

SEVENTH PLENARY MEETING OF THE POLICY DIALOGUE ON NATURAL RESOURCE-BASED DEVELOPMENT

Jointly organised by the OECD Development Centre and the G7 CONNEX Initiative

Building collective knowledge for actionable policies

ANNOTATED AGENDA

30 November and 1 December 2016 - OECD, Paris (OECD Conference Centre)

ABOUT THE POLICY DIALOGUE

The Policy Dialogue on Natural Resource-based Development is a **multi-year intergovernmental process of knowledge sharing and peer learning among OECD and Partner natural resource producing countries** on how to harness natural resources for structural transformation and more inclusive and broad-based development. Compared to other fora, the added value of the Policy Dialogue on Natural Resource-based Development lies in its unique structure designed to facilitate the generation, systematisation and access to tacit and newly developed collective knowledge through collaborative OECD and non-OECD evidence-based policy analysis.

The Policy Dialogue focuses on four Work Streams: **(i) Shared Value Creation and Local Development; (ii) Revenue Spending and Natural Resource Funds; (iii) Getting Better Deals** and **(iv) Domestic Resource Mobilisation (corruption and revenue leakages)**.

The Policy Dialogue is a cross-directorate OECD initiative, led by the Development Centre and involving relevant Directorates that can contribute or lead in specific policy domains, namely, the Centre for Tax Policy and Administration (CTPA), Development Cooperation (DCD), Environment (ENV), Financial and Enterprise Affairs (DAF), Global Relations Secretariat (GRS), Legal Directorate (LEG), Public Governance and Territorial Development (GOV), and Trade and Agriculture (TAD). The Policy Dialogue is a pilot of the Knowledge Sharing Alliance (KSA) initiative.

For more information visit the website: <http://www.oecd.org/dev/natural-resources.htm>

ABOUT THE G7 CONNEX INITIATIVE

The G7 Initiative on Strengthening Assistance for Complex Contract Negotiations (CONNEX) was launched in June 2014 at the G7 Summit in Brussels and received political support at the G7 Schloss Elmau 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”.

The Initiative is structured around three pillars: Information integration and accessibility on existing resources (Pillar 1); Enhancing existing negotiation support (Pillar 2); and Linking to long-term capacity building and increasing transparency (Pillar 3). An open web portal (www.negotiationsupport.org) was established in collaboration with the Columbia Center on Sustainable Investment (CCSI) to enhance the accessibility to negotiation support through the integration and accessibility of relevant information. The CONNEX Code of Conduct was endorsed to provide ethical and procedural guidelines for advisory support on contract negotiations; and the Negotiation Support Forum (NSF) was established in collaboration with the OECD Development Centre to improve knowledge sharing and peer learning among support providers, partner countries and investors. At the Ise-Shima Summit held in May 2016 under the Presidency of Japan, G7 leaders endorsed the [CONNEX Guiding Principles towards Sustainable Development](#) to guide further implementation efforts.

OBJECTIVES, STRUCTURE, FORMAT OF THE EVENT AND PARTICIPANT EXPECTED CONTRIBUTION

This two-day meeting will bring together representatives of governments, extractive industries, civil society and think tanks and will afford opportunities to advance the work under the different Streams of Work, according to the [roadmap](#) agreed upon at the Sixth Meeting of the Policy Dialogue on 22-23 June 2016. The **first day (30 November)**, which will have **multiparty participation (governments, industry, civil society and think tanks)**, will be devoted to the **CONNEX Negotiation Support Forum**. The **second day (1 December)**, also with **multiparty participation**, will feature sessions to advance work under Work Streams 1 (Shared Value Creation and Local Development) and 2 (Natural resource Funds and Revenue Spending), and 4 with a specific discussion around domestic resource mobilisation, addressing both domestic investment spending and ways to address potential losses of revenues, by building on the OECD/G20 Actions on Base Erosion and Profit Shifting.

The objectives of the meeting are as follows:

Work Stream 1 - Shared value creation and local development

- Following the endorsement and publication of the [Collaborative Strategies for In-Country Shared Value Creation: Framework for Extractive Projects](#), it was agreed to use the *Framework* as a reference tool to support the development of strategies for in-country shared value creation. It was further agreed to establish an on-line *Compendium of Practices* to further explore the concrete application of the guidance provided by the *Framework*.
- The Seventh Plenary Meeting will provide the opportunity to launch the *Compendium of Practices* which will take the form of an on-line living tool showcasing concrete examples of how public-private collaboration can work in practice. Building on the initial set of practices discussed at the Sixth Plenary Meeting, a Working Group was formed in September 2016 to support the development of the *Compendium*. The Plenary Meeting will also provide the opportunity to learn from concrete country experiences in generating shared value.

Work Stream 2 –Revenue Spending and Natural Resource Funds

- Following the endorsement of the lessons learned of the *Comparative Analysis on the Performance of Stabilisation Funds and Investment Options*, participants in the Fifth Plenary Meeting of the Policy Dialogue on Natural Resource-based Development agreed to undertake further analysis to investigate how to use natural resource revenues to support the implementation of the 2030 Agenda for Sustainable Development. At the Sixth Plenary Meeting, a roadmap for 2017-2018 was agreed upon. The Seventh Plenary meeting will feature a thematic discussion on the trade-offs, opportunities, and effectiveness of strategic investment funds.

Work Stream 3 – Getting better deals

- The CONNEX Negotiation Support Forum (NSF), a joint initiative of the Policy Dialogue and G7 CONNEX Initiative, was launched at the Fifth Plenary Meeting in December 2015. The NSF aims to help governments reinforce their long-term capacity for contract negotiation and to improve the quality of advice by service providers. During the Plenary Meeting, participants will discuss the key attributes for long standing contracts and how they can be translated into drafting options reflecting contemporary contractual practice. Participants will also discuss the Guidance for assembling multidisciplinary teams to support extractive contract negotiation and the Terms of Reference Template for recruiting external advisors.

Work Stream 4 – Domestic Resource Mobilisation

- The publication on “Corruption in the Extractive Value Chain: Typology of Risks, Mitigation Measures and Incentives” was released in August 2016 and launched at the APEC Pathfinder Dialogue III on Strengthening the Fight against Illicit Trade and Corruption throughout the Asia-Pacific Region. A user-friendly version and a check-list to support the assessment of corruption risks are under development.
- The Secretariats of the OECD (Centre for Tax and Policy Administration and Development Centre) organised an informal brainstorming on Mobilising Resource Revenues from the Mining Sector: Tackling Leakages and Building on the OECD/G20 Actions on Base Erosion and Profit Shifting, on 20 October 2016 at the OECD in Paris. This expert-only meeting brought together representatives of governments, international organisations and think tanks to identify the most pressing needs for mobilising revenues from mining, review existing efforts to address those issues and identify potential areas for further action. The Seventh Plenary Meeting will provide the opportunity to share the outcomes of the discussion and consider a list of priority issues for future work.

The meetings of the Policy Dialogue **depart from** the traditional conference format distinguishing between speakers and audience. **Every participant** plays a role as both **a knowledge holder and a knowledge recipient** while the **OECD Development Centre** acts as **a neutral knowledge broker**, by contributing to framing the issues and facilitating the generation, systematisation and access to tacit or newly developed collective knowledge.

Participants are not only expected to share relevant experience, policies and case-studies but also to clearly articulate their knowledge needs and indicate which countries they would like to learn from to build or further refine their knowledge base. **In this interactive setting, there are no prepared speeches, official statements or long presentations. Proposed guiding questions** aim at helping participants prepare their contributions and identify relevant issues and questions they would like to see addressed during the meeting.

Reference documents are distributed ahead of the meeting in order to help participants prepare their contributions, support the discussion and move the process forward. Participant contributions are expected to be short, narrative in style and reactive to other interventions.

The event will be closed-door and held under Chatham House Rule of non-attribution of sources in order for participating countries and stakeholders in the multi-stakeholder consultation to engage in frank and thought-provoking discussions. It is expected that this method of work will be conducive to the establishment of a trustworthy environment where participating countries engage in frank and open exchanges that could pave the way for the collective development of new knowledge as well as innovative and mutually beneficial policy solutions and outcomes.



DAY 1 – CONNEX Multi-stakeholder Negotiation Support Forum

30 November (Room CC4, OECD Conference Centre)

8:00 - 9:00 Registration & Breakfast

9:00 - 9:30 *Welcoming remarks by:*

H. E. Mr. Pierre Duquesne, Ambassador and Permanent Representative of the Republic of France to the OECD, and Chair of the Governing Board of the Development Centre

Mr. Ryotaro Suzuki, Minister, Deputy Permanent Representative, Permanent delegation of Japan to the OECD

Mr. Günter Nooke, Personal Representative of the German Chancellor for Africa, Federal Ministry for Economic Cooperation and Development (BMZ)

H.E. Mr Abdoulaye Magassouba, Minister of Mines and Geology, Republic of Guinea

9:30 – 9:45 *Keynote address by H.E. Mr. Mosebenzi Joseph Zwane, Minister of Mineral Resources of the Republic of South Africa*

9:45 - 11:00 **Co-Chairs: Germany and Guinea**

Mr. Günter Nooke, Personal Representative of the German Chancellor for Africa, Federal Ministry for Economic Cooperation and Development (BMZ) and H.E. Mr Abdoulaye Magassouba, Minister of Mines and Geology, Republic of Guinea

Session 1 – How to assemble a multidisciplinary team for complex extractive contract negotiations

Ensuring the effective engagement of both parties in contract negotiations helps to design contracts that are stable and long-lasting. Host governments experience difficulties in pulling together multi-disciplinary teams with a wide range of legal, technical and financial expertise to prepare for and conduct the negotiations. In response to the request received from participants in the inaugural meeting of the Negotiation Support Forum, this session will provide the opportunity to review and discuss the Guidance for governments on how to assemble a multidisciplinary team, prepared by the OECD Development Centre in consultation with the Friends of CONNEX Negotiation Support Forum.

Participants are expected to share their experiences, either from participating in a negotiation team, or being involved in negotiations.

Objective:

- Discuss and possibly endorse the Guidance.

Moderator: Ms Salli Anne Swartz, Attorney at Law, Partner, Artus Wise



Kick-off interveners:

- Mr. Herbert McLeod, Head of the Negotiation Team of Sierra Leone and Director, International Growth Centre (IGC)
- Ms Claudine Sigam, Head of the Capacity Development Unit, African Minerals Development Centre (AMDC)
- Mr. Ian R. Coles, Partner, Mayer Brown/ Advocates for International Development (A4ID)

Guiding questions:

- *Does the Guidance adequately address the challenges associated with assembling multi-disciplinary teams?*
- *How can the integration between government officials and external advisers be improved?*
- *How can expertise be retained for future use?*
- *Is there any further advice for governments that would need to be reflected in the Guidance?*

For reference:

Guidance to governments to assemble a multidisciplinary teams for extractives contract negotiations

11:00 - 11:30	Coffee break
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11:30 - 13:00	<p>Session 2 – Terms of Reference Template for Recruiting External Advisers</p> <p>Host governments may not have the wide range of expertise that is needed to successfully negotiate complex extractive contracts. If host governments seek external support, they need to know where and how to best select experts to meet host countries’ specific knowledge needs in complex extractive contract negotiations. Participants will review the Terms of Reference Template for hiring external advisors prepared by the OECD Development Centre in consultation with the Friends of CONNEX Negotiation Support Forum. Participants will discuss the performance and selection criteria, wherever the requested expertise is not available within the government. Negotiation support providers will also share their experiences in providing advisory services.</p> <p>Objective:</p> <ul style="list-style-type: none"> • Discuss and possibly endorse the Terms of Reference Template. <p>Moderator: Ms. Katerina Drisi, Director for Sustainable Development, International Senior Lawyers Project (ISLP)</p> <p>Kick-off interveners:</p> <ul style="list-style-type: none"> - Mr Nava Touré, Adviser to the Minister, Ministry of Mines and Geology, Republic of Guinea - Ms. Susan Maples, Associate, Curtis, Mallet-Prevost, Colt & Mosle LLP - Mr. Boris Dolgonos, Lawyer and Partner, Jones Day
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Guiding questions:

- *What are the key concerns or reservations that governments have in recruiting external advisers?*
- *Does the Terms of Reference Template adequately address the selection and performance criteria needed for the government to secure timely and quality advisory services for contract negotiations?*
- *Does the Terms of Reference Template ensure that external advisers, who are often financed by external support providers, remain accountable to governments?*
- *Does the Terms of Reference Template adequately identify and address the challenges associated with real or perceived conflicts of interest?*

For reference:

Annex to the Guidance: Terms of Reference Template for recruiting external advisers for extractives contracts negotiations.

13:00 - 14:30	Buffet lunch (Château, Room G. Marshall) with a presentation on the Negotiation Support Portal by Sam Szoke-Burke, Columbia Center on Sustainable Investment
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14:30 - 15:45	<p>Session 3 –Key attributes of long standing contracts</p> <p>Participants in the Sixth Plenary Meeting agreed to explore pragmatic ways to construct contracts for the long-term, with the objective of striking deals able to withstand the best and worst of times. As a first step in this direction, participants will discuss the proposed key attributes of long standing contracts, which are intended to provide some level of comfort for both host governments and investors.</p> <p>Objectives:</p> <ul style="list-style-type: none"> • Define and build convergence around the key attributes of long standing extractive contracts. <p>Moderator: Mr. Mosa Mabuza, Acting CEO of the Council for Geoscience, South Africa</p> <p>Kick-off interveners:</p> <ul style="list-style-type: none"> - Hon. Sam Russ, Deputy Minister for Operations, Ministry of Lands, Mines and Energy of Liberia - Mr Darryl Egbert, Senior Global Fiscal Regimes Consultant, Exxon Mobil <p>Guiding questions:</p> <ul style="list-style-type: none"> - <i>Do you agree with the proposed key attributes of long standing contracts?</i> - <i>Do you think that they can help to improve alignment and, where possible, reconcile expectations between host governments and industry interests?</i> - <i>Do the key attributes provide a useful framework for shaping durable and balanced extractive contracts?</i>
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For reference:

Key attributes of long standing contracts and examples from contractual practice.

15:45 - 16:15

Coffee break

16:15 - 17:30

Session 4 – Contractual mechanisms and examples from contemporary contractual practice

This session will provide the opportunity to review lessons from evolving practice on how contract terms can anticipate and deal with price, cost and volume fluctuations over time as well as changes in law that affect the financial equilibrium of the contract. This session is intended to strengthen governments' capacity to design appropriate contract terms and consider options and approaches that provide flexibility while also ensuring predictability.

Objectives:

- Offer guidance to increase the responsiveness of contractual terms to changed circumstances.
- Pave the ground for further work on the development of a tool to stabilise the expectations of contracting parties in the long-term.

Moderator: Ms. Setepane Mohale, Chief Director: Mineral Promotion and International Coordination, Department of Mineral Resources, South Africa

Kick-off interveners:

- Ms Salli Anne Swartz, Attorney at Law, Partner, Artus Wise
- Ms Alache Fisho, Legal Advisor, Natural Resources and Ms. Naadira Ogeer, Economic Advisor, Commonwealth Secretariat
- Mr. Philip Daniel, Honorary Professor, University of Dundee, School of Social Sciences, Centre for Energy Petroleum and Minerals Law and Policy and Senior Fellow, Natural Resource Governance Institute

Guiding questions:

- *How does contemporary contractual practice deal with changes of economic conditions altering the economic equilibrium of the contract?*
- *Are there best practices in periodic review, fiscal stabilisation, and most-favoured investor/government clauses?*
- *How can stabilisation clauses be drafted so as to ensure an optimal balance between economic, social and environmental sustainable development pillars?*
- *Is there any room for the parties to agree on their respective financial objectives when the contract is negotiated to define a baseline of expectations and anticipate any necessary adjustments?*

For reference:

Key attributes of long standing contracts and examples from contractual practice.



17:30 - 18:00 | **Closing session**

Mr Marcello Saralli, Director, Directorate General for Safety Mining National Office for Hydrocarbons and Geo resources, Ministry of Economic Development, Republic of Italy

Mr Günter Nooke, Personal Representative of the German Chancellor for Africa, Federal Ministry for Economic Cooperation and Development (BMZ)

H.E. Mr Abdoulaye Magassouba, Minister of Mines and Geology, Republic of Guinea

DAY 2 - Multi-Stakeholder Plenary Meeting

1 December (Room CC 2, OECD Conference Centre)

8:00 - 9:00 Registration & Breakfast

9:00 - 11:30 Session 5 – Compendium of Practices on the Framework on Collaborative Strategies for In-Country Shared Value Creation

Co-Chairs: Liberia and Norway

Hon. Sam Russ, Deputy Minister for Operations, Ministry of Lands, Mines and Energy of Liberia and Mr Petter Nore, Chief Energy Analyst, Norwegian Ministry of Foreign Affairs

Objectives:

- Launch of the on-line Compendium of Practices
- Validate a set of practices for inclusion in the on-line *Compendium of Practices* complementing the *Framework on Collaborative Strategies for In-Country Shared Value Creation: Extractive Projects*

9:10 - 9:20 Presentation of the on-line Compendium of Practices

The Compendium is an on-line resource which will serve to illustrate how the Steps and Actionable Recommendations contained in the [Framework on Collaborative Strategies for In-Country Shared Value Creation](#) can be translated into practice. This will be done through a series of practical and tractable examples, showing what has worked well, but also learning from mistakes. The OECD Development Centre will provide an introduction to the on-line living tool and report on crowd-sourcing efforts to gather contributions through the working group on the Compendium of practices.

9:20 - 11:30 Sharing concrete practices: for discussion and validation

Governments, industry, think tanks and expert participants will focus on selected actionable recommendations under specific steps of the *Framework* and elaborate on how they can be operationalized in practice. Stakeholders will share insights around enabling factors and challenges that were faced in each example. Five examples for inclusion in the Compendium of Practices will be discussed. Each example will be presented by kick-off interveners, followed by an open discussion among participants. For the examples in which there are interveners present with direct knowledge of the example, the examples will be considered validated for inclusion in the Compendium.

Guiding questions, framework steps, and kick-off interveners:

- *How can stakeholders be engaged and expectations of outcomes managed? (STEP 1)*
 - Kick-off intervener: Mr. Tom Mills, Senior Manager, Extractive Industries Governance, Adam Smith International and Ms Shivani Kannabhiran, Consultant, Responsible Business Conduct Unit, Investment Division, Directorate for Financial and Enterprise Affairs, OECD
- *How can employment opportunities in a remote mining area be created? (STEP 3)*
 - Kick-off intervener: Mr. Peter Langlois, Director of Labrador Operations, Vale
- *How can access to credit be facilitated for SMEs? (STEP 3)*
 - Kick-off intervener: Mr. Frederic Farhad Farschi, Global Manager –

Contracting & Procurement, General Manager Local Content

- *How can water scarcity and competing industrial and domestic use be managed?* (STEP 3)
 - Kick-off interveners: Mr. Andile Sangqu, Executive Head, Anglo American South Africa and Mr. Mosa Mabuza and Ms. Setepane Mohale, Department of Mineral Resources, South Africa
- *How can joint ventures support the development of new competitive capabilities?* (STEP 3 and STEP 4)
 - Kick-off intervener: Mr. Ramiro Albrieu, Researcher and Observatories Coordinator, Red Sudamericana de Economía Aplicada, Redsur and Ms. Naadira Ogeer, Economic Advisor – Natural Resources, Commonwealth Secretariat

For reference:

“How to” examples for the on-line compendium of practices

11:30 - 11:45 Coffee Break

11:45 - 18:00 **Session 6: Mobilising Domestic Resources for Development**

11:45 - 12:30 **Session 6A: Mobilising Resource Revenues from the Mining Sector: Tackling Leakages and Building on the OECD/G20 Actions on Base Erosion and Profit Shifting**

The Sustainable Development Goals have focused efforts to mobilise domestic resources for development, including through taxation and management of revenue from natural resources. The extent to which natural resources contribute to development depends crucially on the ability of governments to collect revenues. The recent downturn in commodity prices has placed considerable fiscal and macroeconomic pressure on many resource-rich countries with taxes, jobs, and exports falling. Governments need to manage this revenue shortfall and understand how to identify and mitigate against practices in extractive industries that may result in revenue leakages, including illicit flows. The Secretariats of the OECD and the Inter-governmental Forum on Mining, Minerals and Metals will share the results of an expert-only informal brainstorming and propose a list of priority issues for future work.

Kick-off interveners:

- Mr. Howard Mann, Senior Advisor, IGF Secretariat and Senior International Law Advisor, International Institute for Sustainable Development
- Mr. Dan Devlin, Senior Economist, Natural Resource taxation, OECD Centre for Tax Policy and Administration

For reference:

Mobilising Resource Revenues from the Mining Sector: Tackling Leakages and Building on the OECD/G20 Actions on Base Erosion and Profit Shifting - List of priority issues.

12:30 – 13:00 **Session 6B – Mineral product pricing: bauxite**

This sub-session will provide an update on ongoing activities on mineral pricing, in order to support governments in contract negotiations and better inform national revenue authorities to determine appropriate mineral product prices. The results will be discussed, and participants will also discuss collaboration on future studies involving Policy Dialogue participants.

Kick-off intervener:

- Mr. Dan Devlin, Senior Economist, Natural Resource taxation, OECD Centre for Tax Policy and Administration

Guiding questions:

- *What are the key products produced from bauxite mines?*
- *What are the key export markets for bauxite?*
- *What economic factors affect the price of bauxite?*

13:00-14:30 Buffet lunch (Château, Room G. Marshall)

14:30 – 15:15 Session 6B – Mineral product pricing: rough diamonds and thermal coal

This sub-session will first outline the mineral product pricing practices for thermal coal products and then outline valuation practices for rough diamonds and issues raised in diamond industry.

Kick-off intervener:

- Mr. Dan Devlin, Senior Economist, Natural Resource taxation, OECD Centre for Tax Policy and Administration

Guiding questions:

- *For countries with thermal coal mines, how is coal seam gas production valued?*
- *What are the main challenges that arise in valuing rough diamonds for tax purposes and how can these be overcome?*
- *How do countries test/assay shipments to ensure export declarations and tax information match the actual exported products?*
- *Could more be done to make assay facilities available to neighbouring countries? How might this work?*

For reference:

Case studies on rough diamonds and thermal coal

15:15 - 15:45 Coffee Break

15:45 - 17:45 Chair: Kazakhstan

Mr Dastan Umirbayev, Director of Macroeconomic Analysis and Forecasting Department, Ministry of National Economy, Republic of Kazakhstan

Session 6C – Revenue Spending and Natural Resource Funds: Thematic Focus on Strategic Investment Funds

Objectives:

- *Improved understanding on how domestic investment can help to transform natural resource revenues into productive development gains*
- *Experience sharing and peer learning on good operational practice supporting the effectiveness of strategic investment funds for domestic investment*

This session will feature the second of a series of thematic dialogues on spending mechanisms, focussing on strategic investment funds that are typically used to invest resource revenues in the domestic economy. The focus of the session will be on discussing and comparing the form, function and performance as well as the risks and opportunities that strategic investment funds may provide to natural resource-rich economies to support the achievement of development objectives.

Kick-off interveners:

- Mr. Adam Dixon, Reader in Economic Geography, Bristol University
- Mr Mamadou Mbaye, Executive Director in charge of Energy and Mining, Fonds Souverain d'Investissements Stratégiques (FONSIS)
- Mr Kieran Bristow, Head of Investment Strategy, Ireland Strategic Investment Fund (ISIF)
- Ms. Silvana Tordo, Lead Energy Economist, Energy & Extractives, World Bank

Guiding questions:

- What are the differences between strategic investment funds and stabilisation and savings funds; and between strategic investment funds and other forms of ear-marking practices?
- What are the risks and opportunities of strategic investment funds for natural resource-rich countries?
- What lessons can be drawn from relevant country experiences? Which strategic investment funds have proven successful and why? Are strategic investment funds an effective means by which to catalyse public/private investment potential? Can these instruments assist developing country governments to overcome constraints to public investment (e.g. in planning, procurement, R&D, etc)?
- What criteria could be considered in determining whether investment is best channelled via conventional means (e.g. public works programme) or a strategic investment fund?

For reference:

Report on strategic investment funds: comparative analysis and lessons learned

17:45 - 18:00 Closing remarks

Mr. Federico Bonaglia, Deputy Director a.i., OECD Development Centre