

**EITI Suspends Iraq Membership:
A Serious Setback For Transparency That Should Be Addressed Promptly And Effectively**

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The recent decision by EITI to suspend Iraq status as a compliant country could, under the already fragile transparency environment in the Iraqi petroleum sector, deal a devastating long-term blow to transparency and wash-away ten years of Iraqi efforts. Therefore, it is a matter of urgency that the Parliament and the Council of Ministers should intervene, forcefully and immediately, to obligating both the Ministry of Oil and the NS-IEITI complying fully, effectively and timely with EITI 2016 Standard to ensure a positive validation in order to restore and enhance Iraq standing as a compliant country in EITI.

A team from the International Secretariat-IS of the Extractive Industry Transparency Initiative-EITI (Oslo, Norway) conducted a country (Iraq) visit that took place during 1-9 April 2017 and held numerous meetings in Baghdad and, also, in Dubai. Most of these meetings were held with Iraqi National Secretariat of the EITI (NS/EITI) and members of the Multi-Stakeholder Group-MSG.

The mission was in fulfilment of EITI Board decision of 2 June 2016 that Iraq's Validation under the 2016 EITI Standard would commence on 1 January 2017.

Based on these meetings, consultations and extensive research the IS/EITI prepared a lengthy (the English text has 206 pages while the Arabic version has 183 pages) and well elaborated document entitled "**Validation of Iraq, Report on initial data collection and stakeholder consultation**".

The Report presents the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. IS followed EITI usual and unified "Validation Procedures" and applied the "Validation Guide" in assessing Iraq's progress with the EITI Standard.

The subject-matter core of the Report is the IAC- "Initial Assessment Card"; IAC comprises seven «Categories» having a total of 33 «Requirements» and each requirement was assessed under five «Levels of Progress»: No; Inadequate; Meaningful; Satisfactory and Beyond.

The Secretariat's preliminary findings and assessment are that 22 of the requirements of the EITI Standard have not been fully addressed in Iraq; 15 of these are assessed as "inadequate progress". The recommendations and suggested corrective actions identified through this process relate in particular to data quality assurance and comprehensiveness of reporting by government and industry as well as state-owned enterprises, including quasi-fiscal expenditures, financial relations with government and level of state ownership.

To be more specific the Report presents a list of “strategic recommendations” that could help Iraq makes even greater use of the EITI as an instrument to support reforms.

According to EITI validation process the Secretariat’s initial assessment (Report) was forwarded to the Independent Validator- Adam Smith International -ASI on 16th July, 2017; ASI’ “Validation Team” prepared and finalised its 13 page “**Validation Report**” and sent it to EITI/IS on the 10th August 2017. Essentially, ASI validation report confirmed the findings of IS Report and endorsed its list of the “strategic recommendations”.

In conclusion, Iraq was found to have achieved *inadequate progress* in implementing the EITI Standard in October 2017. The country status as “compliant member” was suspended and, according to EITI rules, was given a grace period to rectify the shortcomings to achieve at least “Meaningful” progress on all identified requirements.

Accordingly, the next validation will commence in April 2019, and depending on the outcome of that validation, Iraq could regain its compliant status, in case of a positive validation, or “delisted” in a case of a negative validation. When a country is delisted it means that a country's status as EITI implementing country is revoked.

A delisted country may reapply for admission as an EITI candidate at any time, which practically means restart the same process all-over again! The EITI Board will apply the agreed procedures with respect to assessing EITI candidate applications. It will also assess previous experience in EITI implementation, including previous barriers to effective implementation, and the implementation of corrective measures.

The above narrative implies that the already fragile transparency in the Iraqi petroleum sector is at very serious critical crossroad since the suspension could lead to two very different outcomes: one could enhance transparency through taking the necessary measures to comply, in a satisfactory degree, with the EITI 2016 Standard (in case of positive validation in 2019); the other, could deal a devastating long-term blow to transparency if the Iraqi authorities (i.e., the Ministry of Oil and the NS-IEITI) fail to make the required progress in implementing the Standard within the required timeframe.

Needless to say that the suspension decision came as no surprise to me; it was inevitability as the writings on the wall were strong and very clear. Through my annual assessment of IEITI Reports, since its first one for 2009 and the working modalities and activity work-plans by NS-IEITI, I highlighted deficiencies, shortcomings and non-compliance of these Reports with EITI requirements and the repetitive symbolism in NS activities.

Moreover, in all my cooperating activities since 2010 with Natural Resource Governance Institute-NRGI (former RWI) I emphasised the importance of transparency and the urgent necessity to develop strong national institutional capacity for the extractive industry to be springboard for real effective transparency in other sectors of the economy.

Also, I repeatedly warned against shrinking transparency and returns of the deplorable secrecy in the Iraqi petroleum sector, especially since the last ministerial change on August 2016.

More recently, the Ministry of Oil website reported, 2 November, on the meeting held between Deyaa Jaafar, the MoO consultant for energy affairs and IEITI represented by IEITI' General Secretary, two of his consultants and one MSG member.

Surprisingly and oddly enough, there was no reference what so ever to any of the EITI assessment report, to ASI validation report or to EITI suspension of Iraq membership, as if business as usual!!

The Secretary General of the Council of Minister, who holds the Chairmanship of IEITI, seems to be out of the scene!!

The IEITI website has been offline for months and nothing was reported on the suspension on the national media sources; hence, non-transparency, regretfully, continues!

To counter such passivism and carelessness and to salvage Iraq international commitment to EITI, I suggest, as a matter of urgency, the following:

- 1- The Parliament and the Council of Ministers should intervene, forcefully and immediately, by obligating both the Ministry of Oil and the NS-IEITI to comply fully, effectively and timely with EITI 2016 Standard to ensure a positive validation in order to restore and enhance Iraq standing as a compliant country;
- 2- The National Secretariat of IEITI and all MSG members has to read carefully and thoroughly the EITI Report and ASI Validation Report to properly understand what went wrong, or missing, why and how to comply with what ;
- 3- National Secretariat of IEITI should urgently convene issue-specific and problem-solving workshop focusing on how to comply with all proposed list of recommendations: who do what, how, when etc. NS should also reconsider seriously its working modalities moving away from rigid bureaucracy repetitive and symbolic mentality to more proactive constructive and target-oriented style of management and addresses the known capacity gabs;
- 4- Established a clear and practical methodology and roadmap that should be followed to ensure full compliance with EITI 2016 Standard well ahead of March 2019;
- 5- National Secretariat of IEITI should revise the ToR for its annual Reports for 2016 and 2017 to be commensurate with and strictly adhere to EITI 2016 Standard;
- 6- The Ministry of Oil should mandate all its entities and companies to cooperate fully and transparently with NS/IEITI to ensure full compliance with EITI 2016 Standard and regain Iraq status as a compliant country.

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