THIRD MEETING OF THE POLICY DIALOGUE ON NATURAL RESOURCE-BASED DEVELOPMENT

17-18 November 2014

Summary Report

The meeting was conducted under Chatham House Rule: "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed."

I. Meeting objectives and structure

Building on the outcomes and conclusions of the Second Meeting (held on 3-4 June 2014), the Third Meeting of the Policy Dialogue on Natural Resource-based Development, held on 17-18 November 2014 at the OECD Conference Centre in Paris, afforded opportunities to advance work under the four Streams of Work: (i) Shared Value Creation and Local Development; (ii) Revenue Spending and Stabilization Funds; (iii) Getting Better Deals; (iv) Detecting Corruption Risks in Extractives.

Bolivia, Chile, European Union, France, Germany, Ghana, Guinea, Kazakhstan, Korea, Liberia, Mexico, Mongolia, Norway, Oman, Philippines, Peru, Russian Federation, South Africa, Switzerland were in attendance. Country delegations were joined by representatives of partner organisations, i.e. the Inter-American Development Bank, the International Monetary Fund, the United Nations Development Programme and the World Bank.

Besides the OECD Development Centre, the Centre for Tax Policy and Administration, the Development Co-operation Directorate, the Directorate for Financial Affairs and Enterprises, the Directorate for Legal Affairs, the Trade and Agriculture Directorate were represented and shared the findings of relevant OECD work throughout the discussion.

The meeting departed from the traditional conference format distinguishing between speakers and audience. Every participant played a role as both a knowledge holder and knowledge recipient and actively engaged in a thought-provoking, frank and constructive discussion. The OECD Development Centre, acting as a neutral knowledge broker, contributed to framing the broad thematic areas and specific issues for discussion, as outlined in the background documents distributed to all participants in advance of the meeting.

The dialogue was structured around 7 sessions. The first day (17 November) was dedicated to a multi-stakeholder consultation on Work Stream 1 (Shared Value Creation and Local Development) and 4 (Detecting Corruption Risks in the Extractive Sector) gathering representatives of governments, international organisations, extractive industry and civil society. The first session focused on identifying typologies of conduct that give rise to corruption risks in extractives, drawing on existing and ongoing
work by the G20, the OECD, UNDP and the World Bank. During the second session, representatives of the oil and gas industry shared the preliminary results of a mapping exercise showing opportunities for linkage development and local value creation in the oil & gas sector. The third session featured a discussion on horizontal and forward linkages, to appreciate how extractives interact with the rest of the economy. The last session offered the opportunity to seek feedback on the zero draft Operational Framework on Public-Private Collaboration for Shared Resource-based Value Creation.

The second day (18 November) featured intergovernmental sessions. Session 5 focused on Work Stream 3 (Getting Better Deals) with a discussion around identifying the methodology to help countries determine appropriate prices for minerals. Session 6 offered the opportunity to review the conceptual framework for the planned Country Reviews on Resource-based Value Creation. Session 7 focused on revenue spending issues.

II. Summary of the Discussion and Conclusions

DAY 1 – 17 November

H.E. Ambassador Hans-Juergen Heimsoeth, Chair of the Governing Board of the OECD Development Centre opened the meeting recalling the nature of the Policy Dialogue initiative, as well as the structure and objectives of the meeting, acknowledging the participation of a diverse range of actors and thanking participants for their continuous and constructive engagement in the process.

Work Stream 1 - Shared Value Creation and Local Development (Sessions 2, 3, 4 and 6)

Sessions 2, 3, 4 and 6 were co-chaired by Hon. Deputy Minister of Operations Sam G. Russ, Ministry of Mines, Lands and Energy, Republic of Liberia and Mr Pål Arne Davidsen, Senior Adviser, Private Sector Development, Department for Economic Development, Gender and Governance, Norwegian Agency for Development Cooperation (Norad), Norway.

Participants noted that the use of the terminology “shared value creation” should be preferred over “local content development”, as the former focuses on maximising the benefits from extractives, which is the common objective of this initiative, whereas the latter is too often closely associated with the different issue of maximising local content. The use of shared value creation involves recognition that all stakeholders are driven by different agendas that are not necessarily mutually exclusive, but that need to be progressively aligned.

Opportunities for linkage development in the extractive sector

During the last meeting of the Policy Dialogue on 3-4 June 2014, participants called for a better understanding of opportunities for linkage development along the life cycle of extractive projects with a view to getting to a common vision around win-win opportunities for linkage development and shared value creation. The oil and gas industry shared a preliminary mapping of opportunities for linkage development in the hydrocarbons sector. It was reported that the lifecycle of oil and gas projects can be broadly divided into four main phases: exploration, development, operation and decommissioning. The exploration is a highly risky phase where companies’ activities are faced with high uncertainties and fierce competition. During this phase, opportunities for linkage development tend to be limited, intermittent and short-term. Offshore exploration drilling for example will only last a few months and requires a limited number of workers. This phase is not the most favourable for the industry to support socio-economic development programmes. At this stage, it was recommended that efforts should focus on planning and building a long-term collaborative relationship with governments, in order for the oil and gas industry to seek to align its objectives on national industrial policies and economic development plans; undertake a
gap analysis assessing national education and training systems against current and future needs; develop reliable statistics and map out the existing local content and supplier landscape so as to inform strategic planning, skills upgrading and technical training activities. Such approach was applied successfully by Shell in South Africa and by Total in Uganda. Several interventions stressed the need to reassess the situation at hand and realign stakeholders’ positions and priorities on an on-going basis as the project develops. Governments have a key coordination role to play in the early phase of the project in order to maximise the benefits for all stakeholders and respond to broader development challenges. In particular, though local employment opportunities are still low at this stage, it was pointed out that it is the responsibility of governments to manage expectations of the local population, get clear assurance from the private sector that extractive activities will bring socio-economic benefits to local communities and communicate effectively.

Many projects do not progress past exploration. If they do, they enter into the development phase, and in particular in the Concept Design and Front-End Engineering and Design sub-phase. Opportunities there mainly lie in off-site specialized engineering services. This is also at this stage that industries shall grasp the opportunity to integrate the local workforce and supply base in specifications for their future activities (construction and operations). This sub-phase shall condition the company’s Final Investment Decision, a critical step by which the company decides to invest in the country for the next couple of decades. In the following sub-phase, construction, fabrication and assembly, opportunities for local value creation are high but tend to remain short-term (about 3 years). Government and inter-industry collaboration should be sought in order to build basic skills and competencies in local communities, plan the development of capacities of the workforce and SMEs in the oil and gas value chain and foster linkages with other oil gas projects and other sectors. At this stage, it is also essential to involve domestic suppliers so as to ensure gradual and sustainable skills building and upgrading. Oman offers an interesting example where local suppliers have been involved early on in the lifecycle of oil and gas projects to allow them to get ready to respond to the industry’s emerging and evolving needs. The need to engage other stakeholders such as civil society organisations and donors in the early stages of extractive projects was further stressed so as to foster better tailoring and greater harmonisation of support programmes across donors and organisations and across sectors.

The operation phase is the longest phase that lasts 40 to 50 years on average and where opportunities for the local workforce or local suppliers are therefore longer term but require medium level skills compared to the development phase. This gives time for building up local capacity and fostering the gradual and deliberate development of globally competitive local workforce and suppliers. Collaboration among stakeholders should focus on closing capacity gaps and promoting innovation and diversification. In this regards, Enterprise Development Centres have been successfully set up by Tullow and Kosmos Energy in Ghana, BP in Azerbaijan and by Shell in Kazakhstan in conjunction with the government.

In these different phases, the main expected benefit for companies is a reduction in operational costs. However, such opportunity has to be assessed looking at the overall cost structure and balancing the long-term impact of not engaging into shared value creation activities on the operations of the company. Indeed, shared value activities can contribute to increasing costs of building skills, infrastructure, etc., on the one hand but reduce the costs of transportation, storage, etc., on the other hand. This has been the approach followed by Anglo American for its local procurement policy in Brazil which led to give preference to local sourcing for certain goods over import. Moreover, industry representatives underlined the importance of fostering pan-industry collaboration to avoid that one company or one sector concentrate the bulk of skilled workers hired in one region, which would put additional stress and pressure on operations.

The last phase of decommissioning should be integrated early on in the planning and strategic thinking on shared value creation so as not to create a vacuum in the economy that cannot be absorbed by other sectors of the economy once oil and gas projects are phased out. It was stressed on several occasions that
governments should address from the beginning the issue of having regional specialised enclaves depending only on one big project, resulting in large migration flows pouring in or out of the region, following the starting or phasing out of the project. The role of governments here is essential to put in place the enabling conditions for effective shared value creation and integrated territorial, socio-economic development, also addressing the potential negative effects of extractive activities. The need to plan strategically for skill building and upgrading, infrastructure development, and economic diversification was emphasised on several occasions during the discussion. Kazakhstan, for example, has developed a plan for the retraining and redeployment of the local workforce currently employed in big oil and gas field projects that should be phased out by 2070. Participants stressed that governments have a coordination role to play in managing this post-project phase by promoting regional development and favouring economic diversification through cross-industry linkages. In Guinea, for instance, the government requires mining companies to work in collaboration with other industries to develop activities such as aquaculture, agriculture, in the vicinity of mining sites. Other strategies followed by countries such as Brazil, Chile or Kazakhstan rely on the country’s ability to develop and export globally competitive services.

These elements involving broader national and cross-sectoral considerations should be taken into account if in-country value creation is to be promoted in a sustainable and long-term manner. This echoes a major concern expressed by most participants during the discussions. One participant cited the case of a social development project in Guinea where the lack of long term vision contributed to hindering and questioning the project’s viability. The national bauxite company had agreed to finance the provision of generators and fuel to give access to electricity to local communities. Yet, in the long run, this proved to bring too much of a financial burden on the company and had to be stopped. This illustrates the importance of adopting from the beginning a long-term approach to define sustainable long-term goals and associated activities.

Ghana also provides an illustrative case of a country that has recently moved away from a focus on short term gains based on maximisation of resource revenues towards a longer term approach focused on in-country value creation. It was reported that until 2007 that marked the discovery of new oil fields, the government’s priority used to be on fast tracking production and spending taxes and royalties for development with little attention to in-country broad-based value creation. This led to a situation where local industry participation was stagnating below 5% and the oil and gas sector mainly relied on imports for the provision of goods and services. These poor results prompted the government to rethink its strategy vis-à-vis the oil and gas sector following new oil discoveries in the Gulf of Guinea. Ghana passed the Petroleum Local Content and Local Participation Regulations in 2013 that provided for preference clauses and local content obligations for main contractors and international suppliers of goods and services in the petroleum sector. It also stipulated the establishment of a local content fund in order to offer financing opportunities to domestic suppliers and support the development of processing activities. Moreover, Ghana carried out a mapping of all activities around the oil and gas value chain and ranked them according to their potential for value added and for employment. It appears that the best opportunities within reach for Ghana lied in logistics, warehousing facilities, fabrication and construction. The objectives pursued by the government in terms of in-country value creation were four-fold: maximise local value in the supply of goods and services, increase employment of Ghanaian professionals, facilitate technology and skills transfer through R&D and training, encourage local participation in the oil & gas value chain through equity holding and management participation. Various measures were put in place in order to facilitate access to bidding processes by domestic suppliers such as establishing an on-line tender and bidding system; periodically publishing procurement plans; designing specific tenders for the local market; providing feedback to unsuccessful local companies in contracts awarded; facilitating relationships between large international firms and local firms through workshops, fairs and seminars; identifying capabilities and gaps and building capacity of local service providers to be competitive in tendering processes to meet industry standards; encourage unbundling of major projects. Fiscal incentives tied to objectives of minimum in-country spending or local employment were offered to main contractors and
international suppliers in order to achieve objectives of local value creation while preserving the ability to attract investment. It was observed that as a result of the country’s ongoing efforts, Ghana is increasingly becoming an attractive hub for upstream operations within the West African sub-region. Moreover, the country is now striving to move down the value chain and encourage Ghanaian companies to position themselves in the petrochemical industry. The focus has been so far on gas processing related activities (power generation, fertiliser and urea production, petrochemicals: methanol, ethylene and liquefied petroleum gas production) with a view to reducing the energy bill, eliminating gas flaring and limiting LNG exports. Yet, despite significant investment and improvement in linkage development along the oil and gas value chain, Ghana still faces the challenge of deepening these linkages, i.e. extending the domestic value to locally processed/beneficiated outputs due to fronting issues (shell companies registered locally so as to comply with local content requirements), the prevalence of import over local manufacturing, and the proliferation of unstructured companies.

The case of Botswana is documented in the recent OECD publication Export Restrictions in Raw Materials Trade: Facts, Fallacies and Better Practices. It highlights in particular how the government has managed to drive an ambitious in-country value creation agenda to build a downstream local diamond industry. Botswana produces approximately 25-30% of the world’s gem-quality diamonds. In the early 1970s, when mining activity commenced, the government of Botswana entered into a joint venture with De Beers, named Debswana. The profit sharing agreement at the time was 15-85% which was increased to 50% in 1975 once production was underway. The government of Botswana has managed its relationship with De Beers strategically. In the early days of Botswana’s diamond production, the 1970s and 1980s, negotiations concentrated on obtaining a greater share of the revenue from its natural resource. In the late 1980s and 1990s, the government took advantage of its leverage in the joint venture to increase its management capacity, including by obtaining a 15%-share in De Beers and two seats on the Board of Directors of the global firm. It thereby obtained access to the highest levels of experience and strategic business acumen in the industry. Since the late 1990s, Botswana has advanced on its priority of creating a Diamond Hub in Gaborone, with the ensuing employment potential and the establishment of an independent marketing channel outside of the De Beers Diamond Trading Company (DTC) marketing structure. Opportunities for local employment of semi-skilled labour were identified in the intermediate stages of processing (sorting, aggregation, cutting and polishing). Besides, these stages do not require the substantial long-term capital investments necessary in the upstream portion of the value chain (mining and recovery) nor the network of retail outlets and industry-specific commercial knowledge of the downstream (retail) portion of the value chain. In 2004, the renewal of two 25-year mining licenses with De Beers provided the forum for the government to negotiate the opening of sorting and valuing operations in Gaborone. Since 2008, the entirety of Botswana’s diamond production were sorted and valued. Gaborone hosts the world’s largest sorting and valuing facility that employs 400 people. It has opened a Diamond Academy to train sorters and valuing staff. Since 2007, 10% of Botswana’s diamonds are sold locally to firms that have set up cutting and polishing factories in the country. The incentive to firms to do this was to profit from a less competitive access to the best diamonds. They have a better chance of obtaining the amount and kind of stones that they desire by purchasing directly in Botswana and opening a cutting and polishing facility there. An industry grew around this activity that now employs 3500 people. The government has also negotiated, in its selling contract with De Beers, to bring the entirety of De Beers diamond selling operations to Gaborone at the end of 2013. This move seems unprecedented. Approximately 30% of the world’s rough diamonds are now sold in Gaborone at ten rough diamond buyers’ meetings each year. A few participants drew attention on the specificities of the Botswana experience, making it difficult to draw lessons for peer countries: i.e. the monopolistic structure of the diamond sector in Botswana, the joint-venture model non-applicable in the oil sector where the cash call required to enter is too high, the market size and quality of diamonds, the country’s historical, political and

demographic characteristics (light colonial footprint, overall good governance and relative absence of corruption, a cohesive political elite, small population size, etc.). Yet, key success factors appear to include a heavy investment in the relationship with De Beers and commitment to intimately understand the needs of the sector, a strong focus on capacity building, an active participation governance structure, prudent management through a step-by-step gradual approach, political and regulatory stability.

With its recent ambitious energy reform, Mexico also offers interesting prospects for in-country value creation in the long term. This reform came as a response to severe drops in the country’s oil production and competitiveness erosion due to lack of investment and innovation. Moreover, Mexico foresees great development prospects in deep water drilling and non-conventional oil which will require investment in technology and innovation. The reform was adopted in 2012 and aims primarily at enhancing economic competitiveness, strengthening the regulatory framework, reinforcing energy security and fostering transition towards renewables. More specifically, the reform provides for general orientations and measures with regard to in-country value creation. Those aim at achieving both short-term objectives of job creation and growth and middle- to longer-term goals of building a local industrial base. The government has set differentiated objectives according the activity segment and the type of operations based on an assessment of existing local capacities and gaps. For deep water drilling where expertise still needs to be developed, Mexico will promote an approach similar to that of Norway based on technology transfer. The objective is to attract a total investment of up to 700 billion US Dollars for the electricity sector and 600 billion US Dollars for hydrocarbons within 10 years and create half a million more formal jobs by 2018, and 2.5 million by 2025. It is anticipated that GDP in Mexico will grow by 1 percent by 2025 and that oil production will increase by 2.5 million barrels per day at present to 3 million in 2018 and 3.5 million by 2025.

Public-private collaboration for shared resource-based value creation

After discussing the “what to do”, participants embarked on an in-depth discussion on the “how to” and were invited to comment and provide feedback on a zero draft Operational Framework on Public-Private Collaboration for Shared Resource-based Value Creation.

Previous consultations of the Policy Dialogue made it clear that the nature of the bottlenecks and constraints to shared value creation (e.g. lack of skills, insufficient technological and innovation capabilities, inadequate local infrastructures, weak local institutions) could only find a solution in a long-term collaborative approach with clear attribution of roles and responsibilities and continuous engagement from all parties. The zero draft Operational Framework aims at articulating the sequencing of actions to assist with the formulation and implementation of collaborative approaches to shared resource-based value creation and sketch out the roles and responsibilities of governments and extractives industries. It provides examples of shared governance mechanisms designed to improve efficiency and foster participation which should be further enriched, drawing on country experiences and existing practices.

The document identifies six main steps in the building of a public-private collaborative approach to shared value creation:

- **Adopt a comprehensive long-term vision, behaving strategically to build resource-based competitive economies and create shared value.** It is the responsibility of governments to provide stable, predictable and transparent policy frameworks, including sound macro-economic management. Governments define the role of the extractive sector and its expected contribution to the achievement of long-term strategic goals, including through appropriate policies in support of sustainable development. Political leadership should first ensure a coherent, comprehensive “whole-of-government” approach to shared resource-based value creation. While ownership
should reside in government to ensure clear accountability, the governance of the strategy should be more inclusive and involve government as well as non-government stakeholders.

- **Build an empirical basis to inform decision-making through an inclusive participatory process.** As demand varies significantly over the lifecycle of extractives projects, building a common understanding of the local context, as well as the needs, pace and scheduling of projects is crucial to leverage the potential for maximising socio-economic benefits. Early collective assessment of the sector’s needs, opportunities for building complementarities with other sectors, through systemic linkages between productive activities, and gaps is crucial to determine where and how value can be created. Preliminary screening and data collection should inform any course of action, including the choice of the appropriate measures and type of instruments to promote resource-based shared value creation. Capacity constraints define the level of benefits that can be captured at a given point in time.

- **Prioritise “quick wins” and leveraging other opportunity areas for long-term collaboration.** Opportunities for in-country value creation may be found in sector-specific areas such as local supply chain development or local workforce development but they may also well cover cross-sectoral issues, such as putting in place enabling conditions for development across sectors (e.g. infrastructure, SMEs financing, education, etc.) or activities that allow for the development of new products and new areas of comparative advantage. A gradual and phased approach should be favoured with the sequencing and progressive introduction of measures and initiatives at a realistic pace. An initial focus on quick wins and low hanging fruits can help create momentum while planning and putting in place the conditions for mid- and longer-term initiatives.

- **Create an enabling business environment.** Build skills, support enterprise development in selected areas with the highest potential to spawn new comparative advantage, promote technological innovation and multi-purpose infrastructure.

- **Create a monitoring and evaluation system.** Assess performance against identified shared goals and milestones and ensure commitment to delivery from different stakeholders. To the extent possible, the system should aim to capture the different dimensions of shared value creation, including cross-sectoral spin-off benefits. A standardised methodology for performance measurement should be developed in order to ensure consistency and comparability of results.

- **Regularly reviewing strategy and adapting to changing circumstances.** The strategy should be regularly reviewed to reflect changes in the operating environment and adjusted in light of progress made and lessons learned (what is working and what is not). Effective and structured communication around the strategy is crucial to create mind-set change and ensure engagement and continuous commitment from different stakeholders.

Participants welcomed the draft *Operational Framework* and recommended further addressing the roles of other stakeholders such as civil society, local communities and local authorities. It was also stressed that industry does not constitute a homogenous group as the needs, priorities and levers for action may be different for a small operating company compared to big multinationals. Participants further suggested differentiating opportunities for collaboration around the different phases of the project and providing concrete examples and case studies to identify and codify the practices and mechanisms that have been successful in triggering a shift in the mindset from a mere transactional relationship to continuous and constructive engagement of all parties.

The consultation provided the opportunity to start sharing examples of practices in Chile. One participant reported about the experience of a company operating since 2000 in one of the world’s largest
copper mining sites in Chile. The company has engaged with local communities from the start. Yet, its approach has been so far reactive, focused on risks and based on a bilateral relationship with each community, which partly contributed to inhibiting government action rather than encouraging integrated and long-term vision for territorial development. This strategy has not proved successful in terms of achieving tangible societal and business outcomes and resolving or preventing conflicts and tensions. The company therefore started about a year ago working on a new strategy for managing the relationship with the state and local communities and creating higher value for all stakeholders. The company made a proposal to the government for the creation of a governance mechanism in order to foster continuous and constructive dialogue on territorial development issues involving all relevant stakeholders. The dialogue was intended to build a common vision for the development of the territory, develop innovative solutions to socio-technical controversies (e.g. resource management such as land, water, energy) through the involvement of experts and build social capital through better integration of communities’ demands and more effective, efficient and transparent social investments. It was proposed that the process would be led by the mayor designating a mixed taskforce composed of representatives from different categories of stakeholders. The work of the taskforce would be supported by a technical committee composed of representatives of the municipality and the companies operating on the territory. Citizens’ participation would be promoted through the creation of a committee regularly interacting with the taskforce and participating in the implementation of the projects. The process should lead to the definition of an implementation plan with a clear identification of roles and responsibilities. The prospects of such undertaking look promising. Key success factors will involve: the willingness of the company to acknowledge the existence of a conflicting situation, share power and invest significant resources, the willingness of the government to engage at the local and national level, the quality of the process (representativeness, transparency, continuity and consistency in time, technical robustness, etc.), capacity to align objectives and articulate a common vision for territorial development.

Country Reviews on Shared Resource-based Value Creation

Participants discussed and endorsed the conceptual framework circulated prior to the meeting. Participants recognised that compared to other country-based initiatives and analysis, the Reviews will have the advantage of being integral part of the Policy Dialogue process, thus providing access to a large and diverse pool of expertise within and outside the OECD and experiences from member and partner governments, industries, civil society organisations and international organisations involved in the initiative. The discussion also emphasised that the scope of the analysis could be tailored to countries’ specific context, priorities and needs. For example, the Review could have a specific territorial focus on regions or provinces or type of resources. This would also help select Knowledge Peers and match their experience against specific territorial development challenges.

Work Stream 2 – Revenue Spending and Stabilisation Funds (Session 7)

The session was chaired by H. E. Vice-Minister Ms Madina Abulkassymova, Ministry of National Economy, Republic of Kazakhstan.

Update on the comparative analysis of the performance of stabilisation funds

Participants received the revised draft questionnaire on stabilisation funds and public investment options reflecting the comments and feedback received at the last meeting of the Policy Dialogue on 3-4
June 2014. The questionnaire was considered approved and it was agreed to move forward with the comparative analysis of the performance of stabilisation funds and public investment options with willing countries.

**Leveraging resource revenue spending for sustainable, broad-based and inclusive development**

The session was dedicated to an in-depth discussion on the management and distribution resource revenues drawing in particular on the experiences of Philippines, Mexico and Kazakhstan. Spending choices and priorities as well as the associated allocation schemes and mechanisms, in particular devolution schemes in the case of Philippines and resource funds in the case of Mexico and Kazakhstan were discussed as well as the contextual factors and particular circumstances accounting for such choices.

The Philippines collect a diverse range of national and local taxes and fees from the extractive industries: income tax, excise tax, royalties, customs duties, income taxes, local taxes and fees, transportation and fees, and for oil and gas, government share in profit. In 2012, the taxes collected amounted in total to $1.3 billion\(^2\) from the companies engaged in mining and oil and gas, of which the amount of $0.1 billion was collected directly by various local government units (LGUs). Under the 1991 Local Government Code (LGC), LGUs are given the power and authority to generate their own sources of revenues and levy taxes, fees, and charges, in accordance with the guidelines and limitations provided by Congress and the basic rules governing local autonomy. In addition, LGUs receive a share of the national taxes.

National government transfers called internal revenue allotments (IRA) are the largest source of external revenues of the LGUs which represents on average twice the amount levied by LGUs. Similarly, LGUs are entitled to a share in the proceeds generated by the utilization and development of the national wealth within their respective areas. On the expenditures’ side, the LGUs are responsible for providing basic services such as health care, social welfare, agricultural extension or environmental protection. They are also tasked with ensuring provision and maintenance of local infrastructure facilities.

For LGUs hosting mining, forestry or natural gas reserves, the LGC provides that these LGUs are entitled to receive a 40% share of the gross amount of revenue collected by the national government in the preceding fiscal year “from mining taxes, royalties, forestry and fishery charges, and such other taxes, fees or charges, including related surcharges, interests, or fines, and from its share in any co-production, joint venture or production sharing agreement in the utilization and development of national wealth within their territorial jurisdiction”. The allocation rules follow the following scheme:

- If the natural resources are located within one province, 20% goes to the province, 45% to the component city or municipality, and 35% to the barangay (which is the smallest unit of government in the Philippines);

- If the natural resources are located in a highly urbanized or independent component city, the city gets 65% and the barangay 35%;

- If the natural resources are located in two or more provinces, or in two or more component cities, independent component cities, highly urbanized cities or municipalities, or two or more barangays, their respective shares shall be computed on the basis of population (70%) and land area (30%) for the oil and gas sector, Section 8 of the Presidential Decree n° 910\(^3\) provides for the creation of a Special Fund where “all fees, revenues and receipts from any and all sources including receipts from

\(^2\) Data from 36 participating entities in forthcoming PH-EITI country report for 2012.

service contracts and agreements as well as the government share representing royalties, rentals, production share on service contracts and similar payments on the exploration, development and exploitation of energy resources” shall be directly transferred and “used to finance energy resource development and exploitation programs and projects of the government and for such purposes as may be directed by the President”.

Preliminary findings of the PH-EITI report show that there is some room for improvement in the way revenues are collected and distributed. With regard to the collection process more specifically, non-collection of taxes has been observed in several cases due to LGUs’ lack of capacity to enforce legislation or lack of awareness about their entitlements. Similarly, the distribution process suffers from a few weaknesses such as a lack of transparency on the origins of the national government transfers. Indeed, LGUs receive an aggregated amount of revenues from the Department of Budget and Management without distinguishing the source of the revenues. This practice prevents LGUs from carrying out verifications and cross-checking that they received the correct amount and from adequately planning their annual budget. Other improper practices include misallocation of the funds received by LGUs from national government transfers, delays in the transfer of revenues from national government rendering budget forecasts challenging. Moreover, the combination of a sophisticated collection and allocation scheme and unclear or non-transparent devolution practices tends to hide from LGUs the real benefits they can derive from hosting extractive activities in their jurisdiction. It provides in certain cases for example an incentive for LGUs to favor small-scale mining activities directly taxed by LGUs over large-scale mining projects that depend on the central tax administration (Large Taxpayer Service) for the collection of taxes even if the total amount collected in the end might be lower.

As a result, both LGUs and companies operating in resource-rich regions are favourable to reforms that would introduce more accountability and transparency in the process of collection and distribution of revenues. This includes - but is not limited to - measures such as disaggregating national government transfers to LGUs according to their source, reducing the delay in national government transfers to LGUs, building LGUs capacity for revenue collection, budget planning, prioritisation of policies, etc.

In Mexico, the fiscal regime applied to the oil and gas sector mainly includes corporate income tax, royalties and costs deductions. A standard 30 percent corporate tax shall apply to all investors, including PEMEX. This tax will still be transferred to the federal budget. Secondary laws establish that PEMEX shall contribute to the Ministry of Finance 11 percent less tax than its high average of 69 percent of total income. Royalties shall be calculated according to the type of field, its production and the price of oil and gas and will be set upon contract signing. Royalties will be transferred to the newly created Mexican Petroleum Fund for Stabilization and Development, modelled on the Norwegian Fund.

The Mexican Petroleum Fund for Stabilization and Development will serve two objectives: budget stabilisation and long-term savings. The Fund will transfer revenues to the federal budget up to 4.7% of the GDP. The rest will be saved for future generation up to 3% of GDP. When long-term savings surpass 3% of GDP, the excess balance will be allocated as follows: at least 40% to long-term savings (until savings reach 10% of GDP); up to 10% to the Universal Pension System; up to 10% to science & technology and renewable energy projects; up to 30% to oil and gas project investment vehicle and infrastructure development; up to 10% to scholarships, connectivity enhancement projects and regional industrial development.

It was reported that Kazakhstan presents a strong fiscal profile ranking among the few countries in the world with a budgetary surplus in recent years. The government budget is reported in two forms: a headline state budget with a deficit ranging between 2 and 3 % over the past five years and a consolidated budget which takes into account government revenues from the oil and gas sector on the one hand and transfers from the National Fund into the budget on the other hand. On a consolidated basis, Kazakhstan’s
budget surplus was of 8% at the end of 2013. The Government has set as a medium-term fiscal objective to further reduce the non-oil budget deficit to 1.4% by 2020.

Kazakhstan set up a National Fund in 1998 which started operating in 2001. All revenues from oil and gas sector are channelled through this Fund. The National Fund of the Republic of Kazakhstan serves two objectives: budget stabilisation and long-term savings. Its assets today amount to around US $75 billion which represents 36% of GDP of which 68% are allocated to savings while 32% are used for stabilisation. Starting from mid-2006 and until recently, the fiscal rule provided that a set amount in absolute terms of US $8 billion per annum was transferred to the fiscal budget. This rule was modified in March 2012 to allow for the transfer of a flexible amount of US $8 billion ±15% and complemented by a new provision on targeted transfers aimed at introducing flexibility and counter-cyclicality in the management of fiscal revenues. Kazakhstan’s medium-term fiscal framework is laid out in the Concept of New Budget Policy and the Concept for Formation and Use of National Fund Assets which stipulates that:

- Guaranteed transfer from the National Fund to the Republican Budget are fixed in absolute value of $ 8 billion +/- 15% depending on the economic cycle.
- The minimum level of the National Fund savings are set at the level of 30% of the GDP at the end of each financial year.
- The National Fund assets should increase to $ 180 billion by 2020.
- Targeted transfers can be allocated from the National Fund for socially significant major projects only at the request of the President of the Republic of Kazakhstan in the absence of alternative sources of funding.

This new fiscal rule on targeted transfers came as a response to sluggish domestic demand and the need to reduce dependence on exports. Targeted transfers in 2014-2015 were used for supporting the recovery of the banking sector through the purchase of non-performing loans ($ 2.7 billion); providing cheap loans through banks to small and medium enterprises in the manufacturing sector ($ 1.08 billion); financing industrial and infrastructure projects and infrastructure of free economic zones in the framework of the State program for industrial innovative development for 2015-2019 ($ 1.1 billion); financing activities related to the World Exhibition "EXPO - 2017" ($ 0.36 billion); building the new terminal and the reconstruction of the runway at the airport of Astana ($ 0.16 billion); financing the new State Program of Infrastructure Development ($ 3 billion annually during the period 2015-2017).

Targeted transfers are allocated at the request of the President of the Republic of Kazakhstan and upon decision made by a Council headed by the President and composed of the Presidents of the Senate and of the Lower Chamber, representatives of the government, the Director of the Central Bank, etc. The issue of possible political interference and discretionality in fiscal management was raised during the discussion. Moreover, Kazakhstan’s fiscal rules have been subject to criticism by international organisations for being too strict and preventing from budgetary adjustments and counter-cyclicality. As a consequence, Kazakhstan is planning to introduce automatic stabilisers to automatically save more when commodity prices are high and transfer more in case of a downturn and a decrease of commodity prices. Kazakhstan provides an interesting example of how to move progressively from prudent fiscal management to a more balanced countercyclical fiscal policy.

Ghana created the Petroleum Holding Fund and the Ghana Petroleum Funds in 2011. All oil and gas revenues goes directly to the Petroleum Holding Fund. Part of the revenues is then reinvested in the Ghana National Petroleum Corporation (GNPC). Another share is allocated to the Ghana Petroleum Funds which serve the dual objective of saving for future generations (Heritage Fund) and smoothing the effects of...
commodity price volatility and sustaining public expenditure in periods of revenue shortfalls (Stabilisation Fund). The remaining share is channelled to the national budget through the Annual Budget Funding Amount and shall serve for spending and investment in priority sectors such as agriculture, education, health and infrastructure.

The interventions and the subsequent discussions highlighted the importance of contextual factors in decisions over revenue management and distribution. With regard to spending choices, the trade-off to be made between saving for future generations and investing today for the development of the country will depend on the country development level and its current and future domestic investment needs. Similarly, the decision to invest abroad all the revenues from extractive resources as made by Norway or Kazakhstan to avoid currency over-appreciation might not be the most appropriate approach for countries with unfavourable borrowing position on international markets and dire needs for domestic investment. This is the case, for example, of Ghana which is a net borrower on international markets and borrows at commercial interest rates three to four times higher than its returns on investment. Ghana therefore recently revisited its strategy to invest resource revenues in domestic infrastructure development. Botswana has also made this choice of entirely devoting revenues from diamond extraction to investment in physical and human capital. With regard to budget allocation schemes, the level of devolution in the collection and allocation of revenues might depend on the distribution of natural resources over the national territory. If resource endowments tend to be even across regions, a system favouring devolution of power to subnational governments might be preferred. Otherwise, there might be a need for a certain level of centralisation to allow for a fairer and more balanced distribution of revenues across the territory. The recent reform in Colombia is illustrative in this regard and has been documented in the recent publication of the Inter-American Development Bank (IADB), *Transparent Governance in an Age of Abundance: Experiences from the Extractive Industries in Latin America and the Caribbean* which looks into transparent revenue management practices in the region. The IADB has moreover supported the development of a tool by the Colombian government called Mapa Regalías which was presented at the last meeting of the Policy Dialogue on 3-4 June 2014 and aims to foster greater transparency and citizen participation in the management and distribution of revenues.

**Work Stream 3 – Getting Better Deals (Session 5)**

The session was chaired by Mr Kang-Hyeon Yun, Deputy Permanent Representative, Delegation of the Republic of Korea to the OECD.

**Establishing appropriate prices for minerals**

The discussion was introduced by the OECD’s Tax and Development Taskforce Secretariat which is a joint initiative between the OECD’s Centre for Tax Policy and Administration and Development Cooperation Directorate.

Previous consultations had shown that there is considerable interest in assisting revenue authorities to obtain the information they need to verify the prices reported by (and the resulting taxable profits of) multinational enterprises extracting and exporting natural resources. The OECD was mandated at the last meeting of the Policy Dialogue on 3-4 June, to undertake a feasibility study on a database or equivalent tools to establish benchmark prices for mineral commodities.

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This work also finds its origins in the interest by other international processes such as the G8 and G20. In particular, the G20 Development Working Group has mandated the OECD to commence a study on the feasibility of addressing the information gap on prices of some natural minerals sold in an intermediate form.

The rationale for undertaking this work was explained as follows. When minerals are traded as raw ores or in intermediate, processed forms, companies often set prices by reference to quoted prices for the commodity in a form further along the value chain (for example, a copper ore with specific characteristics might be priced with reference to the price for pure copper, the latter being publicly available). Tax authorities need to establish whether those pricing adjustments are appropriate and based on common industry practices, and also whether they align with what would have been agreed between independent parties for transactions of the commodity in comparable circumstances. But in practice this can be hard to ascertain given the information needed on the taxpayer’s transaction and business, as well as on the industry in general.

It was reminded that this debate is strongly connected to the wider OECD work on Base Erosion and Profit Shifting (BEPS) that is ongoing. The BEPS project encompasses a broader set of actions aimed at ensuring that taxes are paid where the substantive activities supposed to generate these tax revenues are actually undertaken.

It was observed that a database of prices was a problematic solution to these challenges, given the considerable diversity in mining conditions globally, and a more sustainable way forward was proposed to provide revenue authorities the tools and information needed to verify the prices themselves.

To do so, the OECD proposed four areas of work:

- a survey of developing country tax authorities on the challenges faced in accessing the information needed to undertake mineral pricing;
- a survey of OECD tax administrators with significant extractive sectors to examine the routine adjustments made to publicly available prices;
- a note on existing data sources that can help administrators to ascertain prices and perform associated adjustments; and
- an initial study of 3 minerals (iron ore, copper and gold) to identify common contract terms and the information needed to apply transfer pricing approaches.

Participants welcomed this proposal as a way to address many of the issues faced by countries producing and exporting minerals. It would strengthen tax authorities’ capacities by providing them with adequate tools for determining the required adjustments to be made to publicly available prices and establishing whether appropriate prices for their minerals are being used. This work is intended to enable countries tackle more effectively transfer pricing issues and reduce asymmetry of information. This would be particularly relevant and timely in the context of countries having undertaken a comprehensive reform of their fiscal regime such as Philippines and Ghana.
Supporting complex contract negotiations

Participants received an update on the G7(CONNEX) Initiative aimed at strengthening assistance to developing countries for complex contract negotiation. The initiative was launched in June 2014 at the Brussels G7 Summit with a view to “providing developing country partners with extended and concrete expertise for negotiating complex commercial contracts, focusing initially on the extractives sector”.

As a first step, G7 leaders agreed to set up a central resource hub bringing together all information and guidance on contract negotiations and on existing contract negotiation support facilities. The Negotiation Support Portal⁶, hosted and managed by the Columbia Centre on Sustainable Investment was launched earlier this year in June.

The next step is to set up multi-disciplinary teams of experts (lawyers, geologist, engineers, etc.) to provide rapid and holistic type of assistance to complex contract negotiations. Implementation issues are currently under examination including the most appropriate administrative model and the most appropriate legal framework to use. In October, a workshop was organised to discuss the modalities and legal conditions for expert teams to be deployed on the ground (code of conduct, mandate letter, etc.). In the run up to the next G7 Summit in Germany on 7-8 June 2015, consultations will be organised in February - March 2015 involving existing service providers, developing countries, companies, civil society.

Work Stream 4 - Detecting corruption risks in extractives (Session 1)

The session chaired by Nicola Bonucci, Director for Legal Affairs and Representative to the G20 Anticorruption Working Group, OECD, provided the opportunity to share the results of ongoing analysis carried out by the G20, the OECD, UNDP and the World Bank aimed at characterising and managing corruption risk in extractives.

The OECD extrapolated relevant data and lessons for the extractive sector from the preliminary findings of its upcoming Foreign Bribery report⁷ launched on 2 December 2014, from the Trace compendium database⁸ and from case studies⁹ related to the anti-corruption chapter of the OECD Guidelines for Multinational Enterprises. The World Bank and UNDP respectively presented the results of

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⁶ http://www.negotiationsupport.org/
⁸ Trace compendium is a database of summaries of both completed and ongoing international anti-bribery enforcement actions. Most actions included in the TRACE Compendium are Foreign Corrupt Practices Act (“FCPA”) enforcement actions brought by the U.S. Department of Justice (“DOJ”) and/or the U.S. Securities and Exchange Commission (“SEC”). However, the TRACE Compendium also includes the growing number of international anti-bribery enforcement actions brought by enforcement authorities outside of the United States, particularly amongst signatories to the OECD Anti-Bribery Convention. Enforcement activity included in the TRACE Compendium shares one characteristic: the conduct at issue – the bribery – crosses an international border. Domestic anti-bribery prosecutions and investigations are outside the scope of the TRACE Compendium. http://www.traceinternational.org/compendium/
⁹ The OECD Watch’s online case database contains information on OECD Guidelines cases raised by civil society organisations at National Contact Points. The database contains relevant information about the cases, including the complaint, supporting documents, letters and statements. It covers 34 OECD and 12 non-OECD countries. http://oceawatch.org/cases
a mapping exercise and an analytical framework to identify and better manage corruption risks all along the value chain of extractives that will be piloted in selected countries.

Preliminary findings of the OECD Foreign Bribery Report show that one case out of five has to do with the extractive sector and that bribery cases commonly involve State-Owned Enterprises (SOEs), a result corroborated by the Trace Compendium which shows that 27% of cases analysed have involved SOEs comprising 80% of the total value of bribes. Public procurement in general tends to concentrate a relatively higher number of the investigated corruption cases. This often results from lax legislation or procedures which provide public officials with higher leeway and discretionary power. While the main contract might often be subject to high scrutiny for corruption risks detection in public procurement, one intervention drew attention to alternative bribery channels in public procurement such as ancillary and offset contracts. The OECD work also identifies the mismanagement of social development funds financed by extractive industries to support local communities’ development as another high risk area. Two cases of mismanagement of development funds in the extractive sector in Liberia and the Philippines were reported to National Contact Points, agencies set up in countries adhering to the OECD Guidelines for Multinational Enterprises in order to handle enquiries, and contribute to the resolution of issues that arise from the alleged non-observance of the guidelines in specific instances. Though it is difficult to draw general conclusions due to the relatively low number of cases available, emphasis was put on the need for closer follow-up and monitoring (e.g. project financing through several instalments). Successful experiences in this regard can be found in Guinea where co-operation committees composed of representatives of mining industries, civil society and local authorities have been set up in mining sites with a view to ensuring regular monitoring and evaluation of the development plans elaborated by local communities and financed by companies.

As an input to the G20 Anti-Corruption Working Group led by Indonesia, the United Kingdom and the United States, the World Bank has conducted a joint study with the OECD on corruption and growth to assess and measure the impact of corruption on growth performance as well as a mapping of corruption risks all along the value chain of extractives. Furthermore, the World Bank is carrying out a survey among G20 countries in order to identify good practices and examples of mitigation measures put in place in G20 countries.

The World Bank’s study on corruption and growth confirms a first intuition that corruption has a negative impact on growth with direct implications on the costs of projects for both the private and public sector. It also bears indirect consequences such as institutional weakening, citizens’ trust erosion, reduction of incentives for innovation, increase in inequalities, etc. At the macroeconomic level, in addition to creating a huge drain in state revenues, corruption negatively affects decisions on budget allocation, impedes proper regulation and puts additional burden on the markets by rendering costs of doing business unpredictable and creating unnecessary trade barriers. Finally, corruption is usually tightly associated with criminal activities like money laundering, tax evasion, illicit trade or misuse of corporate assets.

The World Bank’s mapping exercise of corruption risks in extractives identifies 5 phases in the extractive value chain where corruption risks may arise: i) Contract and license awarding; ii) Legal and regulatory enforcement; iii) Tax and royalty collection; iv) Revenue management and allocation and v) Development project investment. In the bidding process phase, the identified corruption risks include disclosure of information about geological information to potential bidders, non-compliance with the payment of the signature bonus determined in auction, elite capture as a result of misapplication of local content development clauses mandating equity participation of SOEs or domestic private companies. As mentioned earlier, SOEs and national companies are areas of special concerns in particular with regard to

10 The bonus bid or signature bonus is the upfront payment determined in auction for the right to explore and develop the block during the license period.
possible in-kind payments as part of the Production Sharing Agreements or opaque and complex transactions relating to the trading and selling of oil. Additionally, the mapping draws attention on opportunities for bribery that may arise from a privatisation agenda that would not be properly conducted. With regard to the tax collection phase, the World Bank points out to a series of practices known as transfer pricing and profit shifting that cannot be characterised as corruption, yet contribute to significantly eroding the tax base. Weak capacities in tax administration, lack of coordination and exchange of information further contribute to favouring the emergence of corruptive behaviours. In the revenue management and allocation phase, the lack of transparency in the management of Sovereign Wealth Funds offers favourable conditions to corruption and bribery. In addition, earmarked or mandatory revenue transfers to subnational governments have become an area of major concerns over potential corruption risks.

The results of the questionnaire on mitigation measures circulated among G20 countries have not yet been compiled and analysed. Yet, a preliminary screening allows already for the identification of good practices in the field of contract and license enforcement in Brazil, Canada, Mexico, the United Kingdom and the United States; with regard to access to geological information in Argentina, Australia, Canada and the United States; in the field of law and regulation enforcement in Brazil, Indonesia, Mexico and South Africa; in the management of SOEs in Brazil, China and Saudi Arabia; and in the area of revenue allocation in European countries and the United States.

Similarly, UNDP is developing a Practitioner’s Guide for Corruption Risk Management in Extractive Industries which shall be published soon. This work comes within the broader framework of a recently approved UNDP strategy on Extractive Industries for Sustainable Development. In addition, it builds on the work carried out by UNDP in other sector such as health, education, water and forestry. UNDP identifies 5 main phases in the extractive value chain which parallel to some extent the 5 phases of the World Bank’s mapping exercise: i) Policy, institutional and legal framework design; ii) Concession and contract negotiation; iii) Extraction operations and regulatory compliance; iv) Revenue generation and fiscal management and v) Expenditure management. In each phase, the guide aims to identify and prioritize corruption risks; develop tools that can be used to tackle corruption vulnerabilities; develop a roadmap to effectively mitigate corruption risks; and ensure that those risks are regularly monitored and assessed. The guide’s approach to managing corruption risks is based on a rating of those risks combining the measure of the likelihood that corruption may occur with the measure of its potential impact. Key success factors for the effective design and implementation of a corruption risk management process include securing country commitment at the highest political level, fostering ownership from key groups as well as mapping out the level of power influence and interests.

Interventions generally acknowledged the benefits of going beyond a purely judicial and enforcement approach and to complement judicial instruments with cooperation and prevention-oriented mechanisms. Participants welcomed the Policy Dialogue as an initiative that could contribute to achieving this objective. Other cooperation or prevention-oriented mechanisms include the joint OECD - Basel Governance Institute High Level Reporting Mechanism11 aimed at addressing allegations of bribery solicitation by public officials through confidential reporting by companies to a dedicated and high-level institution tasked with responding swiftly and in a non-bureaucratic manner. The mechanism has been piloted in Colombia focusing on public procurement and infrastructure and should be tested next in Panama. In general, interventions advocated for appropriate checks and balances between the different stakeholders as efficient firewalls and prevention methods against corruption risks. For NGOs in particular, fostering international NGO coalition to act on the ground can help hedge against corruption risks.

11 http://www.collective-action.com/initiatives/hlrm
Moreover, several participants advocated for measures reducing asymmetries of information and facilitating access to information as powerful means to mitigate corruption risks. Transparency and access to information should be sought across the value chain including information about the final beneficial owner which is rarely disclosed. Participants shared concrete examples and practices for improving circulation of information among stakeholders. The case of training provision to local communities on how to read and understand oil contracts by oil companies operating in Myanmar is illustrative in this regard. Other examples include the World Gold Council’s recent publication on Responsible Gold Mining – Value Distribution that aims to improve transparency and access to information on the amount of money spent in and out of the country by its members\textsuperscript{12}. It should be noted that though essential, access to information is only one first step towards increased accountability and reconciliation of sometimes antagonist interests and perceptions.

Key outcomes and ways forward

Work Stream 1 – Shared Value Creation and Local Development

Participants reiterated their commitment to further engage in this exercise of knowledge sharing with a view to enhancing collaborative approaches to shared value creation and better informing policy design and implementation at country level. The discussions offered the opportunity to assess signs of early impact of the work carried out so far as part of the first Work Stream. Indeed, it appears that as a result of constructive dialogue and cross-fertilisation of experiences, the Policy Dialogue has prompted the revision of the IPIECA Guidelines on Local Content and is contributing to shaping their content.

- The discussions allowed for a better understanding of the realities of extractive operations as well as the risks and challenges faced by extractive industries all along the project lifecycle. They also fostered greater mutual recognition of the different stakeholders’ priorities and constraints. Moving forward, it was agreed to complement the chart on opportunities for backward, forward and horizontal linkages for the oil and gas industry with a similar chart for the mining industry developed by ICMM in consultation with its members.

- Participating countries and stakeholders in the consultation welcomed the Draft Operational Framework on Public-Private Collaboration for Shared Resource-based Value Creation and committed to working together to produce an advanced draft for the next meeting in June and come up with a final document for possible endorsement by the end of 2015. A Multi-Stakeholder Drafting Committee has been established for this purpose. France, Ghana, Guinea, Norway South Africa, Switzerland, Antofagasta Minerals, Chilean Mining Council, Anglo American, International Council of Mining and Metals, IPIECA, FSG, Social Clarity and UNDP expressed interest in joining. Interested parties and potential other volunteers are invited to officially confirm in writing their willingness to participate in the Drafting Committee. In addition, all participants are invited to send first rounds of written comments that shall be consolidated and serve as a basis for discussion in the first virtual meeting/conference call of the Drafting Committee in late January 2015. The calendar of monthly calls from January to April will be circulated to confirmed members of the Drafting Committee.

- Participating countries endorsed the Conceptual Framework for Country Reviews on Shared Resource-based Value Creation and agreed to move forward with in-country OECD and non-OECD collaborative analysis (at national or sub-national level), feeding into the comparative

\textsuperscript{12} https://eiti.org/files/Responsible-Gold-Mining-Value-Distribution.pdf
analysis of country practices. **Ghana, Guinea, Mexico and Mongolia** expressed interest in undertaking these reviews. **Interested countries as well as countries willing to play the role of Knowledge Peers or countries and partner organisation willing to fund and/or take part in the Reviews are invited** to send official confirmations in writing to the OECD Secretariat.

**Confirmations, written comments and any additional expressions of interest** should be sent to the OECD Secretariat (Ms Lahra Liberti: lahra.liberti@oecd.org and Ms Laure Brillaud: laure.brillaud@oecd.org) ideally by 19 December 2014 and in any case no later than 16 January 2015.

**Work Stream 2 – Revenue Spending and Stabilisation Funds**

Participating countries took note of the revised questionnaire on the performance of stabilization funds and public investment options and agreed to use the questionnaire as a tool to carry out comparative analysis of country practices. **Chile, Kazakhstan, Mongolia**, will participate in this exercise. Subject to confirmation **Ghana, Mexico and the Russian Federation** shall participate in this endeavour as well. The results of the study will be tabled at the next meeting in June 2015.

Countries willing to participate in the comparative analysis are invited to **fill in the questionnaire and send it back** to the Secretariat by **30 January 2015**.

**Work Stream 3 – Getting Better Deals**

Participating countries endorsed the proposal by the OECD to survey OECD and non-OECD methods to determine appropriate prices for minerals. The preliminary findings will be submitted for consideration at the next meeting in June. This work is intended to enable countries tackle more effectively transfer pricing issues and reduce asymmetry of information.

**Work Stream 4 – Detecting Corruption Risks**

Participants supported the adoption of an empirical and bottom-up approach drawing lessons from concrete examples and cases, systematising the collection of information from different sources like the G20, the OECD, UNDP and the World Bank. This work is expected to support and provide input to on-going international processes, including the G20. Participants also stressed the need to link the discussion on corruption risks (Work Stream 4) and that on shared value creation (Work Stream 1) in order to unravel the potential linkages and interplay existing between corruption risks and the local value creation agenda.

Representatives of governments, industry and civil society are invited to **join a multi-stakeholder group** in which experiences and information will be shared in order to compile a catalogue of typologies of conduct, vehicles and mechanisms that give rise to corruption risks in extractives as well as best practices to mitigate those risks.

**Expressions of interest to participate in the multi-stakeholder working group** should be sent to the OECD Secretariat ideally by 19 December 2014 and in any case no later than 16 January 2015. The calendar of monthly calls will be circulated to confirmed members of the working group.