INTERNATIONAL MONETARY FUND September 2016

MNRW TRUST FUND

MANAGING NATURAL RESOURCE WEALTH TRUST FUND (MNRW-TF)

GLOBAL PARTNERSHIPS
Shared Objectives • Joint Action • Real Impact

ASSISTING RESOURCE RICH COUNTRIES MOBILISE AND MANAGE THEIR REVENUES

DEMOCRATIC REPUBLIC OF CONGO
GHANA
REPUBLIC OF GUINEA
KENYA
MADAGASCAR
MOZAMBIQUE
LAO PDR
MONGOLIA
TIMOR-LESTE
MAURITANIA
PERU

MNRW
TRUST FUND

OVERVIEW

EUROPEAN UNION

AUSTRALIA

Australian Aid

NORWAY

Norad

SWITZERLAND

NETHERLANDS

Ministry of Foreign Affairs of the Netherlands

OMAN

KUWAIT

The Managing Natural Resource Wealth Trust Fund (MNRW-TF) is a multi-partner trust fund established in 2011 by the International Monetary Fund (IMF) in partnership with donor agencies, to help countries in managing natural resource wealth. The MNRW-TF exploits the IMF's strong track record in supporting the management of natural resource wealth, due to its specialized expertise and unique ability to integrate policy, administrative and legislative dimensions, and its standard-setting work in fiscal transparency. The MNRW-TF also has provided an effective basis for the IMF to work with partners to help maximize the impact of their support for resource-rich countries.

The MNRW-TF's overarching objective is building economic policy and administrative capacities among resource rich, low-income countries. In doing so, the goal is to enable them to derive the maximum benefit from their oil, gas and mineral resources, boosting economic development and alleviating poverty. It was designed to respond to the fact that many resource-rich developing countries fail to realize the full development potential of their natural resources. This is especially the case for countries that have significant extractive industries—oil, gas and mineral resources.

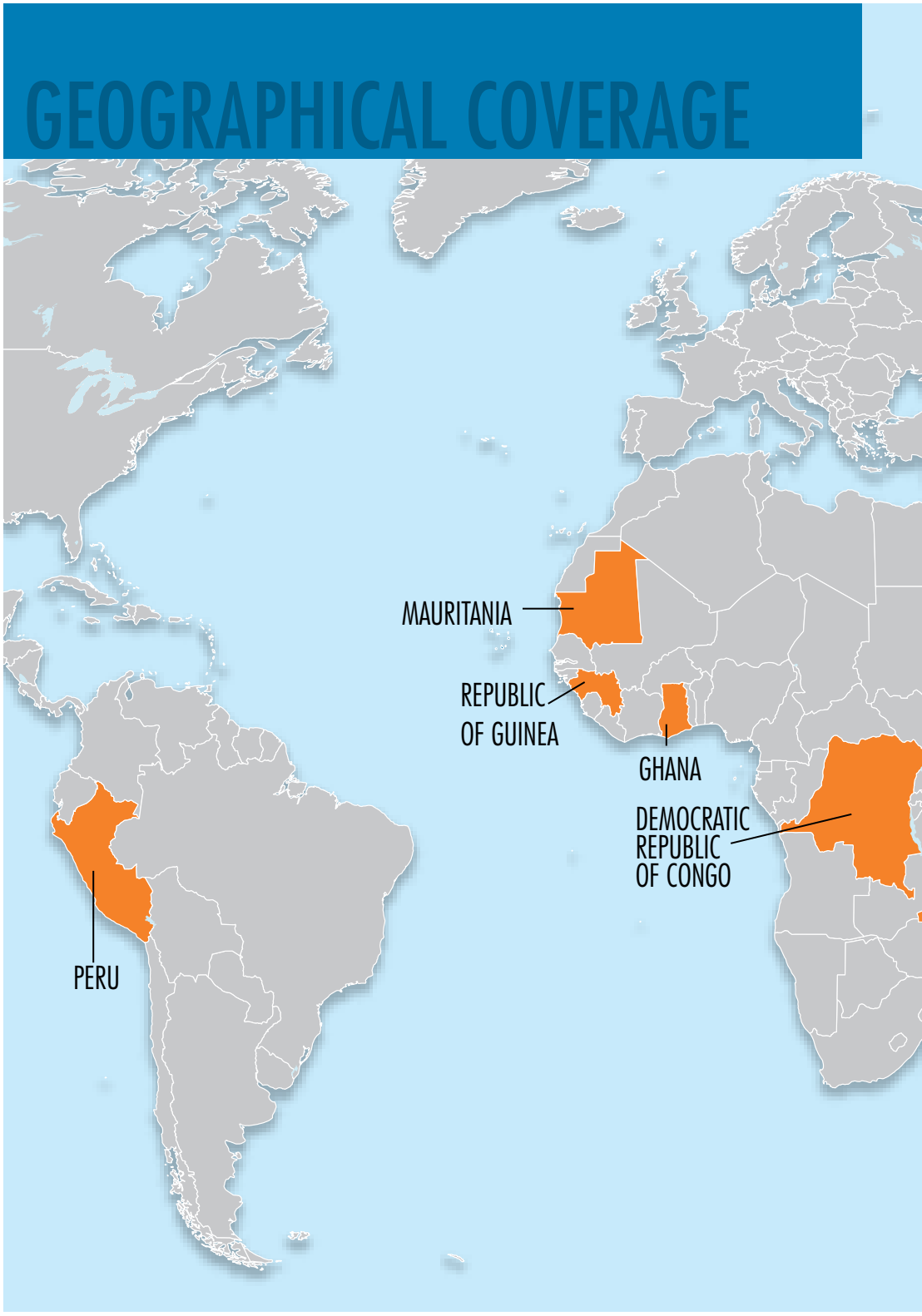
Phase 1 of the MNRW-TF will be concluded in April 2017, and has achieved significant success. Over 40 projects have been launched in over 20 countries, and the trust fund has also supported important policy-based analytical work and regional peer learning events. The MNRW-TF has ass isted

a large number of countries to: improve the fiscal regime governing extractive industries (EI), making them more efficient and conducive to providing an appropriate contribution to government revenues; expand the capacity of governments to administer and oversee the revenues coming from the EI sector; enhance the public financial management in natural resource rich countries to ensure a more effective utilization of government revenues; improve the governance of sovereign wealth funds; and enhance the quality of the reporting of natural resource revenues to the national accounts.

Phase 2 of the MNRW-TF is presently being launched, and will build on the successes of Phase 1 and continue its support for low-income, resource-rich economies. Its principal focus will remain on technical assistance (TA), but with an expanded scope, to include additional emphasis on international tax policy issues and on energy subsidy reform. The new phase will also place a greater emphasis on "intensive" TA delivery, including with the installation of resident advisors to assist countries in reforming their EI fiscal regimes. Phase 2 will also involve an increased focus on horizontal learning, as well as face-to-face and on-line training, to help maximize the absorption and sustainability of capacity building.

Phase 2 will maintain a modular approach to technical assistance. These will cover extractive industry fiscal regime design, EI revenue administration, EI macro-fiscal policies and public financial management, and statistics for natural resources. Instead of assisting with asset and liability management, however, Phase 2 will help natural resource rich countries in the design and implementation of appropriate exchange rate policies, and with addressing the macro-prudential challenges that stem from the exposure of these economies to global commodity price shocks.

GEOGRAPHICAL COVERAGE



MONGOLIA
LAO PDR
KENYA
MADAGASCAR
TIMOR-LESTE
MOZAMBIQUE

DEMOCRATIC REPUBLIC OF CONGO

FACT SHEET 2015

Population (millions)	81.7
GDP (US$ Billions)	38.9
GDP per capita (US$)	475.92
Debt level (% of GDP)	18.8
General Government revenue (% of GDP)	16.1
Tax to GDP (%)	10.4
Resource revenue to GDP (%)	*2011* 3.8
Resource revenues share of total tax (%)	*2011* 41.1
Fiscal Balance (% of GDP)	1.9
Extractives: Oil and Minerals	

Source: April 2016 *World Economic Outlook* & Article IV reports

The project was designed to reform the fiscal regime for mining, strengthen administration of mining revenue and enhance the management of natural resource revenues. Technical Assistance was rendered to the Ministries of Finance and Mines, and domestic and customs tax administrations.

Technical assistance under the TF has helped to:

- Propose significant changes to the Mining Code
- Model mining projects and integrate them in the revenue forecasting tool
- Build transfer pricing capacity
- Streamline EI tax administration in the LTO and MTO
- Build EI audit capacity
- Implement the processing of tax payments through banks
- Develop and implement E–filing procedures
- Improve medium-term fiscal strategy and frameworks
- Improve budget comprehensiveness and facilitate adoption of a consolidated state budget.

Work remains to strengthen capacities and have the mining code enacted into law.

2012, project start

2014, Budget comprehensiveness improved

GHANA

The project was conceived to provide advice on mining and petroleum fiscal issues to the Ministry of Finance of Ghana and the Ghana Revenue Authority. The project focused on building government capacity to manage fiscal reforms in the natural resources sector and revenue forecasting for the sector. Capacity building in revenue forecasting is still ongoing.

Technical Assistance under the TF has helped Ghana to:

- Undertake reforms in mining and petroleum fiscal regimes
- Enact a revised Petroleum Revenue Management Act (PRMA) legal framework
- Commenced capacity building in revenue forecasting for the natural resources sector
- Commence capacity building with Ghana Revenue Administration in risk identification and assessment for the natural resources sector

FACT SHEET 2015

Population (millions)	26.9
GDP (US$ Billions)	36.04
GDP per capita (US$)	1,340.42
Debt level (% of GDP)	73.3
General Government revenue (% of GDP)	19.3
Tax to GDP (%)	17.7
Resource revenue to GDP (%)	0.9
Resource revenues share of total tax (%)	5.3
Fiscal Balance (% of GDP)	-5.0
Extractives: Oil, Gas, Minerals	

Source: April 2016 *World Economic Outlook* & Article IV reports

2014, project starts

2015, PRMA Act revised

2015 Revenue forecasting capacity building

REPUBLIC OF GUINEA

FACT SHEET 2015

Population (millions)	12.3
GDP (US$ Billions)	6.7
GDP per capita (US$)	542.42
Debt level (% of GDP)	48.4
General Government revenue (% of GDP)	19.4
Tax to GDP (%)	22.9
Resource revenue to GDP (%)	6.7
Resource revenues share of total tax (%)	30
Fiscal Balance (% of GDP)	-9.0
Extractives: Minerals	

Source: April 2016 *World Economic Outlook* & Article IV reports

The project was designed to help reform the 2011 Mining Code ("2011 Code") to incorporate international best practices, and to assist the authorities in managing their natural resource revenues.

Technical Assistance under the TF has helped Guinea to:

- Revise its mining code and related fiscal regulations and Model Agreement
- Introduce transfer pricing measures
- Introduce capital gains taxation on transfers of mining assets
- Model a number of the mining projects in Guinea
- Build capacity for fiscal forecasting and have budgeting strategy formulated for mining revenues
- Introduce a fiscal governance and transparency framework for parastatals and government entities involved in the natural resources sector
- Implement a mining sector VAT refund system

2012, project starts

2014, Mining code revised

KENYA

The initial project was designed to support the Kenyan authorities in the reform of its fiscal regime and legal framework for petroleum and mining operations. A key component of the project entailed building and strengthening the technical capacity of Kenyan officials in tax policy and fiscal modeling for extractive industries, as well as assisting the government in drafting new tax legislation for these sectors This assistance has led to further requests to assist with tax administration and revenue management issues for extractive industries.

Technical Assistance under the TF has helped Kenya to:

- Develop a new model Production Sharing Contract (PSC),
- Prepare new Petroleum Exploration and Production, and Energy Bills
- Revise the sections of the income tax law relevant to for extractive industries
- Prepare a draft Mining Bill
- Draft a Sovereign Wealth Fund Bill
- Benefit from cross country experience in developing forecasting tools and fiscal rules on sovereign wealth funds.

FACT SHEET 2015

Population (millions)	44.2
GDP (US$ Billions)	61.4
GDP per capita (US$)	1,388.45
Debt level (% of GDP)	52.7
General Government revenue (% of GDP)	20.2
Tax to GDP (%)	17.6
Resource revenue to GDP (%)	Not available
Resource revenues share of total tax (%)	Not available
Fiscal Balance (% of GDP)	-8.4
Extractives: Oil, Gas, Minerals	

Source: April 2016 *World Economic Outlook* & Article IV reports

2015, Revised Income tax law and prepared new model PSC

2013, Project start

MADAGASCAR

FACT SHEET 2015

Population (millions)	24.2
GDP (US$ Billions)	9.7
GDP per capita (US$)	401.77
Debt level (% of GDP)	35.6
General Government revenue (% of GDP)	11.8
Tax to GDP (%)	11.5
Resource revenue to GDP (%)	Not available
Resource revenues share of total tax (%)	Not available
Fiscal Balance (% of GDP)	-3.7
Extractives: Oil, Gas, Minerals	

Source: April 2016 *World Economic Outlook* & Article IV reports

The project was designed to support Madagascar in the development and effective management of natural resources to increase revenues to support the country's development. The project focused on strengthening Public Financial Management (PFM) with the objective of ensuring an effective allocation of fiscal resources, including those from natural resources and promoting accountability. Since 2014, technical assistance has been provided to develop a robust medium-term fiscal framework, introduce medium-term budgeting and better classify the revenues from natural resources, and build capacity of government institutions.

Technical Assistance under the TF has helped Madagascar to:

- Prepare a Medium-Term Fiscal Framework
- Develop a medium term budget
- Strengthen communication and information sharing between the various administrations.

2014, project starts

2015, MTEF 2016-18 developed

MOZAMBIQUE

Following large discoveries of gas, Mozambique is poised for greater EI activities. The project was designed to deliver technical assistance support to Mozambique to facilitate review and reform of its fiscal regime for mining and petroleum (oil and gas) as well as building capacity of officials and institutions. Although the reforms are already in implementation phase, further capacity building work is required.

The key achievements delivered through technical assistance under the TF so far include:

- By-laws for new EI legislation implementation enacted in 2015
- Establishment of a Natural Resources Tax Policy and Administration Division in the Mozambique Revenue Authority in 2015
- Staff training in use of project financial models (FARI) for revenue forecasting and risk assessment purposes.

FACT SHEET 2015

Population (millions)		28
GDP (US$ Billions)		15
GDP per capita (US$)		534.88
Debt level (% of GDP)		74.8
General Government revenue (% of GDP)		29.4
Tax to GDP (%)		21.5
Resource revenue to GDP (%)	2014	6.3
Resource revenues share of total tax (%)	2014	26.5
Fiscal Balance (% of GDP)		-6.0
Extractives: Gas and Minerals		

Source: April 2016 *World Economic Outlook* & Article IV reports

2012, project start

2015, Natural Resources Tax Policy and Administration Division set up

LAO PDR

FACT SHEET 2015

Population (millions)	7.02
GDP (US$ Billions)	12.5
GDP per capita (US$)	1,778.71
Debt level (% of GDP)	64.3
General Government revenue (% of GDP)	23.3
Tax to GDP (%)	15.9
Resource revenue to GDP (%)	1.6
Resource revenues share of total tax (%)	XX
Fiscal Balance (% of GDP)	-2.9
Extractives: Minerals and Hydropower	

Source: April 2016 *World Economic Outlook* & Article IV reports

On the back of ongoing tax administration reforms in Laos, the project aimed to strengthen the Laos Tax Department's capacity in the administration of natural resources taxes by providing technical assistance on the establishment of a Natural Resources Tax Unit and building specialized natural resources tax administration capacity.

Since September 2012, Technical assistance under the TF has enabled the delivery of key results including:

- Compliance plan, with a large taxpayer audit manual developed
- Capacity building and training in mining taxation, mining accounting and auditing, and mining industry processes
- Capacity on collection of information for cross-checking in risk reviews and audit preparations.

2011, project starts

Specialized NR unit set up

MONGOLIA

With projected higher natural resources revenues, projects were designed to support Mongolia to reform the fiscal regime for mining, strengthen administration of mining revenue and enhance the management of natural resource revenues, including reviewing the sovereign wealth fund.

Technical assistance delivered over the project period under the TF has helped to:

- Enact a new Petroleum Law
- Renegotiate Double Tax Treaties
- Build mining revenue estimation capacity
- Build capacity in the taxation of foreign interests in mining assets
- Establish Large Taxpayer Office mining specialization capacity
- Formulate compliance strategy
- Strengthen mining sector tax audit capacity
- Implement taxpayer services guidance
- Improve inter-agency information exchange
- Enact sovereign wealth fund law
- Develop Medium Term Fiscal Framework, focus on fiscal risks
- Develop cash flow forecasting models to aid managing revenue volatility

FACT SHEET 2015

Population (millions)	3
GDP (US$ Billions)	11.7
GDP per capita (US$)	3,951.91
Gross Debt level (% of GDP)	XX
General Government revenue (% of GDP)	25.6
Tax to GDP (%)	21.8
Resource revenue to GDP (%)	*2013* 4.7
Resource revenues share of total tax (%)	Not available
Fiscal Balance (% of GDP)	-8.3
Extractives: Minerals	

Source: April 2016 *World Economic Outlook* & Article IV reports

2012, project starts

2013, LTO Mining specialized capacity established

TIMOR-LESTE

FACT SHEET 2015

Population (millions)	1.2
GDP (US$ Billions)	2.6
GDP per capita (US$)	2,244.31
Gross Debt level (% of GDP)	XX
General Government revenue (% of GDP)	55.4
Tax to GDP (%)	2.9
Resource revenue to GDP (%)	*2014* 36.4
Resource revenues share of total tax (%)	Not available
Fiscal Balance (% of GDP)	4.2
Extractives: Oil	

Source: April 2016 *World Economic Outlook* & Article IV reports

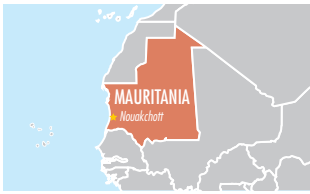
The project was originally designed with three components focusing on preparation of, and training on, the annual Estimated Sustainable Income (ESI) calculation; analysis of different fiscal regimes for future petroleum development; and improvements to and training on macro-fiscal modeling. However, only the ESI component remained active throughout the project period.

Since project commencement in 2011, the technical assistance under the TF has resulted in the delivery of the following:

- Development of capacity to undertake and manage the Estimated Sustainable Income (ESI) calculation
- Reform of the Petroleum Fund investment policy
- Training Timor-Leste authorities in investment management of the Petroleum Fund.

2011, project starts

2015, ESI calculation successfully completed



MAURITANIA

The project was designed to support Mauritania undertake fiscal reforms to their natural resources fiscal regimes.

Technical assistance delivered by the project under the TF has helped to:

- Introduce a withholding tax at 15 percent in 2013 in order to limit profit shifting through subsidiaries. The revenue raised from this tax in 2013 was 0.33 percent of GDP.
- Revise the Mining Code adopted in March 2014, incorporating a standard VAT charge on mining firms and eliminating VAT exemptions.
- Introduce rules on the arm's length principle, thin capitalization rule, and taxation of capital gains from indirect transfer of mining licenses
- Forecasting model for resource revenue provided to the authorities

FACT SHEET 2015

Population (millions)	3.7
GDP (US$ Billions)	4.8
GDP per capita (US$)	1,282.33
Debt level (% of GDP)	XX
General Government revenue (% of GDP)	29.9
Tax to GDP (%)	19
Resource revenue to GDP (%)	5.6
Resource revenues share of total tax (%)	17.9
Fiscal Balance (% of GDP)	-3.5
Extractives: Oil and Minerals	

Source: April 2016 *World Economic Outlook* & Article IV reports

2011, project start

2013, WHT introduced

2014, Mining Tax code revised

2014, conpleted

PERU

FACT SHEET 2015

Population (millions)	31.9
GDP (US$ Billions)	192.1
GDP per capita (US$)	6,021.10
Debt level (% of GDP)	23.1
General Government revenue (% of GDP)	20.3
Tax to GDP (%)	15.9
Resource revenue to GDP (%)	1.3
Resource revenues share of total tax (%)	XX
Fiscal Balance (% of GDP)	-2.2
Extractives: Oil, Gas and Minerals	

Source: April 2016 *World Economic Outlook* & Article IV reports

The project was designed to support Peru in ensuring that its Sovereign Wealth Fund (SWF) was based on sound public financial management underpinnings as well as to support the development of macro-fiscal functions at Peru's Ministry of Economy and Finance. The project focused on securing prerequisites for sustainable management of natural resources and operation of a SWF.

Technical assistance delivered over the project period under the TF has helped to:

- Improve macro-fiscal framework and strengthen fiscal transparency
- Enact a Fiscal Responsibility Law in 2013, that came into force in January 2015

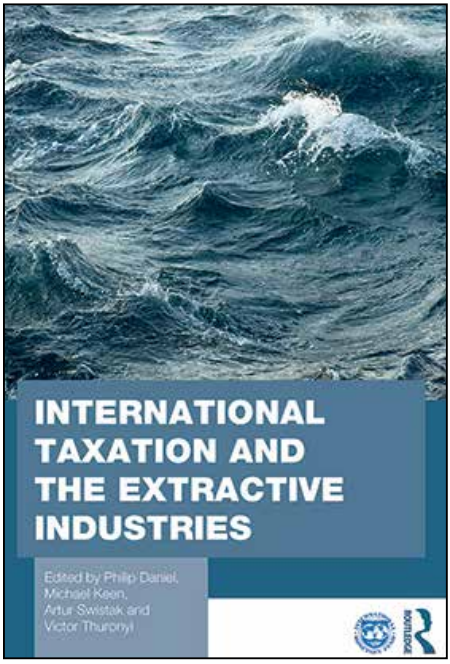
However, sharing of the natural resources revenues with the subnational governments remains a challenge and plans are to address this in the second phase of the TF.

2012, project start

2015, Fiscal Responsibility Law came into force

WORKSHOPS & SEMINARS

The MNRW-TF designs and delivers workshops and seminars aimed at transferring knowledge and practical skills to participating countries. The workshops and seminars have also provided a platform for the countries to share experiences. This has augmented the technical assistance and capital building offered by MNRW-TF and contributed to improved project implementation.



The MNRW-TF has financed four successful regional conferences on EI fiscal issues that were held in East Africa, Asia-Pacific region, and the Andean region (2 conferences), with between 60 and 90 participants at each conference. These conferences provided a forum for participating countries to exchange views and experiences on the fiscal challenges and macroeconomic considerations they face in relation to natural resources, while also learning from the experience of international experts.

In addition, a conference was held in Washington DC to discuss international issues for the EI sector, with the papers being used as a basis for a book on International Taxation and the Extractives Industries to be released in 2016.

The MNRW-TF also financed two successful conferences in West Africa and Washington DC on the challenges of revenue administration for an EI tax base, with between 25 and 45 participants at each conference. The conferences featured technical presentations, practical exercises and interactive discussions between FAD staff, an international expert and country representatives. Current best practices were shared and an inter-governmental collaborative approach to mitigate risks of erosion of an EI tax base emerged through these discussions.

ANALYTICAL WORK

The MNRW-TF also supports the IMF's leading research and analytical work targeted at natural resources wealth management to identify good or best practice approaches and distill lessons from experiences as well as support up to date knowledge dissemination in natural resource revenue mobilization and management. The research and analytical work undertaken in the first phase of the MNRW-TF resulted in the delivery of the Fiscal Analysis of Resource Industries (FARI) methodology and model, natural resources user guides and technical notes as well as several publications. Significant work done includes:

- The release of two handbooks on: Administering Fiscal Regimes for Extractive Industries: A Handbook (recently translated into French and Spanish); and Sovereign Asset-Liability Management Guidance for Resource-rich Countries.
- The publication of a book on: International Taxation and the Extractive Industries.
- Public release of a stylized version of the IMF's FARI model, together with an accompanying Technical Notes and Manual. The FARI model is a modeling framework developed to perform EI fiscal analysis, and can be used for assisting in the design of EI fiscal regimes, revenue forecasting, and revenue administration.
- Development of a template for collecting data on government revenues from natural resources which has been field-tested in several countries. In a significant confirmation of the importance of the template, the EITI announced it will collaborate with the IMF in using the template to improve transparency.
- Release online of a draft guide on specific compilation issues for natural resources in macroeconomic statistics.

Publications include the following

Revenue Administration: Administering Revenues from Natural Resources
http://www.imf.org/external/pubs/cat/longres.aspx?sk=41604.0

Guide to Analyze Natural Resources in National Accounts
https://www.imf.org/external/pubs/ft/qna/pdf/na.pdf

Template to Collect Data on Government Revenues from Natural Resources
https://www.imf.org/external/pubs/ft/gfs/manual/pdf/templatedata.pdf

Sovereign Asset-Liability Management—Guidance for Resource-Rich Economies
https://www.imf.org/external/np/pp/eng/2014/061014.pdf

Fiscal Analysis of Resource Industries (FARI)
http://www.imf.org/external/np/fad/fari/

Conferences

Natural Resource Taxation in the Asia-Pacific Region
http://www.imf.org/external/np/seminars/eng/2015/natrestax/

Challenges in Determining the Tax Base for Extractive Industries Issues, Problems and Practices in the Andean Region
http://www.imf.org/external/spanish/np/seminars/2015/andean/index.htm

Natural Resource Taxation in the Andean Region
http://www.imf.org/external/spanish/np/seminars/2014/natres/index.htm

IMF Analytical Work on Natural Resources

Fiscal Regimes for Extractive Industries: Design and Implementation
http://www.imf.org/external/np/pp/eng/2012/081512.pdf

Background Note on Fiscal Regimes for Extractive Industries and Revenue Volatility
http://www.imf.org/external/pubs/ft/fm/2015/02/pdf/fmtn1502.pdf

Macroeconomic Policy Frameworks for Resource-Rich Developing Countries
https://www.imf.org/external/np/pp/eng/2012/082412.pdf

Fiscal Transparency
http://www.imf.org/external/np/fad/trans/

COORDINATION

Other technical assistance providers that MNRW coordinates with, in addition to MNRW partner agencies, include:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Extractives Industries Transparency Initiative

Natural Resources Governance Institute

The UK Department for International Development (DFID)

The World Bank

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