

Incentivizing Compliant Countries: the case of Liberia Extractive Industries Transparency Initiative (LEITI)

STRATEGIC TWO-YEAR WORK PLAN ON INCENTIVIZING EITI IMPLEMENTATION

For the period covering July 1, 2012 – June 30, 2014

Background

In May 2010, the Board of the International Extractive Industries Transparency Initiative (EITI) established a Working Group on Incentivizing Compliant Countries. The working group was tasked to present the Board with options for how compliant countries can be incentivized to continue and improve EITI implementation. In response to these efforts, the Liberia Extractive Industries Initiative (LEITI) volunteered to prepare a case study of the Liberian experience in moving the LEITI process forward after completing the validation exercise in 2009.

The Liberian EITI case study included (i) an overview and assessment of activities (implemented and planned) after validation; (ii) identification of major challenges after validation; and (iii) suggestion of additional activities that might increase incentives to continue EITI implementation, including recommendations for activities/input of individual stakeholders (i.e. Government of Liberia, local and international civil society, private sector, and donors). The case study was used as a basis to formulate a generic three-year LEITI work plan in the post-validation phase, answering the key questions: *“Does Liberia, as a compliant country, need to be “incentivized”? If so, what incentives must be used? Will they be effective? What else needs to be done?”*

At the LEITI multi-stakeholder group (MSG) retreat convened on February 4, 2012 in Buchanan City, Grand Bassa County, the Group reviewed, revised, and shortened to two years, the duration of the generic three-year work plan, with the objective of re-aligning its priorities to adequately prepare the LEITI for the next validation in 2014. Therefore, the post-retreat work plan will run from July 1, 2012 to June 30, 2014, corresponding to the Liberian fiscal year, which runs from July 1 to June 30 of the subsequent year.

Justification and Scope of the Work Plan

This two-year work plan thoughtfully identifies priority programs and activities aimed at further strengthening the LEITI process, consolidating and deepening the scope of the LEITI, and reinforcing the stakeholder process until next validation in 2014. It builds on the content and recommendations of the Liberian case study, which attempts to identify incentives for continuing, mainstreaming, and improving EITI implementation. The specific deliverables and activities proposed are based on the outcome of the two-day MSG retreat held in Buchanan.

This work plan aims at producing the following deliverables:

I. Reporting:

1. Identify specific focal points in reporting government entities.
2. Integrate the LEITI process and reporting template into regular government reporting system, e.g. the Integrated Financial Management Information System (IFMIS) and the

Integrated Tax Administration System (ITAS), to improve regularity and quality of reports.

3. Streamline templates, provide an electronic format, and facilitate online reporting. Prepare a clear-cut timeline for reporting templates to be submitted and ready for reconciler's work. The template should include payment due column and materiality must be defined.
4. Hold workshops to strengthen reporting entity and end-user capacity, including for the Legislature and LACC.
5. Develop a time-bound action plan to ensure reports are based on accounts audited to international standards.
6. Take punitive measures against companies that do not comply with the reporting process. Include information on fees due as well as paid (in the following year's LEITI report).
7. Arrange a post-audit conference with GAC and reporting companies with the view to agree on implementation of audit recommendations in a more collaborative manner.
8. Separate messages for different audiences and strengthen the narrative part of LEITI reports.
9. Expand template to include other fees (e.g. production fees, land rent, fees paid to EPA, Bureau of Maritime Affairs, etc.), in-kind contribution from companies, as well as contributions to Social Development Funds and other corporate social responsibility contributions.
10. Pilot reporting on a quarterly basis to improve familiarity with the LEITI process.
11. Build a database of reporting companies in collaboration with other relevant government agencies, including the Bureau of Concessions.

II. MSG Governance:

1. Carefully select dedicated and competent MSG members and LEITI Chairperson.
2. Strengthen capacity of LEITI Secretariat through training.
3. Develop, approve, and operationalize a Policy Manual to guide the work of the MSG and the LEITI Secretariat.
4. Establish a constituency feedback mechanism for MSG members.
5. Establish MSG working committees, e.g. budgeting, communications, and/or reporting. Model structures based on the International EITI Board, with a permanent Budget and Finance Committee.
6. Establish a task force to ensure that timelines and auditing requirements are met.
7. Establish sustainable funding arrangements, e.g. from private sector, to enable multi-year planning. Prioritize financial support towards communications.
8. Develop road map for implementing all aspects of the LEITI Act.
9. Design a pilot program in three countries
10. Set up regular/periodic meetings between the LEITI Secretariat and various stakeholder groups to understand their concerns, develop policies to address them, and implement these policies.

III. Communication:

1. Staff LEITI Secretariat with communications and training specialists.
2. Update communications strategy to reflect EITI compliance.
3. Ensure LEITI website includes all contracts and is up-to-date on all LEITI activities.
4. Develop the Liberia Extractive Industries Initiative Watch – a quarterly or biannual LEITI newspaper/magazine, including on line.

5. Establish local focal points to decentralize LEITI process. Identify suitable volunteers in all 15 counties and set out the scope of their work to strengthen the LEITI process.
6. Establish a Resource Center.
7. Initiate an Extractive Talk Hour (resource radio talk show), visual communication (projector videoing at the county level), and mobile community outreach activities (LEITI motorbike, helmet, microphone) going to market places at the county level.
8. Carry out sports outreach (LEITI Tournament at the county level) and include faith-based institutions in the LEITI process.
9. Start high school and university outreach activities (extractive clubs, quizzing teams, school materials like pens, pencils, book bags, notebooks, football, etc.).
10. Brand the LEITI and enhance awareness of this brand. Produce banners and billboards in all 15 counties, LEITI hand band, leaflets, slogans, team songs, and drama (concentrating on messages).

IV. Scope

1. Undertake a post-contract award process audit.
2. Make an attempt to follow activities and how money generated from the extractive sector is spent or included in the national budget, including for Social Development Funds etc.
3. Include fisheries as one of the LEITI sectors.

STRATEGIC TWO-YEAR WORK PLAN ON INCENTIVIZING EITI IMPLEMENTATION

| <u>Deliverables</u> | <u>TIMELINE</u> | | <u>OUTPUT</u> |
|---|--------------------------|------------------------|---|
| | <u>COMMENCEMENT DATE</u> | <u>COMPLETION DATE</u> | |
| FY2012/13 | | | |
| Reporting | | | |
| Identify specific focal points in reporting government entities. | July 2012 | July 2012 | Focal points are identified in ministries & agencies |
| Expand scope of reporting to include fees paid to EPA, Bureau of Maritime Affairs, etc. by extractive industries. | August 2012 | August 2012 | The targeted GoL agencies report to the LEITI |
| Hold workshops to strengthen reporting entity and end-user capacity. | September 2012 | September 2012 | At least three capacity building workshops are held for target groups |
| Educate Legislator and LACC to better understand LEITI process and make use of report | September 2012 | September 2012 | At least two workshops are held with LACC & Legislator |

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|---|----------------|---------------|---|
| Develop time-bound action plan to ensure reports based on accounts audited to international standards. | October 2012 | November 2012 | Action plan is developed |
| Strengthen capacity to monitor sectors | November 2012 | June 2013 | Identify analysts to monitor sectors to minimize lapses and in increase revenue |
| MSG Governance | | | |
| Develop a Policy Manual to guide internal workings of the MSG and LEITI Secretariat. | July 2012 | July 2012 | An LEITI manual is developed |
| Review current MSG structure, composition, and decision making processes of the LEITI-MSG | August 2012 | August 2012 | Reports on MSG are prepared and recommendations made |
| Establish MSG permanent working committees, e.g. budgeting, communications reporting. Model structures as International EITI Board. | August 2012 | August 2012 | Committees are established and functional |
| Review and conduct needs assessment on existing funding/financial requirements and make recommendations on a sustainable funding mechanism/arrangement for the LEITI. | September 2012 | October 2012 | Financial requirement needs assessment reports and recommendations |
| Deepening the multi-stakeholder dialogue and facilitating intra and inter stakeholder consultation | October 2012 | December 2013 | Reports from stakeholder consultation |
| Communications | | | |
| Ensure LEITI website includes all contracts and is up-to-date on all LEITI activities. | July 2012 | | All contracts are uploaded to LEITI website |
| Recruit communications and training specialists to handle effective LEITI communication and outreach programs | July 2012 | August 2012 | A training & Communication specialist is recruited |
| Update communications strategy to reflect evolving EITI communication trends and respond to domestic communication challenges | August 2012 | October 2012 | A responsive communication strategy is developed |
| Establish local focal points to decentralize LEITI process | January 2012 | March 2013 | Focal points are recruited and deployed |

| FY201013/14 | | | |
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| Reporting | | | |
| Conduct a trial run of LEITI quarterly report to make reporting entities more familiar with the reporting process. | July 2013 | June 2014 | Trial reports are produced on LEITI |
| Integrate LEITI template into the regular government reporting including linkages to IFMIS and ITAS that may facilitate reconciliation between LEITI figures and state accounts. | July 2013 | June 2014 | LEITI automated and linked to IFMIS and ITAS |
| Conduct series of studies/analysis on the content, structure and design of the LEITI reports and make recommendations. | November 2013 | March 2014 | (i) Reader friendlier report used for a wider dialogue (ii) A guide to the LEITI report (iii) LEITI Reports in Liberian pidgin English (iv) Vernacular translation of LEITI reports (v) Indigenous comic version of LEITI reports |
| Separate messages for different audiences and strengthen narrative part. | November 2013 | April 2014 | LEITI reports include targeted messages |