

EITI/GUINEA
PUBLICATION OF 2005 REVENUES FOR THE MINING SECTOR

1. The Extractive Industries Transparency Initiative in Guinea (EITI-Guinea)

The Extractive Industries Transparency Initiative (EITI) is an international initiative aimed at:

- Ensuring the transparency of payments and revenues generated by extractive industries;
- Making this information accessible to civil society and the general public; and
- Harnessing this wealth so that it can serve as a catalyst for economic growth and contribute to sustainable development and poverty reduction.

Guinea officially joined the EITI in April 2005 and in so doing, pledged to meet the five EITI criteria, namely:

- Regular publication of all payments by companies and all revenues received by the Government in a comprehensible and publicly accessible manner;
- Reconciliation of payments and revenues received;
- Independent audit of these payments and revenues;
- Inclusion of civil society in the implementation, monitoring, and evaluation of this process; and
- Development of a sustainable action plan for the development of the Initiative, with the assistance of development partners.

After becoming a member, Guinea established:

- A Supervision Committee, composed of the Prime Minister, the Minister of Mines and Geology, the Minister of Economy and Finance, the President of the Chamber of Mines, and the President of CNOSC [National Council of Civil Society Organizations];
- A 24-member Steering Committee with half of the members representing the Government and the other half, mining companies and civil society. This committee is divided into three sub-committees (Statistics, Audit, and Communication and Capacity-Building), aimed at properly performing each of the EITI main tasks; and
- An Executive Committee, also tripartite in structure, responsible for ensuring implementation of the action plan.

This participatory process has been consensus-based and has facilitated active involvement of all three components (civil society, mining companies, and the Government) in identifying, organizing, and supervising the tasks to be performed in accordance with the guidelines set forth in the EITI international Source Book.

Acting on the recommendation of the Statistics Sub-committee, the Steering Committee prepared terms of reference and recruited a team of independent consultants composed of an international consultant (Mr. Richard Michel) and a national consultant (Mr. Ismael Nabé), in order to collect and reconcile statistical data on payments made by companies on the one hand, and revenues collected by the Government, on the other. These consultants visited the mining companies and the administrations concerned, collected and checked data, and then reconciled these data.

The collection and reconciliation of 2005 flows has now been completed, and the results for this fiscal year are shown below. All data presented in these tables have been fully reproduced in the

report of the two independent consultants. These data will be subject to an independent audit, to be overseen by the EITI-Guinea Auditing sub-committee.

Hiring of an independent auditing firm, under the supervision of the Auditing sub-committee, is currently in progress. A firm of international standing will be selected. The findings of the audit will be published.

The entire process will then be validated by EITI international bodies.

Lastly, the Communication and Capacity-Building Sub-committee and civil society are working on making sure that the results are well understood by the population.

2. EITI publication requirements and their application to Guinea

The EITI source book mandates the publication, on a cash basis, of all significant payments and revenues generated by the mining sector. Furthermore, if it so desires, each country may add flows that are not subject to mandatory publication but are of special importance in a national context.

For the first fiscal year in Guinea, collection and reconciliation focused on six mining companies that were in operation in 2005: Alumina Company of Guinea (ACG), Compagnie des Bauxites de Guinée (CBG), Compagnie des Bauxites de Kindia (CBK), Société Anglo Gold Ashanti de Guinée (SAG), Société Minière de DINGUIRAYE (SMD), and SEMAFO¹.

As stipulated, revenues are calculated on a cash basis, that is, based on actual receipts during the course of the year, hence the reason for the inclusion of advances paid by mining companies, which will be deducted from payments in subsequent years.

Some payments are made in US dollars, others, in Guinean francs. The reconciliation of payments made in dollars and those made in Guinean francs are shown separately, as is the overall reconciliation of all flows.

Payments posted in US dollars that must be included in the EITI are:

- “Mining revenues,” composed of advances on mining earnings, mining taxes on bauxite and alumina, export taxes on gold and diamonds, and taxes on profits and dividends.
- “Estate/Asset income,” composed of land taxes, rental of infrastructure, and settlement of some external debt transferred to the ACG along with the assets taken over.
- “Special revenue,” derived from the transfer of assets. In 2005, this corresponded to revenue generated by changes in SAG’s share ownership.

The other payments posted, made directly in Guinean francs and reflected in the revenues that must be included in the EITI, are:

- Local payments which, depending on the enterprise and region, consist of prefectural development taxes, community development contributions, turnover tax remittances to some prefectures, local flat taxes, and local donations and subsidies.
- Import/export taxes which include customs duties, registration fees on imports, and port taxes/fees on bauxite and alumina exports.

¹ Small-scale diamond operations are not included in this first fiscal year owing to the work that would be necessary to compile accurate data. Although the revenues generated by diamonds are much lower than those generated by bauxite/alumina and gold, they are not insignificant and a gradual effort will be made to capture these data in subsequent fiscal years.

Finally, although not included in revenues that must be taken into account for EITI purposes, the following revenues, collected in Guinean francs, were identified by the EITI Steering Committee owing to their importance to Guinea:

- Other taxes on inputs, consisting of income taxes and social security contributions as well as other taxes withheld at source (expatriates, external services, and local services).

3. Results

Table 1 shows the reconciliation of payments in US dollars (thousands), and Table 2, the reconciliation of all payments in Guinean francs (millions).

Table 3 shows the flows in US dollars for each enterprise, an approach that indicates the relative weight of each.

Finally, because of their importance to the regions concerned, Table 4 shows the reconciliation by enterprise of local payments made for community development purposes.

Table 1
Reconciliation for 2005: payments and revenues in US dollars

US\$ (thousands)	Enterprises	Administrations	Difference	%
<i>Mining Revenues</i>	<i>102,428</i>	<i>102,423</i>	<i>5</i>	<i>0.0%</i>
Advances	16,776	16,776	0	0.0%
Mining taxes	72,966	72,966	0	0.0%
Export taxes	4,414	4,409	5	0.1%
Taxes on profit	8,273	8,273	0	0.0%
Dividends	0	0	0	
<i>Investment revenue</i>	<i>14,231</i>	<i>14,242</i>	<i>-11</i>	<i>-0,1%</i>
<i>Asset transfer</i>	<i>7,000</i>	<i>7,000</i>	<i>0</i>	<i>0.0%</i>
Total	123,659	123,666	-7	0.0%

Source: Report - Richard Michel & Ismael Nabé - Annex 10

Table 2
Reconciliation for 2005: all payments and revenue

Guinean francs (millions)	Enterprises	Administrations	Difference	%
<i>Mining Revenues</i> ¹	369,257	369,29	-372	-0.1%
<i>Estate/Asset revenue</i> ¹	51,469	51,205	264	0.5%
<i>Asset transfer</i> ¹	29,750	29,734	16	0.1%
<i>Import taxes</i> ²	23,303	24,639	-1,336	-5.7%
<i>Local payments</i> ³	4,852	2,958	1,894	39.0%
"EITI Core [flows]"	478,631	478,165	466	0.1%
<i>Other input taxes</i>	29,506	25,266	4,240	14.4%
Income and social security [CNSS] taxes	23,681	23,695	-14	-0.1%
Other taxes withheld at source ⁴	5,825	1,571	4,254	73.0%
Total	508,137	503,431	4,706	0.9%

Source: Report - Richard Michel & Ismael Nabé - Annex 10

Notes

¹ The difference, which is non-existent or negligible in US dollars, is attributable to the fact that administrations and companies do not use exactly the same exchange rates for converting payments made in US dollars into Guinean francs. The exchange rate from US dollar to Guinean francs were about 1USD=GNF4,000 in the beginning of the data collection/reconciliation to over 1 USD=5,000 at the end.

² The difference is due largely to certain accounting discrepancies for customs duties and to the difficulties experienced by some companies in separating customs duties and transit charges.

³ The difference is due largely to the fact that some decentralized territorial administrations are not able to provide information.

⁴ The difference is largely due to the fact that some payments are made to prefectural revenue offices and the information is not transmitted to Conakry.

Table 3
Payments in US dollars by company

US\$ (thousands)	Enterprises	Administrations	Difference	%
ACG	9,458	9,458	0	0.0%
CBG	96,616	96,627	-11	0.0%
CBK	2,071	2,071	0	0.0%
SAG	12,784	12,784	0	0.0%
SEMAFO	803	803	0	0.0%
SMD	1,928	1,923	5	0.0%
Total	123,659	123,665	-6	0.0%

Source: Report - Richard Michel & Ismael Nabé – Annex 10

Table 4
Reconciliation of local payments by company

Guinean francs (millions)	Enterprises	Administrations	Difference	%
ACG¹	884	768	116	13.1%
CBG¹	2 131	747	1 384	64.9%
CBK²	0	0	0	
SAG³	1,295	1,295	0	0.0%
SEMAFO⁴	148	148	0	0.0%
SMD¹	393		393	100.0%
Total	4,851	2,958	1,893	39.0%

Source: Report - Richard Michel & Ismael Nabé – Annex 10

Notes

¹The decentralized territorial administrations have been able to provide only partial information on payments made by ACG, CBG, and SMD.

²There was no local payment for CBK in 2005.

³ SAG payments are reconciled with CECI assistance. CECI is a private, not-for-profit corporation from Canada.

⁴SEMAFO flows have been fully reconciled.