Draft Fiscal Transparency Principles

IV. Resource Revenue Management

Natural resource revenues should be collected, managed, and disbursed in an open, transparent, and sustainable manner.

- **4.1. Legal and Fiscal Regime:** Natural resources should be governed by a comprehensive legal framework and fiscal regime, with open and transparent procedures for granting rights for their extraction, and clear rules governing resource revenue generation and collection.
 - **4.1.1. Legal Framework for Resource Rights:** The legal framework defines rights, obligations, and responsibilities at all stages of resource development.
 - **4.1.2. Allocation of Resource Rights:** There is an open and competitive process for the allocation of rights to explore for, extract, and trade natural resources.
 - **4.1.3. Fiscal Regime for Natural Resources:** The fiscal regime for revenue generation from natural resource sectors is defined in scope, comprehensive, and governed by law.
 - **4.1.4. Assessment and Collection of Resource Revenues:** Assessment and collection of resource revenues is accurate and timely.
- **4.2. Fiscal Reporting:** Governments and resource companies should provide comprehensive, timely, and reliable reports on holdings of natural resource rights, on extraction and trading activities, and on payments and collections of resource revenue.
 - **4.2.1. Disclosure of Natural Resource Rights Holdings:** The government maintains and publishes an up-to-date register of all natural resource rights holdings.
 - **4.2.2. Reporting by Resource Companies:** All resource companies regularly disclose information on their domestic natural resource extraction and trading activities, and domestically domiciled or listed resource companies also disclose information on their worldwide extraction and trading activities.
 - **4.2.3. Integrity of Resource Revenue Data:** The government regularly publishes its resource revenue collections and reconciles these against payments reported by companies.

- **4.3. Fiscal Forecasting and Budgeting:** Budget documentation should provide a clear statement of the government's resource management objectives, and report on the allocation of resource revenues for public spending and saving.
 - **4.3.1. Resource Revenue Management Objectives:** The government states and reports on clear and measurable objectives for resource revenue management.
 - **4.3.2. Allocation of Resource Revenues:** Allocation of resource revenue for public spending and saving is legally authorized, and is disclosed in the annual budget.
 - **4.3.3. Natural Resource Funds:** There are clear mechanisms and rules for the establishment and operation of natural resource funds, aligned with international principles of good practice.
- **4.4. Fiscal Risk Analysis and Management:** Governments should disclose, analyze, and manage social, environmental and operational risks associated with natural resource exploitation.
 - **4.4.1. Social and Environmental Risk:** The government regularly evaluates, monitors and manages the fiscal risks associated with the social and environmental impact of natural resource exploitation.
 - **4.4.2. Operational Risks:** The government regularly reports on the status of resource extraction projects and any risks to resource-related fiscal revenues.

DRAFT DESCRIPTION OF BASIC, GOOD, AND ADVANCED PRACTICES BY PRINCIPLE

#	DIMENSION	PRINCIPLE	PRACTICES		
#		PRINCIPLE	BASIC	GOOD	ADVANCED
	Resource	Natural resource re	evenues should be collected, n	nanaged, and disbursed in an o	open, transparent, and
4	Revenue	sustainable manne	r.		
	Management				
4.1	Legal and	Natural resources s	Natural resources should be governed by a comprehensive legal framework and fiscal regime, with open		
	Fiscal Regime	and transparent pr	ocedures for granting rights f	or their extraction, and clear ru	ules governing resource
		revenue generation	and collection.		
4.1.1	Legal	The legal	The legal framework defines	The legal framework defines	The legal framework defines
	Framework for	framework defines	rights, obligations and	rights, obligations, and	rights, obligations and
	Resource	rights, obligations,	responsibilities for	responsibilities for	responsibilities for
	Rights	and	exploration, development,	exploration, development,	exploration, development,
		responsibilities at	production and sale of	production and sale of	production and sale of
		all stages of	natural resources. All	natural resources. All	natural resources. All
		resource	relevant laws are published.	relevant laws and regulations	relevant laws, regulations,
		development.		are published.	and model licenses or
					contracts are published.

#	DIMENSION	PRINCIPLE	PRACTICES		
#	DIMENSION	PRINCIPLE	BASIC	GOOD	ADVANCED
4.1.2	Allocation of	There is an open	There is an open process for	There is an open process for	There is an open process for
	Resource	and competitive	granting of natural resource	granting of natural resource	granting of natural resource
	Rights	process for the	rights and all granting of	rights with predefined	rights with predefined
		allocation of rights	rights is publicly disclosed.	qualification and evaluation	qualification and evaluation
		to explore for,		criteria for competitive	criteria for competitive
		extract, and trade		tenders. Results of tenders	tenders, along with
		natural resources.		and all discretionary granting	independent verification of
				of rights are publicly	the final awards. Results of
				disclosed.	tenders and all discretionary
					granting of rights are
					publicly disclosed.
4.1.3	Fiscal Regime	The fiscal regime	The legal framework defines	The legal framework defines	The legal framework defines
	for Natural	for revenue	the fiscal regime for each	the fiscal regime for each	the fiscal regime for each
	Resources	generation from	natural resource sector.	natural resource sector and	natural resource sector and
		natural resources		includes model contracts for	includes model contracts for
		sectors is defined		production sharing or other	production sharing or other
		in scope,		contractual systems.	contractual systems,
		comprehensive,			specifying the scope for
		and governed by			variation of contractual
		law.			terms.

#	DIMENSION	DDINGIDI F	PRACTICES		
#	DIMENSION	PRINCIPLE	BASIC	GOOD	ADVANCED
4.1.4	Assessment	Assessment and	The rights and obligations of	The rights and obligations of	The rights and obligations of
	and Collection	collection of	taxpayers or contractors and	taxpayers or contractors and	taxpayers or contractors and
	of Resource	resource revenues	the revenue-collecting	the revenue-collecting	the revenue-collecting
	Revenues	is accurate and	authorities are clearly	authorities are clearly	authorities are clearly
		timely.	defined in law.	defined in law. The relevant	defined in law. The relevant
				authorities conduct and	authorities conduct and
				report on audits of resource	report on audits of resource
				companies.	companies. The authorities
					have clear and published
					rules for determination of
					compliance.
4.2	Fiscal			vide comprehensive, timely, a	
	Reporting		resource rights, on extraction	and trading activities, and on	collections and payments of
		resource revenue.	Γ=	Γ=	
4.2.1	Disclosure of	The government	The government maintains	The government maintains	The government maintains
	Natural	maintains and	and publishes an up-to-date	and publishes an up-to-date	and publishes an up-to-date
	Resource	publishes an up-	register of all natural	register of all natural	register of all natural
	Rights Holdings	to-date register of	resource rights holders and	resource rights holders and	resource rights holders, the
		all natural resource	their holdings.	the full text of terms and	full texts of terms and
		rights holdings.		conditions associated with	conditions associated with
				their natural resource rights.	their natural resource rights,
					and the beneficial owners of
					those rights.

щ	DIMENSION	DDINGIDI F	PRACTICES		
#	DIMENSION	PRINCIPLE	BASIC	GOOD	ADVANCED
4.2.2	Reporting by	All resource	Summary information is	Country-level information is	Project-level information is
	Resource	companies	annually disclosed by	annually published by	annually published by
	Companies	regularly disclose	resource companies on	resource companies on	resource companies on
		information on	domestic natural resource	domestic natural resource	domestic natural resource
		their domestic	extraction and trading	extraction and trading	extraction and trading
		natural resource	activity, and by domestically	activity, and by domestically	activity, and by domestically
		extraction and	domiciled or listed resource	domiciled or listed resource	domiciled or listed resource
		trading activities,	companies on their	companies on their	companies on their
		and domestically	worldwide natural resource	worldwide natural resource	worldwide natural resource
		domiciled or listed	and trading activity,	extraction and trading	extraction and trading
		resource	including payments to and	activity, including payments	activity, including payments
		companies also	from government.	to and from governments,	to and from governments,
		disclose		and the pricing schemes for	and the pricing schemes for
		information on		commodities sold.	commodities sold.
		their worldwide			
		extraction and			
		trading activities.			
4.2.3	Integrity of	The government	Government reports annually	Government reports on	Government reports on
	Resource	regularly publishes	on resource revenue	resource revenues collections	resource revenues collections
	Revenue Data	its resource	collections and reconciles	by project are annually	by project are annually
		revenue	against payments reported	reconciled against payments	reconciled against payments
		collections and	by companies.	reported by companies and	reported by companies, and
		reconciles these		are independently validated	are independently validated
		against payments		in line with international	in line with international
		reported by		standards.	standards, with only minor
		companies.			unexplained discrepancies.

# DIMENSION PRINCIPLE			PRACTICES		
#	DIMENSION	PRINCIPLE	BASIC	GOOD	ADVANCED
4.3	Fiscal	Budget documenta	tion should provide a clear statement of the government's resource revenue		
	Forecasting &	management objec	tives, and report on the alloca	tion of resource revenues for p	public spending and saving.
	Budgeting				
4.3.1	Resource	The government	As part of its overall fiscal	As part of its overall fiscal	As part of its overall fiscal
	Revenue	states and reports	policy, the government sets	policy, the government sets a	policy, the government sets a
	Management	on clear and	an annual numerical	medium-to-long-term	medium-to-long-term
	Objectives	measurable	objective for the use of	numerical objective for the	numerical objective for the
		objectives for	revenue from natural	use of revenue from natural	use of revenue from natural
		resource revenue	resources, defining the scope	resources, defining the scope	resources, defining the scope
		management.	of resource revenues to	of resource revenues to	of resource revenues to
			which it applies.	which it applies.	which it applies. It also
					reports at least annually on
					performance of fiscal policy
					against this objective.
4.3.2	Allocation of	Allocation of	Budget documentation	Budget documentation	Budget documentation
	Resource	resource revenue	incorporates all public	incorporates all public	incorporates all public
	Revenues	for public	expenditure or saving of	expenditure or saving of	expenditure or saving of
		spending and	resource revenues.	resource revenues. Any	resource revenues which
		saving is legally		borrowing against specific	itself is clearly defined in
		authorized, and is		resource revenue streams is	scope. Any borrowing
		disclosed in the		authorized by the legislature	against or pledging of
		annual budget.		as part of the budget	specific resource revenue
				approval process.	streams is authorized by the
					legislature as part of the
					budget approval process.

#	DIMENSION	DDINCIDI F	PRACTICES		
#	DIMENSION	PRINCIPLE	BASIC	GOOD	ADVANCED
4.3.3	Natural Resource Funds	There are clear mechanisms and rules for the establishment and operation of natural resource funds, aligned with international principles of good practice.	Rules for the establishment and operation of natural resource funds are publicly specified. There is annual reporting on the inflows, assets, and withdrawals of natural resource funds.	Rules for the establishment and operation of natural resource funds are publicly specified. There is annual reporting on the inflows, assets, and withdrawals and investment performance, in line with international standards.	Rules for the establishment and operation of natural resource funds are publicly specified. There is a statement of the government's investment objectives for the natural resource fund and annual reporting on the inflows, assets, and withdrawals and investment performance,
4.4	Fiscal Risk Analysis and Management	Governments shoul with natural resour	•	nge social, environmental and	with independent auditing in line with international standards.

#	DIMENSION	PRINCIPLE	PRACTICES		
#	DIMENSION	PRINCIPLE	BASIC	GOOD	ADVANCED
4.4.1	Social and	The government	One of the following applies:	Two of the following apply:	All of the following apply:
	Environmental	regularly evaluates,	(i) conditions of natural	(i) conditions of natural	(i) conditions of natural
	Risk	monitors and	resource rights holdings	resource rights holdings	resource rights holdings
		manages the fiscal	include obligations for	include obligations for	include obligations for
		risks associated	regular analysis and	regular analysis and	analysis and reporting on
		with the social and	reporting on environmental	reporting on environmental	environmental and social
		environmental	and social impact; (iii) the	and social impact; (iii) the	impact; (iii) the government
		impact of natural	government reports annually	government reports annually	reports annually on
		resource	on environmental and social	on environmental and social	environmental and social
		exploitation.	impact and associated fiscal	impact and associated fiscal	impact and associated fiscal
			risk; (iii) the government	risk; (iii) the government	risk; (iii) the government
			reports annually on its	reports annually on its	reports annually on its
			management of fiscal risks	management of fiscal risks	management of fiscal risks
			resulting from environmental	resulting from environmental	resulting from environmental
			and social impact of natural	and social impact of natural	and social impact of natural
			resource exploitation.	resource exploitation.	resource exploitation.
4.4.2	Operational	The government	The government reports	The government reports	The government reports
	Risks	regularly reports	annually on natural resource	annually on natural resource	annually on natural resource
		on the status of	project status and planned	project status and planned	project status and planned
		resource extraction	activity, identifying and	activity, quantifying the main	activity, quantifying the main
		projects and any	discussing in qualitative	risks to production and fiscal	risks to production and fiscal
		risks to resource	terms the main risks to	revenues, and the fiscal	revenues and the fiscal
		related fiscal	production and fiscal	impact of any current	impact of any current
		revenues.	revenues, as well as details of	disruptions.	disruptions, along with a
			any current disruptions.		strategy for mitigating these
					risks.

Glossary

<u>Term</u>	<u>Definition</u>
Beneficial Owner	The legal entity, or if applicable, the natural person which owns the ultimate economic interest in the holder of a natural resource right within a country, usually through a chain of related parties which may be held in different jurisdictions.
Domestically Domiciled Resource Companies	A resource company which is registered or incorporated in a particular country.
Domestically Listed Resource Companies	A resource company whose shares are listed on a stock exchange in a particular country.
Fiscal Regime	System of tax and non-tax instruments used to raise government revenue from natural resource extraction activity, including contractual systems such as production-sharing.
International Standards	Internationally recognized standards for (i) revenue transparency, including the Extractive Industries Transparency Initiative (EITI) standard, (ii) revenue management, including the Santiago Principles for the operation of sovereign wealth funds.
Natural Resources	Non-renewable natural resources such as mineral ores, crude oil and natural gas.
Natural Resource Funds	An investment vehicle for the management of revenues from natural resource extraction (a subset of sovereign wealth funds).
Resource Company	Any corporate entity engaging in natural resource extraction or commodity trading activity.
Resource Revenue	All government revenue raised from natural resource extraction activity through tax and non-tax instruments, including contractual systems such as production sharing.