

For decision

For discussion

For information

2018 EITI Annual Accounts and Q1 2019 forecast

Summary:

The EITI Finance Committee recommends that the Board approves the 2018 accounts of the EITI International Management which are in line with the 2018 audited figures.

2018 was another solid financial year for the EITI International Secretariat.

The EITI received USD 1.2m more than it spent in 2018. Revenues of USD 6.8m were received. Funding (including for project-specific activities) from governments increased from USD 4.7m (in 2017) to USD 4.9m while revenues from companies stayed at USD 1.9m. The number of supporters was stable at 93 compared to 90 in 2017.

Total expenditure reached USD 5.5m, the same as in 2017, which was below the budget of USD 6.0m. After a cautious start to the year, expenditure increased in the second half with the Beneficial Ownership conference and Board meeting in Dakar, increased staffing and more than ten pre-validation or validation missions.

Supporting documentation (available via www.eiti.org/internal/finance-committee)

Has the EITI competence for any proposed actions been considered?

The EITI Board is mandated in the articles to assess the accounts of the EITI International Management.

Financial implications of any actions

There are no financial implications of this request for the EITI International Management, other than the administrative processing. There are no costs expected outside the budget in the agreed workplan.

Document history

Submitted to the Finance Committee	1 February 2019
Discussed by the Finance Committee	8 February 2019
Approved by the Finance Committee	8 February 2019
Submitted to the EITI Board	13 February 2019

Table of Contents

1	2018 EITI Annual Accounts	2
	Table 1: Summary figures January-December 2018.....	3
2	2018 Revenue	3
	Table 2: Revenue 2018 broken down by constituency plus project specific funding	4
	Table 3: 2018 Revenue.....	4
2.1	2018 Project-specific funding	7
	Table 4: 2018 Project-specific funding.....	7
3	2018 Expenditure	8
	Table 5: 2018 Expenditure.....	9
4	Opening Up Ownership – Africa Conference 2018, Dakar, Senegal.....	9
	Table 6: Opening Up Conference – financial figures.....	10
5	Balance Sheet and cashflow statement as per 31 December	10
	Table 7: Balance Sheet as per 31 December.....	11
	Table 8: Cashflow Statement 31 December 2018.....	12
6	Conclusion	12
7	Forward Look: Foreseen activities for Q1 2019.....	12

EITI ANNUAL ACCOUNTS 2018

1 2018 EITI Annual Accounts

The EITI annual accounts for 2018 were received from the EITI's auditors, HCA Revisjon & Rådgivning AS, on 1 February 2019. This paper presents the Board with a set of accounts for the period 1 January to 31 December 2018 and is submitted to the Board alongside the audited accounts submitted through the Audit Committee.

The EITI received USD 1.2m more than it spent in 2018. Its **revenue** in 2018 was USD 6.8 m and its **expenditure** were USD 5.5m. This was against an approved **budget** of USD 6.0m. The expenditure was in line with the budget for most cost lines including implementation and training seen together. Board meeting costs were lower than budget due to host country funding. The accounts include USD 1.4m in project-specific expenditure. The higher than budgeted revenue arose mainly from continued strong funding from governments. Contributions from supporting companies were stable compared to 2017.

As at 1 January 2018, the bank account balance was USD 3.2m and at 31 December 2018 the balance was USD 3.5m. The bank account is held in Norwegian kroner, but the increased balance is only modestly affected due to a stable value of the kroner against the US dollar. These figures include the reserve fund¹ which remains untouched.

The financial status of the EITI International Secretariat for 2018 is briefly summarised in table 1 below.

¹ The reserve was agreed in 2016 to be held at NOK 4.8m. With the closing exchange rate used for the 2018 figures, this equates to USD 552,000.

Table 1: Summary figures January-December 2018**EITI Financial Report 2018**All figures in **USD thousands**

Main figures	Full year 2018	Budget 2018	Full year 2017
<i>average rate NOK/USD</i>	8,13	8,00	8,26
Revenue	6 760	6 000	6 731
Expenditure	5 589	6 000	5 541
Net interest income	8	-	6
<u>Net result</u>	1 179	-	1 196
<i>closing rate NOK/USD</i>	8,69	8,00	8,21
Equity* 01.01.	1 799	1 799	566
Equity end of period. (incl. currency translation)	2 802	1 799	1 799
<i>Bank balance at end of period (including reserve)</i>	3 495	2 500	3 197
<i>Reserve account balance at end of period</i>	552	600	585

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

2 2018 Revenue

The EITI received USD 6.8m in 2018 compared to USD 6.7m in 2017. This was higher than expected due to continued strong contributions from governments and stable contributions from supporting companies. The Secretariat upheld its funding base with total number of supporters being stable at 93 compared to 90 in 2017. Two new companies became supporters in 2018. One supporting company was delisted at the beginning of 2019 for not having provided the minimum contribution in 2019. This follows delisting of 24 companies one year ago. The EITI now has 66 supporting companies, including 27 who support through the ICMM.

While both **implementing countries** and **supporting oil, gas and mining companies** agreed to pay a minimum membership fee, **supporting countries** have yet to agree to a required contribution. Significant project-specific funding was received for the beneficial ownership conference in Dakar, peer learning and capacity building, beneficial ownership disclosure support and commodity trading transparency work.

Table 2 breaks down the contributions by type of stakeholder.

Table 2: Revenue 2018 broken down by constituency plus project specific funding**EITI Financial Report 2018**All figures in **USD thousands**

Result Report	Full year 2018			Full year 2017	Variance
	Actual	Budget	Variance	Actual	vs 2017
Implementing countries					
Implementing countries	120	200	(80)	105	15
International development partners, including donors, NGO's and foundations					
Supporting governments and IFI's	4 783	3 785	998	4 685	98
NGO's and foundations	0	50	(50)	-	-
Private sector					
Oil and Gas	1 052	1 000	52	1 130	(78)
Mining and Minerals	706	850	(144)	716	(10)
Financial Institutions	29	100	(71)	20	9
Non-extractives	70	15	55	74	(4)
Financial Income					
Net interest income	8	-	8	6	2
Total Revenues	6 768	6 000	768	6 737	31

Table 3 below sets out the revenue of the EITI International Secretariat in the period January–December 2018. In total, 93 countries and organisations contributed to the EITI International Management in 2018 compared to 90 in 2017. The second column of table 3 shows the amount received and the currency it was received in. The third column shows the actual amount received in NOK. The fourth column shows the amount received based on the average exchange rate for 2017 (1USD = 8.13 NOK)² for the purpose of presenting the figures in USD.

Table 3: 2018 Revenue

EITI REVENUE JAN-DEC 2018 (per 31 December)			
Name	Amount in Currency	Amount received in NOK	Amount received in USD
Implementing Countries			
Government of Armenia	USD 10 000	76 894	9 458
Government of Burkina Faso	USD 10 000	82 945	10 202
Government of Côte d'Ivoire	USD 10 000	76 328	9 388
Government of Democratic Republic of Congo (DRC)	USD 10 000	85 599	10 529
Government of Dominican Republic	USD 10 000	80 425	9 892

² Average Rate for 2018: 1USD=8,13NOK

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

Government of Guinea	USD 10 000	80 891	9 950
Government of Guyana	USD 10 000	81 576	10 034
Government of Iraq	USD 10 000	83 800	10 308
Government of Mongolia	USD 10 000	82 453	10 142
Government of Myanmar	USD 10 000	83 438	10 263
Government of Papua New Guinea	USD 10 000	77 232	9 500
Government of Togo	USD 10 000	81 685	10 047
Total revenue from Implementing countries		973 266	119 713
International Development Partners & IFI's, including donors, NGO's and Foundations			
Government of Australia(2017-2019)	AUD 350 000	2 228 113	274 061
Government of Belgium (2017-2020)	EUR 100 000	963 909	118 562
Government of Canada	CAD 140 000	885 478	108 915
Government of Denmark (2017-2018)	DKK 2 000 000	2 533 500	311 624
Government of Denmark (BO Conference)	DKK 1 000 000	1 293 700	159 127
EBRD (Beneficial Ownership)	EUR 103 379	1 025 732	126 166
European Commission (2016-2018)	EUR 300 000	2 813 980	346 123
Government of Finland (2017-2019)	EUR 183 333	1 711 807	210 554
Government of France	EUR 100 000	943 396	116 039
Government of Germany (2017-2018)	EUR 190 000	1 811 440	222 809
Government of the Netherlands (2017-2020)	USD 250 000	2 035 112	250 321
Government of Norway (2017-2019)	NOK 3 200 000	3 200 000	393 604
Government of Sweden	SEK 3 000 000	2 767 555	340 413
Government of Switzerland (SECO - Commodity trading)	CHF 62 500	505 563	62 185
Government of Switzerland (SECO) (2017-2020)	CHF 250 000	2 013 625	247 678
Government of the UK (DFID)	GBP 300 000	3 266 913	401 834
Government of the UK (DFID) Project funding	GBP 360 000	4 008 320	493 028
Government of the UK (DFID) Project funding	GBP 375 000	4 050 451	498 210
Government of the United States (USAID)	USD 94 838	824 000	101 353
Total revenue from International Development Partners & IFI's		38 882 593	4 782 607
Financial Institutions			
Førsta AP Fonden	USD 9 950	76 446	9 403
Nordea AB	USD 20 000	162 770	20 021
Total revenue from Financial Institutions		239 216	29 424
Companies			
Oil & Gas continued			
BP International	USD 60 000	466 130	57 335
BP International - BO Conference	USD 10 000	85 824	10 556
Cairn	USD 20 000	167 228	20 569
Chevron	USD 60 000	457 532	56 277
Conoco Phillips	USD 60 000	458 344	56 377
Eni Spa	USD 60 000	501 878	61 732
Equinor	USD 65 000	501 328	61 664
Exxon Mobile	USD 60 000	476 947	58 665

Far Ltd	USD 20 000	168 190	20 688
Gunvor	USD 50 000	388 875	47 832
Hess Corp.	USD 60 000	484 775	59 628
Inpex Corp.	USD 60 000	523 620	64 406
Kosmos Energy	USD 20 000	153 650	18 899
Kosmos Energy - BO Conference	USD 10 000	83 220	10 236
Lundin Petroleum	USD 40 000	332 380	40 883
Noble Energy	USD 60 000	502 526	61 811
Oil Search PNG	USD 40 000	320 800	39 459
Philia	USD 20 000	152 851	18 801
Shell International	USD 60 000	485 330	59 696
Staatsolie Surinam	USD 20 000	156 971	19 308
Total	USD 60 000	458 750	56 427
Trafigura	USD 60 000	481 842	59 267
Tullow	USD 20 000	154 106	18 955
Woodside Energy	USD 60 000	502 496	61 808
Woodside Energy - BO Conference	USD 10 000	85 284	10 490
Total revenue from Oil & Gas		8 550 877	1 051 768
Mineral & Mining			
Advanced Metallurgical Group (AMG)	USD 40 000	335 700	41 292
Base Titanium Ltd	USD 15 000	116 481	14 327
Centerra Gold Inc.	USD 15 000	126 118	15 513
Dundee Precious Metals	USD 15 000	124 263	15 285
Eramet	USD 18 000	144 448	17 767
Hudbay Minerals Inc.	USD 20 000	161 883	19 912
ICMM	GBP 374 000	4 063 023	499 757
Kinross Gold	USD 18 000	147 762	18 175
Sherritt Int Finance Ltd	USD 15 000	117 193	14 415
Southern Peru Copper	USD 15 000	119 329	14 678
St.Barbara	USD 15 000	125 458	15 431
Vale	USD 20 000	161 181	19 825
Total revenue from Mineral & Mining		5 742 839	706 376
Non-extractive companies			
KFW Bankengruppe	USD 10 000	82 332	10 127
Volkswagen AG	USD 60 000	487 400	59 951
Total from non-extractive companies		569 732	70 078
Total revenue 2018 including project-specific funding		54 959 197	6 759 966

Funding of USD 0.3m for 2019 was received in 2017 and 2018 from the following:

- GBP 75,000 from DFID for Q1 2019
- EUR 183,333 from Finland for 2019
- USD 18,000 from Kinross for 2019

In addition to the funds for 2019 listed above, existing agreements ensuring 2019 revenue of additional USD 2.2m are in place with the following countries:

- Australia AUD 350,000 (2017-2019)
- Belgium EUR 100,00 (2017-2020)
- Germany EUR 190,000 (2019-2020)
- Netherlands USD 250,000 (2017-2020)
- Norway NOK 3,200,000 (2017-2019)
- Switzerland CHF 250,000 (2017-2020)
- United Kingdom GBP 500,000 in project funding (2017-2021)
- United States USD 155,162 for 2019 (250,000)

Renewed agreements with Denmark, the EC, France, Sweden and the UK (core funding) are expected in the first half of 2019.

Received funding of USD 0.3m and committed country funding of approximately USD 2.2m provides good predictability for 2019 revenues and support for the Secretariat work plan.

2.1 2018 Project-specific funding

As shown above, a number of parties chose to provide project-specific funding to a host of events and activities in the 2018 workplan. In 2018, project-specific funding was granted for the following projects:

- USD 271,000 from a number of donors as specified in table 6 towards the Opening Up Conference in Dakar, Senegal.
- GBP 735,000 from DFID towards extractives beneficial ownership disclosure, commodity trading, mainstreaming and SOE transparency activities (including the contribution to the Dakar conference).
- CHF 62,500 from SECO towards commodity trading transparency pilots.

Table 4: 2018 Project-specific funding

Project-specific funding -2018			
Name	Amount paid	Amount received in NOK	Amount received in USD
DFID - UK (Benef. Own., Comm. Tr., Mainstreaming, SOE st.)	GBP 360 000	4 008 320	493 028
DFID - UK (Benef. Own., Comm. Tr., Mainstreaming, SOE st.)	GBP 375 000	4 050 451	498 210
Government of Denmark (BO Conference)	DKK 1 000 000	1 293 700	159 127
EBRD (Beneficial Ownership)	EUR 103 379	1 025 732	126 166
Government of Switzerland (SECO - Commodity trading)	CHF 62 500	505 563	62 185
Equinor - Beneficial ownership conference - Jakarta 2017	USD 5 000	38 888	4 783
Kosmos- Beneficial Ownership conference Dakar	USD 10 000	83 220	10 236
Woodside - Beneficial Ownership conference	USD 10 000	502 496	61 808
BP - Beneficial Ownership conference	USD 10 000	85 824	10 556
Total revenue for specific projects		11 594 193	1 426 100

3 2018 Expenditure

Total expenditure for 2018 was USD 5.5m which is below the budget of USD 6.0m This was same as in 2017. As before, approximately half of the total budgeted expenditure went to **salaries**. The number of staff only increased towards the end of the year, including the new ED. His salary deal has implications for other salaries which will mainly be seen in 2019. Travel costs are lower than last year partly due to lower Board meeting costs and lower than expected travel costs for the BO conference in Dakar. **Translation and interpretation** costs were lower than budget as Russian and Spanish translation needs continued to be more limited than expected. Office expenses were above budget as the number of staff increased. The office is unexpectedly required to leave its premises in May which will likely lead to a significant increase in office rent in 2019.

Please note that all the cost functions have an allocated share of salaries i.e. the staff time spent on each function.

- **Implementation costs** of USD 1.7m were made up of USD 1.1m in salary costs, USD 0.3m in travel costs, USD 0.1 in translation and interpretation and USD 0.2 in consultants.
- The costs of the **Board meetings** of USD 0.6m were made up of USD 0.2m in salary costs, USD 0.2m in translation costs and USD 0.2m in travel costs. It included the cost of the Board Meetings in Oslo, Berlin and Dakar. Translation and interpretation costs continued to drop compared to 2017.
- **Communication costs** of USD 0.4m was made up of USD 0.3m in salary costs and USD 0.1m related to updates and improvements to the EITI website and the Progress Report.
- **Training costs** of USD 0.4m was lower than budget than budget but should be seen together with implementation costs as these are closely linked. It included USD 0.1m in salary costs and USD 0.3m in travel costs.
- **Management and admin costs** of USD 0.9m reflect the increase in staff.
- **Validation costs** of USD 1.2m reflect the increase in the number of Validations compared to 2017.

Table 5: 2018 Expenditure**EITI Financial Report 2018**

All figures in USD thousands

Result Report	Full year 2018			Full year 2017	Variance
	Actual	Budget	Variance	Actual	vs 2017
Costs by function					
Implementation	1 690	1 430	(260)	1 549	(140)
Outreach	71	70	(1)	63	(9)
Board meetings	577	780	203	772	195
Communications	436	500	64	432	(5)
Chair's support	175	185	10	165	(11)
Training	433	750	317	658	225
Stakeholder rel./Int. advocacy	157	135	(22)	141	(16)
Management & Admin	872	800	(72)	766	(106)
Global conference					
Validation	1 178	1 350	172	995	(182)
Total Costs by function	5 589	6 000	411	5 544	(45)
Costs by type					
Salary	3 115	3 075	(40)	2 746	(369)
Other staff expenses	128	100	(28)	82	(45)
Office expenses	632	450	(182)	542	(90)
Travel and accomodation	930	1 300	370	1 370	440
Translation & Interpretation	358	575	217	461	103
Project consultants	340	400	60	287	(53)
Other expenses	86	100	14	52	(34)
Total Costs by type	5 589	6 000	411	5 541	(48)
Net result	1 179	-	1 179	1 196	(17)

4 Opening Up Ownership – Africa Conference 2018, Dakar, Senegal

[The Opening Up Ownership: Africa Conference on beneficial ownership transparency](#) held in Dakar on 31 October – 02 November. The event was the largest gathering of beneficial ownership transparency practitioners in the region to date. It was attended by over 250 stakeholders from over 30 countries and 40 organisations within the region. The conference was opened by HE Macky Sall, President of the Republic of Senegal. Also, in attendance was the President of **Sierra Leone**, HE Julius Maada Bio.

The conference was organised in collaboration with the Government of Senegal, and with financial support from the Governments of Denmark, France and the United Kingdom. Other donors included BP, Cairn Energy, Kosmos Energy and Woodside.

The financial overview for the conference is shown in table 6 below.

Table 6: Opening Up Conference – financial figures**EITI Financial Report 2018**

All figures in USD thousands

Result Report - BO Conference Dakar	2018		
	Actual	Budget	Variance
Revenues		270	
Denmark (DKK 1,000,000)	159		
DFID (GBP 50,000)	62		
France	20		
BP	10		
Kosmos	10		
Woodside	10		
Total Revenues	271	270	1
Costs			
Venue, catering, accommodation	96	100	4
Transportation in Dakar	1	25	24
Interpretation and translation	28	40	12
Sponsored travel from implementing countries	44	57	13
Secretariat travel(and time)	75	30	(45)
Communications	27	10	(17)
Other expenses	0	8	8
Total Costs by type	271	270	(1)
Net result	-	-	1

5 Balance Sheet and cashflow statement as per 31 December

The accounts were based on an accruals basis for the third year in 2018. As a consequence of using the accruals principle, a balance sheet and a cashflow statement is presented to give a comprehensive financial overview.

“Accounts receivable” of USD 0.2m consist of country and company funding support for 2018 that has been or will be received in Q1 2019. “Other receivables” of less than USD 0.1m consist of prepaid costs for insurance and subscription costs. “Public duties payable” of USD 0.2m consist of employer’s tax and staff salary tax. “Other short-term payables” of USD 0.7m consist of holiday pay³ of USD 0.2m, USD 0.1m in Q4 invoices, USD 0.4m received in 2019 core funding. The “currency translation costs” were mainly a result of converting the equity in NOK to USD at the closing rate on 31 December 2018 compared to on 31 December 2017.

³ The Norwegian system for holiday pay entails accruing approximately one month of salary and paying it out in the following year.

As a result of the positive result in 2018, total equity has increased to USD 2.8m including the reserve.

Table 7: Balance Sheet as per 31 December

EITI Financial Report 2018

All figures in **USD thousands**

	8,69	8,21
Balance Sheet Report	31.12.2018	31.12.2017
<u>ASSETS</u>		
Office equipment, machinery, etc	18	32
<u>Total fixed assets</u>	18	32
Accounts receivable	241	366
Other receivables	34	24
<u>Total receivables</u>	274	390
<u>Bank deposits, cash</u>	3 495	3 197
<u>Total current assets</u>	3 770	3 587
Total Assets	3 788	3 619
<u>EQUITY AND LIABILITIES</u>		
Other equity	1 799	566
This periods result	1 179	1 196
Currency translation	(176)	37
<u>Total equity</u>	2 802	1 799
Accounts payable	147	-
Public duties payable	182	219
Other short term liabilities	656	1 601
<u>Total current liabilities</u>	986	1 819
Total Equity and Liabilities	3 788	3 619

The cashflow statement reflects a positive cashflow effect from 2019 contributions received in 2018 and negative cashflow effects from 2018 contributions received in 2019.

Table 8: Cashflow Statement 31 December 2018**EITI Financial Report 2018**All figures in **USD thousands**

8,13

Cashflow statement	31.12.2018
<u>Cashflow from operating activities</u>	
Increase (decrease) in result/net assets	1 179
(Increase) decrease in :	
Depreciation	13
Accrued Revenue	112
Prepaid Expenses	(11)
Increase (decrease) in:	
Accrued expenses	36
Public duties payable	131
Deferred Revenue	(949)
Other (Currency effect)	(212)
Net cash provided from operating activities	298
<u>Cashflow from investing activities</u>	
Aquisition of property and equipment	-
Net increase in cash and cash equivalents	298
Cash and cash equivalents, beginning of year	3 197
Cash and cash equivalents, end of period	3 495

6 Conclusion

2018 was a solid financial year for the EITI. With an approved budget of USD 6.0m and further support to the Beneficial Ownership conference in Dakar, funding was higher than budget. There was also increased predictability from multi-year agreements. The successful fundraising resulted in a surplus. This will ease planning and delivery of activities in 2019. If contributions continue at existing levels, the work plan should be deliverable.

7 Forward Look: Foreseen activities for Q1 2019

The main activities foreseen in the first quarter of 2019 include:

1. Preparation for the Global Conference to be held on 17-19 June in Paris, France.
2. Beneficial ownership disclosure activities across several regions to develop roadmaps and capacity building - funded by DFID and EBRD.

3. Three validations commencing. In addition there were 19 outstanding Validations from 2018. The costs are expected to be around USD 65,000 per validation including Secretariat costs for first validations and around half of that for second validations.
4. Board meeting in Kyiv.
5. High level commodity trading conference in Lausanne, Switzerland funded by SECO.
6. Onboarding for five new staff and conclude search for new office.

Please see below an overview of forecasted liquidity for the first quarter 2019:

Cash balance 31 January:	USD	3.4 m (including reserve)
Project specific expenditure:	USD	0.3m
Normal Sec costs Feb-March	USD	1.0m
Expected contributions Feb-March	USD	1.5m
Cash balance 31 March	USD	3.6m (including reserve)

The result for Q1 2019 is forecasted to be around zero with revenues and costs of USD 1.5m including the project specific activities. USD 0.2m in contributions have been received as of 31 January. It should, however, be noted, that the Secretariat tends to receive a good part of its annual funding in Q1+Q2. For 2019 both contributions and costs for the Global Conference will increase figures in Q2 compared to 2018.

Board members

Moses Kulaba (Chair)

Carlos Aranda

Chris Davy

Dominic Emery

José Cardoso

Orleksiy Orlovsky