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What Makes a Good EITI Report?

By: Alexandra Gillies

Summary
Twenty-three countries have published a total of 50 EITI reports. Some provide the reader with clear, complete information about the revenues generated by petroleum and mining sectors. Others leave the reader frustrated and confused. Most fall somewhere in the middle.

What makes a good EITI report? Answering this question can help stakeholders push for higher quality and more useful EITI reports. Better reports will be valued and demanded by diverse audiences, and this demand will bolster EITI’s sustainability. Moreover, should report quality improve EITI will become a leading source for information about extractive sector revenues. And unlike most sources of oil and mining data, which require expensive subscriptions or insider knowledge, EITI reports are available to everyone, including the citizens who these revenues are meant to benefit.

The Revenue Watch Institute has assessed the quality of the most recent EITI reports from each country. Through a review of EITI documents and discussion with partners, we chose 10 indicators to use in assessing the reports. Many of the reports contain instances of good practice, from which we can learn and emulate. However, despite the relatively basic nature of the indicators, most reports fall short in several areas. Half disaggregate their revenue data by company. Most countries produce more than one commodity, but just one country provides separate revenue data on each. Government receipt data is audited to international standards only in a few cases. Reports leave out simple ingredients that improve readability like summaries and definitions of terms.

Full assessments of the individual reports are available at: www.revenuewatch.org/EITIreports. RWI’s report What do the numbers say? Analyzing EITI report data is also available there. Drawing on the analysis of revenue figures from all 50 reports, its findings demonstrate that EITI data has the potential to shed light on priority issues like resource dependency, fiscal regimes and government take. However, until report quality improves significantly, this potential will remain unfulfilled. The quality assessments assist in identifying what improvements need to be made.

Quality indicators
Below, we introduce each indicator and mention a related finding from our quality assessment research. For indicators that are also EITI requirements, we note the corresponding EITI criteria or validation indicator. See the website for the full findings. We assessed only the most recent report from each country for a total of 23 reports.
Briefing

1. Regularity. *Does the country produce reports every year?*

Ideally, EITI implementing countries would publish a report every year like clockwork. We measure regularity as the number of reports relative to the number of implementing years. A country that joined EITI in 2006 and has produced two reports would score 2/4, or 0.5. The closer the score gets to a 1, the closer the country is to producing reports every year.

- The EITI Criteria 1 requires “regular” reporting.

Azerbaijan clearly leads the pack having produced seven annual reports in its eight years of implementation.

2. Timeliness. *How recent is the data in the report?*

We measure this as the lag between the year the report is published and the most recent year of data contained in the report. A report published in 2009 with data from 2005-2006 receives a score of 3. The best score is a 1, which means the data is from the year that just ended.

Of the 23 reports assessed, 10 score a 1 and are therefore timely. Eight have data that is two years old, and four reports have data that is three years old. Guinea’s report does not indicate a publication date.

3. Materiality. *Is it clearly defined?*

EITI reports can’t cover every tiny transaction. Setting a reasonable materiality threshold ensures that the report covers important revenue flows without overburdening its compilation. We assess whether or not the report defines materiality. Each country’s threshold can be found on the individual country pages.

- EITI criteria and validation indicators 14 and 15 mention the need for reporting on “material” revenues.

Thirteen countries state materiality thresholds in their most recent reports. Niger and Mongolia’s are particularly straightforward—a minimum amount that companies need to pay to the government in order to be included.

4. Data reliability. *Is the data provided by companies and governments audited?*

The reports are only valuable if they contain reliable numbers. We score this indicator based on whether the country’s EITI rules require companies and government to provide data from audited financial statements. If only some companies or agencies did so, we provide details in the notes.

- The EITI criteria require reports to reflect international audit standards, as do validation indicators 12 and 13. Employing this rule in practice has proven challenging, especially with respect to government reporting, and EITI is expected to produce additional guidelines in the near future. With this uncertainty in mind, our scores reflect the best guess according to the information available in EITI and validation reports.

Liberia, Ghana, Timor-Leste and Nigeria clearly state that the revenue data from government agencies has been audited to an international standard. Peru and Mali detail the domestic checks and balances that they believe ensure data reliability.

5. Coverage. *Does the report leave out anything important?*

We assess whether the report contains the following essential elements: the main revenue streams, as applicable (royalties, taxes, fees, bonuses and state-owned enterprise revenues); payment data from all significant companies; the price of any product received or sold by government; and production data.

- The EITI criteria require reports to be comprehensive. Validation indicators 11 and 14 address company and revenue coverage respectively.

ABOUT THE AUTHOR

Dr. Alexandra Gillies, governance advisor at RWI, specializes on issues of transparency, the political economy of resource-rich states and oil-producing Africa.
Eleven of the 23 reports fell short in providing data for all companies active in the sector. Of the oil producing countries, only Cameroon, Nigeria and Yemen provide price data in a clear manner. Only seven reports contain production data.

6. Discrepancies. When payments and receipts do not add up, does the report explain why?
We assess whether the reconcilers who compiled the reports also investigated the discrepancies, tried to explain their cause, and provided corrected or reconciled figures.
- EITI criteria mention identifying discrepancies, and validation indicator 17 requires reports to “identify discrepancies and recommend actions to be taken.”

Thirteen of the 23 reports provided reconciled data along with the originally submitted data. Timor-Leste went further to describe in detail why petroleum revenues in the EITI report differ by 10 percent from those reported by its petroleum fund.

7. State-Owned Enterprise (SOE). Are SOE financial flows clearly explained?
In addition to collecting certain revenue types, SOEs often receive physical products (such as crude oil) and sell it themselves. They then transfer some or all of the proceeds to the treasury. These transactions constitute important revenue flows and therefore should be explained clearly in the report. Scores for this indicator are particularly subjective; we considered whether a person not knowledgeable about the county and its industry could understand the role of the SOE.
- The EITI criteria explicitly require the inclusion of SOEs.

With a very careful reading, the role of the SOE in Côte d’Ivoire can be understood from the report. Gabon’s SOE is poorly explained despite the fact that it collects sizeable revenues through its crude oil receipts. Liberia provides some information on the financial flows to and from the SOE, but does not explain the SOE’s relationships with government or private companies.

8. Disaggregation. Is revenue data broken down so as to make it more meaningful?
Disaggregation is perhaps the greatest determinant of whether an EITI report is useable and significant. Complex industries cannot be captured in single figures. We assess whether reports disaggregate financial data by a) company; b) revenue stream; c) project, and d) commodity.

All the reports disaggregate by revenue stream, at least to some degree. Eight reports disaggregate by company, and three others provide partial company-by-company data. Ghana provides separate revenue figures for each type of mineral, and this commodity disaggregation is enormously useful for data analysis.

9. Comprehensibility. Can readers understand the report?
Some reports leave the reader well-informed about the sector and its revenues; others leave readers confused. To assess comprehensibility, we catalog whether reports have: a) a summary with key findings and reconciled revenue totals; b) a clear indication of what currencies and units of measurement are used; c) a written explanation of key findings and recommendations; and d) a definition of terms.
- The EITI criteria and validation indicator 18 require reports to be “comprehensible.”

Eleven reports provide a summary that contains the report’s central findings. All of the reports contain at least one of the measured ingredients of comprehensibility.

10. Accessibility. Can a citizen find and read the report?
While this analysis looks at report quality rather than process issues, we thought it important to include a basic measure of accessibility. For each report, we identify whether it is available in the official languages of the country and easily accessible on a government website.

Better reports will be valued and demanded by diverse audiences. Moreover, should report quality improve, EITI will become a leading source for information about extractive sector revenues.
The EITI criteria and validation indicator 18 require reports to be “accessible.”

We were unable to find reports from Kyrgyzstan and Equatorial Guinea on a government website.

In addition to these indicators, the summary of each report asks two further questions. First, does the report contain additional useful information? For example, Mongolia and Liberia include data on social or community payments made by companies, and Ghana, Peru and Sierra Leone report payments made to subnational governments. Peru also mentions contextual information about the budget such as total state revenues. Mongolia is the only country to reference package deals/bartering (e.g. road construction by mining companies), though the information it provides is incomplete.

Second, does the most recent report improve upon its predecessors? EITI is a learning process, and reports appear to improve with time. We document this encouraging trend by noting some of the major improvements from report to report. Liberia’s second report is among the best, and, in their latest reports, Gabon and Cameroon clearly provided the reconciler with greater leeway to include important items like discrepancy explanations.

Notes on methodology

There are a few important issues to note about this analysis:

- The 10 indicators are by no means exhaustive. Different stakeholders in different countries will identify additional elements that require improvement.
- Some of the indicators reflect EITI requirements. For these, we note the corresponding EITI criteria or validation indicators. Others are optional, but represent a very modest set of good practices.
- The indicators deal only with the reports themselves, not the process of their preparation. Process issues, such as stakeholder inclusion and report dissemination, deserve careful attention but are not addressed in this exercise.
- The assessment relied only on the information provided in the reports. We did not cross-check their accuracy or completeness from third sources. For example, if the report said all companies reported, we did not investigate whether the company list was complete.
- Often, a report did not clearly score a “yes” or a “no” for certain indicators. In such cases, we made a judgment call by looking at how the report compared with its counterparts.
- The EITI Secretariat, the World Bank, French EITI members and civil society groups provide important further discussions of report quality.

RWI hopes that this project will prompt efforts to improve future reports. This project is far from a comprehensive review of report quality. The process of producing better reports will require contributions from all EITI implementing bodies, as well as the reconcilers, the companies and governments that provide the data, the stakeholders (including local and international civil society) and the providers of EITI technical assistance. We encourage these steps toward realizing EITI’s intention to set the standard for petroleum and mineral sector transparency.

ENDNOTES
1. Overview of EITI Reports, (EITI Secretariat: 2009, 2010); and Towards Strengthened EITI Reporting (World Bank: 2010). Publish What You Pay country coalitions and member organizations, such as those in Gabon and Azerbaijan, often produce country-specific report critiques that can be found at www.pwyp.org.