

Developing a handbook for using project-level data



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CONTEXT

Laws compelling extractive companies to report their payments to governments at the project level have been adopted in the EU, the US, Canada and Norway. The EITI has agreed to roll out project-level reporting across all 51 of its implementing countries. Early adoption of the regulations in the UK, France and Norway resulted in dozens of companies reporting in 2014 and 2015, with thousands more set to publish reports in the coming years.

A key aim of payment transparency is to deter governments and companies from misusing revenues from natural resource extraction in the first instance. However, it was also recognised that it will be possible to pro-actively use the data disclosures to hold actors to account for questionable transactions after they have taken place, which in turn should work to strengthen the regulations' deterrent effect. Analysing project-level data can be relatively straightforward, but in many cases it is complex and technical. As such, as part of my commitment to the PWYP Data Extractors' programme, work was done to produce an accessible handbook for using project-level payment disclosures for accountability purposes.

PROJECT ACTIVITIES

In 2016, work was done with Don Hubert, a world authority on resource project economics, to conceptualise and finalise a first draft of the handbook. It guides data users through the steps they need to take to determine approximately how much government revenue one would expect an oil, gas or mining project to generate, taking into account factors such as production volumes, sales value, operating costs and the fiscal regime, as well as the phase of the project's life-cycle and the equity stake of the reporting company.

By calculating approximately how much a company should be contributing in public revenues from a project, data users can then cross-check their calculations with the actual amounts reported by companies. If significant discrepancies are found, data users would have the information needed to hold governments and companies to account for those discrepancies.

To help ensure a high quality handbook is produced, members of the PWYP Data Extractors group volunteered to test the methodologies for analysing projects presented in the draft handbook by using payment data that has already been disclosed under the EU Accounting and Transparency Directives. These include Data Extractors from the Philippines, Canada, Zimbabwe, France, the US,

Indonesia and the UK. The results of the testing will inform the final version of the handbook, which is scheduled for publication in spring 2017.

The development of the handbook is also being informed by Global Witness's use of payment disclosures to date. Preliminary analysis of EU payment disclosures from projects in Brazil, Equatorial Guinea, Burkina Faso, Iraq, Trinidad and Tobago, Indonesia, Canada, and Egypt was carried out. For most of these projects either no 'red flags' were identified, or further analysis is needed. However, two projects raised questions which warranted an approach to companies to account for their disclosures, using evidence to build a dialogue with companies

One of these arose from Total's 2015 payments report, in which no signature bonuses were disclosed by the company in Congo Brazzaville. This appeared questionable, as Total had renewed three major oil licences in the country in 2015, for which substantial signature bonuses are often expected. Global Witness wrote to Total to ask why no payment was reported. The company clarified that although the deal was agreed with the government in 2015, it was not ratified by parliament that year, so no bonus payment had been made during the reporting period. Since then, Total has reportedly relinquished the licences, which have been bought by a consortium of other oil companies, and no signature bonus is known to have been publicly disclosed to date.

Another example arose from Glencore's 2015 payments report, which showed that no royalties were paid to

the government from a major oil project owned by the company in Chad. This seemed unusual as the project is in production, and the contract requires production-based royalties to be paid. Global Witness approached Glencore to request an explanation. Initial dialogue with the company indicates that the royalties were paid, but were reported under a different category of payment (production entitlements).

PROJECT IMPACT & CONCLUSION

Through this Data Extractor project to produce an accessible, high quality handbook (both web-based and pdf format), Global Witness aims to promote the use of payment disclosures by more citizens. This will equip anyone who wants to use the data for accountability purposes – including civil society groups, journalists, independent activists, parliamentarians, academics and others – with the tools to help them do this effectively.

Not only should this increase the effectiveness of payment transparency regulations in resource-dependent countries, it should also promote responsible use of the data. For example, activists could wrongly accuse a company of avoiding tax simply on the basis of it reporting zero tax from a major producing project, whereas in fact there could be a legitimate explanation for the absence of tax contributions. This could be quickly identified by using the handbook.

Global Witness will invest in promoting the handbook, including by launching it at an international extractives- or financial transparency-focused event; by giving presentations at other key events through 2016 and beyond, in particular in resource-dependent countries; and by encouraging civil society organisations to incorporate the handbook into their extractives advocacy and capacity-building programmes.

This case study is part of Publish What You Pay's Data Extractors programme, a global initiative which trains PWYP members and activists from across our network to use extractives data.

This programme aims to create a network of activists who can in turn share their knowledge with local communities. Our goal is to enable citizens all over the world to ensure natural resources are managed for the benefit of society as a whole. The PWYP Data Extractors programme does this by:

Training - Data Extractors learn how to find data, analyse it and use it to ask questions of both governments and companies. The programme merges technical skills with activism through hands-on workshops, skills sharing and online learning opportunities

Connecting - The programme connects PWYP members from all over the world, facilitating collaboration, mentoring, peer learning and offers an exciting opportunity to create unique projects which are relevant to local concerns.

Uncovering - Data Extractors expose discrepancies in company and government reports and payments to expose corrupt practices the resource curse, and raise questions for further investigation.

Communicating - Data Extractors can use data to communicate with a variety of stakeholders and engage in decision-making processes that affect them, using evidence-based data.

Through their case studies, the PWYP Data Extractors use examples and data that is publicly available to hold governments and companies to account.

Thank you to the Omidyar Network for their generous contributions, which have helped make this programme happen. Thank you also to Open Oil, who have helped run the Data Extractors programme, for contributing their skills and expertise.

**WORK WITH US TO UNCOVER THE STORIES
HIDDEN BEHIND EXTRACTIVES DATA!**

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