Managing Natural Resource Wealth Trust Fund

FY 2017 Annual Report

June 20, 2017
Washington, D.C.

MNRW

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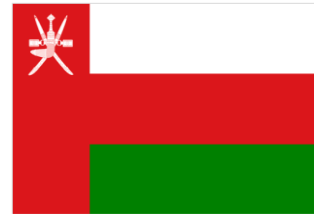
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Contents   **Page**

EXECUTIVE SUMMARY

This is the sixth and final annual report of the Managing Natural Resource Wealth Trust Fund (MNRW-TF) Phase 1. The report covers fiscal year 2017 (FY17)[1] and builds on the mid-year report on implementation during the first half of FY17, which was discussed with the SC at its mid-year meeting on December 14, 2016. The report focuses primarily on implementation of the TF during the second half of FY17 (November 2016–April 2017), with financial data provided for the full fiscal year. The report also includes information on the transition to phase 2 and the work plan envisaged for phase 2 operations.

During the last year of Phase 1 of the MNRW-TF implementation generally progressed well. The trust fund is expected to show a surplus of about US$3.8 million, but this reflects mainly a carry-over from previous years. Against the initial program allocation, actual spending has been higher than programed in modules 1 and 3, partially offsetting underspending in modules 2, 4 and 5. However, during the last fiscal year (FY17), total actual spending was broadly in line with the planned budget. In a few cases, planned activities were not carried out, reflecting country-specific challenges including related to security or the electoral cycle.

Results achieved range from new legislation to capacity-building. Some notable examples include the adoption of a new mining code in Cameroon, a new mining and petroleum tax regime in Tanzania, and a medium-term budget framework in Madagascar, as well as training in revenue-forecasting (FARI) in Ghana and Kenya, and in tax administration (at a workshop with participation from 12 African countries) and risk management (Liberia) for extractive industries. In addition to country projects, two analytical projects were completed – a flagship publication on International Taxation and the Extractive Industries and a research project on progressivity in natural resource taxation.

Demand for capacity building on managing natural resource wealth remains high, transitioning into Phase 2 of the MNRW-TF. Eighteen new projects have either been proposed to or endorsed by the Steering Committee, covering most modules under the trust fund. For the preparation of country-level projects, additional attention has been given to preparatory work to ensure strong commitment by the authorities. In some cases, this has been done through scoping visits or other engagement with the country authorities.

The fund raising for Phase 2 of the MNRW-TF has progressed well, although total commitments are slightly below the targeted program envelope. Total donor commitments amount to about US$26 million against a program budget of US$30 million. A total of US$16.6 million reflects signed LOUs.

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[1] IMF fiscal year 2017 (FY17) was May 2016 – April 2017.

I. INTRODUCTION

1.   The external environment for natural resource dependent economies continues to be very challenging. Low commodity prices weigh on both exports earnings and revenue collections. The resulting external and fiscal pressures have necessitated large fiscal adjustments in some countries. The volatility of revenue from extractive industries (EIs) has understandably led to a focus in many countries on strengthening non-natural resource revenue, although this has been challenging, particularly in countries in recession. This highlights the continued need to improve the fiscal management of natural resources to harness the benefits of these resources for economic development. Arguably, this makes the work supported by the Managing Natural Resource Wealth Trust Fund (MNRW-TF) more relevant than ever.

II. SUMMARY OF MNRW TF

2.   The MNRW-TF was launched by the International Monetary Fund (IMF) in collaboration with several partners, in April 2011. The trust fund leverages IMF expertise and systems to deliver technical assistance (TA) to low- and lower-middle income countries to help build institutions and capacity to effectively manage and utilize their natural resource wealth, including as a source for mobilizing revenues. It is being funded by Australia, the European Union, Kuwait, the Netherlands, Norway, Oman, and Switzerland. The current phase has been extended by one year to end in April 2017. The new phase has been started with initial projects that were approved prior to the start of FY18.

3.   Projects under the MNRW-TF are organized into five thematic modules, which address critical areas in building sustainable capacity to manage natural resources. In Phase 1 these were: (i) the fiscal regime for extractive industries (EI); (ii) EI revenue administration; (iii) macro-fiscal policies and public financial management; (iv) asset and liability management; and (v) statistics for natural resources. The projects are mainly implemented within the framework of a country program, and may include several modules. Often capacity development projects integrate technical advice with training. But in FY16, stand-alone training projects were also introduced to disseminate issues, practices and policies. Thus far, around 90 percent of TF activities focus on the fiscal area (module 1, 2 or 3); about two-thirds of the MNRW's activities are implemented in sub-Saharan Africa; and nearly three-quarters are provided to low-income countries.

III. FINANCIAL STATEMENT

4.   The MNRW-TF Phase 1 is well-funded. Signed contribution agreements for Phase 1 amount to US$24.7 million, out of which US$24.5 million has been received (Table 1). This amount fully covers the planned budget for the six-year Phase 1 funding cycle (Table 1). As of April 30, the subaccount has received inflows of US$24.6 million (including interest) and has ample liquidity (Table 2). The cash balance as of at end-FY17 is estimated at US$3.9 million.

5. **The total budget for the Phase 1 work plan, as of April 30, 2017, stood at approximately US$24.5 million,** which is almost the full amount of the program budget for Phase 1. Total expenditures for Phase 1 amounted to approximately US$20.7 million, which is 84.5 percent of the endorsed budget. Any residual funds under Phase 1 will be transferred to Phase 2 or returned on a pro rata basis to partners, depending on partners' preferences.

Table 1. Status of Donor Contributions to MNRW-TF Phase 1

Phase 1: FY 2011-FY 2017
Financial Contributions Report
As of April 30, 2017

	Agreement Signed Date	Agreement Currency	Agreement Amount	In U.S. Dollars		
				Contributions Received	Contribution Expected	
					Requested	Future Contributions
Total Received				**24,494,380**	**-**	**-**
Australia	06/08/2011	AUD	5,000,000	5,326,308	-	-
European Commission	12/08/2011	EUR	5,000,000	6,087,913	-	-
Kuwait	01/27/2011	USD	250,000	250,000	-	-
Netherlands	06/13/2012	USD	1,999,982	1,999,982	-	-
Norway	12/06/2010	NOK	30,000,000	4,830,177	-	-
Oman	06/27/2011	USD	1,000,000	1,000,000	-	-
Switzerland	02/14/2011	USD	5,000,000	5,000,000	-	-
Interest				**56,578**		
Workplan Budget				**24,484,665**		
Funding Surplus				**66,293**		

Table 2. MNRW-TF Phase 1 Cash Flow

Phase 1: FY 2011 - FY 2017
As of April 30, 2017
(In thousands of U.S. Dollars)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
Inflows	**1,625**	**12,777**	**5,009**	**1,021**	**1,929**	**377**	**1,812**	**24,551**
Australia		5,326						5,326
European Commission		4,300					1,788	6,088
Kuwait	125	125						250
Netherlands			2,000					2,000
Norway	500	1,025	999	1,017	926	363		4,830
Oman		1,000						1,000
Switzerland	1,000	1,000	2,000		1,000			5,000
								0
Interest Earned	0	2	10	4	3	14	24	57
Outflows	**0**	**2,147**	**3,682**	**3,672**	**3,812**	**3,980**	**3,386**	**20,680**
Expenses	0	2,147	3,682	3,672	3,812	3,980	3,386	20,680
of which Trust Fund Management Fee	0	140	241	240	249	260	222	1,353
Cash Balance	**1,625**	**12,256**	**13,582**	**10,932**	**9,048**	**5,445**	**3,870**	**3,870**

6.   **Fund raising for the MNRW-TF Phase 2 has progressed well during FY17.** Donors have committed almost $26 million, of which US$18.3 million has been reflected in signed Letters of Understanding (LOU) (Table 3). However, there remains a funding shortfall of about US$4 million compared to the MNRW program budget of US$30 million. This emphasizes the need to continue fund raising activities during the first year of Phase 2 implementation. Based on signed commitments, the projected cashflow position in the MNRW-TF Phase 2 is satisfactory (Table 4). However, to ensure an uninterrupted delivery of the planned work program beyond FY20, it is important to finalize negotiations for all donor commitments.

Table 3. Status of Donor Contributions to MNRW-TF Phase 2

Phase 2 : FY 2017-FY 2022
Financial Contributions Report
As of April 30, 2017

	Agreement Signed Date	Agreement Currency	Agreement Information		Contributions Received	Contribution Expected	
			Agreement Amount	Agreement Amount (Signed LOU)		Requested	Future Contributions
Total Confirmed				18,303,986	4,129,470	-	12,440,327
Netherlands	04/21/2017	USD	4,400,000	4,400,000	-	-	4,400,000
Norway	10/07/2016	NOK	40,000,000	4,974,073	544,873	-	4,429,199
Switzerland	09/13/2016	CHF	7,000,000	7,195,724	3,584,596	-	3,611,127
Australia[1]	TBD	AUD	2,350,000	1,734,189			
Internal Transfers				-			
Under Negotiation				7,613,661			
European Commission		EUR	7,000,000	7,613,661.09			
Interest				9,311			
Program Budget				30,000,000			
Funding Gap				(4,073,042)			

[1] Using exchange rate as of 5/12/2017

Table 4. MNRW-TF Phase 2 Cash Flow Projection
Phase 2: FY 2017-FY 2022
Cash Flow Statement
As of April 30, 2017
(In thousands of U.S. Dollars)

	FY2017 FY1	FY2018 FY2	FY2019 FY3	FY2020 FY4	FY2021 FY5	FY2022 FY6	Totals
Inflows:	**4,139**	**5,709**	**3,771**	**2,771**	**1,495**	**400**	**18,285**
Norway	545	933	1,244	1,244	995	0	4,959
Switzerland	3,585	1,542	1,028	1,028	0	0	7,182
Netherlands	0	1,500	1,500	500	500	400	4,400
Australia	0	1,734					1,734
Interest Earned	9						9
Outflows:	**0**	**7,457**	**6,197**	**3,888**	**667**	**530**	**18,740**
Workplan Budget[2]	0	7,457	6,197	3,888	667	530	18,740
of which Trust Fund Management Fee	0	488	405	254	44	35	1,226
Cash Balance	**4,139**	**2,390**	**-35**	**-1,152**	**-325**	**-454**	**-454**

[1] The inflows reflect the projected conributions from partners based on the installment amounts agreed in the respective LOUs.

[2] Projections based on workplan budget; includes TFM fee.

IV.   KEY ACHIEVEMENTS AND DEVELOPMENTS IN THE REPORTING PERIOD

7. The current work plan endorsed by the SC includes 28 active country projects (covering 14 countries and 3 regional projects), 6 research projects, 2 training projects, and 2 workshops (Appendix A). Progress is reported under the strategic log frame presented in Appendix B. Important results were achieved in 12 projects, which are listed in Table 5.

8. **The work plans for most projects continue to progress satisfactorily.** During FY17 there were 21 HQ-led missions and 28 short-term expert (STX) visits in 17 different countries. This pace of activity is similar to previous years' (in FY16 there were 25 HQ-led missions and 23 STX visits). Also, as in past years, technical assistance is provided to countries from HQ as well (for example, review of draft laws or other documents, and discussion of issues by video or audio conference). The activities for each project are noted in the one-page summaries in Technical Annex E, with key results highlighted in Table 5. Box 1 provides a case study of the approach taken in supporting tax administration reforms (Module 2).

Table 5. MNRW TF: Summary of Key Results, FY17

Project	Key Result
Cameroon (module 1)	A new mining code incorporating some of the IMF recommendations was adopted in December 2016.
Ghana (module 1)	The authorities are gradually starting to apply the FARI revenue forecasting model tailored for Ghana through training.
Kenya (module 1)	The project was completed with a final workshop that trained officials to use the FARI model.

Kenya (module 3)	A new Sovereign Wealth Fund Bill is being prepared, with the drafts consistent with international good practice.
Liberia (module 2)	To build staff capacity on EI risk management, a technical assistance plan has been developed.
Madagascar (module 3)	A medium-term budget framework (MTBF) for 2017-19, incorporating IMF recommendations, was adopted by Parliament in December 2016.
Mongolia (module 3)	A Public Investment Management Assessment recommended reforms on public investment management. Technical assistance on updating accounting policies to International Public Sector Accounting Standards identified major gaps between national accounting standards and International Public Sector Accounting Standards.
Sierra Leone (module 3)	Draft PFM legislation has been enacted into law.
Tanzania (module 1)	Amendments to the Income Tax Act (ITA) setting out a mining and petroleum tax regime were adopted in July 2016.
Research #2: Mining Tax Administration	A successful workshop on EI tax administration was held in Mauritius, in conjunction with AFRITAC South, with 32 participants from 12 sub-Saharan MNRW-eligible countries.
Research #5: Progressivity in Natural Resource Taxation	A draft analycal paper on progressivity in natural resource taxation was prepared, for a workshop and as an input to TA guidance. The paper will be issued as an IMF Working Paper.
Workshop #2: Cross-border issues in resource taxation.	The proceedings from the workshop were published in a new book on the *International Taxation and the Extractive Industries*.
Scoping Missions	A scoping mission to Kenya on EI tax administration was undertaken, which has led to a new module 2 project proposal. A second scoping mission was undertaken to Central African Republic.

Box 1. Tax Administration Work

Work on Tax Administration – MNRW-TF Module Two

A key element of an effective tax administration is a coherent and coordinated risk-based compliance strategy for the EI. Development of a strategy requires a systematic process to identify, analyze, prioritize and manage compliance risks. Mitigating treatments to address risks require specialized skills and well thought out processes. Technical assistance has focused on building the necessary capacity of revenue authorities to identify and analyze compliance risks and recognize appropriate mitigation activities to enhance revenue mobilization.

Issues faced by Developing Countries in EI Revenue Administration
Generally:
- Weak knowledge base of the industry and of specific resource projects within their countries.
- Limited knowledge of multinational planning techniques, transfer pricing and valuation methodologies
- Weak understanding of how legislative and contractual fiscal regimes apply to specific resource projects

- Technology systems that are inadequate to capture and maintain the quantity, quality and accuracy of data in a format that can be analyzed
- Processes to acquire industry data that need to be established or enhanced.
- Risk-based compliance strategies not developed.

Reform approaches taken in MNRW, Module 2
- Use of specialized industry and technical teams. (Ghana, Tanzania, Liberia, Sierra Leone, Mozambique and Kenya)
- Resource project fiscal modeling (FARI) as a tool to assess risk and perform gap analysis, as well as teach industry knowledge and fiscal regime structure and operation. (Mozambique, Sierra Leone)
- Formalized cooperation and data sharing between regulatory agencies through memoranda of understanding. (Mozambique, Sierra Leone)
- Developing risk-based and coordinated compliance strategies. (Tanzania, Liberia, Mozambique)
- Centralized data bases. (DRC, Zambia)

Some lessons learned in Phase One
- Base-level processes and knowledge have to be addressed before developing specialized EI skills. (ex. Excel skills, audit techniques)
- Fiscal modeling is not only a risk assessment tool but an effective methodology to develop technical EI knowledge.
- Effective fiscal modeling and risk assessment require a coordinated approach across all government agencies and models that are adapted for specific needs and capacities. This presents opportunities for coordination of technical assistance under modules one and two.

9.   Good progress was made on the current research projects supported by the TF aimed at supporting applied analytical work on management of natural resource wealth. The flagship publication, *International Taxation and the Extractive Industries*, was published by Routledge. The book explores international tax issues affecting the EI sector, including transfer pricing, international tax treaties, the taxation of gains on transfer of interests, and tax issues arising from cross-border projects including pipelines. The book was launched at a well-attended public event during the IMF/World Bank Annual Meetings in October 2016. The research project on progressivity in natural resource taxation was completed with a visiting scholar to the IMF and the completion of a draft working paper on *Progressive Taxation of Natural Resources as Second-Best Optimal Policy*. The key findings of this research project are expected to be incorporated into the FARI model fiscal regime analysis (Box 2). Substantive progress was made on preparing a new Guide on Resource Revenue Transparency for pillar IV in the Fiscal Transparency Code; due to some logistical delays, the work is envisaged to extend into Phase 2 of the MNRW TF (in FY18).

10.   Compared to previous years, there were fewer workshops and conferences in FY17. The Peru project (module 3) was extended to provide a technical assistance seminar on subnational governments' (SNGs) supervision of the public finances and implementation of the medium-term budget framework (MTBF). The project provided international experience to improve monitoring of SNGs and MTBFs, taking into account needs to improve estimates of resource revenue. Participants comprised Peruvian officials from the central and subnational governments and the new independent fiscal council. A new project proposal has been prepared

for the West Africa conference on fiscal management of mining and petroleum resources that was cancelled following the earlier Ebola outbreak affecting some countries in the region (see the discussion of new project proposals in paragraph 14 below).

Box 2. Progressivity in Natural Resource Taxation

Professor Jean-Francois Wen from the University of Calgary has been leading an analytical project supported by the MNRW-TF to provide applied policy guidance on the desired degree of progressivity in natural resource fiscal regimes. Progressivity is loosely defined to capture the extent to which the average government take (as a share of project net cash flow) increases with realized profitability. With a progressive fiscal regime, the government take is relatively higher for more profitable investments and lower for less profitable ones.

During a visit to the IMF in April 2017, as a visiting scholar, Professor Wen prepared a final draft of the paper for issue as an IMF Working Paper and presented it at a seminar. He also worked closely with IMF tax experts on options for further refining the fiscal regime analysis in the FARI tool to benefit from his research.

The aim of the paper is to provide a critical review of the literature on the progressive taxation of natural resources and to offer a fresh perspective on its purpose and measurement. The main insights are that regressive taxes, by their very nature, tend to be distortionary taxes, and vice versa; and that marginal tax rate progressivity of rent-based or profit-sensitive fiscal instruments is desirable in the presence of distortionary taxes, such as royalties, in order to capture the remaining rent for the government as the resource owner. Hence, *the emphasis should be placed on marginal tax rate progression in the direct taxation of profit or rent, rather than progressivity in the overall government take from a given resource project.*

These observations have practical implications for assessing natural resource fiscal regimes. The central ideas are illustrated with a simple analytical model in which a second-best optimal tax on profit is derived in the presence of other tax distortions.

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11.   Progress continues to be made in implementing Results Based Management (RBM) for MNRW projects. While RBM is being rolled out in the IMF, the "bottom up" RBM scoring for existing MNRW projects has been continued, with project results reported in summary form in Annex E of the technical annex. All new project proposals have been approved incorporating an RBM matrix with standardized objectives, outcomes and verifiable indicators. RBM scoring of projects in this report is based on the targeted outcomes defined for each project when initiated.[2]

12.   Across the project portfolio it remains a challenge to continuously improve project RBM scores. For a number of projects, the RBM scores have remained fairly static despite the project still being active; this partly reflects that actual activity in some projects has been limited during the last year (Table 6). Project level scores are reported in Table 6 with the following rating: (1) not achieved; (2) partially achieved; (3) largely achieved; and (4) fully achieved. The

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[2] The RBM system being developed by the IMF will include standardized outcomes to facilitate comparison across projects, as well evaluation within a project. The project design and monitoring of implementation will be done using a dedicated software, CD-Port.

scores for each project, along with the outcomes defined for that project, appear in each one-page summary in Annex E of the Technical Annex.

13.   **Typically, newer projects would be expected to score lower than older projects, given that results take time to achieve.** In an attempt to capture the time dimension, Figure 1 shows the distribution of RBM scores by project duration. Each project is designated by its three-character country abbreviation.[3] Scores in the upper left part of the figure represent projects that have achieved quick success. Those in the lower right part of the figure are behind schedule or facing difficulties, and those between these two areas are generally performing as expected.

14.   **During the last year in Phase 1, relatively few new country projects were approved.** With a few exceptions, these new projects are intended to be continued during the MNRW Phase 2. Kenya entered into a new multi-year project on tax administration, that will carry over into Phase 2 (module 2). Implementation of this project has started well. New projects were also approved for Liberia and Sudan focusing on the fiscal regime (module 1). Progress under those two projects was more mixed: in Sudan it proved more difficult than expected to engage on supporting mining fiscal regime reforms, while in Liberia a mission provided the basis for formulating a new project for Phase 2.

Table 6. Summary of RBM Scores (FAD only)

Region or Type	Project (Module)	2012E	2013E	2014E	2015E	2016E	2017E
AFR	Cameroon (1)				1.0	1.0	2.0
AFR	Congo, DR (3)	1.7	2.0	2.3	3.0	3.0	3.0
AFR	Ghana (1)					2.5	2.5
AFR	Ghana (2)					1.8	1.0
AFR	Guinea (3)			1.3	1.3	1.3	1.9
AFR	Kenya (1)			1.8	3.8	3.8	3.8
AFR	Kenya (3)				1.0	1.0	2.0
AFR	Liberia (2)					2.0	2.3
AFR	Madagascar (3)				1.5	2.0	2.5
AFR	Mali (1)				2.3	2.3	2.3
AFR	Mozambique (1)	1.0	3.0	3.0	3.7	3.7	3.7
AFR	Mozambique (2)		1.3	1.5	1.5	3.0	2.5
AFR	Mozambique (3)		2.0	2.0	2.0	2.0	2.0
AFR	Niger (3)			2.0	2.0	2.0	2.0
AFR	Sierra Leone (1)	3.0	3.0	3.0	3.0	3.0	3.0
AFR	Sierra Leone (2)			1.7	1.7	1.7	2.0
AFR	Sierra Leone (3)	1.5	1.5	1.5	1.5	1.5	2.5
AFR	Tanzania (1)		1.5	1.5	2.0	2.0	2.0
AFR	Tanzania (2)			1.8	1.8	1.8	1.8

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[3] Extra codes are provided for those projects (e.g. research and workshops) that are not country specific.

AFR	Kenya (2)						1.5
AFR	Uganda (1)				1.5	2.0	2.0
APD	Mongolia (3)			2.3	2.3	3.0	3.3
WHD	Andean Regional (1)	2.0	2.0	2.0	2.0	2.0	2.0
WHD	Peru (3)	2.0	2.3	3.0	3.0	3.3	3.3
RES	R2. Mining tax administration	2.0	2.0	2.0	2.0	3.0	3.0
RES	R5. Progressivity in Natural Resource Taxation				2.0	2.0	3.5
RES	R7. FARI Research Project					3.0	3.0
WKS	W2. Cross-border issues in resource taxation	1.0	4.0	4.0	4.0	4.0	4.0
Global	Scoping missions						2.0

Figure 1. Summary of RBM Scores

Classification of projects by performance and age
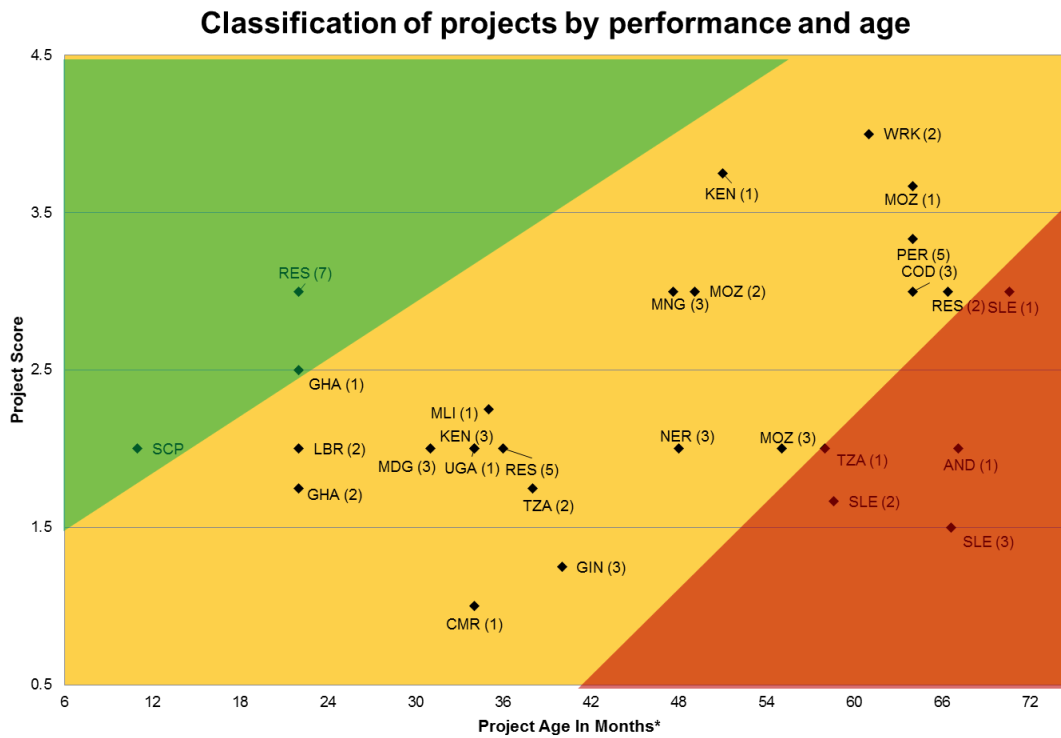
Note: The acronyms used in the figure are the following: AND is Andean Regional; CMR is Cameroon; COD is Congo, DR; GBL is Global; GHA is Ghana; GIN is Guinea; KEN is Kenya; LAO is Lao PDR; LBR is Liberia; MDG is Madagascar; MLI is Mali; MNG is Mongolia; MOZ is Mozambique; NER is Niger; PER is Peru; RES is Research; SCP is Scoping Missions; SLB is Solomon Islands; SLE is Sierra Leone; TLS is Timor-Leste; TZA is Tanzania; UGA is Uganda; WRK is Workshop.

V. MOVING FORWARD TO MNRW PHASE 2

15.   A key focus in the second half of FY17 has been on preparing new projects for Phase 2 of the MNRW-TF. Key lessons learnt from implementing the projects over the first phase has informed the design of the new project proposals. This includes the need to secure stronger upfront country ownership and be more attentive in the project design and implementation to domestic implementation capacity constraints. The Phase 2 portfolio includes projects across all modules (including projects endorsed on a lapse of time basis or now being submitted to the MNRW Steering Committee):

- Module 1 (fiscal regime): Continuation of projects with Ghana, Liberia, Mozambique, Sierra Leone and Uganda to support fiscal regime reform and capacity building; a new project with Nigeria. All these projects include FARI modeling capacity building.

- Module 2 (revenue administration): Continuation of projects to build capacity for revenue administration with Mozambique and Sierra Leone; a new project with Kenya. The FARI tool will be used to strengthen risk assessment in collaboration with module 1 projects.

- Module 3 (PFM): A continuation of the project with Mongolia focusing on medium term budget framework reforms and a shorter project with the Democratic Republic of Congo.

- Module 4 (exchange rate and macro-prudential policies): Formulation of the new multi-country project on exchange rate regime and macro-prudential policies is underway.

- Module 5 (statistics): New projects have been approved on developing capacity for compiling statistics on natural resource revenue and for compiling macroeconomic statistics aggregates for natural resources. The full-fledged proposals with country-specific details are submitted in the technical annex for SC's final endorsement.

- Training: Progress is being made on developing an online training course on macroeconomic management in resource-rich countries.

- Workshops: A conference on strengthening the fiscal management in mining and petroleum in West Africa with MNRW-eligible member states from ECOWAS. The conference will integrate discussions of fiscal regime, revenue management, PFM and macro-fiscal frameworks.

- Research and analytical tools: A project to further develop the FARI tool – including different applications for fiscal regime analysis, tax gap and risk assessment, and revenue forecasting – and a public library on fiscal regimes for the extractive sector.

16.   Continued attention is given to enhancing the visibility of the trust fund and its donor partners. At workshops and conferences, the support of the MNRW and donor partners is highlighted while key presenters acknowledge the contribution of donor partners. Similar visibility is also evident for high-profile research projects, such as the FARI model, where MNRW

and donor support is acknowledged on the website. Project managers emphasize the support of the MNRW-TF while delivering technical assistance. These efforts have increased the profile of the MNRW-TF among eligible countries, helping to prompt new requests for trust fund support, as well as public expressions of appreciation for the fund by a number of Ministers and senior government officials from beneficiary countries.

17.   The MNRW-TF continues to coordinate closely with other development partners and other key stakeholders. A joint initiative with the World Bank to develop a Tax Policy Assessment Framework will have implications for natural resources work. As part of this work stream, the IMF will take the lead in preparing a module on tax policy for the extractive industries sector. Meetings with the private sector and civil society organizations, at both a country and organization level, have also proven valuable over the past year. Close collaboration also continues on international tax issues, with the IMF participating in a joint working group on international tax issues with the OECD, World Bank, and UN. The 'Platform for Collaboration on Tax' set up by these agencies helps coordinate developing countries in the international tax sphere.

Appendix A. List of MNRW TF Phase 1 Projects

Country (module)	Region	Project Duration		
Cameroon (1)	AFR	7/31/2014	-	4/30/2016
Congo, DR (1)	AFR	2/1/2012	-	7/31/2016
Congo, DR (2)	AFR	10/1/2011	-	6/30/2015
Congo, DR (3)	AFR	1/1/2012	-	4/30/2017
Ghana (1, 2, 3)	AFR	6/30/2014	-	6/30/2015
Ghana (1)	AFR	7/1/2015	-	4/30/2017
Ghana (2)	AFR	11/1/2015	-	4/30/2017
Guinea (1)	AFR	4/1/2012	-	4/30/2015
Guinea (3)	AFR	1/1/2014	-	7/31/2016
Kenya (1)	AFR	2/1/2013	-	1/31/2016
Kenya (2)	AFR	1/1/2017	-	4/30/2017
Kenya (3)	AFR	4/1/2016	-	4/30/2017
Liberia (2)	AFR	11/1/2015	-	4/30/2017
Liberia (1)	AFR	6/1/2016	-	4/30/2017
Madagascar (3)	AFR	10/1/2014	-	7/30/2016
Mali (1)	AFR	6/1/2014	-	3/31/2016
Mozambique (1)	AFR	1/1/2012	-	4/30/2016
Mozambique (2)	AFR	3/3/2013	-	4/30/2016
Mozambique (3)	AFR	10/1/2012	-	4/30/2017
Mozambique (5)	AFR	11/1/2012	-	4/30/2016
Niger (1)	AFR	8/1/2012	-	4/30/2014
Niger (3)	AFR	5/1/2013	-	4/30/2016
Sierra Leone (1)	AFR	6/15/2011	-	7/31/2016
Sierra Leone (2)	AFR	6/15/2012	-	4/30/2016
Sierra Leone (3)	AFR	10/15/2011	-	4/30/2016
Sierra Leone (5)	AFR	11/1/2012	-	4/30/2016
Sudan (1)	AFR	6/1/2016	-	4/30/2017
Tanzania (1)	AFR	7/1/2012	-	7/31/2016
Tanzania (2)	AFR	3/1/2014	-	2/29/2016
Tanzania (3)	AFR	7/1/2014	-	6/30/2016
Uganda (1)	AFR	1/1/2015	-	8/31/2016
Uganda (3)	AFR	11/1/2012	-	6/30/2015
Uganda (4)	AFR	n.a.		
Lao PDR (2)	APD	9/1/2011	-	4/30/2017
Mongolia (1)	APD	10/1/2011	-	3/31/2014
Mongolia (2)	APD	2/1/2012	-	4/30/2015
Mongolia (3)	APD	5/15/2013	-	4/30/2016
Mongolia (4)	APD	9/28/2015	-	9/28/2016
Papua New Guinea (4)	APD	6/1/2013	-	12/31/2015
Solomon Islands (1)	APD	7/15/2011	-	4/30/2015
Timor-Leste (1)	APD	6/27/2011	-	12/31/2015
Timor-Leste (4)	APD	2/4/2013	-	2/29/2016
Iraq (4)	MCD	n.a.		
Mauritania (1)	MCD	10/15/2011	-	12/31/2013

Country (module)	Region	Project Duration		
Andean Regional (1)	WHD	10/1/2011	-	4/30/2016
Peru (3)	WHD	1/1/2012	-	12/31/2016
Peru Seminar (3)	WHD	2/1/2017	-	4/30/2017
Global (1,2,3) - Scoping mission	Global	Jun-16	-	
Global (5) - Field Test of Data Template	Global	7/1/2014	-	12/31/2016
Training		**Project Duration**		
Macro-management in resource rich countries	Global	Jun-16	**-**	
CEMAC Capacity Development Project	AFR	Nov-16	**-**	
Research Topic		**Project Duration**		
R1. Savings and Consumption Guidelines for Oil and Mineral Producers		10/20/2011	-	6/30/2015
R2. Mining Tax Administration		10/20/2011	-	1/31/2016
R3. Resource Revenue Database and Government Revenue Statistics		1/15/2012	-	12/31/2013
R4. Natural Resources Asset and Liability Management Handbook		11/5/2012	-	12/31/2015
R5. Progressivity in Natural Resource Taxation		5/1/2014	-	4/30/2016
R6. Enhanced Results Based Management Framework for MNRW-TTF		1/1/2014	-	4/30/2017
R7. FARI Model Public-Release		n.a.		
R8. Compilation Guide on Natural Resources		8/1/2015	-	2/28/2017
R9. - Research project: development of IMF guide on resource revenue transparency				
Workshop		**Project Duration**		
W1. Fiscal Management of Oil and Natural Gas in East Africa		9/1/2013	-	4/30/2014
W2. Cross-border Issues in Resource Taxation		4/1/2012	-	4/30/2016
W3. Management of Natural Resource Wealth in Central Asia		n.a.		
W4. Management of Natural Resource Wealth in Sub-Saharan Africa		10/1/2011	-	5/18/2015
W5. Natural Resource Taxation in the Asia-Pacific Region		7/1/2015	-	12/30/2015
W6. Fiscal Management of Oil and Natural Gas in West Africa		6/17/2014	-	10/30/2016

Appendix B. MNRW TF Strategic Log Frame

	Managing Natural Resources Wealth Topical Trust Fund Strategic Log Frame				
	Strategic Objective Assist low and lower-middle income countries to derive maximum benefit from their oil, gas and mineral resources				
Objectives	**Verifiable Indicators ***	**Baseline Indicators**	***Progress on Indicators***	**Means of Verification**	**Risks/ Mitigating Actions**
1. Extractive Industry (EI) fiscal regimes in participating countries that improve revenue flows to host governments over project life-cycles, while providing predictability and stability to EI companies, and preserving attractive returns to investment and production.	In a substantial portion of participating countries: ■ Adoption of new or amended EI fiscal regimes that improve host government revenues, either through tax law, Production Sharing Contracts (PSCs), investment agreements, or other means.	To varying degrees, TF countries currently have EI fiscal regimes that do not maximize government revenue consistent with providing adequate financial incentives for EI investors, lack transparency in their fiscal regimes, and/or do not have adequate capacity to address these problems.	More than two thirds (23 out of 33) of the targeted module outcomes have already been fully achieved or largely achieved. In addition, one-third (10 out of 33) of the targeted country-module outcomes have been partially achieved and out of which 5 projects have been proposed to be rolled to MNRW phase 2.	■ Assessed by aggregating annual assessment undertaken by relevant project managers of progress toward project objectives in module 1 of each country (EI Fiscal Regimes, Licensing and Contracting). ■ Assessed with any external information sources available.	■ Reduced government commitment to reform. ■ Lack of resources for government ministries. ■ Resistance from vested interests, including EI companies.
2. Efficient collection of EI revenues due to host governments of participating countries under existing EI fiscal regimes, whether by law or contracts.	In a substantial portion of participating countries: ■ Development of EI revenue administration in line with international standards, including an efficient Large Taxpayer Office (LTO) ■ Development of audit capability related to EI ■ Improvements in ratio of taxes collected to taxes due related to EI.	To varying degrees, TF countries currently have inadequate information systems, collection procedures, audit procedures, taxpayer services, and/or do not have adequate capacity to address these problems.	Over one quarter (8 out of 28) of the targeted country-module outcomes have already been fully achieved or largely achieved. In addition, over one-half (17 out of 28) of the targeted country-module outcomes have been partially achieved, out of which 2 projects are being proposed for roll over and other still being discussed with recipient countries.	■ Assessed by aggregating annual assessment undertaken by relevant project managers of project objectives in module 2 of each country (EI Revenue Administration). ■ Assessed with any external information sources available.	

3. Development of effective Public Financial Management (PFM) systems in participating countries for handling host governments' EI revenues and the expenditures arising from those revenues.	In a substantial portion of participating countries: ■ Management of EI revenue is accomplished through medium-term fiscal frameworks in line with international best practice. ■ Annual budget processes specifies important PFM parameters (such as a structural surplus or non-commodity fiscal deficit) ■ Budget classifications and charts of accounts incorporate specific EI details in line with international standards.	To varying degrees, TF countries currently have inadequate macro-fiscal frameworks, macro models, budget processes, revenue forecasting models, and/or do not have adequate capacity to address these problems.	About 42 percent of (11 out of 26) the targeted country-module outcomes have already been largely achieved. Almost another 46 percent (12 out of 26) of the targeted country-module outcomes have been partially achieved.	■ Assessed by aggregating annual assessment undertaken by relevant project managers of project objectives in module 3 of each country (EI Macro-Fiscal, Public Financial Management and Expenditure Policy). ■ Assessed with any external information sources available. ■ Publication of final template and guidance.	
4. Building an integrated approach to sovereign asset-liability management, through appropriate management of assets and liabilities; and promoting sound and transparent management of sovereign assets based on international standards. Prepare a guide for resource rich countries on sovereign asset-liability management issues	In a substantial portion of participating countries: ■ Development of investment strategies and strategic asset allocation taking into account liability management. ■Assessment of governance structure and institutional framework. ■Conduct assessment of Santiago Principles implementation and propose recommendations.	Generally, there is a lack of comprehensive investment strategy and assessment of governance structure and institutional framework.	A handbook, entitled "Sovereign Asset-Liability Management: Guidance for Resource Rich Countries" (*Guidance*) was published in April 2014. The Guidance was used in providing advice to Timor-Leste and Mongolia on the management of their respective sovereign balance sheets. In particular, it was used in assessing and outlining options with regard to asset allocation strategy, governance structure and Santiago Principles implementation. ■	■ Assessed by aggregating annual assessment of project objectives in each country module 4 (Natural Resource Asset and Liability Management). ■ Assessed with any external information sources available.	MCM will not undertake any further SWF TA work or outreach activities following its decision to disengage from this area.

| 5. Development and maintenance of improved national statistics on natural resource activities in participating countries, with respect to both government finance and national account statistics. Develop a compilation guide for macro-economic statistics on natural resources | In a substantial portion of participating countries: ■ Preparation and publication of disaggregated national accounts and government finance statistics identifying natural resource transactions. | Overall coverage of the mining sector for value added estimation is not comprehensive and data for compilation of value added from mining activity is of poor quality. | **Sierra Leone**. A MOU between National Mineral Agency and Statistics Sierra Leone was drafted to ensure data availability. Estimates of exports were improved, and more enterprises were captured in extractive industry estimates. Experimental estimates reveal the share of the iron ore industry's output to GDP is understated by more than 5 percentage points. **Mozambique** Updated data suggest GDP could be underestimated by as much as 10 percent. The finance minister has requested the revisions to be implemented when national accounts are rebased to 2017. **Compilation Guide.** Six template tables have been developed by IMF staff and publicly posted with feedback sought from stakeholders. The share of value added has been compiled for seven countries, including Chile (15.8%) and Zambia (13.6%), to illustrate the significance of natural resources to their economy. | ■ Assessed by aggregating annual assessment of project objectives in each country module 5 (Statistics for Managing Natural Resources). ■ Assessed with any external information sources available. ■Template successfully applied to four countries, and pilot data sets collected. | Weak collaboration with data providers. ■ Lack of capacity and resources for statistics. ■ Failure of policy makers to use the template tables for decision making. ■ Collaboration with EITI and other stakeholders to foster sustainable results. ■ Advertise within the Fund and with external stakeholders to raise the profile and demand for these data for surveillance. |

			Draft template and guidance standards for natural resource revenue statistics officially adopted by the EITI in its summary data template in February 2015. IMF pilot studies underway.		

Portfolio Indicators (no outcomes)**

- Percentage of endorsed work plan budget expended is greater than 84.5 percent (as at April 2017).

- 93 percent of country modules rated as "on track" in annual/mid-year SC reports (excluding projects not started). ***

- 48 percent of outcomes achieved.

- 45 percent of outcomes largely or partially achieved.

*Verifiable indicators are set for a multi-year period, but can be tracked annually, or assessed as part of the evaluation process.

**Percentages to be set in discussion with the SC.

***"On track" judged when activities are implemented as planned and outputs are achieved as planned.