

Board Paper 26-7

2013 EITI Annual Accounts & 2014 forecast

For approval

The EITI Finance Committee presents the Board with the 2013 accounts of the EITI International Management which are in line with the 2013 audited figures. The accounts are being submitted to the Board for approval.

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EITI ANNUAL ACCOUNTS 2013

1 2013 EITI Annual Accounts

The EITI annual accounts for 2013 were received from the EITI's auditor, MGI Revisjon, on 11 February 2014. This paper presents the Board with a set of accounts for the period 1 January to 31 December 2013 and is submitted to the Board alongside the audited accounts submitted through the Audit Committee.

The EITI International Management's revenue in 2013 was US \$5.8m and it spent US \$6.5m. This was against an approved a budget of US \$4.1m. The expenditure of US \$6.5m (US \$2.4m above the budgeted amount) largely relates to expenditure that was foreseen in the workplan but always intended to be funded separately (parallel funding). Specifically these were parallel funded expenses of US \$1.7m related to the hosting of the EITI Conference (US \$1.24m), four regional training events on the EITI Standard (US \$0.22m with a further US \$0.10m received in early 2014), Board meetings (US \$0.56m), and a data use project totalling (US \$0.15m). Removing these parallel funded activities from the accounts, revenue was as budgeted and expenditure was US \$0.8m overspent. The over-expenditure in 2013 was borne by the positive carryover from 2012 (US \$2.5m).

As at 1 January 2013, the bank account balance was US \$2.5m and as at 31 December 2013 the balance, including the reserve, was US \$1.7m. The reserve fund of US \$0.5m, agreed by the Board in 2010¹ to cater for fluctuations in the exchange rate and uncertainties in some major funding streams, remains untouched.

On the revenue side, the Secretariat raised more than budgeted: US \$5.8m compared to the budget forecast of US \$4.1m. As noted before, this was largely due to parallel funding related to the Conference, but also due to a widening of the funding base.

As per the approved 2013 budget, the expected contribution from the host government of Norway was set at US \$0.6m. In the absence of a formal agreement this amount no funding will be received for 2013. Norway is, however, committed to continued substantial contributions to the EITI Secretariat in the future and a formal agreement for resumption of long-term support will be signed in 2014.

Although there were significant differences between the forecast budget and the actual expenditure, most of these are explained by parallel funding and some unpredictability in the timings of payments rather than underlying structural issues. However, there are clear lessons for improvement in budgeting, including better quarterly forecasting of expenditure against agreed budget lines and on parallel funding.

¹ When established in 2010, the reserve of US \$500,000 equalled Norwegian Kroner (NOK2.7m). Due to interest accrued, the reserve now stands at NOK 2.9m which, with the average exchange rate used for the 2013 accounts, translates to US \$496,000 (US \$509,000 in 2012).

The financial status of the EITI International Secretariat for 2013 is briefly summarised in table 1 below.

Table 1: Revenue and Expenditure January-December 2013

Revenue and Expenditure 2013 (US \$)			
<i>(2013 budget: 4 075 000)</i>			
Revenue		Expenditure	
Carry over from 2012	2 452 945		
<i>of which reserve</i>	<i>500 000</i>		
<i>Balance</i>	<i>1 952 945</i>		
2013 revenue	5 783 439	2013 expenditure	6 512 310
TOTAL	7 736 384		6 512 310
Bank Balance at 31 Dec 2012 (including reserve)			1 724 124

2 2013 Revenue

The EITI received US \$5.8m in 2013 compared to US\$4.8m in 2012, including parallel funding amounting to US \$1.7m as shown in Table 2 below. As the Secretariat managed to further broaden its funding base, the absence of a Norwegian contribution was offset and - excluding parallel funding - revenue was in line with the forecast of US \$4.1m. As agreed by the Board, the International Secretariat sent out its funding requests in line with the financing formula agreed at the Berlin Board meeting in April 2007. Table 2 breaks down the contributions by type of stakeholder.

Table 2: Revenue 2008 – 2013 broken down by constituency

Source	2008	2009	2010	2011	2012	2013	2013	% of 2013 planned budget received
	Actuals						Budget	
Core contribution, Government of Norway								
Government of Norway	500 000	560 000	602 654	669 442	583 333	0	600 000	0 %
Supporting countries, International Development Agencies (IDAs) and NGOs (approximately 50% of remaining requirement)								
Civil society	130 109	0	0	0	0	0	10 000	0 %
Supporting countries & IDAs	939 018	2 034 945	1 328 431	2 317 486	2 436 056	3 655 678	1 737 500	210 %
Private sector (approximately 50% of remaining requirement)								
Investors	10 942	9 763	4 180	14 355	12 537	9 747	10 000	97 %
Oil and Gas (2/3 after investors)	755 562	882 879	748 615	1 003 330	1 253 764	1 205 073	1 145 000	105 %
Mining and Minerals (1/3 after investors)	274 436	441 440	129 960	816 439	635 104	903 537	572 500	158 %
Non-extractives						10 359		
TOTAL REVENUES (excluding reserve)	2 610 067	3 929 027	2 813 840	4 821 052	4 920 795	5 784 394	4 075 000	142 %

Table 3 below sets out the revenue of the EITI International Secretariat in the period January–December 2013. In total, 64 organisations contributed to the EITI International Management in 2013 compared to 54 in 2012. The first column of table 3 shows the amount received and the currency it was received in. The second column shows the actual amount received in NOK. The third column shows the amount received based on the average exchange rate for 2012 (1US \$=5.8 NOK)² for accounting purposes.

² Average Rate for 2013: 1USD=5,8 NOK

Source = <http://www.xe.com/currencytables/?from=USD&date=2013-06-01>

Table 3: 2013 Revenue³

Funding Received 1 January - 31 December 2013			
Name	Amount	Amount NOK	Amounts US\$
Governments, Civil Society & International Dev. Agencies			
African Development Bank (21 st Board Meeting)	\$10 000	54 390	9 378
AusAid (Conference) ⁴	€ 779 300,00	5 924 139	1 021 403
Natural Resources Canada	CAD\$45 000	254 678	43 910
MFA Denmark	DKK 1 500 000	1 526 150	263 129
DFID (UK)	£200 000	1 790 400	308 690
DFID (UK) - Open Data Programme	£100 000	875 200	150 897
MFA Finland	€ 500 000	3 718 230	641 074
MFA Germany	€ 190 000	1 497 750	258 233
MFA Italy	€ 50 000	395 780	68 238
KFW Bankengruppe	\$10 000	55 149	9 508
MFA Sweden (SIDA)	SEK 2 500 000	2 325 825	401 004
MFA - The Netherlands	\$250 000	1 490 650	257 009
World Bank MDTF (Training)	\$212 120	1 294 591	223 205
<i>Total revenue from Govt's, CSO and Int. Dev. Agencies</i>		<i>21 202 932</i>	<i>3 655 678</i>
Institutional Investors			
Allianz Global Investors	\$2 000	11 653	2 009
Canada Pension Plan	\$2 000	11 422	1 969
Ethos - Foundation Suisse	\$500	2 705	466
NAMF Mauritius	\$2 000	11 027	1 901
OPSEU Pension Trust	\$1 500	8 883	1 532
SNS Reaal NV	\$2 000	10 842	1 869
<i>Total revenue from Institutional Investors</i>		<i>56 532</i>	<i>9 747</i>
Companies			
Oil & Gas			
KOGAS	\$10 000	61 123	10 538
Africa Oil Corporation	\$10 000	61 050	10 526
BG International	\$60 000	344 414	59 382
BP International Ltd.	\$60 000	330 025	56 901
BP International Ltd. (19th Board meeting)	£30 000	271 822	46 866
Caracal Energy Inc.	\$10 000	59 220	10 210
Capricorn Energy Ltd	\$10 000	61 312	10 571
Chevron Products Company	\$60 000	367 986	63 446
ConocoPhillips	\$60 000	342 893	59 119
Dong EP A/S	\$10 000	60 670	10 460
ENI SPA	\$60 000	341 509	58 881
Exxon Mobil Corporation - PTP	\$60 000	326 368	56 270

³ Average Rate for 2013: 1USD=5,8 NOKSource: <http://www.xe.com/currencytables/?from=USD&date=2013-06-01>⁴ 2013 funding from the Government of Australia was received in 2012.

Funding Received 1 January - 31 December 2013			
Name	Amount	Amount NOK	Amount US \$
<i>Oil & Gas</i>			
Galp Energia S A	\$10 000	54 983	9 480
GDF Suez E P	\$20 000	122 240	21 076
Hess Corporation	\$60 000	332 067	57 253
Kosmos Energy LLC	\$10 000	54 021	9 314
Lundin Petroleum	\$35 000	194 635	33 558
Marathon Oil Co.	\$60 000	364 939	62 921
Mærsk Oil	\$60 000	334 202	57 621
MOL Group	\$17 500	103 331	17 816
Noble Energy (2014 funding)	\$60 000	365 179	62 962
Oil Search PNG	\$35 000	192 677	33 220
Pacific Stratus	\$35 000	198 906	34 294
Petrobras	\$60 000	342 953	59 130
Shell International	\$60 000	330 770	57 029
Talisman Energy	\$60 000	365600	63 034
TOTAL SA	\$60 000	340838	58 765
Woodside (2012+2013)	\$120 000	663 692	114 430
<i>Total revenue from Oil & Gas</i>		<i>6 989 425</i>	<i>1 205 073</i>
<i>Mineral & Mining</i>			
Alliance Mining Commodities Ltd.	\$10 000	60 504	10 432
Arcelor Mittal (2012 funding)	\$60 000	338 053	58 285
Base Titanium Ltd. (2014 funding)	\$10 000	61 045	10 525
BHP Billiton (Conference)	\$200 000	1 159 400	199 897
Dundee Precious Metal	\$10 000	55 709	9 605
ERAMET	\$20 000	110 450	19 043
Glencore International AG	\$60 000	367 310	63 329
ICMM	£260 000	2 228 325	384 194
Impala Platinum Ltd.	\$10 000	57 004	9 828
Kinross Gold	\$50 000	289 724	49 961
London Mining PLC	\$10 000	61 139	10 541
Paladin Energy Ltd.	\$5 000	29 080	5 014
Rio Tinto (Conference)	\$15 000	86 618	14 934
RWE Aktiengesellschaft	\$35 000	194 023	33 452
Swala Energy Ltd. (2014 funding)	\$10 000	61 350	10 578
Timor Gap E.P	\$10 000	59 221	10 211
Tata Steel CI	\$4 000	21 509	3 708
<i>Total revenue from Mineral & Mining</i>		<i>5 240 515</i>	<i>903 537</i>
<i>Non-extractive companies</i>			
Spatial Dimension Canada Inc.	\$5 000	30 713	5 295
Volkswagen AG	\$5 000	29 368	5 063
<i>Total revenue from non-extractive companies</i>		<i>60 081</i>	<i>10 359</i>
Total revenue in 2013 including parallel funding		33 549 431	5 784 394

The Finance Committee would like to bring the Board's attention to the following additional points:

- Fundraising efforts saw 10 new companies provide funding to the EITI for the first time (Africa Oil Corporation, Caracal Energy Inc., Capricorn energy Ltd., Lundin Petroleum, MOL Group, Oil Search

PNG, Paladin Energy, Swala Energy Ltd., Spartial Dimension Canada Inc., Tata Steel, and Timor Gap EP).

- The Government of Italy renewed funding in 2013.
- No funding was received from civil society organisations in 2013.

2.1 2013 Parallel funding

In addition to the core funds received to support the EITI International Management, a number of parties choose to provide parallel targeted financial support to a host of events and activities in the 2013 workplan. Some workplan activities were not included the budget, for example the four (Abidjan, Almaty, Bogota and Jakarta) regional training events held on the EITI Standard and the Open Data project. World Bank funding (US \$0.1m) for the training held in Abidjan in October 2013 was received in Jan 2014, so is not included in the table below though the costs were incurred to the International Secretariat in 2013.

The table below shows parallel funding received in 2013.

Table 4: Parallel funding 2013

Parallel Funding – 2013			
Name	Amount pledged	Received NOK	Total US\$
African Development Bank (21 st Board Meeting)	\$10 000	54 390	9 378
AusAid (Conference)	€ 779 300	5 924 138	1 021 403
BHP Billiton (Conference)	\$200 000	1 159 400	199 897
BP International Ltd. (19th Board meeting)	£30 000	271 822	46 866
DFID (UK) - Open Data Programme	£100 000	875 200	150 897
Rio Tinto (Conference)	\$15 000	86 618	14 934
World Bank MDTF (Central Asia Training)	\$66 870	409 264	70 563
World Bank MDTF (LAC Training)	\$80 000	483 812	83 416
World Bank MDTF (SE Asia training)	\$65 250	401 514	69 227
Total parallel funding received 2013		9 666 159	1 666 579

3 2013 Expenditure

Taking out parallel funded expenditure, the actual expenditure in 2013 exceeded the budget by US \$0.8m, i.e. almost 20%. This is explained as follows:

- Implementation costs at US \$0.7m were 149% of what was foreseen,, mainly due to the four regional training events on disseminating the EITI Standard, which received parallel funding of US \$0.2m from the World Bank MDTF in 2013, and a further US \$0.1m in January 2014.
- The costs of the Board meetings in Oslo (February 2013) and Abidjan (October 2013) at US \$0.6m were higher than expected, 19 % over budget. This was mainly due to the high cost of venue, travel and accommodation costs at both destinations and high interpretation costs. These received an US \$0.04m in parallel funding from BP and the African Development Bank, but no overall funding from the host governments as is sometimes the case for Board meetings⁵.

⁵ Breakdown of Board meeting costs in 2013 (total: US \$0.61):

- Also included in the Board meeting costs is a special financial support of US \$0.06m to fund Civil Society participation at all committee meetings from 2013 to 2015. These funds will mainly be used for interpretation and internet/telephone costs.
- A number of outreach missions in 2013 required the services of interpreters and security detail.
- Conference costs: Once parallel funding amounting to US \$1.2m from the Government of Australia, BHP Billiton and Rio Tinto in 2013 is taken out, there was an underspend of almost US \$0.3m.
- Communication costs in 2013 included the special parallel project of US \$0.15m funded by DFID to promote the use of data including production of apps and “#followthedata” events. There was, however, an overspend of this budget line of almost US \$0.16m. Costs falling under this budget line included all translation and printing costs related to EITI publications and web hosting and translation costs for the improved EITI website.
- The overspend on the line item for office expenses⁶ of US \$0.1m reflects partly increasing cost of internet and telephone for Board Committee meetings. The Secretariat also invested in a high quality printer in 2013 to reduce overall printing costs. Payments were also made in 2013 for office furniture that was purchased in December 2012. Until the end of 2012, both telephone and internet costs were subsidised by the host (NORAD).

Other Board meeting costs including venue, reception, accommodation & Financial support to fund Civil Society participation at all committee meetings until 2015 – \$ 303 337

Interpretation - \$148 810

Travel \$ 101 406

Printing\$ 51 235

Postage \$ 251

⁶ Breakdown of office expenses (total: US \$0.45)

Internet and webhosting costs – \$ 141 465

Telephone- \$120 353

Office rent – \$ 65 038

Inventory (including printer and furniture) – \$ 29 414

Newspapers, books etc - \$25 087

Accounting & Auditor costs – \$24 483

Rental (office equipment) - \$ 12 667

Stationery - \$8 965

Banking costs - \$ 7 744

Entertainment expenses - \$ 7 503

Other miscellaneous expenses - \$ 5 399

Write-off assets - \$ 3 431

Table 5: 2013 Expenditure

Expenditure January-December 2013								
Description of costs	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Budget 2013	Parallel Funds 2013	Budget+Funds 2013	% of Budget+Funds
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Implementation	206 902	158 826	199 607	705 680	250 000	223 206	473 206	149 %
Outreach	104 683	141 926	168 741	211 977	150 000		150 000	141 %
Board Meetings	457 825	433 921	496 215	605 039	300 000	56 244	356 244	170 %
Conference	219 192	1 102 371	261 457	1 442 209	500 000	1 021 403	1 736 234	83 %
Communications	95 254	171 741	173 152	460 777	150 000	150 897	300 897	153 %
Chair's Support	153 766	62 526	34 747	35 020	50 000		50 000	70 %
Project Consultants	106 845	305 871	168 062	185 874	150 000		150 000	124 %
Salary	1 403 359	1 902 048	1 779 235	2 259 586	2 100 000		2 100 000	108 %
Other Staff costs	93 757	128 696	173 435	154 599	125 000		125 000	124 %
Office Expenses	179 275	259 663	562 031	451 549	300 000		300 000	151 %
Reserve		509 434			0		0	0 %
Total Budgeted expenses	3 020 858	5 177 023	4 016 682	6 512 310	4 075 000		5 741 581	113 %

4 Conclusion

Although 2013 was an unusual financial year with unprecedented parallel funding making budgeting unpredictable, it is clear that after years of spending less than it received, the Secretariat failed to predict some major expenses in Q4 of 2013. The Finance Committee highlights three implications for the 2014 budget:

1. Parallel funding is difficult to plan since it is based on opportunity and necessity, and on unpredictable factors such as the location of Board meetings. There is therefore, a clear need to do more to integrate parallel funding into the budget plans and the quarterly accounts.
2. There is a need to better plan the expenditure over the coming quarter. The Q3 accounts failed to foresee the major costs in Q4.
3. The budget for 2014 of US \$4.1m is maintained for now, but the Finance Committee notes two items which might need revision. Firstly, there has been a repeated overspend on Board meetings though that might be addressed by a US \$0.1m (33%) increase in the 2014 budget. Secondly, though three paid staff have left or are due to leave in the 2014, there is a significant recruitment process which might exceed the workplan idea of 1-3 new staff members and the US \$0.1m increase in salary costs. In addition, a review of technical support to implementing countries planned for mid-2014 might have further staffing implications. Being the biggest budget line, the Committee will follow this closely.

Overall, the Committee does not consider the differences between projections and actuals in 2013 to represent a structural situation and does not recommend that the 2014 budget figure needs revision. However, the Committee will monitor spending (and revenue) closely (at least quarterly) to ensure that this budget line remains under control.

5 Forward Look: Foreseen activities for Q1 2014

The main activities foreseen in the first quarter of 2014 include:

1. The 26th EITI Board meeting will be held in Oslo 18-19 March 2014. The costs for this meeting are expected to be lower than the meeting held in Oslo in 2012 mainly due to the cheaper venue costs.
2. A training session on the EITI Standard is scheduled to be held in March in Tanzania. Funding amounting to US \$0.1m has been received from the World Bank MDTF in January 2014 for the training in Tanzania (in addition to the US \$0.1m for the training in Abidjan which was also received in January 2014).
3. Two members of staff resigned in December 2013, and a third will leave at the end of March. Recruitment of new staff is currently being undertaken by the Secretariat. Amounts saved in salaries to the two members of staff will be offset by costs of the recruitment process.
4. **The EITI Implementation Committee met in Washington in January 2014. The World Bank hosted the Committee in terms of venue and translation costs, but other costs relating to travel and accommodation will be taken from the Board meeting budget line.⁷**

Board members

David Diamond (Chair)

Olivier Bovet

Ali Idrissa

Natalya Yantsen

Committee advisor

Anwar Ravat

Secretariat

Wouter Biesterbos

Leah Krogsund

Jonas Moberg

Eddie Rich

⁷ Costs for the Chair, 2 Board members, 2 staff members and a reception was approximately \$ 20 000.