

Terms of Reference:

EITI systematic disclosure feasibility study

UNITED KINGDOM, APPROVED BY THE MSG ON 23RD JULY 2018

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1 Background

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the extractive sector. It has a robust yet flexible methodology for disclosing company payments and government revenues from oil, gas and mining as well as other information about the extractive sector such as information about the legal framework and fiscal regime, licensing practices, state-owned companies, production, exports, etc. The requirements for implementing countries are set out in the EITI Standard¹. For further information, please see www.eiti.org.

Each implementing country creates its own EITI process adapted to the specific needs of the country. This involves defining the scope of information to be published and exploring how disclosure of information about the extractive sector can be integrated into government and company portals to complement and strengthen wider efforts to improve extractive sector governance.

To date, most of the information required to be disclosed by the EITI Standard has been collected and made public through EITI Reports. At the EITI Board meeting in February 2018, the EITI Board agreed to set of recommendations regarding **encouraging systematic disclosure**². The 2016 EITI Standard enables implementing countries to disclose the information required by the EITI Standard through routine government and corporate reporting systems such as websites, annual reports etc. The EITI Board agreed that “systematic disclosure should be firmly established as the default expectation, with EITI Reports used to address any gaps and concerns about data quality. Implementing countries could still continue to publish annual EITI reports collating and analysing the information from primary sources in order to make this information more accessible and comprehensible, especially for stakeholders that do not have access to online information”.

Systematic disclosure means that EITI’s disclosure requirements are met through routine and publicly available company and government reporting. This could include enabling access to EITI data through public financial reporting, annual company or government agency reports, information portals, and other open data and freedom of information initiatives. A key concern will be ensuring that the published data is comprehensive and reliable. This should include an explanation of the underlying audit and assurance procedures that the data has been subject to, with public access to the supporting documentation.

Mainstreaming refers to the process for realising this goal, which may include interim measures, pilots, and other capacity building activities.

The EITI continues to emphasize the importance of the multi-stakeholder dialogue in exploring options for systematic disclosure. A feasibility study provides an opportunity to examine opportunities for strengthening multi-stakeholder consultation and dialogue, and to make this participation more effective. This could include considering options for integrating MSG oversight into existing representative bodies.

The UK was accepted as a candidate EITI country in October 2014. It has, to date, published three annual Reconciliation Reports. The UK MSG’s agreed objectives with regard to EITI participation are, as follows, to:

¹ <http://eiti.org/document/standard>

² <https://eiti.org/document/encouraging-systematic-disclosure>

- Recognise and support the principles set out in the 2016 EITI Standard.
- Enhance accountability to the UK public on the revenues from the UK's extractives industries.
- Increase public understanding of the social and economic impacts of the UK's extractive industries and enrich public debate on the governance and stewardship of the UK's oil, gas and mineral resources.
- Ensure information is readily accessible and presented to the public in a clear manner.
- Support moves towards common global reporting standards in oil, gas and mining and promote a level playing field for business in the UK and internationally.
- Support the UK government's championing of extractives transparency and open government.

2 Objective of the assignment

The objective of the assignment is to assess the feasibility of embedding EITI disclosures in government systems and corporate reporting. The product will be a feasibility study that:

- (1) assesses the extent to which information required by the EITI Standard, or otherwise relevant for achieving the objectives outlined in the MSG's workplan, is already made publicly available in governmental and corporate systems;
- (2) outlines any barriers or gaps in timely, comprehensive and reliable disclosures, as well as technical or financial support needs;
- (3) documents stakeholders' views and willingness to embed EITI disclosures in governmental and corporate systems;
- (4) proposes a roadmap for embedding EITI disclosures and the process for future EITI implementation. This should include actions, responsible parties, timelines, resource and technical assistance needs.

3 Scope of work

The work will involve the following tasks:

- (1) Examining the MSG's workplan in order to gain a clear understanding of the process, objectives and scope of the UK's EITI implementation, and the extent to which the EITI implementation draws on and seeks to strengthen systematic disclosures. Reviewing annual progress reports that have been produced by the MSG to understand what if any action has been undertaken by the MSG to address recommendations from any previous EITI reporting exercises and validations that address opportunities to strengthen systematic disclosures.
- (2) Consulting stakeholders, in particular the members of the multi-stakeholder group as well as the government agencies involved in the management of the extractive industries and companies in the UK, on their views and concerns related to embedding EITI process and disclosures in government and corporate systems.
- (3) Producing a feasibility study that:

- (i) identifies the government agencies and companies that are responsible for producing, collecting and/or maintaining the information required by the EITI Standard (EITI Requirements 2 to 6, summarised in annex A);
- (ii) assesses what information required by the EITI Standard is already made publicly available by government agencies and in what format such as on on-line cadastres and registers, government webpages on legal, fiscal and administrative arrangements for the sector, etc., and reviews what data is made publicly available by companies in their reports and on their websites and explore options for extending this disclosure;
- (iii) assesses whether the information is up to date, comprehensive (includes all information required by the EITI Standard), and reliable. If there are several public sources for the data, it should assess whether they are consistent;
- (iv) where information gaps are identified and/or where there are concerns about data reliability, recommends measures to address the gaps, including improving the timeliness, comprehensiveness, reliability, availability and accessibility of the information. The report should assess whether there is information available in government systems that is not publicly available but could easily be published online. The feasibility study should also identify any other obstacles to making the information required by the EITI Standard publicly available in government reporting systems.
- (v) outlines a credible approach to disclosure of the financial information required by the EITI Standard (please refer to Annex A). The feasibility study is expected to make recommendations on how to embed financial disclosures in company and government systems, for example by integrating data into online license cadastres or including a database and/or reporting templates on government, company and/or national EITI websites. The Business Frameworks Analytical Team should review previous EITI reports, including levels of discrepancies. The Business Frameworks Analytical Team should also assess the statutory rules for audits and actual auditing practices of government and corporate entities, as per EITI Requirement 4.9(a). In the event that auditing and assurance procedures are insufficient for EITI reporting purposes, the Business Frameworks Analytical Team should provide options for addressing quality assurance of financial disclosures. This could include full reconciliation as per 'conventional' EITI reporting, spot-checks reconciling certain transactions or a certain percentage of total disclosures, no reconciliation, etc. The Business Frameworks Analytical Team is expected to explain the rationale for the recommended options.

The findings should be summarised in a table that maps all the required disclosures under the EITI Standard. A template is available here: <https://eiti.org/document/systematic-disclosure-toolkit>

- (4) Based on the feasibility study, there should be produced a suggested roadmap for embedding the EITI disclosures.
 - (i) The roadmap should list the actions and associated costs that are needed to fully embed disclosures in government and company systems, responsible parties, timelines, resource and technical assistance needs. Where significant work is needed to make the data publicly accessible through government systems, the roadmap should suggest a step-by-step approach

specifying the information can be sourced from existing sources, and the information that would need to be partially or fully collected or disclosed through the EITI reporting process.

4 Reference materials:

- Encouraging Systematic Disclosure, <https://eiti.org/document/encouraging-systematic-disclosure>
- Examples of other Feasibility studies, [https://eiti.org/publications?search_api_views_fulltext=\"systematic+disclosure\"](https://eiti.org/publications?search_api_views_fulltext=\)
- Agreed upon procedure for mainstreamed disclosures, <https://eiti.org/document/agreed-upon-procedure-for-mainstreamed-disclosures>
- Systematic disclosure toolkit, <https://eiti.org/document/systematic-disclosure-toolkit>
- The EITI Standard, <http://eiti.org/document/standard;>
- The online Guide to implementing the EITI Standard, <https://eiti.org/guide>
- EITI implementation guidance notes issued by the International Secretariat, <https://eiti.org/guidance-notes-standard-terms-of-reference>, in particular the guidance notes on scoping (#9), defining materiality (#13), establishing/governing MSGs (#14), and creating open data policies (#27). The Business Frameworks Analytical Team is advised to contact the EITI International Secretariat for any questions or clarifications related to the EITI Standard and the implementation of the EITI requirements;
- Standard Terms of Reference for Independent Administrator services, <https://eiti.org/document/standard-terms-of-reference-for-independent-administrator-services>, including standard EITI reporting templates, available from the International Secretariat;
- [Implementing EITI for Impact: A Handbook for Policymakers and Stakeholders](#), in particular chapters 4 and 5;
- Examples of Scoping Studies, available from <https://eiti.org/guidance-notes-standard-terms-of-reference#examples-of-scoping-studies> and the International Secretariat; and

Annex A – disclosures required by the EITI Standard

This annex summarises the information disclosures that are required by the EITI Standard and that should be assessed in the feasibility study. In undertaking the assessment, the Business Frameworks Analytical Team must refer to the disclosure requirements outlined in the EITI Standard to ensure that all details are fully considered. A tool for performing this assessment is available here:

<https://eiti.org/document/systematic-disclosure-toolkit>

- The legal framework and fiscal regime governing the extractive industries (EITI Requirement 2.1);
- The availability and comprehensiveness of a public license register as well as information about license allocation processes and procedures (EITI Requirements 2.2 and 2.3);
- The [country's] policy and practices on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals and any reforms underway (Requirement 2.4);
- The availability of a public register of the beneficial owners of extractive companies (EITI Requirement 2.5);
- Where applicable, information about the role of state-owned enterprises (SOEs) in the extractive sector and the financial relationships between the government and the SOE, quasi-fiscal expenditures, and government ownership in oil, gas and mining companies operating in [country] (EITI Requirements 2.6, 4.5, 6.2);
- Key features of the extractive sector, including any significant exploration activities (EITI Requirement 3.1);
- Production and export data (EITI Requirement 3.2, 3.3);
- The revenue streams that must be disclosed in accordance with EITI Requirements 4, 5 and 6. The analysis should cover:
 - The taxes and other revenue streams listed in 4.1;
 - Any revenues related to the sale of the state's share of production or other revenues collected in-kind (4.2),
 - Any revenues related to infrastructure provisions and other barter arrangements (4.3);
 - Any revenues related to transportation payments (4.4);
 - Any transactions between SOEs and other government agencies (4.5);
 - Any revenues collected by subnational government from oil, gas and mining companies (4.6);
 - Any transfers of extractive industry revenue between central and subnational levels of government (5.2); and
 - Any mandatory and voluntary social expenditures by extractive companies (6.1).
- Information about revenue allocations and distribution of revenues in accordance with EITI Requirements 5.1 and 5.3; and
- Information about the contribution of the extractive industries to the economy for [year] in accordance with EITI Requirement 6.3.

Annex B – project plan and timescales

Project Plan

The table below sets out a proposed summary of the key milestones, deliverables, and timescales for the implementation of this project, based on the assumption that the project will commence 23rd July 2018. This proposed plan will be circulated to the MSG for review and feedback prior to this date, and will be one of the tools with which the delivery of this project is managed.

The aim is to prepare a progress update to be delivered at the September 2018 MSG, which will allow key issues to be raised, considered and resolved in a timely manner.

Detailed Project timeline

Project Plan	Task Lead	Jul-2018	Aug-2018	Sep-2018	Oct-2018	Nov-2018
		1 2 3 4	5 6 7 8	9 10 11 12	13 14 15 16	17 18 19 20
Stage 1 Project initiation						
Prepare Final project plan	BEIS/MSG	■				
Project inception	BEIS		■			
Stage 2 Evidence gathering and analysis						
Identify key stakeholder groups (working along with UK-EITI)	BEIS/UK-EITI		■			
Finalise list of stakeholder contacts for consultation	BEIS/UK-EITI		■			
Consultation design	BEIS		■			
Target stakeholder warm-up	BEIS		■			
Desk Review	BEIS		■	■		
Consultation with target stakeholders	BEIS		■	■		
Stage 3 Drafting and Scrutiny						
Analysis of data and evidence	BEIS			■		
Initial draft feasibility study (with key findings and conclusions)	BEIS			■		
Internal peer review - draft feasibility study	BEIS			■		
MSG review and feedback - draft feasibility study	MSG			■	●	
Amendments and final review	BEIS			■		
Initial roadmap planning	BEIS					●
Roadmap data gathering	BEIS					■
Draft roadmap	BEIS					■
Internal peer-review - draft roadmap	BEIS					■
Amendments and final roadmap (action plan)	BEIS					■
Stage 4 Dissemination of Final Study and Action Plan						
Delivery of Final feasibility study and action plan to MSG	BEIS					●

NOTE: Proposed timeline is based on the assumption that project commences on 23/07/18.

Key:

- Project deliverable
- ▲ Project Update

Key Milestones, deliverables, and timescales

The timetable is set out on the assumption that the project plan is discussed and agreed to in advance of the proposed start date, and that peer-review and external review of draft outputs are completed within the allocated time.

We anticipate the key milestones and deadlines to be as follows:

- Project plan to be finalised the week ending 20th July 2018;
- Project inception will be the week commencing 23rd July 2018;

- Mid-project update (including high-level emerging results) to be presented at the September MSG meeting (date TBD);
- Draft feasibility study to be delivered to MSG for review by week commencing 15th October 2018;
- Amendments to draft feasibility study and preparation of final feasibility study to be complete by week ending 9th November 2018;
- Action Plan (roadmap) to be finalised by week commencing 26th November 2018 (in time to be presented along with final feasibility study at the November MSG meeting).