



NATURAL RESOURCE TAXATION IN THE ANDEAN REGION

A forum on the design, implementation and evaluation of fiscal regimes for extractive industries

The Andean region is endowed with large quantities of mineral and petroleum resources. Bolivia, Colombia, Ecuador, and Peru have had thriving resource sectors for many years, with exports from extractive industries (EI) accounting for approximately two thirds of total exports, on average, during the past five years. Similarly, EI revenue represents an important share of total government revenue in the region¹. Going forward, the large flows of foreign and domestic investment into the sector in recent years, coupled with technological advancements to extract and use unconventional resources, such as shale gas and rare minerals, suggest that the EI will continue to be a driving force of economic growth in the region.

Realizing the revenue potential of EI is a challenge faced by resource-rich countries. The prospect of substantial rents—returns in excess of the minimum required by the investor, arising from relative fixity of supply of the underlying resource—makes the EI especially attractive as a potential source of revenue. Before the revenue potential can be realized, however, resource-rich countries, and in particular developing ones, often need to provide private investors or state owned companies with an adequate incentive to explore, develop, and produce. In addition, an efficient administration of the fiscal regime, including clear rules, well allocated responsibilities, and adequate institutional capacity, is also vital. The central question then is: how to structure and administer a fiscal regime for EI that allows government to retain a reasonable share of the revenue, while at the same time remains attractive to private investors?

The aim of the conference is threefold. Firstly, the conference will provide a forum for participating countries to exchange views and experiences on the challenges and macroeconomic considerations they face in evaluating and administering their fiscal regimes for EI. Secondly, international experts will discuss economic principles and other considerations for the design, implementation, and evaluation of fiscal regimes for EI². Finally, the conference will serve as an opportunity for finance and tax officials from member countries to learn about the technical assistance offered by the IMF on tax policy and tax administration for EI.

The conference will be held on March 3-5, 2014 in Lima, Peru. This is a project of the Fiscal Affairs Department under the IMF Topical Trust Fund on Managing Natural Resource Wealth

¹ Petroleum revenue in Bolivia and Ecuador accounted for 34 and 31 percent of government revenue respectively in 2011. In Peru, mining and petroleum revenue contributed to 18 percent of government revenue in 2012; while in Colombia the share of revenue from mining and petroleum was 13 percent in 2011.

² Some of the topics covered include resource rent taxation, state participation, international taxation issues, transfer pricing, economic evaluation of EI fiscal regimes, tax administration, and compliance issues.

IMF Managing Natural Resource Wealth Topical Trust Fund is financed by

The European Union



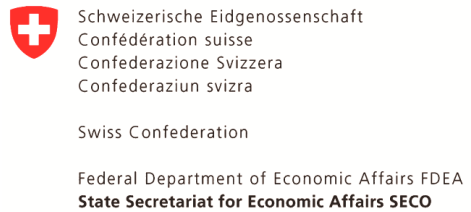
Norway



Australia



Switzerland

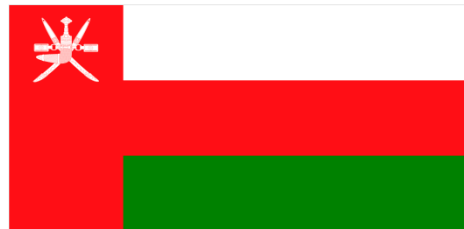


The Netherlands



Ministry of Foreign Affairs of the Netherlands

Oman



Kuwait

