Extractive Industries Transparency Initiative

EITI Requirements on State-Owned Enterprises (SOEs)

Anglophone Africa Webinar on SOE requirements

EITI

The global standard for the good governance of oil, gas and mineral resources.

Outline

- Why is SOE transparency important?
- Requirement 2.6 on state participation
- Requirement 4.5 on SOE transactions

Key SOE risks

State-owned enterprises present key governance risks in the extractive industries.

Figure 4: Five major risks posed by SOEs and their direct causes

Risk 1: Slow project development

- Weak licensing practices
- Weak property rights
- Hiring based on patronage rather than abilities
- Underinvestment in exploration and production

Risk 2: High costs

- Overemployment
- Poor procurement practices
- Overindebtedness
- Quasi-fiscal responsibilities
- Environmental and social impacts

Risk 3: Low revenues

- Tax incentives and exemptions
- Below market return on sale of assets
- Weak tax collection

Risk 4: Inefficient allocation of revenues between SOEs and other public entities

- Excessive revenue retention
- Underinvestment
- Quasi-fiscal expenditures

Risk 5: Financial liability to taxpayers

- Excessive liabilities
- Overinvestment

Valeur de la transparence des entreprises d'État ?

For SOEs' management:

- Public accountability in SOEs' fulfilment of their dual mandate (corporate and socio-economic).
- To demonstrate to government owners the status of implementation of ongoing and past reforms.
- To improve communications with investors and facilitate access to credit and/or equity.
- As a basis for benchmarking against peers' financial and corporate governance performance.

For government:

- To understand whether their revenues from SOEs is in line with the company's performance.
- To apprehend the opportunity-costs of the SOE's dual mandate.
- As a basis of evidence on which to base reforms, either towards socio-economic or corporatisation targets.

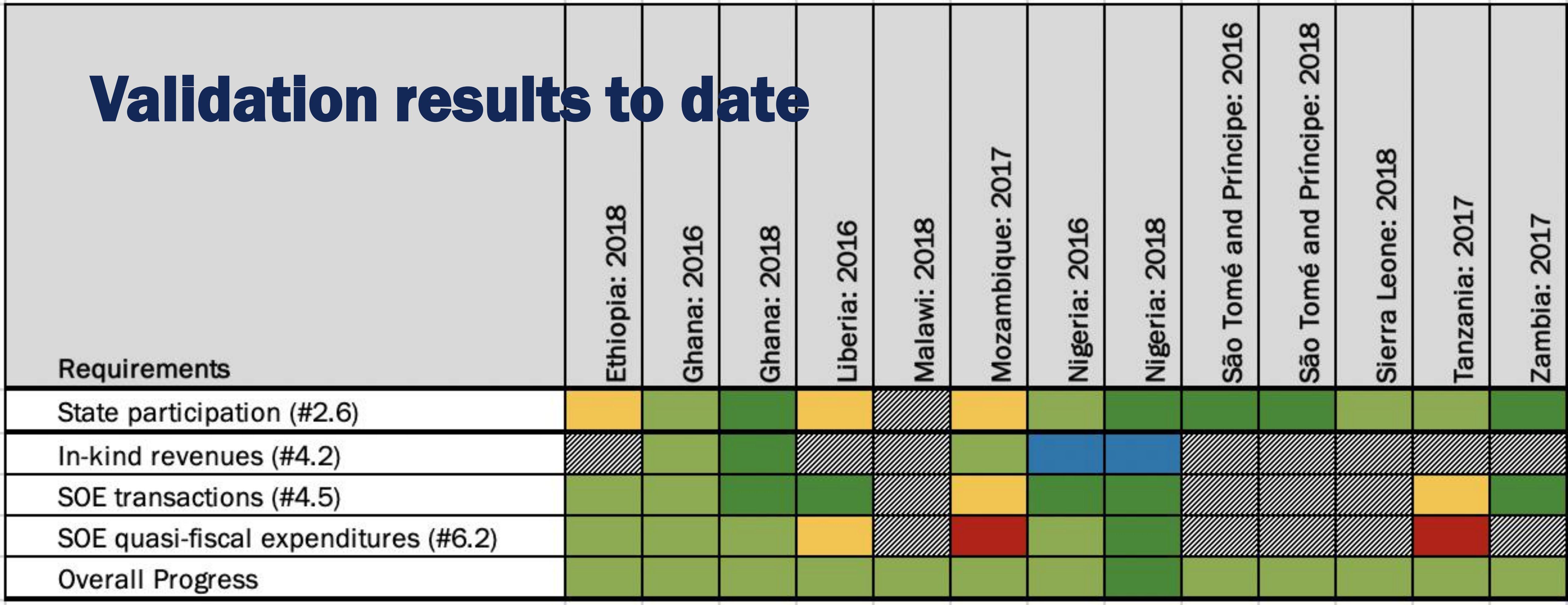
For extractives companies:

- To help reduce counter-party risk in private companies' business partnerships with SOEs.
- To ensure clarity in the investment climate when companies often have to partner with SOEs.
- To improve communications with shareholders and facilitate access to credit and/or equity.

For civil society:

- SOEs manage a large share of extractives revenues on behalf of citizens – their financial management matters.
- SOEs to meet minimum levels of transparency on which CSOs can base future research and advocacy.
- Opportunity through the MSG to work with SOEs on further disclosures.

Validation results to date



- SOE transparency has been a weakness in the first round of Validations, but is getting better in second Validations.
- Disclosures of commodity sales more granular.
- Publication of audited financial statements emerging norm.

Requirement 2.6

State participation in the extractive industries

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Requirement 2.6 - Definitions

Requirement 2.6.a.i: "*For the purpose of EITI implementation, a state-owned enterprise (SOE) is a wholly or majority government-owned company that is engaged in extractive activities on behalf of the government. Based on this, the multi-stakeholder group is encouraged to discuss and document its definition of SOEs, taking into account national laws and government structures.*"

Key aspects of the definition:

- Majority-owned by government (i.e. 50% + 1 share);
- Primarily engaged in the extractive industries on behalf of government (i.e. Holding extractives licenses, holding equity in extractives companies).

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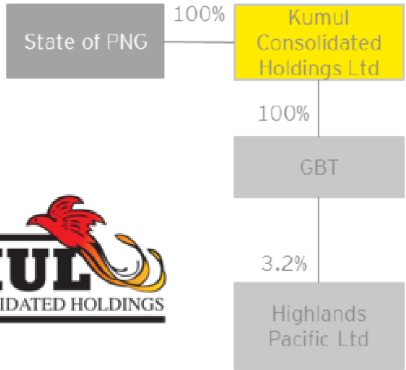
SOE definitions

- Nigeria
- Papua New Guinea
- United Kingdom

In Nigeria, the sole oil and gas SOE is NNPC

In the UK, the OGA is considered a regulator, not a SOE



In PNG, Kumul Consolidated Holdings is the government's asset management company. It was considered a SOE but could have been excluded.

SOE definitions

- In **Norway**, Equinor (ex-Statoil) is 67% owned by the Norwegian Government.

equinor

Data collected by third party, authorized by Equinor, March 2020.

SHAREHOLDERS	OWNERSHIP IN %	NUMBER OF SHARES
Government of Norway	67,0%	2 236 903 016
Folketrygdfondet	3,0%	99 182 414
Fidelity Management & Research Company	1,4%	46 973 780
Dodge & Cox	1,3%	43 924 758
BlackRock Institutional Trust Company, N.A.	1,1%	35 552 270
The Vanguard Group, Inc.	1,0%	32 311 913
Lazard Asset Management, L.L.C.	0,8%	27 598 392
T. Rowe Price Associates, Inc.	0,7%	24 112 185
SAFE Investment Company Limited	0,6%	20 438 003
KLP Forsikring	0,5%	16 788 953
Storebrand Kapitalforvaltning AS	0,5%	16 657 011

In **Zambia**, the MSG has adopted the same definition as in the EITI Standard. This resulted in the selection of four companies, two of which were subsidiaries of ZCCM-IH.

3.8.1 State Owned Enterprises

For the purpose of EITI implementation, a SOE is a wholly or majority government-owned company that is engaged is extractive activities on behalf of the government. We understand that ZEC did adopt a definition of SOEs. We have identified the following SOEs and subsidiaries of SOE):

3.8.1.1 ZCCM-IH

In **Ethiopia**, the MSG listed three companies that were part-state owned in the mining sector, only one majority state-owned.

Table 16: List of state participations in the mining sector

N°	Companies	N°	Name/Entity	Level of ownership	Nationality of the owner
1	MIDROC Gold Mine Plc	1	Ministry of Finance & Economic Cooperation	2.00%	Ethiopian
		2	Sheikh Mohammed Hssein Ali Al-Amoudi	80.00%	Saudi Arabian
		3	Mrs. Sophia Saleh Al-Amoudi	18.00%	Saudi Arabian
2	Abijata-Shalla Soda Ash Sc	1	Ethiopia Public Enterprises Asset and Administration Agency	38.00%	Ethiopian
		2	National Mining Corporation Plc.	31.07%	Ethiopian
		3	Seid Hussein Ali	11.19%	Ethiopian
		4	Hassan H. Al-Amoudi	9.94%	Ethiopian
		5	Abdulah H. Al-Amoudi	9.94%	Ethiopian
3	Afar Salt Production Sc	1	State Owned (Federal Government)	83.33%	Ethiopian
		2	Ezana Mining Development PLC	3.98%	Ethiopian
		3	Saba Dimensional Stones PLC	11.67%	Ethiopian
		4	Guna Trading PLC	1.00%	Ethiopian
		5	Ato Tewodros Hagos	0.02%	Ethiopian

In **Mongolia**, the mining SOE Erdenes Mongol holds equity in mining companies on behalf of the state. The mining companies as well as the holding group were included in the scope of EITI disclosures.

ERDENES MONGOL

Requirement 2.6 - Materiality

Requirement 2.6: *"Where state participation in the extractive industries gives rise to material revenue payments, implementing countries must disclose:..."*

Key aspects of assessing materiality:

- Do SOEs collect any revenues (in cash or in-kind) from private companies or extractives subsidiaries/joint-ventures? What is the value of these revenues?
- Do SOEs make payments or transfers to the government? What is the value of these payments/transfers?
- The MSG can set a materiality threshold for selecting material SOEs.

Materiality of SOEs

Net profit (loss) and dividends					MNT m
No.	Company ID	Company name	Retained earnings as of year end 2016	Net profit (loss)	Dividends declared
1	2008572	Baganuur JSC	8,108	1,342	-
2	2014491	Bayanteeg JSC	1,695	922	25
3	5124913	Erdenes Mongol LLC	(48,780)	52	-
4	5435528	Erdenes Tavan Tolgoi LLC	(416,563)	(198,840)	-
5	2074192	Erdenet Mining Corporation LLC	614,285	(126,781)	-
6	2034859	Mogoin gol JSC	997	109	41
7	2550466	Mongolrostsvetment JSC	(33,875)	(14,458)	-

Net profit (loss) and dividends					MNT m
No.	Company ID	Company name	Retained earnings as of year end 2016	Net profit (loss)	Dividends declared
8	2004879	Shivee Ovoo JSC	5,021	2,090	130
9	2016656	Tavantolgoi JSC	78,403	54,042	40,342

Source: Net profit and dividends data received from SOEs through additional information templates

In **Mongolia**, four extractive SOEs paid dividends to government in 2016. The MSG's low materiality threshold meant that they were all considered material for EITI reporting.

Tableau 10 : Situation des participations de l'Etat au capital des sociétés d'Etat au 31 décembre 2016

Sociétés d'Etat	Participation de l'Etat au capital
Bureau des Mines et de la Géologie du Burkina (BUMIGEB)	100%
Société d'Exploitation des Phosphates du Burkina (SEPB)	100%
Société du Patrimoine Minier du Burkina (SOPAMIB)	100%

Tableau n°21 : Répartition des recettes de l'Etat par administration publique

Administrations	Montants FCFA	%
Direction Générale de la Douane (DGD)	47 721 997 969	29,00%
Direction Générale du Trésor et de la Comptabilité Publique (DGTCP)	53 301 129 008	32,39%
Direction Générale des Impôts (DGI)	61 427 586 843	37,32%
Bureau National des Evaluations Environnementales (BUNEE)	190 551 523	0,12%
Bureau des Mines et de la Géologie du Burkina (BUMIGEB)	17 209 120	0,01%
Total recettes des administrationS publiques	**162 658 474 463**	**98,83%**
Paiements sociaux	1 926 512 339	1,17%
Total secteur extractif	**164 584 986 802**	**100%**

In **Burkina Faso**, there are three SOEs but the materiality of their revenues is arguable (e.g. 0.01% of extractive revenues).

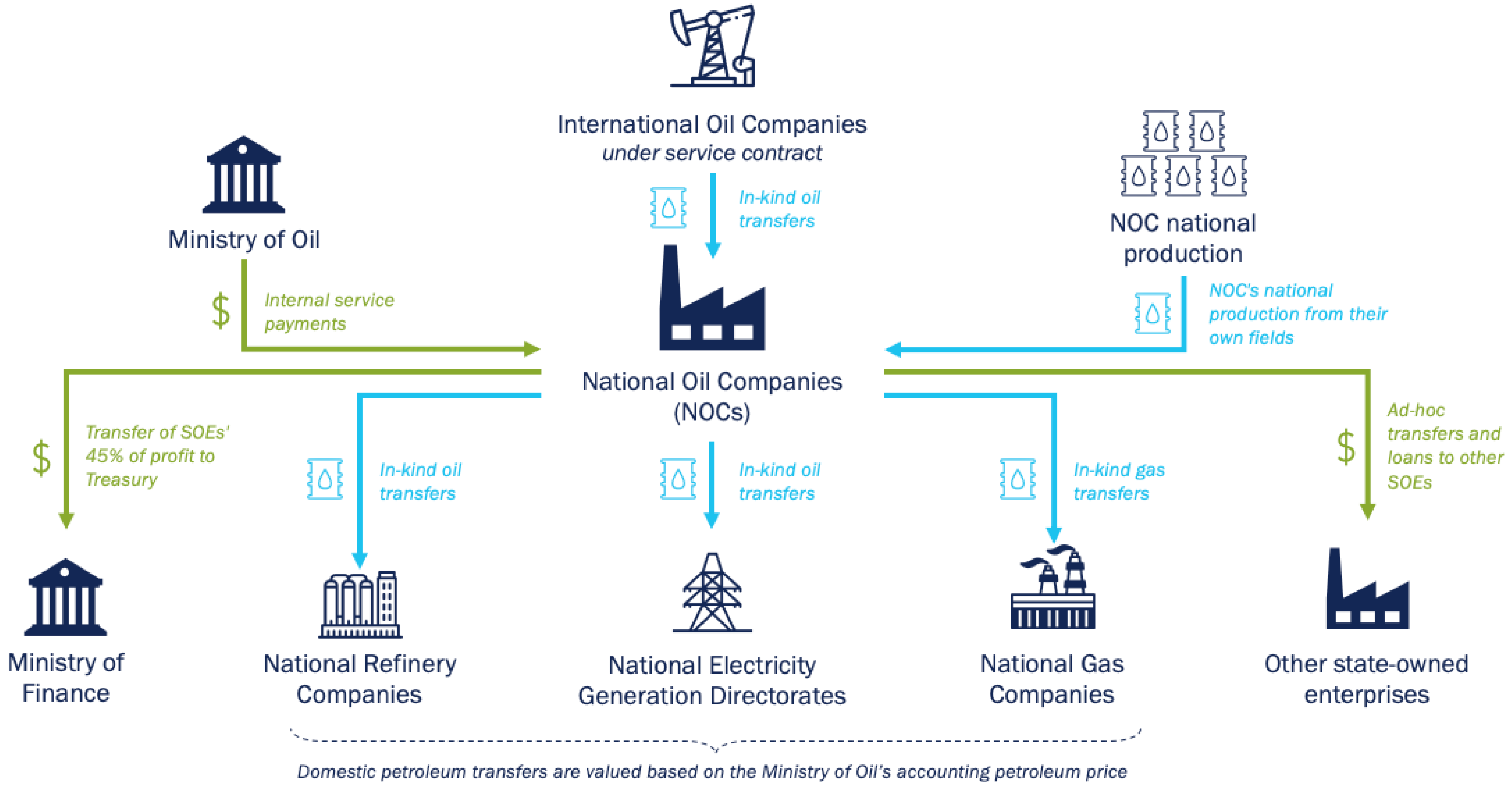
TOTAL LIFTING OF CRUDE OIL BY NNPC AND OTHER COMPANIES				
Total Liftings	2015 (mbbls)	% of Lifting	2016 (mbbls)	% of Lifting
NNPC	313,336	40.15%	244,615	36.61%
Other Companies	467,093	59.85%	423,533	63.39%
TOTAL	**780,429**	**100.00%**	**668,148**	**100.00%**

Source: NEITI 2015 Oil & Gas Audit Report – 2016 COMD production profile

In **Nigeria**, NNPC lifts over 35% of total oil production on behalf of government.

Iraq: National Oil Companies

While national oil companies in Iraq make only one type of payment to government (45% of Iraq's NOC net profits is usually not material), the SOEs are considered material in terms of exploration, production and receiving material transfers (Internal Service Payments).



Requirement 2.6 – Level of ownership

Requirement 2.6.a.ii: *"Implementing countries must disclose (…) disclosures from the government and SOE(s) of their* <u>*level of ownership in mining, oil and gas companies*</u> *operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures (…) This information should include details regarding the* <u>*terms attached to their equity stake*</u>*, including their level of responsibility for covering expenses at various phases of the project cycle, e.g. full-paid equity, free equity or carried interest."*

Key aspects for mapping state participation:

- What are the government's direct equity interests in extractives companies?
- What are SOEs' equity interests in subsidiaries, joint-ventures and other extractives companies?
- What are SOEs' participating interests in PSCs and other extractives projects?
- What are the terms associated with each of the equity interests held by the state or SOE?

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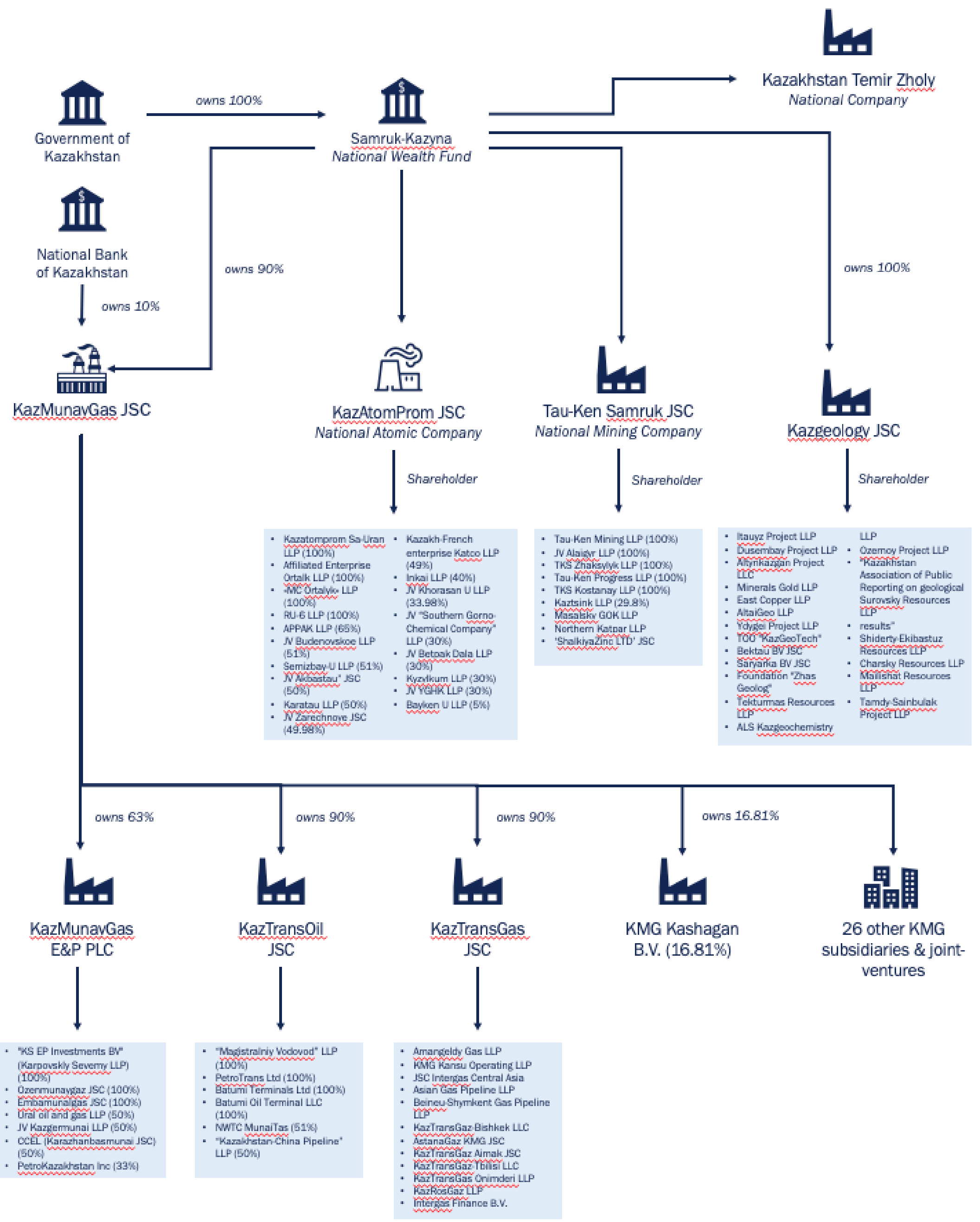
Kazakhstan: State participation

The complexity of the structure of SOEs and subsidiaries calls for a comprehensive picture of all SOEs and their subsidiaries.



What are terms associated with state/SOE equity?

The terms associated with equity determine the duties and responsibilities of the shareholder. For instance, they define the shareholder's (state's or SOE's) level of responsibility for covering expenses at various phases of the project cycle. They can consist of:

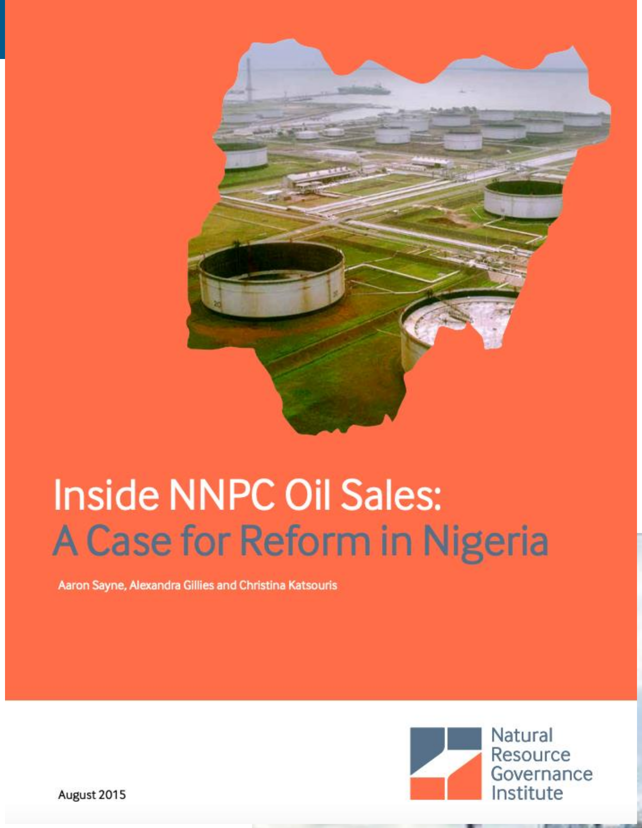
- Full equity: equity on commercial terms. The shareholder is responsible for cover its share of expenditures (opex and capex) in line with its equity interest.
- Free equity: The state's or SOE's responsibility for covering its share of expenditures (opex and capex) in line with its equity interest is covered by the operator. The state's or SOE's equity is in effect 'free', since the state or SOE is not responsible for funding its equity interest.
- Carried interest: The state's or SOE's responsibility for covering its share of expenditures (opex and capex) in line with its equity interest is covered by the operator during the development phase. The operator is then reimbursed once the project is operational/profitable. The state's or SOE's equity interest is in effect 'carried' by the operator.

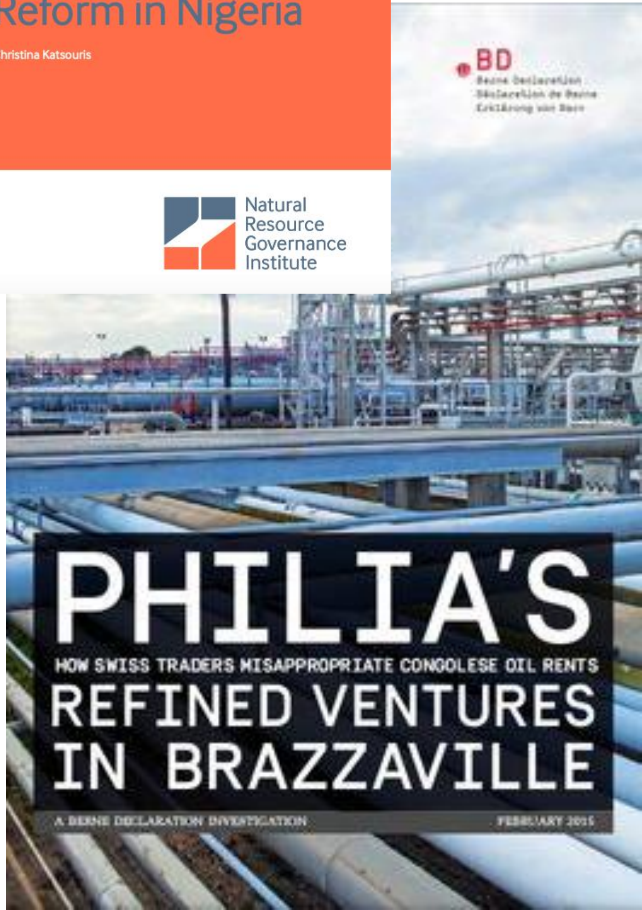
Common risks in SOE ownership

There are common challenges in SOEs maintaining subsidiaries and joint-ventures, sometimes in offshore jurisdictions, that handle key profit-making activities yet retain earnings from the SOE group. For instance:

- In **Nigeria**, five of NNPC's trading joint ventures handle part of the oil sales, domiciled in Bermuda and Panama. Clarity on the financial relations between those subsidiaries and the NNPC group is important.
- In the **Republic of Congo**, the refinery subsidiary CORAF of the national oil company SNPC receives allocations of around 6m barrels a year of crude oil without paying for them.

In **Papua New Guinea**, sovereign loans have been transferred to SOE subsidiaries whose debt is not guaranteed by government.





State ownership in EITI countries

In **Nigeria**, the NNPC website lists the subsidiaries and affiliates of NNPC, but does not describe the terms associated with NNPC equity in each.

S/N	SUBSIDIARY	%HOLDING	PRINCIPAL BUSINESS ACTIVITY
1	Petroleum Products Marketing Company (PPMC)	100%	Petroleum products marketing
2	Nigeria Pipeline & Storage Company (NPSC)	100%	Petroleum products distribution and storage
3	NNPC Retail	100%	Petroleum products retail
4	Warri Refining and Petrochemical Company (WRPC)	100%	Refining of crude oil and manufacturing of petrochemicals
5	Kaduna Refining and Petrochemical Company (KRPC)	100%	Refining of crude oil and manufacturing of petrochemicals
6	Port Harcourt Refining Company Limited (PHRC)	100%	Refining of crude oil
7	Nigeria Gas Company (NGC)	100%	Gathering, treatment and distribution of gas
8	Nigeria Gas Marketing Company (NGMC)	100%	Gas marketing company
9	LNG Investment Management Services	100%	
10	NiGaz Energy Company Limited	50%	Execute energy projects with a focus on gas
11	Gas and Power Investment Company	100%	
12	Integrated Data Services Limited (IDSL)	100%	Geophysical and petroleum engineering services
13	Nigerian Petroleum Development Company (NPDC)	100%	Exploration and production
14	Nigeria Engineering and Technical Company (NETCO)	100%	Engineering, procurement, construction and technical services
15	NIKORMA Transport Limited	51%	Shipping and marine transportation
16	NIDAS Marine Limited	51%	Shipping and marine transportation
17	Wheel Insurance Company	100%	Providing reinsurance cover in respect of excess capacity of NNPC oil assets insurance transferred abroad
18	Duke Oil Company Inc. (Panama)	100%	Marketing of crude oil and petroleum products
19	Duke Oil Services UK Limited	100%	Providing logistics services to Duke Oil Inc.
20	Hyson (Nigeria) Limited	60%	Provision of logistic and operational services and marketing of excess crude
21	Napoil Company Limited (Bermuda) Trading	51%	Marketing of crude oil and petroleum products
22	Calson (Bermuda) Limited	51%	Marketing of crude oil and petroleum products

In **Tanzania**, the EITI Report describes the terms associated with TPDC equity in four oil and gas companies and projects.

Table 12: TPDC Participation in the Oil and Gas Activities

I. Level and terms of state participation

Company/project with state participation	Level of SOE ownership or participation (%)	Legal entity holding the stake	Terms attached	Changes in level of ownership in 16/17	Terms of the transaction(s)	Links or references to supporting documentation
GASCO	100%	Subsidiary	Fully Paid Equity	None	None	
COPEC/TANOIL	100%	Subsidiary	Fully Paid Equity	None	None	
Songosongo Gas Project	29%	Shareholder	Fully Paid Equity	None	None	
Mnazi bay Gas project	20%	Joint Venture	Carried Interest	None	None	

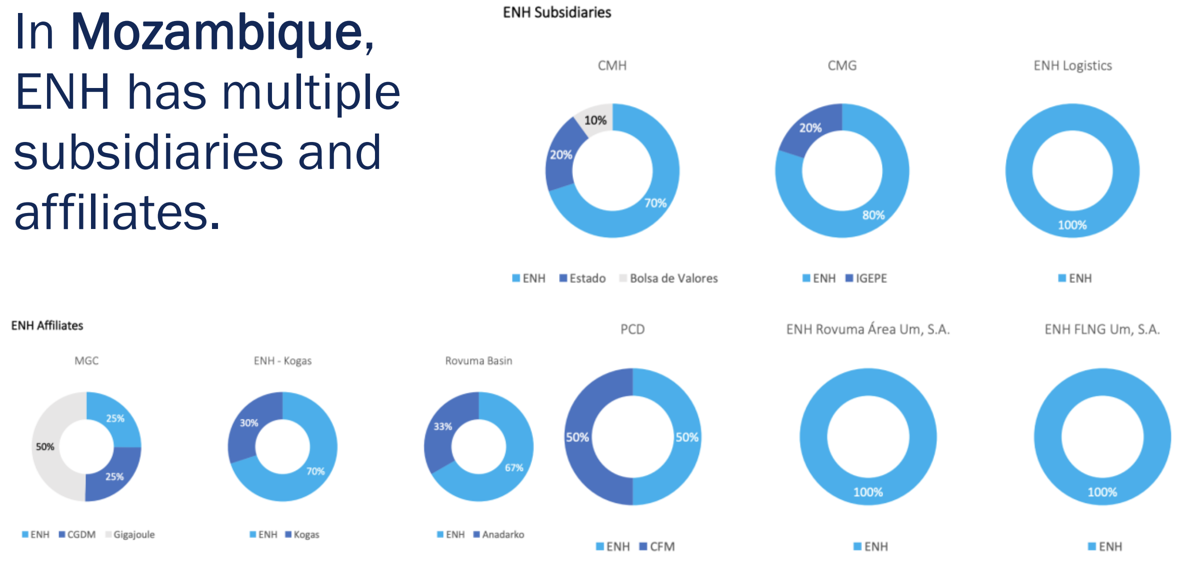
In **Zambia**, the state-owned ZCCM-IH holds equity interests in mining companies on behalf of government.

Table 27: ZCCM-IH Portfolio in extractive sector

Mining company	Shares held on 31 March 2018	Shares held on 31 March 2017	Shares held on 31 March 2016
Extractive sector (Mining)			
Ndola Lime Limited	100%	100%	100%
Mawe Exploration and Technical Services Ltd (i)	-	100%	100%
Kariba Minerals Limited	50%	50%	50%
Maamba Collieries Ltd	35%	35%	35%
Konkola Copper Mines Plc	20.6%	20.6%	20.6%
Kansanshi Mining Plc	20%	20%	20%
Lubambe Copper Mine Ltd	20%	20%	20%
CNMC Luanshya Copper Mines Plc	20%	20%	20%
NFC Africa Mining Plc	15%	15%	15%
Chibuluma Mines Plc	15%	15%	15%
Chambishi Metals Plc	10%	10%	10%
Mopani Copper Mines Plc	10%	10%	10%
Nkandabwe Coal Mine Limited	100%	100%	100%
Other sectors			
Misenge Environmental and Technical Services Limited	100%	100%	100%
Investrust Bank Plc	45.4%	45.4%	10.6%
CEC Africa Investments Limited	20%	20%	20%
Copperbelt Energy Corporation Plc	20%	20%	20%
Nkana Alloy Smelting Company Limited	10%	10%	10%

Source: ZCCM-IH Annual reports http://www.zccm-ih.com.zm/investor-center/annual-reports/

In **Mozambique**, ENH has multiple subsidiaries and affiliates.



Graph 8 - ENH participation in its affiliates

Requirement 2.6 – Changes in ownership

Requirement 2.6.a.ii: *"Implementing countries must disclose (…) disclosures from the government and SOE(s) of their level of ownership in mining, oil and gas companies operating within the country's oil, gas and mining sector (…) and <u>any changes in the level of ownership during the reporting period</u>. (…) Where there have been changes in the level of government and SOE(s) ownership during the EITI reporting period, the government and SOE(s) are expected to disclose the terms of the transaction, including details regarding valuation and revenues."*

Key aspects for mapping changes in state ownership:

- What have been the changes in state or SOE ownership in extractives companies during the year under review?
- What were the terms of the transaction for each change in state or SOE ownership in the year under review? I.e. What was the valuation of the equity interest? What consideration was paid?

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Disclosures of changes in ownership

- Indonesia
- Kazakhstan
- Ghana

Table 30 Changes in ownership of working areas of PT Pertamina (Persero)

No	Nama of Block/Company	Transaction	Share Ownership / Participating Interest	Price	Remark
1	Etablissements Maurel et Prom SA (M&P)	Acquisition of Participating Interest (PI)	24.53% of shares	US$227 million	Effective from August 25, 2016
2	East Ambalat	Acquisition of Participating Interest (PI)	100%	No information	Effective from May 25 , 2016 with a term of 30 years
3	WKP Gunung Lawu	Acquisition of Participating Interest (PI)	100%	No information	Effective from January 11, 2016

Source: Annual Report of PT Pertamina (Persero) in 2016

Source: Indonesia's 2016 EITI Report, vol.2, p.74.

Table 4. Shares of participation of Samruk-Kazyna National Welfare Fund JSC in companies

№	Name	Ownership 2017	Ownership 2016
1	JSC National Company KazMunayGas ("NC KMG") and subsidiaries	90,09%	90% – 1
2	KMG Kashagan B.V.	100,00%	100,00%
3	"National Company" Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	100,00%	100,00%
4	"National Atomic Company" KazAtomProm" JSC ("NAK KAP") and subsidiaries	100,00%	100,00%
5	JSC "National Mining Company" Tau-Ken Samruk" and subsidiaries	100,00%	100,00%

Source: Consolidated financial statements of Samruk-Kazyna National Welfare Fund for 2017.

In February 2017, Samruk-Kazyna NWF JSC **acquired a participation share in the amount of 0.0881%** in NC KMG by contributing to the share capital with property in the amount of KZT 12,969 million, the non-controlling stake in KMG decreased by 4.768 million tenge.

Source: Kazakhstan's 2017 EITI Report, p.76.

Table 1. Share of Petroleum by Jubilee Partners

Company	Share before Redetermination	Company	Share af ter Redetermination
GNPC	13.7500%	GNPC	13.64084%
Tullow	36.45 47%	Tullow	35.47954%
Kosmos	23.4913%	Kosmos	24.07710%
Anadarko	23.4913%	Anadarko	24.07710%
Sabre	2.8127%	PetroSA[3]	2.72544%
Total	100%		100%

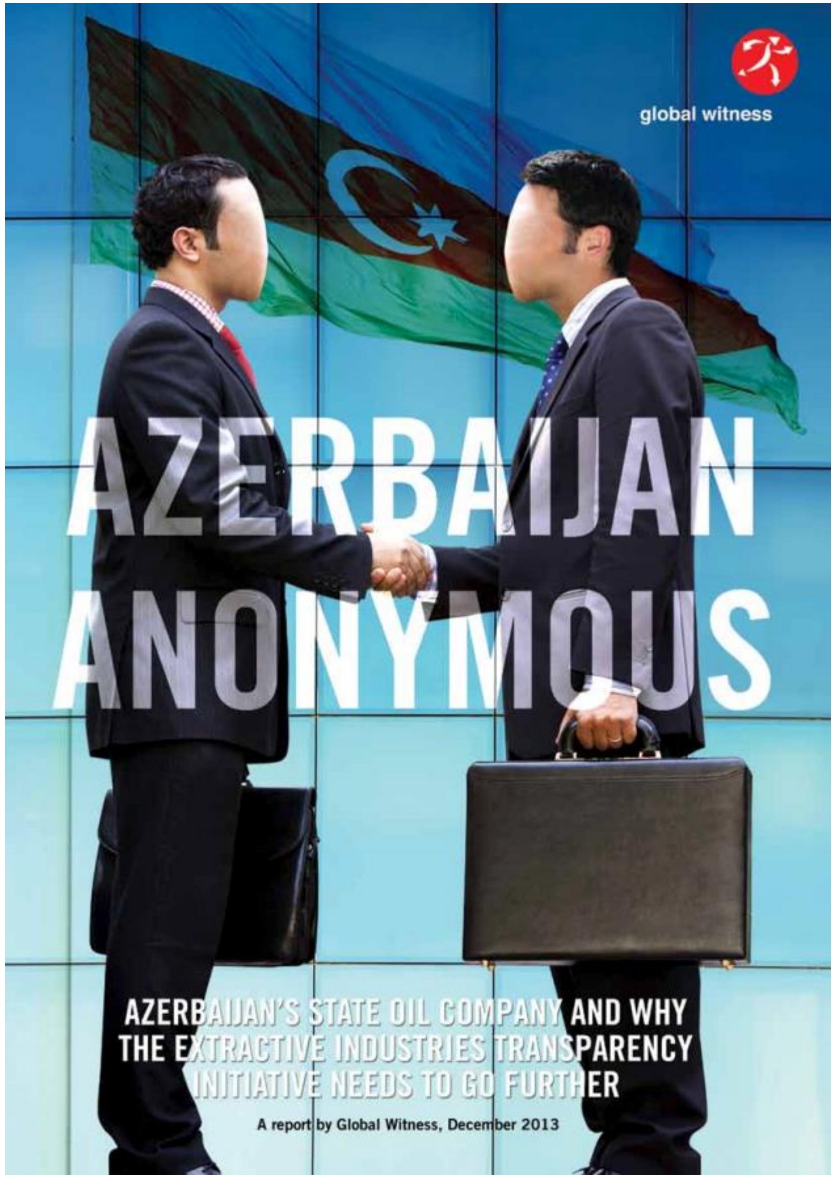
Source: GNPC

Source: Ghana's PIAC Reports

Common risks in changes in SOE ownership

Some common challenges in changes in state participation include:

- Opaque transfer of assets to SOE subsidiaries, e.g. transfer of NNPC assets to NPDC in 2011-2014 in **Nigeria**;
- Opaque transfer of assets of SOE joint-ventures to private companies without clarity on compensation, e.g. Gécamines joint-ventures in **the DRC**.
- Incomplete restructuring of SOE holding structures, e.g. Kumul Holdings in **PNG**.



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KRAOMA MINING JV IN MADAGASCAR

- **Madagascar**'s state-owned Kraoma created a 20/80 (later 30/70) joint-venture with Ferrum Mining (part of Russian-owned Stork Int.), named Kraoma Mining JV.
- This company was meant to be capitalised by USD 16m from the Russian investor and 3 licenses from the state (and in-kind equipment). In the end, USD 6m was invested. The company is in the process of being wound up.
- More broadly Kraoma is mired in scandal with its former DG arrested on charges of embezzlement of funds and stolen chromium in January 2020.

La société Kraoma a signé un accord de partenariat en aout 2018 avec un partenaire russe qui a débouché :

- à la création de la société Kraoma Mining SA, une joint-venture de la société Kraoma SA et Ferrum Mining SA, créée par son partenaire russe pour la co-entreprise et,
- à un contrat d'amodiation[35] en septembre 2018, avec la société Kraoma Mining SA.

Ces accords font suite à des difficultés financières de Kraoma S.A qui aurait accumulé près de 43 milliards d'Ariary de dettes[36]. Initialement, l'accord de partenariat prévoyait une répartition des actions de Kraoma Mining SA entre Kraoma S.A et Ferrum Mining de respectivement 20% et 80%. Toutefois, cette participation a été revue en mars 2019 à 30% pour Kraoma S.A et 70% pour Ferrum Mining.

Dans le contrat de la co-entreprise, les apports de Kraoma SA ont été :

- les 03 permis PE n°33, n°45 et n°49 amodiés à Kraoma Mining SA ; et
- la mise à disposition des matériels, infrastructures et personnel de Kraoma SA.

L'apport de Ferrum Mining SA a été un investissement matériel de l'ordre de 16 Millions USD.

Le contrat d'amodiation prévoyait également le reversement à Kraoma SA d'une redevance équivalant à 20% des bénéfices net liés au projet. Toutefois, aucun produit relatif au contrat d'amodiation n'a encore été reçu par Kraoma SA, d'après les commentaires du Commissaire aux comptes sur ses Etas financiers 2018. Selon les explications reçues de Kraoma, les exportations n'ont pu débuter qu'en Avril 2019, à cause des grèves du personnel de Novembre 2018 à Mars 2019. En 2019, suite à des négociations menées entre la nouvelle Direction Générale de Kraoma et les partenaires russes, la part des bénéfices de Kraoma est portée à 30%.

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Requirement 2.6 – Statutory financial relations

Requirement 2.6.a.i: *"Implementing countries must disclose (…) an explanation of the role of state-owned enterprises (SOEs) in the sector and prevailing <u>rules</u> and practices <u>regarding the financial relationship between the government and SOEs</u>, i.e. the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. This should include disclosures of transfers, retained earnings, reinvestment and third-party financing related to SOE joint ventures and subsidiaries."*

Key aspects of statutory financial relations:

- Is the SOE entitled to receive budget transfers or subsidies?
- Can the SOE's Board of Directors decide on its own dividends?
- Can the SOE retain earnings?
- Can the SOE reinvest in its operations?
- Can the SOE seek third-party financing (either debt or equity)?

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What is third-party financing?

Third-party financing is funding for the SOE that does not come from its own resources (e.g. retained earnings) or from its shareholders (e.g. the government). It is financing from a third source (e.g. a private company, or bank), either through debt or equity.

- Debt: Debt is an amount of money borrowed by the SOE from another entity. It can be through bank loans, lines of credit, the issuance of bonds or Eurobonds. Debt has a maturity (length of time) and an interest rate (or coupon in the case of bonds). The question is whether the SOE has the statutory right to raise debt (e.g. bank loans or bonds).
- Equity: Equity is the SOE's assets after liabilities have been deducted. It represents a share of ownership in the SOE, rather than a debt that is due to be repaid. Equity is typically issued to investors through shares. The question is whether the SOE has the statutory right to raise funding through equity (e.g. by issuing shares to outside investors).

Common risks in SOEs' statutory financial relations

There are common challenges related to SOEs' financial relations with government. For instance:

- In **Myanmar**, government has focused on reforming the SOEs' statutory rights to retain a significant share of earnings (up to 50% of oil and gas revenues) while receiving government subsidies.
- In **Nigeria**, disagreements between NNPC and NEITI focus on whether the SOE has the statutory right to retain earnings. NNPC does not pay dividends to government in practice, e.g. it retains the NLNG dividends.
- In **Senegal**, the question of PETROSEN's statutory rights to secure third-party financing will be key to developing the country's large gas reserves.


NEITI

Policy Brief

ISSUE 02 / OCTOBER 2016

The Urgency of a New Petroleum Sector Law

The process of enacting a new law for Nigeria's petroleum sector has gone on for far too long, and at enormous costs to the country. More urgency, more clarity and better coordination are needed

The failure of Nigeria to pass an over-arching law for the petroleum sector after repeated attempts continues to accumulate huge costs for the country, estimated at more than $200bn. [1] The advent of a new administration on 29 May 2015, expectedly, triggered a flurry of activities and expectations around the passage of the much-anticipated Petroleum Industry Bill (PIB). These activities and expectations will reasonably pick up again as the 8th National Assembly returns to session this month: the Petroleum Industry Governance Bill (PIGB) introduced in April and stepped down in June by the Senate might come back on stream; at least two private members' bills from the House of Representatives and three separate bills from the executive arm might be introduced.

The plurality of action on the petroleum sector law is good but might be misdirected. Though eight years in the National Assembly, the motion around the PIB has been on for all of sixteen years. Sadly, there is little about what is going on at the moment to suggest real movement or adequate learning from the past. The PIB ship should be rescued from a start-stop, unhurried and uncoordinated mode and brought swiftly ashore. There is need for President Muhammadu Buhari to take the lead by investing his presidential capital on this all-important legislation, putting in place a mechanism for rallying the stakeholders to a consensus, and using this law as one of the pillars of the bridge to a much needed economic recovery.

Ghana's recent experience with the passage of its petroleum sector law ironically offers lesson points in urgency and coordination. To be sure, Ghana is a new oil country and the issues around its petroleum sector are not as complicated as Nigeria's. In November 2014, the Petroleum Production and Exploration Bill was submitted to the Ghanaian parliament. Shortly after, the bill was withdrawn to reflect new realities and re-

[1] Figure includes estimates of loss of investment, possible returns on investment, and losses due to unclear fiscal terms and non resolution of host community issues etc.

Action Points

- The executive arm of government, with the President in the lead, needs to take full charge of the process of passing a new law for the petroleum sector;
- Enacting a new petroleum law should be prioritized as one of the planks of economic recovery;
- An inclusive task team should be urgently empanelled, charged with building consensus among stakeholders, drawing up a clear and well-communicated roadmap and fast-tracking the law's passage;
- A piece-meal rather than an omnibus approach to the law should be adopted;
- The resultant law should have robust transparency, accountability and efficiency measures.

SOE financial relations with government

In **Ghana**, all oil and gas revenues are transferred to the PHF, with budget transfers to GNPC as its share of revenues (CAPI).

In **Tanzania**, the report describes TPDC's retained earnings and transfers received from government.

Table 12: TPDC Participation in the Oil and Gas Activities

I. Level and terms of state participation

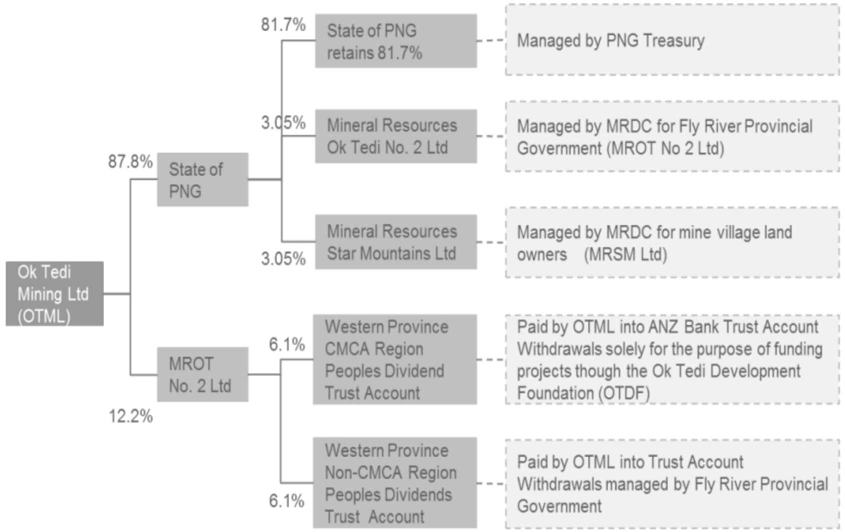
Company/project with state participation	Level of SOE ownership or participation (%)	Legal entity holding the stake	Terms attached	Changes in level of ownership in 16/17	Terms of the transaction(s)	Links or references to supporting documentation
GASCO	100%	Subsidiary	Fully Paid Equity	None	None	
COPEC/TANOIL	100%	Subsidiary	Fully Paid Equity	None	None	
Songosongo Gas Project	29%	Shareholder	Fully Paid Equity	None	None	
Mnazi bay Gas project	20%	Joint Venture	Carried Interest	None	None	

II. Financial relationship between TPDC and the Government

Statutory rules for financial relationship between TPDC and the Government	Retained earnings (TZS)	Reinvested (TZS)	Divided paid to the Government (TZS)	Other transfers to the Government	Funds received from the Government (TZS)
The Corporation Act, 1969 that founded TPDC covers, among other things, the relationship between TPDC and the government.	(648,393,000,000)	NIL	NIL	NIL	3,629,578,900

In **PNG**, the dividend structure of SOE OK Tedi, which includes landowners.

Figure 58: Dividend revenue streams from Ok Tedi Mining Ltd



In **Colombia**, Ecopetrol's statutory financial relations with government are described on its website.

Marco normativo

En el último año Ecopetrol reporta que la normatividad de mayor relevancia es la que tiene que ver con el manejo de ganancias, reinversión y financiación, así:

SOPORTE LEGAL	RELEVANCIA
LEY 1118 DE 2006	Modifica la naturaleza jurídica de Ecopetrol S. A.
Decreto número 1800 de 2015 El Consejo de Ministros, emite concepto favorable sobre el Programa de Enajenación, el mencionado programa aprobó la enajenación del 5.32% (58.925.480) de las acciones ordinarias que Ecopetrol S.A posee de la empresa Interconexión Eléctrica S.A E.S.P (I.S.A)	*Se aprueba el Programa de Enajenación de las acciones que Ecopetrol S. A. posee en la empresaInterconexión Eléctrica S.A. E.S.P*
Resolución 3170 de 2014 La norma expedida por el Ministerio de Hacienda de acuerdo al Decreto 2681 de 1993, autoriza a Ecopetrol S.A., hasta el 31 de diciembre de 2016 para suscribir, emitir y colocar Bonos de Deuda Pública Externa en los mercados internacionales de capitales, hasta la suma de USD 1.500.000.000 de los Estados Unidos de América.	*Se autoriza a Ecopetrol S. A., para suscribir, emitir y colocar bonos de deuda pública externa en los mercados internacionales de capitales.*
Resolución 3026 de 2014 La norma expedida por el Ministerio de Hacienda de acuerdo al Decreto 2681 de 1993, autoriza a Ecopetrol S.A., hasta el 31 de diciembre de 2016 para gestionar la emisión y colocación de Bonos en el mercado internacional de capitales, hasta la suma de USD 2.150.000.000 de los Estados Unidos de América.	*Se autoriza a Ecopetrol S. A., para gestionar la emisión y colocación de bonos en el mercado internacional de capitales.*
Resolución 2827 de 2014 La norma expedida por el Ministerio de Hacienda de acuerdo al Decreto 2681 de 1993, autoriza a Ecopetrol S.A., durante los periodos 2014 – 2015, para gestionar la emisión y colocación de Bonos de deuda pública interna, hasta la suma de $2.100.000.000.000 millones de pesos.	*Para emitir, suscribir y colocar a través de un Programa de Emisión y Colocación, Bonos de Deuda Pública Interna no convertibles en Acciones y Papeles Comerciales.*

Requirement 2.6 – Financial relations in practice

Requirement 2.6.a.i: *"Implementing countries must disclose (…) an explanation of the role of state-owned enterprises (SOEs) in the sector and prevailing rules and practices regarding the financial relationship between the government and SOEs, i.e. the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. This should include disclosures of transfers, retained earnings, reinvestment and third-party financing related to SOE joint ventures and subsidiaries."*

Key aspects of financial relations in practice:

- Did SOE receive any budget transfers or subsidies in the year under review? Value?
- Did the SOE pay any dividends in the year under review? Value?
- Did the SOE retain earnings in the year under review? Value?
- Did the SOE reinvest in its operations in the year under review? Value?
- Did the SOE have any third-party financing (either debt or equity) in the year under review? Value?

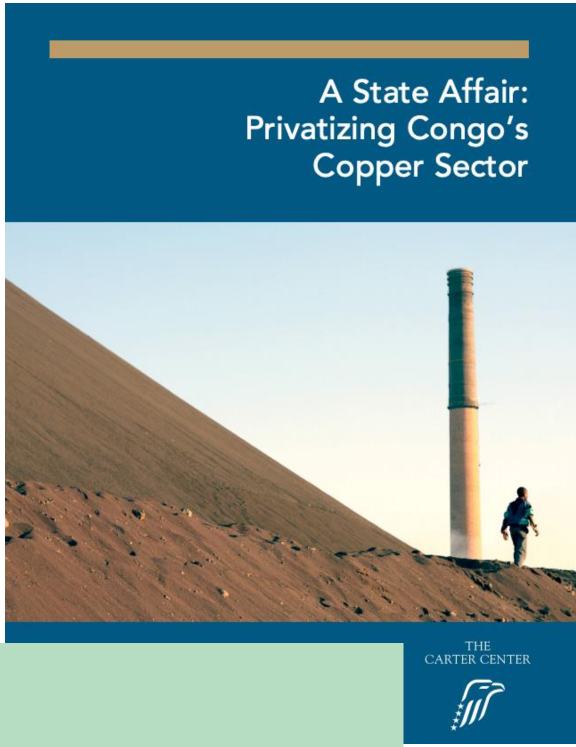
Overall, were the SOE's financial relations with government in line with the rules in the year under review?

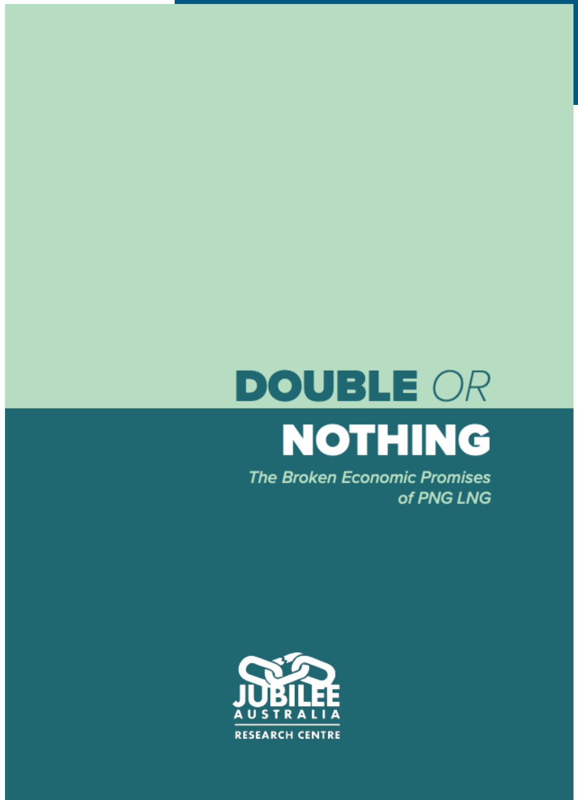
Common challenges in SOEs' financial relations in practice

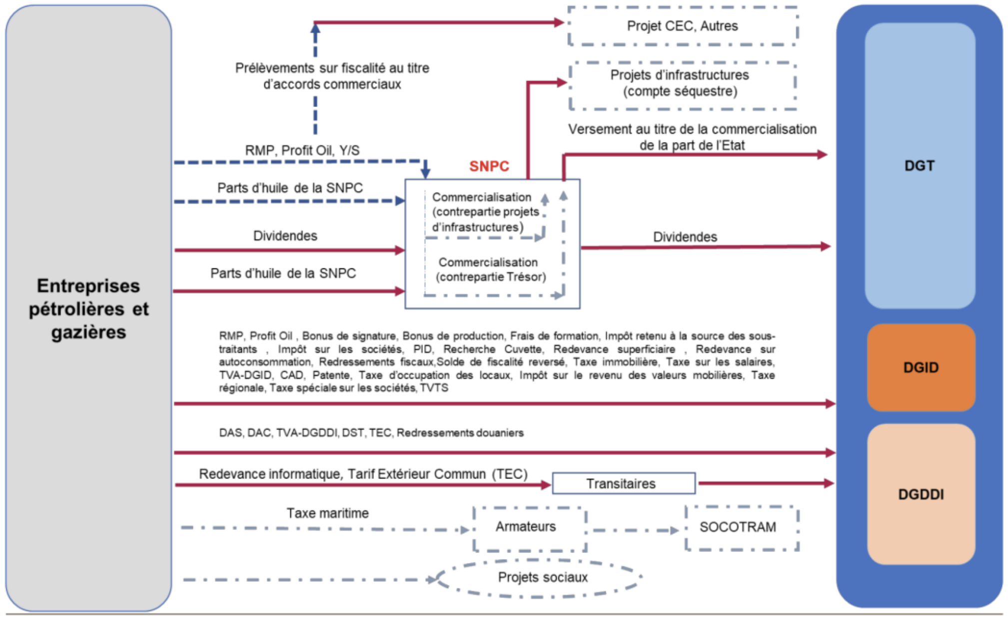
The basis for a comprehensive review of SOEs' financial relations with government in practice should be the SOE's audited financial statements, although these are not always available.

In many countries, SOEs' financial relations in practice are not in line with the prevailing rules and regulations. For instance:

- In **the DRC**, GECAMINES has different arrangements for its joint ventures, which deviate from statutory rules.
- In **Iraq**, SOEs' profit-sharing (dividends) differ substantially from the rules given financial difficulties of some SOEs.
- In **PNG**, the state's equity interest in the PNG LNG project has not yielded the expected proceeds to government.



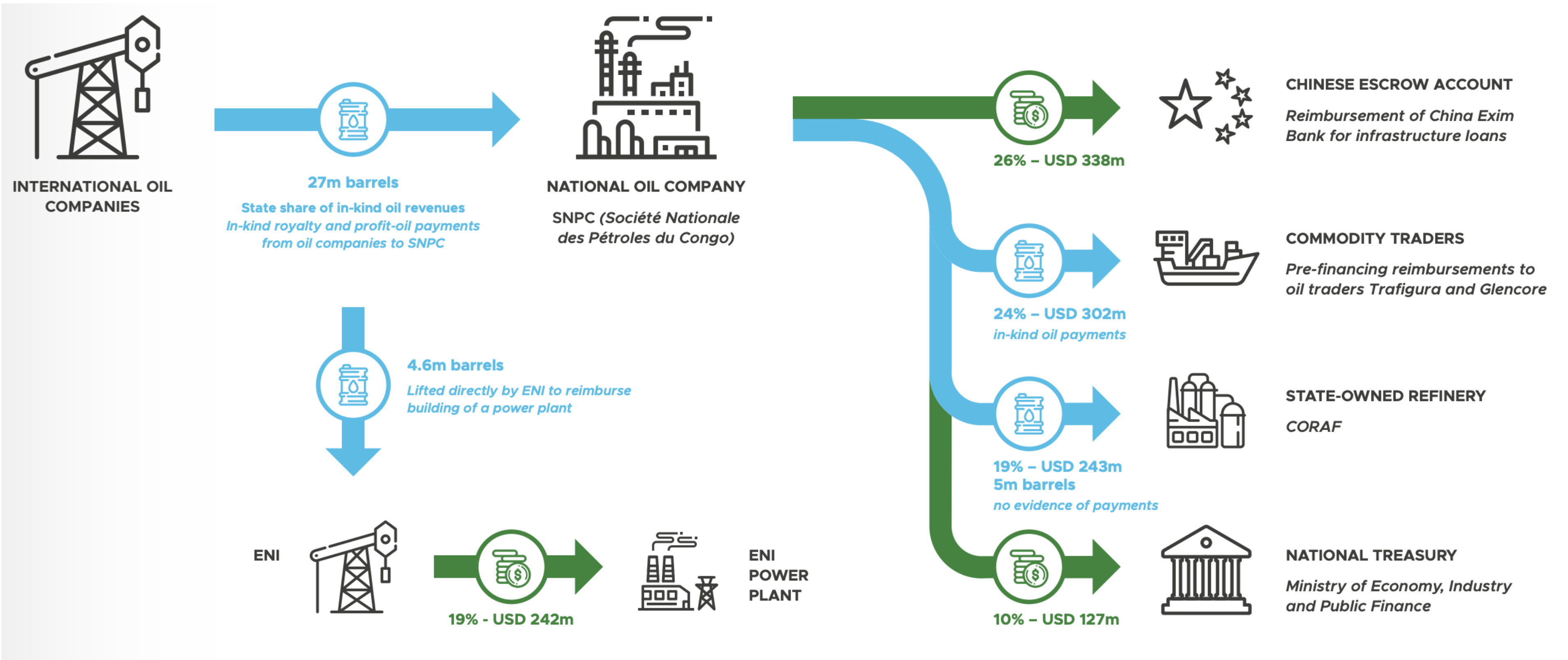




SOE financial relations with the state: Republic of Congo

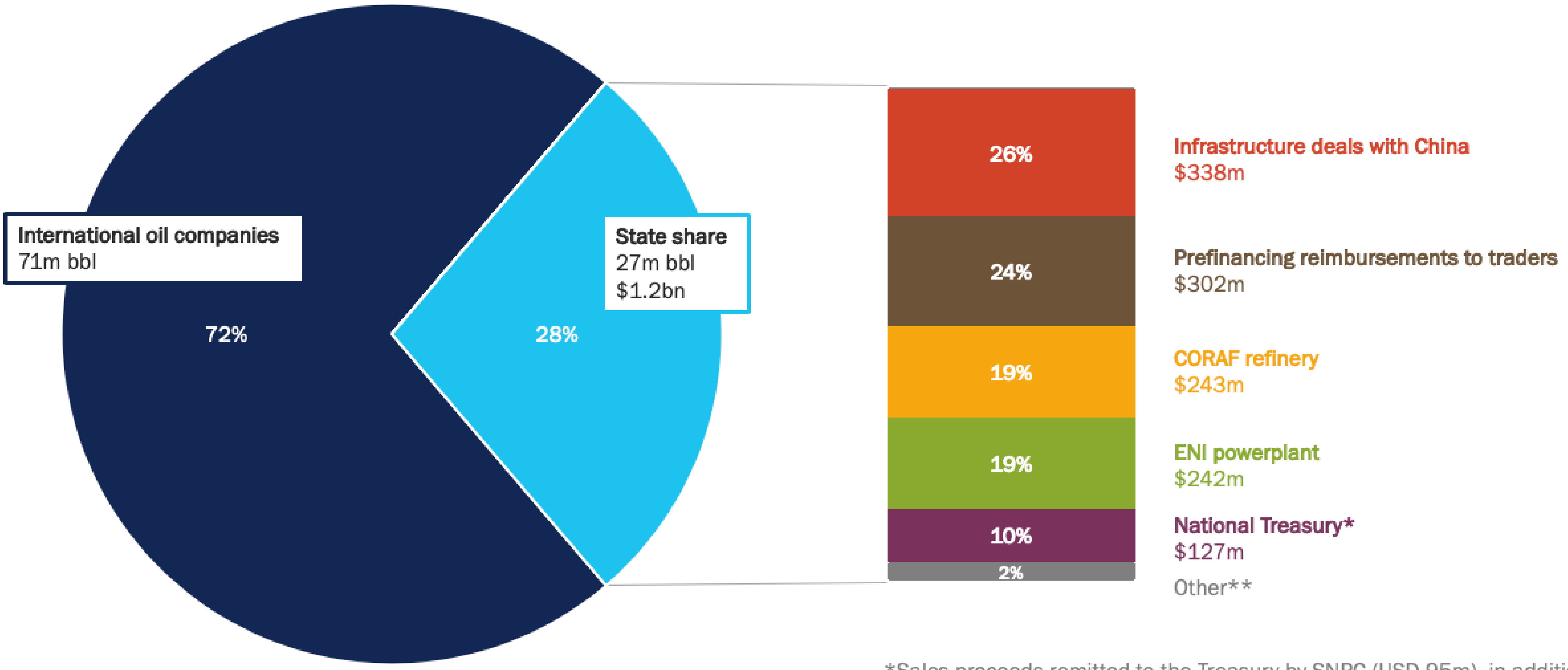
MAPPING ALLOCATIONS OF IN-KIND OIL REVENUES IN THE REPUBLIC OF CONGO

IN USD FOR THE 2017 FISCAL YEAR



Allocation of in-kind oil revenues in Republic of Congo

in USD for the 2017 fiscal year



Total oil production (volume)

*Sales proceeds remitted to the Treasury by SNPC (USD 95m), in addition to the proceeds of the government in-kind share sales by Total (net of the maritime tax) according to their trading agreement

** Cost of state participation in Ynaga and Sendji oil fields

Financial relations: Consider a table for consistency

	Budget transfer/subsidy	Dividends	Retained earnings	Reinvestment	Third-party financing (debt and equity)
Statutory rules: SOE's ability to:	Cite specific legal or regulatory provisions.	Cite specific legal or regulatory provisions.	Cite specific legal or regulatory provisions.	Cite specific legal or regulatory provisions.	Cite specific legal or regulatory provisions.
SOE 1	Value of transfer in the year under review	Value of transfer in the year under review	Value of transfer in the year under review	Value of transfer in the year under review	Value of transfer in the year under review
	Source & assessment of reliability, comprehensiveness, disaggregation.	Source & assessment of reliability, comprehensiveness, disaggregation.	Source & assessment of reliability, comprehensiveness, disaggregation.	Source & assessment of reliability, comprehensiveness, disaggregation.	Source & assessment of reliability, comprehensiveness, disaggregation.
SOE 2	Value of transfer in the year under review	Value of transfer in the year under review	Value of transfer in the year under review	Value of transfer in the year under review	Value of transfer in the year under review
	Source & assessment of reliability, comprehensiveness, disaggregation.	Source & assessment of reliability, comprehensiveness, disaggregation.	Source & assessment of reliability, comprehensiveness, disaggregation.	Source & assessment of reliability, comprehensiveness, disaggregation.	Source & assessment of reliability, comprehensiveness, disaggregation.

Requirement 2.6 – Loans and guarantees

Requirement 2.6.a.ii: *"Where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these transactions should be disclosed, including loan tenor and terms (i.e. repayment schedule and interest rate). Multi-stakeholder groups may wish to consider comparing loans terms with commercial lending terms."*

Key aspects of loans and guarantees:

- Did the state have any outstanding loans or loan guarantees to any extractives companies (including SOEs) or projects in the year under review?
- Did the SOE have any outstanding loans or loan guarantees to any extractives companies or projects in the year under review?
- What are the terms of each loan and guarantee identified? E.g. Tenor, repayment terms, interest rate.
- The MSG could compare the terms of these loans and guarantees to commercial loans.

Common risks in loans and guarantees to extractives

Transparency on state and SOE loans and guarantees to extractives projects and companies is key to understanding the state's use of taxpayer funds to support extractives companies. Some of the risks include subsidising private commercial companies; patronage through preferential lending to politically-exposed persons; off-budget loans by SOEs that are not reflected in sovereign debt statistics, etc.

- In the **Republic of Congo**, SNPC has contracted debt worth 21% of GDP.
- In **PNG**, the issue of sovereign guarantees on SOEs in the mining, oil and gas sectors has been politically decisive.
- In **Mozambique**, while ENH debt declined from 8.4% of GDP in 2016 to 7% of GDP in 2018, it has started to rebound with recent loan guarantees.


global witness
RIGGED
WHERE HAS REPUBLIC OF CONGO'S OIL MONEY GONE?
27 JANUARY 2020

Text Table 2. Mozambique: Debt, Public and Publicly Guaranteed

(Percent of GDP)

	2014	2015	2016	2017 Prel.	2018 Est.
Public sector debt [1]	**67.2**	**94.2**	**137.6**	**110.4**	**110.5**
Public sector external debt (incl. guarantees)	**60.7**	**82.5**	**112.9**	**90.4**	**91.2**
A. Bank of Mozambique-IMF	1.1	1.9	2.2	1.4	1.1
B. General Government	49.6	68.5	98.0	76.1	74.6
Multilateral creditors, excl IMF	20.8	28.2	39.4	30.8	30.0
Bilateral creditors [1]	20.8	30.9	42.7	33.8	32.4
Paris Club	3.3	5.1	7.8	7.5	6.6
Banks	3.2	3.3	7.5	5.4	5.1
EMATUM/Mozam Eurobond	3.2	3.3	7.5	5.4	5.1
Other public sector: *ENH (LNG project)*	4.8	6.1	8.4	6.2	7.0
C. Government guaranteed external debt	9.9	12.1	10.8	7.6	7.2
EMATUM	2.2	2.7	0.0	0.0	0.0
Proindicus	3.9	4.8	6.2	4.4	4.2
MAM	3.4	4.2	4.2	3.0	2.8
Other guarantees	0.4	0.4	0.5	0.3	0.2
D. External arrears	0.0	0.0	1.9	5.2	8.3
Public sector domestic debt (incl. guarantees)	**6.5**	**11.7**	**24.7**	**20.0**	**19.2**

[1]This reflects preliminary numbers for the stock of debt at end-2018 shared with IMF Staff in March 2019. Domestic debt includes domestic debt of a selected number of SOEs for 2016-18, for which data was available. The selection criteria are set in the Joint IMF-Bank Guidance Note on Low-Income Countries Debt Sustainability Framework. The figures includes ENH borrowing from external partners for its equity participation in Area 4 Coral South and Mamba LNG projects, Area 1 Golfinho Atum project, and the state guarantee for ENH debt for its participation in the Area 1 Golfinho Atum LNG project.

Loans and guarantees

Loans granted to extractive companies

ZCCM-IH contributes to the direct financing of mining projects. According the company financial reports, funding was granted to its subsidiaries operating in the mining sector; and the terms of the transactions can be summarised as follows: 46

Table 28: Loans granted by ZCCM-IH to extractive companies

Beneficiary	Terms of the transaction
1. Maamba Collieries Limited	On 17 June 2015, ZCCM -IH entered into an intercompany loan agreement for a cash advance of K254.45 million (US$26.345 million) as part of its contribution towards the implementation of the Integrated Mining Project and the establishment of the 300MW Thermal Power plant project. The loan attracts an interest rate of 6 % per annum. The principal and interest accrued is repayable in 5 annual instalments commencing in one year after the commercial operational date of 31 December 2016.
2. Lubambe Copper Mines Limited	On 15 September 2012, ZCCM - IH entered into an intercompany loan agreement with Lubambe Copper Mines Limited, for cash call loan amounting to K850 million (US$76 million). The loans attract an interest rate of Libor plus 5% and is not secured. The loan was to be repaid in twelve equal quarterly instalments, none of which was made. This loan is fully impaired.
3. Ndola Lime Company Limited	The total loans and advances due from Ndola Lime, including interests was K29 million (2015: K516 million) which is fully impaired. During 2017, ZCCM-IH resolved to convert a total of K659 million of the outstanding loans to equity. The advances are not secured over any Ndola Lime Company assets and ZCCM-IH has indicated that it will not demand immediate repayment of these advances.
4. Kariba Minerals Limited.	On 10 December 2012, ZCCM-IH and Kariba Minerals Limited entered into an intercompany loan agreement for a cash advance of K16.43 (US$1.47) million. Repayment was to commence at the end of the 12 months from the date of disbursement and payable annually. The loan attracts an interest rate of 6 % per annum. As at 31 March 2016, no repayments had commenced. This loan is fully impaired

Source: Zambia's 2018 EITI Report, p.61.

SOEs	Loan/ Loan guarentee	Contract start date	Loan amount m	Contract term/ description	Loan period	Involved parties	Comment
Loans and loan guarantees issued by the Government							
Erdenes Tavan Tolgoi	Chalco loan	2011.07. 26	USD 350	Agreement with Chalco 3%-10.4% annual interest rate		Chalco, GoM	Erdenes Tavan Tolgoi had been paying USD 350 million to Chalco since 2011. As of 31 March 2017, the loan was paid in full.
	Contract No 3-TZ-B-2012-144	2012	USD 100	For railway transportation development	36 months	DBM	
	Contract No. 3-ET-HO-2012-12-162	2012	USD 100	For export development	36 months	DBM	
..ur	Budget loan	2016.10. 04	MNT 16,800	Budget loan agreement		Ministry of Energy	Baganuur JSC took the loan with a purpose to continue its operation reliably, to repair and renovate the technology and devices, and to reserve fuel for the preparation of 2016-2017 winter.The loan was spent accordingly and paid in full within the fiscal year.
	Contract No. 3-BN-HO 2013-11	2013.04. 23	MNT 18,634	DBM loan agreement		DBM	Baganuur JSC took a loan from DBM to renovate its technology. In 2016, an amount of MNT 4,740 m was paid towards the loan.
	Contract No. MOG-2854	1996.07. 17	USD 31,127	Transferrable loan agreement with MoF regarding a loan from International Development Association with a gurantee issued by the MoF	12 months	MoF	In a scope of Mongol Coal project, Baganuur JSC took a loan from World Bank and Government of Japan with a guarantee issued by the MoF. In 2016. MNT 3,283 m was paid towards the loan.
	Contract No. MON-P4	1997.07. 31	JPY 2,276	Transferrable loan Agreement with MoF regarding a loan from International Cooperation		MoF	

Source: Mongolia's 2017 EITI Report, p.120.

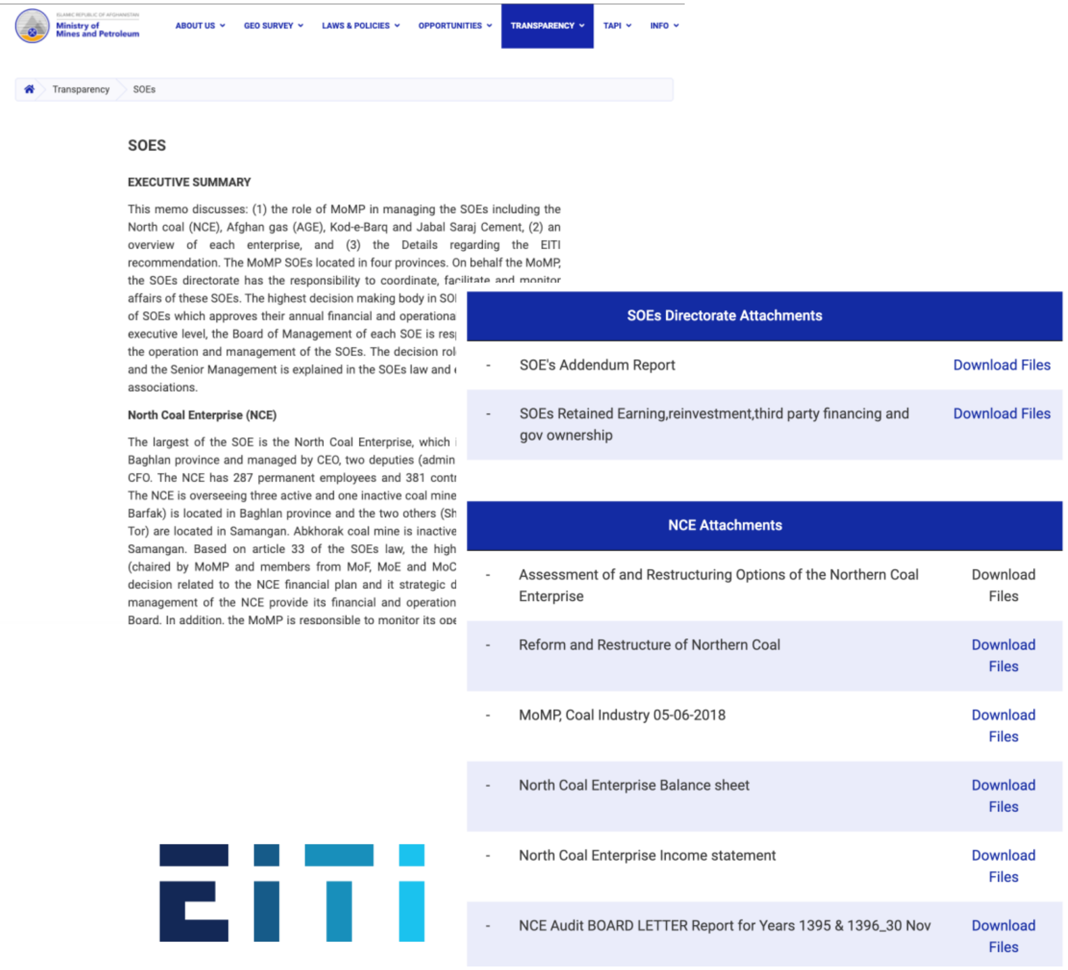
Requirement 2.6 – Financial statements

Requirement 2.6.b: *"SOEs are expected to publicly disclose their audited financial statements, or the main financial items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available."*

Key aspects to consider:

- Does the SOE have financial statements? Are they audited?
- Are the SOE's financial statements published? If not, is there a reason?
- If the SOE is resistent to publishing its financial statements, is it willing to publish a summary of its balance sheet and profit & loss statement?

SOE financial statements: Afghanistan



SOES

EXECUTIVE SUMMARY

This memo discusses: (1) the role of MoMP in managing the SOEs including the North coal (NCE), Afghan gas (AGE), Kod-e-Barq and Jabal Saraj Cement, (2) an overview of each enterprise, and (3) the Details regarding the EITI recommendation. The MoMP SOEs located in four provinces. On behalf the MoMP, the SOEs directorate has the responsibility to coordinate, facilitate and monitor affairs of these SOEs. The highest decision making body in SOI of SOEs which approves their annual financial and operationa executive level, the Board of Management of each SOE is res the operation and management of the SOEs. The decision rol and the Senior Management is explained in the SOEs law and associations.

North Coal Enterprise (NCE)

The largest of the SOE is the North Coal Enterprise, which Baghlan province and managed by CEO, two deputies (admin CFO. The NCE has 287 permanent employees and 381 contr The NCE is overseeing three active and one inactive coal mine Barfak) is located in Baghlan province and the two others (Sh Tor) are located in Samangan. Abkhorak coal mine is inactive Samangan. Based on article 33 of the SOEs law, the high (chaired by MoMP and members from MoF, MoE and MoC decision related to the NCE financial plan and it strategic d management of the NCE provide its financial and operation Board. In addition, the MoMP is responsible to monitor its ope

SOEs Directorate Attachments	
- SOE's Addendum Report	Download Files
- SOEs Retained Earning,reinvestment,third party financing and gov ownership	Download Files

NCE Attachments	
- Assessment of and Restructuring Options of the Northern Coal Enterprise	Download Files
- Reform and Restructure of Northern Coal	Download Files
- MoMP, Coal Industry 05-06-2018	Download Files
- North Coal Enterprise Balance sheet	Download Files
- North Coal Enterprise Income statement	Download Files
- NCE Audit BOARD LETTER Report for Years 1395 & 1396_30 Nov	Download Files

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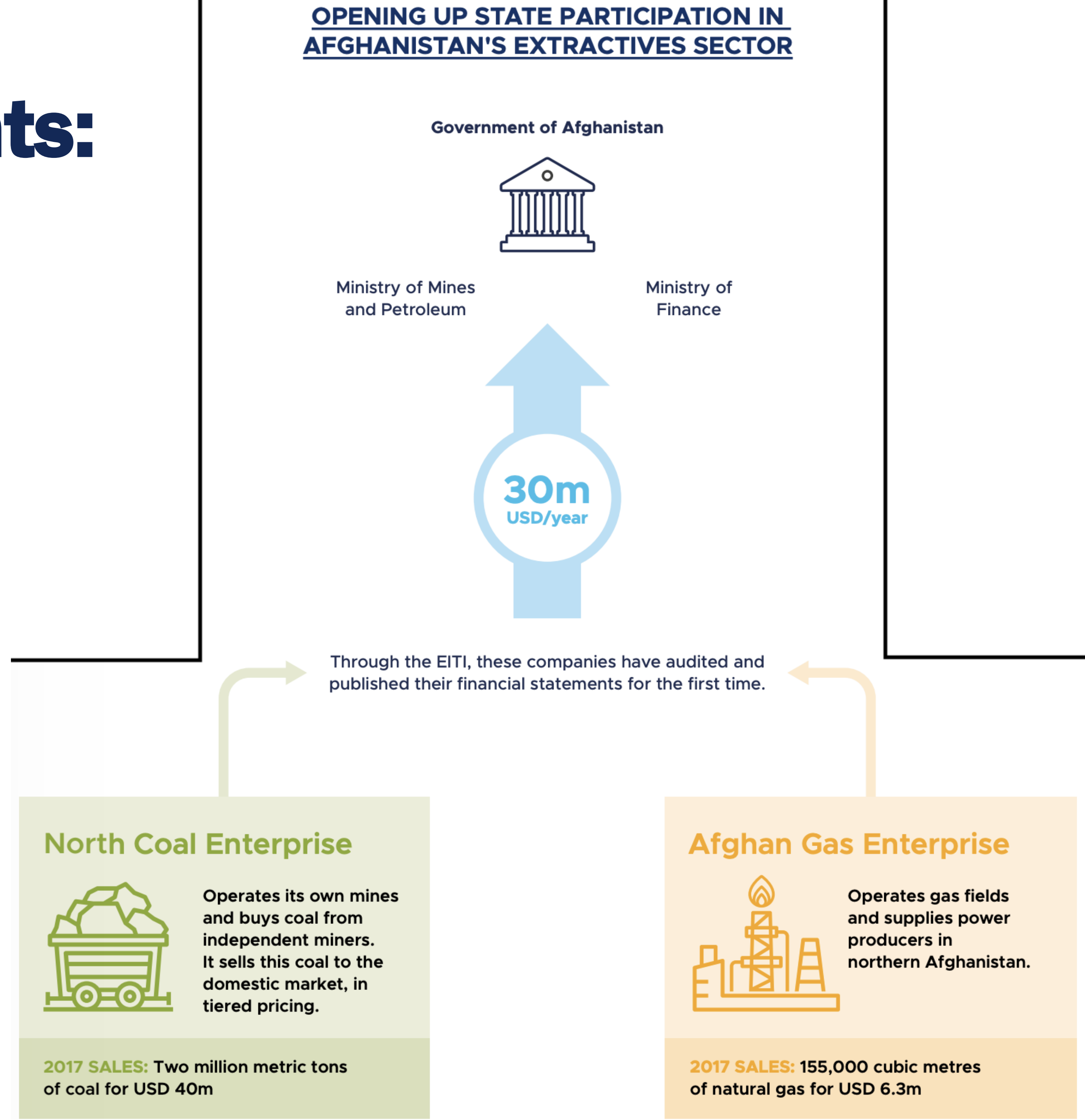


SOE financial statements: Tanzania

- TPDC routinely publishes its audited financial statements.
- The latest financial statements highlight over USD 1bn in outstanding government loans to TPDC.

30. BORROWINGS (CONTINUED)

TERMS AND CONDITION

a) This loan from Export – Import (Exim) Bank of China was received through the Government of the United Republic of Tanzania to finance the construction of Mtwara and Songo Songo to Dar es Salaam gas pipeline and processing plants. The loan is denominated in US dollars. The loan contract amounts to USD 920,000,000 and carries an interest of two percent per annum (2% per annum) which is to be paid every 21 January and 21 July. The loan had a grace period of 84 months from the first day of disbursement, 20 June 2013. The loan is to be repaid in 156 months from the end of the grace period.

The loan is defaulted as no interest has been paid to the Government.

b) This loan from Export – Import (Exim) Bank of China was received through the Government of the United Republic of Tanzania to finance the construction of Mtwara and Songo Songo to Dar es Salaam gas pipeline and processing plants. The loan is denominated in US dollars. The loan contract amounts to USD 275 million and carries an interest of 430 basis points plus a 6 months libor per annum which is to be paid every 21 January and 21 July. The loan had a grace period of 22 months from the first day of disbursement, 24 July 2013. The loan is to be repaid in 132 months from the end of the grace period.

The loan is defaulted as no interest and principal has been paid to the Government.

The securities for loan (a) and loan (b) above includes all rights under the natural gas sales agreement between TPDC and TANESCO to the lender as security for the obligation of the borrower under the loan agreement and escrow account agreement.

c) This is a medium term loan from the TIB Development Bank Limited. The purpose of the loan was to fulfil conditions set out in the Gas Sales Agreement between TPDC and Mnazi Bay PSA Partners. Interest for the loan is charged at 900 basis points plus 6 months US libor rate per annum. The loan amounts to USD 27 million. The loan had a grace period of 12 months from the date of disbursement, 16 August 2015. The loan is to be repaid in 4 equal instalments within the period of 24 months from the end of the grace period.

The loan has the following securities;

- Specific assignment over the TPDC entitlements of Cost Gas and Profit Gas Mnazi Bay GSA receivables which shall rank second to the Mnazi Bay Concession Partners' claims prior to settlement of the outstanding TPDC payables and thereafter shall rank first till the liquidation of the loan and;
- Pledge/assignment of the TPDC's shares in the Mnazi Bay Concession standing at 20% participating interests. As at the date of entering the agreement the participating interest was estimated to be Tzs 61.55 billion.

The loan is defaulted as no interest and principal has been paid to the lender, TIB.

EITI

Requirement 2.6 – Encouraged aspects

Requirement 2.6.c: *"Implementing countries are encouraged to describe the rules and practices related to SOEs' operating and capital expenditures, procurement, subcontracting and corporate governance, e.g. composition and appointment of the Board of Directors, Board's mandate and code of conduct."*

Key encouraged aspects of Requirement 2.6:

- What are the rules and practices related to the SOE's expenditures management (operating and capital expenditures)?
- What are the rules and practices related to the SOE's procurement?
- What are the rules and practices related to the SOE's subcontracting?
- What are the rules and practices related to the SOE's corporate governance? E.g.:
  - *Composition of the Board of Directors*
  - *Appointment of the Board of Directors*
  - *Board of Directors' mandate*
  - *Board of Directors and/or management's Code of Conduct.*

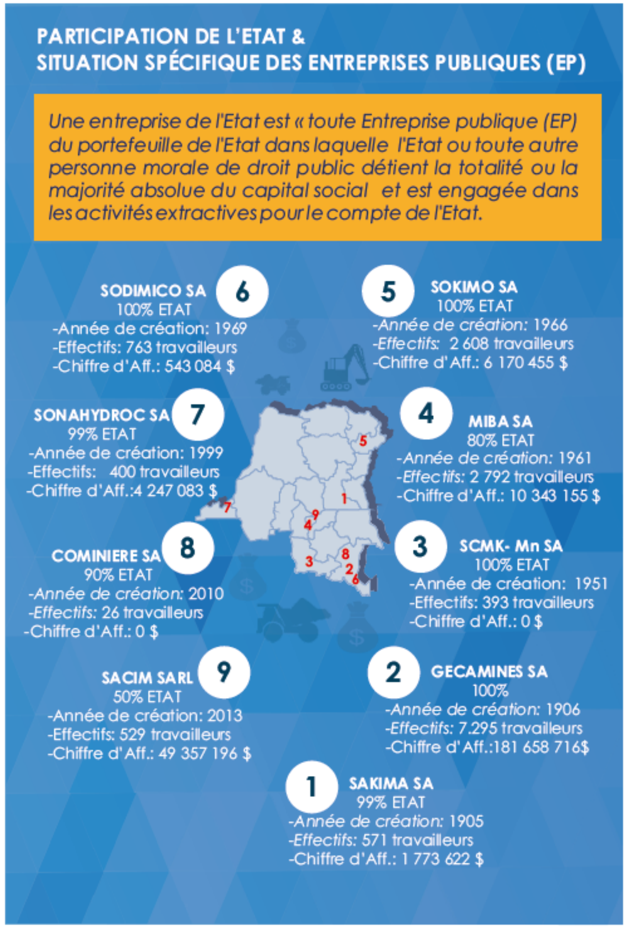
EITI

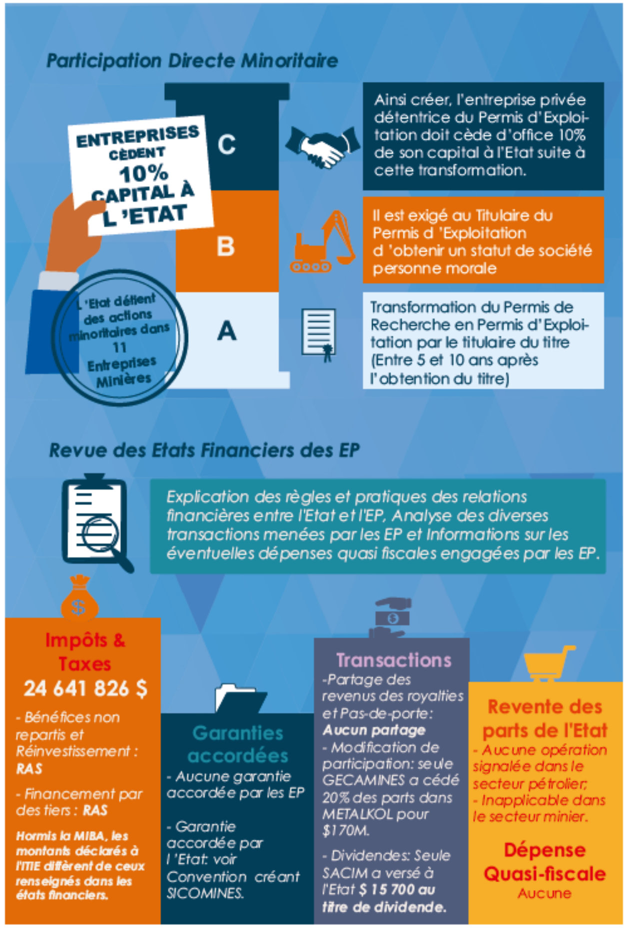
Common challenges in SOEs' corporate governance

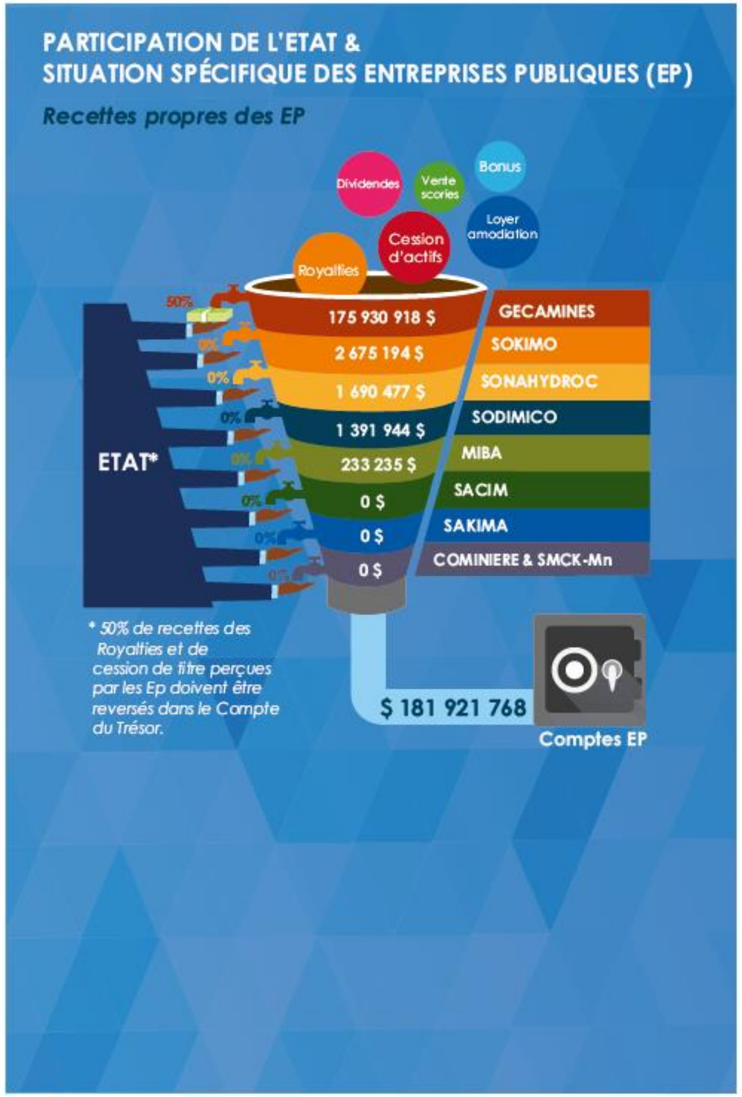
Some of the common challenges in SOEs' corporate governance:

- Use of operating expenditures to cover non-core spending, which can lead to patronage;
- SOE procurement at different than commercial rates from companies owned by politically-exposed persons;
- Political interference in the appointment of SOEs' Board of Directors;
- Lack of safeguards against conflict of interest of management or Board Directors in SOEs; etc

Targeted efforts in the DRC







Requirement 4.5

State-Owned Enterprise (SOE) transactions

EITI

Common challenges in SOE transactions

Some of the common challenges related to SOE transactions include:

- Excessive profit retention by SOE subsidiaries and joint ventures;
- Lack of clarity on SOEs' retention of extractives companies' payments;
- Combination of large SOE retained earnings and government subsidies for the same SOEs;
- Lack of clarity on overall financial management by SOEs.

Requirement 4.5 – SOE transactions

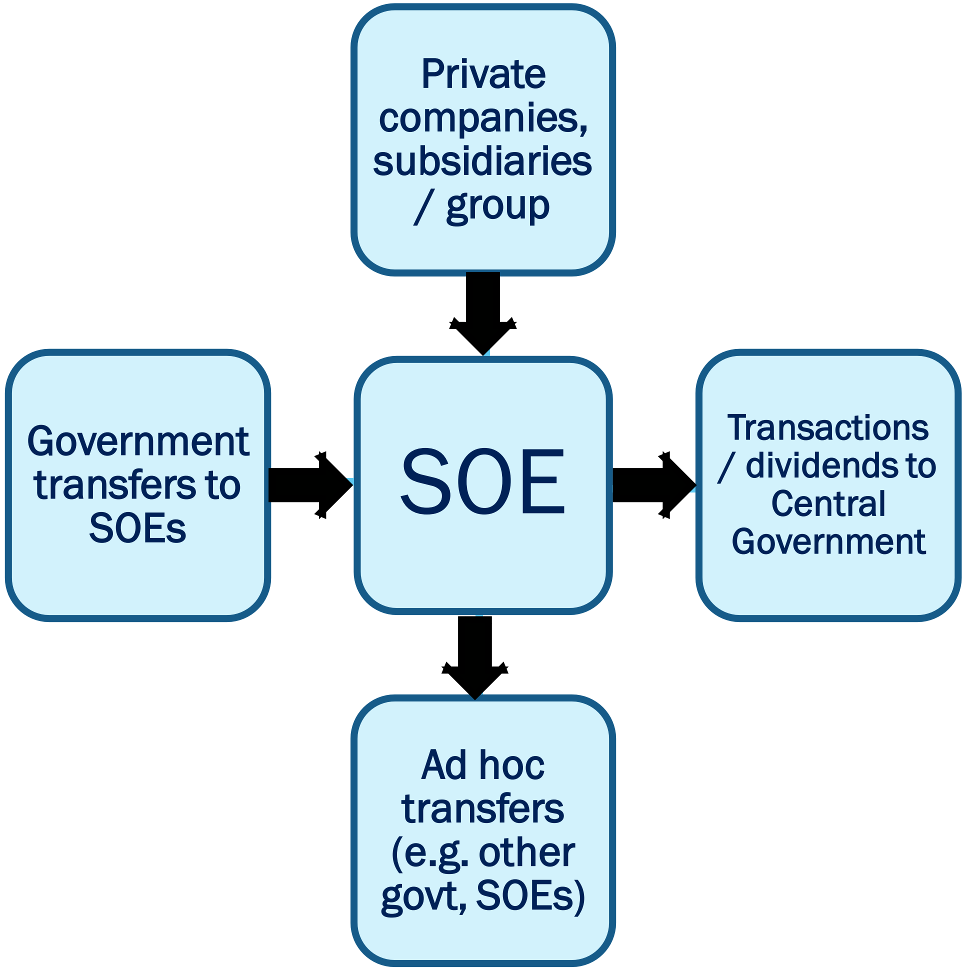
Requirement 4.5: «*The multi-stakeholder group must ensure that the reporting process comprehensively addresses the role of SOEs, including comprehensive and reliable disclosures of material company payments to SOEs, SOE transfers to government agencies and government transfers to SOEs.*»

Requirement 4.5 – SOE transactions

Key SOE transactions to consider:

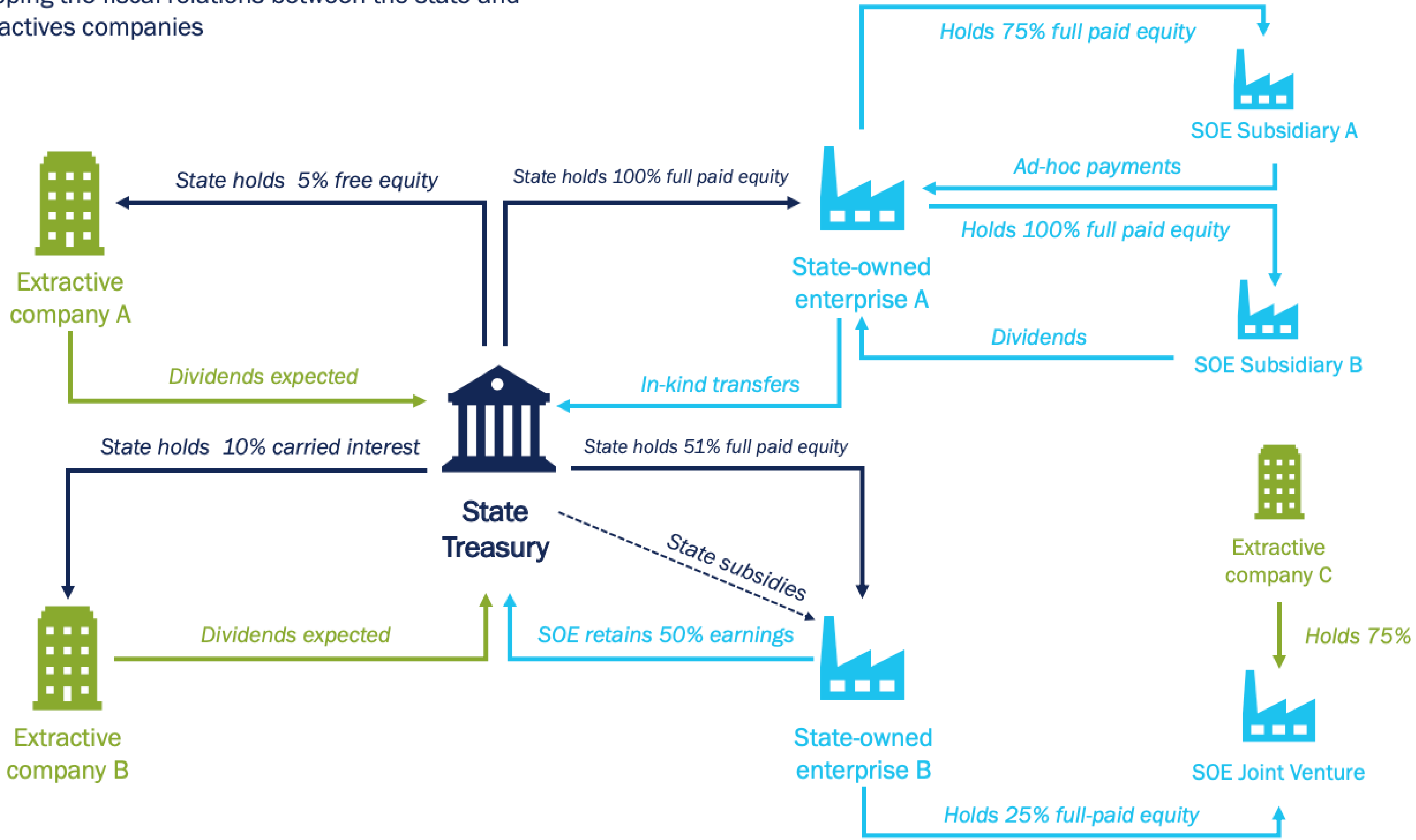
- Extractives companies' transactions to SOEs;
- SOE subsidiaries transactions to the SOE group;
- SOE transactions to government (that are SOE-specific, such as dividends);
- SOE ad hoc transactions to other government entities;
- Government transfers to SOEs (e.g. Budget transfers, subsidies).

The MSG can consider separate materiality threshold for selecting SOE transactions for reconciliation.



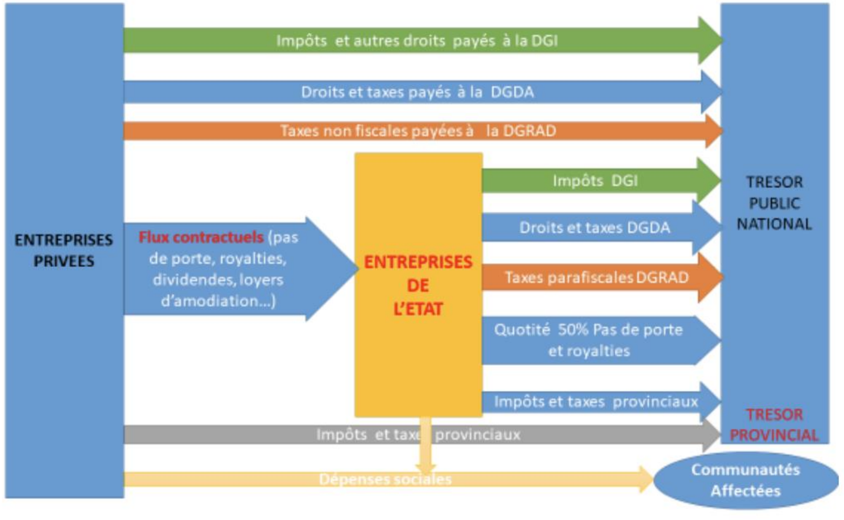
State participation in the extractive industries

Mapping the fiscal relations between the state and extractives companies

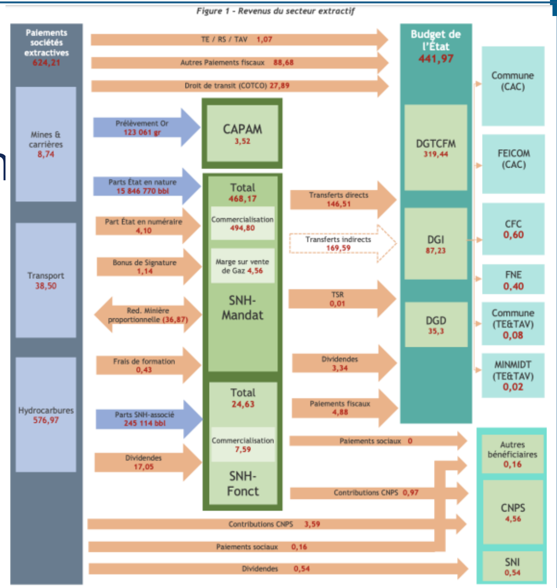


Company payments to SOEs

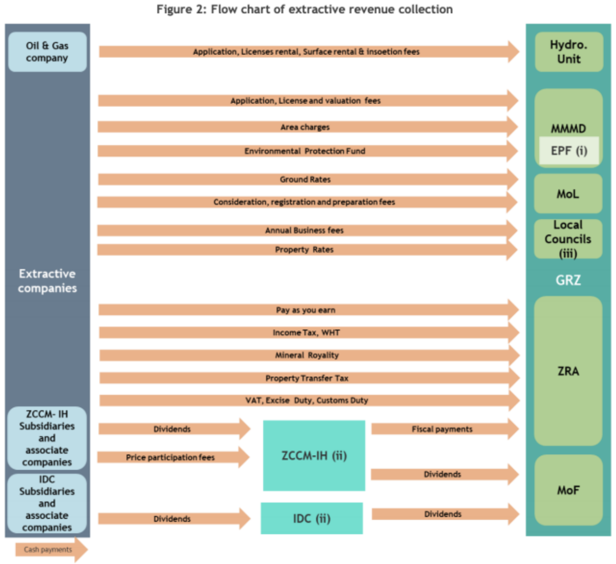
In **the DRC**, SOEs collect extractive company payments, such as royalties, dividends, ‘pas de porte’ etc.



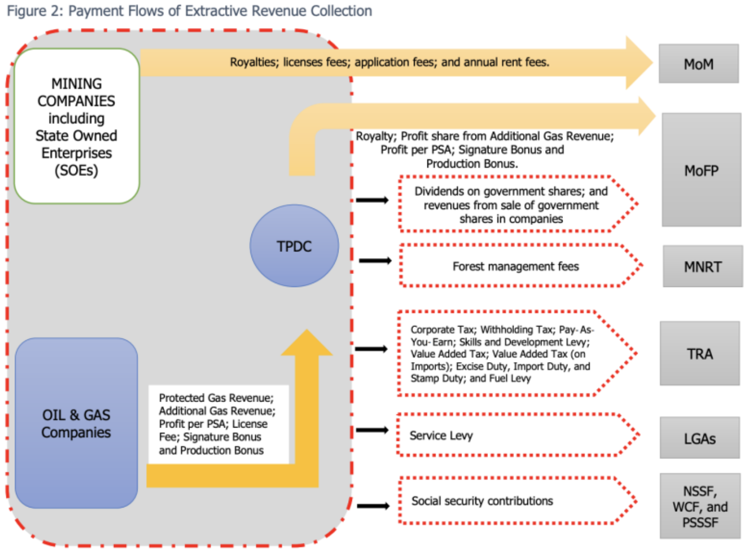
In **Cameroon**, the SOE SNH collects revenues from oil and gas companies, both on behalf of the government as SNH-Mandat and on its on behalf as SNH-Fonctionnement.



In **Zambia**, ZCCM-IH collects revenues (dividends) from its subsidiaries and affiliates, and subsequently makes payments and transfers to the state.



In **Tanzania**, the national oil company TPDC collects revenues from oil and gas companies and makes payments and transfers to government.



Transfers between SOEs and government

In **Ghana**, the sovereign fund PHF makes transfers to GNPC. These transfers should be comprehensively and reliably disclosed (e.g. reconciliation, audit procedures, etc.).

Table 5.1: Disbursements from PHF IN 2017 AND 2018

Recipient Agency/Fund	2017	2018	% Change
GNPC	182,040,000	305,270,000	34.12
o/w Equity Financing		201,100,000	
o/w CAPI		104,170,000	

In **Zambia**, dividend payments to ZCCM-IH and ZCCM-IH dividends to government are disclosed and reconciled.

Dividends paid to ZCCM-IH	**758.33**	**662.20**	**14.52%**
Price Participation Fees paid by KCM	*553.04*	*662.20*	*-16.48%*
Dividends paid by KMP	*205.29*	-	*N/A*
Dividends paid by ZCCM-IH	**92.38**	**-**	**N/A**
Dividends paid to IDC	*69.21*	-	*N/A*
Dividends paid to MoF	*23.18*	-	*N/A*

In **Afghanistan**, North Coal Enterprise made in-kind transfers to the National Intelligence Directorate.

ANNEX 3

Northern Coal Enterprise Credit and Debit Review- 1370-1389

THIS INFORMATION WAS PROVIDED BY MINISTRY OF MINES;
ADDITIONAL INFORMATION WAS PROVIDED BY NCE WHICH IS NOTED BELOW

No.	Entity	Location	Coal value given as credit unless otherwise noted[31]	Year	If different - Information submitted by NCE
1	Traffic Department	Baghlan	43,185 $959.67	1377	
2	Administrative Affairs Directorate	Baghlan	147,689 $3281.98	1376	
3	Legal Rights Directorate	Baghlan	2,070 $46.00	1376	
4	Attorney General Directorate	Baghlan	1,996 $44.35	1377	
5	Municipality	Baghlan	13,862 $308.04	1376	
6	Agriculture Directorate	Baghlan	9,316 $207.02	1376	
7	Mastofiat (Provincial Revenue Department)	Baghlan	11,266 $250.35	1375	
8	Intelligence Directorate	Baghlan	257,703 $5726.73	1375	

In **PNG**, the SOE KPH paid 4 times more in advances on dividends than on dividends in 2015.

Table 28: Revenue and payments for KPH during 2015

Revenue/payment stream	Amount (PGK)	Comment
PNG LNG equity distribution (by way of borrower restricted payments)	1,003,577,758	
PDL 1 revenue (Hides GTE)	13,091,133	
Equity distributions from Oil Search shares	34,807,038	Oil Search pays dividends owned by KPH directly to JP Morgan. JP Morgan than pays KPH after they retain funds in accordance with the UBS loan. In 2015, JP Morgan received PGK74,323,960 from Oil Search and paid KPH PGK34,807,038.
Dividends paid to Treasury	86,400,000	
Advance payment to the State, to finance the 2015 Budget.[245]	365,000,000	

Extractive Industries
Transparency Initiative

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