



USING SUMMARY DATA

PART 1 – USING THE GOVERNMENT FINANCE STATISTICS FRAMEWORK TO COMPARE EITI COUNTRY CONTEXTS

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“We have developed standards and codes of best practices in areas such as data dissemination, fiscal transparency and monetary and financial policies (IMF 1997). Promoting transparency in the extractive industries is another area that the Fund has actively pursued in its technical assistance work. Under the aegis of the Extractive Industry Transparency Initiative (EITI), a template is now available for reporting and monitoring government revenues from natural resources.”
Christine Lagarde, contribution to ‘Against Corruption’

EXECUTIVE SUMMARY

The Extractive Industries Transparency Initiative (EITI) is a **global standard** to promote the open and accountable management of oil, gas and mineral resources. As of January 2017, the EITI is implemented in 51 countries.

Summary data is the EITI’s tool for collecting and publishing data from EITI Reports in a structured format. EITI Summary data is classified in accordance with the International Monetary Fund’s (IMF) Government Finance Statistics (GFS). GFS enables cross-country and intertemporal analyses on a more granular level through a consistent categorisation of revenue types. For researchers and academics, analysis of EITI Summary data offers insights into the extractive sector economies of its member countries. The summary data can therefore be used alone or in conjunction with other datasets.

This brief introduces segments from EITI Summary data, the Open data policy and GFS classifications. It provides examples for how summary data may be used for interpreting in-country contexts of the extractive sector. The examples pay specific attention to the links between government participation in the extractive sector and the balance between revenues from ownership versus taxation.

This brief is the first of a two-part series, highlighting the potential of open data and introducing the EITI’s database of recently published summary data which classifies government revenue data according to the International Monetary Fund (IMF)’s Government Finance Statistics (GFS) Manual 2014 framework.

EITI Brief: Using summary data

Part 2 – Government returns from production value

The second brief revisits an assessment from 2013 entitled “What EITI Reports do and don’t tell us about oil deals”.¹ Stakeholders raise a key issue when examining revenue data from EITI Reports and production and price data from other sources: Are countries getting a ‘fair’ return? This brief utilises data for the time-period 2009 to 2013 and compares three countries: Iraq, Nigeria and Norway. It then expands on the 2013-assessment by exploiting sub-categories of revenues and differences in tax systems, and compares the different types of revenues received to government shares of total production values. This illustrates how newly published EITI data can be used to perform cross-country analyses with more detailed revenue data.

EITI SUMMARY DATA AND GFS FRAMEWORK

The EITI International Secretariat has made various efforts to make more data accessible. The 2016 EITI Standard², was adopted at the EITI Global Conference in Lima in 2016. The revised Standard now includes the EITI's Open Data Policy³, outlining recommendations for open data when implementing the EITI. EITI Requirement 7.1 requires implementing countries to submit EITI Reports available in open data formats and the Standard Terms of Reference for Independent Administrators⁴ requires submission of one of the main features;

the Summary Data Template.⁵ The submission of these data-files are required under the 2016 Standard and this data is available to the public on both EITI's webpages and a Google Drive folder.⁶

The templates collect a wide range of fiscal, legal and contextual data related to the extractive industries per country, including disaggregated numbers for revenues from the extractive companies, classified by IMF's Government Finance Statistics Manual (GFS) 2014 framework.⁷ The GFS

Table 1: GFS – first three levels of categories relevant to EITI

GFS Level 1	Level 2	Level 3
[11E] Taxes	[111E] Taxes on income, profits and capital gains	[1112E1] Ordinary taxes on income, profits and capital gains
		[1112E1] Extraordinary taxes on income, profits and capital gains
	[112E] Taxes on payroll and workforce	
	[113E] Taxes on property	
	[114E] Taxes on goods and services	[1141E] General taxes on goods and services (VAT, sales tax, turnover tax)
		[1142E] Excise taxes
		[1145E] Taxes on use of goods/permission to use goods or perform activities
	[115E] Taxes on international trade and transactions	[1151E] Customs and other import duties
		[1152E] Taxes on exports
		[1153E1] Profits of natural resource export monopolies
[116E] Other taxes payable by natural resource companies		
[12E] Social contributions	[1212E] Social security employer contributions	
[14E] Other revenue	[141E] Property income	[1412E] Dividends
		[1413E] Withdrawals from income of quasi-corporations
		[1415E] Rent
	[142E] Sales of goods and services	[1421E] Sales of goods and services by government units
		[1422E] Administrative fees for government services
	[143E] Fines, penalties, and forfeits	
[144E1] Voluntary transfers to government (donations)		

1 *What EITI Reports do and don't tell us about oil deals.* <https://eiti.org/blog/what-eiti-reports-do-dont-tell-us-about-oil-deals>

2 *2016 EITI Standard.* <https://eiti.org/document/standard>

3 *Open Data Policy.* <https://eiti.org/standard/open-data-policy>

4 *Standard Terms of Reference for Independent Administrators.* <https://eiti.org/TOR-IA>

5 *Summary Data Template.* <https://eiti.org/document/eiti-summary-data-template>

6 *Google Drive folder.* <https://drive.google.com/drive/folders/0B9BI74fkjArzcWtDMDE3eUtYajA>

7 *For a brief introduction to classification under Government Finance Statistics Manual, visit* <https://youtu.be/4jLDhoiajSI?list=PLmYAE4wV1YQzimXjDWMQ-4GwConTsP7-a&t=213>

framework allows for comparable revenues across countries and time, at a disaggregated level. This opens up the sectors for increasingly detailed and nuanced analysis. Table 1 outlines the first three levels of GFS-categories relevant to EITI Reports.

The GFS classifications relevant to EITI Reports are divided into three categories, *Taxes (11E)*, *Social contributions (12E)*, and *Other revenues (14E)*. Taxes are defined by the base on which a tax is levied, for example whether levied on incomes and profits or on sales of goods and services. For non-tax

revenues, classifications differ according to the nature of the economic flow. *Property income (141E)* is an example where governments receive revenues due to ownership or participation in other profitable activities. Often on a more disaggregated level (levels 4 and 5), different classifications also take into consideration the entity responsible for collection, distinguishing between government departments and agencies, and state-owned enterprises. Table 2, found later in this brief, presents this last distinction.

COMPARING EXTRACTIVE SECTOR REVENUES

This first brief illustrates how EITI Summary data can aid our understanding of revenues from the oil sector, using Iraq, Nigeria and Norway as examples. The three countries have similar total revenues for the time-period in question, but economies of quite different structure and size.

Figure 1 illustrates some of these differences⁸. The petroleum sector is the largest in Iraq when compared to the other country examples; in terms of share of gross domestic product (GDP), total exports and of total state revenues.

Nigeria's tradable sector is highly dependent on petroleum, yet the petroleum sector is less important when compared to the overall economy.

While exhibiting high dependency towards petroleum exports, the Norwegian government is much less dependent on revenues from the petroleum sector. This sector creates approximately

one fifth of GDP values in 2013, meaning the overall economy of Norway is more dependent on petroleum than Nigeria, but less so compared to Iraq.

Figure 2 shows revenue trends from 2009-2013. Iraq experienced a stable increase in revenues from 2009-2012, followed by a slump in 2013. Nigeria also experienced a strong initial growth from approximately USD 30 billion in 2009, peaking at USD 68 billion in 2011. The two subsequent years saw decreasing income from the extractive sector, falling to USD 57 billion in 2013. Norway displayed a much more stable level of revenues from 2009-2013, with a maximum income of USD 68 billion (2012) and a minimum of USD 46 billion (2010). This relatively stable flow of revenues seems to have left Norway at a level of collection similar to Nigeria, while Iraq is clearly the largest recipient of revenue from the extractive industries.

⁸ The figures are estimations by the author. The sources are IMF Macroeconomic and Financial Data, Iraq 2013 EITI Report, Nigeria 2013 EITI Oil and Gas Report, Nigerian Bureau of Statistics, and Norwegian Petroleum (<http://www.norskpetroleum.no/en/>)

Figure 1: Macroeconomic indicators

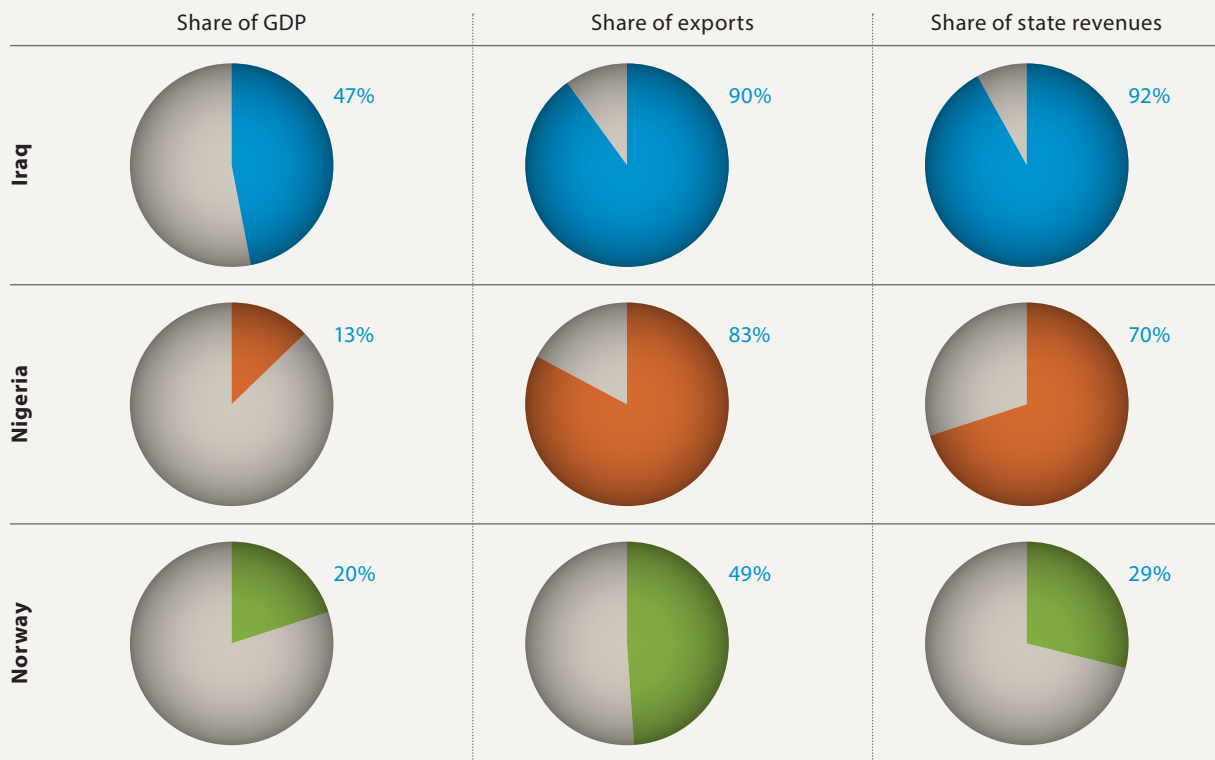
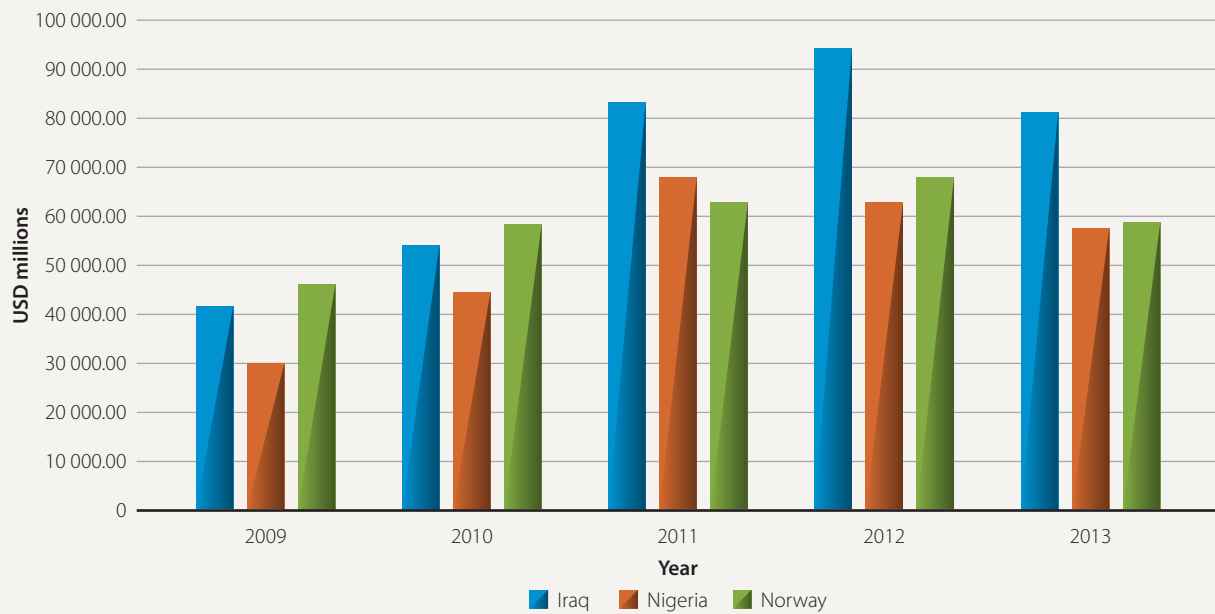


Figure 2: Revenue trends 2009-2013



USING CLASSIFICATION FOR UNDERSTANDING CONTEXTS: TAXATION VERSUS OWNERSHIP

Tax classification can reveal differences between countries. While taxes are compulsory transfers imposed on companies or other entities involved in value-creation, other revenues represent income for the government in its roles as service provider, owner of natural resources, as well as state participation in other profitable activities. One broad interpretation of *Taxes* (11E) is it represents government income from its redistributive and regulatory functions, through shares in other units' profitable endeavours. Meanwhile, *Other revenues* (14E) represent income from ownership, through quasi-corporate functions, or through services. This means that governments participate in actual value-creation and earning revenues through such activities.

Using the same three countries as examples, Figure 3 shows that Iraq earned almost all of its revenues from *taxation* categories. This is in stark contrast to the Nigerian and Norwegian contexts, where there is a mix of incomes from taxation and other revenues. Nigeria's overall revenue collection

was mainly from other revenues, while Norway received more from taxation.

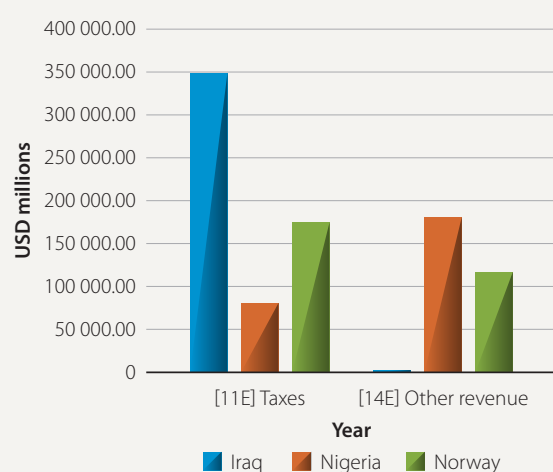
Iraq: State ownership and export control

At the core of Iraq's extractive industry is SOMO (State Organization for Marketing of Oil), the body in charge of selling crude oil to international companies on behalf of regional state-owned enterprises in Iraq. These regional SOEs have field-partners in exploration and production through Technical Service Contracts, mainly International Oil Companies (IOCs)⁹.

Iraq's ownership of the oil sector is therefore 100 percent (when excluding special arrangements in the autonomous state of Kurdistan). This would normally imply a large share of revenues classified as *Other revenues* (14E). Yet Iraq's income is almost exclusively through taxation (see Figure 4). In fact, the reason is an exception within GFS classification in which profits from natural resource export monopolies are treated as taxes, not income derived through services or ownership. This distinction relates to the notion that profits from natural resource *export* monopolies is an alternative way of taxing goods mainly used for export, while private companies are merely involved in upstream activities such as exploration and production. This makes Iraq fairly unique when applying the GFS framework.

The strict interpretation of the GFS classification is therefore that the profits of SOMO represent the same amount of tax as Iraq otherwise would have placed on the IOCs¹⁰. These taxes account for more than 99.4% of the total revenues, reported in excess of USD 351 billion for the period. Furthermore, the revenues Iraq received as part of *Other revenues* (14E) are signature bonuses valued at merely USD 1.73 million for the period 2009-2013.

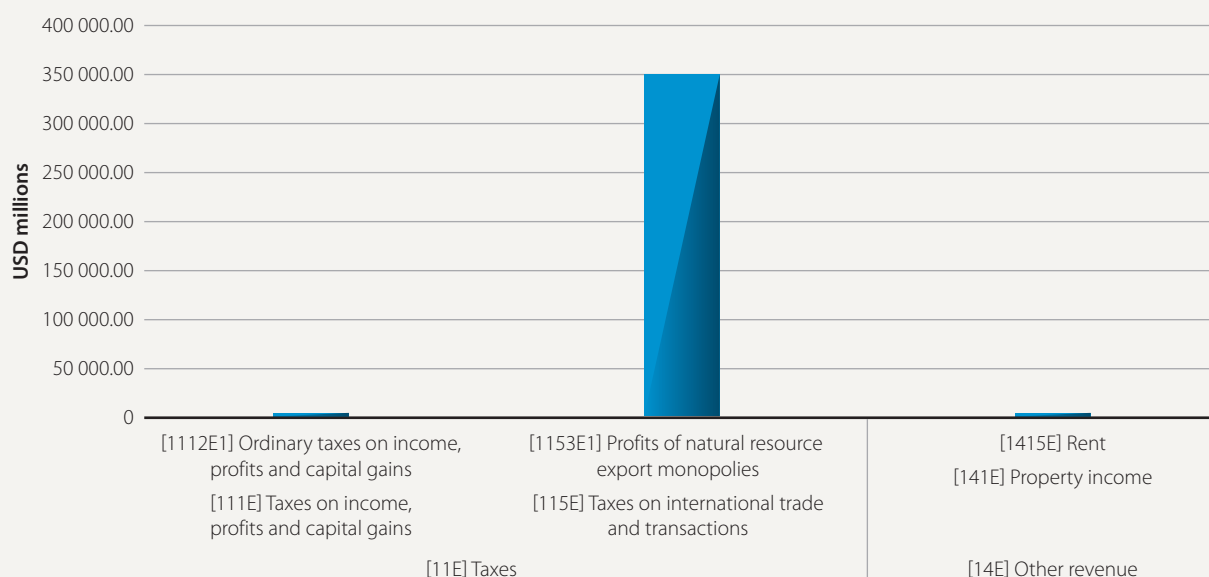
Figure 3: Revenues by classification (all countries, 2009-2013)



⁹ For more information, please see Iraq's country page. <https://eiti.org/iraq>

¹⁰ *Government finance statistics manual 2014*, International Monetary Fund. pp. 95-96.

Figure 4: Iraq's revenues by classification (2009-2013)



Nigeria: Joint ventures, production sharing and SOE-participation

The Nigerian petroleum sector is complex. While not retaining full ownership of the sector like Iraq, Nigeria participates through the state-owned Nigerian National Petroleum Corporation (NNPC). For the period in question, NNPC held equity ownership in six joint ventures (JVs) with Agip, Chevron, Elf, Mobil Shell and Texaco.¹¹ Nigeria also received production entitlements through production-sharing contracts (PSCs), in which in-kind revenues are marketed by NNPC. Most of these agreements and contracts were awarded in the early 1990s, and since 2013 several indigenous oil companies have gotten more involved, while IOCs have divested.¹² Nigeria's involvement through JVs and PSCs aside, the government also relies on taxation to a larger extent than in past decades.

Therefore, of the three cases, Nigeria has the most complex revenue system in terms of number of revenue streams included. While Iraq and Norway include three and six types of revenues in their 2013 EITI Reports, Nigeria reports on 26. Even when aggregating these revenues under the same GFS

codes, they are too many to present clearly in one figure. Therefore, both Figure 5 and Figure 6 show Nigeria's receipts for the period.

Nigerian tax-revenues are mostly comprised of sector-specific taxes, classified as *Extraordinary taxes* (112E2). These taxes are a product of the Petroleum Profit Tax Act of 2007¹³ (PPTA), in which oil companies are obliged to pay 67.5% tax on profits for companies with less than five years of operations (after deductions and allowances), and 85% tax on profits after. The taxes accumulated to USD 69.20 billion for the time-period, and accounted for 26.4% of Nigeria's total revenues from oil and gas activities (see Figure 5). However, despite the large share of revenues held by sector-specific taxation, this is much lower than Nigeria's other main source of income, namely ownership and participation.

The 'Nigerian model' is better understood through an even more disaggregated view. Table 2 below presents the sub-categories of *Rent* (1415E), the category for revenues received by the government as the owner of natural resources. *Production entitlements* (1415E3) cover revenues and transfers

11 For more detailed information, please see Nigeria's country page. <https://eiti.org/nigeria>

12 For more information on recent developments, please see the following briefs: http://www.dentons.com/en/insights/alerts/2015/september/15/outlook-for-the-nigerian-oil-and-gas-market?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original
<http://www.platts.com/news-feature/2015/oil/africa-oil-gas-energy-outlook/index>
<http://www.woodmac.com/blog/nigeria-buharis-oil-industry-reforms/>

13 Tax legislations, Federal Inland Revenue Service: <http://www.firs.gov.ng/Tax-Management/Pages/Tax-Legislatons.aspx>

Figure 5: Nigeria's [11E] Taxes by classification (2009-2013)

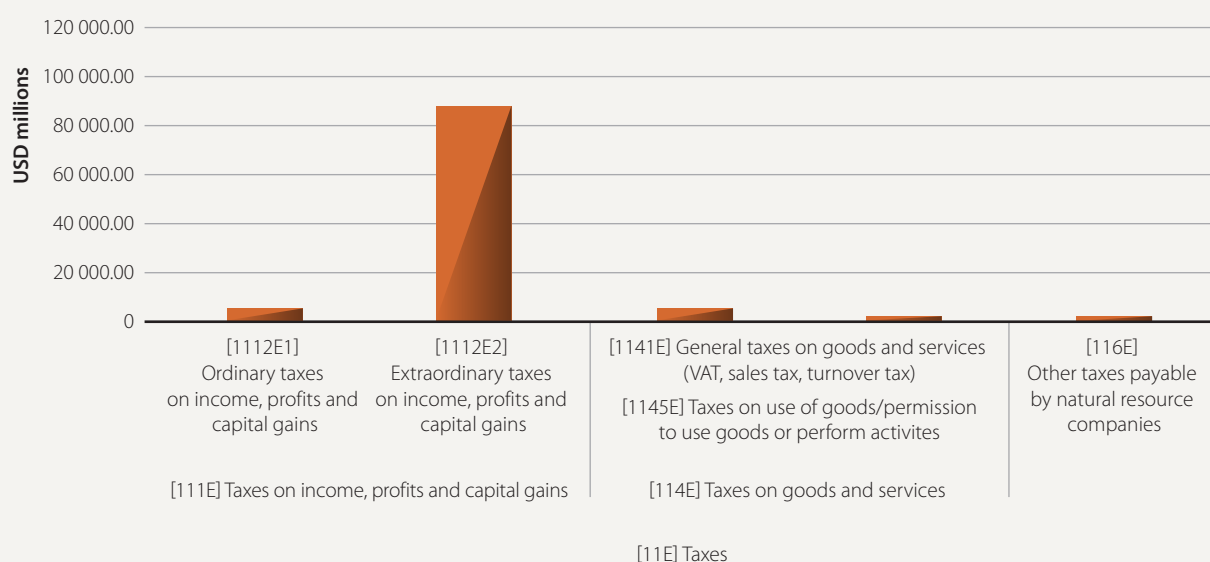


Table 2: [1415E] Rents disaggregation*

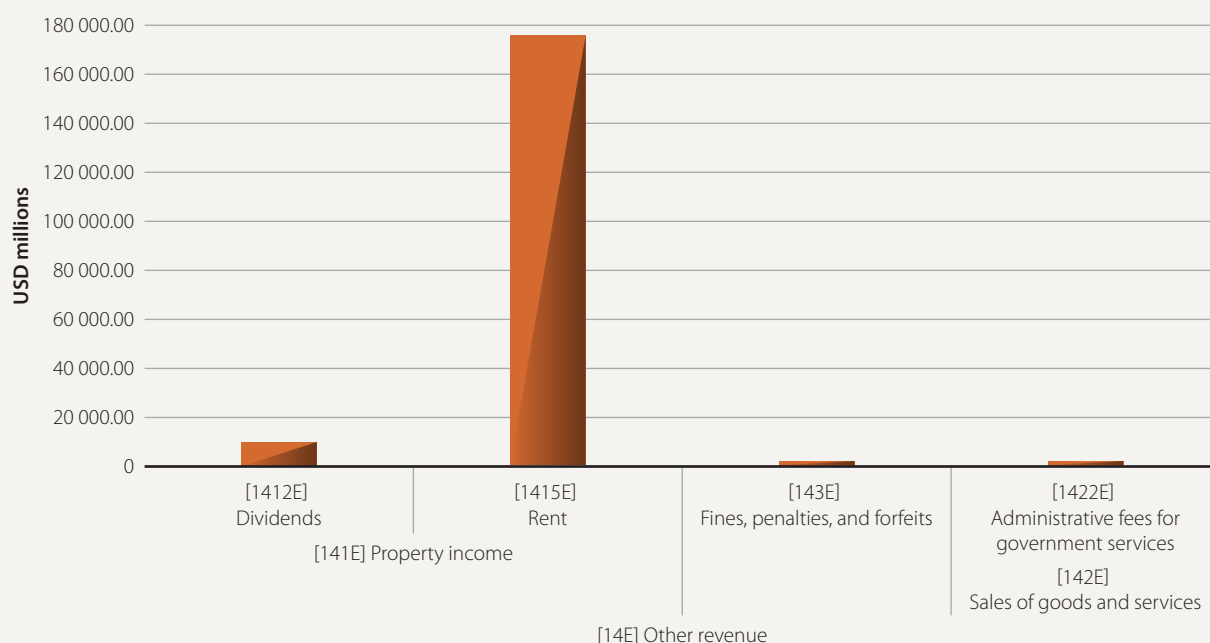
GFS Level 3	GFS Level 4	GFS Level 5
[1415E] Rent	[1415E1] Royalties	
	[1415E2] Bonuses	
	[1415E3] Production entitlements (in-kind or cash)	[1415E31] Delivered/paid directly to government [1415E32] Delivered/paid to state-owned enterprises
	[1415E4] Compulsory transfers to government (infrastructure and other)	
	[1415E5] Other rent payments	

*For a complete list of the GFS hierarchy used for EITI summary data, please see Appendix 1: Full GFS classification table, EITI Summary Data

determined by PSCs/PSAs. Such agreements can also dictate whether companies should contribute in cash or in kind to infrastructure, trainings, various funds, which are part of *Compulsory transfers* (1415E4), and *Other rent payments* (1415E5). Other shares in production, often more standardised, relate to classifications such as *Royalties* (1415E1) and *Bonuses* (1415E2). Considering Nigeria relies heavily on JVs and PSCs, production entitlements are the most prominent sources of income for the Nigerian government, covered by the rent-category.

In Figure 6, most of the income under *Other revenue* (14E) come from *Rents* (1415E). Rents accounted for approximately USD 173 billion, or 66% of total revenues for the period 2009-2013 and is part of *Property income* (141E). The large share of revenues under this classification are due to the dominance of JV-arrangements between NNPC and the major IOCs mentioned earlier, as well as the PSCs. Most of the remaining revenues are from dividends, although these only account for USD 9 billion or 3% of the total.

Figure 6: Nigeria's [14E] Other revenues by classification (2009-2013)



Norway: Taxation in a state-participation environment

The 'Norwegian model' involves a mix of the ownership and taxation approaches noted in the previous two cases. While a standard license agreement exists¹⁴, each application for exploration- and operating-license is evaluated separately. If awarded, operators gain ownership of the fields covered by the licence(s), but in most cases the Norwegian government chooses to retain a share of ownership in the fields and partakes in investments and costs. Accordingly, the main sources of revenues are from ordinary taxation and income from the quasi-corporation Petoro AS, the company responsible of managing the State's Direct Financial Interest (SDFI).

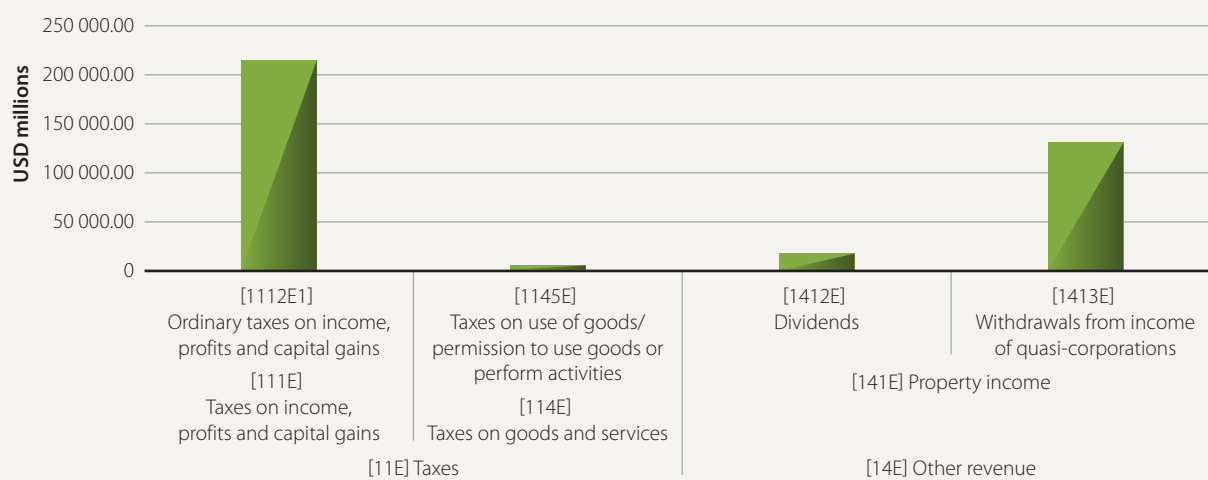
Norway's revenue composition is illustrated in Figure 7. Revenues derived from taxation are still the main source of income, but *Property incomes* (141E) account for a large share of total revenues. *Ordinary taxation* (1112E1) of oil companies equal to

approximately USD 219 billion, compared to USD 137 billion from quasi corporations. This means that Norway relies heavily on the private sector in terms of operations and exploration, but also acquires an income-base unrelated to private companies' costs through its shares in ownership. This model also ensures a lower risk for companies in the Norwegian petroleum fields and a lower burden on the Norwegian government in performing state-driven exploration and other investments.

Underlying the *Ordinary taxation* category are Norway's corporate income taxes. However, Norway reports both ordinary *and* sector-specific corporate income taxes for extractive sector companies as one aggregate number. This creates a slight problem for classification in the Norwegian context, since it is difficult to identify how ordinary taxation differs from extraordinary taxation in the Norwegian case.

14 An example of the standard license agreement can be found here: <https://www.regjeringen.no/en/find-document/dep/OED/Laws-and-rules-2/Rules/konsesjonsverk/id748087/>

Figure 7: Norway's revenues by classification (2009-2013)



PUTTING THE DATA TO USE

This brief analysis of the different governments' revenues from the oil and gas sector has shown how the GFS framework can be used to describe how different countries have arranged their tax-system, and implicitly how their broader choices around resource-management have unfolded. While all three countries retain large shares in extractive sector activities, the nuances are clearly visible in the figures.

Iraq, one of the world's largest oil producers, owns 100% of its natural resources, while using private and public companies for actual production. However, Iraq retains the right to market the outputs from the oil sector, through its natural resource export monopoly SOMO. While such arrangements may ensure a high share in revenues for the government in question, it also means the revenues are more exposed to commodity price volatility. Iraq's revenues are generated through ownership, but although that is the case the GFS framework classifies this oddity as taxes under Profits from natural resource export monopolies (1153E1). The EITI will therefore engage with the IMF about how to reflect revenues generated through ownership under the GFS framework.

Nigeria also has a high level of participation in the oil and gas sector, but has a more diverse source of revenue collection. Through sector-specific taxation legislation, the country ensures a share in private sector profits while simultaneously retaining ownership through joint venture- and production sharing arrangements between the NNPC and IOCs. Though relatively diverse when compared to the Iraqi context, the bulk of Nigeria's profits

stem from a few revenue-categories: Extraordinary taxes on *Income, profits and capital gains* (1112E2) and from *Resource rents* (1415E). Underlying the 1415E-category are revenues coming mainly from *Royalties* (1415E1), through general legislation, and individual agreements represented by *Production-entitlements* (1415E3). This broader base of revenue collection can lead to a more stable flow of revenues, but there are challenges associated with management of large state-owned companies. This is perhaps particularly evident in Nigeria, where Nigeria EITI (NEITI) have participated in audits identifying USD 9.8 billion owed to the government.¹⁵

While *Norway* receives much of its revenues from state participation, but gains an even larger share from taxation. Corporate income taxes from petroleum activities are the main sources of income, as licensing also entails transfer of ownership of sub-soil resources. The Norwegian government still retains large shares of ownership through majority shareholding in Statoil ASA and through direct participation in oil fields sharing in both investments and other costs. This participation yields returns managed by the quasi-corporation Petoro AS, responsible for managing the State's Direct Financial Interest. Norway's aggregation of both general and sector-specific corporate income taxes does create a challenge for exploring differences between the two income taxes. For more general analyses using GFS classification this does not pose significant issues, as will be presented in the second EITI Brief of this series.

15 *EITI best where it is most needed?* <https://eiti.org/node/4683>

APPENDIX 1

FULL GFS CLASSIFICATION TABLE, EITI SUMMARY DATA

Government Finance Statistics Manual 2014

Classifications relevant for EITI summary data

[11E] Taxes
[111E] Taxes on income, profits and capital gains
[1112E1] Ordinary taxes on income, profits and capital gains
[1112E2] Extraordinary taxes on income, profits and capital gains
[112E] Taxes on payroll and workforce
[113E] Taxes on property
[114E] Taxes on goods and services
[1141E] General taxes on goods and services (VAT, sales tax, turnover tax)
[1142E] Excise taxes
[1145E] Taxes on use of goods/permission to use goods or perform activities
[11451E] Motor vehicle taxes
[114521E] Licence fees
[114522E] Emission and pollution taxes
[115E] Taxes on international trade and transactions
[1151E] Customs and other import duties
[1152E] Taxes on exports
[1153E1] Profits of natural resource export monopolies
[116E] Other taxes payable by natural resource companies
[12E] Social contributions
[1212E] Social security employer contributions

[14E] Other revenue
[141E] Property income
[1412E] Dividends
[1412E1] From state-owned enterprises
[1412E2] From government participation (equity)
[1413E] Withdrawals from income of quasi-corporations
[1415E] Rent
[1415E1] Royalties
[1415E2] Bonuses
[1415E3] Production entitlements (in-kind or cash)
[1415E31] Delivered/paid directly to government
[1415E32] Delivered/paid to state-owned enterprise(s)
[1415E4] Compulsory transfers to government (infrastructure and other)
[1415E5] Other rent payments
[142E] Sales of goods and services
[1421E] Sales of goods and services by government units
[1422E] Administrative fees for government services
[143E] Fines, penalties, and forfeits
[144E1] Voluntary transfers to government (donations)

The EITI (Extractive Industries Transparency Initiative) is a global standard that improves transparency and accountable governance of oil, gas and mineral resources. The standard is implemented by governments, in collaboration with companies and civil society.

Countries implementing the EITI disclose information on issues such as tax payments, licenses, contracts, production and national oil companies.



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