What makes a good EITI report?

Purpose

To identify the ingredients of a good report and assess existing reports to see how they perform.

EITI Criteria

1. **Publication** of <u>all</u> material oil, gas and mining payments by companies to, and all revenues received by, governments *(accessible-comprehensive-comprehensible)*

2. Payments and revenues subject to **independent audit** (international standards)

3. Payments and revenues **reconciled by independent administrator**

4. **All companies involved**, including state-owned enterprises

5. **Civil society is active** in design, monitoring and evaluation and contributes to public debate.

6. A public, financially sustainable **work plan** for the above (incl. targets, timetable, identification of capacity constraints)

So far, uneven report quality

- EITI provides basic rules for what needs to be in a report (EITI Criteria and Rules)
- But mostly it's up to the countries to determine the nature and scope of their report
- 50 reports published so far by 23 countries
- Results vary drastically. Some educate the reader about EI revenues; others are confusing and unhelpful.

Why we need better reports

- Accountability only works if people can understand the reports
- Knowledge of extractive sectors only increases if numbers are accurate and complete
- EITI will only be sustainable if the reports are valued. If they are a reliable source of information, people will demand their publication.

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RWI Quality Indicators

- A tool to advance the cause of report quality
- Not exhaustive
- Tried to pick comparable, objective items
- Some are EITI requirements, others are basic good practices
- Draw on civil society analysis of reports from across implementing countries
- Focus on the reports only, not the process of their preparation or dissemination

1. Regularity

Does the country produce reports every year?

- Measured 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 eight year.

2. Timeliness

How recent is the data in the report?

- Measured 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.

3. Materiality

Is it clearly defined?

- Setting a reasonable materiality threshold ensures that the report covers important revenue flows without overburdening its compilation.
- EITI criteria and validation indicators 14 and 15 mention the need for reporting on “material” revenues.

3. Materiality

- Thirteen countries state materiality thresholds in their most recent reports.
- Examples:
  - Mongolia: All companies whose total payments exceed MNT 100 million in 2008
  - Mali: All companies that operate the 7 main mines and whose cash flows are greater than 50,000,000 FCFA for the year. Small-scale miners are excluded.

4. Data reliability

- Is the data provided by companies and governments audited?
- Measured as whether the country's EITI rules require companies and government to provide data from audited financial statements.
- The EITI criteria require reports to reflect international audit standards, as do validation indicators 12 and 13.
- Challenges of applying this rule in practice, EITI will try to clarify through impending rule changes

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5. Coverage

Does the report leave out anything important?

- All the main revenue streams
  - royalties, taxes, fees, bonuses and state-owned enterprise revenues);
- Payment data from all significant companies
- The price of the commodity
  - Needed to determine the value of in-kind receipts and to calculate royalties
- Production data

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

6. Discrepancies

- When payments and receipts do not add up, does the report explain why?
  - Do the reconcilers try to explain the discrepancies?
  - Do the reconcilers provide 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.
- A step beyond: Timor-Leste described in detail why petroleum revenues in the EITI report differ by 10 percent from those reported by its petroleum fund.

7. State-Owned Enterprises (SOE)

- SOEs – usually national oil companies-- often receive large revenues on behalf of government.
- The EITI criteria explicitly require the inclusion of SOEs.
- National oil companies receive over 90% of oil revenues in Yemen, 70% in Cameroon and 60% in Nigeria – very important, require transparency and oversight!

8. Disaggregation

Is revenue data broken down so as to be 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.
- Disaggregation by:
  - a) company;
  - b) revenue stream;
  - c) project;
  - 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. No one disaggregated by project or explicitly by commodity.

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9. Comprehensibility

Can readers understand the report?

- We assess 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;
  - d) a definition of terms.
- The EITI criteria and validation indicator 18 require reports to be “comprehensible.”
- Indicators not enough to capture readability. Many reports score well but are still hard to understand.

10. Accessibility

Can a citizen find and read the report?

- We identify whether it is available in the official languages of the country and easily accessible on a government website.
- This is a low standard – lots that needs to be done to disseminate reports.
- The EITI criteria and validation indicator 18 require reports to be “accessible.”

Assessing Report Quality

-RWI's findings

-Assessing a report

RWI quality assessment

- Most recent report from each country = 23 total
- Indicators are minimum ingredients, a way to start the conversation

Assessing a report

- Does it tell the story of the sector in your country?
- What is unclear?
- What is left out?
- How does it do against the 10 indicators?