

Mainstreaming: Progress and Challenges

Good Practices and Trends in the Extractive Industries Webinar Series
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What is mainstreaming?

From the EITI Standard:

- The terms '**systematic disclosure**' and '**mainstreaming**' are used interchangeably
- The concept refers to meeting EITI disclosure requirements through **routine** and **publicly available** company and government reporting

To put it differently:

- It's about **integrating EITI's transparency and consultation** best practices into the **day-to-day operations and systems** of government agencies and companies

Why focus on mainstreaming?

EITI Principle 4

“We recognise that a **public understanding** of government revenues and expenditure over time could **help public debate and inform choice** of appropriate and realistic options for **sustainable development.**”

What does the 2019 EITI Standard require?

- **Systematic disclosure is the expectation**, with EITI Reports providing additional context, collating sources, and addressing any gaps and concerns about data quality
- EITI disclosure requirements can be met by **referencing publicly available information**
- **MSG work plans must address plans** for systematic disclosures
- MSGs encouraged to make systematically disclosed data machine readable and inter-operable, and to code/tag to **enable comparability** with other publicly available data

How has the EITI Standard evolved?

- **2013 Standard:** “the EITI Report must describe”
- **2016 Standard:** “MSG must disclose”
- **2019 Standard:** “disclose through routine government and corporate reporting”

Common mainstreaming misconceptions

- Not just EITI portals/websites
- Not just quantitative data
- Not all-or-nothing; can be piecemeal



What's driving the push for mainstreaming?

Common drivers:

- Limitations of conventional disclosures
- Cost/ownership considerations
- Evolving role of MSGs

New drivers:

- COVID-19 pandemic
- Energy transition

COVID-19 response: Flexible reporting



Flexible EITI reporting in response to Covid-19

Recognising the profound challenges associated with the Covid-19 pandemic, the EITI Board has agreed measures to provide flexibility in EITI implementation and reporting. These measures allow implementing countries to respond to the momentum of the EITI process while adapting to circumstances and urgent information needs.

The Covid-19 pandemic is having significant effects on the extractive industries and EITI implementation. Core aspects of the EITI process, such as convening stakeholders and disseminating information, may be challenging under current circumstances. Alternative approaches may be required as countries undertake virtual ways of working.

Opportunities for innovation may arise during this period, that can be sustained in future. For example, the flexible measures can allow greater reliance to be placed on timelier data published by governments and companies, which can inform debate during the challenging time.

The flexible measures outlined in this document are for EITI reports planned for publication in 2020. They will be reviewed when the EITI Board meets in October 2020, taking into account wider developments in the health and economic context in EITI implementing countries.

Reporting options for EITI implementing countries

Conventional reporting

Countries may continue to follow conventional procedures for reporting, including reconciliation.

Flexible EITI reporting

MSGs may prepare reports based on information disclosed by government and/or companies, subject to MSG endorsement and providing that the flexible reporting requirements are met (see below).

MSGs are encouraged to use this flexibility to communicate timely information that is relevant to the situation in their country. For example, they may consider including information on production, exports and revenue for the first half of 2020, or disclosing licenses or contracts awarded during the period, which might affect future extractive revenue.

Reporting extensions

Should MSGs be unable to pursue any of these options, they may request an extension to reporting, subject to MSG endorsement. The EITI Board agreed that the Covid-19 pandemic constitutes an "exceptional circumstance" for all EITI member countries, in accordance with the EITI Standard. MSG-endorsed reporting extension requests submitted by 1 November 2020 will be granted by the EITI Board.

1. Information on sector developments and industry outlook for 2020 and beyond, in light of Covid-19, commodity price shocks and the potential for longer-term reductions in demand for commodities.

This information should help facilitate evolving stakeholder efforts to undertake sound policy decisions and informed public debate. An indicative list of information that could be included is:

- Information on changes in licensing and contract negotiations or terms;
- Adjustments to fiscal regimes;
- Incentives or relief requested by, or given to, companies;
- Effects on exploration or development plans;
- Impact on production, exports and employment (including resulting from movement restrictions and cross-border quarantines);
- Changes in state participation and policies for state-owned enterprises;
- Revisions to revenue and budget projections;
- Shifts in sector-specific borrowing;
- Restrictions on civic space;
- Exceptional uses of sovereign wealth funds;
- Other issues as agreed by MSGs.

- Shifts in resource dependency levels
- 'Race to the bottom' risks
- Barriers to transition

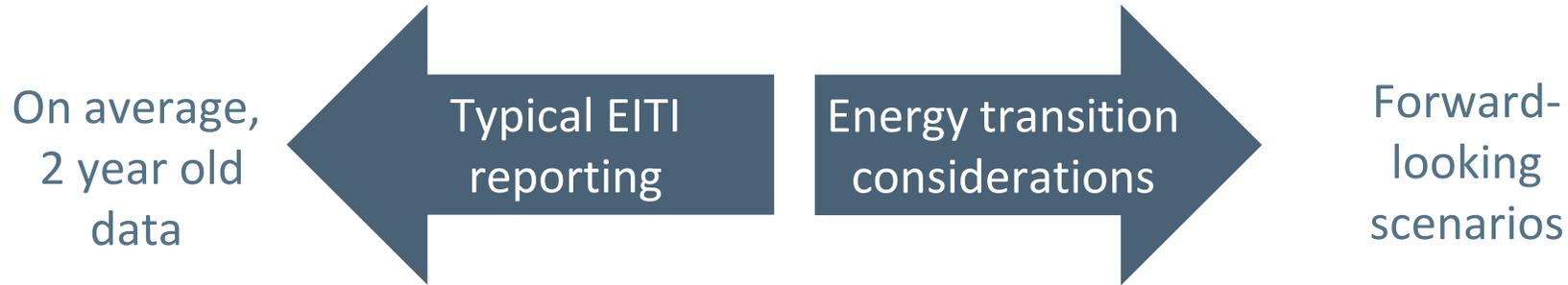
Pilot: Alternative approaches to EITI reporting



A 12-month project was approved in February 2020 to pilot alternative approaches that enable implementing countries to deviate from conventional reporting procedures, including reconciliation.

The project encourages MSGs to become active agents in using data to undertake analysis, influence decision makers and direct information to a wider set of users.

Energy transition: Forward-looking reporting



- *EITI Standard 5.3.c*: MSGs encouraged to disclose information that will further public understanding and debate around issues of **revenue sustainability** and **resource dependence**, including:
 - assumptions underpinning forthcoming budgets
 - projected production, commodity prices and revenue forecasts
 - proportion of future fiscal revenues expected to come from extractive sector

All well-suited to a mainstreamed approach

- *EITI Standard 1.4*: MSGs encouraged to explore extending EITI to **inform public debate** about natural resource governance

Energy transition: Exploration expenditure by national oil companies

Mainstreaming on:

- **Role:** Implementing countries must disclose...an explanation of the role of state-owned enterprises (SOEs) in the sector (EITI Standard 2.6.a.i)
- **Reinvestment:** Implementing countries must disclose...prevailing rules and practices regarding the financial relationship between the government and SOEs (including reinvestment) (EITI Standard 2.6.a.i)
- **Expenditures:** SOEs are expected to publicly disclose their audited financial statements (EITI Standard 2.6.b); implementing countries are encouraged to describe the rules and practices related to SOEs' operating and capital expenditures (EITI Standard 2.6.c)

Could help inform debates on:

How can NOC roles evolve? How ambitious should plans be?

How are NOCs using public revenues?
How does increased uncertainty about returns on investment impact decisions about how vigorously a NOC should pursue **ramping up exploration?**

Energy transition: Licensing and contract terms

Mainstreaming on:

- **Reforms:** Where the government is undertaking [legal or fiscal] reforms, the MSG is encouraged to ensure that these are documented. (EITI Standard 2.1)
- **Deviations:** Implementing countries are required to disclose any material deviations from the applicable legal and regulatory framework governing license awards (EITI Standard 2.2.a.iv)
- **Terms:** Implementing countries are required to disclose any contracts and licenses that are granted, entered into or amended from 1 January 2021. (EITI Standard 2.4.a)
- **Additional information:** The multi-stakeholder group may wish to include additional information on the allocation of licenses as part of the EITI disclosures. (EITI Standard 2.2.d)

Could help inform debates on:

Is gov't changing licensing/fiscal policy rules based on **perceptions they are "running out of time"**?

Is gov't changing practices, but without formally changing the rules? Should this **trigger oversight mechanisms**?

Do overly favorable terms signal **"race to the bottom"** risks?

What (if any) **climate scenarios** are being utilized in cost/benefit analyses to inform decisions on new licensing?

EITI is not just about disclosures...

Disclosures

EITI REQUIREMENTS COVER



CONTRACTS
AND
LICENCES



PRODUCTION



REVENUE
COLLECTION



REVENUE
ALLOCATION



SOCIAL AND
ECONOMIC
SPENDING

Outreach,
consultation
and participation

&

Civil society
protections



National multi-stakeholder groups oversee data publication ...



... **identify governance risks and stimulate debate and reforms**, based on publicly available data.



Trusted and open data provide a **foundation for better governance**, more investment and development.

Briefing
October 2019



EITI Mainstreaming: Opportunities and Risks for the Role of Civil Society in EITI

Asmara Klein, Rob Pitman and Matthieu Salomon

Key messages

- The Extractive Industries Transparency Initiative (EITI) board, its international secretariat, development partners, as well as many implementing countries Governments and stakeholders, encourage "mainstreaming" within EITI. This involves a transition away from standalone EITI reports and toward meeting EITI requirements through routine and publicly accessible government and company disclosures.
- Mainstreaming has the potential to increase civil society's ability to effectively monitor and demand improvements in resource governance with the benefit of more timely, relevant information that is integrated into the ongoing government and company processes that directly impact peoples' lives. Mainstreaming can facilitate improved channels for civil society engagement if outreach, consultation and participation activities are integrated into ongoing sectoral policy-making and commercial operations.
- Amid a global context of continuous attacks on civic space, there are concerns among many in civil society that mainstreaming could undermine the multi-stakeholder approach of EITI. Unless EITI recognizes and addresses such concerns, there is a danger that mainstreaming processes may alienate civil society from EITI processes.
- Those governing the EITI, including the board, the international secretariat, development partners and country-level multi-stakeholder groups should recognize the concerns that mainstreaming may raise regarding the role of civil society and should address these concerns by:
 1. Adhering to the EITI rules and procedures that govern mainstreaming applications, multi-stakeholder groups, and civil society participation, especially as outlined in the Civil Society Protocol, throughout the process.
 2. Incorporating civil society outreach, consultation and participation mechanisms alongside technical disclosures as part of plans for mainstreaming and implementing processes to ensure that disclosures are easily accessible and contribute to public debate.
 3. Developing data quality assurance procedures to ensure that all stakeholders regard mainstreamed disclosures as credible and fair.

https://resourcegovernance.org/sites/default/files/documents/eiti-mainstreaming-opportunities-and-risks-for-the-role-of-civil-society-in-eiti_0.pdf

Contract Management in Mexico

- Government involved civil society in design, implementation, monitoring and evaluation of disclosures
- Set up a civil society monitoring group which meets with the government to advise and provide feedback on disclosures.
- Government Commissioner Sergio Pimental Vargas noted that the transparent approach “has improved their relationship with civil society and helped them oversee the obligations they have made by law”.



RONDAS
México

Opportunity to refocus efforts

	Reporting Government Agencies and Companies	EITI Reports	MSG
Traditional reporting	Respond to annual information requests	Publish information annually	Collect data annually
Mainstreamed transparency	Integrate transparency into operations and engage in consultation	Collate information sources Address data quality gaps Provide additional context	Assess data quality Facilitate analysis Promote public understanding/ debate

Thank you!

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