

## Draft Fiscal Transparency Principles

### IV. Resource Revenue Management

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

**4.1. Legal and Fiscal Regime:** *Natural resources should be governed by a comprehensive legal framework and fiscal regime, with open and transparent procedures for granting rights for their extraction, and clear rules governing resource revenue generation and collection.*

**4.1.1. Legal Framework for Resource Rights:** The legal framework defines rights, obligations, and responsibilities at all stages of resource development.

**4.1.2. Allocation of Resource Rights:** There is an open and competitive process for the allocation of rights to explore for, extract, and trade natural resources.

**4.1.3. Fiscal Regime for Natural Resources:** The fiscal regime for revenue generation from natural resource sectors is defined in scope, comprehensive, and governed by law.

**4.1.4. Assessment and Collection of Resource Revenues:** Assessment and collection of resource revenues is accurate and timely.

**4.2. Fiscal Reporting:** *Governments and resource companies should provide comprehensive, timely, and reliable reports on holdings of natural resource rights, on extraction and trading activities, and on payments and collections of resource revenue.*

**4.2.1. Disclosure of Natural Resource Rights Holdings:** The government maintains and publishes an up-to-date register of all natural resource rights holdings.

**4.2.2. Reporting by Resource Companies:** All resource companies regularly disclose information on their domestic natural resource extraction and trading activities, and domestically domiciled or listed resource companies also disclose information on their worldwide extraction and trading activities.

**4.2.3. Integrity of Resource Revenue Data:** The government regularly publishes its resource revenue collections and reconciles these against payments reported by companies.

**4.3. Fiscal Forecasting and Budgeting:** *Budget documentation should provide a clear statement of the government's resource management objectives, and report on the allocation of resource revenues for public spending and saving.*

**4.3.1. Resource Revenue Management Objectives:** The government states and reports on clear and measurable objectives for resource revenue management.

**4.3.2. Allocation of Resource Revenues:** Allocation of resource revenue for public spending and saving is legally authorized, and is disclosed in the annual budget.

**4.3.3. Natural Resource Funds:** There are clear mechanisms and rules for the establishment and operation of natural resource funds, aligned with international principles of good practice.

**4.4. Fiscal Risk Analysis and Management:** *Governments should disclose, analyze, and manage social, environmental and operational risks associated with natural resource exploitation.*

**4.4.1. Social and Environmental Risk:** The government regularly evaluates, monitors and manages the fiscal risks associated with the social and environmental impact of natural resource exploitation.

**4.4.2. Operational Risks:** The government regularly reports on the status of resource extraction projects and any risks to resource-related fiscal revenues.

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

#	DIMENSION	PRINCIPLE	PRACTICES		
			BASIC	GOOD	ADVANCED
<b>4</b>	<b>Resource Revenue Management</b>	<b>Natural resource revenues should be collected, managed, and disbursed in an open, transparent, and sustainable manner.</b>			
<b>4.1</b>	<b>Legal and Fiscal Regime</b>	<b><i>Natural resources should be governed by a comprehensive legal framework and fiscal regime, with open and transparent procedures for granting rights for their extraction, and clear rules governing resource revenue generation and collection.</i></b>			
4.1.1	Legal Framework for Resource Rights	The legal framework defines rights, obligations, and responsibilities at all stages of resource development.	The legal framework defines rights, obligations and responsibilities for exploration, development, production and sale of natural resources. All relevant laws are published.	The legal framework defines rights, obligations, and responsibilities for exploration, development, production and sale of natural resources. All relevant laws and regulations are published.	The legal framework defines rights, obligations and responsibilities for exploration, development, production and sale of natural resources. All relevant laws, regulations, and model licenses or contracts are published.

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

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

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

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

#	DIMENSION	PRINCIPLE	PRACTICES		
			BASIC	GOOD	ADVANCED
4.3.3	Natural Resource Funds	There are clear mechanisms and rules for the establishment and operation of natural resource funds, aligned with international principles of good practice.	Rules for the establishment and operation of natural resource funds are publicly specified. There is annual reporting on the inflows, assets, and withdrawals of natural resource funds.	Rules for the establishment and operation of natural resource funds are publicly specified. There is annual reporting on the inflows, assets, and withdrawals and investment performance, in line with international standards.	Rules for the establishment and operation of natural resource funds are publicly specified. There is a statement of the government's investment objectives for the natural resource fund and annual reporting on the inflows, assets, and withdrawals and investment performance, with independent auditing in line with international standards.
<b>4.4</b>	<b><i>Fiscal Risk Analysis and Management</i></b>	<b><i>Governments should disclose, analyze, and manage social, environmental and operational risks associated with natural resource exploitation.</i></b>			



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

## Glossary

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