Board Papers Consultation
Natural Resources Taxation and Wealth Management
Report – Online Comments
Period: March 17, 2012 – April 27, 2012
Comments received: 21

Name	Organization	Country
Dale Steffes	Planning & Forecasting Consultants	US
COMMENT # 1 – EMAIL AND PAPER		
I applaud your study for its real need. Please add me to your media list for your study. In 2004, I proposed an addition for the New Iraq constitution dealing with this problem. It never made a dent. If it had been implemented, this would have changed the world, a real Trend Discontinuity. At that time, the United States had a once in a life time opportunity to help a nation create better type of government. Jimmie Baker passed. However, I wish to submit it for your consideration in your current efforts. See Attached TD. I wish you well with this endeavor. Resolving this Resource distribution problem would go a long way to improving the development of the world. Your effort could become a classic solution to a perennial problem. If this TD stimulates interest, let me know and I will provide a bio, background on myself, and further analysis.		
Name	**Organization**	**Country**
Victor Menaldo, Assistant Professor of Political Science	University of Washington	US
COMMENT # 2 – EMAIL AND PAPERS		
This email is in regards to your call for consultation on IMF Natural Resources Work. I am an assistant professor of political science at the **University of Washington**. I have written extensively on this topic, publishing my work in journals such as the American Political Science Review and the Journal of Politics. Here is a paper that you might find particularly apposite:"Is there a Rentier Effect? Oil Stocks and Non-Resource Taxation" http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2028270 Is there a rentier effect? Do natural resource rents displace regular government revenues? This paper evaluates the relationship between oil stocks and non-resource taxation. I conduct a battery of dynamic statistical analyses on a cross-section time-series dataset (1972-2006) that introduces new measures of oil stocks and non-resource direct taxation. To address endogeneity bias, I control for country fixed effects and also estimate instrumental variable regressions. I find no evidence for an average effect — neither negative nor positive — between oil and non-oil direct taxes. And although there is some evidence for a negative effect in Latin America and North Africa and the Middle East, its magnitude is weak and only occurs in the short term. Moreover, there are good reasons to take pause before surmising that any degree of rentierism has translated into authoritarianism in these regions. I also find that oil increases non-oil taxes in Asia beyond the immediate period! Another paper you might find interesting: "Reversing the Resource Curse: State Weakness and Oil Discovery" http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2008889		

Name	Organization	Country
Serdar Sayan, Professor of Economics and Dean, Grad School of Social Sciences	TOBB University of Economics and Technology	Turkey
COMMENT # 3 – EMAIL AND PAPER		
In regions such as the Middle East where water is relatively scarce, and politically sensitive, free trade in commodities provides a means to peacefully share regional water resources. For relatively water-scarce countries in the region, imports of merchandise produced by sectors heavily using water could help alleviate some of the pressures created by water shortages, if these countries could identify and act according to their comparative advantages on the basis of water endowments. In that case, the welfare gains for all parties involved would be likely to follow. Building on this idea, the attached paper aims to investigate if trade is really an effective means of sharing regional water resources by testing the validity of Heckscher-Ohlin theory within the context of export patterns of a sample of relatively water-abundant and relatively water-scarce countries located across the Eastern Mediterranean and MENA regions.		
Name	**Organization**	**Country**
Innocent Hitayezu, Consultant	Oxfam GB South Sudan	South Sudan
COMMENT # 4 – EMAIL		
My comments on Natural Resources Wealth Management would focus on key areas: 1. limited knowledge of CSOs on what is happening in the sector of Natural resources 2. Pushing for strong tripartite partnership- CSOs, Private Sector and States **1. limited knowledge of CSOs on what is happening in the sector of Natural resources.** Based on my experience both in my country of origin (Rwanda) and country of work (South Sudan), my general observation is that very few CSOs are interested in issues linked to natural resources mainly because most CSOs tend to focus only on service delivery and second due to lack of knowledgeable or expert people within CSOs about Natural Resources. Even those who have picked interest in natural resources management they lack research-based advocacy leading them to lose track on what is happening between private players and governments. CSOs often hear about contracts between signed between private investors and State to only become reactive. What to do on these three areas? (1) For IMF and other donors or development partners deliberately put in place basked fund for CSOs interested in natural resources management ; (2) support CSOs interested in natural resources management have expertise in the domain (it may be placement of experts within CSOs to develop internal capacity on issues or just train CSOs members who have basics in natural resources management to upgrade their knowledge, negotiation skills); and 3) the support to CSO interested in Natural Resources should be of long-term commitment no less than five years to expect good results. Funding sound or scientific research is of a must if CSOs have to keep PS and government accountable and responsive. There is no way CSOs will achieve a change in policies without evidences or alternative solutions to State and PS players. There is need to shift from always criticizing/pointing to the State or PS of not being accountable and responsive to come up with sound problem analysis and alternatives to solve the problem. CSOs must be well equipped with alternatives and not only with problems. 2**. Pushing for strong tripartite partnership- (CSOs, Private Sector and States).** CSOs being non-profit organizations have proved to avoid (at least from my experience in Africa- Rwanda, Burundi, DR Congo, Ethiopia, South Sudan- Uganda, Kenya and Ghana where I had some exposure are relatively ahead) engaging into private businesses, yet today market behavior is so much influenced by private sector actors. Today, even governments are obliged to give up on negotiations with private sector on some issues- PS actors threatening to move away if Government does not accept change policies in their favor! We have seen how fuel prices in East Africa impacted on prices of food and beverages, on transport fees, on renting and indeed on the entire life of people! Deforestation and land grabbing are taking place illegally and unfairly expropriating thousands of people without compensations. When CSOs try to talk , PS investors just say " we have signed contract with the government"- What IMF can do is to (1)- promote genuine dialogue and active participation of CSOs on		

the table of negotiations of mega projects that governments have with PS investors- (2) always inform CSOs within a given country of what that country is getting from IMF and for what (3) as part of conditions to giving loans grants to any country, IFM to make it mandatory for the government and Investors to have CSOs involved in the process and well-informed about the pros and cons of the funds being sought (4) make public any government-PS contracts that involve IMF and have specific CSOs within countries that are supportive of informing the population about the contracts the government is having.

Name	Organization	Country
Veronika Kiss, Programme Coordinator	CEEweb for Biodiversity	Hungary
COMMENT # 5 – EMAIL AND PAPER		
To whom I may concern, The key characteristics of EI sectors include: volatility, uncertainty, presence of rents, asymmetry of information, time inconsistency, and exhaustibility, but **limitedness** as well. Therefore, according to our experience, key principles guiding public policy in this area should address the limitation of natural resource use in a way that they can serve properly the interest as well as the demand of generations to come. CEE web has developed a holistic scheme, through which developing countries with high natural resource revenue would be able to manage their natural resources sustainable both for the sake of environment and for society. This scheme contains four pillars: ***Pillar 1: The Energy Quota*** The use of fossil and nuclear energy sources shall be reduced through direct savings, increasing efficiency, or shifting to renewable energy sources. An effectivetoolfor realizing this reduction is the energy quota system. Energy consumption entitlements of annually decreasing quantities would be allocated among the individual consumers and public and private consumer groups. Those, who save a part of their allocated entitlements, can sell their remaining entitlements through the quota managing organization to those who have consumed more than their allocated consumption entitlement. The quota managing organization sells the quota in the national currency, and buys the remaining quota for quota money. ***Pillar 2: The Market for Environmental Goods and Services*** The market for environmental goods and services is an open market operating according to environmental and ethical rules including aspects of sustainability and market considerations. The quota money received from selling energy consumption entitlements could be exchanged to products in this 'eco-labelled' secondary market. ***Pillar 3: The Revolving Fund*** The Revolving Fund provides the opportunity for everyone, both energy producers and consumers, to be able to achieve savings through energy efficiency and renewable energy investments. The Revolving Fund provides interest free loan in quota money with a payback period adjusted to the energy savings or income generation realised through the investment. ***Pillar 4: Advisory Service*** The Advisory Service aims to provide advice on lifestyle, planning, social and environmental issues, as well as information on the functioning of the scheme to consumers. A more detailed version of a quota scheme can be found here: http://www.ceeweb.org/wp-content/uploads/2011/12/Energy_quota_system_for_Europe.pdf This global quota scheme ensures sustainabel resource management and use (shifting the current consumption and production patterns onto the path of sustainability) in developed countries, as well as leapfrogging in developing countries. Applying the quota scheme at international level can generate funds for innovations, technology transfer and capacity building in developing countries from the trade of energy quotas. I am very much looking forward to receivign your views on our points.		
Name	**Organization**	**Country**
Miles Litvinoff, Coordinator	Publish What You Pay UK	UK
COMMENT # 6 – PAPER		
Publish What You Pay UK is the UK chapter of the international Publish What You Pay civil society coalition of over 600 member groups across more than 50 countries united in their call for oil, gas and mining revenues to form the basis for development and improve the lives of ordinary citizens in resource-rich countries. We welcome this opportunity to participate in the IMF's consultation on natural resources. Our responses to selected questions that the IMF has posed are given on the following pages. Following these responses, on page 7 we offer overall recommendations to the IMF for its future policy and practice with regard to natural resources and the extractive industries.		

Name	Organization	Country
Natalia Ablova	Bureau on Human Rights and Rule of Law	Kyrgyz Republic

COMMENT # 7 – TWO PAPERS

Please find attached two files with our ideas about the best use of natural resources and sound use of resources revenues in developing countries. The first file comprises our organization's responses (in light font) to the questions about Taxation of Natural Resource Rents. The second file comprises our views and a critical analysis (with examples based on the facts we gathered in Kyrgyz Republic) with regard to models of Natural Resources Funds and what initiatives are under way in Kyrgyz Republic.

Name	Organization	Country
Bas de Leeuw, Managing Director	World Resources Forum	Switzerland

COMMENT # 8 – EMAIL AND PAPER

Dear colleagues,

In response to your call for comments on your work on this important topic we have the pleasure of sending you our brief comments attached. We would be interested in hearing your views, and are - with our global network of natural resources scientists, experts, governments and NGO's - at your disposal in case you may wish to discuss the issues further. First occasion to do so would be through our upcoming World Resources Forum, Beijing, China, October 21-23, 2012. You would for instance be welcome to co-organize or host a special session or workshop on this issue. You would also be most welcome to nominate a plenary speaker on this topic, it would be our honor to consider his or her participation in our conference, jointly organized with the Chinese Academy of Sciences, and supported by a range of partners, including UNEP, the governments of Kenya, Switzerland and Germany, and many others. Details to be found on our website. WRF 2013 will take place in September/October 2013 in Davos, Switzerland, and may also provide an opportunity for taking the issue further. We look forward hearing from you, and wish you success with this challenging project.

Name	Organization	Country
Barbara Heinzen		US

COMMENT # 9 - PAPER

UNDERLYING ASSUMPTIONS

Beneath the questions posed in the IMF documents are a number of important assumptions.

1. Development is achieved when a rural agricultural society becomes an industrialized consumer society.
2. One way to achieve this goal is to: (a) extract natural resources (fossil fuels, minerals, timber, crops, etc); (b) earn high rents from the extraction; and (c) manage those rents for maximum social benefit.
3. National governments are the best authority for managing resource rents as they are responsible for meeting the needs of the whole population.
4. The management of resource rents is largely a macro-economic problem to be solved through the wise use of macro-economic policies.

I will address these assumptions in reverse order. Complete document here

Name	Organization	Country
Claire Spoors, Coordinator	Publish What You Pay	Australia

COMMENT # 10 – LETTER OF ENDORSEMENT PUBLISH WHAT YOU PAY UK SUBMISSION

Publish What You Pay Australia is a civil society coalition that works with the global Publish What You Pay network and is committed to ensuring that citizens of resource-rich countries benefit from their natural resources wealth. We do this by campaigning for greater transparency and accountability in the extractive industries. In recent years the global mining boom has seen the Australian extractive industry increase its activities overseas including in countries with weak governance where resource extraction can exacerbate poverty and instability rather than contribute to economic growth. In Africa, for example, where around 230 Australian extractive industry companies are currently operating, many resource-rich countries fall among the lowest in global ratings of poverty, economic growth, and political instability.

We therefore welcome the Fund's consultations on the taxation of natural resources rents and macroeconomic policy frameworks for resource-rich countries. We recognize that appropriate taxation of natural resources rents, contract disclosure and transparent and accountable management of revenues from oil, gas, and mining can deliver positive development outcomes for poor communities in resource-rich developing countries.

We strongly support the submission to your consultation by our colleagues at Publish What You Pay UK, including their recommendations stated on page 7 of their document, and urge you to give these points your upmost consideration.

Name	Organization	Country
Anton Op de Beke	IMF	US

COMMENT # 11 – EMAIL

My attention was drawn by the Fund's public consultation on two proposed Board papers dealing with natural resources. I am actually a Fund staff member, not "public", but since I have not had an opportunity to comment before, I decided to use this channel.

My comments pertain to the proposed paper on *Taxation of Natural Resource Rents*. Natural resource taxation involves tax policy and revenue administration. My concern is that the write up places little weight on administration issues. There is only one paragraph in the write-up on revenue administration. It makes light of the challenges and problems in this area ("Administration ...need not be especially difficult"), and looks mostly to tax policy for a solution ("but the design ...of EI tax regimes (are) often major, though underrated, causes of administrative weaknesses").

To the extent that this imbalance carries over to the Board paper, and from there to shaping IMF advice and technical assistance, the Fund would fail to help its resource-rich LICs in an area where it could make a real difference.

My own experience working on oil producing countries in Africa is that oil revenue administration problems loom large. They result in substantial revenues lost to the central budget or, worse, to the public sector altogether. They give rise to a climate of poor governance affecting all government operations, and they are largely responsible for the poor social performance often summarized as the "resource curse".

Revenue administration problems I have encountered in my work on Congo-Brazzaville, Gabon, Chad and Angola include:

- off-budget collection and utilization of substantial revenue streams;
- failure to centralize on-budget revenue streams;
- conflicts of interest of the state oil companies in the collection of revenue;
- improper management of government profit oil, including sale at below-market prices;
- weak cooperation and inadequate circulation of information obtained from companies among government agencies;
- inability of the government to monitor its state oil company and extract reasonable dividends;
- failure to verify oil company declarations on an ongoing basis; and

- ineffective use of the government's rights to conduct cost and fiscal audits (as tax rates become more progressive, the incentives for companies to resort to abusive accounting and transfer pricing are growing!). The IMF's Topical Trust Fund on Managing Natural Resource Wealth (in the establishment of which I was involved) strikes in my view a better balance between "fiscal regime" or tax policy and revenue administration. Each topic constitutes a separate module (there are five modules in total). In fact, the program document assigns 35 percent of the TTF's budget to the revenue administration module and 24 percent to the fiscal regime one (see page 30 of http://www.imf.org/external/np/otm/2010/110110.pdf). This greater weight to revenue administration responded to the priorities of the donors. Based on their in-country experience, they considered improved resource revenue administration as critical to the development process. They were also eager to enlist the IMF's TA to complement the Extractive Industries Transparency Initiative (EITI), which is all about revenue administration. In my view a paper on resource taxation in LICs should pay ample attention to resource revenue administration, even if the issues there are mostly practical and not conceptual. It should identify the most common problems and propose approaches for dealing with them. These might not be first-best, but should be pragmatic, taking into account the political economy realities, and drawing on country examples. The paper should also cover the EITI—unquestionably the most successful initiative in the area of resource revenue management to date—and describe how Fund activities could reinforce its role.		
Name	**Organization**	**Country**
Theodore H Moran Marcus Wallenberg Professor of International Business and Finance Georgetown University / Non-Resident Senior Fellow, Peterson Institute for International Economics	Georgetown University, PIIE	US
COMMENT # 12 – EMAIL AND SUMMARY OF PAPER		
Congratulations on your upcoming work in this area. As you may know, I have written widely on this subject. Attached is a short summary (4 pages) from my latest PIIE volume (2011). Of particular interest is the structure of taxation -- royalties vs. income taxes. Royalties have many disadvantageous features for the host government (see text). Income taxes offer much more positive benefits to host authorities, but require capacity building to monitor transfer-price abuse. The text that is attached does not cover production sharing arrangement, which have all of the drawbacks of royalties in magnified form. You might be interested also in the empirical evidence about ear-marking of resource revenues for the provinces where the mines or wells are located -- sometimes this is a good idea, but often not (see text). Good luck!		

Name	Organization	Country
Jonathan Gant, Policy Advisor	Global Witness	US
COMMENT # 13		

Attached please find a brief composed by Global Witness in response to a call for comment on two Board papers published by the IMF under the Consultation on IMF Natural Resources Work process.

"Global Witness submits this brief in response to a call for comment on two Board papers published by the IMF under the Consultation on IMF Natural Resources Work process. As the Fund develops its next generation of natural resource finance programming, we appreciate the spirit of transparency and public engagement that this process represents. As acknowledged in the introduction to the IMF's Board paper on "Macroeconomic Policy Frameworks," revenues generated by natural resource sectors represent a critical component of economies in resource-rich countries. Global Witness campaigns for better management of natural resources in order to break the link between those resources, corruption and human rights abuses. Central to this work is promoting effective management of natural resource revenues, and it is with this objective in mind that we are submitting these comments. Reviewing the two IMF papers we note the important questions posed regarding the fundamental structure of a country's economic policy and tax structure. Global Witness believes that when promoting good fiscal governance it is important also to focus on fiscal accountability. It is our experience that the ability of governments to collect revenue and construct effective policies can be severely undermined if they do not develop tools to fight corruption in the natural resource sectors. Our research in countries such as Angola, Nigeria and Liberia has shown how considerable natural resource revenue can be lost if basic transparency measures are not adopted." Full document here

Name	Organization	Country
Flavia Milano, Director, Natural Resources and Human Rights	Global Rights	US
COMMENT # 14 – EMAIL		

Thank you for the possibility of this consultation. We are developing a Natural Resources and Human Rights strategy with partners organizations in Mali, Sierra Leon, Liberia, Republic of Congo, Guinea, Burkina Faso, Nigeria, Ghana and Cameroun. From our last regional meeting and field missions it clearly came out natural resources represents and injection of funds for the economy but not necessarily growth for its resource-rich communities.

- IMF could support civil society organizations, international organizations like Global Rights and international initiatives on their efforts to bring transparency through the disclosure of governments' and companies contracts allowing access to information particularly on companies' revenues.

From Global Rights' partners information tax collection system on their countries are not always working.

- IMF could play a decisive role supporting governments on their effort to activate an effective tax collection policy and auditing.

Global Rights notes through several scientific-based reports, resource-rich communities are suffering of severe environmental, social, cultural and economic damages.

- IMF could develop its tax collection policy vigorously promoting taxes collected from extractives activities should contain a clear percentage to be directly affected to local governments of the extractive's buffer communities.

Banks are receiving funds from resource-rich governments which could eventually transfer public revenues from extractive activities free of internal taxes.

- IMF could play an extraordinary role supporting civil society organizations and international organizations on their efforts to transparency asking banks to inform operations from resource-rich governments that exceed a reasonable amount of money.

Global Rights is developing a Resource Allocation Management Strategy analyzing resource-rich countries future funds allocations. Civil society organizations can understand budgeting lines on the areas of their interest and be more proactive on both, budget and finance planning tracking and proposals to address environmental, social, economic and cultural rights impacted by the extractive industries.

- IMF could play a decisive role to promote national budget and finance planning disclosure facilitating revenues and tax collection auditing from the same civil society trained groups. [Original email here]

Name	Organization	Country
Ian Gary, Senior Policy Manager - Extractive Industries	Oxfam America	US

COMMENT # 15 – PAPER

Please find attached an Oxfam submission in relation to the consultation on natural resources work. Thank you for the opportunity for input and please be in touch if you have any questions regarding the submission.

"Oxfam International is pleased to provide these comments to the IMF in response to the consultation organized to collect views on board papers on "Taxation of Natural Resource Rents" and "Natural Resources Wealth Management". Oxfam is a confederation of 15 organizations working together in over 90 countries and with partners and allies around the world to find lasting solutions to poverty and injustice. We work directly with communities and we seek to influence the powerful to ensure that poor people can improve their lives and livelihoods and have a say in decisions that affect them. Many poor countries face a resource curse: while nonrenewable natural resources can generate significant revenues, countries that depend on them can also suffer from higher rates of corruption, social unrest, and human rights violations. Oxfam members have a long history of research, policy and advocacy work and direct support to local communities designed to address the impacts of oil, gas and mining projects and to reform how these industries behave and are regulated at a global level.1 These issues are only growing in importance as companies have made a raft of recent new discoveries in places such as Ghana, Sierra Leone, Liberia, Uganda, Mozambique, Tanzania and Kenya. If managed well, natural resource rents can be used to support investments in essential social services and other priority needs." **Full document here**

Name	Organization	Country
Matthew Genasci, Head, Legal and Economics	Revenue Watch Institute	US

COMMENT # 16 – TWO PAPERS

Please find attached two submissions from the Revenue Watch Institute, on both the Natural Resource Wealth Management and Taxation of Natural Resource Rents consultation papers. We would, of course, be happy to follow up on any aspects of these and look forward to continuing dialogue with the IMF on these important issues.

Name	Organization	Country
Sven Wunder, Principal Economist, PhD, DSc Head, Brazil Office	Center for International Forestry Research (CIFOR)	Brazil

COMMENT # 17 - PAPER

I am taking advantage of your public consultation process to submit a brief set of comments from CIFOR on the Board Paper on natural resources. Due to logistical problems during my recent trip to Panama, I was unable to send off the comments by e-mail on Friday as planned. I hope that by sending them now in the weekend, prior to the beginning of the next working day, you will still be able to take them into account.

Name	Organization	Country
R. Anthony Hodge, Ph.D., P. Eng., President	International Council on Mining and Metals (ICMM)	UK

COMMENT # 18 - PAPER

ICMM greatly appreciates the opportunity to coordinate the participation of some of our member mining companies at the IMF consultation meeting held on April 17, 2012. Following the meeting, the ICMM member companies involved - Anglo American, Barrick, BHP Billiton, Freeport-McMoRan, Newmont, Rio Tinto, Teck and Vale (and later Xstrata) – and IAMGold, thought it would be useful to set down on paper the following principles they believe should be applied in the design of mining tax regimes on a country-by-country basis. **Full paper here**

Name	Organization	Country
Janine Juggins¸ Global Head of Tax	Rio Tinto	UK
COMMENT # 19 - PAPER		
Please find attached Rio Tinto's submission to the IMF consultation on the taxation of natural resources, and I confirm that Rio Tinto has no objections to this submission being posted on the IMF website. You may also have seen today the letter from ICMM, and noted the willingness of the mining companies to continue to engage.		
Name	**Organization**	**Country**
Maria Jose Romero, Task Force on Financial Integrity & Economic Development	EURODAD & LATINDADD	UK, PERU
COMMENT # 20 - PAPER		
The extractive industries generate billions of dollars a year. This has the potential, if used for development purposes, to drive economic and social development in resource-rich countries. However, in many countries endowed with natural resources citizens are poor and the wealth is not distributed in an equitable manner. **Eurodad and Latindadd argue that the principles that should guide a public policy in this area are ones that put the people needs in the first place**. That means national and regional governments need to receive their fare share of taxes from companies operating in the extractive sector. **Transparent, balanced, progressive and environment-friendly tax regimes** as opposed to secret tax deals with individual companies and massive subside to industrial mining activities, are the best way to avoid corruption, tax dodging practices and assure citizens and investors that the rents from EI are being shared fairly. **Full submission here**		
Name	**Organization**	**Country**
Javed Mir		Pakistan
COMMENT # 21 – EMAIL		
This is with reference to IMF and Civil Society E-mail notification dated 30.3.2012 requesting comments and ideas on the best use of natural resources. I am pleased to append herebelow details of legal procedure specifically related to the taxation of oil, natural gas and other mineral resources followed within the territorial limits of Pakistan. Al most all the required definitions have been amply explained and hopefully will help you in extending financial and technical assistance to Pakistan. -- OIL NATURAL GAS AND OTHER MINERAL DEPOSITS This is the Chapter 15 of the the Income Tax Ordinance 2001 and specifies special provisions relating to the taxation of oil, natural gas and other mineral deposits business. The relevant parts of the Ordinance are reproduced below. SPECIAL PROVISIONS RELATING TO THE PRODUCTION OF OIL AND NATURAL GAS, AND EXPLORATION AND EXTRACTION OF OTHER MINERAL DEPOSITS. **Full submission here**		