



Strengthening systematic disclosures related to State-Owned Enterprises (SOEs) and Commodity Trading

*EITI Partner Retreat, Norway
September 2018*

EITI & STATE-OWNED ENTERPRISES

*State of play in State-Owned Enterprises (SOE)
transparency*



Overview of 2018 activities

- Review of lessons learned from EITI Validation
 - Mapping of SOE governance challenges, frameworks and opportunities for EITI to contribute further
 - Establishment of EITI SOE transparency network
 - Targeted country support (DRC, Myanmar, Ukraine)
- Recommendations for how EITI can contribute to SOE transparency in at Board meeting in Dakar in October

Challenges of State-Owned Enterprises

- Over 146 SOEs in the upstream oil, gas or mineral sectors worldwide
- Around 80% of the world's oil reserves and 24% of its mine production controlled by NOCs
- Nine of the 81 SOEs assessed in the 2017 Resource Governance Index (RGI) achieved above 75/100
- 58% of national oil companies and 72% of national mining companies measured in RGI do not disclose enough quality, timely information
- Over 80% of countries Validated under the EITI Standard and who have SOEs achieved less than “satisfactory progress” in SOE-related EITI Requirements

EITI Requirements related to SOEs

2.6 State participation.

Where state participation in the extractive industries gives rise to material revenue payments, implementing countries must disclose:

- a) An explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g. the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing.
For the purpose of EITI reporting, a SOE is a wholly or majority government-owned company that is engaged in extractive activities on behalf of the government. Based on this, the MSGs is encouraged to discuss and document definition of SOEs taking into account national laws and government structure
- b) 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, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period.
This information should include details regarding the terms attached to their equity stake, including their level of responsibility to cover expenses at various phases of the project cycle, e.g., full-paid equity, free equity, carried interest. 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. 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.

4.5 Transactions related to State-owned enterprises (SOEs).

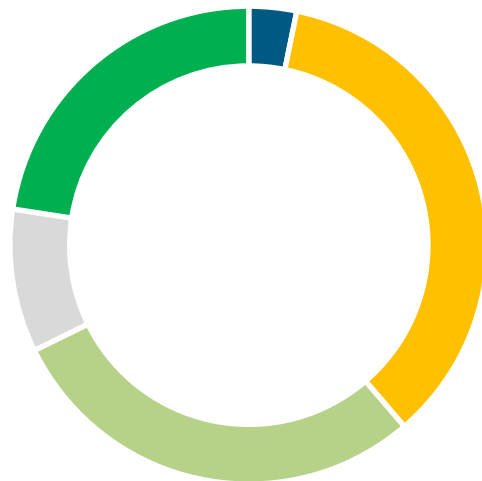
The multi-stakeholder group must ensure that the reporting process comprehensively addresses the role of SOEs, including material payments to SOEs from oil, gas and mining companies, and transfers between SOEs and other government agencies.

6.2 Quasi-fiscal expenditures.

Where state participation in the extractive industries gives rise to material revenue payments, implementing countries must include disclosures from SOE(s) on their quasi-fiscal expenditures. Quasi-fiscal expenditures include arrangements whereby SOE(s) undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process. The multi-stakeholder group is required to develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint ventures.

Common SOE-related challenges identified in Validation

Validation results for Requirement 2.6



- Beyond
- Inadequate progress
- Meaningful progress
- Not applicable
- Satisfactory progress

- **Biggest challenges:** SOE definitions, financial relations, loans and guarantees, reconciliation of SOE transactions, quasi-fiscal expenditures.

Mapping of SOE transparency and governance norms and guidelines

- Mapping study on 14 different SOE-related guidelines and standards (from OECD, NREGI, GRI, IMF, World Bank).
- Options for deepening EITI support for SOEs: certification, new standard, building on existing requirements of the Standard, international forum, technical assistance...


Table 3. Topics covered by a subset of guidelines and standards covered in this report

Document	Context / legal framework	Mandate / objectives	Shareholdings	Corporate structure	Partnerships	Board / corporate governance	Commercial activities	Non-commercial activities	Contracts	Risk factors	Finances	Performance	Transfers to/from treasury	Social and env impacts
EITI	X	X	X	X	X	X	X	X	X		X		X	
PEFA							X	X		X	X	X		
GIFT	X	X			X	X	X	X	X		X	X	X	X
OECD	X	X	X	X	X	X				X	X	X	X	
World Bank	X	X	X	X	X	X	X	X		X	X	X	X	
NREGI	X	X	X	X	X	X	X	X	X		X	X	X	X
GRI	X		X	X	X	X	X	X		X	X		X	X
IMF Code	X			X	X		X	X		X	X	X	X	X




Examples of country SOE work



 **EITI** COUNTRIES DATA NEWS BLOG SUPPORTERS GUIDANCE ABOUT English ▼

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[Other implementing country documents](#)

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March, 2017

Quasi-fiscal expenditures of state enterprises in the extractive sector of Tajikistan (in Russian)

Abstract

This report attempts to examine the state of affairs with quasi-fiscal expenditures in the extractive industries of Tajikistan. Based on the methodology of the IMF and the use of international experience, an approach has been identified to identify and systematize quasi-fiscal expenditures, their nature, types and forms of manifestation in the activities of state-owned enterprises in the extractive sector.

Based on the analysis of the legislative framework and the practice of financial transactions, a monitoring of the current practice in Tajikistan was conducted.

Numerous interviews with stakeholders on the practice of financial and non-financial relationships between enterprises and government agencies made it much easier for researchers to assess the refractions of typical quasi-fiscal operations in the real practice of the country.

Given that such work is carried out for the first time in the country, its results can be useful not only for the EITI reporting and the work of the multi-stakeholder EITI stakeholder group of Tajikistan, but also used in general to implement certain reform measures to improve the system of financial relations between state enterprises and the state itself.

The authors of the study thank all the people involved in the process of research, representatives of state agencies, enterprises, civil sector, international financial institutions, as well as the Tajikistan EITI Secretariat for invaluable help and advice during the interview in Tajikistan, and follow-up work on the report.

Note by the International Secretariat: this study is part of addressing the corrective action as identified in the decision of the EITI International Board as part of Tajikistan's 2016 Validation. See point 15 [here](#).

Attachments:
[tajikistan_quasi_fiscal_report_final.pdf](#)

- Study on QFEs, self-funded, based on IMF methodology.

Examples of country SOE work



**Initiative pour la
Transparence des Industries
Extractives (ITIE-RDC)**

**Rapport de revue des états
financiers des entreprises publiques
extractives GECAMINES, MIBA,
SODIMICO et SONAHYDROC**

Exercice 2016

Kinshasa, juillet 2018

- Review of SOEs' AFS, funded by DfID, Secretariat-executed.

Opportunities for more targeted SOE engagement

- Incentivising strengthened SOE disclosures (e.g. SOE certification)
- Piloting 'systematic' SOE disclosures, building on existing disclosures
- Supporting development of disclosure policies
- Strengthening SOE Requirements in EITI Standard
- Convene network and encourage peer learning

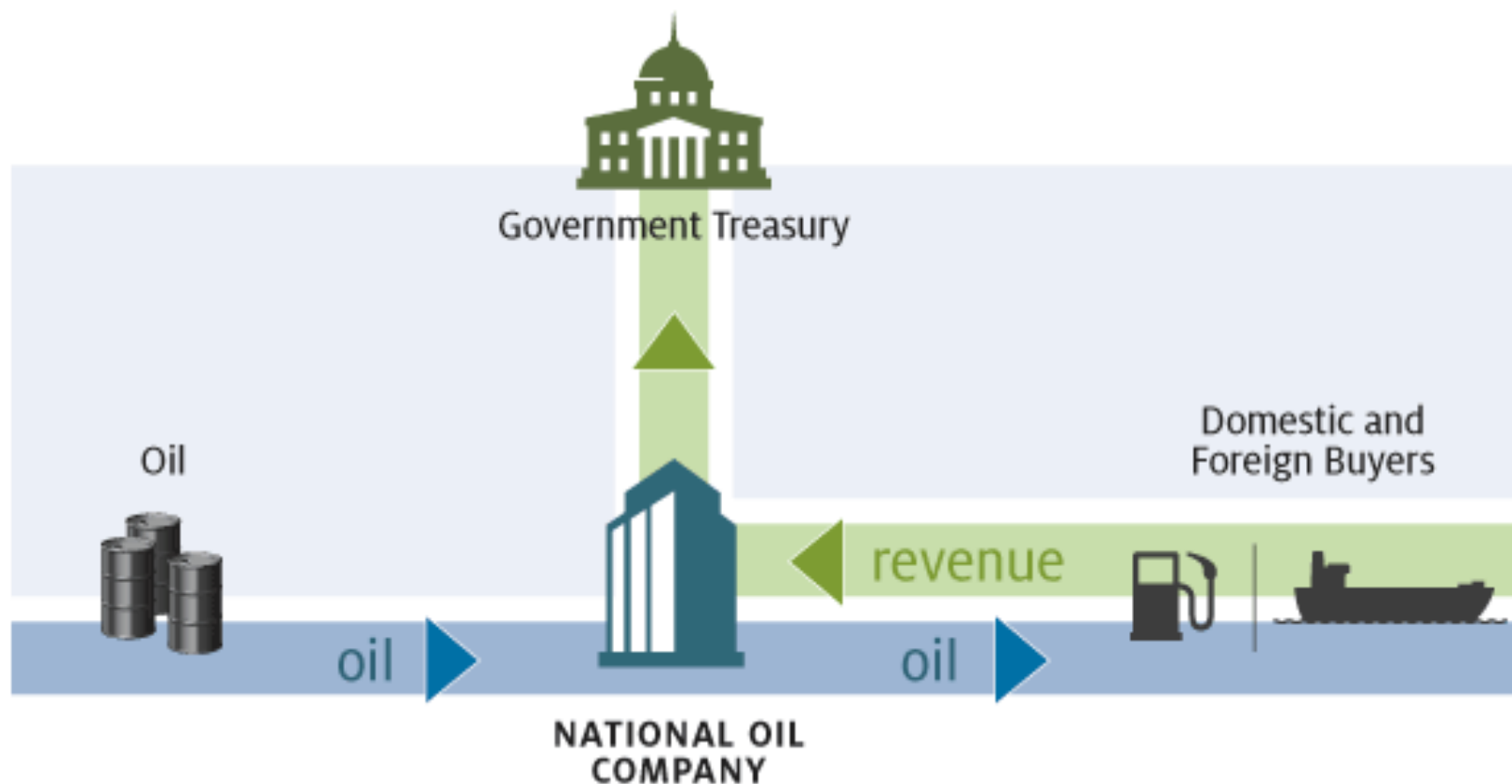




EITI & COMMODITY TRADING

State of play in disclosures of first-trade sales by State-Owned Enterprises (SOEs).

Transparency of the “first trade” in commodity trading is crucial for improving accountability



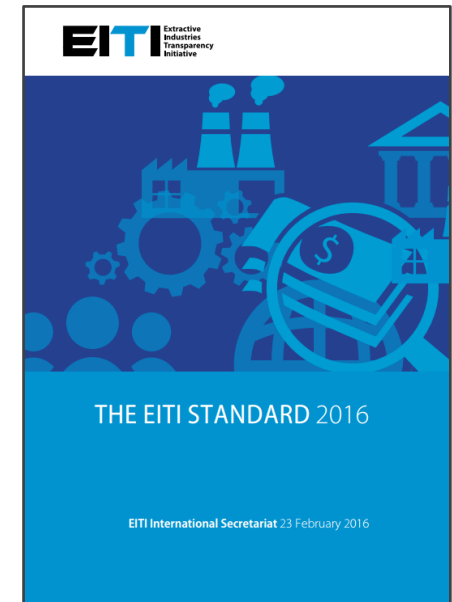
Source: NRG1

Timeline

- **2013:** Adoption of the EITI Standard including requirement on sale of state's share of production or in-kind revenues
- **2015:** Creation of the EITI Commodity Trading Working Group
- **2016:** Adoption of a refined Standard, development of reporting templates and Guidance Note 26.
- **2017:** Targeted effort in commodity trading transparency in a select group of implementing countries (Albania, Cameroon, Chad, Ghana, Indonesia, Nigeria)
- **2018:** Evaluation of the targeted effort and consultation on the definition of key terms.

EITI Requirement 4.2 aims to ensure transparency in how governments are selling oil, gas and minerals:

- *“Where the sale of the state’s share of production or other revenues collected in-kind is material, the government, including state owned enterprises, are required to disclose the volumes sold and revenues received. The published data must be disaggregated by individual buying company”*
- Disclosure of **“the type of product, price, market and sale volume”** encouraged
- **Reconciliation** of volumes sold and revenues with buying companies encouraged



EITI Standard template for reporting on 'first trades' of oil

1. What oil is being sold?				
Core information			Additional information	
Name of seller	Oil grade and quality (e.g. API) - cargo by cargo disclosures only	Date of Sale - (Bill of lading date -- cargo by cargo disclosures only)	Type of state-owned oil sold (e.g. profit oil)	Contract # / p/o # / invoice #
NNPC	46,6	13.09.2013	NNPC share of TUPNI Akpo profit oil	COS/09/080/2013
NNPC	41,33	18.10.2013	NNPC equity lifting from NAOC JV	COS/10/092/2013

2. Who is buying the product?			
Core information	Additional information		
Buyer	Beneficial owner of buyer	Incoterms	Load port, terminal or depot
Voyage Oil and Gas Ltd.	info not available	FOB	Akpo terminal
Sahara Energy Resource Ltd.	info not available	FOB	Brass terminal

3. What return did the country receive from the sale?				
Core information				
Volumes sold (barrels)	Revenues received	Price information: Official selling price	Price information: Pricing Option	Contract type
996 400	\$108 692 294,00	\$109,09	Deferred	Term
320 588	\$35 333 285,83	\$110,21	Prompt by Default	Term

Additional information				
Fees, charges and credits	Forex rate	Payment receipt date	Payment account	Destination (sellers only)
-\$25,00	n/a	15.10.2013	NNPC-CBN JP Morgan Dollar Crude Oil Account	INDIA
\$0,00	n/a	18.11.2013	NNPC-CBN JP Morgan Dollar Crude Oil Account	GHANA

Guidance for countries reporting on the sale of the state's share of oil

Guidance note 26 - Reporting on first trades in oil

Guidance note 26 – Requirement 4.2

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Results so far:

1. More detailed information on commodity trading by SOEs is being published often for the first time
2. The buyer selection process is becoming more transparent
3. Countries are making significant progress in disclosing the value of “unconventional sales” such as e.g. swaps or oil-backed loans for future purchases of crude oil

Results: More granular commodity trading data

Annexe 13 : Etat de commercialisation des parts d'huile de l'Etat et de la SNH fonctionnement

- Détails des exportations :

Société	N° / Ref. Cargaison	Date d'expédition / Cargaison	Poids / Volume	Unité	Champs	Prix unitaire (USD)	Décote / Brent USD	Valeur totale (en USD)	Valeur totale (en FCFA)	Entité acheteur	Pays du destinataire de l'expédition/la cargaison
SNH Mandat	681/LS	02/01/2015	474 119	BARRILS	LOKELE	42,389	5,470	20 097 430	12 331 953 706	REPSOL	Espagne
SNH Mandat		02/01/2015	60 000	BARRILS	DISSONI			2 543 340			
SNH Mandat	1931/KS02	17/01/2015	852 698	BARRILS	KOLE	45,359	2,50	38 677 529	22 535 929 032	CEPSA	Chine
SNH Mandat		17/01/2015	25 000	BARRILS	D1			1 133 975			
SNH Fonct		17/01/2015	5 000	BARRILS	D1			226 795			
SNH Mandat	682/LS	28/01/2015	481 395	BARRILS	LOKELE	41,659	6,20	20 054 434	13 176 105 332	ADRIA	Norvège
SNH Mandat		28/01/2015	65 582	BARRILS	DISSONI			2 732 081			
SNH Mandat	1932/KS03	08/02/2015	913 468	BARRILS	KOLE	55,532	2,60	50 726 705	29 832 074 496	GLENCORE	Inde
SNH Mandat		08/02/2015	24 000	BARRILS	D1			1 332 768			
SNH Fonct		08/02/2015	5 000	BARRILS	D1			277 660			
SNH Mandat	684/LS	18/03/2015	520 315	BARRILS	LOKELE	48,674	7,25	25 325 812	16 841 353 590	GLENCORE	Inde
SNH Mandat		18/03/2015	38 390	BARRILS	DISSONI			1 868 595			
SNH Mandat	1935/KS06	24/03/2015	882 423	BARRILS	KOLE	53,674	2,25	47 363 172	28 919 395 041	CEPSA	Inde
SNH Mandat		24/03/2015	17 000	BARRILS	D1			912 458			
SNH Fonct		24/03/2015	4 000	BARRILS	D1			214 696			
SNH Mandat	685/LS	17/04/2015	594 177	BARRILS	LOKELE	53,213	6,55	31 617 941	19 178 850 941	ADRIA	France
SNH Mandat	1937/KS08	22/04/2015	942 399	BARRILS	KOLE	58,293	1,47	54 935 265	34 432 759 930	GLENCORE	Portugal
SNH Mandat		22/04/2015	25 000	BARRILS	D1			1 457 325			
SNH Fonct		22/04/2015	5 000	BARRILS	D1			291 465			
SNH Mandat	1938/KS09	06/05/2015	970 765	BARRILS	KOLE	62,418	1,90	60 593 210	35 848 917 383	CEPSA	Espagne
SNH Mandat		06/05/2015	12 500	BARRILS	D1			780 225			
SNH Fonct		06/05/2015	2 500	BARRILS	D1			156 045			
SNH Mandat	1939/KS10	21/05/2015	970 363	BARRILS	KOLE	62,418	1,90	60 568 118	36 146 478 507	GLENCORE	Inde
SNH Mandat		21/05/2015	12 500	BARRILS	D1			780 225			
SNH Fonct		21/05/2015	2 500	BARRILS	D1			156 045			
SNH Mandat	1941/KS11	11/06/2015	960 075	BARRILS	KOLE	60,195	1,49	57 791 715	34 348 406 651	UNIPPEC	Chine
SNH Mandat		11/06/2015	17 000	BARRILS	D1			1 023 315			
SNH Fonct		11/06/2015	3 500	BARRILS	D1			210 683			

Buyer selection process more transparent

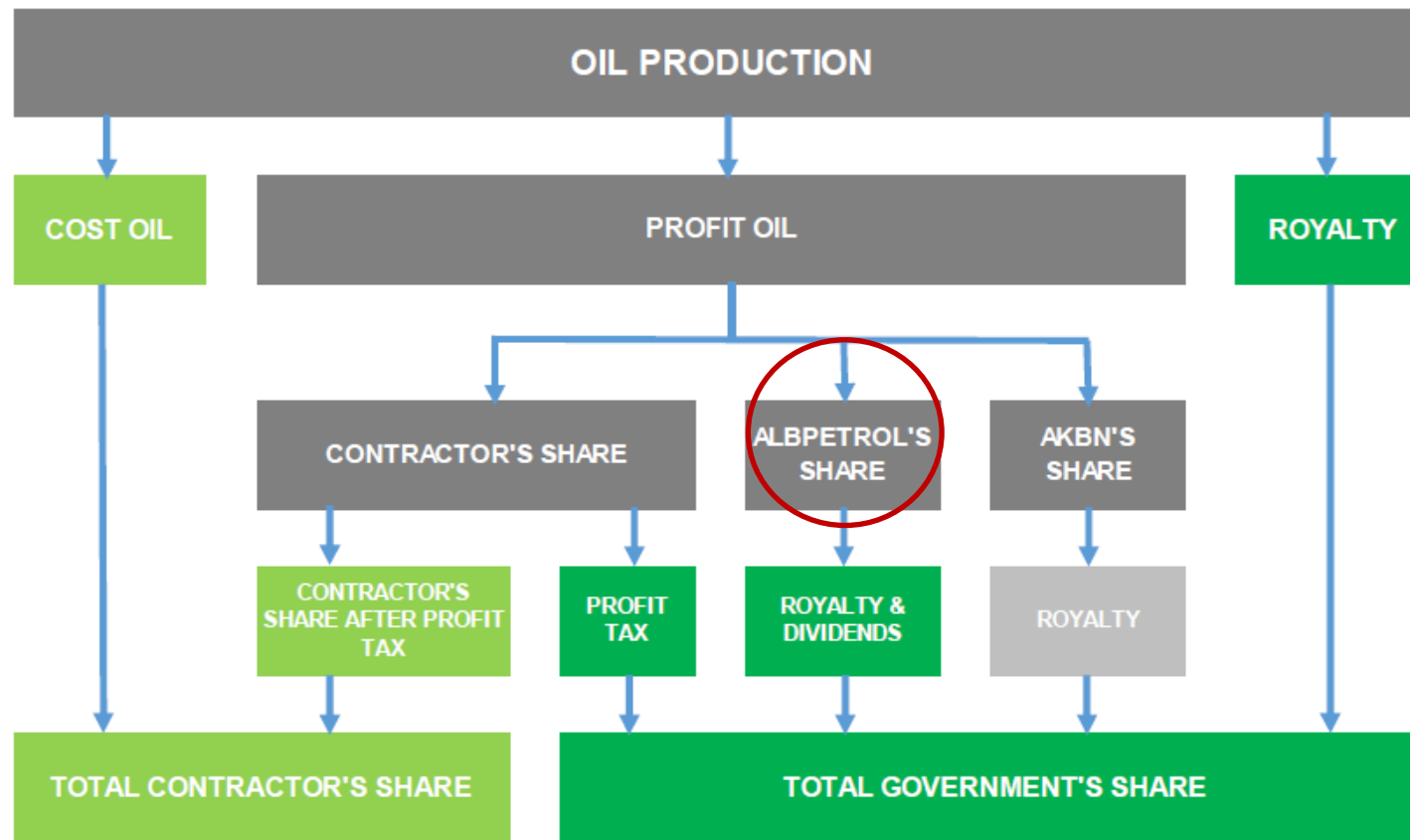
Table 54 – Summary of Auctions organized 2013 – 2015

Auction year	Quantity in ton	Auction starting price	Winning bid	Non-winning applicants	Access to procedure
2013	200,000	Brent/1.65 \$/bbl. + K	Consortium between "TPD-Trading Petrol & Drilling (NUIS L21807013N)" and "Interpetrol Ltd (NUIS L52013058A)" with K = 0.12 \$/bbl.	Europetrol Durres Ltd	Filed in the Ministry of Energy and Industry archive
2013	30,000	Brent/1.65 \$/bbl. + K equivalent to Brent x 60.61% \$/bbl. + K	Liona Sh.a. (NUIS L31731005C) with K = 0.1 \$/bbl.	No other applicants	Filed in the Albpetrol archive
2015	100,000	Brent x 72.52% - 5.55 \$/bbl. + K	TPD-Trading Petrol & Drilling (NUIS L21807013N) with K = 0.1 \$/bbl.	No other applicants	http://www.albpetrol.al/nioftim-ankandi-per-shitjen-e-naftes-brut-sasia-100-000-ton/

Source: 2015 EITI Report Albania, p.136

Better overview of the oil revenues

Figure 5 – Allocation of revenue form the oil and gas sector



Due to current organization of the oil sector main revenue stream allocated to the State budget are royalty, profit tax and revenue generated from its direct investment in Albpetrol.

Source: EITI Albania 2013-2014 Reports, Deloitte, December 2015, page 37
<http://www.albeiti.org/>

Increased reporting on “unconventional”



SITUATION DE LA DETTE GLENCORE SHT II AU 31.12.2015

N°	Facturation							Échéance de prépaiement		Autres remboursements		Total retenu	Capital restant dû
	N° BL	Date de chargement	Barils nets chargés	Brent daté	Décote	Prix de vente	Valeur de cargaison	Principal	Intérêts	Quote-part Transportation cost	Quote-part Cash Call		
													1 356 250 000
1	0571	05/01/2015	949 871	46,526	-11,05	35,476	33 697 623,60	0,00	14 558 997,00	7 738 626,60	11 400 000,00	33 697 623,60	1 356 250 000
2	0579	04/03/2015	950 362	47,142	-10,85	36,292	34 490 537,70	0,00	0,00	7 490 537,70	27 000 000,00	34 490 537,70	1 356 250 000
3	0587	28/04/2015	949 985	54,943	-9,50	45,443	43 170 168,36	0,00	14 501 564,00	13 668 604,35	15 000 000,00	43 170 168,35	1 356 250 000
4	0595	26/06/2015	949 796	61,553	-8,00	53,553	50 864 425,19	1 641 803,00	22 832 391,00	1 390 231,19	25 000 000,00	50 864 425,19	1 354 608 197
5	0603	25/08/2015	950 067	46,283	-7,35	38,933	36 988 958,51	0,00	0,00	25 488 958,51	11 500 000,00	36 988 958,51	1 354 608 197
6	0613	07/11/2015	950 226	47,532	-7,95	39,582	37 611 845,53	0,00	30 974 924,00	0,00	6 636 921,53	37 611 845,53	1 354 608 197
7	0620	31/12/2015	907 935	34,245	-10,05	24,195	21 967 487,33	0,00	0,00	5 175 820,65	16 791 666,67	21 967 487,32	1 354 608 197

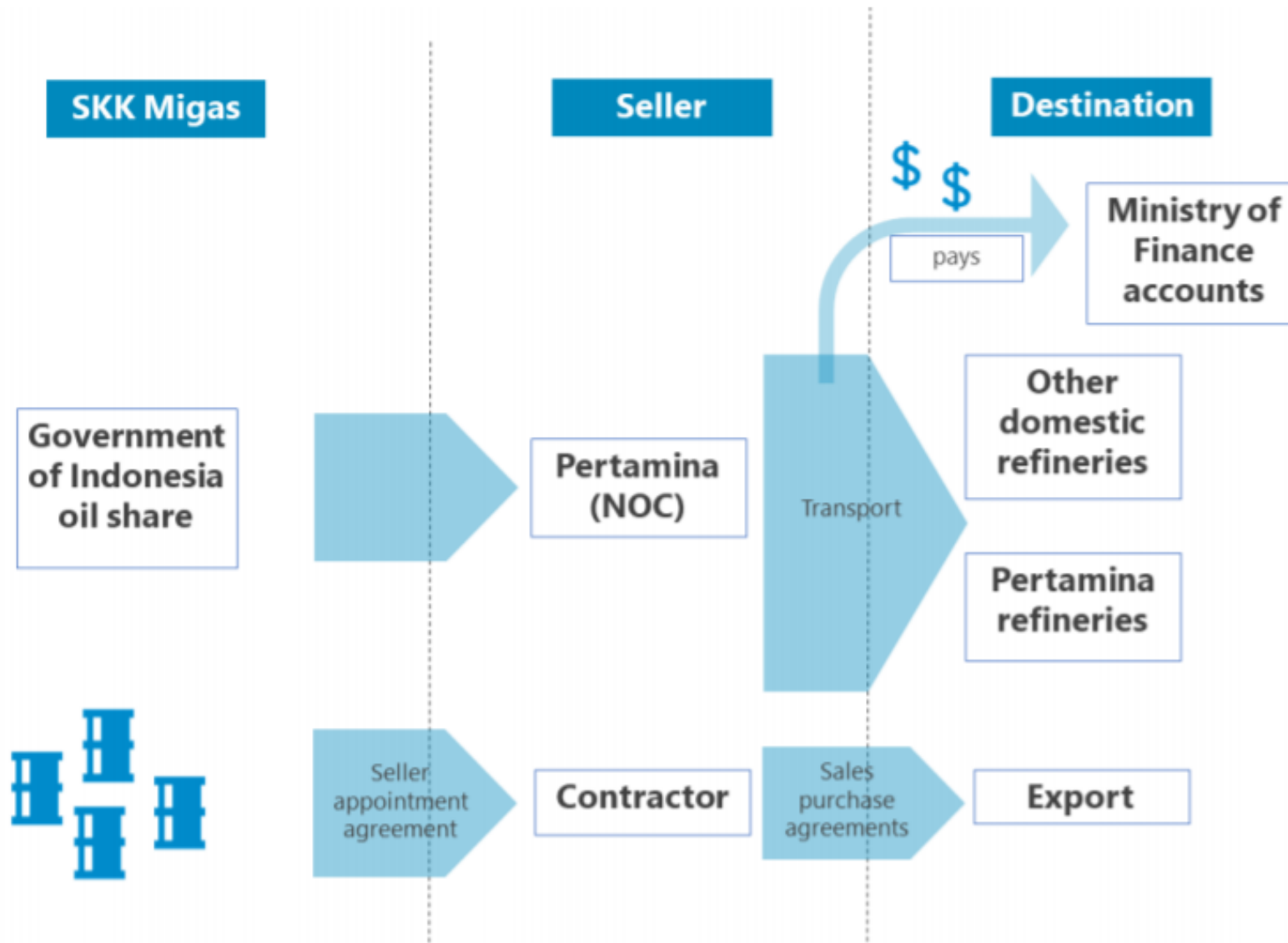
Annexe 16 : Détail des contrats de préfinancement (déclaration de Glencore Energy UK) :

Les parties à l'accord	Montant total	Date de l'accord	Période de remboursement	Taux d'intérêt	Montant non remboursé au 31/12/2015	Montant remboursé au cours de l'année	Toute mise à jour du calendrier de remboursement
Glencore Energy UK et SHT	Jusqu'à 600 million USD	Date de Prépaiement 7 Mai 2013 1) Premier tirage : le 13 mai 2013 USD 291 590 000 (c.-à-d. 300 000 000 USD moins les déductions contractuelles) ; 2) Deuxième tirage : 14 août 2013 145 775 000 USD (soit 150 000 000 USD de moins déductions contractuelles)	Mai 2013 - Août 2015	L + 6,625%	Un montant de 93 659 522 USD restait impayé avant la restructuration de SHT 1 et de SHT2 le 15 décembre, date à laquelle les deux facilités ont été fusionnées	85 691 581 USD	En août 2013 et en décembre 2015 (Restructuration avec le 2ème
Glencore Energy UK et SHT	1 450 million USD	- 30 Avril 2014 : 255 000 000 USD (soit 262 116 935 moins de déductions contractuelles) -le 09/05/2014 : 924 709 176 USD (soit 987 883 065 moins les déductions contractuelles) - 12/06/14 : 194 500 000 (soit 200 000 000 moins de déductions contractuelles)	1) mai 2014 - 31 avril 2018 2) Puis reporté en décembre 15 pour prolonger jusqu'au décembre 2022	L + 6,60%	1 448 267 709 USD (le montant inclut 93 659 522 du premier prêt fusionné avec le 2ème prêt après la restructuration)	57 804 944 USD	Au 31 décembre 2015, la date d'échéance a été prolongée de quatre ans

Indonesia commodity trading report

- Prices of LNG sold show great variation. Sales of identical gas from the same field or terminals to different customers can vary by as much as 400% within a single month
- Even with the same customer, variations can be observed
- More than 99% of the production is sold to the refinery units of the national oil company Pertamina

Oil and cash flows in Indonesia

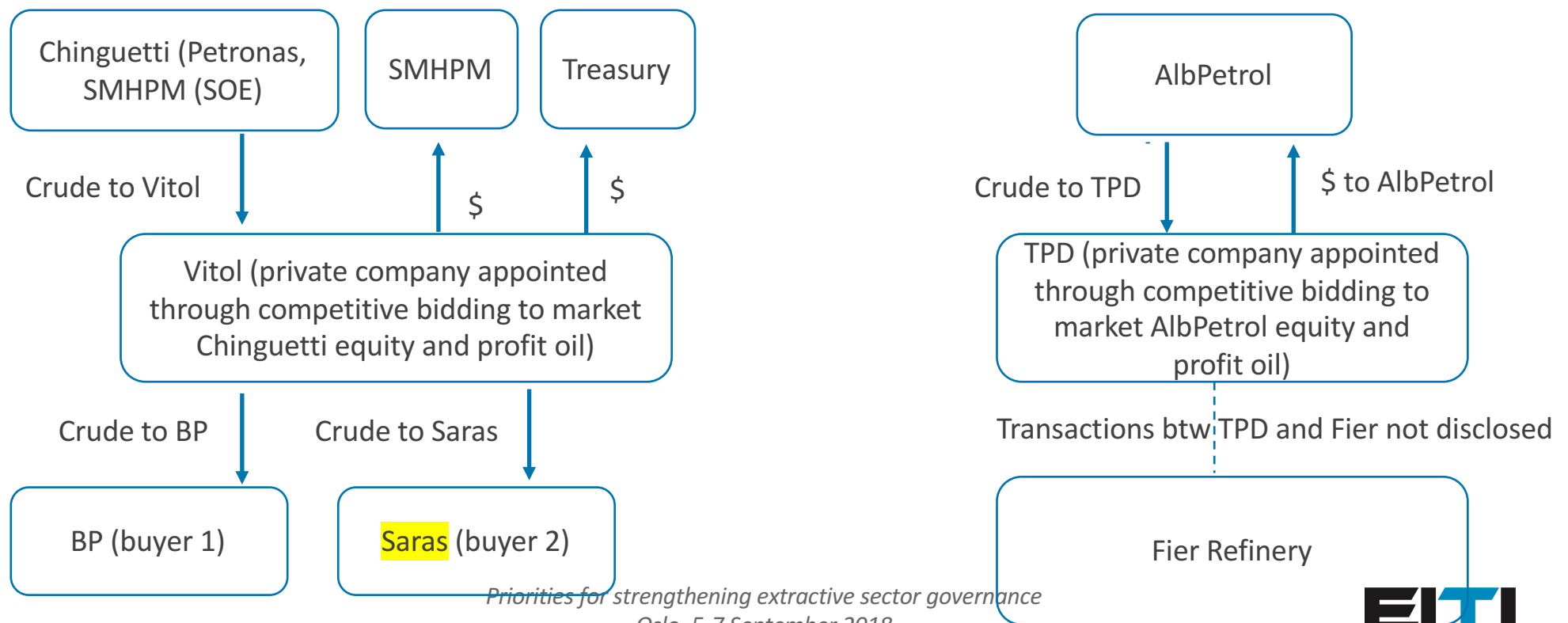


Ongoing consultation to clarify key terms

What is “first trade”? Indonesia, Mozambique

- Who is the seller/buyer? Albania, Mauritania, Mozambique

- What about sale of equity oil? Kazakhstan, Norway



Potential next steps for reporting of first-trade sales

- Supporting target effort countries with implementation and follow-up on findings
- Event in Switzerland in early 2019 to evaluate outcomes of targeted efforts
- Updating guidance reflecting results of consultations and Board decision
- Consider potential for expanding to sale of gas and minerals
- Potentially supporting analysis of data disclosed and support civil society in using the data