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# Towards better EITI Reporting – A Consultative Process

## *Key Discussion Points*

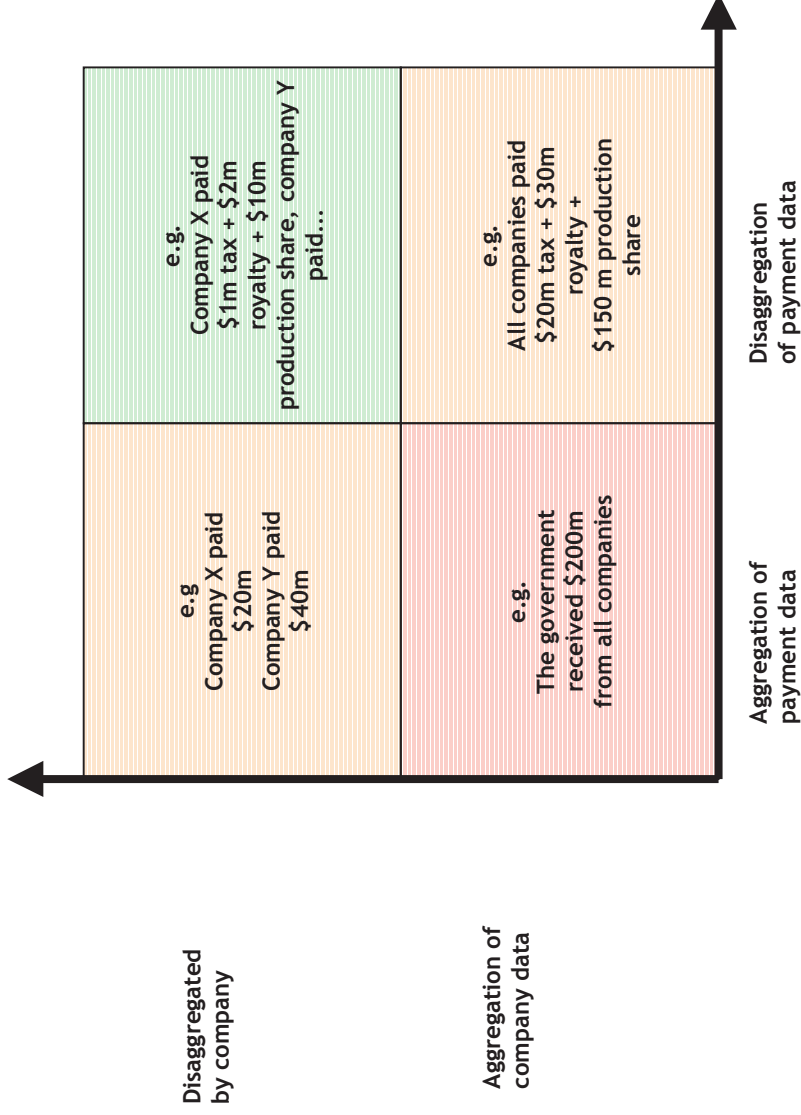
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***The World Bank and the International EITI Secretariat***

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# 1. Move towards disaggregated Reporting



## 2a: Getting more Information out of Data: Sub-national payments

- ④ Often land rents/surface fees, or license payments are directly paid to sub-national entities, or re-distributed after being collected by National Administration
- ④ Local demand for more information is often considerable
- ④ Important for building trust between communities and the companies, possibly mitigating conflict
- ④ So far provided by Ghana, Mongolia, Liberia

## 2b: Getting more Information out of Data: Profit Oil

Governments receive Profit Oil in kind (barrels) +  
equity investment income

→ X barrels, of Y quality, sold for the price Z +  
x USD from equity

Need for dollar values, in order to

- Assess government's income from participation
- conclude what price the government received per barrel sold

### 3a: Quality of Reported Data: Inconsistency in Reported Numbers

Source: Published EITI Report for 2005 and 2006, IMF

| Revenue Type, in million USD | Companies      | Gov't          | Discrepancy     | Gov. Figure in Budget | Discrepancy      |
|------------------------------|----------------|----------------|-----------------|-----------------------|------------------|
| Royalties                    | 428.0          | 412.3          | 15.7 (-)        | 457.7                 | 45.4 (+)         |
| Income Tax                   | 550.7          | 534.2          | 16.5 (-)        | 533.3                 | 0.9 (-)          |
| Profit Oil                   | 673.9          | 641.2          | 32.7 (-)        | 584.9                 | 56.3 (-)         |
| Payments to Refinery         |                |                |                 | 136.3                 | 136.3 (+)        |
| <b>Total</b>                 | <b>1,652.6</b> | <b>1,587.7</b> | <b>64.9 (-)</b> | <b>1,712.1</b>        | <b>124.4 (+)</b> |

| Revenue Type, in million USD | Companies      | Gov't          | Discrepancy     | Gov. Figure in Budget | Discrepancy      |
|------------------------------|----------------|----------------|-----------------|-----------------------|------------------|
| Royalties                    | 549.0          | 527.0          | 22.0 (-)        | 445.4                 | 81.6 (-)         |
| Income Tax                   | 547.0          | 532.0          | 15.0 (-)        | 575.3                 | 43.3 (+)         |
| Profit Oil                   | 764.0          | 742.0          | 22.0 (-)        | 897.2                 | 155.2 (+)        |
| Payments to Refinery         |                |                |                 | 118.4                 | 118.4 (+)        |
| <b>Total</b>                 | <b>1,860.0</b> | <b>1,801.0</b> | <b>59.0 (-)</b> | <b>2,036.3</b>        | <b>235.3 (+)</b> |

## 3b: Quality of Reported Data: Inconsistency in Reported Numbers

|                                 | Cash revenues (USD mill.) | Oil in kind (mln. bls.) | Gas in kind ('000 m <sup>3</sup> ) |
|---------------------------------|---------------------------|-------------------------|------------------------------------|
| Monetary Inflow                 | 25.0                      |                         |                                    |
| Crude Oil                       |                           | 30.3                    |                                    |
| Gas                             |                           | (= 2,105.8 mil. USD)    | 2,410,299                          |
| Bonuses                         | 68.0                      | implicit P 69.5 USD p.b | (= 629 mil. USD)                   |
| Acreage Fee                     | 6.6                       |                         |                                    |
| Profit Tax                      | 2,264.2                   |                         |                                    |
| <b>Total Foreign Companies</b>  | <b>2,363.8</b>            | <b>2,105.8</b>          | <b>629</b>                         |
| Gas                             |                           |                         | 12,030                             |
| Royalties                       | 192.6                     |                         | (= 3,14 mil. USD)                  |
| Profit Tax                      | 114.4                     |                         |                                    |
| Other Taxes                     | 269.9                     |                         |                                    |
| Price Changes                   | 70.3                      |                         |                                    |
| <b>Total Domestic Companies</b> | <b>647.3</b>              |                         | <b>3,14</b>                        |
| <b>GRAND TOTAL</b>              | <b>3,011.1</b>            | <b>2,105.8</b>          | <b>632.1</b>                       |

→ Reported by EITI:

|                    |                |
|--------------------|----------------|
| Gov. cash revenues | 3,011.1        |
| Value oil receipts | 2,105.8        |
| Value gas receipts | <u>632.1</u>   |
|                    | <b>5,749.9</b> |
|                    | <b>4,949.3</b> |

Revenues reported to IMF:

→ **Difference: 800.6 million USD**

**Are these differences an issue for EITI?**

## 4: Inclusion of all material benefit streams?

- ④ Article 35.1: Le Contracteur est tenu de contribuer à la satisfaction des besoins du marché intérieur en livrant ou en payant à l'Etat, ou aux organismes désignés par celui-ci, une quantité d'Hydrocarbures proportionnelle à sa part de production lui revenant en application des Articles 24.2 et 25. 1, par rapport à la production totale du Gabon.
- ④ Article 35.2: Il est payable en dollars des Etats Unis d'Amérique (US\$).

→ *Contract states Domestic Provision Requirement, which are to be paid in kind or in cash*

## 4: Inclusion of all material benefit streams (cont.)

- ④ In this particular case, only one company pays in kind, the others in cash
- ④ The selection of Benefit Streams rests with the Working Group
- ④ Assurance that all streams are indeed included needs to be backed up in some way

→ How to assure completed coverage of revenue streams?

## 6: EITI Data certified by the Company's own Auditors?

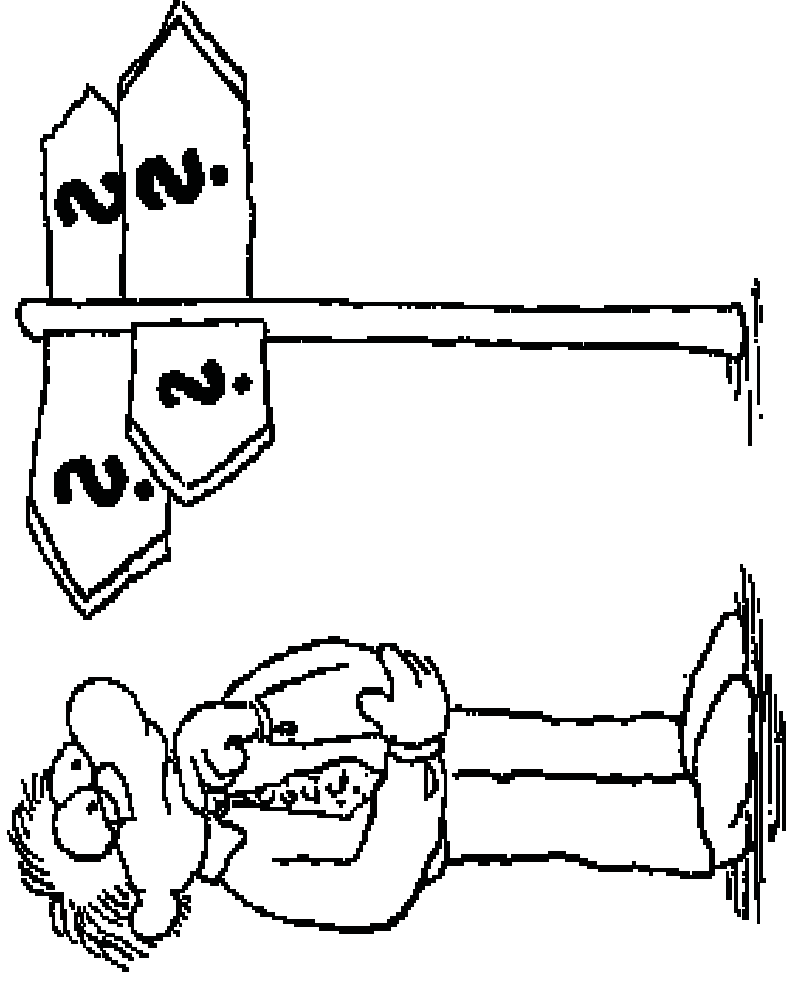
- ④ Lack of such certification to be found in several Reports
  - ④ For example, in a published EITI Report of 2005, only three companies submitted certified statements to the Reconciliator
  - ④ Were the others asked and refused or not asked at all?
- How can EITI Reports provide this information?
- How can Data Quality be assured by Auditors?

## 7: What share of the sector is actually covered by a Report?

- ④ Even though overall discrepancies might be small, it does not mean the Report as such is telling the whole story:

| Payment type        | paid by companies<br>(in thousand USD) | received by Government<br>(in thousand USD) | Discrepancy |
|---------------------|--|---|-------------|
| Taxes               | 1,743,024                              | 1,758,923                                   |             |
| Subsurface payments | 676,016                                | 727,368                                     |             |
| Fees                | 91,979                                 | 88,914                                      |             |
| Customs             | 27,431                                 | 22,173                                      |             |
| Other payments      | <u>50,870</u>                          | <u>353</u>                                  |             |
|                     | 2,589,320                              | 2,597,731                                   | 8,411       |

- ④ However, Government figures and IMF estimates both state that Oil Revenues constitute 10.8 percent of GDP, which would amount to 6 billion USD
- In this case, the Report would cover less than 50% of the sector



④ Thank you – and fruitful discussion