

Using EITI Data

Purpose

To better understand the EITI report data
and how it can be used

Overview

4 questions that can be addressed using EITI data

- What the question is about
- Country examples and comparative insight
- How to do the analysis

IMPORTANT to remember:

- EITI data quality is weak; limited comparability
- Findings are therefore suggestive only – they identify more questions than answers

Overview

- Gathering complementary information
 - PRICE data
 - EITI reports
 - Country specific prices
 - Global prices (oil, gold, copper; less so with gas)
 - PRODUCTION data
 - Quite easy to find
 - ECONOMIC data
 - GDP, total government revenues, financial flows
 - Internal and external sources

SEE HANDOUT for sources of information

Question 1. How much do governments earn from petroleum and mining?

- Calculate total revenues
 - Be sure to include physical receipts
 - Use reconciled figures
- Trace changes from year to year
 - Can these be explained by price and production changes?
- Assess resource dependency
 - EI Revenues as % of total government budget
 - EI revenues as % of GDP

Question 1. How much do governments earn from petroleum and mining?

Example.

Cameroon 2008

Calculating total revenues:

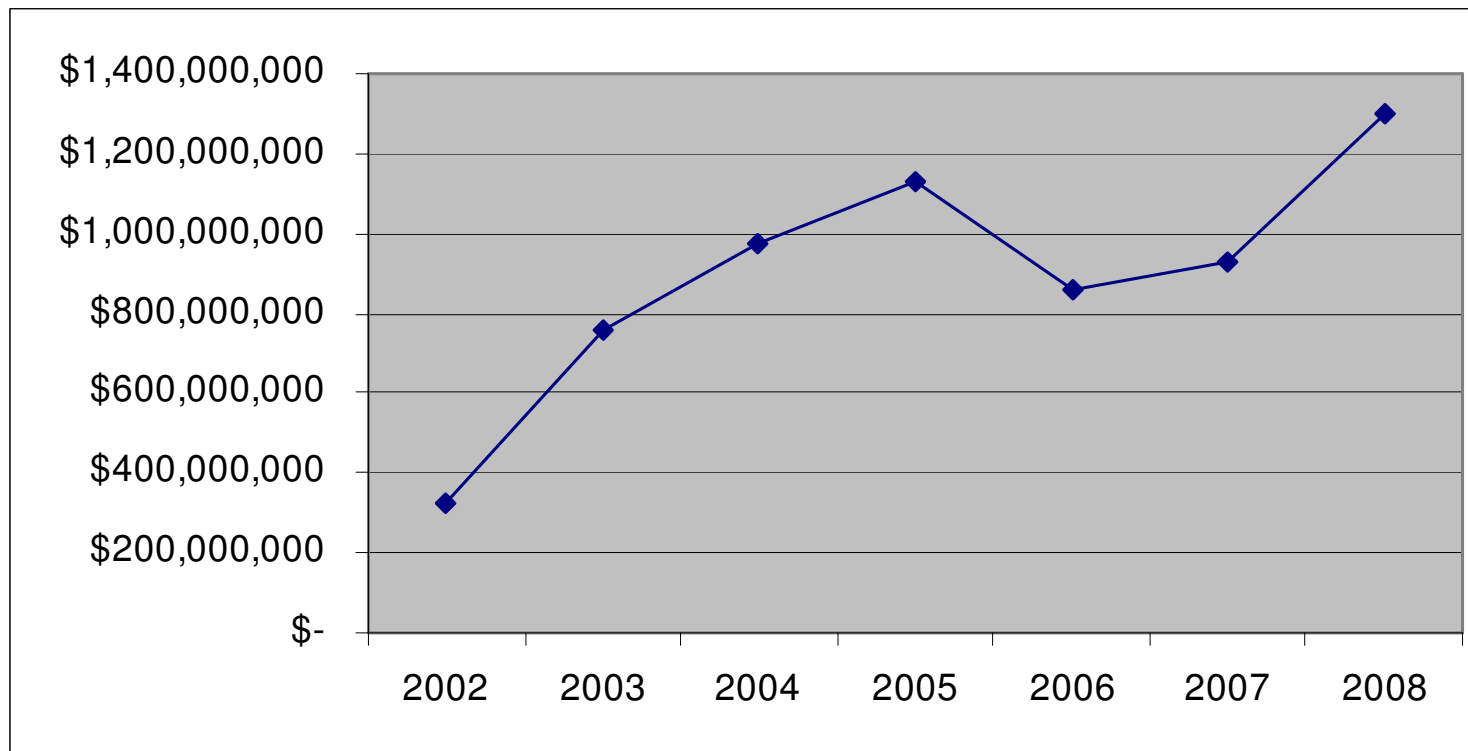
Financial revenues of \$321 million

+ profit oil receipts (10.3 mbbl x \$95) = \$979 million

Total government EI revenues = **\$1.3 billion**

Question 1. How much do governments earn from petroleum and mining?

Cameroon EI receipts over time, 2002-2008.



- Period of sharply rising prices, slowly declining production
- What explains drop in 2006 – 2007?

Question 1. How much do governments earn from petroleum and mining?

How dependent is Cameroon on EI revenues?

1. EI revenues as a % of GDP

- $\$1.3 \text{ billion} / \$23 \text{ billion (IMF)} = 5.6\%$

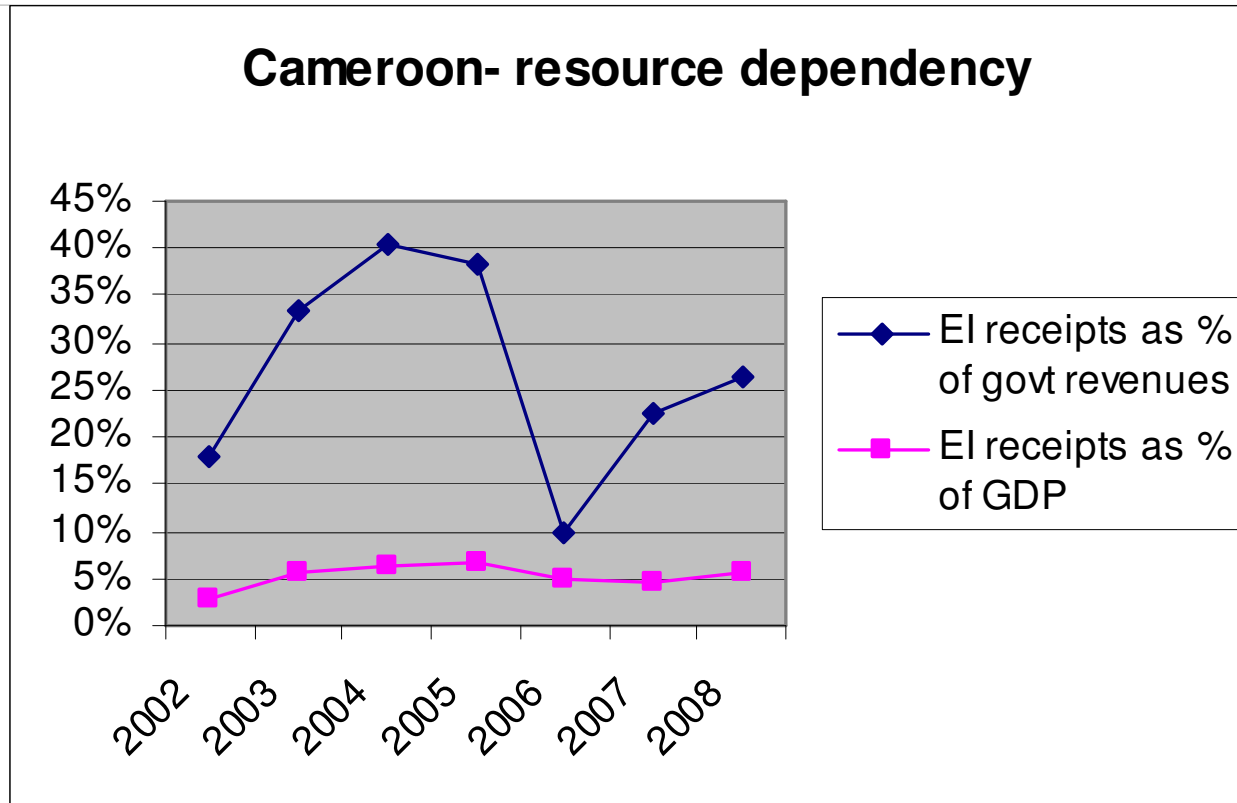
2. EI revenues as a % of total government revenues

- $\$1.3 \text{ billion} / \$4.9 \text{ billion (IMF)} = 27\%$

3. EI revenues per capita

- $\$1.3 \text{ billion} / 19 \text{ million} = \68 per person

Question 1. How much do governments earn from petroleum and mining?



Resource dependency over time

Looks like Cameroon's economy is growing?

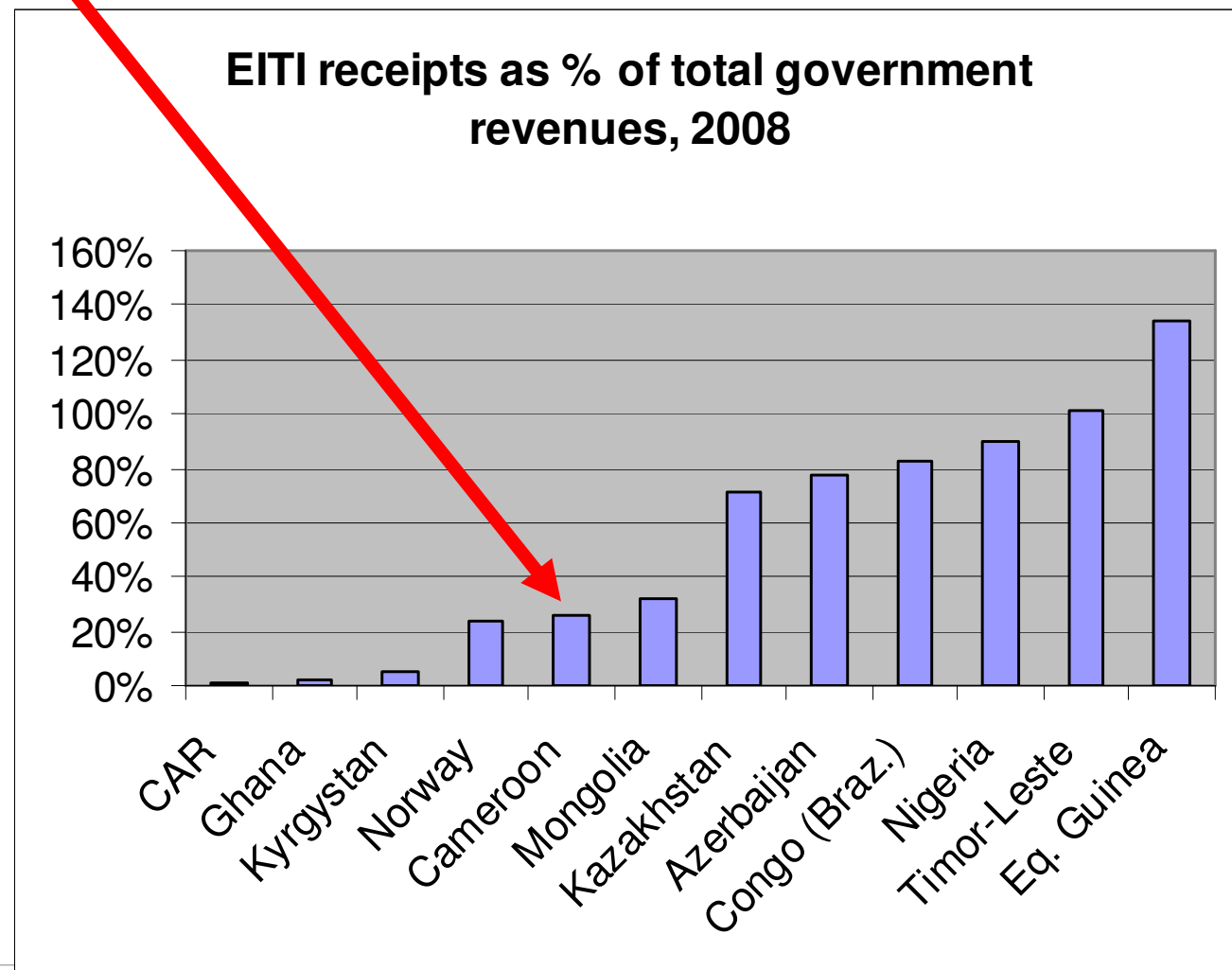
What happened in 2006? Huge jump in total revenue numbers!

\$2.9 billion in 2005; \$8.5 billion in 2006; \$4b in 2007 (IMF)

What happens when oil runs out?

Question 1. How much do governments earn from petroleum and mining?

How does Cameroon compare?



Q 2. Does Government get a good deal?

- Government “take” = portion of total possible earnings that are captured by government
- Very difficult to determine using EITI reports
- Government take will differ across countries
 - Phase of production
 - Risks (political, geological, etc.)
 - Costs (geology, security, location, infrastructure)
 - Quality of product
 - Contract terms

Q 2. Does Government get a good deal?

EITI numbers can give a very rough calculation of government “take”

Total EI revenues

/

Total value of production (production x price)

Q 2. Does Government get a good deal?

Example. Ghana & Mali. Gold. 2006

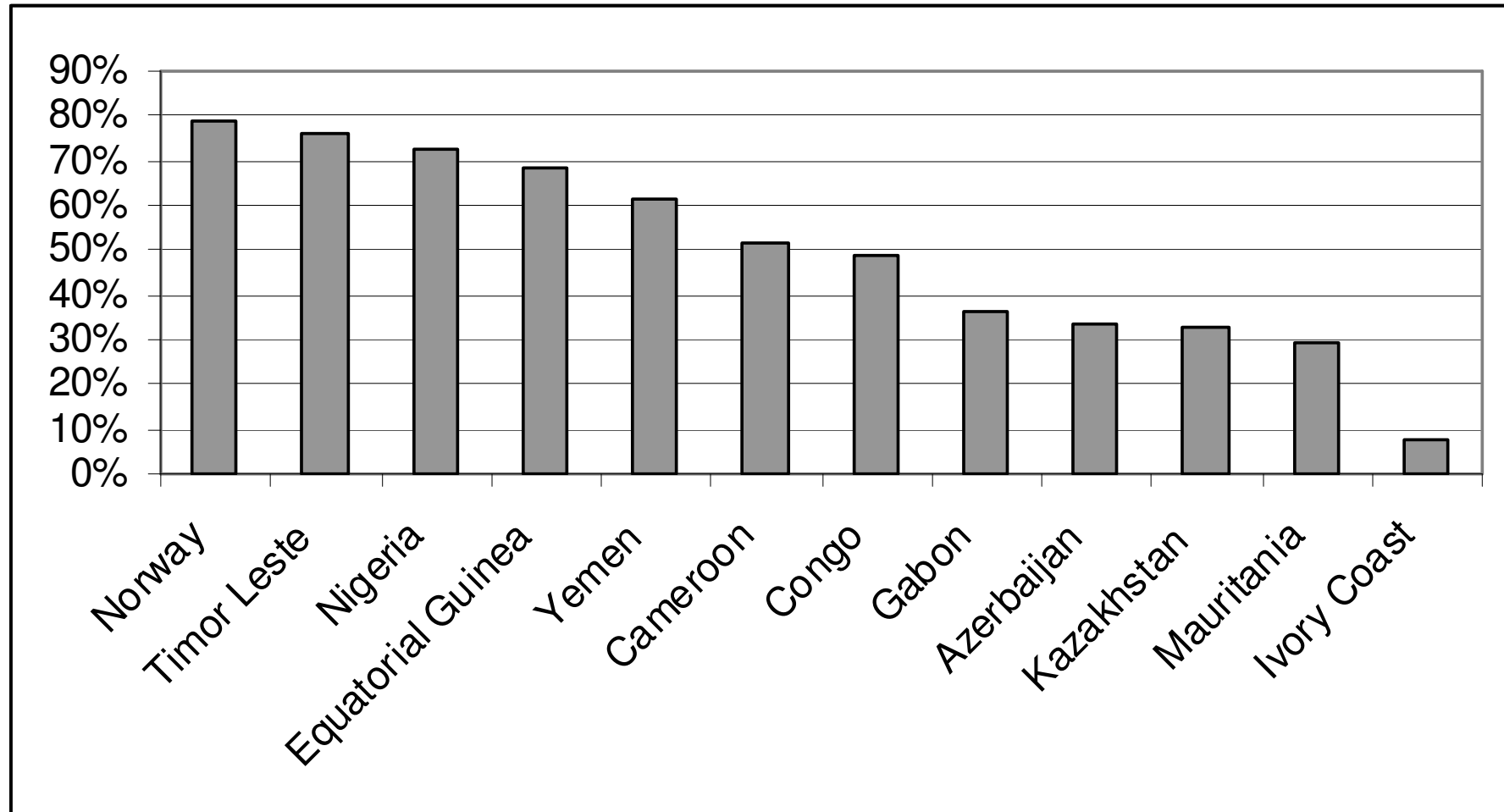
Country	Production (kg.)	Price per kg (global ave)	Total value of production	EITI gold revenues	% of total value of production
Ghana	69,817	\$21,376	\$1,492,408,192	\$64,400,768	4.30%
Mali	51,957	\$21,376	\$1,110,632,832	\$221,333,359	19.90%

Need to ask more questions!

- Does Mali's EITI report cover more than Ghana's?
- Are Ghana's costs higher or mines at a different stage of production?
- Do the contract terms differ?

Q 2. Does Government get a good deal?

Comparing Oil Producers



Most differences can be explained.

Q 3. Where do EI revenues come from?

- All reports disaggregate by revenue stream, at least partially.
- Can use this data to determine:
 - Which revenue streams are largest?
 - Which agencies collect these revenues?
- Findings
 - Understand the **fiscal regime**
 - Observe changes in fiscal regime over time
 - Identify oversight priorities

Q 3. Where do EI revenues come from?

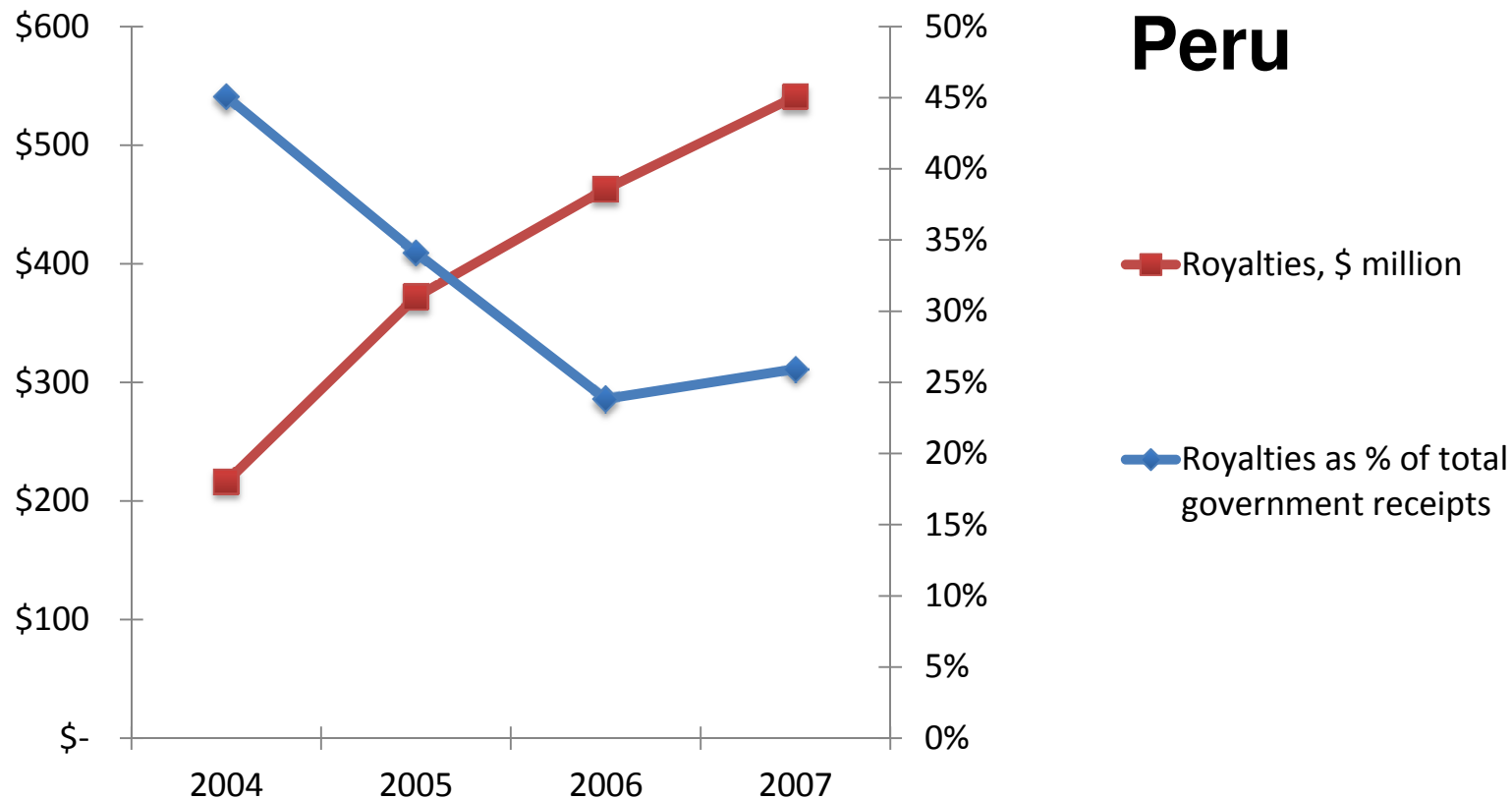
Example: Royalties in Peru

	Royalties, \$ million	Royalties as % of total government receipts
2004	\$ 216	45%
2005	\$ 372	34%
2006	\$ 463	24%
2007	\$ 541	26%

2004 calculations:

royalties (\$216m) / total revenues (\$480m) = 45%

Q 3. Where do EI revenues come from?

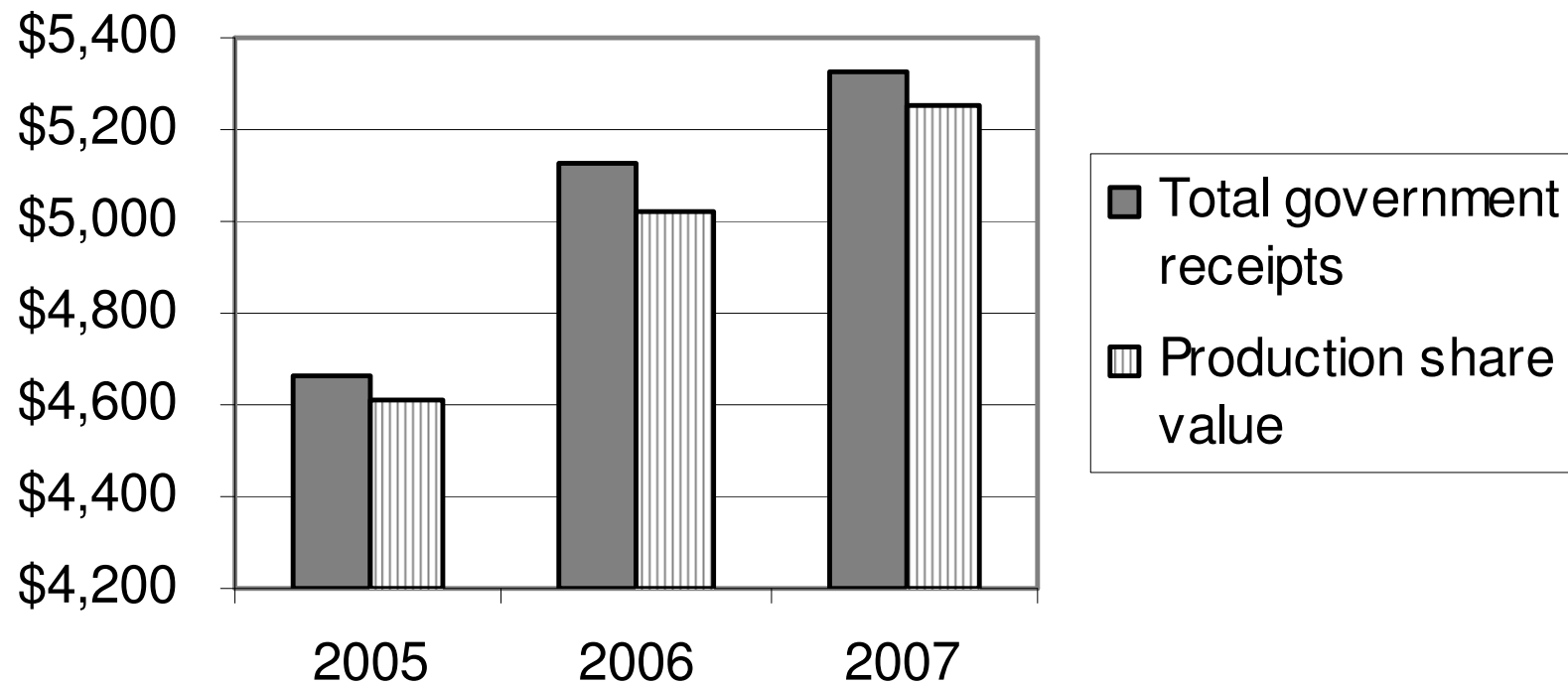


- Royalties increase in value but decrease in importance
- Makes sense during period of rising prices

Q 3. Where do EI revenues come from?

Analyze revenue stream data to identify oversight priorities

Yemen



Q 3. Where do EI revenues come from?

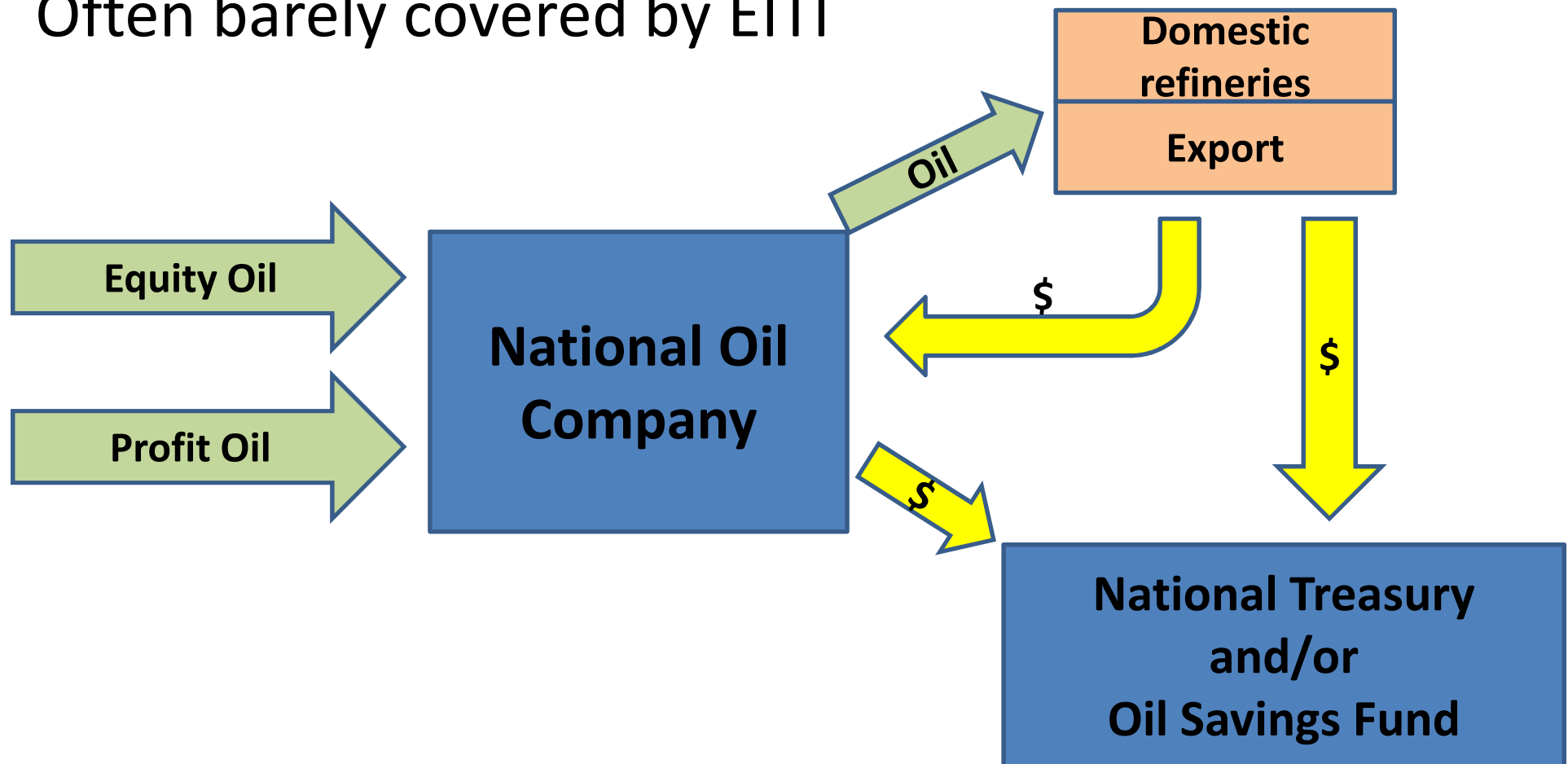
In-kind oil receipts dominate revenues in several countries:

- Yemen- 98% average
- Cameroon- 80%
- Nigeria- 67%
- Also large in Azerbaijan, Gabon, Congo-Brazzaville

Is there enough transparency and accountability around the associated transactions?

Q 3. Where do EI revenues come from?

- Need to scrutinize the associated transactions
- Often barely covered by EITI



Q 4. Where do EI revenues go?

Once collected, do the revenues end up in the budget?

- Compare EITI revenue numbers with other revenue numbers:
 - Government budget documents
 - Natural resource savings funds
 - IMF and World Bank reports
- Relies on the availability of other information. EITI not enough!

Q 4. Where do EI revenues go?

Mauritania 2006 EITI report

- \$108 million signature bonus
- 2005 total EI revenues = \$29 million
- 2006 total EI revenues = \$280 million
- Total increase in EI revenues = **\$251 million**

Can we see the impact this large increase on the country's general budget?

Q 4. Where do EI revenues go?

Government medium-term expenditure plan :

- 2005 budget = \$527 million
- 2006 budget = \$660 million
 - Increase = **\$133 million**
- 60% of EI revenues go to savings fund.
 - 40% of \$280m = **\$112 million**
- \$133m + \$112m = **\$245 million**

IMF Article IV report :

- EI revenues = 10.6% of GDP in 2006 (around \$286 million – very close to the EITI figure)
- Drop back down 4.1% in 2007, as you'd expect given one-off bonus.

Other questions to ask using EITI data

Company data

For reports with company disaggregation.

DRC, Ghana, Guinea, Liberia, Mongolia, Niger, Nigeria, Norway, Peru, Sierra Leone and Timor-Leste

- Which companies pay the most?
- Are the fiscal regimes the same?
- Do revenue levels correspond with production levels?
- Do the differences make sense?

Company-by-company reporting requirements are spreading globally.

EITI must keep up!

Other questions to ask using EITI data

Discrepancies

- Cause of discrepancies. Should be part of reconciler's TORs
- What's done about them?
- Do they improve over time?

Other questions to ask using EITI data

The effects of price volatility

- Wild price fluctuations in 2005-2010.
- EITI data could evaluate how well countries weathered the storm
 - How much of the price windfalls did they capture?
 - How much did they suffer when prices dropped?
- Fiscal regimes vary in their price sensitivity.
- For this kind of analysis, reports must be regular and have full revenue stream disaggregation.

Other questions to ask using EITI data

Mysteries....

- EITI reports contain confusing information, things that don't make sense
- Seek out explanations

Examples:

- Cameroon royalties in 2006-08 were negative; government paid royalties to the oil companies.
- Ghana's and Sierra Leone's mining revenues appear lower than expected.
- Azerbaijan's royalty receipts: \$400 million in 2004; \$52.6 million in 2005; \$190 million in 2007.

Final thoughts on analyzing EITI data

- Analyze with other relevant data [see handout].
- Use reports to identify questions for further investigation and establish oversight priorities
- Vital importance of ***IMPROVING REPORT QUALITY!***
 - In ‘Report Quality’ session, we discuss the qualities of a good report. Reliability, Comprehensiveness, Clarity, etc.
- EITI data is not comparable across countries. Should it be?