

Board Paper 29-8

2014 EITI Annual Accounts and Q1 2015 forecast

For decision

Summary:

The EITI Finance Committee recommends that the Board approves the 2014 accounts of the EITI International Management which are in line with the 2014 audited figures.

EITI ANNUAL ACCOUNTS 2014

Contents

1	2014 EITI Annual Accounts	1
2	2014 Revenue	2
1.1	2014 Project-specific funding	6
	Table 4: Project-specific funding 2014	6
3	2014 Expenditure	7
4	Conclusion	8
5	Forward Look: Foreseen activities for Q12015	9

1 2014 EITI Annual Accounts

The EITI annual accounts for 2014 were received from the EITI's new auditor, HCA Revisjon & Rådgivning, on 3 March 2015. This paper presents the Board with a set of accounts for the period 1 January to 31 December 2014 and is submitted to the Board alongside the audited accounts submitted through the Audit Committee.

The EITI International Management's budget broke even in 2014. Its **revenue** in 2014 was US \$5.0m and it **spent** US \$5.0m. This was against an approved **budget** of US \$4.6m. The expenditure of US \$5.0m relates to higher than foreseen expenditure on the budget lines on implementation, board meetings, communication and salaries, and includes US \$0.1m project-specific expenditure on Asia workshops during the EITI Board Meeting in Myanmar. The higher than budgeted revenue arose from a widening funding base.

As at 1 January 2014, the bank account balance was US \$1.5m and as at 31 December 2014 the balance, including the reserve, was US \$1.3m. The bank account is held in Norwegian kroner and the deterioration of this balance is due to the falling value of the kroner against the US dollar. The reserve fund of US \$0.4m, agreed by the Board in 2010¹ to cater for fluctuations in the exchange rate and uncertainties in some major funding streams, remains untouched.

The financial status of the EITI International Secretariat for 2014 is briefly summarised in table 1 below.

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 closing exchange rate used for the 2014 figures, translates to US \$396.000 (US \$474.000 in 2013).

Table 1: Summary figures January-December 2014

EITI Reporting 2014

All figures in US\$ thousands

Main figures	2014	2013
<i>average rate NOK/USD</i>	6,30	5,80
Revenue	5 031	5 784
Expenditure	5 026	6 512
Net financial revenue	10	21
<u>Net result</u>	14	- 707
<i>closing rate NOK/USD</i>	7,43	6,08
Equity* 01.01.	1 287	2 144
Equity 31.12. (incl. currency translation)	1 066	1 287
Bank balance at 31 Dec (including reserve)	1 318	1 523

*Equity is the net of assets and liabilities and represents the amount that is carried over to the next period.

2 2014 Revenue

The EITI received US \$5.0m in 2014 compared to US\$5.8m in 2013. The project-specific funding was at a high level in 2013 at US \$1.7m due to the Global Conference in Sydney. As the Secretariat managed to further broaden its funding base - excluding project-specific funding - revenue was above the approved budget of US \$4.6m. 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 2010 – 2014 broken down by constituency**EITI Reporting - Expenditure 2014**

All figures in US\$ thousands

Item	2010	2011	2012	2013	2014	2014	% change vs budget
	Actual	Actual	Actual	Actual	Actual	Budget	
Core contribution, Government of Norway							
Government of Norway	603	669	583	0	714	750	-5 %
Supporting countries, International Development Agencies (IDAs) and NGOs (approximately 50% of remaining requirement)							
Civil Society					-	10	
Supporting countries and IDA's	1 328	2 317	2 436	3 656	2 394	1 935	19 %
Private sector (approximately 50% of remaining requirement)							
Investors	4	14	13	10	10	10	0 %
Oil and Gas	749	1 003	1 254	1 205	1 263	1 290	-2 %
Mining and Minerals	130	816	635	904	634	645	-2 %
Non-extractives	0	0	0	10	16	-	100 %
Total Revenues	2 814	4 821	4 921	5 784	5 031	4 640	8 %

As per the approved 2014 budget, the expected contribution from the host government of Norway of US \$0.7m was received in December (for years 2013 and 2014). In Q4 a formal 3-year agreement for the years 2014-2016 was signed with the Norwegian government with a commitment to contribute NOK 2.5m (US \$0.3) in 2015 and 2016 to the EITI International management.

Table 3 below sets out the revenue of the EITI International Secretariat in the period January–December 2014. In total, 66 organisations contributed to the EITI International Management in 2014 compared to 64 in 2013. 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 2014 (1US \$=6.3 NOK)² for the purpose of presenting the figures in USD.

² Average Rate for 2014: 1USD=6,3020 NOK

Source Central Bank of Norway = http://www.norges-bank.no/en/Statistics/exchange_rates/currency/USD/

Table 3: 2014 Revenue

EITI REVENUE JAN-DEC 2014			
Name	Amount paid	Amount received in NOK	Amount received in USD
Governments, Civil Society & International Dev. Agencies			
DFAT – Australia	€ 231 420	1 927 315	305 826
DFAT - Australia (Mongolia funding)	€ 34,53	281 244	44 628
Government of Canada	CAD 100 000	572 350	90 820
Stichting Cordaid	€ 20 000	167 372	26 559
MFA – Denmark	DKK 2 000 000	2 224 900	353 047
MFA -Germany	€ 190 000	1 567 860	248 788
GIZ (Asia training)	€ 6 300	53 130	8 431
MFA – The Netherlands	\$ 200 000	1 228 000	194 859
MFA – Norway (2013 and 2014 funding)	NOK 4 500 000	4 500 000	714 059
MFA – Sweden (SIDA)	SEK 1 300 000	1 225 019	194 386
Government of Switzerland (SECO)	CHF 200 000	1 513 800	240 209
UK Foreign & Commonwealth Office (Latin America & Ca	\$50,000	304 857	48 375
UK Foreign & Commonwealth Office (Mexico training)	\$14,101	83 872	13 309
DFID - UK	GBP 250 000	2 546 150	404 023
World Bank (IBRD) (Anglophone Africa training)	\$54,920	343 430	54 495
World Bank (Francophone Africa Training)	\$110,150	674 886	107 091
World Bank (Asia Training in Myanmar)	\$50,000	371 660	58 975
Total revenue from Govt's, CSO and Int. Dev. Agencies		19 585 845	3 107 878
Institutional Investors			
Allianz Global	\$2,000	12 194	1 935
APG Asset Management N.V	\$2,000	11 726	1 861
Canada Pension Plan Inv. Board	\$2,000	12 316	1 954
Opseu Pension Trust	\$2,000	14 480	2 298
SNS Reaal NV	\$2,000	12 066	1 915
Total revenue from Institutional Investors		62 782	9 962
Companies			
Oil & Gas			
Afren Plc	\$10,000	61 417	9 746
BG International Ltd.	\$60,000	368 894	58 536
BP International Ltd.	\$60,000	376 259	59 705
Capricorn Energy Ltd.	\$10,000	61 415	9 745
Caracal Energy Inc.	\$10,000	60 950	9 672
Chevron	\$60,000	391 554	62 132
Conoco Philips	\$60,000	377 897	59 965
Dana Petroleum	\$10,000	59 743	9 480
Dong E P	\$10,000	64 825	10 286

ENI Spa	\$60,000	361 951	57 434
Exxon Mobil	\$60,000	386 053	61 259
Galp Energia Group	\$10,000	60 028	9 525
GDF Suez EP	\$35,000	218 873	34 731
Hess Corporation	\$60,000	367 308	58 284
Inpex Corporation	\$60,000	373 800	59 315
KOGAS	\$10,000	67 925	10 778
Kosmos Energy Ltd.	\$10,000	61 289	9 725
Lundin Petroleum AB	\$35,000	214 333	34 010
Mærsk Oil & Gas AS	\$60,000	361 820	57 414
Meta Petroleum Corporation	\$26,250	153 908	24 422
MOL Hungarian Olaj ES	\$17,500	109 104	17 313
Oil Search PNG	\$35,000	236 208	37 481
Pacific Stratus Energy Col Corporation	\$10,000	52 434	8 320
Petrobras	\$60,000	443 660	70 400
Petroleus Mexicanos	\$15,000	102 093	16 200
RWE Aktiengesellschaft	\$35,000	215 775	34 239
Shell International BV	\$60,000	361 850	57 418
Sherritt International (SI) Finance Ltd	\$10,000	65 984	10 470
Statoil ASA	\$60,000	356 000	56 490
Talisman Energy Inc.	\$60,000	368 000	58 394
Timor Gap EP	\$10,000	61 550	9 767
TOTAL SA	\$60,000	362 126	57 462
Trafigura	\$50,000	348 310	55 270
United Hydrocarbon	\$10,000	59 250	9 402
Woodside Offshore	\$60,000	369 094	58 568
Total revenue from Oil & Gas		7 961 680	1 263 358

Mineral & Mining			
ArcelorMittal SA	\$30,000	182 272	28 923
Centerra Gold Inc.	\$10,000	61 250	9 719
Dundee Precious Metals Inc.	\$10,000	61 158	9 705
Eramet	\$20,000	118 280	18 769
Fleurette Properties Ltd.	\$10,000	61 214	9 713
GlencoreXtrata	\$60,000	383 012	60 776
Hudbay Minerals Inc.	\$10,000	59 361	9 419
ICMM ³	£260,000	2 602 270	412 928
Kinross Gold Corporation	\$35,000	217 950	34 584
London Mining Plc	\$10,000	61 473	9 755
Newcrest Mining Ltd.	\$30,000	185 285	29 401
Total revenue from Mineral & Mining		3 993 525	633 692
Non-extractive companies			
Spatial Dimension Canada Inc.	\$5,000	30 495	4 839
KFW Bankengruppe	\$10,000	70 990	11 265
Total from non-extractive companies		101 485	16 104

Total revenue in 2014 including project-specific funding		31 705 319	5 030 993
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³ ICMM members: African Rainbow, Anglo American, AngloGold Ashanti, Antofagasta, Areva, Barrick, BHB Billiton, Codelco, Freeport-McMoRan, Glencore, Goldcorp, Gold Fields, Hydro, JX Nippon, Lonmin, Mitsubishi, MMG, Newmont, Rio Tinto, Sumitomo Metal, and Teck.

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

- Fundraising efforts saw seven new companies provide funding to the EITI for the first time (Afren, Dana Petroleum, Fleurette Properties, Huiday, Sherritt International, Trafigura and United Hydrocarbon). However, a more demanding economic climate has led us to lose support from OK Tedi Mining, London Mining, and Dana Petroleum from 2015.
- The Government of Norway renewed funding for the period 2015-2016 with NOK 2.5m per year in 2014. The Swiss government also renewed funding for the period 2014-2016 with CHF 200,000 per year.

2.1 2014 Project-specific funding

In addition to the core funds received to support the EITI International Management, a number of parties choose to provide project-specific targeted financial support to a host of events and activities in the 2014 workplan. In 2014, project-specific funding was granted for the following projects:

- US \$110,150 from the World Bank Multi Donor Trust fund towards the Francophone Africa Training Workshop held in Abidjan.
- US \$50,000 received from UK Foreign & Commonwealth Office towards the Latin America and Caribbean Training Workshop held in Bogota.
- US \$14,101 received from UK Foreign & Commonwealth Office for outreach training costs in Mexico.
- AUS \$50,000 received from the Department of Foreign Affairs and Trade (DFAT) of Australia for emergency support to the Mongolian national EITI Secretariat⁴.
- USD 54,920 received from the World Bank for EITI implementation training for Anglophone African countries in Dar es Salaam.
- EUR 6,300 received from GIZ for EITI outreach workshop held in Myanmar.
- US \$30,050 will be received from the World Bank for EITI implementation workshop held in Myanmar.

The table below shows project-specific funding received in 2014.

Table 4: Project-specific funding 2014

Project-specific funding - 2014			
Name	Amount paid	Amount received in NOK	Amount received in USD
DFAT - Australia (Mongolia funding)	€ 34,53	281 244	44 628
GIZ (Asia training)	€ 6 300	53 130	8 431
UK Foreign & Commonwealth Office (Latin America & Ca	\$50,000	304 857	48 375
UK Foreign & Commonwealth Office (Mexico training)	\$14,101	83 872	13 309
World Bank (IBRD) (Anglophone Africa training)	\$54,920	343 430	54 495
World Bank (Francophone Africa Training)	\$110,150	674 886	107 091
World Bank (Asia Training in Myanmar)	\$50,000	371 660	58 975
Total revenue for specific projects		2 113 079	335 303

⁴ DFAT wished to provide bilateral short-term support to the National EITI Secretariat in Mongolia to bridge an acute financing gap. In this exceptional case, considering the acute nature of the issue and the fact that the disbursement structures for the Australian bilateral support programme to Mongolia were not yet sufficiently developed, this support was disbursed through the Australian commitment to the EITI International Secretariat.

3 2014 Expenditure

Total expenditure for 2014 was US \$5.0m or US \$0.4m higher than the budget. This is mainly explained by increases in the implementation, board meetings and communications cost lines, each of US \$0.1m.

Approximately half of the total budgeted expenditure goes to **salaries** as shown in table 5 below. Salary expenses, including salary for newly-recruited staff and a yearly inflation increase, brought the quarterly salary level to US \$0.7m by the end of 2014. **Salary-related costs** such as employee taxes and pension costs also increased to reflect both new staff and an increase in pension contributions from 4% to 7% in line with Norwegian pension schemes⁵.

- **Implementation costs** at US \$0.5m included four regional training events on disseminating the EITI Standard. US \$0.1m for the training in Myanmar from the World Bank explains the overspend against this line.
- The costs of the **Board meetings** in Oslo (March 2014), Mexico (July 2014) and Myanmar (October 2014) at US \$0.2m were higher than expected, 28 % over budget. This was mainly due to the high cost of venue, travel and accommodation costs at both Mexico and especially Myanmar. Much of this related to high interpretation costs. No overall funding was received from the host governments, as is sometimes the case, for Board meetings⁶. Translation and interpretation costs represented 44% of board meetings costs. For 2015, these will be set out as a separate budget line.
- **Communication costs**⁷ in 2014 included updates and improvements to the EITI website and high costs in connection with the publication and distribution of the Progress Report. 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. Translation and interpretation costs represented 46% of communication costs. The overspend of this budget line of US \$0.1m is mainly due to higher than expected translation costs. For 2015, these will be set out as a separate budget line.
- The overspend on the line item for **office expenses** of less than US \$0.1m reflects partly increasing cost of internet and telephone for Board Committee meetings.

Table 5: Expenditure 2010-2014

⁵ Regulatory changes in Norway effective 1 January 2014 saw the ceiling for employer contributed pensions raised significantly. The increase was made to offer a pension which stayed competitive within the new scale.

⁶ Breakdown of Board meeting costs of US \$0.6m in 2014 (2013 figures):

Other Board meeting costs including venue, reception, accommodation & Financial support to fund Civil Society participation at all committee meetings until 2015 – \$ 203 515 (\$ 303 337)
 Interpretation – \$ 244 937 (\$148 810)
 Travel - \$ 110 034 (\$ 101 406)
 Printing \$ 861 (\$ 51 235)
 Postage \$ 0 (\$ 251)

⁷ Breakdown of Communication costs (total: US \$0.5m)

Non-Board/Conference related printing – \$ 40 550
 Design of EITI publications – \$32 393
 Other communications costs – \$ 149 202
 Non-Board/Conference related translation – \$ 271 315
 Non-Board/Conference related postage – \$ 32 265

EITI Reporting - Expenditure 2014

All figures in US\$ thousands

Item	2010	2011	2012	2013	2014	2014	% change vs budget
	Actual	Actual	Actual	Actual	Actual	Budget	
Costs							
Implementation	207	162	200	706	471	450	4 %
Outreach	105	151	169	212	214	250	-17 %
Board meetings	458	428	496	605	559	400	28 %
Communications	95	226	173	461	536	400	25 %
Chair's support	154	86	35	35	50	40	21 %
Project consultants	107	305	168	186	145	200	-38 %
Salary	1 403	1 922	1 779	2 260	2 363	2 300	3 %
Other staff expenses	93	72	173	155	252	250	1 %
Office expenses	179	363	562	452	381	300	21 %
Conference	219	958	261	1 442	54	50	8 %
Total Expenditure	3 020	4 672	4 017	6 512	5 026	4 640	8 %
Net result	(206)	149	904	(728)	5	-	

4 Conclusion

2014 was a solid financial year for the EITI where expenditure matched revenue.

It is clear that even if the year ended with a balance between revenue and expenditure, it continued to be a challenge to predict major expenses such as translation and other Board meeting costs. The Finance Committee highlights four improvements for the 2015 budget monitoring:

1. Project-specific funding is difficult to plan since it is based on opportunity and necessity, and on unpredictable factors such as the location of Board meetings. Therefore there is a continued need to do more to integrate project-specific funding into the budget plans and the quarterly accounts. This year, two major requests have gone to the World Bank to cover eight training course over the whole year and to cover a re-launch of the presentation of data on the EITI website.
2. There will be better planning of the expenditure over the coming quarter. Being the biggest budget line, the Committee will follow salary and staffing closely and notes the increase of three full time staff planned for 2015.
3. The new reporting format for 2015 will show costs by function and type. In addition each quarterly report will include a balance sheet and a cash flow statement. This will enable improved financial control and ability to forecast.
4. The change from cash to accruals accounting is a significant change and bring the accounts into line with best practice. It will better reflect correct timing of expenditure as well as ensuring that contributions are allocated to the correct time period and year. In consultation with our accountants and auditors, the 2014 accounts is presented as a hybrid cash/accruals accounts with 2014 revenue received in 2015 included, but excluding 2015 revenue/expenditure received/incurred in 2014. We are advised that this is correct practice for the transition from cash to accruals accounting.

Overall, the Committee is content with the difference between the budget and actual outturn, and with the negligible revenue and expenditure difference for 2014. It looks forward to continued progress in development of financial reporting.

5 Forward Look: Foreseen activities for Q12015

The main activities foreseen in the first quarter of 2015 include:

1. The first of eight planned validations starting with the validation of Azerbaijan (around US \$75,000).
2. Preparation for the Brazzaville Board meeting – costs to be taken in Q2.
3. Recruitment of one country manager to cover Asia and West Africa regions. Recruitment of a conference manager for the 2016 Global Conference has been completed by internal promotion.
4. Final development of the Implementers Portal on the EITI website – costs to be taken in Q2.

Board members

David Diamond (Chair)

Ali Idrissa

Marine de Carne de Trecesson

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Committee advisors

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