This note has been issued by the EITI International Secretariat to provide guidance to implementing countries on meeting the requirements in the EITI Standard. Readers are advised to refer to the EITI Standard directly, and to contact the International Secretariat to seek further clarification. Contact details can be found at www.eiti.org

Guidance note 18: SOE participation in EITI Reporting

Requirements 3.6, 4.1(c) and 4.2(c)

1. Summary

In 2012, the IMF reported that "some 80 percent of world petroleum reserves are controlled by state companies and 15 of the 20 largest oil companies are state-owned"[1] . State-owned enterprises (SOEs)[2] are less common or dominant in the mining sector but may still play an important role in some countries. SOEs may own and operate projects, either outright or in joint ventures. State equity is used by many countries to secure additional government take (beyond tax revenue) from extractive projects. This is sometimes motivated by non-fiscal concerns such as: a desire for direct government ownership, a "seat at the table," or to facilitate the transfer of knowledge[3].

In addition, SOEs often collect revenues (often in-kind) from other resource companies on behalf of the state, and then transfer a proportion of these revenues to the government treasury. In some cases, SOEs directly spend a portion of these revenues and/or net out amounts due to them by the government. In other cases, SOEs receive funds from the government to cover their expenses. Where managed effectively, these arrangements may be intended to contribute to the effective use of natural resources and contribute to national development. In many countries, however, there are concerns regarding opaque management, weak accountability, corruption, competition for necessary investment funds with social priorities and inefficiency.

The EITI requires that, where state participation in the extractive industries gives rise to material revenues for the State, the EITI Report must include: (1) An explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), (2) Disclosures from SOE(s) on their quasi-fiscal expenditures, and (3) Disclosures from the government and SOE(s) of their level of beneficial 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. These requirements are elaborated in requirement 3.6 (see box 1).

The EITI also requires that the multi-stakeholder group ensures 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 (see requirement 4.2c in box 1). 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 relating to that production (requirement 4.1c). This note provides guidance to multi-stakeholder groups on how to address these issues as part of the EITI

[1] IMF (2012) "Fiscal Regimes for Extractive Industries: Design and Implementation". Fiscal Affairs Department. http://www.imf.org/external/np/pp/eng/2012/081512.pdf
[2] A State Owned Enterprise (SOE) refers to a company that is owned in whole or in part by the government. The roles of SOEs vary from country to country, and in the natural resource sector SOEs are often responsible for both commercial and non-commercial activities. See IMF (2007) *Manual of Fiscal Transparency*. Section 1.1.4 "Relationships between the government and public corporations". Pages 24- 29. Available online at http://www.imf.org/external/np/pp/2007/eng/051507m.pdf
[3] Ibid.

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implementation process and offers some examples of how implementing countries have started to report on transactions and activities related to SOEs.

*Box 1 - SOE participation in EIT Reporting (Requirements 3.6 and 4.2.c)*Requirement 3.6 - Where state participation in the extractive industries gives rise to material revenue payments, the EITI Report must include:

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.

b) Disclosures from SOE(s) on their quasi-fiscal expenditures such as payments for social services, public infrastructure, fuel subsidies and national debt servicing. 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.

c) Disclosures from the government and SOE(s) of their level of beneficial 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 in the EITI Report.

Source: EITI Standard, p. 22

Requirement 4.1.c Sale of the state's share of production or other revenues collected in-kind:

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 to levels commensurate with the reporting of other payments and revenue streams (Requirement 5.2.e). Reporting could also break down disclosures by the type of product, price, market, and sale volume. Where practically feasible, the multi-stakeholder group is encouraged to task the Independent Administrator with reconciling the volumes sold and revenues received by including the buying companies in the reporting process.

Source: EITI Standard, p. 27

Requirement 4.2 - Defining which companies and government entities are required to report

c) **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.

Source: EITI Standard, p.28-29

2. Guidance

The EITI International Secretariat recommends the following step-by-step approach to MSGs for reporting on state participation in the extractive industries. It is recommended that the findings from each step are documented in MSG minutes, scoping studies and in the EITI Report itself.

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Step 1 – Review the legislative and regulatory arrangements

The MSG is advised to:

- Identify the relevant legal and regulatory instruments that govern state participation in the extractive industries, including through state owned enterprises. The EITI Report should include an informative summary of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), including transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing.

- The MSG may also wish to review the monitoring and oversight arrangements of both the SOE (s) and its dealings with government, including publicly available reports (e.g., financial statements, annual reports). The EITI report could include references to other publically available information where applicable.

Step 2 – Establish the extent of state participation in the extractive industries, including through state owned enterprises

- Establish the extent of state participation in the extractive industries, including through state owned enterprises and other forms of state equity[4]. The EITI Report should clearly document the level of state ownership in companies operating nationally, including SOE subsidiaries and joint ventures, noting any changes in ownership during the period covered by the EITI Report. This information should include details regarding the terms attached to the governments (or SOEs) 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 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. As above, this information could be collected from companies through the EITI reporting process, or by referencing other publically available documentation.

- Where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas projects or companies operating within the country, details on these transactions should be disclosed in the EITI Report.

This information could be collected from companies through the EITI reporting process, or by referencing other publicly available documentation.

Example from Ghana: Reporting on changes in ownership.

[4] State equity can take different forms. Fully paid-up equity on commercial terms puts the government on the same footing as a private investor. Under a carried interest arrangement, the private company finances the government participation with the cost, including interest charges, offset against the future state share of production, proceeds, or profits... Or the government may negotiate free equity—equivalent to a dividend withholding tax (DWT) as a charge on profits, though this usually leads to some offset against other tax payments. (IMF, 2012). Equity stakes may be held through a variety of government institutions including SOEs; dedicated agencies; relevant Ministries or Sovereign Wealth Funds

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Ghana's Public Interest and Accountability Committee (PIAC) produces annual reports on the management of Ghana's petroleum revenues. The reports notes changes in ownership structures where the government has a participating interest and consequences in terms of Ghana's oil entitlements (table I). It also provides details about carried and participating interest (table 2), as well as transfers from the government to GNPC, the SOE (table 10).

Table 1. Share of Petroleum by Jubilee Partners

Company	Share before Redetermination	Company	Share af ter Redetermination
GNPC	13.7500%	GNPC	13.64084%
Tullow	36.45 47%	Tullow	35.47954%
Kosmos	23.4913%	Kosmos	24.07710%
Anadarko	23.4913%	Anadarko	24.07710%
Sabre	2.8127%	PetroSA[3]	2.72544%
Total	100%		100%

Source: GNPC

Table 2 Ghana Group Oil Entitlement

Revenue Type	Entitlement		Total Entitlement
Royalty	5% of gross production		5 %
Carried and Participating Interest	Carried Interest	10% of net production	
	Participating Interest	3.64084% of net production	
	Total:	13.64084% of net production (13.64084 * .95)	12.9588%
Ghana Group entitlement (%)			17.9588%

<u>Finding</u>
Ghana's total share in 2012 is now 17.9588% inclusive of Royalties as compared to 18.0625% in 2011.

Table 10. Distribution of Petroleum Receipts (GHS Million)

Allocations	Budget	Actual	Deviation	%
Total Allocation of Petroleum Receipts	1,239.82	979.315	(260.5)	(21%)
Transfer to GNPC	361.90	416.885	54.99	15.2%
o/w Equity Financing	190.61	224.205	33.6	17.6%
o/w 40% share of Net Carried and Participating Interest	171.29	192.680	21.39	12.5%
Benchmark Revenue	877.92	562.430	(315.49)	(36%)
o/w ABFA	614.55	516.835	(97.72)	(16%)
o/w Transfers to GPFs	263.38	45.595	(217.79)	82.7%

Source: MOF, Budget and Policy Statement, 2012, 2013

Table 10 shows that the GNPC received **GHS**54.99 million more than what was approved in the 2012 Annual Budget by Parliament. This had the effect of shrinking the residual Benchmark Revenue

Example from Kazakhstan: Level of ownership held by Kazatomprom NAC in extractive companies

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Companies with a state-owned stake held by Kazatomprom NAC from which it receives dividends

No.	Company name	Kazatomprom NAC stake %
1	GRK LLP	100%
2	Inkai JV LLP	40%
3	Katko JV LLP	49%
4	Semizbai-U LLP	51%
5	Betpak Dala LLP	30%
6	Akbastau JV JSC	50%
7	Kyzylkum LLP	30%
8	Karatau LLP	50%
9	Zarechnoe JV JSC	49.7%
10	Appak LLP	65%
11	Baiken-U LLP	5%

Step 3 – Ensure that the reporting process comprehensively addresses the role of SOEs.

The MSG should ensure that the reporting process is designed to capture all material payments to and from SOEs. The general approach for assessing materiality of payments and revenues to be covered in the EITI Report is set out in requirement 4.1(a):

> *In advance of the reporting process, the multi- stakeholder group is required to agree which payments and revenues are material and therefore must be disclosed, including appropriate materiality definitions and thresholds. Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report. A description of each revenue stream, related materiality definitions and thresholds should be included in the EITI Report. In establishing materiality definitions and thresholds, the multi-stakeholder group should consider the size of the revenue streams relative to total revenues. The multi-stakeholder group should document the options considered and the rationale for establishing the definitions and thresholds.*

The reporting templates should be designed so that these flows are disclosed by both parties, and reconciled. In accordance with requirement 5.2, the data should be presented by individual company, government entity and revenue stream.

In some cases, the data needed to assess the materiality of payments to/from SOEs will already be publicly available from companies, government authorities or other sources. In other cases, it may only be possible to estimate the materiality of the payments through consultations with stakeholders. For further details, please consult the guidance note on defining materiality, available from www.eiti.org. The MSG should ensure that the agreed approach is reflected in the terms of reference for the Independent Administrator.

Financial flows involving SOEs may include:

(1) Taxes, royalties, dividends and other payments made by SOEs to government agencies;

(2) Taxes, royalties, dividends and other revenues collected bySOEs on behalf of the government;

(3) Transfers between SOEs and other government agencies;

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(4) Volumes sold and revenue received from the sale of the state's share of production or other revenues collected in kind (see step 4 below). The MSG may wish to consider additional disclosures, such as the type of product, price, market, and sale volume. The MSG is also encouraged to consider engaging buying companies in the reporting process and reconcile the volumes sold and the payments and revenues from the sale.

A number of EITI implementing countries have covered these financial flows in their EITI Reports:

Example from Albania: Reporting on payments by oil and gas companies to SOEs, and payments by SOEs to other government entities.

Albania's oil and gas sector is governed by Production Sharing Agreements (PSAs). Albpetrol, the state-owned enterprise, holds shares in every agreement signed in Albania on behalf of the state. It also operates certain fields exclusively. Figure 2 illustrate the payments and revenues flowing to and from Albpetrol. In 2010, Albpetrol collected two types of revenues from private oil and gas companies on behalf of the state – production share and signature bonuses. In addition to collecting revenues, Albpetrol also made payments to government entities, including royalties, corporate profit tax, dividends and payments to local authorities. All these transactions are reconciled in the EITI report, as illustrated in figure 3.

Figure 2: Revenue flows covered in Albania'2 2010 EITI Report

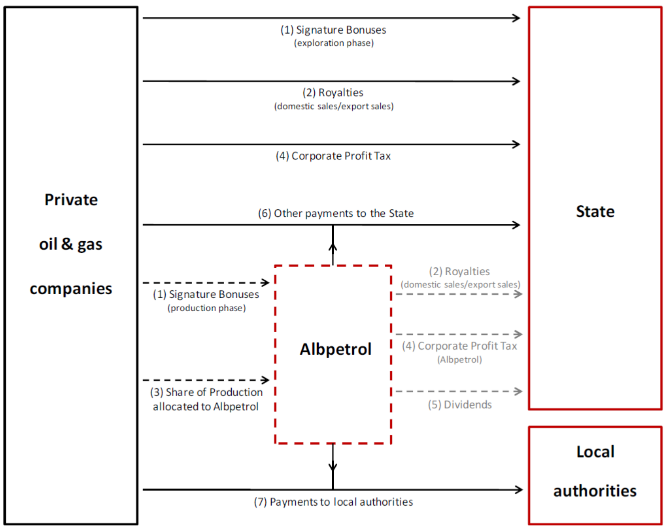

Figure 3: Reconciliation of transactions between private oil and gas companies and Albpetrol, and reconciliation of transactions between Albetrol and other government entities.

(in USD)	2010				
	Declared data				
	Companies	Albpetrol (company)	State	Δ Companies - State	Δ Companies - Albpetrol
1. Signature bonuses	400 000		400 000	-	
2. Royalties (from private companies)	18 499 298		18 801 781	(302 483)	
2. Royalties (from Albpetrol)		7 655 487	8 805 469	(1 149 982)	
3. Share of production of Albpetrol	24 474 090	24 463 090			11 000
4. Corporate profit tax (from private companies)	-		-	-	
4. Corporate profit tax (from Albpetrol)		2 644 811	2 415 480	229 331	
5. Dividends		-	-	-	
6. Other significant payments to the State (from private companies)	100 000		100 000	-	
6. Other significant payments to the State (from Albpetrol)		1 849 455	1 860 013	(10 558)	
7. Other significant payments to local authorities (from private companies)	-		-	-	
7. Other significant payments to local authorities (from Albpetrol)		-	-	-	
Total in USD	43 473 388		32 382 743	(1 233 692)	11 000

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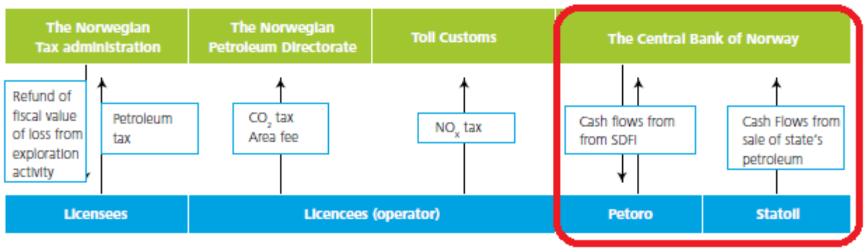
Example from Norway: Reporting on transfers between SOEs and government entities.

The Norwegian government has large holdings in oil and gas licences on Norway's continental shelf. The government participates in Norway's petroleum sector directly as an investor through an arrangement called the State's Direct Financial Interest (SDFI), which currently includes interests in 158 licenses. Through SDFI, the state owns a share of the oil and gas fields, pipelines and onshore constructions. As an owner, the state covers its part of the investments and expenses, and receives a share of the revenue from the license permits. The state owned company Petoro manages the SDFI arrangements.

Statoil markets and sells the Norwegian state's share of oil and gas production from SDFI. The Central Bank of Norway receives, on behalf of the state, all cash flows from SDFI including cash flows generated from the sales and marketing of the state's share of oil and gas production managed by Statoil.

Figure 4 below illustrates the revenue flows between Petoro, Statoil and the Central Bank of Norway. For the purpose of Norway's EITI reporting, Petoro reports all payments made to the state in relation to SDFI. Statoil reports all payments made to the state as a result of their role relating to the sale and marketing of the state's share of oil and gas production. Petoro's net payments to the Central Bank include revenues from marketing and sale of petroleum, tariff revenues and other revenues minus cash outflows from operating costs and capital expenditures. Cash outflows from the Central Bank include field costs and investment related to SDFI and payments from the state to Statoil for transportation, purchase of gas, etc. related to the sales and marketing of the state's petroleum. Transfers to the Government Pension Fund Global are also disclosed. Detailed reconciliation is available in Norway's 2012 EITI Report.

Figure 4 – Revenue flows from Norway's petroleum sector



Step 4 – Where applicable, develop a reporting procedure for the sale of the state's share of production

In many countries, the state receives a share of production. These *physical* revenues can occur because the state or a SOE operates or owns shares in a producing license, through the existence of production-sharing contracts, or when companies make payments such as royalties with physical commodities rather than money. The state or the SOE then sells these physical resources. Requirement 4.1(c) requires reporting on these sales that is disaggregated to levels "commensurate with the reporting of other payments and revenue streams."

For countries where production sales generate material revenues, the entity that sells the commodities – typically a SOE – should report on the sales in a detailed manner. The reporting should include the volume of the sale and the revenues received. Because different commodities have different values, the report could also indicate what type of commodity was sold (e.g. the grade of crude oil), as well as the date of the sale given the frequent fluctuations in commodity prices. As with all EITI reporting, the information should be broken down by company, in this case the different companies that buy resources from the state.

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SOEs already maintain sale-by-sale data, such as crude oil loading schedules, so this reporting is unlikely to require new compilations of data.

It is important to cover all sales, so it is clear how the state dispatched of the entirety of its production share and in-kind revenues. Along with sales for export, some governments and SOEs sell to domestic buyers or state-owned refineries, and these sales should be covered. When the SOE refines the resource itself, the internal transaction could be included (i.e. the sale by the upstream subsidiary to the refining subsidiary).

Requirement 4.1(c) encourages the reconciliation of the volumes sold and revenues received, the same way that other revenue streams are reconciled in EITI reports. To implement this provision, reporting templates would be issued to all the companies that bought oil, gas or minerals from the state or SOE. In some countries, like Ghana and Chad, this is just a handful of buying companies. In others, the number is higher. The Iraq EITI, for instance, collects sale data from nearly 40 companies, mostly foreign buying companies. The reconciler would then compare the sale data from the SOE (the seller) with that from the companies (the buyers).

Example from Iraq: Volumes sold and revenue received from the sale of the state's share of production or other revenues collected in kind.

Iraq is the only implementing country that reconciles payments made by companies that buy oil and revenues received by the government from the sale of the government's oil in the EITI report (see figure 5). The report also includes a reconciliation of volumes sold as well as a description of the sale process, and average monthly prices and export quantities for the four main buying markets: North America, Europe, Asia and the special bilateral deal with Jordan.

Figure 5 – Reconciliation of payments and revenues from the sale of oil in Iraq

5.5 Exported crude oil reconciliation between SOMO and buyers for the year 2011

No.	Buyers Name	Amount SOMO US$	Amount buyer US$	Difference US$	Note Reference
1	INDIAN OIL CORP (CHENNAI PETROLEUM CORPORATION)	9,519,012,213	9,519,012,213	-	-
2	SINOCHEM	5,446,406,834	5,529,612,887	(83,206,053)	A
3	CHINA INTERNATIONAL UNITED (UNIPEC)	4,689,487,968	4,658,777,527	30,710,441	B
4	BP Oil	4,665,262,627	4,436,568,308	228,694,319	C
5	CHEVRON	4,563,559,247	4,287,834,897	275,724,350	D
6	CONOCO PHILLIPS COMPANY	3,990,678,560	3,990,678,560	-	-
7	GS CALTEX SINGAPORE PTE. LTD	3,234,486,393	3,371,433,287	(136,946,894)	E
8	VALERO MARKETING &SUPPLY COMPANY	3,035,799,153	2,984,990,107	50,809,046	F
9	SHELL	2,939,664,330	2,890,893,528	48,770,802	G
10	SK ENERGY	2,451,618,356	2,451,618,356	-	-
11	TURKISH PETROLEUM INTERNATIONAL	2,446,832,230	2,446,832,230	-	-
12	NORTH PETROLEUM (ZENHUA Oil)	2,093,506,950	1,988,486,303	105,020,647	P

Example from Nigeria: NEITI's 2009-2011 physical and process audit report, Annex B, includes an explanation and review of the procedures for pricing Nigerian oil, an assessment of the conformity with the procedures, and a review of the contracts between NNPC and the companies buy Nigerian oil. It also includes cargo-by-cargo sale data (see figure 6).

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Figure 6 – NEITI cargo-by cargo data

Nigeria Extractive Industries Transparency Initiative

Physical and Process Report: 2009 – 2011 Oil & Gas Audit

Appendix B: Process for Pricing of Federation Equity Crude Oil

Subject: PPMC LIFTINGS AND PRICES

S/N	CUSTOMER	B/L DATE	CRUDE TYPE	NOM QTY	QTY LIFTED	VESSEL	UNIT PRICE $	CRUDE VALUE $	L/C NUMBER	PRICING OPTION	API	DESTINATION
1	CALSON	02/01/2009	YOHO	105,000	105,126	EVRIDIKI	37.656	3,958,624.66	CI0957250-FPH	ADVANCED	40.35	USGC
2	CALSON	04/01/2009	BL	950,000	949,199	ASTRO PHOENIX	38.513	36,556,501.09	779-01-0066820-c	ADVANCED	33.75	GERMANY
3	CALSON	04/01/2009	QIL	950,000	950,000	TAKAMA	38.513	36,587,350.00	C1Z08015409	ADVANCED	35.76	INDIA
4	CALSON	05/01/2009	BONGA	950,000	958,771	ARIES VOYAGER	38.163	36,589,577.67	DOC-644641-G	ADVANCED	29.92	INDIA
5	CALSON	06/01/2009	BL	950,000	918,610	FRON CENTURY	40.972	37,637,288.92	FONL04M008913	ADVANCED	34.07	GERMANY
6	GLENCORE	11/01/2009	BL	950,000	950,896	FRONT COMMANDER	44.796	42,596,337.22	LCIN4761748	DEFERRED	33.44	USGC
7	CALSON	17/01/2009	ESC	950,000	949,463	IRENE SL	44.296	42,057,413.05	FONL04M009000	ADVANCED	33.25	USGC
8	CALSON	18/01/2009	BB	950,000	949,919	FRONT COMMODOE	44.796	42,552,571.52	LCIM4760735	ADVANCED	36.67	USGC
9	CALSON	19/01/2009	ESC	950,000	949,320	IRENE SL	44.608	42,347,266.56	DOC-644905-G1	ADVANCED	33.05	USGC
10	CALSON	29/01/2009	YOHO	950,000	949,850	COSMERRY LAKE	45.417	43,139,337.45	LM106185LDN	ADVANCED	39.89	USGC
11	CALSON	30/01/2009	ESC	950,000	949,210	ATLANTIC PROSPERITY	45.057	42,768,554.97	LCIM4770666	PROMPT	33.25	USGC
12	CALSON	31/01/2009	BL	300,000	302,833	UNIVERSAL QUEEN	45.642	13,821,903.79	LCIM4767759	ADVANCED	34.60	USGC
	Jan-09				9,883,197			420,612,726.89				

Step 5 – Where applicable, develop a reporting procedure for quasi-fiscal expenditures

In many countries, SOEs undertake quasi-fiscal expenditures such as payments for social services, public infrastructure, fuel subsidies and national debt servicing. These activities often have a significant impact on the local economy, and on the government's fiscal position. The IMF *Manual on Fiscal Transparency*[5] highlights the importance of identifying and quantifying quasi-fiscal activities. The manual includes a typology of quasi-fiscal activities that MSGs may find useful (see Box 2). The International Budget Partnership has also prepared a useful guide on quasi-fiscal activities[6]

Where SOEs undertake quasi-fiscal expenditures, 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. This information could be collected from SOEs through the EITI reporting process, or by referencing other publically available documentation.

Box 1 - Types of Quasi-fiscal Activity (IMF, 2007 p 80)

Operations related to the financial system
Subsidized lending
Under-remunerated reserve requirements
Credit ceilings
Rescue operations

Operations related to the exchange and trade systems
Multiple exchange rates
Import deposits
Deposits on foreign asset purchases
Exchange rate guarantees

[5] International Monetary Fund (2007) Manual on Fiscal Transparency. http://www.imf.org/external/np/pp/2007/eng/051507m.pdf

[6] International Budget Partnership (2013) Guide to Transparency in Public Finances Looking Beyond the Core Budget: 3. Quasi-fiscal Activities. http://internationalbudget.org/wp-content/uploads/Looking-Beyond-the-Budget-3-Quasi-Fiscal-Activities.pdf

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Subsidised exchange risk insurance Non-tariff barriers
Operations related to the commercial enterprise sector Charging less than commercial prices Provision of non-commercial services (e.g., social services) Pricing for budget revenue purposes Paying above commercial prices to suppliers

Figure 7: NNPC expenditures on security services

6.2.4 Review of Security payments

These are payments transferred from NAPIMS Joint Venture Cash Call Account to NNPC Corporate headquarters for security operations in the Niger Delta region by the Nigerian Military.

Table 6–6-The summary of the security payments for 2009 to 2011

Year	US$ '000
2009	200,000
2010	200,000
2011	200,000
Total	**600,000**

Source: CBN/NNPC JP Morgan Chase Cash Call Dollar Account

3. Case study: Ghana

Ghana's 2010-2011 Oil & Gas EITI Report describes the role, mandate, funding and the investment structure of the Ghana National Petroleum Corporation (GNPC). Additionally, the report shows that the Government of Ghana has equity participation of 13.64% in the Jubilee field project through the SOE. GNPC made a settlement payment of US$ 132.48 million for its share of Jubilee proceeds. The report indicates that GNPC will transfer the income received from all the revenue streams, in accordance with Section 6 of Act 815. Further, it explains that for the 2011 exercise the state through the Parliament allocated 47% of the total Government oil receipts to GNPC. As a consequence, the balance of the transfers that were due to be received by the Petroleum Holding Fund was reduced[7]. Additional information is available in the 2010-2011 Oil & Gas EITI Report.

The Ghana National Petroleum Corporation (GNPC) was responsible for collecting revenues in-kind the following revenue streams: royalties, carried interest and additional participating interests for the fiscal year 2011. GNPC is also mandated to monetize this income, in other words to convert these barrels of oil in cash. The Ghana 2011 Oil & Gas EITI Report discloses the revenues collected in-kind by the GNPC and the equivalent monetary value for each revenue stream.

To reconcile these in-kind payments with the monetary value disaggregated by revenue stream (see table 7.4), the EITI Report includes explanations for how the values were calculated.

1. Table 6.6 offers an estimated calculation of the government receipts for 2011.

[7] Ghana 2010-2011 EITI Oil & Gas EITI Report, page 35.

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2. Table 7.1 reconciles the amounts of barrels of oil lifted by the oil companies on behalf of GNPC and the records from the Ghana Revenue Authority in 2011.
3. Table 7.4 reconciles the proceeds of GNPC for selling the barrels of oil lifted and the Government's receipts.

To provide complete disclosure, the report provides information on the exchange rates (figure 6.1), references to the oil price (figure 6.2) and information on the transactions showing the amounts received in US dollars, the exchange rates applied for converting the values to Ghanaian Cedi, and eventual discrepancies caused by currency conversion (see Table 6.5).

Figure 4 Monetary value of revenues per revenue stream

Table 6.6: Petroleum receipts for the state - 2011

No	Item	Unit	Qtr 1 2011	Qtr 2 2011	Qtr3 2011	Qtr 4 2011	Total 2011
1	Total Volume of Lift	Barrels	4,627,701	5,970,237	6,966,692	6,886,552	24,451,452
2	o/w GOG/GNPC	Barrels	995,259	994,691	990,770	949,469	3,930,189
3	0/w Partners	Barrels	3,632,442	4,975,546	5,976,192	5,937,083	20,521,263
4	Date of GNPC Lift	d/m/yy	9-Mar-11	26-jun-11	3-Aug-11	15-Oct-11	
5	Reference price per barrel	US$	112.60	115.48	110.37	111.15	
6	Market Price per barrel	US$	112.80	116.28	110.67	111.15	
7	Marketing Cost per Barrel	US$	0.08	0.08	0.08	0.08	
8	Marketing Cost	US$	79,620.72	79,575.28	79,261.60	75,957.52	314,415.12
9	Gross Receipt from GOG/GNPC Lifting	US$	112,189,575.5	115,579,115.44	109569254.30	106786778.43	444,124,723
10	o/w Royalties	US$	31,055,938	31,994,219	30,330,589	29,560,397.90	122,941,143
11	o/w Carried & Participating Interest	US$	81,133,637.52	83,584,896.44	79,238,665.30	77,226,380.53	321,183579.78

Source: MoFEP.

Source: Ghana 2010-2011 Oil & Gas EITI Report, page 26

Figure 5 Reconciliation of oil liftings

Table 7.1 Reconciliation of oil (bbl) liftings by GNPC in 2011

Date of Company Lifting	Company (bbl)	Ghana Revenue Authority (bbl)	Discrepancy
GNPC/GOG			
1.9/03/2011	995,259.00	995,259.00	-
2.25/05/2011	994,691.00	994,691.00	-
3.03/08/2011	990,770.00	990,770.00	-
4.15/10/2011	949,469.00	949,469.00	-
TOTAL	**3,930,189.00**	**3,930,189.00**	-

Source: GNPC/GRA

Source: Ghana 2010-2011 Oil & Gas EITI Report, page 26

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Figure 6 Reconciliation of in-kind and in cash payments

Table 7.4 Reconciliation (by revenue stream) of GNPC Payments and Government Receipts in 2011

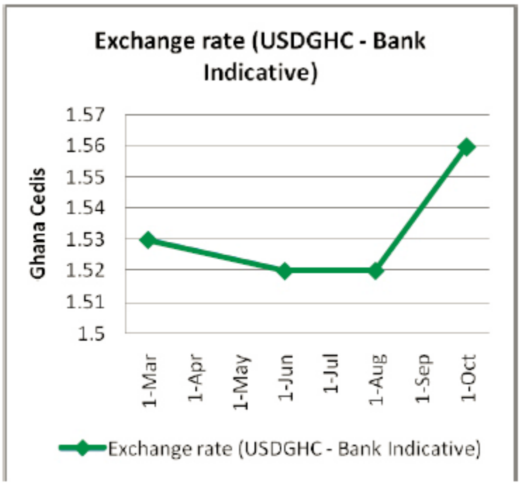
Revenue Stream	GNPC Payments		Government Receipts		Discrepancy	
	BBL(A)	U$$(B)	BBL(C)	US$ (D)	BBL(A-C)	US$(B-D)
Royalty	1,087,943.13	122,941,190.00	1,087,943.13	122,941,143.90	-	46.10
Carried Interest	2,067,087.91	233,587,963.67	2,067,087.91	233,588,058.03	-	-94.36
Additional Participating Interest	775,158.70	87,595,570.02	775,158.70	87,595,521.76	-	48.26
Total	**3,930,189.74**	**444,124,723.69**	**3,930,189.74**	**444,124,723.69**	-	0

Source: GNPC/MoFEP.

Source: Ghana 2010-2011 Oil & Gas EITI Report, page 29

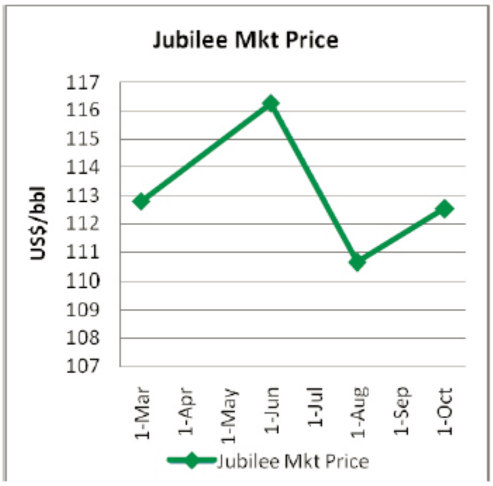
Figure 7 Oil price and exchange rate

Fig 6.1: Jubilee Oil Prices and Exchange rate Movement



Source: *MoFEP/Bank of Ghana*

Fig 6.2: Jubilee Market price movement



Source: *MoFEP/GNPC*

Thus, Ghana made marginal exchange gains on revenues from its sale of crude oil. In the Table below, the gain from exchange rate adjustment is about GHC952, 119.66.

Source: Ghana 2010-2011 Oil & Gas EITI Report, page 22

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Figure 8 Monetary values and exchange rate impact

Table 6.5: Exchange rate adjustments

Date of Lifting	Amount (US$)	Exchange rate(US$ GHC)	Amount (GHC at Q1 rate)	Amount (GHC at adjusted rate)	Exchange gain
9-Mar	112,189,575.52	1.53	171,650,050.55	171,650,050.55	-
25-Jun	115,579,115.44	1.52	176,836,046.62	175,680,255.47	(1,155,791.15)
3-Aug	109,569,254.30	1.52	167,640,959.08	166,545,266.54	(1,095,692.54)
15-Oct	106786778.4	1.56	163,383,771.00	166,587,374.35	3,203,603.35
Total	444,124,723.69	1.5325	679,510,827.25	680,462,946.90	952,119.66

Source: MoFEP/Bank of Ghana compilations by Boas

Source: Ghana 2010-2011 Oil & Gas EITI Report, page 22

Ghana's 2010 EITI Mining Report also includes details on the government's share in mining operations. According to the report, Ghana retains a 10% non-contributing shareholding in every mining lease holder.

The government's percentage holding (10%) may be altered in circumstances where special agreements exist. The Government's share of dividends when declared by the companies is collected by the Non-Tax Revenue Unit of the Ministry of Finance and Economic Planning.

The table below shows the government's shareholding in the mining companies participating in the 2010 EITI Report.

Table 7.3: Government shareholding in participating companies in 2010

Company	GoG Shares %
Goldfields (Abosso)	10
GSR (Prestea/Bogosu)	10
Gold Fields Ghana (Tarkwa)	10
Ghana Bauxite	20
Ghana Manganese	10
Anglogold Ashanti (International)	2.95[iii]
GSR(Wassa)	10
Chirano Gold Mines Ltd	10
Adamus Resources Ltd	10
Newmont Ghana Gold Ltd	Nil

Source: NTRU/Company information

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According to the report, the government received dividends from four companies in 2010- Anglogold Ashanti, Ghana Manganese Co. Ltd; Gold Fields Tarkwa and Abosso Goldfields Ltd.

The table below show the total dividends paid and received in 2010. According to the report, the discrepancy related to dividends was mainly due to the fact that Government/Non Tax Revenue Unit's reported receipt of dividends from Abosso Goldfields Ltd which was not corroborated by the company.

APPENDIX 5A	DISCREPANCII 2010		Discrepancies(A-B)				
	GHS	GHS	GHS	GHS			
REVENUE STREAM	**Company(A)**	**Government(B)**	**over reporting(A>1**	**Under Reporting**	**Net Discrepancy**	**Resolved**	**unresolved**
Dividends							
Anglogold Ashanti-Obuasi							
Anglogold Ashanti -Iduaprim				-			
**	2,914,288	2,976,370		(62,082)	(62,082)	(62,082)	-
GSR(Prestea/Bogosu)				-	-		-
Ghana Bauxite Co.				-	-		-
Ghana Manganse Co.	832,542	832,542		-	-		-
Goldfields -Tarkwa		14,342,500		(14,342,500)	(14,342,500)	(14,342,500)	-
Abosso Goldfields Ltd		4,288,800		(4,288,800)	(4,288,800)		(4,288,800)
GSR-Wassa				-	-		-
Chirano Gold Mines Ltd				-	-		-
Newmont Gold Ghana Ltd				-	-		-
Total(Dividends)	**3,746,830**	**22,440,212**		**(18,693,382)**	(18,693,382)	(14,404,582)	(4,288,800)

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