

## Terms of Reference

Independent Administrator for 2018 EITI Report, Iraq

Approved by the MSG on July 1<sup>st</sup>,2019

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**1 Background**

The Extractive Industries Transparency Initiative (EITI) is a global standard for improving transparency and accountability in the oil, gas and mining sectors.

EITI implementation has two core components:

- ✓ **Transparency:** oil, gas and mining companies disclose information about their operations, including payments to the government, and the government discloses its receipts and other relevant information on the industry. The figures are reconciled by an Independent Administrator, and published annually alongside other information about the extractive industries in accordance with the EITI Standard.
- ✓ **Accountability:** a multi-stakeholder group (MSG) with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI reporting, and promote the integration of EITI into broader transparency efforts in that country.

It is a requirement that the Independent Administrator be perceived by the MSG to be credible, trustworthy and technically competent (Requirement 4.9.b.ii). The MSG and Independent Administrator should address any concerns regarding conflicts of interest. The EITI Report prepared by the Independent Administrator will be submitted to the MSG for approval and made publicly available in accordance with Requirement 7.1.

These terms of reference include “agreed-upon procedures” for EITI reporting (see section 4) in accordance with EITI Requirement 4.9.b.iii. The international EITI Board has developed these procedures to promote greater consistency and reliability in EITI reporting. The EITI process should be used to complement, assess,

and improve existing reporting and auditing systems. The Board recommends that the process rely as much as possible on existing procedures and institutions, so that the EITI process draws on, complements and critically evaluates existing data collection and auditing systems. In this way, the EITI process has the potential to generate important recommendations to strengthen other oversight systems.

#### EITI Implementation in Iraq

Iraq has joined EITI as an implementing country on December 12, 2012 and published eight EITI reports for years 2009- 2016. In October 2017, the EITI board decided to temporarily suspend Iraq's membership and recommended a number of corrective actions to be addressed in 18 months and a second Validation to be commenced on 26 April 2019.

Iraq MSG has undertaken certain actions to meet all corrective **including amending** ToRs of 2017 Report. The amendment is based on the following objectives of the newly amended work plan. For more information please see <http://ieiti.org.iq/>

Objectives of work plan 2018-2019 And subsequent amendments thereto.

1. Completing the implanting recommendations and corrective actions given at Iraq EITI validation report (2015) to bypass the suspension of membership for Iraq.
2. Making the EITI an integral part of the government's work at managing the extractive sector through the direct disclosure system (mainstreaming)
3. Activating and developing a guideline for IOC's Corporate Social responsibility contributions mentioned at licensing contracts.
4. Enhancing transparency at the mining licensing rounds.
5. Enhancing transparency and good governance at newly legislated National Oil Company's law.

#### **2. Objectives of the assignment**

On behalf of the government of Iraq and MSG, Iraq EITI seeks a competent and credible firm, free from conflicts of interest, to provide Independent Administrator services in accordance with the EITI Standard including:

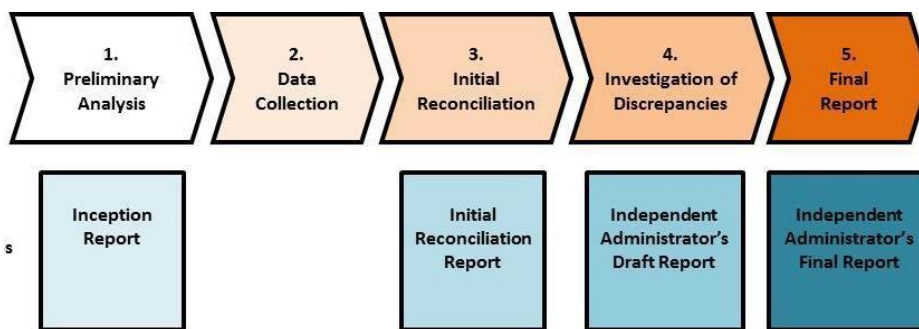
- a. The independent administrator shall take in consideration the changes in EITI standard, which has been approved in Paris conference held on June 2019. The independent administrator shall also make sure that the report reflects and incorporate these changes, especially what is related to requirements 2.6, 4.4 and 6.2 pertaining SOEs and state participation and also requirement 2.4 pertaining commodities circulation and requirement 4.9 pertaining data quality. These changes shall also be reflected in the preliminary report.
- b. Contribute and produce to 2018 EITI Report in accordance with the EITI Standard and section 3 below.
- c. The Independent Administrator shall submit to the National Secretariat a work-progress report in which states the completed work and obstacles faced. Such report shall be presented every (30) thirty days. Such process shall commence after the submittal of the inception report.

### 3. Scope of services, tasks and expected deliverables

The work of the Independent Administrator has five conceptual phases (see figure 1). These phases may overlap and there may also be some iteration between the phases. EITI reporting is preceded by scoping work (phase 0 in the figure).

The Independent Administrator's responsibilities in each phase are elaborated below.

Figure 1 – Overview of the EITI Reporting process and deliverables



#### Phase 0 - Scoping and scoping study

The MSG shall depend on the reports and validation reports to define the scoping work..

##### Phase 1 – Preliminary analysis and inception report

Objective: The purpose of the inception phase is to confirm that the scope of the EITI reporting process has been clearly defined, including the reporting templates, data collection procedures, and the schedule for publishing the EITI Report. Where the Independent Administrator is not involved in scoping work, some work is required by the Independent Administrator to review prior scoping decisions and considerations taken by the MSG (1.1 below). The inception report thus ensures that there is a mutual understanding between the MSG and the Independent Administrator of the scope of the EITI Report and the work to be carried out.

The MSG's proposal for the scope of the EITI Report, to be revised and confirmed with the Independent Administrator during the inception period, is set out in annex 1.

The Independent Administrator is expected to undertake the following tasks during the inception phase:

- 1.1 Review the relevant background information, including the governance arrangements and tax policies in the extractive industries, the findings from any preliminary scoping work, and the conclusions and recommendations from previous EITI Reports and Validations. (A list of relevant documentation is provided as Annex 2).
- 1.2 Providing advice to the MSG on the reporting templates based on the agreed benefit streams to be reported and the reporting entities (1.1). Sample templates are available from the International Secretariat. It is recommended that the templates include a provision requiring companies to report "any other material payments to government entities" above an agreed threshold. MSG tasked the Independent Administrator to draft reporting templates for consideration and approval by the MSG.

**1.3** On the basis of 1.1 and 1.2 as applicable, produce an inception report that:

**1.3.1** Includes a statement of materiality (annex 1) confirming the MSG's decisions on the payments and revenues to be covered in the EITI Report, including:

- ✓ The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b).
- ✓ The sale of the state's share of production or other revenues collected in-kind in accordance with Requirement 4.2.
- ✓ The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.3.
- ✓ The coverage of social expenditure in accordance with Requirement 6.1.
- ✓ The coverage of transportation revenues in accordance with Requirement 4.4.
- ✓ Disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.6.
- ✓ The materiality and inclusion of direct sub-national payments in accordance with Requirement 4.5.
- ✓ The materiality and inclusion of sub-national transfers in accordance with Requirement 5 . 2 (Petrodollar).
- ✓ The level and type of disaggregation of the EITI Report in accordance with Requirement 4 . 7 .
- ✓ Capacity building obligations in licensing contracts including training entity, cost, number of trainees, subject of training, location of training, number of training hours and beneficiary entity.
- ✓ Number of Iraqi and foreign manpower within the licensing rounds contracts and their Percentage comparing to the total number of employees.
- ✓ Amount of associated gas (produced, invested and burned).
- ✓ Costs disbursed and implementation percentage of the licensing rounds contract which has not reached the commercial production level by 31/ 12/ 2018.

**1.3.2** Includes a statement of materiality (annex 1) confirming the MSG's decisions on the companies and government entities that are required to report, including IOCs, Oil Buyers, SOEs and any other related government agencies. The report should also state any barriers to full disclosure of revenues received.

**1.3.3** Based on the examination of the audit and assurance procedures in companies and government entities participating in the EITI reporting process (1.2.3 above), confirms what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9.

The Independent Administrator should exercise judgment and apply appropriate international professional standards<sup>1</sup> in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his /her professional judgment to determine the extent to

which reliance can be placed on the existing controls and audit frameworks of the companies and governments. Where deemed necessary by the Independent Administrator and the multi-stakeholder group, assurances may include:

- ✓ Requesting sign-off from a senior company or government official from each reporting entity attesting that the completed reporting form is a complete and accurate record.
- ✓ Requesting a confirmation letter from the companies' external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements. The MSG may decide to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme of the company's auditor. Where some companies are not required by law to have an external auditor and therefore cannot provide such assurance, this should be clearly identified, and any reforms that are planned or underway should be noted.

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<sup>1</sup> For example, ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; ISRS 4400 relative to the engagement to perform agreed-upon procedures regarding financial information and ISRS 4410 relative to compilation engagements

- ✓ Where relevant and practicable, requesting that government reporting entities obtain a certification of the accuracy of the government's disclosures from their external auditor or equivalent;
- ✓ **a. National companies:** Requesting from national companies to submit their final annual financial report if approved by the Federal Board of Supreme Audit. Otherwise, requesting from national companies to submit their final annual financial report approved by companies' boards.
- ✓ **B. Oil Buyers Companies:** Requesting their final annual financial report approved by an external auditor. Otherwise, requesting buying invoices and supporting documentations.
- ✓ **C. IOCs:** Requesting their final annual financial report approved by an external auditor. Otherwise, request the annual financial reports of each field (for all IOCs that are participants in the alliance).
- ✓ If the independent administrator have other suggestions in addition to the above mentioned points, independent administrator should present such suggestions to MSG to insure data quality.

- 1.3.4 Confirms the procedures for integrating and analyzing non-revenue information in the EITI Report. The inception report should incorporate table 1 below, confirming the division of labor between the Independent Administrator, the MSG or other actors in compiling this data, and how the information should be sourced and attributed.

Table 1 – Non-revenue information to be provided in the EITI Report

Non-revenue information to be provided in the EITI Report	Work to be undertaken by the Independent Administrator	Work to be undertaken by the MSG/others
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Legal framework and fiscal regime in accordance with EITI Requirement 2.1.	Analytical studies (including Conclusions and recommendations) of the legal framework, financial system and drafts of laws relating to extractive industries in accordance with the Initiative's 2.1 requirement, including: <ul style="list-style-type: none"> <li>a. A brief of applicable laws and provisions.</li> <li>b. Roles and responsibilities of related governmental entities.</li> <li>c. A brief description of the financial system including the financial powers granted, and presenting a full and developed graph of the 2018 financial system.</li> <li>d. Present the audit procedures and evidence.</li> <li>e. Provide the latest reforms related to legal and financial Framework, in the Sector that are conducted by the Government.</li> <li>f. Provide the IA with a list of the laws, regulations and amendments planned, to be included in the Report</li> </ul>	
An overview of the extractive Industries, including any significant exploration activities in accordance with EITI Requirement 3.1.	Provide an overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.1	
Information about the contribution of the extractive industries to the economy in accordance with EITI Requirement 6.3.	1. Disclose of information on the contribution of extractive industries in the economy for the year 2018 and include the following: <ul style="list-style-type: none"> <li>a. The volume of extractive industries as a value and as a percentage of</li> </ul>	

	<p>GDP.</p> <p>b. Total government revenue from extractive industries (including taxes, royalties, fees and other payments) in terms and as a percentage of total government revenues</p> <p>c. Exports of extractive industries in terms of value and as a percentage of total exports.</p> <p>d. Employment in extractive industries in terms of value and as a percentage of total employment, classified according to gender and position.</p> <p>e. the main areas where production is concentrated.</p>	
<p>Production and export data in accordance with EITI Requirement 3.2 and 3.3</p>	<p><b>To fulfil the requirement 3.2:</b></p> <p>Disclosure of production data for the reporting year of 2018, including:</p> <p>a. Total production volume and production revenue per product; provided that the production is disaggregated to National production and IOCs production per project.</p> <p>b. Determine whether the production area is subject to federal government or local government.</p> <p>c. How to calculate the volume of production.</p> <p>d. And how to calculate the values disclosed.</p> <p>e. Reference can be made to sources of data and information.</p> <p>f. Project-Level reporting</p> <p>g. Volumes and percentage of invested and burnt Gas per company with stating the total production.</p> <p>h. provide a list of sources of production data information</p> <p>2- require form the MSG to define the concept of project.</p> <p>3- List the sources of total exports volume and value of exports by product.</p> <p>4- Require The MSG to present its opinion on whether the export is subject to Federal or Local government</p>	



Information regarding state participation in the extractive industries in accordance with EITI Requirement 2.6 and 6.2.

**To fulfil requirement 6.2: (not applicable in Iraq)**

If there was an increase in revenues which is included in materiality:

1. Semi-financial expenditure of state-owned enterprises, required in (2.6)
2. State-owned enterprises shall disclose their semi-financial expenditures
3. Semi-financial expenditures include arrangements whereby State-owned enterprises shall make public social expenditures such as payments in favor of:
  - social services
  - Public infrastructure
  - Fuel compensation
  - National debt service, etc. outside the federal budget.
4. Disclosure of payments: Other income must include state-owned enterprises and joint ventures. (requirement 6.2)
5. Establish a specific definition of state-

<p>owned enterprises that takes into account national laws and government structures (see Table 3 for definition of state-owned enterprises).</p> <p>6. Where the participation of the State in the extractive industries through the SOE leads to revenues of relative importance, the following shall be disclosed:</p> <p>a. The prevailing rules and practices in relation to the financial relationship between the Government and its owned companies. (For example, the mechanism of transfer of funds between state-owned enterprises and government, revenue generated by the oil and gas, mining and treasury shares from annual profits realized, benefits from investment and third-party financing).</p> <p>b. Government and state-owned enterprises disclosed:</p> <ol style="list-style-type: none"> <li>1. Proportion of ownership in oil, gas and mining companies operating in the oil, gas and mining sector. Including its subsidiaries or Joint Ventures.</li> <li>2. Any changes in the ownership level during the reporting year.</li> <li>3. Details of the share including the level of responsibility for the expenses, such as full ownership rights paid, free property rights, and interest rate charged.</li> <li>4. Any changes in the ownership ratio of the government or state-owned companies during the reporting year. Including details of assets and revenues.</li> <li>5. Any loans or loan guarantees provided to the companies operating in oil, gas and mining.</li> </ol>	
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<p>Information about the distribution of revenues from the extractive industries in accordance with EITI Requirement 5.1.</p>	<p>a. To indicate whether the revenues of the extractive industry in cash and in kind are recorded in the national budget or not. (to be mentioned clearly)</p> <p>b. In cases where income is not recorded in the national budget, the distribution of such income should be interpreted, with links to relevant financial reports as appropriate. Such as the sovereign fund, development funds, local governments, state-owned enterprises and other entities not subject to the federal budget.</p> <p>c. The income tax is in accordance with IAS and the deviation from it is found in the national financial accounting systems.</p>	
<p>Any further information by the MSG on revenue Management and expenditures in accordance with EITI Requirement 5.3.</p>	<p>Revenue and expenditure management</p> <p>A. Describe any extractive income earmarked for specific programs or geographic areas. This should include B. description of ways to ensure accountability and efficiency in their use (regional development)</p> <p>C. Information from the Government that will enhance public understanding and debate on the issues of revenue sustainability and resource dependence. This may include the assumptions underlying future years in the budget cycle on expected production, commodity prices, revenue projections from extractive industries and the proportion of future financial revenues expected to come from the extractive sector.</p>	

<p>Information about license holders in accordance with EITI Requirement 2.3, and the allocation of licenses in accordance with EITI Requirement 2.2.</p>	<p><b>To fulfil requirement 2.3:</b> Describe: Auditing contracts registry and what are the gaps in it and correct them to reconcile it with the EITI requirement 2.3 (licenses register, annex No .....)</p> <ol style="list-style-type: none"> <li>1- the procedures for granting or transferring a license.</li> <li>2- technical and financial standards used.</li> <li>3- Data of license owner including consortium partners.</li> <li>4- any significant deviations from the laws and regulations in force in this framework, including the explanation of the government's plans to overcome them and the expected time to achieve them.</li> <li>5- include licenses transferred beyond the reporting year in the above paragraph.</li> <li>6- A list of bid presenters names and bids standards of Licensing round in the reporting year.</li> <li>7- Where the information requested in the above paragraph is already publicly available, it is sufficient to include the place of availability or mention of the link.</li> <li>8- to state if there is organizing of a publicly available record that includes all licenses, including licenses for companies whose payments are below the level of relative importance, provided that the register includes the following information: <ol style="list-style-type: none"> <li>1. The names of license holders.</li> <li>2. Detailed information about each license and how to obtain it if information is not available</li> <li>3. Documentation of the measures taken and the time required to provide such data in the license register in case the record is not completed before the report is issued.</li> </ol> </li> </ol>	<p>The MSG already contracted with a company to prepare the Licenses Registry</p>
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	<p>4. Date of presentation, date of assignment and duration of license</p> <p>5. Description of product description</p> <p>6. Any significant legal or procedural obstacles preventing the publication of the Register and the Government's plans to overcome these obstacles and the time required to overcome them.</p> <p>7. In the event that the record is not available or is incomplete, the information that is missing or block from the public should be clearly indicated</p> <p>8. Document efforts to provide the full record</p> <p>9. The meantime, the EITI report should include all the information required in this paragraph.</p>	
<p>Information requested by the MSG on beneficial ownership in accordance with EITI Requirement 2.5.</p>	<p>1. Ensure that there is a publicly available record of the names of owners who are beneficiaries of companies that offer tenders, or are actually working or invested in extractive industries.</p> <p>2. The Register shall contain the identity of the beneficiaries, their shares, details of their access to the property and the powers of each of them.</p> <p>3. Wherever possible, such information should already exist in the company's documents with the Registrar of Companies, the Stock Exchange and the official bodies concerned with the contracts and Licenses.</p> <p>4. If such information is already publicly available, the mechanism for obtaining it should be mentioned.</p> <p>5. Clarify government policy and document the Board's discussions on disclosure of utility ownership and should include relevant legal frameworks, actual disclosure mechanisms and any planned or ongoing reforms.</p> <p>6. Specifically steps to apply ownership of the benefit to 2020 for companies to disclose beneficial property information</p> <p>7. Vulnerabilities in reporting should</p>	<p>The MSG submit the roadmap for beneficial ownership Table 2 to prepare all the requirements of Standard 5. and the activities that have been achieved and included in the road map and completion of the database of persons who have been disclosed or will include in this report of those whose ownership exceeds 10% in secondary contracts in licensing rounds, which exceeds \$ 100 million, after the independent administrator submission (to MSG) of list of companies that their contacts are equal or more than 100 million USD and National Secretariat overture Ministry of Trade/ Companies Registration Directorate to know the beneficial ownership.</p>

	be disclosed, including naming companies that have not provided all or part of the information.	
Any information requested by the MSG on contracts in accordance with EITI Requirement 2.4.	Indicate the following information: 1. Publishing the texts of contracts and licenses signed in the field of-minerals- 2. Disclose the policy of Ministry of Industry and Minerals on contracts and licenses, including governing laws and disclosure mechanisms. 3. Indicating any reforms that are being planned or implemented in this context. 4. The report contains contracts and licenses available to the public, and links to sites published therein. 5. Definition of the terms-exists in annex 3 (table of terms) 6. list the link to the published contracts of Ministry of Oil. 7. List the link to the Ministry of Oil's	
Oil, gas and mining reserves specified by areas of production.	Review of production areas and quantities of oil and gas reserves and minerals installed in the scope study (in accordance with data mentioned in Reservoir and Fields Development Directorate, Ministry of Natural Resources of KRG and Iraq Geological Survey) and the review shall also include full tables and diagrams of the review.	
Any relevant information and data related to the DFI.	The Coordination Committee between SOMO and the Central Bank and write recommendations regarding the results of conformity.	
Any relevant data as specified by the corrective actions related to the validation report of 2019.	Confirm all corrective actions taken by the MSG in respect to each comment received in the validation report. Also, indicating all efforts exerted by MSG and National Secretariat to lift the suspension of Iraq from EITI.	Submit the validation report If it is issued. (in Annex.....2)
Information on the employment in the extractive industries as a percentage of total employment according to the EITI requirement 6.3 (d)	Collect information on The total number of employees in extractive industry as percentage of the total number of employment in each ministry.	

Information on Signature bonuses		
State partner share from remuneration fees	Total - with distribution by type of payment and company: - (revenues received by national oil companies within the government partner's share).	
Treasury share of SOE reported profits (45%)	State the Treasury share of the SOEs profits for 2018 with the legal grounds of calculating such share	

- 1.3.5 Confirms the reporting templates, as well as any procedures or provisions relating to safeguarding confidential information. The Independent Administrator should also develop guidance to the reporting entities on how to complete the reporting templates, and provide training to reporting entities. Work team shall be established which includes Independent Administrator and General Secretariat and the independent administrator shall bear all financial costs during data collection and discrepancies.

## Phase 2 – Data collection

Objective: The purpose of the second phase of work is to collect the data for the EITI Report in accordance with the scope confirmed in the Inception Report. The MSG and national secretariat will provide contact

Details for the reporting entities and assist the Independent Administrator in ensuring that all reporting entities participate fully.

The Independent Administrator is expected to undertake the following tasks during the data collection phase (with direct supervision from MSG):

- 2.1 Distribute the reporting templates and collect the completed forms and associated supporting documentation directly from the participating reporting entities, as well as any contextual or other information that the MSG has tasked the Independent Administrator to collect in accordance with 1.3.4 above.
- 2.2 Contact the reporting entities directly to clarify any information gaps or discrepancies  
(with coordination with the team mentioned in 1.3.5)
- 2.3 Independent Administrator shall present work progress report in Arabic language every 15 days from the date of contract commencement. The work progress report shall include completion rates of all phases.

## Phase 3 – initial reconciliation

Objective: The purpose of this phase is to complete an initial compilation and reconciliation of the contextual information and revenue data with a view to identify any gaps or discrepancies to be further investigated.

- 3.1 The Independent Administrator should compile a database with the payment and revenue data provided by the reporting entities.
- 3.2 The Independent Administrator should comprehensively reconcile the information disclosed by the reporting entities, identifying any discrepancies in accordance with the agreed scope and any other gaps in the information provided (e.g. assurances).
- 3.3 The Independent Administrator should identify any discrepancies in accordance with the materiality which is identified in the scoping study and approved by the MSG in its session No.... on .....



#### Phase 4 – investigation of discrepancies and draft EITI Report

Objective: The purpose of this phase is to investigate any discrepancies identified in the initial reconciliation, and to produce a draft EITI Report that compiles the contextual information, reconciles financial data and explains any discrepancies above the margin of error determined by the MSG, where applicable.

- 4.1 The Independent Administrator should contact the reporting entities to clarify the causes of any significant discrepancies or other gaps in the reported data, and to collect additional data from the reporting entities concerned.
- 4.2 The Independent Administrator should submit a draft EITI Report to the MSG for comment that comprehensively reconciles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the MSG. The financial data should be disaggregated to the level of detail agreed by the MSG and in accordance with requirement 4.7. The draft EITI Report should:
  - a. Describe the methodology adopted for the reconciliation of company payments and government revenues, and demonstrate the application of international professional standards.
  - b. Include a description of all revenue streams, related materiality definitions and thresholds (Requirement 4.1).
  - c. include an assessment from the Independent Administrator on the comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
  - d. indicate the coverage of the reconciliation exercise, based on the government's disclosure of total revenues as per Requirement 4.1(d) and indicating the percentage of each entity with total percentage of revenues that are required to be reported.
  - e. Include an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information, and indicating ratio of the number of entities that provided the data to the total number of companies that are required to be disclosed . Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report.
  - f. Document whether the participating companies and government entities had their financial statements audited in the financial year(s) covered by the EITI Report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI Report advises readers on how to access this information.
  - g. include non-revenue information as per Requirement 2,3,5 and 6 and other information requested by the MSG. The contextual information should be clearly sourced in accordance with the procedures agreed by the Independent Administrator and the MSG.
- 4.3 Where previous EITI Reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures. The Independent Administrator should make recommendations for strengthening the reporting process in the future, including any recommendations regarding audit practices and reforms needed to bring them in line with international standards, and where appropriate, recommendations for other extractive sector reforms related to strengthening the impact of implementation of the EITI on natural resource governance. The Independent Administrator is encouraged to collaborate with the MSG in formulating such recommendations.
- 4.4 The Independent Administrator shall make recommendations on enhance the template Terms of Reference for Independent Administrator services in accordance with the EITI Standard. The independent administrator is required to report to the MSG any recommendations related to implementing all recommendations that will be listed in validation report of 2019.
- 4.5 The Independent Administrator shall make recommendations on enhance data quality to ensure its credibility.

#### Phase 5 – final EITI Report

Objective: The purpose of this phase is to ensure that any comments by the MSG on the draft report have

been considered and incorporated in the final EITI Report.

- 5.1 The Independent Administrator will submit the EITI Report upon approval to the MSG.
- 5.2 The MSG will endorse the report prior to its publication and will oversee its publication. Where stakeholders other than the Independent Administrator decide to include additional comments in, or opinions on, the EITI Report, the authorship should be clearly indicated.
- 5.3 Scoping study, preliminary analysis, inception report, data collection, initial reconciliation, investigation of discrepancies, draft report and the final EITI Report all must be published in Arabic language first, then translated (certified translation) to Kurdish and English languages.
- 5.4 The Independent Administrator should produce electronic data files<sup>2</sup> that can be published with the final report.
- 5.5 Following approval by the MSG, the Independent Administrator is mandated to submit summary data<sup>3</sup> from the EITI Report electronically to the International Secretariat according to the Standardized reporting format available from the International Secretariat.
- 5.6 The Independent Administrator shall take appropriate measures to ensure that the report is comprehensible. This includes ensuring that the report has high levels of readability, legibility and usability. The MSG may wish to request that the report be edited by a professional copy-editor and/or be designed by a professional graphical designer.
- 5.7 The Independent Administrator shall submit to the national secretariat all data gathered during reconciliation, including the contact information of all institutions contacted during the reporting process.
- 5.8 The Independent Administrator shall prepare an Executive Summary in accordance with the guidelines of EITI. Such Executive Summary shall comprise of figures stated in a table in the report or non-revenue information and compare the same with previous years, this shall be accompanied with illustrative diagrams and figures of the following:
  1. total revenue of the reporting year and compare it with previous years,
  2. annual crude oil production with percentage of each SOE's production to the total production,
  3. annual gas production with percentage of each SOE's production to the total production,
  4. volume of burnt gas for the report year compared with previous years' total production and with invested gas,
  5. annual mineral production divided according to production areas.
  6. quantities of exported crude oil; annual and monthly export rate; and the volume of the same,
  7. total amount of annually exported gas with annual and monthly export rates and volumes. Such rates shall be divided according to SOEs and state the total,
  8. total amount of minerals produced annually with rates of annual and monthly production classified according to the extractive companies and the total number of all production,
  9. quantities and volumes of compensated oil,
  10. amounts of social expenditures provided by IOCs, classified as obligatory and voluntarily for the report year compared with previous years,
  11. amounts of obligatory social expenditures provided by SOEs for the report year compared with previous years,
  12. petrodollar allocated amounts and actual amounts for the report year and compared with previous years,
  13. regions development allocated amounts and actual amounts for the report year compared with previous year,
  14. amount of collected taxes, for the report year, from licensing rounds companies, i.e. IOCs, and classified according to such companies and the field in which they are operating,
  15. cost recovery amounts and additional amounts classified according the licensing round companies for the report year and compared with previous years,
  16. total number of workers in extractive industries for the report year, any increase or decrease percentage in the total number of workers and their percentage to the total number of workers throughout Iraq,
  17. governmental reforms of extractive sector, including the acts and regulations of the

report year or planned to be reformed in future,

18. indications and recommendations,

19. a brief summary on mining in Iraq and the reasons of its belatedness,

20. a brief summary on the challenges faced by Independent Administrator concerning data of Kurdistan Region

21. Introduction.

5.9 The final approved copy of the report shall be published as follows:

- 1000 copies of IEITI Report in Arabic.
- 1000 copies of IEITI Executive Summary in Arabic
- 10 copies of IEITI report and the executive summary for each of English and Kurdish languages.
- 2000 electronic copies containing IEITI report in three languages and executive summary of the report in three languages on a business card size flash memory. Both sides of the flash memory shall be printed with a graphic design approved by Iraq EITI.

<sup>2</sup> The files can be in CSV or Excel format and should contain the tables and figures from the print report. In accordance with requirement 7.1.c, the multi-stakeholder group is required to make the EITI Report available in an open data format (xlsx or csv) online

<sup>3</sup> latest version of the summary data template can be found at: <https://eiti.org/document/eiti-summary-data-template>

#### 4 Qualification requirements for Independent Administrators

The reconciliation of company payments and government revenues must be undertaken by an Independent Administrator applying international professional standards (requirement 4.9). It is a requirement that the Independent Administrator is perceived by the MSG to be credible, trustworthy and technically competent (ibid). Bidders must follow (and show how they will apply) the appropriate professional standards for the reconciliation / agreed-upon-procedures work in preparing their report.

The Independent Administrator will need to demonstrate:

- ✓ Expertise and experience in the oil, gas and mining sectors in Iraq.
- ✓ Number, expertise and educational achievement of the company's work team.
- ✓ Similar work to the issuance of reports of EITI in and outside Iraq.
- ✓ Shall have an official company branch located in Iraq licensed by the Iraqi government.

In order to ensure the quality and independence of the exercise, Independent Administrators are required, in their proposal, to disclose any actual or potential conflicts of interest, together with commentary on how any such conflict can be avoided.

#### 5 Reporting requirements and time schedule for deliverables

A. The assignment is expected to commence on the date of services commencement mentioned in the contract, culminating in the finalization of the EITI Report by the report approval date mentioned in the contract also, the proposed schedule is set out below:

Signing of Contract	One day
Preliminary analysis	(two weeks)
Submission of the Scoping Study and the Inception report for the MSG meeting of (.....)	One day
Data collection, Initial reconciliation and Investigation of discrepancies	(eight weeks)
Submission of the Initial Reconciliation Report for the MSG meeting of (.....)	One day
Submission of the Draft Report for the MSG meeting of (.....)	Three weeks
Submission of the Final report for the MSG meeting of (.....)	4 weeks

B. Capacity building program should be organized and funded by the Independent Administrator for companies to fill in their templates after the National Secretariat approval of the program.

## B. Schedule of payments:

### a. First payment: 10% of the contract amount.

Due upon completion of the Scoping Study and subject to the following conditions:

- Scoping Study should in Arabic.
- Approved by the MSG.
- Compliant with all comments of the members that may be received at the MSG meeting where the approval was obtained.
- Compliant with all International Secretariat comments which may be received after the MSG approval.
- Subject to approval letter signed by IEITI Executive Director.

### b. Second payment: 5% of the contract amount.

Due upon completion of the Inception Report and subject to the following conditions:

- Inception Report should in Arabic.
- Approved by the MSG.
- Compliant with all comments of the members that may be received at the MSG meeting where the approval was obtained.
- Compliant with all International Secretariat comments which may be received after the MSG approval.
- Subject to approval letter signed by IEITI Executive Director.

### c. Third payment: 10% of the contract amount.

Due upon the completion of the Initial Reconciliation Report and subject to the following conditions:

- Initial Reconciliation Report should in Arabic.
- Approved by the MSG.
- Compliant with all comments of the members that may be received at the MSG meeting where the approval was obtained.
- Any Adapted Implementation request shall be officially approved by the EITI Board for any Adapted Implementation of any report data, if necessary.
- Compliant with all International Secretariat comments which may be received after the MSG approval.
- Subject to approval letter signed by IEITI Executive Director.

### d. Fourth payment: 25% of the contract amount.

Due upon completion of the First Draft Report and subject to the following conditions:

- First Draft Report should in Arabic.
- Be a complete copy in terms of data content, tables, graphs, images, cover designs, internal pages, coloring ... etc.
- Approved by the MSG.
- Compliant with all comments of the members that may be received at the MSG meeting where the approval was obtained.
- Compliant with all the comments of the International Secretariat which may be received after MSG approval.
- Subject to approval letter signed by IEITI Executive Director.

### e. Fifth payment: 50% of the contract amount.

Due upon receipt of the final receipt letter signed by the Executive Director and subject to the following conditions:

- The number of USB flash memory according to the specifications mentioned in the contract, including the final certified copies of the Annual Report, the Executive Summary, the Summary Data Sheet, the languages Arabic, Kurdish and English.
- Number ... Printed hard copy of the Annual Report, the Executive Summary and the Summary Data Sheet separately and in Arabic.
- Number ... Printed hard copy of the Annual Report, the Executive Summary and the Summary Sheet separately in Kurdish.
- Number ... Printed hard copy of the Annual Report, Executive Summary and Summary Sheet separately in English.

## 4 Client's input and counterpart personnel

The MSG and National Secretariat would give full support in data collection and any other request data and information that facilitate all challenges that the Independent Administrator may face

## Annex 1 – Statement of materiality

The purpose of this statement of materiality is for the Independent Administrator to understand the scoping work and associated decisions that have already been carried out by the multi-stakeholder group or by other consultants. The Independent Administrator confirms the joint understanding of the scope of the services in the inception report. Annex 2 lists relevant attachments, including any scoping studies undertaken in the past. The Independent Administrator is required to fulfil all EITI 2017 requirements and the scoping study prepared by the MSG and shall not be bounded only by the following tables.

## 1. Taxes and revenues to be covered in the EITI Report (Requirement 4.1)

With regards to the revenue streams set out in Requirements 4.1-4.2, the multi-stakeholder group has agreed that the following revenue streams from the Extractive sector are material and should be reconciled in the EITI Report:

Table 1 – Material revenues to be reconciled

Revenue stream	Estimated value and share of total extractive industry revenue	Government recipient	Additional commentary on work to be undertaken by the Independent Administrator as necessary.
Crude Oil exports	72,855,031,423 79.2%	SOMO	Obtaining average export price per day with the percentage of the exports, in terms of the markets to which oil is exported.
Value of lifted oil	10,945,602,862 11.9%	SOMO	*to be reconcile with Oil Lifting Companies with preparing a cumulative diagram from 2011 to end of 2018, showing the total amounts received by lifting companies. Explaining the mechanism used to calculate the amount during the four quarters of 2018, as well as the amounts rounded to 2019.
Crude Oil Exports (Kurdistan)	4,385,914,108 %4.77	Ministry of Natural Resources-KRG	Stating the decision of the International Secretariat of excluding data of Kurdistan Region form the Report.
Income Taxes	1,756,000,000 %2	Ministry of Finance – General Commission of Taxes	The IA shall make a list of the IOCs that subject to taxes, tax value shall be per company.

The multi-stakeholder group has agreed that the revenue streams from the extractive sector listed in Table 2 should be unilaterally disclosed by the government in the EITI Report rather than reconciled with company figures. The reasons for unilateral disclosure rather than reconciliation should be documented by the MSG.

Table 2 – Material revenues to be unilaterally disclosed by the government

Revenue stream	Estimated value and share of total extractive industry revenue	Government recipient	Additional commentary on data sources and work to be undertaken by the Independent Administrator as necessary.
Metal Sales	Not Available	Ministry of Finance or Ministry of Industry and Minerals, Ministry of Resources and Natural Resources	Obtain any sales from any mining company works within the extractive industries.

The multi-stakeholder group has agreed that the following revenue streams from the extractive sector are immaterial and should not be reconciled or unilaterally disclosed by the government in the EITI report:

Table3 – Immaterial revenue streams from the extractive sector to be excluded from the EITI Report

Revenue stream	Estimated value and share (%) of total extractive industry revenue	Government recipient	Additional commentary on data sources and rationale for concluding that the revenue stream is immaterial
Total revenue - distributed by type of payment and company - received by the Government of Iraq from gas exports. Includes:		Basrah Gas Company	Such revenues are immaterial as they fall under the materiality threshold decided by the MSG, as well as such amounts do not affect the comprehensiveness of the report. Such data shall be listed as contextual information only.
1- LPG	93,001,150 %0.1		
2- Condensers	270,431,446 %0.3		
Total - with distribution by type of payment - (revenues received by the Government of Iraq and total payments made by the IOC to the Government as bonuses).	<0> <%0>	Ministry of Oil	Such revenues are immaterial as they fall under the materiality threshold decided by the MSG, as well as such amounts do not affect the comprehensiveness of the report. Such data shall be listed as contextual information only.
State partner share from remuneration fees	40,411,631 %0.04	Ministry of Oil	Such revenues are immaterial as they fall under the materiality threshold decided by the MSG, as well as such amounts do not affect the comprehensiveness of the report. Such data shall be listed as contextual information only.



Treasury share of SOE reported profits (45%) - MoO	619,000,000 %0.67	MoF	Such revenues are immaterial as they fall under the materiality threshold decided by the MSG, as well as such amounts do not affect the comprehensiveness of the report. Such data shall be listed as contextual information only.
Treasury share of SOE reported profits (45%) - MoIM	N.A	MoF	

1. Additional benefit streams:

With regards to the benefit streams set out in Requirements 4, the MSG has agreed the following:

Table 4– Additional benefit streams (table 4)

Benefit stream	Applicable/material?	Estimated value and share (%) of total extractive industry revenue	Government recipient	Additional commentary on data sources and work to be undertaken by the Independent Administrator as necessary.
The materiality and inclusion of infrastructure and barter arrangements (Requirement 4.3) <sup>4</sup>	Not Applicable/not material			
The materiality and inclusion of mandatory social payments (Requirement 6.1(a)) <sup>5</sup>	Applicable / not material	N.A	Local governorates	It must be indicated in terms of cash and in kind with mentioning the beneficiary party. Presents an opinion on how to reconcile such payments in the initial reconciliation report.
The materiality and inclusion of voluntary social payments (Requirement 6.1(b)) <sup>6</sup>	Applicable / not material	N.A	Local governmental directorates	It must be indicated in terms of cash and in kind with mentioning the beneficiary party. Presents an opinion on how to reconcile such payments in the initial reconciliation report.
Transportation revenues in accordance with Requirement 4.4.	not applicable and not material	Ministry of Oil, National Oil companies, Pipelines company	Indicate the mechanism of pricing	Transportation revenues in accordance with Requirement 4.4.

<sup>4</sup> Guidance note 15: Infrastructure and barter provisions: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN14>

<sup>5</sup> Guidance note 17: Social expenditures: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN17>

<sup>6</sup> Guidance note 17: Social expenditures: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN17>

<sup>7</sup> Guidance note 16: Revenues from transportation of oil, gas and minerals: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN16>

<sup>8</sup> Guidance note 17: Social expenditures: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN17>

<sup>9</sup> Guidance note 16: Revenues from transportation of oil, gas and minerals: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN16>

## 2. Reporting companies (Requirement 4.1)

The MSG has agreed that any company making payments [equal to or above [insert threshold]] against the material revenue streams identified in table 1 are required to be included in the EITI Report:

Table 5 – Companies to be included in the EITI Report

Entity	Sector	Additional commentary on work to be undertaken by the Independent Administrator as necessary.
National Companies:		
Basra Oil Company	Oil and gas	
Missan Oil Company	Oil and gas	
Dhi Qar Oil Company	Oil and gas	
Midland Oil Company	Oil and gas	
North Oil Company	Oil and gas	

<p>Foreign extractive companies in licensing rounds (IOCs) Including but not limited to:</p> <ol style="list-style-type: none"><li>1- British Petroleum (BP)</li><li>2- Petrochina</li><li>3- ENI</li><li>4- ExxonMobil</li><li>5- SHELL</li><li>6- Pertamina</li><li>7- CNOOC Iraq</li><li>8- PETRONAS</li><li>9- Total</li><li>10- JAPEX</li><li>11- LUKOIL Mid-East Ltd</li><li>12- JSC Gazprom Neft</li><li>13- Korea Gas Corporation (KOGAS)</li><li>14- PETRONAS Carigali</li><li>15- Türkiye Petrolleri Anonim Ortaklığı (TAPO)</li><li>16- Al-Waha Petroleum Co. Ltd</li><li>17- Kuwait Energy Co.</li><li>18- Dragon Oil</li><li>19- EGPC</li><li>20- Other IOCs operating in KRG</li></ol>	<p>oil and gas  (Extraction and exploration activities)</p>	
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Oil Marketing Company, SOMO	Oil. And petroleum products  Marketing Activity (Exports and Imports)	
Foreign Buyers	Oil, gas and petroleum products	
Central Bank of Iraq	Oil, Gas(Oil revenues)	

## 3. Government - government transactions (Requirement 4)

Table 6 – Government to government transactions included in the scope of the EITI Report

Transactions	Applicable/material?	Financial flow	State-owned company	Government agency	Additional commentary on work to be undertaken by the Independent Administrator as necessary.
The disclosure and reconciliation of payments to and from state-owned enterprises (Requirement 4.6) <sup>8</sup>	Applicable/ Not Material	The cost of producing barrels of crude oil exported and consumed locally	BOC MOC DQOC NOC MdOC OEC (Oil Exploration company)	Ministry of Finance and SOMO	To be Reconciliation for their importance and to pursue the corrective actions of the second validation 2019.

<sup>8</sup> Guidance Note 18: SOE participation in EITI Reporting, [https://eiti.org/files/GN/Guidance\\_note\\_18\\_SOEs\\_EN.pdf](https://eiti.org/files/GN/Guidance_note_18_SOEs_EN.pdf)

Transactions	Applicable/material	Financial flow and revenue sharing formula	Government agency executing the transfer	Government agency receiving the transfer	Additional commentary on work to be undertaken by the Independent Administrator as necessary.
The materiality and inclusion of mandatory sub-national transfers in accordance with Requirement 5.2 9 Petrodollar	Applicable/ Not materially	Budget Law for the year 2018 (petrodollar)	Ministry of Finance	Governorates covered by the Budget Law	To be reconciled if possible and identify the amounts rounded of previous years, with expressing the reasons of not receiving the allocated amounts. Such allocations are obtained from Ministry of Planning after the issuance of final amendments.
The materiality and inclusion of mandatory sub-national transfers in accordance with Requirement 5.2 9 Regional development	Applicable/ Not materially	Budget Law for the year 2018 Regional development	Ministry of Finance	Governorates covered by the Budget Law	To be reconciled if possible and identify the amounts rounded of previous years, with expressing the reasons of not receiving the allocated amounts. Such allocations are obtained from Ministry of Planning after the issuance of final amendments.
Total - distributed by type of payment and company: - (revenues received by IOCs provided by the Government of Iraq as cost recovery payments).	Applicable/material	cost recovery payments	Ministry of Finance	IOCs and State-partner	Indicate the actual maturity and payable and the mechanism of calculation. Data of companies shall be disaggregated per company, not per field.
Total - distributed by type of payment and company -: (revenues received by national oil companies within the share of foreign partner	Applicable/material	Remuneration fees	Ministry of Finance	IOCs and State-Partner	Indicate the actual maturity and payable and the mechanism of calculation. Data of companies shall be disaggregated per company, not per field.

<sup>9</sup> Guidance Note 10: Sub-national reporting, <https://eiti.org/files/Guidance-note-10-Subnationalreporting.pdf>

## Annex 2 – Supporting documentation

Documentation on governance arrangements and tax policies in the extractive industries, including relevant legislation & regulations

- ✓ Federal budget legislation for 2017
- ✓ KRG budget legislation for 2017

EITI work plans & other documents

- ✓ IEITI work plan
- ✓ Road map for beneficial ownership

Findings from preliminary scoping work

- ✓ IEITI scoping study

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<sup>10</sup> Guidance Note 10: Sub-national reporting, <https://eiti.org/files/Guidance-note-10-Subnationalreporting.pdf>



#### Previous EITI Reports

- ✓ [IEITI Reports for 2014](#)
- ✓ [IEITI Reports for 2015](#)

#### Commentary on previous EITI Reports

- ✓ [International Secretariat comments on 2015 report](#)
- ✓ [Comments made by Ahmed Moussa Jiyad, Iraqi oil sector expert](#)

#### Validation Reports

- ✓ [EITI Board's decision to suspend Iraq EITI](#)
- ✓ [Validation report 2017](#)

#### Other relevant documentation (e.g. Annual activity reports)

- ✓ [Annual progress report for 2017](#)
- ✓ [Management of expenditures study](#)
- ✓ [Social benefits study](#)

## Annex – 3 Table of Terms

**1.** The term "contract" means:

- a. The full text of any contract, or any other agreement granted by the Government to the Companies, and includes the conditions relating to the exploitation of oil, gas and minerals
- b. The full text of any addendum or addendum relating to details relating to the exploitation rights set forth in paragraph 2.4 (c.1) or the implementation of the contract
- c. The full text of any change or amendment to the documents mentioned in paragraphs 2.4 (c) -1 and 2.4 (c.2)

**2.** License means:

- a. The full text of any license by the government grants companies the right to exploit oil, gas and water
- b. The full text of any extension or addendum relating to the details
- c. Related to the exploitation rights set out in paragraph 2.4 (d1) or the implementation of the contract
- d. The full text of any change or amendment to the documents described in paragraphs 2.4 (d) -1 and 2.4 (d.2).

**3.** Definition of the public company (the self-financed economic unit wholly owned by the state which enjoys moral personality and financial and administrative independence and operates according to economic basis) according to the Public Companies Law No. (22) Of 1997 (amended).

**4.** Timing of data (period covered by report).