Overview of the EITI Standard

Workshop for civil society,
Dili, 25 April 2017

One Standard

Guiding 51 countries
to improved governance and accountability
A national multi-stakeholder group (government, companies and civil society) decides how their EITI process should work. This group publishes an EITI Report where government revenues and other data are disclosed and independently assessed. The findings are communicated to create public awareness and debate about how the country should better manage their resources.
How can EITI information impact change?

**Multi-Stakeholder Dialogue (MSG)**
- Creates neutral space for building trust and facilitating discussion

**Objective Setting (Work plan)**
- Links EITI to broader national policy priorities

**Disclose Relevant Information (Scoping, Reconciler TOR & EITI Report)**
- Useful in evaluating and diagnosing pressing policy questions & challenges

**Analysis of Information (CSO & Media Analysis)**
- Enables informed public understanding & policy debates

**Links to Policymaking & Institution building (Parl., Min., Reg.)**
- Increases accountability & development
Emerging topics in the EITI

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Beneficial ownership
Who is a beneficial owner?

“A beneficial owner in respect of a company means the **natural person(s)** who directly or indirectly ultimately **owns** or **controls** the corporate entity”

Why is beneficial ownership transparency important?

Source: International Consortium of Investigative Journalists
https://panamapapers.investigativecenters.org/#stories
"Beneficial ownership information enables Nigerians to expose corruption and nepotism in the acquisition process. Besides asking companies to voluntarily disclose information on their ownership structure, including any politically exposed persons, going forward NEITI has also put into effect a mechanism that would enable it to capture ownership of divested wells, license holders, lease holders and companies bidding for extractive industry contracts. In short, beneficial ownership in the extractives sector in Nigeria begins to scratch where it itches."

Nigeria EITI Secretariat

- Improve investment climate
- Reduce reputational and other risks
- Prevent corruption and illicit financial flows
- Improve rule of law
- Increase trust and accountability
- Enhance revenue collection

Source: Radio Free Liberty Europe
http://www.rferl.org/content/azerbaijan_gold-field_contract_awarded_to_presidents_family/24569192.html
Beneficial ownership requirements

As of 1 January 2020, it is required that implementing countries request, and companies disclose, beneficial ownership information for inclusion in the EITI report.

This applies to corporate entity(ies) that bid for, operate or invest in extractive assets and should include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted.

BO transparency and relevance to Timor-Leste

1. Assessment of relevance and prioritisation:

- Is lack of beneficial ownership transparency an issue in Timor-Leste? What are the challenges associated with hidden ownership, if any?
- Could the EITI help address these challenges by disclosure of information about beneficial ownership?
- What level of priority does civil society assign to beneficial ownership transparency?
Contract transparency

Contract disclosure benefits

Contracts represent the agreement between the government and the extraction company about how, when and at what cost the extraction occurs. They represent the “deal” the government gets in exchange for mineral rights. Citizens of the country are co-owners of natural resources and have a right to understand the terms of the extraction.

When contracts remain secret...

...citizens and oversight actors cannot properly monitor the implementation of the deal.

...the country is at high risk of corruption and leakage.

...it puts states at a disadvantage in contract negotiations.

...it reinforces a culture of impunity in which public officials are not held accountable for questionable deals they make.
Contract disclosure benefits

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>How contract transparency benefits each stakeholder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil society</td>
<td>• Increased ability to analyze government decisions</td>
</tr>
<tr>
<td>organizations</td>
<td>• Increased access to information on management of public resources</td>
</tr>
<tr>
<td></td>
<td>• Reduced corruption or unequal distribution of wealth as contracts are made more focused on national development</td>
</tr>
<tr>
<td></td>
<td>• Easy access to contract terms enables checks on company and government compliance with the contract</td>
</tr>
<tr>
<td>Government</td>
<td>• Increase of trust between government and citizens</td>
</tr>
<tr>
<td></td>
<td>• Increase in independent analyses of contracts</td>
</tr>
<tr>
<td></td>
<td>• Increased capacity in contract monitoring</td>
</tr>
<tr>
<td></td>
<td>• Increase in government’s reputation for investors, with subsequent increase in investment, access to credit and decrease of investor risk</td>
</tr>
<tr>
<td></td>
<td>• Increase in popular support for contract renegotiations and reviews</td>
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<tr>
<td></td>
<td>• Increase in information to bring to future negotiations</td>
</tr>
<tr>
<td>Companies</td>
<td>• Better relationships and increased trust with communities</td>
</tr>
<tr>
<td></td>
<td>• Decrease in community complaints</td>
</tr>
<tr>
<td></td>
<td>• More stable contracts and decreased pressures to renegotiate</td>
</tr>
<tr>
<td></td>
<td>• Decreased risk of corruption in negotiations and follow-up</td>
</tr>
</tbody>
</table>

Contract disclosure trends

• Since the release of the 2013 EITI Standard, nine new countries released contracts, and nine enacted laws that require contract disclosure.

• More than 2/3 of all EITI member countries have disclosed at least some contracts and licenses.
Contract disclosure requirements

What must be disclosed:
• Policy on contract disclosure, actual disclosure practice and reforms underway
• Information on how contracts can be accessed, if applicable

Encouraged:
• Disclosure of the full text of any contract, concession, PSA, license or other agreement which provides the terms attached to exploitation of oil, gas and minerals

Contract transparency and relevance to Timor-Leste
Contract transparency and relevance to Timor-Leste

1. Assessment of relevance and prioritisation:

- Are all PSA disclosed in Timor-Leste? Is any information related to the PSAs, such as full terms or addendums missing? Are the contracts available in a user-friendly format? Is there a legal requirement to publish new contracts?

- Could the EITI help address these challenges by disclosure of additional information about contract transparency?

- What plans do civil society have for analysis and use of the contracts that have been published?

- What level of priority does civil society assign to contract transparency?

Governance of State-owned enterprises (SOEs)
Governance of SOEs

• SOEs may own and operate projects, either outright or in joint ventures. State equity is used by many countries to secure additional government take (beyond tax revenue) from extractive projects, sometimes motivated by non-fiscal concerns such as: a desire for direct government ownership, a “seat at the table,” or to facilitate the transfer of knowledge.

![Diagram showing share control of oil production and reserves between national and private companies]

EITI Requirements for SOEs

• Disclosure of rules governing SOE-government financial relationship
• Disclosure of SOE quasi-fiscal expenditures
• Disclosure of SOE ownership
• Disclosure of financial transfers between SOEs and other government agencies
Revenues and roles for SOEs

SOE governance and relevance to Timor-Leste

PRESS RELEASE APRIL 07-04-2017

TIMOR GAP, E.P. and Timor Resources PTY, Ltd sign Production Sharing Contracts with ANPM for two Oshohe Blocks in Timor-Leste

Data: 7th April 2017

TIMOR GAP, E.P. (The State Oil Company of the Republic Democratic of Timor-Leste) is pleased to announce that through its wholly
SOE governance and relevance to Timor-Leste

1. Assessment of relevance and prioritisation:

- Are there any challenges with state-participation in the oil sector in Timor-Leste? What role does SOEs – Timor GAP – play in Timor-Leste? Is the governance structure and appointments transparent? Is information about financial performance of the SOE publicly available? Is the SOE given preferential treatment – e.g. access to PSAs, access to financial resources – compared to other companies? Is the SOE involved in funding projects, e.g. infrastructure?

- Could the EITI help address any challenges by disclosure of additional information about SOE governance and operations?

- What level of priority does civil society assign to SOE governance?

Project level reporting
Benefits of project-level reporting

- Enables assessment of whether payments are consistent with contractual obligations – «what ought to be paid».
- Shows the economic contribution of each field or project.
- Can help curb transfer pricing.

EITI Requirements on project-level reporting

- The national multi-stakeholder group should devise and apply a definition of the term project that is consistent with relevant national laws and systems as well as international norms.
- Project level reporting is required for all reports covering fiscal years ending on or after 31 December 2018.
Project level and relevance to Timor-Leste

1. Assessment of relevance and prioritisation:

- Are there any challenges with publishing revenue data disaggregated by project in Timor-Leste?

- Could publication of project-level revenue data help address any challenges?

- What level of priority does civil society assign to project-level reporting?
Mainstreaming

Why mainstreaming?

Transparency should be an integral part of how governments manage their sector. EITI reports are not the only tool for bringing about transparency.

Some benefits:

- Flexibility in approach to disclosure method of EITI data
- Cheaper – avr. cost EITI Report $130k
- Data more up-to date
- Strenghtens government systems
- Avoids duplication

- No change to disclosure requirements.
- No compromise on reliability and comprehensiveness of data.
The challenge
Timor Leste case study

Earlier this month, Timor-Leste published its Extractive Industries Transparency Initiative (EITI) report for 2012. The report was conducted by the Transparency International and the Ministry of Finance, indicating a significant increase in transparency over the last year. The report includes detailed information on all major extractive industries and their contributions to the national economy. Timor-Leste is one of the few countries in the region to have successfully implemented the EITI standards, which aim to increase accountability and transparency in the management of natural resources. The report covers a wide range of industries, including oil, gas, and mining, and provides a comprehensive overview of the country’s extractive sector.

Mainstreaming transparency

Timor-Leste has made significant progress in mainstreaming transparency in its extractive industries. The National Petroleum Authority, responsible for the management of the country’s oil and gas resources, has been particularly active in this regard. The agency has implemented a number of initiatives to improve transparency, including the publication of regular reports on its activities and the publication of detailed information on all extractive projects.

Mainstreaming transparency

**ANP: JPDA Production, Barrels of Oil Equivalent (BOE)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Production (BOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>June</td>
<td>3,123,390.42</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>3,132,338.97</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>3,141,288.36</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>3,150,237.75</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>3,159,187.14</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>3,168,136.53</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>3,177,086.92</td>
</tr>
</tbody>
</table>

**2014**

<table>
<thead>
<tr>
<th>Month</th>
<th>Production (BOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>3,186,036.87</td>
</tr>
<tr>
<td>June</td>
<td>3,194,986.32</td>
</tr>
<tr>
<td>July</td>
<td>3,203,935.77</td>
</tr>
<tr>
<td>August</td>
<td>3,212,885.22</td>
</tr>
<tr>
<td>September</td>
<td>3,221,834.67</td>
</tr>
<tr>
<td>October</td>
<td>3,230,784.12</td>
</tr>
<tr>
<td>November</td>
<td>3,239,733.57</td>
</tr>
<tr>
<td>December</td>
<td>3,248,683.02</td>
</tr>
</tbody>
</table>

**2015**

<table>
<thead>
<tr>
<th>Month</th>
<th>Production (BOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>3,257,532.47</td>
</tr>
<tr>
<td>June</td>
<td>3,266,481.92</td>
</tr>
<tr>
<td>July</td>
<td>3,275,431.37</td>
</tr>
<tr>
<td>August</td>
<td>3,284,380.82</td>
</tr>
<tr>
<td>September</td>
<td>3,293,330.27</td>
</tr>
<tr>
<td>October</td>
<td>3,302,289.72</td>
</tr>
<tr>
<td>November</td>
<td>3,311,239.17</td>
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<tr>
<td>December</td>
<td>3,320,188.62</td>
</tr>
</tbody>
</table>


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**First Tranche Petroleum/Royalty and Oil/Gas Revenue – All Projects**

<table>
<thead>
<tr>
<th>Month</th>
<th>Description</th>
<th>Total</th>
<th>Tranche</th>
<th>Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2015</td>
<td>Petroleum &amp; Royalty</td>
<td>677,172.20</td>
<td>300,000.00</td>
<td>377,172.20</td>
</tr>
<tr>
<td>Mar 2015</td>
<td>Petroleum &amp; Royalty</td>
<td>677,172.20</td>
<td>300,000.00</td>
<td>377,172.20</td>
</tr>
<tr>
<td>Apr 2015</td>
<td>Petroleum &amp; Royalty</td>
<td>677,172.20</td>
<td>300,000.00</td>
<td>377,172.20</td>
</tr>
<tr>
<td>May 2015</td>
<td>Petroleum &amp; Royalty</td>
<td>677,172.20</td>
<td>300,000.00</td>
<td>377,172.20</td>
</tr>
</tbody>
</table>

Total: 3,385,860.40

Mainstreaming transparency


Timor GAP, http://www.timorgap.com/databases/website.nsf/vwAll/AnnualReports
Mainstreaming transparency

EITI – still important platform for dialogue

EITI Overview by Dyveke Rogan, EITI International Secretariat

25 April 2017
Mainstreaming and relevance to Timor-Leste

1. Assessment of relevance and prioritisation:

- What are the challenges and benefits of moving publication of EITI data online in Timor-Leste, drawing on existing data?
- Is it desirable to continue reconciliation of payments and revenues?
- Is it desirable to continue the MSG governance of the EITI?
- What level of priority does civil society assign to mainstreaming?

Next steps

Based on our assessment of relevance and priorities, can we design a strategy for civil society engagement in EITI Timor-Leste?