

## Revenue Watch Index Questionnaire 2012

# Guide for Researchers

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### I. Introduction and Overview

The Revenue Watch Index is intended to serve as a tool for measuring transparency across a diverse range of countries with considerable oil, gas and/or mineral reserves. The Index aims to provide useful information to help civil society demand higher standards of transparency and accountability in the extractive sector as well as to guide policymakers with specific recommendations for responding to such demands. The research process will also raise awareness among civil society actors in resource-rich countries regarding relevant legal, political, and administrative issues related to resource revenue management, and will identify entry points for advocacy.

This Guide provides further information on the indicators that compose the index and defines the terms used in this project. It is meant to orient researchers and peer reviewers on how to score each question to best reflect the existing practices in the countries under review. In addition, the Guide identifies the sources that have informed each indicator.

The structure of the guide follows the questionnaire and is a working reference for researchers and peer-reviewers, as well as a training tool on the Index methodology and its framework of indicators. In this Guide we provide definitions of terms and concepts used in the questionnaire to improve comparability.

The questionnaire begins with a section on the demographics and context of each country. Tables 1 and 2 then assess the public availability of key documents required for resource revenue transparency. (None of the questions in this initial section will contribute to a country's transparency score.) Next, there are 71 questions that focus on key indicators for resource revenue transparency across seven different categories, 12 of these questions are composed of clusters of sub-indicators and 16 questions deal with information about the institutional context (which will not be included in the final score). Country scores will be determined by aggregating indicators' scores as explained in a companion methodological note. The Revenue Watch Index is divided in three main categories: (1) Access to Resources, (2) Revenue Generation and Collection and (3) Revenue Management (alternative mechanisms). The third category contains three sub-categories: (3.1) State-Owned Company (SOC) Operations, (3.2) Special Resource Funds and (3.3) Sub-national Transfers.

#### **Defining resource revenue transparency**

For the international campaigns that promote transparency in the extractive industries, resource revenue transparency typically refers to the disclosure of data about payments and revenue by companies and governments. In particular, the Extractive Industries Transparency Initiative (EITI) and the Publish What You Pay (PWYP) campaigns promote this definition of resource revenue transparency. Publishing information about payments allows public attention to concentrate on a specific and concrete indicator of good governance. In addition, providing information to the public about the government's activities in the extractive sector helps foster informed debate and promotes accountability. However, there are other practices that also have an influence on transparency. For instance, the IMF has defined resource revenue transparency as a set of institutional practices and policies that support disclosure of information, reduce conflict of interest, limit discretionary powers or avoid opportunities for corruption.

Following these initiatives and IMF standards, our definition of revenue transparency has two components – (i) the public availability of information and (ii) the legal framework and practice in which disclosure takes place.

The first component refers to whether governments (and state-owned companies, if applicable) publish key information on the extractive sector, as well as the level of detail and comprehensiveness of this information. We have identified a set of documents that we consider to be essential for resource revenue transparency, discussed in further detail below.

The second component refers to the laws, regulations and institutional practice that delineate roles and responsibilities in the extractive sector and provide assurances of integrity. Ideally, to minimize conflicts of interest, there should be different agencies in charge of operating, regulating and overseeing the extractive sector and clearly defined relationships between the government, state-owned companies and international or national private companies. Assurances of integrity are provided via contracting or licensing mechanisms that limit opportunities for discretion, well-defined internal control mechanisms, and institutional checks and balances. The latter category includes the existence of a strong external audit function, as well as opportunities for public and legislative oversight.

## II. Demographic and Contextual Information<sup>1</sup>

The questionnaire begins with a short set of questions meant to gather relevant demographic and contextual information. The responses to these questions will not affect a country's score on the *Revenue Watch Index*. The World Bank World Development Indicators<sup>2</sup> and the United Nations Development Program (UNDP)<sup>3</sup> are useful sources for the information required in this section. Researchers should present data from the most recent year available.

### Primary resource

Researchers will receive instructions to concentrate on one extractive activity (oil, natural gas, or minerals). In the case where a country produces multiple resources, RWI will identify the primary resource for this research, based on its contribution to fiscal revenue, GDP and export earnings. BP Statistical Review of World Energy<sup>4</sup> and the U.S. Energy Information Agency (EIA)<sup>5</sup> provide useful data to determine production of oil and gas. Databases on mining represent a greater challenge. A good starting point for country reports is the website of the US Geological Service,<sup>6</sup> the British Geological Survey<sup>7</sup> and the Geological Survey of Canada.<sup>8</sup>

### Economic data on extractive industries

The IMF uses these indicators to define “resource-dependent” countries as those with at least 25% of their fiscal revenue, GDP or export earnings coming from non-renewable resources. IMF reports (particularly Article IV reports) and

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<sup>1</sup> For the Revenue Watch Index in 2012, the index project management will provide information for this section. Researchers are not expected to collect this data.

<sup>2</sup> See: <http://data.worldbank.org/>

<sup>3</sup> See: <http://hdr.undp.org/en/statistics/>

<sup>4</sup> See: <http://www.bp.com/productlanding.do?categoryId=6929&contentId=7044622>

<sup>5</sup> See: <http://www.eia.doe.gov/>

<sup>6</sup> See: <http://minerals.usgs.gov/minerals/pubs/>

<sup>7</sup> See: <http://www.bgs.ac.uk/home.html>

<sup>8</sup> See: [http://gsc.nrcan.gc.ca/index\\_e.php](http://gsc.nrcan.gc.ca/index_e.php)

World Bank reports and databases are useful sources for this information. The World Gold Council<sup>9</sup> has detailed datasets available for free download, which serve as a good source of information on reserves. Researchers should indicate the data source and present data from the most recent year available.

### **Fiscal regime**

Researchers should choose one of three options for the dominant fiscal regime. According to the literature reviewed, there are two main types of fiscal regime, though some governments employ a mix or all of them. Under *Concession or Royalty/Tax systems*, the government grants a company the right to hydrocarbons or minerals within a fixed area for a specified amount of time. The concession, production and sale of hydrocarbons are then subject to rentals, royalties, bonuses and taxes. Companies usually take title of production minus royalty at the wellhead. Concession agreements can take different titles,<sup>10</sup> including:

- Mining Concessions
- Exploration and Production or Exploration and Exploitation Agreements
- License Agreements
- Mineral Development Agreements

The second type of fiscal regime is based on *Production Sharing Contracts (PSC)*, which refers to agreements where the contractor bears exploration costs and risks for development and production, in exchange for a share of resulting production, usually under PSC title to hydrocarbons transfer at export point. Finally, some governments employ *Service Agreements*, which are basically a form of PSC where contractors undertake development or production work for remuneration in cash rather than in kind. Their remuneration may be based on a flat fee or a share of profits.

The fiscal regime is often defined in a country's governing resource legislation. The World Law Guide<sup>11</sup> is a useful clearinghouse for downloading country legislation (Constitution and resource laws).

### **Legal definition of ownership of underground resources**

Resource legislation may define ownership as either (1) national ownership; (2) sub-national ownership and/or (3) private ownership. Ownership is defined by what authority has power to grant mineral or hydrocarbon rights, and whether these powers are vested in the national government or sub-national governments. It is expected that only in the case of the US private owners will have full ownership rights over underground resources. One objective of this question is to identify whether the mineral regime is centralized or decentralized. However, this should not be confused with whether sub-national governments receive transfers from mineral taxes collected by a national agency.

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<sup>9</sup> <http://www.research.gold.org/>

<sup>10</sup> Rosenblum and Maples, *Contracts Confidential: Ending Secret Deals in the Extractive Industries*, 2009, available at: <http://www.revenuewatch.org/news/publications/contracts-confidential-ending-secret-deals-extractive-industries>

<sup>11</sup> See: <http://www.lexadin.nl/wlg/legis/nofr/legis.php>

### III. Key Documents<sup>12</sup>

Tables 1 and 2 ask researchers to provide information about the public availability of a set of key documents, which we consider necessary for resource revenue transparency. (See the box on the following page for a detailed description of what constitutes “publicly available” information.) This list is based on previous efforts to measure revenue transparency as well as on relevant literature. Although most of our sources recommend indicators and data that countries should make available to the public, this does not necessarily mean that production of these documents is explicitly recommended. However, RWI has found in its own research that countries with the best transparency practices tend to publish most, if not all, of the following documents, which include indicators and data widely regarded as essential for revenue transparency.

For the index research in 2012, the RWI will use Indaba, an on-line survey program developed by Global Integrity.<sup>13</sup> Due to differences in formatting between the survey in Indaba and the original index questionnaire, tables 1 and 2 are not included in the online survey. Researchers are asked to identify what documents are produced and what information is provided to the public about the government’s management of mineral resources as evidence support for relevant questions. It is important that researchers identify what agency or ministry is in charge of producing and/or publishing these documents in the space provided by Indaba for documentary sources. Researchers should refer to the most recently published versions of each document.

#### ***“Publicly Available” Information***

Using a standard similar to the International Budget Partnership (IBP)’s Open Budget Index, **we define publicly available information as information that any and all citizens might be able to obtain easily through official sources of information or simple requests to the public authority.** If the researcher obtains a document through means that would not be available to the average citizen, then that document ***should not*** be used as evidence of availability of public information.

Documents or databases made available on the Internet (even if they are only available on the Internet) should be considered as publicly available for purposes of responding to the questionnaire. However, a document that is available only through subscription to a specialized bulletin or publication issued by the executive should be considered as not available to the public, unless this bulletin is easily accessible to the general public either free of charge, through the payment of a minimal subscription fee, or through sources such as public libraries.

If a document is not available from the authority that issues the document it should not be considered as publicly available. For example, documents that the executive provides to the legislature, but which are not available to the general public through a request to the executive, should be considered as not available to the public. However, if the legislature discloses information received from the executive, for example annual reports or information on contracts, this information could be considered as publicly available.

In the case where multiple documents are produced for a certain category, researchers should clearly identify the various agencies in charge of publishing the document. Numbering within each category may be useful. Key documents are described in further detail below.

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<sup>12</sup> The RWI index will use Indaba, an on-line survey tool developed by Global Integrity, to conduct research during 2012. Due to formatting differences between the original questionnaire and Indaba, researchers will not be asked to complete tables 1 and 2, but instead are required to provide the relevant information in the space provide by Indaba as “sources” of information.

<sup>13</sup> See details here: <http://getindaba.org/>

## Contracts

We use the term “contracts” to signify agreements between a State (or any of the authorized agencies acting on its behalf) and resource companies that regulate access to mineral resources. We do not include procurement contracts for goods and services used in resource companies’ operations.

A recent RWI publication notes that a typical extractive project has “forty or more contracts uniting fifteen parties in a vertical chain from input supplier to output purchaser.”<sup>14</sup> Among this large number of contracts, there is usually a “primary” contract between the state or state-owned company and the investor that governs the other contracts. For public access, it is this “primary” contract that is the most important (or contracts, in the case of multiple operating companies). It may be fairly short, leaving the allocation of roles, rights, responsibilities, and risk allocation to that which has been stated in the law. Or, it may be very lengthy, addressing all of these issues.

The IMF Guide on Resource Revenue Transparency identifies several types of contracts, which may follow different licensing or negotiating procedures. In order to avoid judging the licensing process or the regime for access to resources, we focus on the resulting agreement that regulates access to resources and establishes the terms for exploration, development, production and division of costs and profits. In general, we are concerned with whether Production Sharing Contracts, Concession agreements, Service Agreements, and licensing agreements are disclosed to the public. Since licenses are not the same as contracts, researchers should specify in the comment section what type of instrument they have identified.

In Table 1, researchers should indicate how many contracts they could identify as published (in the case of multiple operating companies) and where they can be found. If available, researchers should also provide links to official websites where contracts are published.

## Environmental and social impact reports

Although there have been some initiatives to standardize requirements for environmental and social reports for resource companies, this is an area still driven mostly by local regulations. Among the international initiatives to define rules for environmental and social impact assessment, there are two that stand out. The World Bank Group’s International Finance Corporation (IFC) Performance Standards and the Global Reporting Initiative (GRI) have taken the lead in developing indicators and standards for companies to report on their economic, social and environmental impact. In this section, we want to know whether the Government requires companies to report information regarding environmental and social impact studies to the public, and the timing of such reporting.

The IFC Performance Standards relevant for this topic can be found in paragraphs 21 through 26.<sup>15</sup> The IFC standards require client companies to prepare a management program that addresses environmental and social risks/impacts through the life of the project, as well as an Action Plan that outlines project-specific mitigation measures. Consultation is required for any project that might have adverse impacts - the process must be informed by prior disclosure of adequate information, and is encouraged early in the environmental and social impact assessment (ESIA). The IFC encourages the client companies to disclose ESIA documents early in the project preparation, but it’s required before any construction begins. Internally, IFC discloses a copy (or links to one) no later than 60 days before Board approval for Category A projects, which most extractive projects are (see IFC Disclosure Policy 13a). Client companies must disclose

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<sup>14</sup> Rosenblum and Maples (2009).

<sup>15</sup> IFC Performance Standards are available here:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_PS1/\\$FILE/PS\\_1\\_SocEnvAssessme ntMgmt.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_PS1/$FILE/PS_1_SocEnvAssessme ntMgmt.pdf)

the Action Plan (the document containing mitigation measures for impacts). They also must prepare ongoing reports on environmental/social performance and make these publicly available to communities on at least an annual basis.

For its part, the GRI has a Society Indicator Protocol SO1,<sup>16</sup> which assesses the percentage of operations with implemented local community engagement, impact assessments, and development programs. The assessment for this indicator can make use of a variety of EIA/SIA documents, public disclosure of them, and stakeholder engagement and consultation processes. It doesn't have any specific guidance for when reports should be prepared or disclosed. In addition, the GRI has a mining supplement that adds details to indicator SO1.<sup>17</sup> The mining supplement include indicators on whether there are programs in place for assessing the impacts of operations on local communities prior to entering the community, while operating in the community, and while making decisions to exit the community. The GRI Reporting Guidelines<sup>18</sup> also requires comparability of reports, which means the requirement that reports should be consistent so that stakeholders can identify changes in performance over time, and the test for this is a year-to-year reporting.

Finally, both the IFC Performance Standards and GRI on environmental and social impact assessment processes include requirements to establish grievance mechanisms (the IFC requires them and GRI reports on it if they exist) and both require monitoring for environmental and social impacts once projects are implemented.

### **Petroleum, Gas and Mining Statistical Reports**

A number of countries targeted for the Index publish reports with statistical information on the extractive sector. These reports vary from country to country - some are annual and others are updated periodically. These reports may be published as printed reports or databases that are constantly updated on line.

In general, statistical reports are produced and published by the Ministry of the extractive sector, statistical agencies, and regulatory agencies or by the state-owned company. (Note that regulatory agencies may be independent governmental agencies or agencies operating within the Ministry of the sector. Regulatory agencies are usually in charge of promoting exploration and production activities, conducting licensing rounds or monitoring compliance with regulation. For instance, in Norway the Norwegian Petroleum Directorate is the regulatory agency; in Ghana there is the Minerals Commission.) This practice can vary from country to country and sometimes different agencies publish their own statistics. Such statistical reports or databases do not typically include narrative descriptions of activities undertaken by Ministries or Agencies, but rather relevant statistics on the extractive industries operations.

### **Annual and In-Year Reports**

In many countries Ministries and governmental agencies publish annual reports describing their activities and operations. In this study, we are concerned with reports published by ministries and agencies regulating, managing, overseeing or operating the extractive industry. These reports provide crucial information on the sector to the citizens, although they may vary depending on the agency publishing them. The most relevant agencies are the Ministry of the extractive sector, the Ministry of Finance and the extractive sector regulator.

In some countries the Central Bank occupies a crucial role as repository for the accounts where the resource companies deposit government payments. Even if the Bank is not in charge of those accounts, usually it acts as repository of

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<sup>16</sup> GRI Society Indicator Protocol: <http://www.globalreporting.org/NR/rdonlyres/5D281F1A-6A10-46D8-A5E5-16B070F82E7E/0/G31SocietyIndicatorProtocol.pdf>

<sup>17</sup> GRI Mining Supplement: <http://www.globalreporting.org/NR/rdonlyres/5D281F1A-6A10-46D8-A5E5-16B070F82E7E/0/G31SocietyIndicatorProtocol.pdf>

<sup>18</sup> GRI Reporting Guidelines p. 14, available here: <http://www.globalreporting.org/NR/rdonlyres/7F0A167E-9397-48DA-AC86-C5082E2CACA4/0/G31GuidelinesSeperateSection.pdf>

currency reserves which allows for a role in keeping record of export earnings. For that reason, the Central Bank should also publish reports on its activities regarding the extractive industry. In addition, state-owned companies often publish reports comprising a narrative description of the company's activities along with information on the financial standing and operations of the company. Sometimes these reports are required by regulators. Finally, government agencies and companies also sometimes publish quarterly or monthly reports about their operations which we refer to as In-Year Reports. In these sections of tables 1 and 2, we require researchers to consider the most recent report published or available, and note the date of its publication and period of coverage. We would expect that timely annual reports covering 2008 and in-year reports for the first half of 2009 are published at the time of this research.

### **EITI Reports**

EITI Reports vary from country to country. The standard EITI process requires that a multi-stakeholder commission be created with authority to decide on the scope and content of the reports. The periodicity of EITI reports also varies from country to country. Researchers should consider the most recently published EITI report, note the date of its publication and period of coverage and indicate whether there are past reports published.

### **Auditor's Reports**

This refers to an annual report issued by the Supreme Audit Institution (SAI) attesting to the government agencies' year-end final accounts.<sup>19</sup> Alternatively, this can also refer to reports from internal or external audit agencies that provide audited financial statements for the SOC or other agencies managing resource revenue. In some cases the internal revenue agency may play this role. For example, in South Africa mining revenue flows directly to the internal revenue agency and then the budget, which poses a challenge since mineral revenue receives no separate accounting. The objective of this query is to identify here current practices on auditing resource revenues and publishing auditors' reports in countries under research.<sup>20</sup>

## **IV. Indicators for Resource Revenue Transparency – Country Index**

This section of the Guide provides a detailed description of the indicators that will be used to determine each country's resource revenue transparency score on the Index. For each question, researchers should choose among multiple answer choices. Some questions have five answer choices (a, b, c, d, or e) whereas others have only three (a, b, or c). Researchers should select the answer choice that seems most applicable and then provide a citation (reference to the relevant key document and/or an interview or exchange with the relevant government official or local expert). Researchers should also provide any additional information which may be relevant in the "Comment" section.

Each question includes a "not applicable/other" option. This option should only be used in cases where the question does not apply at all to the country in question. For instance, "not applicable/other" would apply to questions about Special Resource Funds or State-Owned Companies in a country that has neither. In all cases where the researcher selects the "not applicable/other" answer choice, s/he should provide an explanation of why this option was chosen in the "Comment" section, including cases where researchers are unable to find the information or are not qualified to answer the question.

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<sup>19</sup> For detailed standards on the reports that SAIs should produce, refer to the Lima Declaration of Guidelines on Auditing Precepts developed by the International Organization of Supreme Audit Institutions (INTOSAI). For more information see [http://www.intosai.org/en/portal/documents/intosai/general/lima\\_declaration/](http://www.intosai.org/en/portal/documents/intosai/general/lima_declaration/)

<sup>20</sup> In some countries such as South Africa mining revenue flow directly to the budget, because it is captured via corporate income taxes there is not separate accounting for them. In this case, the Internal Revenue Agency decides on auditing and audit publishing practices.

As noted in Section III on the Key Documents, researchers should privilege documents that are **publicly available** in completing the questionnaire. If one or more of the key documents has been attained through special means (that would not be available to the general public) this should be noted in the space for sources and comments.

**Each question is colored according to how the questions changed between 2010 and 2012. Changes between RWI 2010 and RWI 2012:**

**New question**

**Question and/or criteria expanded**

**Question and/or criteria reworded**

**No change**

**The order of the indicators below is aligned with the RWI 2012 questionnaire – the number of each indicator from the RWI 2010 guide is in parentheses before each question. If the RWI 2010 number says “expanded” after it, these are the ones where indicators were split into multiple questions.**

## **Category 1. Access to Resources**

### **1.1 Context**

#### **1. Does the country have a clear legal definition of ownership of mineral resources?**

The IMF Guide on Resource Revenue Transparency states as its first principle on clarity of roles and responsibilities that “the government’s ownership of resources in the ground should be clearly established in law and the power to grant rights to explore, produce, and sell these resources should be well established in laws, regulations, and procedures that cover all stages of resource development.”<sup>21</sup> The majority of countries have state ownership of underground resources, with Constitutions often identifying the ultimate owner as the “nation,” but there are some exceptions. This question is trying to identify those. The legal definition of ownership is also important because that is the principle to reconcile the interests and claims of different stakeholders, such as governments, companies, owners of surface lands, and communities affected by extractive projects. See section II above for more information on ownership of mineral resources.

#### **2. Who has authority to grant hydrocarbon and mineral rights or licenses?**

National legislation should define which government agency has the authority to grant mineral or hydrocarbon rights. Government agencies implement ownership rights of the sovereign state and the legal framework should clearly establish what agency, political entity or official has authority over these matters.<sup>22</sup> The majority of countries have created specialized technical agencies with authority to open lands for exploration and conduct the process to obtain a license to explore, produce and often sell hydrocarbon and minerals. The specific government agency in charge of this process is often different from country to country. This question tries to identify each country’s practice.

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<sup>21</sup> See IMF Guide of Resource Revenue Transparency, “Clarity of Roles and Responsibilities,” paragraph 21.

<sup>22</sup> See IMF Guide of Resource Revenue Transparency, “Clarity of Roles and Responsibilities,” paragraph 23.



### 3. What licensing practices does the government commonly follow?

The IMF Guide states that “clarity and openness of licensing procedures are fundamental to achieving transparency during subsequent stages of development.”<sup>23</sup> Licensing practices vary from country to country though. The most common licensing practices involve auctions or direct negotiations, but within these two categories there is variety too.

### 4. What is the fiscal system for mineral resources?

Researchers should identify the dominant fiscal regime. The main types of fiscal regime are explained above in the Context section. The fiscal regime is often defined in a country’s governing resource legislation. The World Law Guide<sup>24</sup> is a useful clearinghouse for downloading country legislation (Constitution and resource laws). The fiscal regime is important because it is the basis for taxation or profit sharing with resource companies, and the government should present clear and comprehensive information about it to the public.<sup>25</sup> See section II above for more information on the fiscal system for mineral resources.

### 5. What agency has authority to regulate the hydrocarbon and mineral sector? (Regulation meaning authority to monitor compliance with the operational aspects of laws and contracts, including the approval of development plans, and review of company reports)?

Legislation should specify what agency has authority to regulate the hydrocarbon and mineral sector. Researchers should limit their answer here to regulation aspects such as compliance with contracts and fiscal obligations, as well as to implementation of investment commitments or work plans. The answer choices do not cover labor or environmental regulation.

#### 1.2. Disclosure

### 6. Does the government publish information on the licensing process?

#### 6.a (3-expanded) What information does the government publish on the licensing process before negotiations?

The licensing process varies from country to country, which may affect how information on the process is transmitted. In systems based on auctions or direct negotiation, there may be public distribution of information on licensing procedures and contracts, including information on invitations to tender and on the award of contracts, allowing potential bidders sufficient time to prepare and submit their proposals. (This latter provision is recommended by the UN Convention against Corruption, Article 9.) Sometimes governments have no auctions but conduct direct negotiations, often on a first-come-first-served basis. In such cases publication of results or a report on licensing activities is required for a “Yes” answer.

Researchers should indicate in the “Comments” whether the government conducts regular licensing rounds, negotiates directly or has a mix of both.

#### 6.b (3-expanded) What information does the government publish on the licensing process after negotiations?

See question 6.a.

### 7. (2) Are all contracts, agreements or negotiated terms for exploration and production, regardless of the way they are granted, disclosed to the public?

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<sup>23</sup> See IMF Guide of Resource Revenue Transparency, “Clarity of Roles and Responsibilities,” paragraphs 25-29.

<sup>24</sup> See: <http://www.lexadin.nl/wlg/legis/nofr/legis.php>

<sup>25</sup> See IMF Guide of Resource Revenue Transparency, “Fiscal Regime,” paragraphs 31-37.

As noted above, a typical extractive project has a large number of contracts, among which there is usually a “primary” contract between the state or state-owned company and the investor that governs the other contracts. This is the contract that should be referenced here. In addition, it may be the case in some countries that multiple companies are operating in the sector. In this case, researchers should choose the most recent or significant contract to answer this and other questions related to contracts. In the “Comment” section, researchers should explain if there are other companies active in the sector whose contracts are publicly available.

In some countries, governments only publish the main negotiated terms or winning bids. As noted above, some stock exchanges require the disclosure of much information that is included in contracts and other information often considered sensitive, though not contracts generally. Such cases earn a lower score than publication of the actual contract (or contracts).

In the “Sources” section researchers should include an example of contract or links to websites that publish contracts or information on the main negotiated terms.

## **8. Environmental and social impact assessments**

### **8.a (4-expanded) Does legislation require that mining, gas and oil development projects prepare an environmental impact assessment prior to the award of any mineral rights or project implementation?**

The IMF Guide mentions that environmental concerns are being built into general and industry-specific legislation as well as individual contracts.<sup>26</sup> It also mentions the need to clearly specify the party responsible for environmental costs. The issue of consultation has arisen through the eruption of social conflicts and often violence in the communities surrounding mining projects. Additionally, the Global Reporting Initiative<sup>27</sup> has produced reporting guidelines for the mining, oil and gas sectors, which put the burden of reporting on environmental and social practices on resource companies. Although a definition of ‘best practices’ is still evolving, this research seeks to identify at four elements: (1) whether legislation requires elaboration of environmental and social reports, (2) whether these are produced and published, (3) are available for review and (4) are used for consultations. Further research is still required to establish the practice in countries, so researchers should explain their answers in the “Comment” section. See section III above for more details on environmental and social impact assessments.

### **8.b (4-expanded) Are environmental impact assessments for oil, gas and mining projects published by the authority in charge of regulating the sector and is there a consultation process?**

See question 8.a.

### **8.c (4-expanded) Does legislation require that mining, gas and oil development projects prepare a social impact assessment?**

See question 8.a.

### **8.d (4-expanded) Are social impact assessments for oil, gas and mining projects published and is there a consultation process?**

See question 8.a.

## **9. (26) Does the government publish detailed mineral/hydrocarbon resource legislation?**

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<sup>26</sup> See IMF Guide of Resource Revenue Transparency, “Environmental and Site Abandonment Issues,” paragraphs 63-64.

<sup>27</sup> See Global Reporting Initiative at: <http://www.globalreporting.org/ReportingFramework/SectorSupplements/>

In most countries there are a number of laws and regulations that affect the resource sector. Often, the Constitution will include some basic provisions regarding ownership of resources, and may also include provisions for sharing resource revenue across different levels of government (as in Nigeria). Most resource-rich countries also have specific resource legislation (e.g. Sierra Leone’s Diamond Cutting and Polishing Act). The next level of detail is provided in resource-specific regulations (e.g. Sierra Leone’s Mines and Minerals Regulations). Researchers should list the relevant laws and regulations in the “Sources” section and note if any are not available to the public in the “Comment” section.

According to several sources, transparency of taxpayer obligations and liabilities is crucial for an efficient tax system and it also reduces opportunities for discretion.<sup>28</sup> In the context of resource taxation, key principles and fiscal terms and provisions include the authority and rules to award licenses or contracts. In addition, several countries state in their resource legislation details of extractive companies’ obligations in terms of royalties, special taxes, and income tax, as well as any exemptions or special rules for depreciation. Sometimes it also contains provisions for assessing revenue – whether it is measured at the wellhead, point of export, or some point in the pipeline. The level of detail that would earn the highest score in this question is when the legislation contains detailed and clear principles and rules to assess the companies’ fiscal obligations.

**10. (1) This country has adopted a rule or legislation that provides for disclosure of information in the oil, gas and mineral sectors.**

This question is meant to capture the extent to which legal provisions encourage transparency in the extractive sector. Our research has found that Freedom of Information laws tend to provide the strongest guarantees of transparency in the extractives sector, though they are not always observed in practice. In some countries, Freedom of Information Acts have led to the publication of contracts, e.g. in Ecuador.

Contract disclosure is not directly addressed in most host country mineral and hydrocarbon laws.<sup>29</sup> In general, the most significant home country laws bearing on investor disclosure are securities laws and regulations. Many stock exchanges require disclosure, in various forms, of “material contracts” or “material transactions.” (Stock exchange listing requirements can often be found on the website of the stock exchange.) Although the contract itself is rarely required to be made publicly available pursuant to securities regulations, the major terms must be disclosed. In other cases, the Executive may decide to issue a decree to require disclosure of information from companies working in the extractive industries.

Any relevant legislation should be specified in the “Sources” section; details on how it is observed in practice should be provided in the “Comment” section. A higher score in this question will be awarded to countries that have the most extensive provisions for disclosure.

**1.3. Legal Framework and Practices**

**11. (5) Is the authority in charge of awarding licenses or contracts for mineral or hydrocarbon production independent of the state-owned company (SOC) or other operating companies?**

The IMF Guide insists on clear division of roles and responsibilities, stating that “the legal framework should define which political entity and official has authority to grant mineral or hydrocarbon rights and regulate their use.”<sup>30</sup> In a

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<sup>28</sup> See paragraph 123 of the IMF Guide, PEFA PFM High-Level Performance Indicator PI-13,

<sup>29</sup> Rosenblum and Maples (2009).

<sup>30</sup> See paragraph 23.

recent trend, institutional reform has privileged the idea of separating regulatory agencies with authority to award licenses and contracts from operating companies, which are limited to a commercial role. This has happened for instance in Brazil, Colombia and Indonesia. This question seeks to identify which countries follow this institutional arrangement. Researchers should provide additional explanation in the “Comment” section if the institutional setting is not fully captured by the answer options.

**12. (6) Is the licensing process intended to be open and competitive to all qualified companies?**

Regardless of the licensing process followed, this question aims to assess the degree of competition allowed in the sector. Several sources stress the importance of competition as a mechanism for government to maximize the value of resources and the integrity of resource rights and contracts. The same rule applies for instance to procurement. PEFA PFM High-Level Performance Indicator PI-19 mentions open competition for award of contract as means to ensure value for money and controls in procurement.

Sometimes, governments may limit participation on legitimate bases. For instance, the UN Convention against Corruption, article 9, mentions threshold values for applications and publication in advance of conditions for participation, including selection and award criteria and tendering rules. Researchers should identify such practices in the “Comment” section if they exist.

The answer options provided here reflect different practices and common limits to competition. Researchers should provide additional explanation in the “Comments” section for their answer choice. Researchers should also include evidence, if they find news reports for instance, about cases of corruption or other practices that hamper competition.

**13. (7) Does the licensing process or legislation impose limits to discretionary powers of the authority in charge of awarding licenses or contracts?**

Discretionary powers are an opportunity for corruption and opacity. For this reason the IMF Guide recommends that licensing rules should avoid excessive complexity and opportunities for official discretion. The IMF Guide also recommends standard agreements with few variable bidding terms as a way to reduce official discretion. Similarly, the existence of fiscal stability clauses “can be administratively cumbersome and limit tax policy flexibility [as well as] impair the legislature’s normal authority to pass fiscal legislation.” In some cases, there may be arguments in favor of stability clauses, e.g. “they may be necessary in high-risk environments and may increase the overall government take if they reduce investor risk premium.” However, from a transparency perspective, the power to agree to stabilization clauses constitutes a discretionary power, and thus counts negatively in the context of this question.

This question aims at identifying whether there are limits or checks on official discretion. Such limits are typically laid out in the country resource legislation. The researcher should explain the relevant restrictions in the “Comment” section. The objective is to find evidence on whether governments grant particular companies or projects preferential tax rates, the practice cited in the scoring criteria are some of the most common discretionary decisions that impair the level playing field and are a potential source of corruption.

The researcher should also include in the “Comment” section whether there is evidence that legislation is not implemented in practice. For example, news reports or other evidence that shows cases where the authority exercises discretionary powers to award licenses or contracts or when governments grant preferential tax rates should be provided.

**14. (8) Does the legislative branch have an oversight role in the management of the oil, gas and mining sector?**

Legislative ratification of contracts is standard in several resource-rich countries. The IMF Guide mentions this practice in the context of clearly defining clarity of roles and responsibilities for authorities with powers to award licenses or contracts.<sup>31</sup> Legislative ratification or contract approval does not necessarily mean that contracts are disseminated to the public; however, it can limit negotiators' discretion. The IMF Guide also notes "the obligation to disclose the outcome to the legislature... increases pressure on the government to negotiate a good deal."<sup>32</sup> The Columbia study found several examples of countries where parliamentary ratification of oil and mining contracts (or of investment contracts) is required by law. For instance, this is the case in Azerbaijan, Indonesia, Egypt, Kyrgyzstan, Sierra Leone, Yemen, Georgia and Liberia.<sup>33</sup> Such requirements may be enshrined in the Constitution (under provisions concerning international agreements) or in other laws or regulations concerning international business.

However, in this question we aim at identifying the range of practices in which the legislative exerts its oversight role over the executive. Reporting on the use of public resources should lead to discussion and analysis of that information by the legislative. Researchers should note whether they base their answer about oversight practices on legislation or interviews. A useful source for the extent of the legislative oversight role is the Economist Intelligence Unit index of democracy. Researchers should provide additional explanation in the "Comment" section for their answer choice.

#### **15. (9) Is there a due process to appeal licensing decisions?**

The IMF Guide mentions among best practices in terms of transparency the opportunity to submit disputes to arbitration, preferably international arbitration.<sup>34</sup> In addition, PEFA PFM High-Level Performance Indicator PI-19 mentions, within the context of procurement controls, the need for a complaints mechanism. The UN Convention against Corruption also recommends building an effective system of domestic review, including an effective system of appeal, to ensure legal recourse and remedies.<sup>35</sup> The EU Hydrocarbons Licensing Directive (1994) contains an appeal requirement relevant for member countries.

In this question we cover the question of whether any of these mechanisms is in place and whether they are built on the notion of due process and protection of third party rights. Researchers are asked to provide, to the extent of their knowledge, examples of political influence or economic interest that in the past may have influenced changes to the licensing process results. Sources to back up answers may include journalistic stories or interviews with experts. Researchers should provide additional explanation in the "Comment" section for their answer choice.

#### **16. Is there a legal or regulatory requirement to disclose all beneficial ownership in oil, gas and mining companies or projects?**

In general, national laws allow particulars to create corporations and legal entities. However, sovereign states rarely require people who apply to create legal entities to provide any information as to the identity of the person or persons who ultimately own and/or control the legal entity (often called beneficial owners). While some legal entity application forms require the listing of shareholders, those shareholders can be other companies or, in many cases, "nominees" who serve as front people or service providers for the actual shareholder. It is therefore impossible to know who ultimately owns or controls these effectively anonymous corporations. Anonymous corporations are

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<sup>31</sup> See paragraph 23.

<sup>32</sup> See paragraph 30.

<sup>33</sup> See pp. 33-35.

<sup>34</sup> See paragraph 24.

<sup>35</sup> See Article 19.

great ways to hide money and other assets. An anonymous company can hold a bank account, own assets or have control of oil, gas or mining projects, making hard for the public to figure out who is behind a company's activity.

In the U.S. the discussion about beneficial ownership is being driven by the fact that anonymous companies can be used to hide the proceeds of crime, but two separate bills currently before the House and Senate also address the flow of illicit money including tax evasion, proceeds of corruption, terrorist financing and others.

In this question, we expect that most countries will lack a requirement to disclose beneficial ownership. However, researchers should provide information in the "comments" section about whether there is a debate about this issue, as there's one in the U.S. at the moment of writing this guide. A good source of information on the subject and about countries engaging in this discussion is the Task Force on Financial Integrity and Economic Development, which is run by Global Financial Integrity: <http://www.financialtaskforce.org/issues/beneficial-ownership/>

## **Category 2. Revenue Generation and Collection**

Questions 17-32 cover information on revenue generation. Researchers should look for information published by the Ministry of Finance, the Ministry of the extractive sector, the regulatory agency, the central bank or any other relevant agency in charge of managing, regulating or operating the extractive sector. This includes statistical reports and databases as well as annual and in-year reports. As noted above in Section IV on Key Documents, these reports vary from country to country - some are annual and others are updated periodically. Given the timing of this research, we expect that relatively few annual reports would be available for 2011 and a larger number for 2010 and before, while in-year reports should be available for 2011 and before. Researchers are expected to cover a reporting period going from January 2008 to December 2011. Reports may be published as printed documents or databases that are constantly updated online. For each agency, we ask whether it publishes a list of indicators; we then ask about the reports comprehensiveness and understandability, as well as the timeliness of its publication. To answer these questions, researchers should only refer to documents that are *publicly available*. Since the questions are essentially the same for each agency, we will not discuss each one individually.

### **2.1. Context**

#### **17. Does the government receive in-kind payments (i.e. hydrocarbons or minerals for example through equity ownership, production sharing agreements or fiscal obligations) instead of financial payments from resource companies?**

Delivery of physical product, such as crude oil, instead of monetary payments is commonly referred as in-kind payment. This is a common practice in the oil industry and governments should provide clear and comprehensive information on the practices they follow to receive compensation for resource extraction. When in-kind payments are in place, it usually means that legislation on payments will be implemented outside the ministry of finance or tax authority. All fiscal revenues from the extraction of resources should flow to the government budget or treasury before being appropriated for expenditure.

#### **18. If the government receives in-kind payments, is there information about how these physical commodities (oil, gas or minerals) are marketed and disposed of?**

See question 17.

#### **19. What authority actually collects payments from resource companies?**

In practice, laws governing company payments are often executed outside the finance ministry. For example a royalty is often imposed by petroleum or mining legislation and the ministry of the sector is in charge of its

collection, or within production sharing agreements payments are made to the petroleum ministry or state-owned company. Researchers should provide information about the actual practice to complement the legal provisions addressed in the previous question.

## 2.2. Disclosure

### 20. Does the government (research for this information should include the Ministry of Finance, and researchers should search for relevant information from the Ministry of extractive sector, Regulatory Agency, Central Bank or other relevant agency) publish information on revenue generation presented in the table below (in periodical reports or EITI reports)?

For these questions, please use information from statistical reports/databases, annual reports or in-year reports (depending on their availability), which are described in the “Key Documents” section. In this section we are looking for information on production and generation of revenue, or payments received by the government. A general practice is that the Ministry of Finance, the Ministry of the extractive sector, the SOC, or the regulatory agency publishes a report of their activities. Researchers are required to provide indication of what practice is followed here. In some cases, official agencies publish information in databases online, which is enough for a positive response to this question. For each indicator, researchers have five options:

- A. **Reporting year and at least one prior year.** Researchers should mark this option when the reports or databases found provide the most timely data, i.e. data that is at least up to December 2011 (in the case of in-year reports) or up to 2010 or 2011 (in the case of annual reports), and they provide comparative data with at least one prior year or period.
- B. **Reporting year only.** Researchers should mark this option when the reports or databases found provide data for years in the period between 2008 and 2011 (either in-year or annual reports) and when these reports or databases do not provide comparative data with prior years or period.
- C. **Historical data only.** Researchers should mark this option when the reports or databases found provide data only for years prior to 2008.
- D. **Information not published.** Researchers should mark this option when the indicator is not found in the reports or databases reviewed.

Researchers should use the “Comment” sections for these questions to identify any additional information on revenue generation that is publicly available. This might include the details of any special taxes that are applied to the extractive sector.

The definitions for the indicators below are drawn from the glossary in *Follow the Money: A Guide To Monitoring Budgets and Oil and Gas Revenues*<sup>36</sup>, as well as in Daniel Johnston, *International Exploration Economics, Risk, and Contract Analysis*<sup>37</sup> unless otherwise noted.

#### a. Reserves

Refers to the quantity of oil, gas and minerals estimated to be recoverable from known fields under existing economic and operation conditions. In the case of gold, most governments list the value of official gold reserves (or gold holdings) held by the central bank as a store of value. This is not relevant here. Rather, the relevant data would be gold ore reserves, which is often produced by the ministry of the extractive sector.

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<sup>36</sup> Published by Revenue Watch Institute, November 17, 2004. Available for free download at <http://archive.revenuewatch.org/reports/120204.shtml>

<sup>37</sup> Daniel Johnston (2003).

*b. Production volumes*

This refers to information on the volumes of oil, gas or mineral extracted from the reservoirs or mines. Common measures of volume are barrels of oil, cubic feet for gas, and ounces, tons or carats for different minerals.

*c. Information on prices*

Prices refer to the amount of money or equivalent in-kind for which oil, gas and mineral production is bought, sold, or offered for sale. Country practice varies regarding price reporting. Some countries provide information on realized prices, while others provide an average by week, month, etc. Any of these options, as long as the country provides information on prices, is acceptable.

*d. Value of resource exports*

This refers to the value of oil, gas, or mineral exports. Such information is often presented in the context of a country's overall trade balance. It is often reported by the central bank, but may be reported by other agencies as well (such as the ministry of the sector).

*e. Estimates of investment in exploration and development*

This refers to capital expenditures in exploration and development activities. Investment activities refer to acquisition of long-term assets or other expenditures intended to generate future income.

*f. Production costs*

This refers to operating costs or operational expenses of activities that generate revenue and that are not investment or financing activities.

*g. Name of companies operating in country*

Disclosure of the name of international and national companies operating in each country should be a common practice. Differences may exist among countries; some publish a list of companies with the assets they own in country.

*h. Production data by company and/or block*

This refers to information on the volume of oil, gas and minerals produced. Several countries provide this information classified by company, block and/or well. This classification depends on the particular organization of assets in each country. Countries with several companies operating in a number of blocks may report production by company. The intention here is to establish whether the government has the capacity to track different contracts and producing regions and report production volumes in a disaggregate form.

*i. Cost of subsidies or social investments paid by mineral revenue (quasi-fiscal activities)*

Cost of subsidies or social investments paid by mineral revenue or quasi-fiscal activities (QFAs) refer to arrangements whereby international or national resource companies undertake social or environmental expenditure or provide subsidies to producers or consumers without explicit budget support. With respect to resource sectors, the main types of QFAs include:

- Energy QFAs: requirements for NRCs to provide products (particularly energy) at less than cost recovery or market price for domestic consumption;



- Public expenditure QFAs: requirements for NRCs or international companies to provide social services or other public goods normally provided by general government;
- Employment QFAs: provision of employment in NRCs or related activities that go beyond what would be done if companies were run on a purely commercial basis; and
- Borrowing QFAs: use of company leverage to borrow on behalf of government.<sup>38</sup>

If the government does publish this information, researchers should note they type of QFA in the Comment section below Table 3.

*j. Disaggregated revenue streams:*

Specific revenue streams may vary from country to country. For example, Azerbaijan’s EITI report includes: government’s oil entitlement, oil, gas and minerals production stream, royalties, taxes (excluding employee income tax), signature bonuses, license fees, acreage fees, all in volume and cash value. Ghana’s EITI report includes: license fees, property rate, rent, royalties, dividends, corporate tax, cash values by company and authority collecting payments. In this section specify which revenue streams are disclosed and mark ‘not applicable’ if any of these payments are not relevant.

*j1. Production streams value*

This refers to information on the value of production of oil, gas or minerals. This is frequently expressed in US dollars or local currency with an equivalent in US dollars, but this is not a rule. Depending on the reporting practice, production streams value refers to the value of total production and its main components.

*j2. Government's share in PSC*

This refers to the government’s share of production under the production-sharing contract (PSC), if such an arrangement is in place. This might also be termed the government’s share in ‘profit oil’ (production remaining after the contractor has been compensated for exploration costs and risks for development and production). This can be expressed in cash or volume.

*j3. Royalties*

This refers to the share of the revenue from the sale of oil, gas, or other natural resources paid to the owner, usually the host government. The amount is usually a percentage of gross revenues but there are cases of royalties linked to profitability. This can be expressed in cash or volume.

*j4. Special taxes*

In addition to royalties, some countries levy special taxes on hydrocarbon and mining activities. These taxes are different from those commonly paid by other economic activities such as income taxes or VAT. Special taxes can take the form of “rights” or duties, domestic market obligations, or excise taxes.

*j5. Dividends*

When companies pay part of their profits to shareholders, those profits are called dividends. Sometimes governments receive part of their revenue as dividends.

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<sup>38</sup> Definition of QFAs from *IMF Guide on Resource Revenue Transparency*

#### *j6. Bonuses*

Refers to payments made by a firm to a host government for the right to develop a natural resource such as oil, gas, or a mineral deposit. Bonuses are often paid in stages: at the start of a project and when various stages of development are reached.

#### *j7. License fees*

A license refers to an arrangement between an oil company and a host government regarding a specific geographical area and petroleum operations. In more precise usage, the term applies to the development phase of a contract after a commercial discovery has been made. Countries usually charge a small fee for such licenses.

#### *j8. Acreage fees*

Acreage refers to the amount of land area (or offshore area) under lease or associated with and/or governed by a production-sharing contract (PSC). Countries usually charge a small fee as rent for the area under lease.

#### *j9. Other (specify)*

Different countries may follow different practices when it comes to taxing the extractive industry. This point offers a chance for researchers to note special tools used by particular countries to generate income from oil, gas or mining activities. Researcher is requested to explain when other income is noted here.

#### **21. Are periodical reports published by the government (either by the Ministry of Finance, Ministry of extractive sector, Regulatory Agency, Central Bank or other) understandable?**

In order to be considered understandable, such reports should include definitions of the main concepts and explain information to a broader public, with notes including information on methodology, sources or statistical techniques. The answer choices reflect varying degrees of explanation for a broader public.

#### **22. How often are the periodical reports containing information on revenue generation published by the government (either by the Ministry of Finance, Ministry of extractive sector, Regulatory Agency, Central Bank or other)?**

The standard practice is annual reports from Ministries and companies. However, sometimes information is also updated and presented more frequently. Periodicity reflects organizational capacity and timely reporting earns a higher score here. If reports are produced periodically but not released on time, researchers should make a note of this in the "Comment" section, and this would not count as timely release of information. For instance, if quarterly reports are produced but released at the end of the year only, then the appropriate response would be "c." Similarly, researchers should choose the higher score when periodical reports found provide the most timely data, i.e. data that is at least up to December 2011 (in the case of in-year reports) or up to 2010 or 2011 (in the case of annual reports).

#### **23. (37) Does the government include the SOC financial balance (its assets and liabilities) within the public sector balance or overall balance of general government in reports to the legislature?**

This question assesses how SOCs are treated within the government balance sheet. We may think of SOCs as similar to off-budget funds, which the OECD recommends should be included in the budget.<sup>39</sup> Therefore, best practice

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<sup>39</sup> See the *OECD Best Guidelines -- Off-Budget and Tax Expenditures*. The Guidelines were published in the OECD Journal on Budgeting – Volume 4 – No. 1 and are available for download at [http://www.oilis.oecd.org/oilis/2004doc.nsf/LinkTo/NT000041AA/\\$FILE/JT00164525.PDF](http://www.oilis.oecd.org/oilis/2004doc.nsf/LinkTo/NT000041AA/$FILE/JT00164525.PDF)

would be to include the SOC's financial activities in the budget. The PEFA PFM High-Level Performance Indicators also provide some guidance on this issue, recommending reduction of unreported government operations from extra-budgetary expenditures and reporting of aggregated fiscal risks from public sector entities.<sup>40</sup> In this question, answer choices try to capture how comprehensive is reporting on the SOC within the budget and also how the SOC activities are treated within the budget. Answer choices "a" and "b" imply SOC consolidation on budget, with different levels of detail, while choices "c" and "d" imply off-budget treatment of the SOC.

Sometimes companies may be integrated as publicly traded companies with partial state ownership. In these cases, a valid argument exists for not including the SOC finances into the sector balance. Researchers should note in the "Comment" section whether this is the case.

**24. Does the government include projections of transactions, accounts of actual spending by the natural resource funds, and their assets and liabilities, within the public sector balance or overall balance of general government in reports to the legislature?**

Natural resource funds (called by different names including sovereign wealth funds) are off-budget funds too. This question addresses the question of whether this type of funds are accounted for in the national budget and whether use of these funds follows a normal budget process. The IMF guide also notes that "mechanisms for coordinating the operations of any funds established for resource revenue management with other fiscal activities should be clearly specified."<sup>41</sup>

**25. Does the government provide information on the non-resource fiscal balance in its budget proposal?**

As the IMF guide puts it: "a central issue for countries rich in nonrenewable resources is how best to use revenue derived from the resource to promote a diversified economy and share the benefits with future generations."<sup>42</sup> The recommendation offered follows the principle that "the (primary) non-resource fiscal balance should be presented in budget documents as an indicator of the macroeconomic impact and sustainability of fiscal policy, in addition to the overall balance and other relevant fiscal indicators."<sup>43</sup> Researchers should note reports found with this information in the 'sources' section.

**2.3. Legal framework and practice**

**26. (25) In the legal framework, what government agencies have authority to collect taxes and payments from resource companies?**

The IMF guide insists on clearly defined roles to avoid conflicts of interest and complexity that translates into lack of transparency.<sup>44</sup> The division of roles used here is taken from Calder and McPherson (2008). The purpose is to identify which government agencies intervene in the extractive sector, under what authority and with what role. The assumption is that clearly defined roles and authority will increase transparency. Also, separation of roles between regulator and licensing agencies may reduce conflict of interests. A common problem is that oil and mining taxation is complicated, which can create coordination problems among departments involved in managing revenue flows. Researchers should use the "Comment" section to provide further information relevant for their choice.

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<sup>40</sup> See *PI-7 Extent of unreported government operations* and *PI-9 Oversight of aggregate fiscal risk from other public sector entities*.

<sup>41</sup> See IMF Guide of Resource Revenue Transparency, "Open Budget Process," paragraphs 79-81.

<sup>42</sup> See IMF Guide of Resource Revenue Transparency, "Public Availability of Information," paragraph 97.

<sup>43</sup> See IMF Guide of Resource Revenue Transparency, "Public Availability of Information," paragraphs 97-100.

<sup>44</sup> See paragraph 20.

**27. Are all resource-related revenues, including those collected by state-owned companies, regulatory agencies, ministries, special funds or by the tax authority placed in the national treasury?**

The intention of this question is to identify the way resource revenue flows from the point of collection to the treasury. The objective is to probe whether the allocation of funds follows a normal budget process, with revenue going into a treasury account before being allocated by the legislature and observing transparent accounting practices. When resources bypass the normal budget process there is lack of accountability for public funds. Reports from the executive to the legislature are a good source of information as well as interviews with local experts. The Open Budget Index by the International Budget Partnership is another useful source of information on this topic.<sup>45</sup>

**28. (39) Are government officials with a role in the oversight of the oil, gas or mining sector required to disclose information about their financial interest in any extractive activity or joint venture?**

Tax returns can be a potential source of information regarding this question. For example, in the U.S. and other countries, tax returns of some public officials are available to the public. In Mexico, government officials are required to disclose their assets to the Ministry of Public Service and update their declarations annually. This information is not published by the Ministry. These cases suffice to score a positive answer here. Researchers should specify the relevant disclosure requirement in the “Comment” section.

**29. (28) Is there independent external validation of internal controls of agencies in charge of receiving payments from resource companies with the objective of providing assurances of integrity of public funds and sound financial management?**

The IMF Guide suggests that “internal controls and audit procedures for authorizing resource revenue receipts through government accounts or special fund arrangements, and any spending of such receipts through special funds, should be clearly described and disclosed to the public.” The IMF Guide also identifies the following risk areas which should be a priority for internal controls: misstated production volume or value, misstated claims for allowable expenditure, or non-settlement of tax liabilities.

For this question it is important to clearly identify the agency in charge of auditing or review internal controls in the “Comment” section. For the answer choice, the main variables are whether there is a national audit office with authority and resources to review and audit government agencies dealing with revenue flows, authorizing use and disbursement of resource revenue (payments from extractive companies) and their internal audit units.

The IMF Guide adds that “internal controls should be clearly defined and subject to periodic external review that is accessible to the public. In [some countries], the national audit office can provide adequate assurance that such controls are in place.”<sup>46</sup> In other cases, an independent (non-governmental) external auditor can fulfill this function.

**30. Does the national audit office (or similar independent organization) report regularly to the legislature on its findings, including an objective analysis of agencies in charge of managing resource revenues, and are these reports published?**

In some countries, national audit offices (Supreme Audit Institution, regulatory agency, or internal revenue agency) are in charge of reporting to the legislature about resource management. In others, a private firm conducts audits and reports. For example, in Ecuador the National Hydrocarbon Directorate, the technical arm of Ministry of Mines and Petroleum, conducts audits of petroleum company payments whereas Nigeria’s EITI audit was conducted by a

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<sup>45</sup> See International Budget Partnership: <http://internationalbudget.org/what-we-do/open-budget-survey/country-info/>

<sup>46</sup> See para. 121.

private firm (The Hart Group). Usually, the areas that present higher risk are production statements, cost recovery and tax assessment.

This question aims to uncover whether the legislature receives reports about audits or reviews of agencies in charge or managing resource revenues and whether these reports are published. The Lima Declaration of Guidelines on Auditing Precepts developed by the International Organization of Supreme Audit Institutions (INTOSAI) has defined what constitutes a “credible, independent” audit.<sup>47</sup>

### **31. (30) Does a parliamentary committee scrutinize audit reports on resource-related revenues?**

According to the Lima Declaration, the SAI should report on its findings annually and independently to Parliament and to the general public.<sup>48</sup> This standard is also noted in the OECD Best Practices for Budget Transparency (Section 3.4). The answer choices require identifying whether a parliamentary committee is known to conduct such scrutiny regularly.

### **32. Is this country an EITI candidate or compliant country?**

At the time of writing this guide, there were over 30 candidate and compliant countries. A country that has fully and to the satisfaction of the EITI Board met the four sign-up indicators becomes a Candidate country. For information to answer this question follow the EITI conventions at: <http://eiti.org/>

## **Category 3. Revenue Management**

### **3.1. State-Owned Companies**

#### **3.1.1. Context**

### **33. Is there a state-owned company? If so, what is its role in the extractive sector?**

The IMF Guide states that the “ownership structures of national resource companies and their fiscal role vis-à-vis the resource sector ministry and the finance ministry should be clearly defined. Commercial responsibilities should be clearly distinguished from policy, regulatory and social obligations.”<sup>49</sup> The IMF also recommends better disclosure of ownership structures of these companies and subsidiaries through disclosure of the participation of government officials, as well as the composition of their board and auditing practices.<sup>50</sup>

State-owned companies are important players especially in the oil sector, with an estimate of world 90% of reserves under control of governments. SOC’s are instrumental in exploration, production and selling of mineral resources, but their level of control over the extractive sector varies from country to country. Researchers should describe here the SOC’s main function in commercial and non-commercial activities, and whether companies have any policy or regulatory role.

### **34. How is government ownership of resource companies structured in this country?**

State-owned companies have been estimated to control around 90 percent of the world’s oil reserves and account for over 70 percent of production. However, in recent years a number of governments have reformed their

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<sup>47</sup> For more information see [http://www.intosai.org/en/portal/documents/intosai/general/lima\\_declaration/](http://www.intosai.org/en/portal/documents/intosai/general/lima_declaration/)

<sup>48</sup> See Section 16.

<sup>49</sup> See Part E. Natural Resource Companies in the section on Clarity of Roles and Responsibilities.

<sup>50</sup> See para. 51-53.

ownership structure in favor of publicly traded companies where governments have control of voting shares. The IMF guide recommends “that ownership structures of national companies and their fiscal role vis-à-vis the resource sector ministry and the finance ministry should be clearly defined. At the same time, commercial responsibility should be clearly distinguished from policy, regulatory and social obligations.”<sup>51</sup>

**35. Is there more than one state-owned company (SOC) operating in the extractive sector?**

See previous question. Researchers should describe in the ‘comments’ section the name, organizational structure and range of operations of the existing SOC’s.

**36. Do the roles and responsibilities of the SOC include provision of subsidies or social expenditures (quasi-fiscal activities)?**

The existence of QFA means that the budget gives a misleading picture of the actual extent of fiscal activity and blurs responsibility between the government and SOC. The IMF guide recommends that “arrangement whereby international or national resource companies undertake social or environmental expenditure or provide subsidies to producers or consumers without explicit budget support should be clearly defined and described in the budget documents.”<sup>52</sup>

**3.1.2. Disclosure**

**37. (32) Does the SOC publish reports with information about its operations and subsidiaries?**

Previous reports on resource revenue transparency have found that SOCs publish reports with information about operations, financial statements and disaggregated revenue and production streams. The standard practice for companies that issue bonds or shares in stock exchanges is to publish information on their financial position: assets, liabilities, equity, revenue and expenses, which take the form of profit and loss reports, balance sheet and cash flow statements, and audited accounts. In this question the answer choices try to capture actual practices, with higher scores for more extensive disclosure.

**38. (See Q20 above) Do the SOC reports contain information on the company’s operations, revenue flows and tax payments presented in the table below? / Does the SOC publish information on revenue generation?**

For these questions, use information from statistical reports/databases, annual reports or in-year reports (depending on their availability), as described in the “Key Documents” section. In this section we are looking for information on production and generation of revenue, or payments made to the government. SOC are expected to publish information relevant to their operations and assets. Sometimes SOC are de jure or de facto regulators or the sole operator, in those cases companies may publish information relevant to the whole country. For each indicator, researchers have five options explained in question 20 above.

**39. {see Q21 above} Are the reports containing information on revenue generation published by the state-owned company understandable?**

See question 21 above.

**40. {see Q22 above} How often are the reports or statistical databases containing information on revenue generation published by the state-owned company?**

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<sup>51</sup> See IMF Guide of Resource Revenue Transparency, “Clarity of Roles and Responsibility,” paragraphs 51-53.

<sup>52</sup> See IMF Guide of Resource Revenue Transparency, “Clarity of Roles and Responsibility,” paragraph 54.

See question 22 above.

**41. (36) If the SOC is involved with quasi-fiscal activities, does it publish information about them?**

See comments under question 20 for a detailed definition of quasi-fiscal activities (QFAs). In this question we only register whether the SOC reports any of these expenditures. Other resource-related QFAs should be noted in Table 3.

**42. (38) If there are joint ventures, does the government (Ministry of the sector or SOC) publish information on the SOC's share of costs and revenues deriving from its equity participation in joint ventures?**

Joint ventures refer to partnership arrangements between a number of companies or a company and a host government. Often, in a joint venture between companies and a host government, the companies bear the costs of exploration, and then retain a right to develop discoveries while sharing profits with the host government.<sup>53</sup> As mentioned above, the IMF Guide recommends better disclosure of ownership structures of these companies and subsidiaries and share participation of government officials.<sup>54</sup>

According to Rosenblum and Maples (2009), "a state or state-owned company may create a formal, legal corporate vehicle with companies by creating a joint venture company. If this is the case, then the Joint Venture Agreement will lay out many of the responsibilities and obligations of the parties, and be a "primary" document that would be important for citizens to have access to. Similarly, if a state or state-owned company takes an equity stake in an extractive project, the state is essentially investing the citizen's resources in the project. Public scrutiny over such decisions and access to the shareholders agreement or other legal document embodying this relationship would be important for ensuring government accountability."<sup>55</sup>

**43. Publicly available audited reports**

**43.a Is the SOC subject to annual audits conducted by an independent external auditor to ensure that the financial statements represent the financial position and performance of the company?**

Several SOCs around the world publish their audited financial statements; sometimes audited reports are accompanied by a statement from the auditor. The IMF Guide follows the OECD's Principles of Corporate Governance, which "suggests that annual audits should be conducted by an independent, competent, and qualified auditor to provide an external and objective assurance to the board and shareholders that the financial statements fairly represents the financial position and performance of the company in all material aspects."<sup>56</sup>

**43.b (34) Are SOC audited reports published?**

See previous question.

**3.1.3. Legal Framework and practice**

**44. Does the SOC have a legal obligation to publish financial reports?**

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<sup>53</sup> Definition of joint venture taken from the glossary in *Follow the Money: A Guide To Monitoring Budgets And Oil And Gas Revenues*, published by Revenue Watch Institute on November 17, 2004 and available for free download at <http://archive.revenuewatch.org/reports/120204.shtml>

<sup>54</sup> See IMF Guide of Resource Revenue Transparency, "Clarity of Roles and Responsibility," paragraphs 51-53.

<sup>55</sup> Rosenblum and Maples (2009),

<sup>56</sup> See IMF Guide of Resource Revenue Transparency, "Clarity of Roles and Responsibility," para. 28.

Researchers should find whether the SOC is subject to a legal obligation to publish financial reports. For instance, this requirement can be based on a transparency law that applies to state corporations, legislation that requires reporting to legislature or regulators, or on the SOC's financial operations in financial markets that put it under the obligation to follow stock and exchange laws. Further description of this requirement, or whether SOC are shielded from reporting in any way, should be included in the "comments" section.

**45. (33) Does the SOC follow internationally recognized accounting standards?**

Many countries use or are converging on the [International Financial Reporting Standards](#) (IFRS), established and maintained by the [International Accounting Standards Board](#). However, Generally Accepted Accounting Principles (GAAP) are followed in the US and also in other jurisdictions. Financial statements usually note the standards used in preparation of the report.

**46. (35) Do SOC audits include consolidated accounts that cover all of the SOC subsidiaries?**

SOC can be complex companies, often comprising subsidiaries that perform different aspects of an integrated business. This question refers to the SOC reports and whether it includes all of the SOC subsidiaries. The report used to answer this question should be specific about this point. Disclosure of the ownership structure of these companies and their subsidiaries is a central element of corporate governance. Researchers should note in the 'comments' section when they find stories about subsidiaries being excluded from the obligation to report or when subsidiaries do not disclose information to the public.

**47. Are officials of the SOC required to disclose information about their financial interest in any oil, gas or mining projects?**

See question 28 above. Disclosure of participation of government officials in oil, gas and mining projects is a principle of good corporate governance recommended by the OECD and IMF guide.

**48. (40) Does the SOC publish information on the composition of its Board of Directors?**

The IMF Guide recommends disclosure of ownership structures of state-owned companies and subsidiaries, share participation of government officials, composition of board and audit practices.<sup>57</sup> Disclosure of board composition may be accompanied by rules about board appointments and decision making. Researchers should report whether this information is included in the "Comment" section.

**49. (40-expanded) Does the SOC publish information about the rules governing decision-making by the Board of Directors?**

See previous question.

**3.2. Revenue Management: Natural Resource Fund**

Natural resource funds – also called "stabilization funds," "savings funds," or "future generations' funds" – refer to separate accounts set up by the government that are funded exclusively by natural resource revenues. Such funds attempt to mitigate some of the negative consequences associated with natural resource dependence. They aim to facilitate the accumulation of large, volatile and temporary revenues when times are good; stabilize public spending;

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<sup>57</sup> See IMF Guide of Resource Revenue Transparency, "Clarity of Roles and Responsibility," paragraph 53.



and finance public spending when the revenues are no longer flowing in. The Alaska Permanent Fund and the Norwegian State Petroleum Fund are considered as two relatively successful examples.<sup>58</sup>

### 3.2.1. Context

#### 50. Has the government created a special fund or natural resource fund that concentrates revenue directly from oil, gas or mineral extraction?

Many countries have established funds for resource revenue that channel resources for development, investment or savings. Funds address issues of stabilization and sustainability of large, volatile and exhaustible revenue flows. The IMF guide recommends that any funds established for resource revenue management should be clearly specified and that funds have to be integrated with the budget in a way that supports overall fiscal policy and avoids creating 'dual budgets'. "Stringent mechanisms should also be in place to ensure efficiency and integrity in the management of assets and use of resources to provide assurances of transparency, good governance and accountability."<sup>59</sup> If the country in question does not have a resource fund, the appropriate response for this section is "Not Applicable."

#### 51. What authority is responsible for the natural resource fund?

Countries differ in the way they manage resource funds. Some have established independent agencies while others keep them within a ministry. This question aims at identifying country specific practices and researchers should describe the institutional arrangements in the 'comments' section and provide links to the country fund's websites. This and the following questions are relevant because in some countries funds have been set up with legal authority for own spending rather than through normal budget process. Best practice should be a clear specification of operational rules and responsibilities over spending and borrowing by resource funds, no money should be spent directly from funds, the legislative should receive reports of operations and use of funds should follow normal budget appropriation process.<sup>60</sup>

### 3.2.2. Disclosure

#### 52. (41) Are the rules for the fund's deposits and withdrawals, including the formula(s) for deposits and withdrawals, published? (E.g. rules may stipulate the percentage of resource revenue that is deposited into the fund, or require that resource revenue be deposited into NRF/SWF first and then to annual budget, or ask treasury or congress to appropriate funds for this objective.)

This question specifically relates to whether the fund or budget documents provide information on how the instrument is funded, including publishing rules or formulas for deposits and disbursement. The scoring criteria here assess whether the rules for deposits and withdrawals are published, regardless of whether these are approved by the legislature as is the case in the following question.

#### 53. (43) Does the fund management or authority in charge of the fund publish comprehensive information on its assets, transactions and investments?

Several resource funds publish audited reports around the world. See for instance E. Truman, "A Blueprint for Sovereign Wealth Fund Best Practices." Peterson Institute for International Economics, April 2008. Publishing such

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<sup>58</sup> This background information is drawn from Humphreys, Macartan and Martin E. Sandbu, "The Political Economy of Natural Resource Funds," Chapter 8 in *Escaping the Resource Curse*. The chapter also includes a discussion of the perceived and actual benefits of such funds.

<sup>59</sup> See IMF Guide of Resource Revenue Transparency, "Open Budget Process," paragraphs 79-81.

<sup>60</sup> See IMF Guide of Resource Revenue Transparency, "Open Budget Process," paragraphs 82-83.

reports is also recommended by the Santiago Principles on Sovereign Wealth Funds.<sup>61</sup> Reporters are required to identify here the periodicity with which such reports are published, taking into account any report published between January 2006 and December 2009. The higher score should be marked when the fund revenues, expenses, and balance sheets are published.

**54. Are the reports containing information on the fund's assets and transactions understandable?**

See question 21 above.

**55. Does the fund management or authority in charge publish this information in financial reports, and if so, how often?**

See question 22 above.

**56. Publicly available audited reports**

**56.a (44-expanded) Are the fund financial reports audited?**

Researchers should identify whether audited reports are published. This should be clear from the publication itself.

**56.b (44-expanded) Are the audited financial reports published?**

See question above.

**3.2.3. Legal framework and practice**

**57. Are the rules governing deposits into the fund defined by legislation?**

This question aims at identifying whether rules for deposits into the fund are actually legislation approved by the legislative or whether these rules are decided by the executive alone. Researchers should cite the rules or formulas in the 'comments' section.

**58. In practice, does the government follow the rules governing deposits to the natural resource fund?**

See question 52 above. Researchers can use journalistic reports or interviews to support their score here.

**59. (41-expanded) Are the rules governing withdrawal or disbursement from the fund defined by legislation? (E.g. rules may include earmarks for specific expenditures such as health, education and infrastructure; or withdrawals may be explicitly linked to domestic investments or development-related expenditures).**

See question 57 above. Researchers should cite the rules or formulas in the 'comments' section.

**60. In practice, does the government follow the rules governing withdrawal or spending from natural resource fund?**

See question 52 above. Researchers can use journalistic reports or interviews to support their score here.

**61. Are withdrawals or spending from the fund reserves approved by the legislature as part of the budget process?**

See questions 50-51 above.

**62. (42) Are officials of the natural resource fund required to disclose information about their financial interest in any oil, gas or mining projects?**

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<sup>61</sup> See Santiago principles here: <http://www.iwg-swf.org/pubs/gapplist.htm>

See question 33 above.

### **3.3. Revenue Management: Sub-national Transfers**

#### **3.3.1. Context**

#### **63. Do central governments transfer resources to subnational authorities based on extraction of mineral resources?**

The IMF guide recommends that “arrangements to assign or share resource revenues between central and subnational levels of government should be well defined and explicitly reflect national fiscal policy and macroeconomic objectives.”<sup>62</sup> Moreover, “clear rules and principles should guide whatever subnational revenue-sharing arrangement is chosen (...), based on stable principles and agreed formulas that should be developed and exercised in an open and consistent manner. These principles should include not only understandings between the various levels of governments on the original arrangements, but also rules and procedure to modifying it.”<sup>63</sup> Researchers should describe the institutional and legal arrangements in the ‘comments’ section and provide links to laws and regulations.

#### **64. Are conditions imposed on subnational government as part of revenue sharing regime?**

See note in questions 63 and 70.

#### **3.3.2. Disclosure**

#### **65. (46) Are the rules for revenue transfers from central to sub-national governments published, including the formula(s) for revenue sharing?**

See note 70 below.

#### **66. Does the central government publish comprehensive information on transfers of resource related revenues to subnational governments?**

This information is typically published by the Ministry of Finance. For instance, in Nigeria the Ministry of Finance publishes the monthly allocations from the federal to the state and local governments on its website and in newspapers. Researchers should identify in the “Comment” section who publishes this information and where it is published. In most countries, several different streams of resource revenue are transferred from the central government to sub-national governments. This reflects the variety of revenue streams the central government receives from natural resources. For instance, transfers may include a certain share of royalties, various taxes, and/or an equity stake. As in previous questions about the publication of disaggregated revenues, the highest score will be awarded in the case where the central government publishes a detailed breakdown of revenue transfers. Also note that in some cases, the complexity of the transfer system may serve to hinder transparency. Morgandi (2008) notes that this is the case in Bolivia.

#### **67. Are the reports containing information on transfers of resource related revenues to sub-national governments understandable?**

See note to question 21 above.

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<sup>62</sup> See IMF Guide of Resource Revenue Transparency, “Clarity of Roles and Responsibilities,” paragraph 65.

<sup>63</sup> See IMF Guide of Resource Revenue Transparency, “Open Budget Process,” paragraph 71.

**68. (48) How often does the central government publish information on transfers of resource-related revenues to sub-national governments?**

Reporters are required to identify here the periodicity with which such information is published, taking into account any report published between January 2008 and December 2011.

**69. (50) Do sub-national governments publish information on transfers received from central governments?**

See notes to questions 45 and 49. Morgandi (2008) notes that “the lack of transparency at the upstream level affects directly transparency at the lower levels.” For instance, sub-national governments in Bolivia and Indonesia cannot independently compute the total amounts that might be available to them since production amounts and related revenues paid into the central account are not published systematically. Researchers should make a note of similar hindrances to transparency at the sub-national level.

**3.3.3. Legal framework and practice**

**70. (45) Are arrangements (including formulas and responsible institutions) for resource revenue sharing between central and sub-national governments defined by legislation?**

The PEFA Indicators make the following recommendations for inter-governmental fiscal relations: “(i) Transparent and rules based systems in the horizontal allocation among sub-national governments of unconditional and conditional transfers from central government (both budgeted and actual allocations) and (ii) timeliness of reliable information to sub-national governments on their allocations from central government for the coming year.”<sup>64</sup> This question is not about whether the ownership of resources is divided between national and sub-national governments; that has been addressed in a context question.

Morgandi (2008) examined sub-national revenue sharing in seven countries (Bolivia, Brazil, Ghana, Indonesia, Mexico, Nigeria and Papua New Guinea) and found a range of revenue distribution legislation. All of the countries studied use derivation to assign at least some of the revenues; four also employ direct mechanisms of partial revenue re-distribution. In PNG, Brazil and Ghana, non-government beneficiaries are entitled to permanent shares of revenues, and most countries studied make use of earmarking, though to varying degrees. Some revenue sharing legislation also includes specific provisions related to transparency. Researchers should specify in the “Comment” section the type of revenue sharing legislation employed, as well as its major provisions.

**71. In practice, does the government follow the rules established by resource revenue sharing legislation?**

Researchers can use journalistic reports or interviews to support their score here. Researchers should describe any stories or report of differences between legislation and actual practice.

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<sup>64</sup> See PEFA PFM High-Level Performance Indicator PI-8: Transparency of inter-governmental fiscal relations

## ANNEX I – USEFUL SOURCES TO DEFINE ‘RESOURCE REVENUE TRANSPARENCY’

Our understanding of resource revenue transparency has been informed by a careful review of a number of sources, which may also be of use for researchers wishing to conduct deeper analysis.

The IMF’s *Guide on Resource Revenue Transparency* played a key role in developing transparency standards for the purposes of the *Revenue Watch Index*. The IMF Guide, first published for comments in June 2005 and then revised and published in October 2007, had two initial objectives: first, to codify principles that were raised in discussions with resource-rich countries in handling resource revenue, especially in regards to presentation and disclosure of information and contract processes and dissemination; and second, to tailor the IMF’s *Code of Good Practices on Fiscal Transparency* to the specific needs of resource-rich countries.

The IMF Guide has been useful in the context of the EITI and contract transparency, providing a clear set of principles and good practices. However, it has not been used as a checklist to date. This reflects IMF member countries’ aversion to rankings, although during its drafting process the IMF attempted to make the guide fairly applicable across the board. The IMF has used the guide primarily to orient its staff in writing country Reports on the Observance of Standards and Codes (ROSC) in resource-rich countries (though only a few ROSCs treat resource revenue discretely). The guide is also frequently consulted in reference to issues of guaranteeing transparency of revenue flows, wealth-funds management and contracts disclosure.

The IMF Guide includes a set of good practices, which is divided into four pillars:

- I. Clarity of roles and responsibilities
- II. Open Budget Process
- III. Public Availability of Information, and
- IV. Assurances of Integrity

The IMF Guide is based on ten principles from the IMF’s *Manual on Fiscal Transparency* and provides 25 practices, which are then expanded to over 130 sub-practices organized according to the four pillars. It should be noted that some practices reflect IMF-specific priorities, such as the insistence on debt disclosures and deficit rules.

The *Extractive Industries Transparency Initiative (EITI)* also provides a useful framework for assessing resource revenue transparency. Launched in 2001, the EITI promotes disclosure of payments and revenues by companies and governments, while providing a mechanism to reconcile the information and build trust among multiple stakeholders in the process.<sup>65</sup> The EITI is guided by six criteria, which have also informed the development of the *Revenue Watch Index*:

1. Regular publication of all material oil, gas and mining payments by companies to governments (“payments”) and all material revenues received by governments from oil, gas and mining companies (“revenues”) to a wide audience in a publicly accessible, comprehensive and comprehensible manner.
2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator’s opinion regarding that reconciliation including discrepancies, should any be identified.
4. This approach is extended to all companies including state-owned enterprises.

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<sup>65</sup> For more information on the EITI, see [www.eitransparency.org](http://www.eitransparency.org), and the EITI *Source Book* and *Validation Guide*.

5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

The *Revenue Watch Index* was also informed by the **Resource Charter**, a set of principles for governments and societies on how to use the opportunities created by natural resources effectively. The effort to write a Charter was initiated by three academic economists - Mike Spence (Nobel Laureate, University of Stanford), Paul Collier (Director of the Centre for the Study of African Economies, Oxford University) and Anthony Venables (Director of the Oxford Centre for the Analysis of Resource Rich Economies, Oxford University). The Charter is still in the process of being developed, but it has been designed to evolve into a multi-stakeholder organization owned by all interested parties.<sup>66</sup>

The **Lima Declaration of Guidelines on Auditing Precepts** helped to inform our understanding of best practices for conducting external audit.<sup>67</sup> Standards for internal and external controls were also informed by the **UN Convention Against Corruption (UNCAC)** and the **OECD Convention On Combating Bribery Of Foreign Public Officials In International Business Transactions**.<sup>68</sup>

Researchers may also wish to refer to the glossary in *Follow the Money: A Guide To Monitoring Budgets And Oil And Gas Revenues*, which was published by Revenue Watch Institute on November 17, 2004 and is available for free download at <http://archive.revenuewatch.org/reports/120204.shtml>. The glossary contains definitions of a number of terms that are used frequently in the questionnaire and in this Guide.

### Previous efforts to measure resource revenue transparency

In light of the emerging focus on resource revenue transparency, some pioneering efforts have already been made to measure it. In 2005, Save the Children UK published two reports under the heading *Beyond the Rhetoric*. The first focused on company revenue transparency, and the second was a “home” country report, which looked at how the home countries of oil companies were regulating their businesses and operations abroad.

In 2008, Transparency International released an update of Save the Children’s country report (revising the methodology and expanding the universe of surveyed companies to an extent). Despite having different targets (i.e. “home” countries and companies, rather than “host” countries), these indices have played a significant role to inform the development of the *Revenue Watch Index*.

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<sup>66</sup> For more information on the Resource Charter see <http://www.resourcecharter.org/>

<sup>67</sup> The Lima Declaration of Guidelines on Auditing Precepts was developed by the International Organization of Supreme Audit Institutions (INTOSAI). For more information see [http://www.intosai.org/en/portal/documents/intosai/general/lima\\_declaration/](http://www.intosai.org/en/portal/documents/intosai/general/lima_declaration/)

<sup>68</sup> \*The UN Convention Against Corruption was adopted by the General Assembly by resolution 58/4 of 31 October 2003. The General Assembly, and entered into force on 14 December 2005. It is available for download at <http://www.unodc.org/unodc/en/treaties/CAC/index.html> The OECD CONVENTION ON COMBATING BRIBERY OF FOREIGN PUBLIC OFFICIALS IN INTERNATIONAL BUSINESS TRANSACTIONS was adopted by the Negotiating Conference on 21 November 1997 and is available for download at [http://www.oecd.org/document/21/0,3343,en\\_2649\\_34859\\_2017813\\_1\\_1\\_1\\_1,00.html#Text\\_of\\_the\\_Convention](http://www.oecd.org/document/21/0,3343,en_2649_34859_2017813_1_1_1_1,00.html#Text_of_the_Convention)