

Suggestions for Optional Extension Annexes to the EITI Reports

The EITI has reached a mature stage where most participating countries are already compliance, or are close. EITI reconciliation reports are being produced regularly and timely. EI revenue administration and treasury management are improving in most countries, thanks in part to the pressures for greater transparency and accountability from the EITI. As a result, the discrepancies between company and government reporting to EITI are bound to become small and reconcilable.

As EITI reports become less “revelatory” in this sense, there is a risk that stake holders will start doubting their value added. It would be regrettable if this were to weaken their support. EITI reports should be compared to audits of company financial statements. If they are done routinely they will exert a disciplining effect, the result of which is that typically the auditor will be able to approve the statements without qualifications. As a result the public will place more credence in the information divulged. Similarly, EITI reports will raise the credibility of government’s EI revenue information, until such time that the checks-and-balance systems within government have proven to be effective in ensuring transparency and accountability.

In the meantime, there is continued pressure for EITI to extend its mandate, in particular to other natural resources than hydrocarbons and minerals, sub-national governments, and to expenditures. But the EITI’s effectiveness depends greatly on its

The risk that the stakeholders and the public lose interest in EITI report, and the calls for extending EITI could both be addressed by enriching EITI reports, flexibly and voluntarily, with annexes covering related topics. This should be on a voluntary basis, without changing the EITI’s core mandate, and flexibly, covering topics for which the stakeholder group determines there may be interest.

By annexing the topical notes to the EITI report, it will enhance the information content of the latter. The Annexes would not be the responsibility of the Independent Administrator, whose only responsibility would be the core EITI revenue reconciliation. But the EITI report would serve as a vehicle for expanding EI information.

The Annexes could be produced by government agencies, consultancies, NGOs, industry groups. Over time, as certain Annexes become routine and appreciated in certain country reports, pressure will grow for them to be included in other country reports. The EITI could encourage participating countries to include such Annexes but without making it mandatory. The EITI Secretariat could organize the production of a set of illustrative annexes (templates, approaches) that would serve as models and stimulate demand for inclusion in other countries.

The following topics are all related to the core EITI revenue comparison, and could be usefully covered in Annexes to EITI reports.

- A reconciliation of the government reporting to EITI with its budget reporting to parliament (which would reveal EI revenues collected and spent off budget).
- Profit oil, where PSAs are important (description of evolution of material balances, marketing arrangements, transfer of resources to Treasury).
- The government's exercise of its EI audit rights (inventory, utilization, findings, results).
- Government auditor examination/certification of EI revenues, or government reporting to EITI.
- Resources –for–infrastructure deals (main elements, implications for EI revenue).
- Descriptions of various forms of EI revenue earmarking, incl.
 - * general budget funds (stabilization, future generation, SWF)
 - * sectoral budget funds (infrastructure, oil sector development, anti-poverty).
 - * transfers to subnational governments.
- Government participations in EI sector (what companies, what partners, form, value, earnings, etc.).
- Decommissioning funds (financial management, projections of use and accrual).
- Subsidization of retail petroleum products (refinery subsidies, price subsidies, free profit oil, straight budgetary transfers, loan guarantees).
- Oil collateralized borrowing (with whom, how much, arrangements, projections).
- State-owned EI companies (financial performance, relations to the budget).

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