validation Report	LEITI’s conclusion
#2.2 License Allocations:	While the EITI Reports provided useful information on the process for awarding mining exploration licenses and petroleum blocks, on the identity of companies who were awarded licenses in 2013-14 and limited information on non-trivial deviations from the statutory procedures for awarding petroleum blocks, there were inconsistencies in the EITI Report’s description of the number of mining Licenses that were awarded in the period under review, and no information on statutory allocation procedures for mineral production	There were no awards or transfer of Petroleum rights during the period July 1, 2013 to June 30, 2014. The transfer of COP’s 80% share occurred in April 2013 which was outside the 2013/2014 reporting period (Annex 5; P74 list of leased oil blocks); therefore requirement for disclosure of information on non-trivial deviation or all provisions of Sub-requirement 2.2a do not apply to the LEITI 2013/2014 report. (ref 2.2b) and 2.2 of the Validation Guide. A count shows that Information about 47	We therefore conclude that the initial assessment of Inadequate Progress is a bit harsher

	<p>licenses. The second post-award process audit covering the period under review will be Published by end-2016.</p>	<p>licenses were disclosed contrary to the assertion that information about 9 licenses were omitted (Ref: Annexes 2 & 4; pp 68, 69 & 71)</p> <p>With respect to processes leading to the awards of the licenses during We hereto attach final copy of the Post-Award Process Audit for your consideration.</p> <p>Information on statutory allocation procedures for mineral production license – Ref: Pg. 19 (Mining Rights Allocation – (i) Mining Rights Process)</p>	
<p>#5.1 Distribution of revenues</p>	<p>The 6th & 7th EITI Reports indicated that all extractives revenues were statutorily required to be recorded in the national budget, through the Consolidated Fund; but fell short to provide explanation for the allocation of extractive revenues not recorded in the budget. The 7th EITI Report showed that revenues collected by the National Port Authority (fees and charges), the University of Liberia (Scientific Research Fund) and NOCAL (social welfare contribution, surface rental, annual training and Hydrocarbon Development Fund) were not transferred to the Consolidated Fund. Meanwhile, there was no reference included in the 2012-13 EITI Report to any domestic or international revenue classification system.</p>	<p>3.5 (Collection of the and Distribution of the Extractive Revenues) of the 2013-14 EITI Report provided a description of the budget formulation process, noting the extractive revenues that are paid to the consolidated fund, which go to the national budget. A diagram was provided on pg. 31, which directly outlined the list of taxes and payments from the sector that empties into the Consolidated Fund. In addition to this, 4.3.3 of the 2013-2014 LEITI Report gave an explanation of individual tax items and to where each is directed in terms of payment with the supporting regime provided.</p>	<p>The 2013-14 LEITI's Report provided a description of the distribution of extractive sector revenues including those that are paid to the Consolidated Fund, which are recorded in the national budget. The standard requires an explanation when revenues are not paid to the budget, which 4.3.3 of the 2014 report provided. Pg. 42 – 48 clarified why some payments, not recorded in the national budget, were made directly to other entities other than the consolidated fund. Therefore, the conclusion of the Secretariat is not fully supported as their score of inadequate progress is not justified. The LEITI in the 7th Report did more</p>

			<p>under Requirement 5.1.</p> <p>However, since the issue about referencing national revenue classification systems is only encouraged, we reserve comment as it should not be used as a basis to derive our compliance with the Standard. Therefore, we conclude that the Initial assessment of Inadequate Progress is harsher and or unjustified.</p>
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