

20TH EITI BOARD MEETING, LIMA, 27 – 28 JUNE 2012

EITI International Secretariat Oslo, 8 June 2012

Board Paper 20-8

2011 Accounts

For information

Summary

The Finance Committee presents the Board with the EITI Accounts for 2011. The Committee notes that the financial affairs at the Secretariat remain healthy.

Table of Contents

1 - Summary of Accounts	2
2 - Expenditure 2011	3
3 - Revenue 2008 -2011	4

1 – Summary of Accounts

This paper presents the Board with a set of audited accounts for the period 1 January to 31 December 2011. The Finance Committee notes that the year was close to balanced and that the financial affairs at the Secretariat remain healthy.

The Secretariat carried over \$1.1m from 2010. This included a reserve fund of \$0.5m to cater for fluctuations in the exchange rate and uncertainties in some major funding streams. This reserve had been agreed to be set aside by the Board in 2010¹. At the end 2011, the Secretariat carried over \$1.2m to 2012. This amount includes the amounts that have been carried over at the end of each financial year 2007 -2012.

The Secretariat in 2011 had a budget of \$3.8m, but spent \$4.7m (a 22% overspend) against an income of \$4.8m. \$0.7m of the over-expenditure was on two items – the 2011 Global Conference and Board meeting expenses. These were partly offset by \$0.3m special parallel funding not included in the 2011 budget forecast.

While the income and expenditure figure for 2011 were both significantly higher than the amounts budgeted for – mainly due to the high costs of the Global Conference and board meetings held in 2012 - the Secretariat also managed to seek parallel funding to accommodate the over expenditure. This contributed to ensure the stable financial status of the Secretariat.

Table 1: 2011 Income and Expenditure

Income & Expenditure 2011 (\$)		2011 Budget
<i>Carry over from 2010</i>	1 100 000	
of which annual reserve	509 434	
2011 Income	4 821 051	3 820 000
2011 Expenditure	4 672 220	3 820 000
<i>Carry over to 2012</i>	1 248 831	

¹ The annual reserve does not equal exactly \$500,000 because it was established in Norwegian Kroner (NOK2.7m). This has subsequently appreciated to \$509,434.

2 - Expenditure 2011

The EITI Secretariat spent \$4.7m in 2011. This exceeded the forecast revenue of \$3.8m by 22%. See table 2 for a breakdown of expenditure.

Table 2: Expenditure 2008–2011^{2, 3}

Expenditure 2008- 2011						
Description	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Budget 2011	over/underspend
	USD\$	USD\$	USD\$	USD\$	USD\$	% of budget
Implementation	211 899	167 449	206 902	162 377	200 000	-19 %
Outreach	125 366	103 033	104 683	151 054	150 000	1 %
Board Meetings	167 661	152 695	457 825	427 553	200 000	114 %
Conference	35 126	401 830	219 192	958 042	500 000	92 %
Communications	104 339	77 374	95 254	225 746	100 000	126 %
Chairman's Support	300 360	147 094	153 766	85 827	170 000	-50 %
Project Consultants	162 391	131 698	106 845	305 015	150 000	103 %
Salary	1 276 726	1 266 474	1 403 359	1 922 008	2 000 000	-4 %
Other Staff Costs	249 221	49 709	92 673	71 966	100 000	-28 %
Office Expenses	275 391	166 576	179 275	362 633	200 000	81 %
Contingency	2 955	0	0	0	50 000	-100 %
Total Expenditure	2 911 435	2 663 932	3 019 774	4 672 220	3 820 000	22 %

Of particular interest :

1. The dollar exchange rate used at the time of the 2011 budget was approved was higher (1USD\$=6.3NOK) than the average dollar rate in 2011 (1USD=5.3NOK).
2. The Secretariat overspent by 114% the annual budget for Board meetings. Locations for board meeting in 2011 proved to be expensive and the distances involved including the side meetings and field trips in Jakarta resulted in higher costs. Special parallel funding of €72,000 (\$97 000) was received from the Netherlands and Shell towards the costs of 18th Board meeting held in Amsterdam.
3. Total expenditure for the EITI Global Conference in 2011 was twice the amount budgeted for. It was never envisaged that \$500,000 would be sufficient for the whole conference. In Doha the host country had paid for most of the costs. This time the host country did not contribute but other partners contributed to fund the shortfall as

² The annual reserve of \$0.5m is a reserve and therefore not included as an expense.

³ Average Rate for 2011: 1USD=5,3 NOK

(http://www.xe.com/ict/?basecur=USD&historical=true&month=6&day=7&year=2011&sort_by=name&image.x=50&image.y=10)

special parallel funding (see section 3).

4. The over-spend of 103% on “Project Consultants” was largely due to the inclusion of the EITI Evaluation under this expenditure line. This was offset by special parallel funding for the evaluation received from DFID (US\$117,000).
5. Office expenses were high in 2011 mainly due to set-up purchases (laptops, printers, etc.) for the Chair’s office in London. Costs for inventory were allocated to the main Secretariat as these were considered assets of the Secretariat, unlike in the Berlin office. This also explains the under-spend on the Chairman support costs.

3 - Revenue 2008 -2011

The EITI received \$4.8m in 2011, including \$0.3m received in special parallel funding that was not foreseen in the budget forecast. This exceeded the forecast income of \$3.8m by 26%. As agreed by the Board, the International Secretariat sent out its funding requests in line with the financing formula agreed at the Berlin Board meeting in April 2007. Table 3 breaks down the contributions by type of stakeholder.

Table 3: Revenue 2008 – 2011 broken down by constituency

Source	2008	2009	2010	2011	2011	% of 2011 budget received
	Actuals				Budget	
Core contribution, Government of Norway						
Government of Norway	500 000	560 000	602 654	669 442	600 000	112 %
Supporting countries, International Development Agencies (IDAs) and NGOs (approximately 50% of remaining requirement)						
Civil society	130 109	0	0	0 ⁴	75 000	0 %
Supporting countries & IDAs	939 018	2 034 945	1 328 431	2 317 486 ⁵	1 535 000	151 %
Private sector (approximately 50% of remaining requirement)						
Investors	10 942	9 763	4 180	14 355 ⁶	50 000	28 %
Oil and Gas (2/3 after investors)	755 562	882 879	748 615	1 003 330	1 040 000	96 %
Mining and Minerals (1/3 after investors)	274 436	441 440	129 960	816 439 ⁷	520 000	157 %
TOTAL REVENUES (excluding	2 610 067	3 929 027	2 813 840	4 821 052	3 820 000	126 %

⁴ No funding was received from Civil Society organisations in 2011.

⁵ Funding includes amounts received from the Governments of Denmark and Sweden and from the World Bank towards the expenses of the Global Conference.

⁶ Funding from Investors was below the budgeted figure. The Secretariat has been working closely with the investors to work out how best the budgeted amounts can be achieved.

⁷ Includes 2010 funding from ICMM that was received in 2011.

reserve)						
----------	--	--	--	--	--	--

In total, 43 organisations contributed to the EITI International Management in 2011 compared to 35 in 2010 (see table 4). The first column shows the exact amount disbursed and the currency it was received in. The second column shows that exact amount received. The third column shows the amount received based on the average exchange rate for 2011 (I\$=5.3NOK) for accounting purposes.

Table 4: Total Revenue – 2011

TOTAL REVENUE - 2011 (\$)			
<i>Received from</i>	<i>Actual</i>	<i>Amount (NOK)</i>	<i>Amount (\$)</i>
Governments, Civil Society & International Dev. Agencies			
AusAid	€220 830	1 719 061,55	324 351
Canada - Natural Resources	CAD\$90 000	512 971,79	96 787
Denmark	DKK 1 500 000	1 558 100,00	293 981
Denmark (Conference)	DKK 250 000	263 525,00	49 722
European Investment Bank	€50 000	389 480,00	73 487
Germany - BMZ	€190 000	1 474 380,00	278 185
Norway	NOK 3 248 040	3 248 040,00	612 838
Norway (Conference)	NOK 300 000	300 000,00	56 604
Sweden	SEK2 500 000	2 125 799,15	401 094
The Netherlands	\$250 000	1 325 460,00	250 087
The Netherlands (Board meeting)	\$30 000	159 000,00	30 000
KFW Bankengruppe	\$10 000	57 330,51	10 817
UK - DFID	£244 100	2 256 549,50	425 764
World Bank	\$80 000	441 020,00	83 211
Total revenue from Govt's, CSO and Int. Dev. Agencies		15 830 717,50	2 986 928
Institutional Investors			
Allianz Global	\$2 000	11 718,00	2 211
British Columbia	\$1 500	8 225,40	1 552
Canada Pension Plan	\$1 500	8 459,70	1 596
F C Management	£2 500	14 308,75	2 700
PS EFT Payments (2009)	\$1 500	8 425,95	1 590
PS EFT Payments (2010)	\$1 500	8 424,55	1 590
SNS Reaal NV	\$1 500	7 922,91	1 495
Standard Life Employee Services	\$1 500	8 594,55	1 622
Total revenue from Institutional Investors in 2011		76 079,81	14 355
Companies			
Oil & Gas			
BG International	\$50 000	291 875,00	55 071
BP International	\$50 000	279 514,07	52 739
Chevron	\$50 000	289 063,23	54 540
ENI Spa	\$50 000	273 972,75	51 693
Eramet	\$20 000	109 200,00	20 604
Exxon Mobil Corporation	\$50 000	279 116,21	52 663
Glencore International	\$50 000	270 850,00	51 104
Hess Corporation	\$50 000	287 363,74	54 220
Marathon Oil	\$50 000	291 041,76	54 914
Mærsk Oil & Gas	\$50 000	274 850,00	51 858
Noble Energy Incorporated	\$50 000	277 419,49	52 343
Norsk Hydro	\$10 000	54 910,00	10 360
Petrobras (2010)	\$50 000	290 626,84	54 835
Petrobras (2011)	\$50 000	276 794,61	52 225
Repsol	\$50 000	271 097,87	51 151
Shell (Board meeting)	€ 48 000	373 774,14	70 523
Statoil ASA	\$100 000	558 700,00	105 415

Talisman Energy	\$50 000	285 850,00	53 934
Woodside Offshore	\$50 000	281 628,37	53 137
Total revenue from Oil & Gas companies in 2011		5 317 648,08	1 003 330
Mineral & Mining			
Arcelor Mittal Ltd	\$25 000	136 572,58	25 768
Arcelor Mittal Ltd	£5 500	47 340,51	8 932
Arcelor Mittal Mining UK	CAD\$15 510	87 080,89	16 430
Centerra Gold	\$10 000	58 155,00	10 973
De Beers	\$50 000	272 155,00	51 350
Dundee Precious Metal	\$10 000	55 164,68	10 408
ICMM (2010)	£190 000	1 747 900,00	329 792
ICMM (2011)	£190 000	1 630 100,00	307 566
Kinross Gold Corporation	\$50 000	271 741,22	51 272
Tata Steel	\$4 000	20 914,48	3 946
Total revenue from Mineral & Mining Companies in 2011		4 327 124,36	816 439
Total Revenue 2011		25 551 569,75	4 821 051

Of particular interest:

1. The Secretariat received funding (€220,000) from the Government of Australia for the first time in 2011. Funding from the Government of Australia was received in Euros and equals the AUD\$ 300,000 pledged.
2. Companies joining the EITI in 2011 included Centerra Gold, Dundee Precious Metal, Eramet, Galp Energia, Glencore, Mærsk Oil, Kinross Gold Corporation, and Tata Steel Cote d'Ivoire.
3. Some organisations did not submit 2011 funding before the close of the year. Much of the outstanding funds for 2011 have been received in the first half of 2012. The missed 2011 payments were more than offset by those organisations that provided 2010 funding in 2011.
4. Much of the outstanding funds for 2011, for example from Total, have been received in the first half of 2012

Revenue received in 2011 included special parallel funding contributions from DFID (UK), Denmark, Shell and the World Bank (see table 5).

Table 5: Parallel funding – 2011

Special Parallel Funding 2011	Actual Currency	USD\$
DFID (Evaluation)	£69 100	117 643
MFA Denmark (Conference)	DKK250 000	48 801
MFA The Netherlands (Board meeting)	\$30 000	30 000
Shell (Board meeting)	€ 48 000	70 523
World Bank (Board meeting)	\$80 000	81 670
Total		348 637

Board members

Andrew Bone
David Diamond
Dorjdari Namkhajianstan
Harald Tollan

Committee advisors

Wouter Biesterbos
Tony Hodge
Anwar Ravat

Secretariat

Jonas Moberg
Eddie Rich
Leah Krogsund