USEITI, February MSG Meeting
Mainstreaming Feasibility In-Progress Update

February 2017
EITI Board’s Requirements for Mainstreaming

The objective of mainstreaming is to recognize countries that make transparency integral to revenue collection, accounting and disbursement.

The EITI Principles and Standards support mainstreaming of reporting structures.

EITI Principle 9 discusses integrated transparency.

“We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.”

Requirement 7.2 of the 2016 Standard emphasizes automatic disclosures.

The standards encourage MSGs to “where legally and technically feasible, consider automated online disclosure of extractive revenues and payments by governments and companies on a continuous basis.”

EITI outlines seven phases to achieve mainstreaming status. The two fundamental questions to address are:

1. Is there routine disclosure of the EITI data required by the EITI Standard in requisite detail?
2. Is the financial data subject to credible, independent audit, applying international standards?

https://eiti.org/files/board_paper_30-4-a_annex_a_draft_agreed_upon_procedure_for_mainstreamed_disclosures.pdf
## Feasibility Study Activities

The feasibility phase of mainstreaming consists of four main activities, one of which the IA completed as part of its existing work for TO2. The remaining activities will be completed by the IA in TO3.

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<thead>
<tr>
<th>Complete</th>
<th>Major Activities of Feasibility</th>
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<tr>
<td>✔️</td>
<td><strong>Examine existing materials</strong> to understand progress including all past EITI reports and documentation to understand the state of reporting in that country.</td>
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<td>✔️</td>
<td><strong>Consult stakeholders</strong>, including government, industry leaders and civil society, on their views and concerns related to embedding disclosures in government and corporate systems.</td>
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<tr>
<td><strong>IA target to complete – end of Feb</strong></td>
<td><strong>Produce a feasibility study</strong> that documents stakeholder perceptions, assesses publicly available information and makes recommendations on full EITI integration.</td>
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<tr>
<td><strong>IA to complete in 2017</strong></td>
<td><strong>Propose a plan of action</strong> for embedding EITI disclosures into existing reporting structures.</td>
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Mainstreaming Feasibility Assessment Outline
The IA has been asked to conduct an independent assessment of Mainstreaming feasibility in the U.S.

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Key Inputs into Report
✓ DOI Audit Gap Analysis
✓ Stakeholder interviews
✓ Government and Company data disclosure and controls information
✓ Audit and Controls Addition from Online Report
✓ Laws & Regulations (i.e. Dodd-Frank 1504)
Next Steps for Mainstreaming in the U.S.
Process for Mainstreaming Approval
The EITI Board outlined seven steps to achieving and continuing approval of mainstreaming.

Commitment
The mainstreaming process begins with commitment from the government and agreement by the MSG to explore this approach to implementation of the standard. The U.S. has already accomplished.

Feasibility
Currently, the IA is completing a feasibility study: a rigorous assessment of the viability for mainstreaming disclosure by an independent and technically competent body in accordance with a Board agreed template terms of reference.

Workplan
Next, the MSG will need to agree on a schedule for disclosure and assurance, including any capacity building and technical assistance necessary. This will form the basis of USEITI’s application.

Application
Finally, with a workplan complete, the MSG must approve an application to the EITI Board seeking approval of the proposed workplan.

Approval
The Board must then approve the suggested approach.

Implementation
With approval, USEITI can focus on implementation and reporting in accordance with the workplan, including annual reports that collate the requisite data and provide links to further information.

Review
Every year the MSG will need to review the process.

https://eiti.org/files/board_paper_30-4-a_annex_a_draft_agreed_upon_procedure_for_mainstreamed_disclosures.pdf

= current point in the process
Appendix
Previous Year Reconciliation Results

USEITI has two years of reconciliation.

### Reporting and Reconciliation Results

<table>
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<tr>
<th>Result</th>
<th>2015</th>
<th>2016</th>
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<tr>
<td>DOI Revenues Released</td>
<td>100% of 2013 revenues</td>
<td>100% of 2014 and 2015 revenues</td>
</tr>
<tr>
<td>Companies Participating</td>
<td>31 of 45 companies</td>
<td>25 of 41 companies</td>
</tr>
<tr>
<td>Revenues Reported &amp; Reconciled</td>
<td>$8.5B (81% of in-scope, 67% of all DOI revenues)</td>
<td>$4.83B (79% of in-scope, 62% of all DOI revenues)</td>
</tr>
<tr>
<td>Companies Releasing Taxes</td>
<td>12 of 41 reported $190M</td>
<td>12 of 38 reported -$308M</td>
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<tr>
<td>Companies Reconciling Taxes</td>
<td>5 of 41 reconciled $90M</td>
<td>7 of 38 reconciled -$130M</td>
</tr>
<tr>
<td>Variances</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>Variances Resolved or Explained</td>
<td>100%</td>
<td>100%</td>
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Current Processes and Procedures Related to Mainstreaming

A number of existing processes bolster the case that existing U.S. data is comprehensive, up-to-date, and reliable as required by the EITI Board.

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<th>EITI Data Requirement</th>
<th>Case Summary</th>
<th>Strength</th>
<th>Weaknesses</th>
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<tr>
<td>Up-to-date</td>
<td>Strong case</td>
<td>• Where the government and industry currently report, it is on an annual basis as EITI requires</td>
<td>N/A</td>
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<td>Comprehensive</td>
<td>Reasonable for non-tax payments, but weaknesses regarding tax data and the level of detail reported</td>
<td>• ONRR’s unilateral disclosure of payments received covers all in-scope, non-tax payments received by the government • Company payments, where currently reported voluntarily or in conjunction with European laws, are comprehensive in their breadth</td>
<td>• Few in-scope companies in 2016 currently report information voluntarily, and voluntary reporting is varied in the detail of its reporting • The number of companies participating in USEITI dropped from 31 to 25 in 2016 • Tax information is not included in the unilateral disclosure. Only 12 companies reported taxes in 2016, of which 7 reconciled • ONRR cannot disclose at the project level</td>
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<td>Reliable</td>
<td>Strong case based on U.S. audit and assurance practices and controls</td>
<td>• All variances from both 2015 and 2016 reconciliation have been explained. • Companies and the government are subject to extensive laws and regulations that guide the process for receiving payments, including controls such as those outlined in the Sarbanes-Oxley Act or OMB Circulars; standards such as GAAP or the Yellow Book; and data validation &amp; audits on transaction-(ONRR) and system-level (IRS, third party)</td>
<td>• There is minimal track record of reconciliation for taxes • Company’s voluntarily-reported payments to government are generally not audited</td>
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The current U.S. case for mainstreaming rests primarily on ONRR’s universal data disclosure and a strong set of U.S. audit and assurance practices and controls.