

Establishment of LEITI Pooled Fund

BACKGROUND

The Liberia Extractive Industries Transparency Initiative (LEITI) is a tripartite arrangement governed by a Multi-stakeholders Group (MSG) – consisting of representatives of the Government of Liberia, civil society organizations, the private sector, and Liberia’s Development partners. The initiative endeavors to ensure transparency over payments made to the Government by companies in the oil, mining, forestry and agriculture sectors and revenues received by the Government. LEITI also audits/investigates the process leading up to the award of material rights in these sectors to ensure the processes followed applicable Liberian laws. It is also responsible to inform the general population of the non-renewable nature of its extractive resources; and encourage and facilitate adoption of appropriate policies for fair sharing of the benefits from the exploitation of the natural resources.

The LEITI was formally launched by the Government of Liberia in April of 2007 and later established by an Act of the Liberian Legislature in July 2009 as an autonomous agency. Since its establishment, the LEITI has set very impressive records in the EITI implementation. Some of LEITI achievements to date include:

- Best implementing Country Award – 2009
- First African country, and second, globally to become EITI compliant – 2009
- First country globally to include Agriculture and Forestry in its EITI Scope
- Produced Liberia’s first (and EITI Landmark) Post Award Process Audit

PROBLEM STATEMENT

The LEITI Act of 2009 states that “the work of LEITI shall be financed by legislative appropriates made through the national budget.” Further, it states that the “LEITI may, directly and indirectly, request and receive technical assistance, donations or grants from Liberia’s Development Partners and other international multilateral institutions in furtherance of its operations.”

Subsequently, and since the founding of LEITI the Government of Liberia and development partners have continued to support LEITI’s operations. As LEITI operations expand to include implementing key provisions of the LEITI Act, there is a compelling need for adequate resources.

The proportion of support from the national budget and development partners has shifted over time with reliance on the government’s support increasing. In FY 2008, the Government of Liberia accounted for 10% of LEITI’s approved Work Plan and roughly 53% in its FY 2013 draft Work Plan estimated at US\$2m. While development partners covered most of LEITI’s operations and program support in the initial phase of the initiative, it has now shifted more towards program activities such as audits, reconciliation and communications and outreach. On the other hand, general operations of LEITI including salaries, MSG retreats, workshops, training and capacity building, fuel and lubricants, vehicles, etc. are mostly the responsibility of the government.

For example, over the past sixteen months, LEITI has expanded its reporting to cover all agencies of government receiving payments from oil, mining, forestry and agriculture companies; track the use of extractive sectors revenues; reconcile ‘what ought to have been paid’; and has launched its first periodic Post Award Process Audit Report. LEITI’s process audit and reconciliation reports however showed significant procedural lapses within these sectors including conflicting legislation, lack of stakeholder participation, single sourcing, documentation, delinquent payments, underpayments, etc. LEITI needs not only to identify these lapses but work with supervising institutions where practical to find solutions. There is also growing need to support the implementation of the many recommendations from recent and previous audit reports. The level of coordination by LEITI that is needed to implement these recommendations and those from future reports requires a competent staff and logistics.

LEITI outreach program has expanded overtime with creative and innovative ways of reaching out to the population both in urban and rural Liberia. LEITI jingles and dramas are now heard on fourteen national and community radio across the country; quarterly newsletters and annual reports are routinely published and distributed; increased use of social media; nation-wide dissemination of reports; and an ongoing decentralization plan to identify LEITI county focal persons to help with our outreach. An Extractive Club Program has been established in high schools around Monrovia with plans for a nation-wide expansion.

Notwithstanding these successes, nearly half of our program activities included into the 2012/13 Work Plan was either delayed or not implemented due to funding challenges. The funding requirements continue to increase as program activities expand.

JUSITIFICATION

Given the above-mentioned challenges, the MSG endorsed at the Buchanan Retreat in February 2012 the establishment of a LEITI Pooled Fund to help close the funding gap between government and donor support and the work programs approved by the MSG. The decision to establish such Fund was also reiterated at the April 2013 meeting when the Secretariat raised National Oil Company of Liberia (NOCAL)’s concerns over sponsorship of LEITI delegates to the EITI Global Conference.

The MSG also considered that donor support for programs is not indefinite. It therefore considered prudent to find new avenues to sustain work programs if/when donor funding/support is interrupted.

The MSG’s decision to seek support from organizations and countries is in line with EITI general practice and the LEITI Act of 2009. Notably, EITI activities worldwide are supported by companies and countries including those that sit on the Board.

METHODOLOGY

Modeled after the Multi Donor Trust Fund (MTDF) managed by the World Bank to support EITI implementation and activities around the world, the Pooled Fund will seek in-kind and financial support from extractive sectors' companies, local and international partners and the general public. Contributors may also include institutions that are represented on the MSG.

Based on funding challenges in the current and future approved work programs the LEITI Secretariat will identify a list of potential contributors to the MSG for approval. With this authorization, the Secretariat will engage institution(s) to provide support or make contributions to the Fund. Contributions to the Fund will be comingled into account(s) to be identified.

RULES & MANAGEMENT

1. Under guidance from the MSG, the Pooled Fund will be managed by the LEITI Secretariat under similar signatories and restrictions as other LEITI operational accounts, unless otherwise instructed by the MSG.
2. LEITI Secretariat will identify and liaise with potential contributor(s) to be approved by the MSG.
3. The Secretariat shall inform the MSG of all contributions to the Fund how they are allocated to programs activities.
4. Contributors will be encouraged to provide support directly to the Fund from which the Secretariat will identify programs activities to be implemented; Contributors may choose to directly support certain program activities.
5. Separate account(s) from LEITI core operating accounts shall be setup to manage the contributions from the Pooled Fund.
6. All contributions to the Pooled Fund including in-kind shall be fully disclosed through LEITI periodic financial reporting and communications programs.