

2020 EITI Annual Accounts and Q1 2021 forecast

For decision

Summary:

The EITI Finance Committee recommends that the Board approves the 2020 accounts of the EITI International Secretariat which are in line with the 2020 audited figures.

The EITI spent USD 0.6m less than it received in 2020, primarily on account of reduced activities due to the COVID-19 pandemic.

Revenues of USD 6.2m were received. Funding from governments (including for project-specific activities) stayed at the same level as in 2019. Contributions from the private sector decreased from USD 2.4m to USD 1.7m reflecting reduced support after the 2019 Global Conference. T

The total expenditure for 2020 amounted to USD 5.6m, down from USD 7.2m in 2019, and below the budget of USD 7m. This is in line with trends from previous years when enhanced spending on the Global Conference is taken into consideration.

2020 EITI Annual Accounts and Q1 2021 forecast

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Supporting documentation (available via

<https://extractives.sharepoint.com/sites/FinanceCommittee>)

- N/A

Has the EITI competence for any proposed actions been considered?

- The EITI Board is mandated in the articles to oversee the accounts of the EITI International Secretariat.

Financial implications of any actions

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

Document history

Submitted to the Finance Committee	29 January 2021
Discussed by the Finance Committee	1 February 2021
Approval by the Finance Committee	1 February 2021
Submitted to the EITI Board	3 February 2021

2020 EITI ANNUAL ACCOUNTS

1. Summary

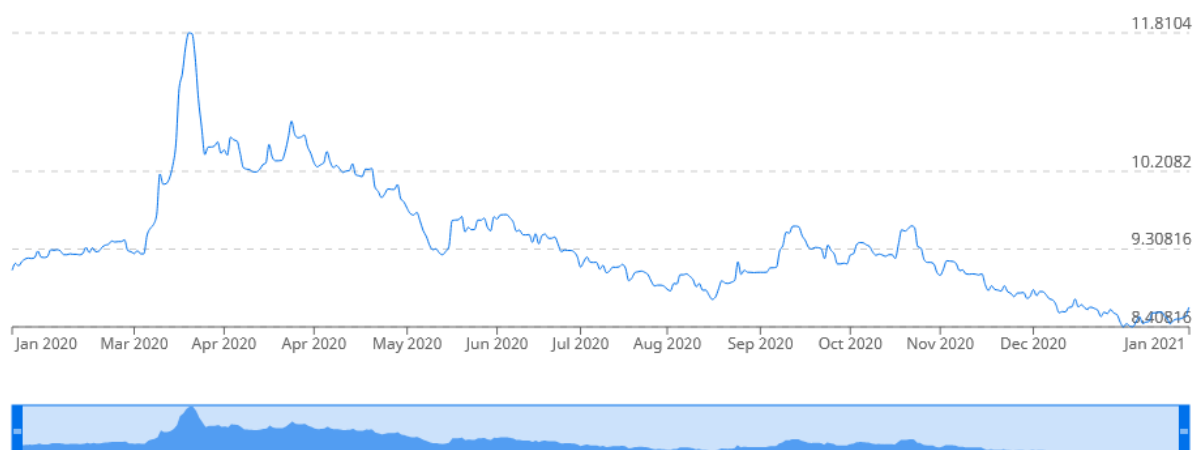
The EITI International Secretariat's annual accounts for 2020 were received from the appointed auditors, KPMG AS, on the 29th of January 2021. This paper introduces the Board with a set of accounts for the period 1st of January to 31st of December 2020 and is submitted alongside the audited accounts presented through the Governance Committee¹.

The EITI spent USD 0.6m less than it received in 2020. The revenue for the year amounted to USD 6.2m and the expenditure was USD 5.6m. This compares with an approved budget of USD 7m. Expenses were mainly lower due to cancelled or postponed travel. The accounts include USD 1.4m in project-specific expenditure. The lower than budgeted revenue arose mainly from reduced contributions from the private sector following the 2019 Global Conference.

From 1st of January to 31st of December 2020, the bank account balance increased from USD 3.7m to USD 4.1m. The reserve fund agreed by the Board in 2015 to cater for fluctuations in the exchange rate and uncertainties in some major funding streams, was increased from NOK 5m to NOK 18m by the Board in Q1 2020. The reserve remains untouched since then.

The exchange rate between USD and NOK has fluctuated significantly during 2020. Opening the year at 8,7 NOK/USD, rates plummeted in mid-March due to the combined effects of falling oil prices and Covid lockdowns. After peaking at 11,8 NOK/USD, rates have since stabilised and closed the year at 8,53 NOK/USD. The overall effect of currency fluctuation was positive because expenditures is mostly denominated in Norwegian Kroner, which depreciated relative revenues in foreign currencies.

¹ The Governance and Oversight Committee assumed the role of the Audit Committee following the Board decision to merge these two committees, see [Decision 2020-58/BC-294 of 11 August 2020](#).



The financial status of the EITI International Secretariat for 2020 is briefly summarised in table 1 below.

Table 1: Summary figures January-December 2020

All figures in USD thousands

MAIN FIGURES	FULL YEAR 2020	BUDGET 2020	FULL YEAR 2019
Average rate NOK/USD	9,40	8,50	8,80
Revenue	6.218	7.000	6.747
Expenditure	5.625	7.000	7.150
Net interest income	8	0	17
Net result	601	0	(386)
Closing rate NOK/USD	8,53	8,50	8,78
Equity* 01.01	2.386	3.000	2.802
Equity end of period (incl. currency translation)	3.118	3.000	2.386
Bank balance at the end of period	4.102	3.000	3.681
- of which reserve account balance	2.119	565	547

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

2. Revenue: January - December 2020

The EITI received a total of USD 6.2m in 2020 compared to USD 6.7m in 2019. This was lower than expected due to reductions in contributions from private sector companies. The budgeted increase in contributions from governments did not materialise, in part due to delayed

implementation of project specific activities largely on account of travel constraints, requiring deferrals to 2021 of already contracted support.

For 2020, the EITI Secretariat counts 84 supporters: 68 supporting companies, 15 supporting countries and one financial institution. This is a reduction from 91 supporters in 2019. Contributions from new companies that joined in 2020, made up for the contributions lost from companies that decided to discontinue their support due to the fall in commodity prices.

Table 2 breaks down the contributions by type of stakeholder.

Table 2: Revenue: January-December 2020 by constituency

All figures in USD thousands

	FULL YEAR 2020			FULL YEAR 2019	2020 vs 2019
	ACTUAL	BUDGET	VARIANCE	ACTUAL	VARIANCE
<i>Average rate NOK/USD</i>	9,4	8,5		8,8	
<i>Implementing countries</i>					
Implementing countries	67	100	-33	98	-31
<i>International development partners, including donors, NGO's and foundations</i>					
Supporting governments, IFIs, NGOs and foundations	4.282	4.835	-553	4.277	5
<i>Private sector</i>					
Oil and Gas	1.093	1.100	-7	1.426	-333
Mining and Minerals	744	900	-156	901	-157
Financial Institutions	17	50	-33	31	-14
Non-extractives	14	15	-1	15	-1
<i>Financial income</i>					
Net interest income	8	-	8	17	-9
Total Revenue	6.226	7.000	-774	6.765	-539

Table 3 below sets out contributions to the EITI International Secretariat in the period January–December 2020. 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 in 2020² for presenting the figures in USD. The total amount reported in this table differs from the table 2 above due to accrued and deferred income.

² Average rate for 01.01.-31.12 2020: 1USD=9,40 NOK

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

Table 3: Revenue: January-December 2020 by supporter

NAME	AMOUNT IN CURRENCY	AMOUNT RECEIVED IN NOK	AMOUNT RECEIVED IN USD
Implementing countries			
Government of Afghanistan	USD 20.000	175.779	18.700
Government of Dominican Republic	USD 10.000	94.603	10.064
Government of Guinea	USD 10.000	94.782	10.083
Government of Guyana	USD 10.000	88.886	9.456
Government of Mauritania	USD 10.000	91.653	9.750
Government of Mongolia	USD 10.000	87.586	9.318
Total revenue from Implementing countries		633.289	67.371
International Development Partners & IFI's, including donors, NGO's and Foundations			
DFAT - Australia	AUD 800.000	5.181.273	551.199
MFA - Belgium	EUR 100.000	1.150.060	122.347
MFA - Denmark	DKK 2.000.000	2.865.700	304.862
EBRD - Beneficial Ownership	GBP 92.732	1.016.621	108.151
FCDO/DFID - UK (Project funding Q1, Q2, Q3)	GBP 375.000	4.395.075	467.561
FCDO/DFID - UK	GBP 250.000	3.050.020	324.470
EU - European Commission	EUR 500.000	4.946.230	526.195
MFA - France	EUR 100.000	1.094.092	116.393
MFA - Finland	EUR 234.000	2.348.264	249.815
MFA - Norway	NOK 4.000.000	4.000.000	425.532
MFA - Sweden	SEK 3.000.000	2.926.587	311.339
MFA - Germany	EUR 250.000	2.680.855	285.197
MFA - The Netherlands	USD 250.000	2.357.161	250.762
SECO - Switzerland	CHF 450.000	4.517.400	480.574
SECO - Switzerland	CHF 155.556	1.436.348	152.803
Total revenue from International Development Partners & IFI's		43.965.685	4.677.201
Private sector			
Oil and Gas			
BP International	USD 60.000	568.548	60.484
Cairn Energy Plc	USD 20.000	201.344	21.420
Chevron	USD 60.000	530.161	56.400
Conoco Phillips	USD 60.000	611.051	65.005
ENI Spa	USD 60.000	551.648	58.686
Equinor	USD 60.000	534.374	56.848
Exxon Mobil	USD 60.000	525.006	55.852
Far Ltd	USD 20.000	179.132	19.057
Gunvor	USD 60.000	590.550	62.824
Hess Corporation	USD 60.000	519.607	55.277
Inpex Corporation	USD 60.000	571.992	60.850
Kosmos Energy	USD 20.000	203.734	21.674
NNPC	USD 60.000	559.518	59.523
Noble Energy Inc	USD 60.000	525.594	55.914
Oil Search PNG	USD 40.000	352.952	37.548
Petronor	USD 20.000	183.764	19.549
Qatar Petroleum	USD 60.000	510.446	54.303
Repsol	USD 60.000	541.514	57.608
Shell International BV	USD 60.000	530.852	56.474
Staatsolie Suriname	USD 20.000	179.670	19.114
Trafigura	USD 60.000	530.826	56.471
Total	USD 60.000	560.174	59.593
Tullow Group	USD 20.000	190.110	20.224
Woodside Energy	USD 60.000	530.668	56.454
Total revenue from Oil & Gas		10.783.236	1.147.153

Mining and Minerals			
Advanced Metallurgical Group	USD 15.000	134.142	14.270
Arcelor Mittal Mining	USD 30.000	306.380	32.594
Base Titanium Ltd	USD 15.000	132.707	14.118
Centerra Gold Inc	USD 15.000	136.417	14.512
Dundee Precious Metals Inc	USD 15.000	131.091	13.946
Eramet	USD 18.000	188.883	20.094
ICMM	GBP 422.000	4.969.500	528.670
Kaz Minerals	USD 20.000	181.836	19.344
Kinross Gold Corporation (15.000 USD received previously)	USD 5.000	45.292	4.818
Sherritt Int Finance Ltd	CAD 20.000	134.233	14.280
Southern Copper Peru	USD 15.000	130.170	13.848
St. Barbara	USD 15.000	133.958	14.251
Vale (in addition to ICMM)	USD 40.000	372.205	39.596
Total revenue from Mining & Mineral		6.996.814	744.342
Financial Institutions			
NBIM	USD 9.950	89.591	9.531
Lundin Foundation	USD 7.500	71.505	7.607
Total revenue from Financial Institutions		161.096	17.138
Non-Extractives companies			
KFW Bankengruppe	USD 15.000	131.698	14.010
Volkswagen AG	USD 60.000	508.220	54.066
Total revenue from non-extractive companies		639.918	54.066
Total revenue 2020 including project-specific funding		63.180.039	6.707.270

2.1 Project-specific funding: January-December 2020

Project specific income differs from core funding in the sense that if not spent according to the purpose established in the agreement, the organisation does not have a legal right to the income. Any unspent funds at the end of the project period must be repaid to the donor and do not constitute a surplus for the organisation.

As noted above, a number of partners chose to provide project-specific funding for events and activities in the 2020 workplan. In 2020 project-specific funding was received from the following partners:

- GBP 375.000 from FCDO (formerly DFID) towards extractives beneficial ownership, commodity trading, mainstreaming and state-owned enterprise activities. An additional GBP 125.000 has been accrued for covering activities in Q4-2020, which will be disbursed in 2021. The total contribution from the Government of UK towards EITI projects in 2020 was GBP 500.000.
- CHF 605.556 from the Government of Switzerland towards commodity trading and state-owned enterprise activities, part of which has been deferred to 2021 due to postponed activities within the project.
- EUR 500.000 from the European Commission for overall technical assistance.
- EUR 21.309 from The European Bank for Reconstruction and Development (EBRD) has been accrued for beneficial ownership activities.

Table 4: Project-specific revenue as of 31st December 2020

NAME	AMOUNT IN CURRENCY	AMOUNT RECEIVED IN NOK	AMOUNT RECEIVED IN USD
FCDO/DFID - UK (Project funding Q1, Q2, Q3)	GBP 375.000	4.395.075	467.561
SECO - Switzerland	CHF 450.000	4.517.400	480.574
SECO - Switzerland	CHF 155.556	1.436.348	152.803
EU - European Commission	EUR 500.000	4.946.230	526.195
EBRD - European Bank for Reconstruction and	EUR 21.309	245.050	26.069
Total project-specific contributions		15.540.103	1.653.202

3. Expenditure: January – December 2020

The total expenditure during 2020 amounted to USD 5.6m. This was below the budget but in line with expenditure last year when disregarding the Global Conference. As before, more than half of the total expenditure went to **salaries**. Considering salaries and other staff expenses together, the costs were in line with the approved budget. **Travel costs** ended at only 17% of the budgeted amount; a direct consequence of the restrictions related to the COVID-19 pandemic.

- **Support to the Board and Chair** consists mainly of salary cost, translation and some travel cost.
- **Implementation costs** at USD 1.6m were broadly made up of USD 1.2m in salary related costs and the remainder in translation costs and consultancies.
- **Capacity building costs** of USD 0.2m consists exclusively of salary costs.
- **Validation costs** of USD 0.9m reflects spending on validations, with USD 0.8m in salary and USD 0.1m in translation.
- **Outreach, stakeholder relations and international advocacy** costs of USD 0.3m also mainly consist of salaries, with the addition of some travel and translation costs.
- **Communication costs** of USD 0.7m consisted of USD 0.5m in salary costs, with the remainder made up of costs related to updates and improvements to the EITI website, as well as some translation costs.
- **Management and administration costs** of USD 1.3m is the only function ending above budget for 2020. This consists of 0.6m in salary and USD 0.3m for office rent. IT costs have also been slightly higher than budgeted and constitute 11% of the total administrative cost.

Table 5 below breaks down the expenses by function and by type.

Table 5: Expenditure January-December 2020
All figures in USD thousands

	Full year 2020			Full year 2019	2020 vs 2019
	Actuals	Budget	Variance	Actuals	Variance
<i>Average rate NOK/USD</i>	9,4	8,5		8,8	
Costs by function					
Board meetings	733	850	86%	829	88%
Support to the Chair of the Board	12	200	6%	130	9%
Global conference	0	-		1.417	0%
Implementation	1.563	1.900	82%	1.455	107%
Capacity building	188	700	27%	183	103%
Validation	884	1.200	74%	973	91%
Outreach	87	200	44%	125	70%
Stakeholder relations/int. advocacy	187	250	75%	201	93%
Communications	670	700	96%	664	101%
Management and administration	1.301	1.000	130%	1.173	111%
Total costs by function	5.625	7.000	80%	7.150	79%
Costs by type					
Salary	3.099	3.600	86%	3.449	90%
Other staff expenses	672	75	896%	148	454%
Office and IT expenses	644	750	86%	927	69%
Travel and accomodation	277	1.600	17%	1.999	14%
Translations and interpretations	498	500	100%	359	139%
Project consultants	231	400	58%	235	98%
Other expenses	203	75	271%	33	616%
Total costs by type	5.625	7.000	80%	7.150	79%

4. Balance Sheet and Cashflow statement as per 31st December 2020

In line with the accrual principle of accounting, a balance sheet and a cashflow statement is presented to give a comprehensive financial overview.

The accrued income of USD 0.2m is related to project specific funding for activities implemented in 2020, where reimbursement will be received from donors in 2021. Other receivables of USD 0.2m includes prepaid costs for insurance and rent. Public duties payable of USD 0.3m consist of employer's fee and staff salary tax. Other short-term liabilities consist mainly of deferred/prepaid

revenue of USD 0.6m and holiday pay³ of USD 0.3m. The currency translation affecting the equity is a result of converting the equity in NOK to USD at a lower rate on 31 December 2020 compared to on 31 December 2019.

As a result of the surplus for 2020, total equity has increased to USD 3.1m.

Table 6: Balance Sheet as per 31st December 2020

All figures in USD thousands

	31.12.20	31.12.19
<i>Closing rate NOK/USD</i>	<i>8,53</i>	<i>8,78</i>
ASSETS		
Office inventory, IT equipment, etc	113	83
Total Fixed Assets	113	83
Accrued income	179	298
Other receivables	170	39
Total Receivables	349	337
Bank Deposits, Cash	4.102	3.682
Total Current Assets	4.451	4.019
TOTAL ASSETS	4.565	4.101
EQUITY AND LIABILITIES		
Other equity	2.386	2.802
This period's result	601	(386)
Currency translation	131	(30)
Total Equity	3.118	2.386
Accounts payable	220	121
Public duties payable	285	197
Other short-term liabilities	941	1.398
Total Current Liabilities	1.446	1.715
TOTAL EQUITY AND LIABILITIES	4.565	4.101

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

The cashflow statement details the elements separating the result of the year from the increase in bank balances from the. This reflects positive cashflow effects from 2019 accrued revenue received in 2020, and negative cashflow effects from prepaid expenses, largely connected to the EITI website development. A lower amount of revenue received in 2020 deferred for 2021 than last year has a negative impact on the cashflow and is included under changes in current liabilities.

All in all, the liquidity is good, and the bank reserves are sufficient for running daily operations as well as for maintaining the emergency reserve confirmed by the Board in Q1 2020.

Table 7: Cashflow Statement 2020

All figures in USD thousands

	2020	2019
<i>Average rate NOK/USD</i>	9,40	8,80
Cashflow from operating activities		
Net incoming (outgoing) resources	601	(386)
Depreciation of fixed assets	47	29
Changes in accrued revenue	119	(57)
Changes in prepaid expenses	(130)	(5)
Changes in current liabilities	(269)	738
Currency effect	126	(37)
Net cash inflow from operating activities	493	281
Cashflow from investing activities		
Purchase of fixed assets	(72)	(94)
Net cash outflow from investing activities	(72)	(94)
Net cashflow during the year	421	187
Cash at bank and in hand at Jan 1.	3.682	3.495
Cash at bank and in hand at Dec 31	4.102	3.682

4.1 Proposed allocation of accumulated surplus

As presented above, the equity of the EITI International Secretariat amounts to USD 3.1m as of 31st of December 2020. This includes an accumulation of surplus and deficits from previous years, including USD 0,6m from 2020. These reserves are planned to be allocated as follows:

1. EITI organises the Global Conference every three years. This entails significant expenses, and the Secretariat usually budgets for a deficit in the years where the conference takes place. To be able to flatten the contributions from EITI members to a relatively stable level, the years when a Conference does not take place should produce a surplus to compensate for this planned deficit. Hence, part of the current equity will be reserved for covering deficits related to the upcoming global conference, planned for 2022.
2. Activities in 2020 were affected by the ongoing COVID-19 pandemic, particularly related to travel and events. Many actions were pushed forward in time, and the accumulated equity will allow for an uptick in activity whenever the situation allows, independently of the 2021 contributions received.
3. EITI is receiving an increasingly large share of its income in the form of project specific funding. Several of these contracts require the Secretariat to prefinance activities and bill the donor for reimbursement on a periodic basis, quarterly or other. To be able to access these funding sources the financial stability of the Secretariat as well as the liquidity are of the essence. The current equity provides enough liquidity to be able to implement these projects.

5. Planned January – March 2021 activities

The main activities foreseen in the first quarter of 2020 include:

1. Technical support to implementing countries in updating national work plans and feedback on reports published in Q4 2020 and Q1 2021.
2. Launch of the Opening Extractives programme to provide targeted support on beneficial ownership disclosures
3. Workshops, trainings and targeted technical support on contract transparency and other thematic areas.
4. The launch of the new Validation Model, including trainings and support in the preparation of the first round of Validations in the Philippines, United Kingdom, the Netherlands and Zambia. Targeted BO validations in Armenia, Germany, Nigeria and Norway in January 2021.

5. Support to the Governments of Angola, Gabon, Equatorial Guinea, Lebanon and Tunisia in the preparation of their candidature applications to become members of the EITI.
6. The preparation of the virtual Board meeting in February and subsequent follow-up activities.
7. Executing recruitment of up to six staff of which two will be new positions related to the opening extractive project and two to replace departing staff.

Please see below an overview of forecasted liquidity for the first quarter of 2021:

Cash balance 31 December:	USD 4.1 m (including reserve)
Project expenditure:	USD - 0.3m
Secretariat costs Jan-Mar	USD - 1.5m
Expected contributions up to 31 March.	USD 1.0m
Cash balance 31 March	USD 3.3m (including reserve)
Cash balance 31 March	USD 1.2m (excluding reserve)

The result for Q1 2021 is forecasted to be neutral with revenues of USD 2.1m and costs of USD 2.0m including project costs. It should, however, be noted, that the Secretariat tends to receive a good part of its annual funding in the first half of the year whilst the expenditure, except for in conference years, is fairly flat throughout the year.

Board members

Dominic Emery
Oleksiy Orlovsky
Oscar Pineda
Erin Kotheimer
Francess Piagie Alghali