ABSTRACT

Iraq petroleum sector has been, and is the only real economy sector that, experiencing with formal articulated transparency regime for almost a decade by now through, also relatively recent then, a new emerging international entity, i.e., Extractive Industry Transparency Initiative (EITI). As totally new concept in Iraqi governance mindset, transparency was introduced post 2003 invasion and Iraq went through distinct phases in its association with EITI from application in 2009 as candidate to a compliant country by end 2012 to suspension in late 2017, and since then Iraq works hard to re-instate its compliance status.

This article discusses and assesses Iraq experience with transparency and the path it followed in its implementation of this new concept for prudent management of its finite natural resources of petroleum. Specifically, what prompted or compelled Iraq to adopt EITI norms; what measures it had taken to gain the compliant status; why that status was suspended; what has Iraq to do if it wants to regain that status and, above all, what are the outcomes and how sustainable are they.

Though Iraq EITI (IEITI) experience is characterized as bureaucratic formality and symbolic, the article would argue that good, comprehensive and regular reporting on transparency enhances transparency and contributes to good governance in the petroleum sector. Hence, the article argues further, that what is needed is how to transform IEITI into real, effective and impacting change agency.

INTRODUCTION

In Iraq, transparency is completely new term that was externally imposed and became an international obligation, in post 2003 Iraqi petroleum sector; that was associated with the invasion of the country in 2003, with the focus of the invading forces on oil sector and with then recent EITI as powerful transparency promoting entity.

Almost ten years of experience with transparency and association with EITI, Iraq went through different phases that worth assessment and evaluating what has the country learned or benefited, challenges faced.

The article is structured, there is some inaccurate perception and understanding, within Iraqi circles, on what EITI is all about, and thus it becomes necessary to provide brief review of EITI: clarifying what are the fundamental “principles”, how the “Standard”, what are the “institutional” settings.- both national and international and finally, what are the “processes” and how they work. All the above are addressed in part one. Part two focuses on analytically assess the phases of Iraq experience with transparency in governing petroleum sector. While there was almost no transparency prior to 2003- under both periods pre and during UN
imposed sanction on the country, distinct formalized transparency phases are evident particularly during the last ten years. The article attempts, in part three, to use quantitative and qualitative measures in addressing the efficiency and effectiveness of the IEITI core organ, the tri-lateral Multi-Stakeholder Group (MSG). Part four discusses the prospects for IEITI, and practically, transparency in the entire country. In this juncture the article argues that because of the significant importance of the oil sector in the national economy of Iraq, a successful and functional transparency in this sector could also have positive spill-overs on other real economy sectors as well as financial and government at federal and provincial levels. In this regards, IEITI is actually at a cross-roads; and all depends first on the “Validation”, scheduled to begin in April 2019 and probably confirmed before year ends, and second, on the significant changes that Iraq has to undertake if it wants to have a meaningful, functional and effective transparency.

Methodologically, this article is of empirical field-work type; it is based on my direct and indirect involvement in IEITI work; review and assess all annual and other reports by IEITI; service provider, as independent consultant on energy, for capacity development through many workshops organized by Revenue Watch Institute (RWI) then becomes Natural Resource Governance Institute (NRGI) since 2010 for parliamentarians, local government officials, media and journalists, civil society organization among others; actual participation in IEITI activities; direct network contacts and communications; reviewing all available, 48, reports on MSG meetings and finally on my research works, presentations and publications on IEITI issues during the last ten years. For practical reasons, transparency in KRG is not covered in this article.

**Part One; EITI: what is it, how it works and what are its tools and entities.**

Before addressing Iraqi experience with transparency during the last ten or more years it is necessary, relevant and useful to provide basic coverage on EITI.¹ Briefly EITI comprises the following main pillars: the “Principles”, the “Standard”, the “Institutions or entities” and the “Process”.

**The Principles**

EITI evolved from the 12 “principles” agreed at the Lancaster House Conference in June 2003.² The essence of the principles is the wealth from a country’s natural resources should benefit all its citizens and this requires high standards of transparency and accountability. Thus, the principles provide the cornerstone of the initiative and based on them a “Value chain” paradigm of how to use “natural resources” for the benefits of the “people” was formulated. Five basic value chains are highlighted by EITI:

- 1- Contracts and Licenses;

¹ The latest (October 2018) brief multi-lingual “Factsheet” on what EITI is, how it works, its timelines among other information is provided through the following link: https://eiti.org/sites/default/files/documents/eiti_factsheet_en_oct2018.pdf Accessed 19 February 2019

² For details of these principles see https://eiti.org/document/eiti-principles Accessed 18 February 2019.
2- Production;
3- Revenue collection;
4- Revenue allocation and
5- Social and economic spending.
Hence, the principles are rather fixed and constant, so far!

**EITI Standard**

EITI Standard is premised on the above mentioned principles and all the requirements needed for the value chain implementation. Thus, the Standard seeks to deepen the link between those Principles and the working of the EITI.

The Standard, which comprises the Principles, has two main parts. Part I deals with the implementation of the Standard; specifically, what the countries (and companies) are required to disclose on the key steps in the governance of oil, gas and mining revenues according to the value change. The requirements are categorized into the “mandatory” that each country has to comply with and a few others that all countries are “encouraged” to comply with. In total there are eight main requirements and they comprise a total of 41 sub-requirements and numerous sub-sub-requirements. Part II of the Standard deals with the governance and management of the international EITI.

Unlike the “principles”, the Standard is evolving to reflect dynamics of implementation as manifested by number of standard revisions and versions. There are relatively few changes in 2016 version from the previous ones; most are minor refinements and revisions that clarify ambiguities and address inconsistencies.

Calls began at earnest for introducing new changes to the Standard to be adopted during the Paris forthcoming EITI Global Conference in June 2019. Accordingly, EITI posted “Overview of proposed changes to EITI Requirements” with background note on each of the 13 proposed changes. These proposals have been debated and decision made regarding them during EITI Board 42nd meeting held during 27-28 February 2019 in Kyiv, Ukraine (Kaufmann, Daniel et al 2019).

**Institutions and Entities**

For keeping the “Principles” and follow-up the implementation of and adherence to the “Standard”, EITI has a number of “institutions or entities” and these are on international and national levels.

On the international levels EITI has three organs; the Board, the Global Conference and the International Secretariat (IS).

EITI Board, currently consists of 21 members, is the EITI’s main governing body and its composition reflects the tri-lateral structure of EITI, i.e. Countries-governments, Civil Society Organization (CSOs) and Companies (Business, Industry and institutional investors).

EITI holds a Global Conference at least every three years, bringing together all stakeholders of the EITI; usually, amendment and adoption of EITI Standard occurs during these global

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conferences. So far, there have been seven of these conferences; the first was in the UK 2003 and the last was in Lima, Peru in February 2016. The eight one is scheduled in Paris, France in June 2019, when Helen Clark, former Prime Minister of New Zealand and former UNDP president, assumes her position as the new EITI Chair.

Finally, the EITI International Secretariat—IS; it performs the day-to-day functions, provides detailed, guidelines and technical support documents on each of the above value chains, the Standard and how to comply with its requirements, plays also vital role in oversight and assessing countries status at each phase and, thus, helps the Board in its function as the governing body and in matters related to convening the Global Conference among other related duties.

On the national level, each country (a candidate, a compliant or even a suspended) should have a MSG, a chairman, a national coordinator or secretary general and an operational national secretariat.

The multi-stakeholder setting is central to the operation and philosophy of the EITI, and it is reflected in how the EITI is governed and implemented. Similar to EITI Board, MSG on national level, comprises representatives from government, companies and civil society, is established with the prime task to oversee EITI implementation orderly and effectively.

Matters relating to MSG are outlined in the Standard (Requirement 1.4) and EITI-IS produced specific “Guidance Note” on the establishment and governance of MSG.\(^5\)

It must be stated that requirements regarding “Government engagement” lead to formation of national body, i.e. IEITI in Iraq, headed by a senior official, national coordinator, supporting staff and provide the necessary logistics to coordinate and facilitate the work and functions of the MSG.

Processes
The “Process” comprises the actual steps that a country must go through and conditions must satisfy to get a status with EITI. It begins with “signing-up” and submitting an EITI Candidature Application, then admission as an EITI Candidate country; the EITI candidature is intended to lead, in a timely fashion, to compliance with the EITI Standard, and finally acquire the status of EITI Compliant. In order to become EITI Compliant, implementing countries must demonstrate, through Validation reports, that they have met all EITI Requirements. Attaining EITI compliant status is not final and permanent, rather it is subject to regular validations and in case of proven non-compliance, the country faces suspension or delisting subject to satisfactory rectifying, within specified timeframe, what had caused the non-compliance.

EITI-IS plays pivotal role in all these lengthy and taxing phases of the process from singing-up through candidature and compliance to delisting or reinstating the country status.

Moreover, validation reports involves external player, in case of Iraq it is Adam Smith International (ASI) - UK.

As on 20 February 2019 the standing of the 38 countries with EITI is as follows: 4 countries with “Satisfactory Progress”: 16 with “Meaningful Progress”: 7 with “Inadequate progress/ Suspended (for different reasons)” and 11 countries “Yet to be assessed against 2016 Standard”.\(^6\)

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\(^6\) For further details and names of countries see [https://eiti.org/countries](https://eiti.org/countries) Accessed 20 February 2019.
Part Two: Transparency in Iraq Petroleum Sector

Until the formal adoption of the ICI, very little evidence, if any, indicates to official awareness and conviction of transparency in Iraq political and governance terminology let alone practice. The following brief review provides the progress of transparency in Iraq prior and post 2003 invasion of the country and régime change

I- Prior to 1990 invasion of Kuwait era

Official data on the entire petroleum sector was covered by a very brief “Oil Statistics” section comprising only three tables in the Annual Abstract of Statistics; the tables, in the shortest section in the Abstract, provide data on quantities of oil production, oil export and natural gas production consumption and flaring, for years 1981 to and including 1986 (Ministry of Planning 1989: 368-70).

Obviously, that coverage provides almost no transparency on the sector and with a time-lag of three years back!

II- Transparency under UN Sanction Era 1990-2003

During UN imposed sanction area 1990-2003, oil was at the center of the most comprehensive intrusive sanction regime; details of oil production, exports and revenues were directly impacted by different UN Security Council Resolutions (UNSCR) and thus Iraq had no control on disclosing data and thus such data became fully transparent for UN related organs and agencies.

Under sanction period three important modalities had almost full control and thus entailed complete disclosure, financial auditing and transparency: Oil for Food Program (OFP), to purchase food and other civilian needs; Compensation Fund (CF), for war reparation and other deductions to pay for UN operations; and Development Fund for Iraq (DFI), to administer the proceeds from the export sales of petroleum and petroleum products that should be deposited in the DFI’ Oil Proceeds Receipt Account (OPRA) held at the Federal Reserve Bank of New York. The same UNSCR n.1483 of 2003, which created DFI, created also the International Advisory Monitoring Board (IAMB), an audit oversight body for DFI, comprising representatives from several international financial institutions such as the World Bank and IMF. In January 2011, the Iraqi Committee of Financial Experts (COFE) took over IAMB in order to promote transparency and financial accountability in DFI operations.7 DFI was closed in May 2014, and its balances transferred to the Central Bank of Iraq (CBI) as part of its international reserves. Since then oil revenues are deposited directly into CBI’ reserves, and a government account at the CBI is credited correspondingly and thus managed by CBI on behalf of the Iraqi Ministry of Finance (IMF 2015:9).

III- IEITI Phase one: from signing-up to a compliant status

In the immediate aftermath of 2003 invasion with the countries of the occupying forces and their policies towards the petroleum sector, and the prevailing conditions in the country made it imperative to pay attention to issues of transparency in the Iraqi upstream petroleum sub-sector.

Formally and officially, transparency in the petroleum sector was introduced and highlighted by Iraqi authorities and many of its cooperating partners through many modalities. Initially, both Iraqi authorities and IMF promote transparency to combat corruption, particularly in the petroleum sector and through the EITI; as the following official statement says, “In an effort

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7 http://www.iamb.info/ Accessed 17 February 2019
to enhance transparency and fight corruption in the oil sector, the authorities are committed to joining the Extractive Industries Transparency Initiative.\(^8\)

Similarly, IMF asserts that, “Fighting corruption, notably in the oil sector, and improving transparency in the management of public resources is a high priority for the authorities” (IMF 2008:8).

In a more articulated and well-structured undertaking, government of Iraq (GoI) launched the International Compact with Iraq (ICI)\(^9\) in cooperation with the UN and the World Bank. ICI specifically calls to, under benchmark “Establish and implement mechanisms to ensure transparency of petroleum sector flows” (GoI 2007). Moreover, ICI, in its first annual review, asks for specific United States of America’ support to run workshops in support of Iraq joining the EITI (GoI and UN 2008:2).

Pursuant to ICI obligations, the Ministry of Oil (MoO) began publishing data and reports on production, export, and processing of crude oil and made them available on the Ministry’s website and also took necessary steps to joining EITI.

Following its undertakings under ICI, the government publicly announced its commitment to work with all stakeholder groups at the 4th EITI Global Conference in Doha, Qatar, in February 2009, and then made formal commitment to EITI at the Iraq EITI (IEITI) launching conference on 10-11 January 2010; a month later the country was accepted, by EITI Board, as a Candidate.

As a candidate country, Iraq took all necessary actions and fulfilled EITI requirements including the formal establishment of an Iraqi EITI entity with its MSG, conducts necessary workshops, prepared work plans, annual activity reports and annual reports prepared by international specialized firms among others.

The first validation report, prepared by EITI-IS staff, endorsed by (ASI) and approved by EITI Board, paved the ground for positive assessment of the Iraqi efforts.\(^10\)

These deliverables and other positive development had prompted EITI Board to announce, on 12 December 2012, Iraq as “Compliant” country under EITI rules and process. On 3 April 2013, IEITI organized big event in Baghdad celebrating this achievement by Iraq.\(^11\)

IV-IEITI Phase two: A short-lived compliance\(^12\)

Through my annual assessment of IEITI Reports, activity reports and work-plans by IEITI-NS, I highlighted deficiencies, shortcomings, the repetitive symbolism in NS activities and non-compliance of these Reports with EITI requirements. Moreover, in all my cooperating activities since 2010 with RWI then NRGI, I emphasized 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.

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\(^9\) ICI was an initiative of the GoI, in partnership with the United Nations, and supported by the World Bank; it was launched at Sharm El-Sheikh, Egypt on May 3, 2007.

\(^10\) Summary of the Validation report was published in IEITI (2010:87-90).

\(^11\) EITI was represented in the event by Clare Short, then EITI Chair, and Eddie Rich, Deputy Head EITI-IS. I too was invited and made a presentation (Jiyad, 2014a).

\(^12\) This part is based on my articles on IEITI particularly (Jiyad, 2017a).
Also, I repeatedly warned against shrinking transparency and returns of the deplorable secrecy in the Iraqi petroleum sector, especially since the last ministerial change of August 2016. But IEITI did not make the needed changes to address these warnings!

A team from EITI-IS visited Iraq during 1-9 April 2017 and held numerous meetings in Baghdad and, also, in Dubai (UAE). Most of these meetings were with IEITI-NS and members of the MSG among others. Based on these meetings, consultations and extensive research, EITI-IS prepared a lengthy and well elaborated Report document (EITI 2017).

The Report presents the findings and initial assessment of the 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 Initial Assessment Card (IAC); 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. IS preliminary findings and assessment were that 22 of EITI Standard requirements have not been fully addressed in Iraq; 15 of these were 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 IS’s initial assessment (Report) was forwarded to the Independent Validator ASI on 16 July, 2017; ASI’ “Validation Team” prepared and finalised its 13 page “Validation Report” and sent it to EITI-IS on the 10 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 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.

IV- IEITI Phase three: post-suspension and attempt re-instating compliance

MoO website reported, 2 November 2017, on a 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 whatsoever to any of the EITI assessment report, to ASI validation report or to EITI suspension of Iraq membership, as if business was as usual!!

13 Before IS team departed to Iraq I had with them more than two hours Skype discussion regarding IEITI on 19 March 2017.
The Secretary General of the Council of Minister (SGCM), who holds the Chairmanship of IEITI, seems to be out of the scene!! Moreover, IEITI website was offline for months and, moreover, nothing was reported on Iraq suspension on the national media sources.

That lack of announced official response, out of intention or omission, did not last long; on 4 November 2017, I circulated widely a brief article, in Arabic and English, on the matter aiming to shake such formal passivism and carelessness and to salvage Iraq international commitment to EITI; I suggested, as a matter of urgency, the following:

1- The Parliament and the Council of Ministers should intervene, forcefully and immediately, by obligating both the MoO and the IEITI-NS 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 make them commensurate with and strictly adhere to EITI 2016 Standard;

6- The MoO should mandate all its entities and companies to cooperate fully and transparently with IEITI-NS to ensure full compliance with EITI 2016 Standard and regain Iraq status as a compliant country.

The above call and the devastating consequences prompted the Iraqi authorities to take necessary measures addressing this matter aiming for reinstating the country’s status and restoring relations with EITI. These efforts began by the SGCM issuing “very urgent” directive (order number 40397 dated 14 December 2017) forming a 12 member committee for the purpose of implementing a “road map of correction measures regarding Iraq suspension from EITI” (IEITI, 2017). SGCM issued another directive (number 135 dated 20 December 2017) outlining the structure, composition, mandate and other matters regarding IEITI; changing the name of MSG to “Trustee Council” comprising 20 members.

Different activities, mostly in forms of seminars and workshops, were organized the last of which was the “Energy Experts Workshop on IEITI 2016 Annual Report” held in Baghdad, Iraq, 2 February 2019.14

Ironically, except the announcement on the workshop, IEITI website mentions nothing so far on the deliberations of that workshop!

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14 I was formal invitation by IEITI National Coordinator, my PowerPoint presentation and its extended abstract were circulated to the participants as I was unable to attend (Jiyad, 2019).
Part Three: Assessing MSG Effectiveness
MSG is the core of EITI and thus its performance decides how the country has actually complied with the standard and helps transparency consolidates in the extractive sector. Also, that provides empirical test of how MSG’ tri-lateral structure functions and its effectiveness. Hence, there are many measures through which one can assess or formulate an idea regarding MSG performance and effectiveness, among these quantifiable measures are number, frequency, duration and attendance ratio; qualitative or narrative measures include the records of topics, their debate, different views and positions on them, responsiveness of MSG to external views, decisions and voting that took place during these MSG meetings. That, logically and practically, entails the availability of formal records on each of such meetings; the structure and details of these records; who attend and signed and who did not attend and thus did not sign meetings report, among other things.

From February to September 2014, The Institute for Multi-Stakeholder Initiative Integrity (MSI Integrity) researched and assessed the governance of national EITI MSGs in 15 countries. Iraq was initially selected for this assessment but was replaced with Yemen due to the escalating conflict, though Iraq then was a “compliant” country with EITI.15

The structure and composition of IEITI indicates overwhelming government domination, as the following Table 1 provides. Out of 37 (38) total staff, only 4 CSO members are elected and 3 IOCs representatives. Such “official” presence and domination is bound to leave its marks on the work, outcome, independence and impact of IEITI, as the below analysis demonstrates.

Table 1:
IEITI and MSG Tri-lateral Structure of Representation

<table>
<thead>
<tr>
<th>Membership</th>
<th>Number</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>IEITI Chairman</td>
<td>1</td>
<td>Appointed by SGCM; previously, it was held by two GSCMs consecutively, currently it is the Minister of Oil</td>
</tr>
<tr>
<td>IEITI National Coordinator (NC) or the Secretary General</td>
<td>1</td>
<td>Appointed by SGCM, he is the same person since the formation of IEITI: the IG-MoE</td>
</tr>
<tr>
<td>MSG members- including the Chairman and NC:</td>
<td>20 (21)</td>
<td></td>
</tr>
<tr>
<td>I- Government Representatives</td>
<td>6</td>
<td>Appointed by the government: DGs from Ministries of Oil, MIM, Planning, Finance; Federal Board of Supreme Audit and KRG</td>
</tr>
<tr>
<td>II- Oil Companies:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOCs</td>
<td>3 (4)</td>
<td>Appointed by the Ministry of Oil: NOC, BOC, MdOC and (SOMO)</td>
</tr>
<tr>
<td>IOC</td>
<td>3</td>
<td>Accepted by IOCs: BP, Lukoil and Petronas.</td>
</tr>
</tbody>
</table>

15 These countries are Albania, Azerbaijan, Cameroon, Colombia, Congo, Guatemala, Nigeria, Norway, Papua New Guinea, Philippines, Senegal, Solomon Islands, Tanzania, USA and Yemen (MSI Integrity 2015:pp. 2 - 3).
### Civil Society Organization:

<table>
<thead>
<tr>
<th>Role</th>
<th>Number</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected</td>
<td>4</td>
<td>Elected by CSO every two years</td>
</tr>
<tr>
<td>Selected</td>
<td>2</td>
<td>1 nominated by the IAAA and 1 independent economic expert nominated by IEA</td>
</tr>
<tr>
<td>IEITI National Secretariat-NS:</td>
<td>17</td>
<td>From IEITI’ 2017 Annual Activity Report</td>
</tr>
<tr>
<td>1- Seconded</td>
<td>9</td>
<td>From other ministries</td>
</tr>
<tr>
<td>2- Contracted</td>
<td>8</td>
<td>Individual contracts, including financial and legal consultants</td>
</tr>
</tbody>
</table>


This part attempts to provide preliminary evaluation of IEITI’ MSG experience; it is based on thorough review I made of all available record of meetings-reports held by IEITI MSG and posted on IEITI website and, only few are obtained through my contacts with members of the group.

There are in total 48 reports; the first covers MSG first formal meeting held on 22/23 September 2010, while the last, i.e., number 48, was for meeting dated 26 September 2017. Only one report, for meeting number 11, was not available.

This information poses the following question: why did MSG reports stop at end September 2017? There could be the following explanations: 1- There were no meetings since that date; but this is rather unusual and moreover, not permissible under EITI rules. Moreover, information indicates there were two more meetings, 49 and 50, in 2017 but no report on them was posted on IEITI website (IEITI 2017: 22), and more meetings were held in 2018 (IEITI 2019a); 2- there are reports on MSG meetings, but they are not posted on IEITI website; if that is the case then why? Inefficiency or deliberate act of non-transparency! In both cases, this causes concern as well as it represents non-compliance with EITI Standard.

IEITI has to act promptly by posting all MSG reports on its website.

These reports are usually very brief and the text generally lists the items dealt with in the meeting and decision taken. Very rare there was details of any debate on the listed topics, who said what and why or what are the different arguments. Moreover, there was absolutely nothing on how decisions were drafted and taken; by consensus, by majority and the record of voting in the latter case. Here, there is a complete lack of transparency.

Also, relating to MSG deliberation, each report mentions the time of meeting commencement; which is mostly around at 10AM, but no report mentioned how long a meeting took place.16

More often, MSG addresses long documents and many issues that should entail full

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16 There are only six reports that provided agenda for MSG meeting. According to these agendas, two meetings with 4 hours duration each (meetings number 36 and 37; two meetings with 2 to 2:3 hour duration (meetings number 33 and 35); two meetings with less than two hours duration (29 and 30).
presentation, serious debate, checking facts and data, questions, clarification among others. Thus, considering meeting duration and number of participants it is doubtful that could warrant enough time and due attention to the listed topics. As shall be highlighted later, approving annual lengthy, comprehensive reports written in English is very obvious example and case in point.

Frequency of convening MSG meetings is one of the indicators used for assessing MSG commitments and effectiveness. In this respect, it is expected that more and frequent preparatory meetings are usually take place during the early phases of relationship with EITI, namely from application, through candidacy up to compliance. Early phase began in September 2010 and thus the first formal MSG held only two meetings in that year; it held 5 meetings in 2011 and a record high of 11 meetings in 2012. Iraq was accepted as “compliant” country by EITI Board on 12 December 2012. Number of MSG meetings dropped to 8 in 2013 and down to 5 each during 2014, 2015 and 2016. Why MSG enthusiasm waned so quickly and so dramatically soon after Iraq gained the status of a compliant country?

Based on the contents of these reports on MSG meetings and my direct regular contacts with IEITI, I could suggest the following explanations:

1- A sense of complacency and “mission accomplished” prevailed; this, in my humble vie, was due to wrong understanding and inaccurate perception of both EITI Standard and what such a status, i.e. compliance really means. It seems MSG members, or most likely IEITI leadership considered compliance as final and permanent, similar to any membership in international organizations! A similar case of wrong understanding and inaccurate perception of EITI Standard occurred when MSG decided in its meeting number 2012 dated 2 July 2012, on matters that are proven wrong: they change the name from IEITI to Revenue Transparency Initiative-RIO, then they used Iraq Revenue Transparency-IRT; they change the name MSG to, in Arabic, “Trustee Council”. These changes contravene EITI but they continued using them until meeting 21 dated 25 March 2013 when they removed these changes, but without formal decision from MSG similar to their imposition!!

2- In addition to complacency, attaining compliance status seems to have caused an unrealistic over-confidence. This is manifested by MSG proposing and adopting to organize regional conference to promote EITI and to encourage other countries in the region to join the Initiative, with funding from the MoO! The proposal was endorsed by MSG, as mentioned in the report for meeting number 22 dated 10 June 2013. The ministry seems to have declined providing funding and the proposal was forgotten as no reference to it was mentioned in the forthcoming reports.

In addition to the frequency of convening MSG meetings, discussed above, attendance ratio is more revealing indicator on the commitment of MSG members. Attendance ratio can be measured on two levels: on the MSG and individual member’s levels. MSG attendance ratio (MAR) is the total number of the report-signed members to the total of all members mentioned in each report. The individual attendance ration (IAR) is the number of meetings
attended by each individual to the total number of MSG meetings convened during a specific period of time, say on a yearly base.

Data from MSG meetings records exhibits similar pattern to those identified above on the frequency of convening MSG meetings. Briefly, MAR was at its heights prior to declaration of compliance then dropped sharply afterward.

“Lowest: Highest MAR” was 42:72 during the two meetings held at last quarter of 2010; improved significantly to 94:100 in 2011 and 62:100 in 2012; the declining continues to its lowest at 36:48 in 2016.

Ironically, MSG decided on its last meeting in 2016 (number 41 dated 19 December 2016) to be suffice to have MSG report signed by the IEITI–SG only. Thus, all MSG reports after that date do not list who attends and who did not! Moreover, as mentioned above, IEITI stopped posting any MSG report after number 48 dated 26 September 2017; we are left in complete darkness, i.e. absolute lack of transparency post suspension of Iraq compliant status at a time when transparency is needed most.

What should be highlighted that according to the tri-lateral MSG structure formulated on EITI Standard, there are three MSG members representing IOCs working in the Iraqi upstream petroleum; these were Shell, ExxonMobil and CNPC from 2010 to May 2017 and are Lukoil, BP and Petronas since May 2017. Hence, the following and attendance analysis is related to previous IOCs.

Data from MSG meetings number 12 through and including 43 and discounting two reports due to missing pages (21 and 24 meetings) shows very low involvement of IOCs in MSG meetings. All the three IOCs collectively attended and signed 2 reports only; all the three IOCs collectively did not attended 17 meetings. In between a combination of two IOCs (not necessarily the same IOCs) did not attend 11 meetings and one IOC (again not necessarily the same IOC) did not attend 1 meeting.

That clearly indicates lack of interest and participation of the IOCs in the work and deliberations of IEITI. Probably, more investigation and research is needed to know why IOCs are so passive towards transparency in activity of their own!!!

MSG (in its meeting number 13 dated 6 August 2012) agreed to have KRG nominated representative. But no KRG representative attends any MSG meeting. This should be no surprise at all; KRG has been reluctant and refused to cooperate with IEITI. Similarly, CSO representative from Kurdistan Region in Iraq (KR) did not attend MSG meeting until the election for new CSO’ MSG took place on November 2014, when one representative, Khalid Naqshabandy, from KR was elected and began attending from meeting number 32 on 23 February 2015 and during his two year term of membership.

On the individual member attendance level (IAR), EITI-IS provides attendance record for only 9 meetings: 5 in 2015, 3 in 2016 (while the number of signed records are actually 5) and one in 2017 (EITI 2017: 164-5).

The following observations are based on the data of the said attendance record: only 4 members had attended all the 9 meetings (100%IAR); similar number of members did not
attend any of these meetings (0% IAR); others fall in between: one member has 89% IAR; four members have 66% IAR; one member has 55% IAR; two members have 44% IAR; another member has 33% IAR, one member more has 12% IAR and four members has 11% IAR.

It should be mentioned though that practically and methodologically, IAR is less meaningful than MAR due to different representation period of individual members for variety of reasons such as resignation, transfer, retirement and workload among others.

On aggregate, attendance over these 9 meetings was 44%. Surprisingly, IEITI Chairman has only 22% IAR while IEITI National Coordinator/Secretary General has 66% IAR.

To sum-up, absence of detailed MSG minutes of meeting prevents any attempts to assess the depth, seriousness and how issues were debated and decided upon. Available date produces indicators, e.g. MAR and IAR, that show diminishing enthusiasm and declining commitments. Finally, by not posting MSG records since September 2017 and by not disclosing who attend and who didn’t since February 2017, IEITI becomes less transparent and MSG role more symbolic with minimum effectiveness and impacts.

**IEITI Annual Reports and Work Plans**

Countries, whether candidates or compliant, are compelled to issue various annual reports and undertake number of activities as mandated by EITI Standard, rules and practices. The national EITI in the related countries are the responsible entities for performing these duties and obligations. For Iraq, these reports are:

1. Annual Report, which should demonstrates the performance of the country along the “Value chain” covering previous year or two; as summarized in table**below;
2. Work-plan, this document provides the details of what the national EITI intends to do, when, by whom and funding requirements in addition to the annual report, e.g., (IEITI 2019);
3. Annual Activity Report, which provides actual execution of the work-plan and any other activities done by the national EITI during the previous year(s). Apparently, activity report is only discussed internally and not distributed outside MSG! (IEITI 2018);

EITI-IS prepared detailed guidelines and provide technical support on all reports, particularly the annual report and the work-plan. Moreover, external entities were involved in providing capacity development and technical support in this regards. In the case of Iraq, the World Bank provides partial funding for, and thus has a say in, the work plans (World Bank 2015).

MSG plays vital role in all these reports. But the most visible and announced among them is the annual report. In this regard, MSG drafts the “Terms of Reference”, selects the “Administrator”17 on competitive base; oversees the report process and its’ phases; reviews and approves the report and authorizes its publication.

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17 According to EITI rules and practices, annual reports have to be prepared by internationally recognized firm as the Administrator, previously termed as Reconciler.
As Table 2 shows, IEITI issued so far eight annual reports for years 2009 to 2016, published from December 2011 to December 2018 respectively. Three international firms dominated the process were contracted to be the Administrator for the annual reports: PwC was selected four times; EY three times and KPMG only once. The table provides the web-links to my thorough assessments of these annual reports.

My assessment methodology and guiding principles premised and upholds four basic principles to be (see, for example, Jiyad (2019):

1- **Objective** (Pros & Cons: for & against)
2- **Credible** (Factual, truthful and evidence-based; cites examples, provides reference, specifies the case or the subject matter...),
3- **Independent** (Professional, industry-focused, analytical, non-partisan, non-personal and inquisitive)
4- **Constructive** (Improvement-oriented, forward-looking: provides suggestions, recommendations and way-out; what, how and why..)

The common findings from these assessments could be summarized as follows:

1- The quality and contents of the annual reports improve slightly over time reflecting a learning curve and, probably, a degree of responsiveness to external views impacts;
2- MSG role and effectiveness to insure good “quality control” of the annual report has not been satisfactory; this is evidenced by the extremely short time earmarked for reviewing, debating, checking and approving the report; by low attendance ratio (as discussed above) and by approving reports that are full of inaccuracies, flaws, statistical errors, inconsistencies and typing errors among other;
3- Apparent regular “copy & paste” from previous reports; most parts of the report were written by different entities belonging to the MoO, and were adopted “as is”, thus the report reflects in reality the official views. The only part that is prepared by the Administrator is related to “revenue reconciliation”; it is really puzzling how such internationally known firms make so many unacceptable errors that tarnished the quality of the reports and the image, independence and reputation of the firms themselves;
4- KRG has been reluctant in responding to IEITI demands for proving data and information on the Region. Thus, KRG sections were prepared based on public information and therefore, the section are not in compliance with EITI requirements governing annual reports;
5- Absence of “national efforts” is worrisome; despite a rather sizable staff and funding for training and capacity development to bridge their skill-gaps
6- Issuing annual report on scheduled date, regardless of quality and usefulness, seems to be the target in its own and considered a measure of success and achievement as evidenced by the “photo opportunity” events. But, once that is done no serious follow-up action on it was taken; in fact one hear about IEITI only when the Annual report is released, as one contact wrote to me.
7- The two year gap between the covered year and the publication year reduces the relevance of the annual report for policy implications and thus minimizes its usefulness and impacts, if any;
8- The above applies to the annual report 2016 though this report was geared to efforts for reinstating the country’s compliance status. Hence, this report has a distinct difference from the previous ones by making specific reference to 25 requirements that Iraq has to address and meet to end the suspension. Apart from that, the report, similar to the previous ones, suffers from many flaws, shortcomings, inaccuracies, unacceptable statistical errors, significant copy & paste, repetition, most parts are written by the ministry of oil entities among others.

Table 2:
IEITI Annual Reports

<table>
<thead>
<tr>
<th>Year of Annual Report (Month/Year of First Release)</th>
<th>Cost $000'</th>
<th>Administrator</th>
<th>Author’ Annual Report Assessment and their web-links</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 (Dec., 2011)</td>
<td>190</td>
<td>PwC</td>
<td>Jiyad (2013)</td>
</tr>
<tr>
<td>2013 (Dec., 2015)</td>
<td>157.5</td>
<td>PwC</td>
<td>Jiyad (2016)</td>
</tr>
<tr>
<td>2014 (April, 2016)</td>
<td>157.5</td>
<td>PwC</td>
<td>Jiyad (2016a)</td>
</tr>
</tbody>
</table>

Sources and notes for Table 2: Author’ compilation; IEITI (2017:176); EY: Ernst & Young; KPMG: Kawasamy and Partners; PwC: PricewaterhouseCoopers; NA: Not Available;

Impacts and Perceptions

After ten years of experience with IEITI activities it is expected that transparency had set roots and consolidated at least in the Iraqi upstream petroleum sector and had visible, tangible and effective positive impacts in the management of the natural resources. Unfortunately, there are no credible verifiable evidences supporting such expectations. In fact and on the contrary, I had in many previous articles warned against shrinking transparency and a return to the deplorable secrecy; the suspension of Iraq status as EITI compliant country is a testimony for that failure.

Much of that failure should, logically and fairly, be on IEITI shoulders. IEITI has formal legal structure comprising a rather big bureaucratic base: MSG with 20 members; 9 seconded staff and 8 contracted consultant and specialists. IEITI also receives funding from both the World Bank and the Iraqi government to finance its activities. Moreover, many capacity and skill development activities that are directly and indirectly benefiting IEITI were done and funded by other external sources, most notably Revenue Watch Institute-RWI and later Natural Resource Governance Institute-NRGI.

Yet, most of IEITI efforts focus on issuing three reports as discussed above; annual report that is two years back and work-plan and activity report that is not shared outside the MSG.
Over these ten years and particularly after the suspension of Iraq, many views, through exchange of emails privately and collectively, became outspoken and questioning the effectiveness, impacts and, thus, the justification for having IEITI. There is a degree of confusion and mix-up between EITI and Transparency International-TI; many people in Iraq think the two are the same, though the two entities are totally different. TI annual reports are actually premised on the Corruption Perceptions Index (CPI), where Iraq standing in these reports is usually at the bottom of the list, i.e. among the most corrupted countries.18

Similarly, many think IEITI Annual Report means “EITI certifies transparency in Iraq when the country suffers from widespread corruption”. While this view is an overstretched understanding of what these annual report is all about, it is, equally, very legitimate. The word “corruption” was not mentioned in two annual reports (2009 and 2010); mentioned once in two annual reports (2015 and 2016); mentioned twice in three annual reports (2011, 2013 and 2014) and mentioned five times in one annual report (2012). But all above mention of corruption in these reports was related to generalities; none was specific to cases or issues at a time there were a high profiled corruption cases and accusation of corruption that attracted national and international attention and action, such as Unaoil, Petrofact, Satarem, ARMADA GROUP, Leighton Offshore among others. Neither IEITI nor its annual reports ever mentioned these cases or had raised other corruption forms such as oil smuggling and financial irregularities in the federal petroleum sector let alone KRG.

Other views question the justification and usefulness of IEITI. The main arguments presented in this regard are related to the relevance of IEITI annual reports for policy implications. The only main item that changes regularly on monthly and yearly basis is related to oil export and revenues. But, while IEITI report produces data on that item with two-year back, MoO and SOMO announce these data twice in each monthly with only one month back for export data and two months back for oil and gas production and utilization. Hence, the argument goes, both IEITI reports and IEITI itself become redundant, outdated, and from efficiency and effectiveness considerations, unjustifiable. These are strong, convincing and powerful arguments, however, neither report by the Ministry nor SOMO provide data “reconciliation”; IEITI report does. But does this “reconciliation” justify engaging big staff, of currently 37 among them many high ranking officials, and all associated cost.

Finally, IEITI impact is insignificant and, thus, unsustainable. The proponent of this view argue that apart from the “photo opportunity event” relating to releasing each annual report, that report goes unnoticed, hardly referred to except through event organized by IEITI and very limited feedbacks on the report are evident or posted on IEITI website. Also, there is an

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18 The 2018 CPI draws on 13 surveys and expert assessments to measure public sector corruption in 180 countries and territories, giving each a score from zero (highly corrupt) to 100 (very clean). Iraq ranked 18 out 180 (TI 2019)
understanding within IEITI management that annual reports are prepared only for the “international partners”; meaning for EITI-IS and the cooperating and funding entities. In a way, the above IEITI lack of impact is recognized by IEITI-IS; it asserts, “With counted exceptions, conversations with analysts, international donors and reporters showed that they were not aware of the work of the EITI in Iraq or only remotely aware.”(EITI 2017: 145). However, the validation report provides many examples on IEITI-MSG activities supportive of their impacts. But the validation report and direct communications with MSG members refer to disturbing division and discontent within IEITI governance that had or could have negative consequences on IEITI.

A recent example extends support to the proponents of such views; IEITI convened on 9 February 2019 an important workshop on the occasion of releasing the Annual Report 2016 and culminating Iraq effort to reinstate its status as compliant country with EITI. Except the announcement on the workshop agenda on its website, IEITI published nothing on the actual deliberations, presented positions and outcomes of the workshop.

Part Four: IEITI and Transparency at a Crossroad

Part of the research for this article I conducted direct e-mail communication with limited number of Iraqis that were directly or effectively involved in IEITI and transparency issues; these include parliamentarians, oil experts, former MSG members and independent observers. The expressed views fall between two, rather extreme, viewpoints: on one end it painted excellent and rosy picture regarding what IEITI has done to the extent it attributes every improvement to IEITI. The other extreme says Iraq has not and could not benefit from such “initiatives” and, thus, suggest that UN Security Council takes control of all Iraqi oil export revenues in order to solve all Iraq problems! Both positions are surely unrealistic, unprofessional and wrong.

While the views differ on the prospect of IEITI (and thus transparency in the petroleum sector), in all practical matters the prospect depends largely on the second “validation” by IEITI-IS scheduled to commence in April 2019.19

According to EITI rules a country will be suspended when it was found to have achieved inadequate progress in implementing EITI Standard; Iraq was found so in October 2017, as mentioned earlier. A suspended country is usually given a second chance, within 12 to 18 months period, to implement a set of corrective actions that must be addressed, after which a country will undergo a second Validation to assess progress, deepening transparency and strengthening government systems.20

Accordingly and depending on the outcome of this second 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.

19 I had Skype discussion on 1 April 2019 with the EITI-IS team who planned a mission to Iraq on 5 April 2019 relating to this second validation.
A delisted country may reapply for admission as an EITI candidate at any time, which practically means restart the same process all-over again; EITI Board applies 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.

If Iraq get a favourable second validation, it will regain its status as a compliant, if not it faces a delisting. The delisting inflicts serious set-back and damaging blow that could eliminate the meagre transparency in the petroleum sector and sweep-away efforts of ten years.

To reinstate Iraq status as a compliant country, EITI-IS and IEITI-NS had maintained close contact and cooperation, since the suspension decision, on what and how to address the corrective actions. According and for the first time the IEITI annual report (for 2016- first draft released on December 2019) is structured to address specific 25 requirements stated by IEITI-IS and the Annual Progress Report 2018 (IEITI 2019a) outlines action taken in that regards.

Representative from EITI-IS attended the February 2019 workshop in Baghdad that culminates Iraqi roadmap efforts to satisfy EITI and ensure positive second validation. A more significant action that has been taken recently is an order by the General Secretariat of the Council of Ministers nominating the current Minister of Oil as chairman of IEITI replacing the SGCM, as reported by IEITI website and accessed on 18 March 2018; this change could have mixed results; on one side it could strengthen IEITI in its dealing with the oil companies, and on the other it could deepen IEITI partiality and dependence on the formal position of the ministry, depending on the personality of the minister.

A week later, the Minister presided a meeting with IOCs and NOCs that ended with an agreement to continue discussing best way to publish the signed contracts and to draw detailed plan on how can companies effectively implement transparency measures, as reported by IEITI website and accessed on 27 March 2018.

If Iraq succeeds in restoring its ties with EITI in 2019, Iraqi authorities and particularly IEITI should rethink seriously on how to make the needed radical changes in IEITI structure and working procedures and modalities that make IEITI more visible, effective and impacting than just big bureaucracy with symbolic presence.

The needed radical changes should focus on:

1- Measures to ensure and enhance MSG effectiveness;

2- Progressive and significant contribution of the national secretariat in the technical and specialized capacity more than just ordinary administrative routine functions; specifically, empower the national team to be a “shadow” team to ensure quality control on foreign firm that is contracted as Administrator for the Annual Report;

3- Structure the annual reports along all “value chain”, without ignoring corruption, financial irregularities and oil smuggling. The report should be only one-year back coverage;

4- Work plans and their implementation needs to be evidence-based, address capacity gaps, societal impact assessment and premised on good “value for money” principle;
5- IEITI- NS should be proactive and receptive with demonstrated connectivity, accessibility and develop reliable comprehensive and current database on all subject matters;

6- Demonstrate real independence from government and MoO entities official influence, particularly compel the contracted Administrators to refrain from relying solely on “copy & paste” what these official entities provide for the annual report.

The above changes need further serious elaborations and professional debate aiming at constituting functional effective IEITI once a positive second validation is known.

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