SLEITI Sierra Leone Extractive Industries Transparency Initiative
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OFFICE OF THE CHIEF OF STAFF
STATE HOUSE

Minutes of teleconference meeting held on 20th September 2016 between MSG & IA at OSIWA conference room

Purpose of meeting - To clearly define 2014 SLEITI reporting parameters

Attendance:

Government: Saidu Conton Sesay, Chair Amadu Mansaray - PD Abu B. Tarawallie - NRA Martin Jimmy – MMMR Naim Merimeche – MoFED	**CSO:** Cecilia Mattia – NACE Abu Brima – NMJD
Mining Company: Neima Macfoy, SD Steel	**Secretariat:** Mina Horace Annie Lansana Mohamed F. Conteh

Apologies: Joseph Rahall- Green Scenery, Mohamed Amara Salisu-MoFED, Hon. Sidie M. Tunis-Parliament

Following up from the International Secretariat's feedback on the 2014 Scoping report, the MSG decided to hold a conference call with the IA to ensure that the concerns raised by the EITI Secretariat regarding the 2014 SLEITI reporting parameters were acted upon by both the IA and MSG.

Below is summary of issues raised and feedback obtained from the IA is contained in table below. Comments and responses by the MSG for issues directed to the group by the EITI are also included in table.

Matrix on the draft 2014 scoping report after teleconference discussions between the MSG and IA

No.	International Secretariat Comments	MSG's Technical Committee Comments	Teleconference discussions and resolutions
1.	**Draft templates should not be produced at scoping stage.** For clarity's sake, a scoping report helps determine the scope, an inception report is supposed to make sure that		**The IA explained that the SLEITI 2014 Report ToR allowed him to suggest the material revenue streams and list of companies to report and having done that**

	both parties agree on what the report is supposed to include and a draft report is precisely that, a draft piece of work that, when finalised, will become the Report.		**the next logical step was to draft the templates to save time, Kwaku indicated that the MSG was free to add or remove revenue streams if members wanted to.**
2.	It looks like you have left it up to the IA to propose the scope, materiality definitions and revenue streams of your report. **That is fine as long as the MSG has a robust discussion on the basis of the findings on what the scope and materiality of the report should be**. The IA is supposed to help you fine-tune these based on their initial findings when they present the inception report.		**The MSG agreed that designing templates at the scoping stage will not affect the reporting process.** **With regards to determination of the Materiality threshold and revenue streams, the IA has included Appendix 1A on the final draft to show the proportion of each revenue stream to total revenue collection from the Extractive Sector in 2014.** **The IA referred the meeting to EITI req. 4.1 (comprehensive disclosure of taxes and revenues) & the EITI Summary data template in justifying why indirect taxes should be excluded from the report. He explained that a tax such as PAYE is paid by the companies on behalf of their employees and concluded by saying including indirect taxes just before Validation might not be favourable.** **He said the guidelines provided by the EITI should be taken into consideration based on local.** **IT IS NOW UP TO THE MSG TO DECIDE ON WHETHER TO RECONCILE INDIRECT**

			TAXES IN THE 2014 REPORT.
3.	We recommend that you stop using "reconciliation report" as a way of referring to EITI reports. In the past, EITI reports were very much "reconciliation reports". With the Standard they are much more than that, and continuing to refer to them as such risks perpetuating this misconception.		**Action already taken by the IA**
4.	If the scoping study is supposed to help the MSG understand what the scope of the report should be, it doesn't make sense to me that the **report should only highlight "some major operations in the mining sector" (table 2.1), include no information on the oil and gas sector under "overview of the extractive sector", not go into detail into what the differences between the different licenses are on page 7, etc.**		Point # 4 has been addressed – see pg. 7 of the final draft scoping report in circulation. A new heading was included to cover the oil/gas sector overview. PD provided the necessary information for the Scoping report.
5.	I don't understand why the report says "Taxes levied on consumption and those regulated by GSTA 2009, Customs and Excise duties were excluded from the study." If this is a scoping report it's supposed to give the MSG the basic information it needs to make decisions – not make decisions on what to include or exclude.	.	The response for points 1 & 2 above apply to the question on point no. 5.
6.	It would be helpful if they would have included ALL of the revenue streams and showed which agencies they are paid to in **schematic form**.		Action already taken by IA

7.	*3.1.3 Revenues from small sc /Diamond and Koidu Ltd* It is confusing insofar as it is not explaining whether this differs from other minerals or whether it's just explaining gold and diamonds in more detail.		The IA explained here that their intention was to separate royalties paid by Koidu Holdings (which is a company) on sale of diamonds from export duties paid by exporters for exporting of diamonds. THE IA IS REQUESTED TO EXPAND ON THE WRITE UP IN THIS AREA BY CONTACTING NMA FOR INFORMATION ON 'OTHER MINERALS'.
8.	"According to Sierra Leone Petroleum Directorate four oil companies have relinquished their oil exploration blocks in Sierra Leone… These include Talisman, Lukoil, Anadarko." And the 4th? Or also, "As at June 2015, two exploration operators, Africa Petroleum and European Hydro Carbon have oil blocks with continuing exploration activities across the country." And as of July 2016? And how many oil blocks do these two companies account for? Are they the only ones? etc.		The PD has provided the information to complete and clarify the concerns in point 8. The 4th comp is Chevron and IA has included it to the scoping report.
9.	"The revenue streams considered for the scoping exercises…included…" Are these all the revenue streams applicable to the oil and gas industry (page 18) or are they not? Who are they paid to? How big are the streams?		The IA will address this area to remove any ambiguity arising from wordings used in the sentences. The word 'included' was used because some of the oil companies have relocated outside this jurisdiction and requesting them to fill the templates will be challenging. The IA is to submit the documentations from the PD showing that some companies are no longer operating in the country.

10.	- In order for you to make proper decisions of scope and materiality you need to know **IA to respond to all bullet points below:**		
a.	• *What is the total contribution of each of the two sectors to the economy?*		MSG requested the IA for more data in this area to be able to make independent and final decisions on the materiality threshold, revenue streams etc. The IA said all the information/data to make decisions on the reporting parameters is already in the report. Kwaku referred members to Appendix 1A and table 4.2A &4.2B of the draft scoping report. If contribution by a revenue stream is less than 1% of total extractive sector revenues it is not considered significant. THE IA should rather advise provide scenarios and state facts to allow the MSG make decisions. The IA cautioned that the proposed Materiality threshold was arrived at based on the direct taxes.
b.	• *What is the total universe of revenue streams flowing to the government from each of these two sectors and what entities do they flow to?*		
c.	• *How big was each revenue stream in the year in question?* *With this information you can decide which revenue streams to include. Without it you can't know what revenue streams are immaterial.*		
d.	• *What was the total universe of companies paying revenues to the government in each of these two sectors?*		
e.	• *Should you set an aggregate payment threshold or a disaggregated payment threshold per company? I would probably recommend the former (total company payments) unless there are good reasons to do the latter (by revenue stream)*		
f.	• *What should your materiality statement be?*	***APPENDIX 1 - MATERIALITY DETERMINATION (Reporting Entities)*** *IA to expand on explanation on how they arrived at the materiality thresholds.*	

11.	"The Independent Administrator has considered as immaterial payments for Gold dealers license, 5% gold export duty and diamond Agent's fees as they proportionately ranged between 0.2% and 0.5% of total relevant mining receipts. Diamond Area Community Fund payments to Chiefdoms in 2014 immaterial for reconciliation." ***.....A scoping study is supposed to explain reality and suggest a scope – allowing the MSG to make decisions about what to consider immaterial or otherwise.***	***No 3.1.3 Revenues from sm Gold /Diamond and Koidu Ltd*** Sallieu Bah to indicate correct percentages under 3.1.3 % as well as provide additional details on narrative.	The IA is to provide the necessary data here so the MSG is able to decide whether these payments are material or not. IA said If contribution by revenue stream is less than 1% of total extractive sector revenues it is not significant hence his recommendation to exclude the payments on gold dealers license, diamond agent's fees and the CDF to Chiefdoms. Again the IA said the ToR allowed him to suggest which revenue streams are materials or not.
12.	"It is recommended that for the oil and gas sector the full disclosure concept should be adopted. All the companies listed above with the exception of TGS NOPEC are required to report." WHAT is the IA's reasoning behind the above suggestion? What do they mean with full disclosure? Why should TG Nopec not be required to report? SL Exploration paid even less, why is TG Nopec singled out?	TGS NOPEC is an off shore company that has a sharing agreement with the Petroleum Directorate for the sale of geophysical data. The Technical Committee recommended that TGS NOPEC report for 2014.	The IA recalled that requesting TGS Nopec to report will involve submitting a template to them. TGS Nopec is an offshore company, it is not an extractive company and not domicile in Sierra Leone. If the company fails to complete the template it will create unnecessary discrepancy in the

			report. Full disclosure refers to full disclosure by the oil/gas companies. THE IA REQUESTED THE MSG TO CONFIRM WHETHER THE TGS NOPEC SHOULD REPORT,
13.	"Whilst figures for the "Sale of Geophysical data" are being requested on the template under caption "Other Benefit", It shall not form part of the reconciliation but for information purpose. This is because companies in the Oil & Gas sector do not make payments of this benefit stream directly to the government." Q - so who did oil companies pay them to?		IA responded to this
14.	- "Government entities to report in the Oil/Gas sector required include the Petroleum Directorate and the Environmental Protection Agency (EPA)" Are these the only agencies that receive revenues from oil and gas?		MSG confirmed that only these 2 agencies – NRA and EPA do receive revenues from the oil/gas sector.
15.	What about mandatory/voluntary social payments? 8.3 explains less than it raises questions. What are community development agreements? How are they not mandatory payments? Do oil and gas companies have these to?		CSO, MMR, NMA TO PROVIDE INFORMATION FOR SUBMISSION TO THE IA.
16.	What about sub-national payments? Do oil and gas companies have these too?		The answer here is 'NO'
17.	Will they really require receipts for every payment in the templates? (Page 27)?		Yes

Beneficial Ownership Disclosure

The MSG agreed that Beneficial Ownership should not be included in the 2014 report. Secondly, MSG agreed that Sierra Leone is not yet prepared for project by project reporting.

End of Teleconference

At the end of the teleconference members considered whether to adjust the materiality threshold to increase the number of companies to report. Some considered the $150,000 threshold as high but was also concerned about the resulting effect of lowering the threshold that would lead in more companies reporting.

The IA's advice was that very low threshold will lead to many companies that will make data collection cumbersome as well as create unnecessary discrepancies if some companies failed to report. The final decisions taken by the MSG with regards to the reporting parameters will form part of the Inception Report

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Signature of Chair

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Signature of Secretary