Using EITI Data

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

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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 billion / $23 billion (IMF) = 5.6%

2. EI revenues as a % of total government revenues
   • $1.3 billion / $4.9 billion (IMF) = 27%

3. EI revenues per capita
   • $1.3 billion / 19 million = $68 per person
Question 1. How much do governments earn from petroleum and mining?

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?

EITI receipts as % of total government revenues, 2008

CAR, Ghana, Kyrgyzstan, Norway, Cameroon, Mongolia, Kazakhstan, Azerbaijan, Congo (Braz.), Nigeria, Timor-Leste, Eq. Guinea
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?


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

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

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Q 3. Where do EI revenues come from?

Example: Royalties in Peru

<table>
<thead>
<tr>
<th></th>
<th>Royalties, $ million</th>
<th>Royalties as % of total government receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$216</td>
<td>45%</td>
</tr>
<tr>
<td>2005</td>
<td>$372</td>
<td>34%</td>
</tr>
<tr>
<td>2006</td>
<td>$463</td>
<td>24%</td>
</tr>
<tr>
<td>2007</td>
<td>$541</td>
<td>26%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total government receipts</th>
<th>Production share value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$4,200</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$4,400</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$5,000</td>
<td></td>
</tr>
</tbody>
</table>

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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

Domestic refineries
Export

Equity Oil
Profit Oil

National Oil Company

National Treasury and/or Oil Savings Fund

$ $ $
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?