

ONR Briefing Note

OECD Natural Resources Policy Dialogue: 12th Plenary Meeting

The Commonwealth Secretariat, through its Ocean and Natural Resources Division (ONR) provides technical support to its member states in the sustainable development and effective management of natural resources and broader energy sector reform. In providing this assistance, the Secretariat collaborates with international organisations, specialist think-tanks, and regional agencies operating in the extractives and energy sector space.

An advisory team from ONR participated in the Extractive Industry Transparency Initiative (EITI) triennial Global Conference and the 12th Plenary meeting of the *OECD Policy Dialogue on Natural*

Resource-based Development (PD-NR), both held at the OECD Development Centre in Paris in June 2019.

This Briefing Note provides a summary of the outcomes of both meetings, highlighting particular areas of relevance to Commonwealth countries.

EITI Global Conference:

Increased transparency in the extractive sector is widely recognised as crucial for achieving accountability, good governance and sustainable economic development. Recognising this, the Extractive Industries Transparency Initiative (EITI) promotes a global standard for the open and accountable management of oil, gas and

The EITI Standard

Guided by the belief that a country's natural resources belong to its citizens, the EITI in 2013 established a global standard to promote the open and accountable management of oil, gas and mineral resources. The standard requires the disclosure of information along the extractive industry value chain from the point of extraction, to how revenues make their way through the government, and how they benefit the public.

A national multi-stakeholder group (government, industry & civil society) in each country decides how their EITI process will work. Key information about the governance of the sector is reported annually alongside recommendations for improving sector governance. This is widely disseminated to inform public debate and ensure recommendations are followed up.

The requirements for EITI implementing countries cover the following areas:

- Oversight by a multi-stakeholder group.
- The legal and institutional framework, including allocation of contracts and licenses.
- Exploration and production – providing an overview of the sector
- Revenue collection
- Revenue allocations
- Social and economic spending
- Communicating outcomes and impact
- Validation and reporting

mineral resources. There are currently **52 EITI implementing countries** including 14 Commonwealth member countries.

The 8th EITI Global Conference gathered more than 1000 participants from around the globe. The three-day Conference which was held under the theme *"Open Data Build Trust"*, brought together representatives from governments, companies, civil society and other stakeholders to discuss and advance solutions to the governance challenges facing resource-rich states and take stock of progress and priorities in extractives transparency.

The Conference saw the launch of the **2019 EITI Standard**. Since its inception, the EITI Standard has evolved to meet the needs of stakeholders and progress the realisation of the EITI Principles. The 2019 EITI Standard includes a number of new requirements on transparency and focuses on making disclosure and open data a routine part of government and corporate reporting. The most significant changes from the 2016 EITI Standard are:

Contract transparency: Contracts are key to understanding the fiscal terms of a project and establishing the basis for the revenues generated from the exploitation of oil, gas and minerals. These contracts are often confidential, hindering informed public debate on the adequacy of the benefits received by the host country. The 2013 EITI Standard was a landmark in encouraging contract transparency and requiring a clear policy on contract disclosure. The 2019 EITI Standard progresses this by requiring full text disclosure of all contracts signed after 1 January 2021.

Commodity trading transparency: Around half of the USD 2.5 trillion dollars in oil, gas and mining payments covered in the EITI Reports published to date, is generated from the sale of volumes of oil, gas or minerals belonging to host countries. Working together with commodity traders, the EITI has improved its requirements regarding the disclosure of "first trades", i.e. the sale of the state's share of production or other revenues collected in-kind including reporting by sales contract and the process for selecting buyers. Companies buying oil, gas and/or mineral resources from the state, including state-owned enterprises (or third parties appointed by the state to sell on their behalf), are encouraged to disclose volumes received

from the state or state-owned enterprise and payments made for the purchase of oil, gas and/or mineral resources.

State-owned enterprise transparency: In many countries, state-owned enterprises (SOEs) play an important role in managing natural resources. The 2019 Standard encourages implementing countries to describe the rules and practices related to SOEs' operating and capital expenditures, procurement, subcontracting and corporate governance, e.g. composition and appointment of the Board of Directors, Board's mandate and code of conduct. SOEs are also expected to publicly disclose their audited financial statements.

Environment: The environmental impact of the extractive industries is a focal point of public debate. The 2019 EITI Standard has reiterated that the EITI should cover material environmental payments by companies to governments, and encourage disclosures of contextual information related to environmental monitoring.

Gender: The 2019 Standard requires multi stakeholder groups (MSGs) to consider gender balance in their representation and disclose employment data by company, gender and occupational level. It also addresses gender considerations in the dissemination of EITI data, and encourages MSGs to document how they have taken gender considerations and inclusiveness into account.

Mainstreaming transparency: The 2019 EITI Standard continues to shift the focus from publishing EITI Reports toward encouraging systematic disclosure, opening up new opportunities for MSG discussion and oversight.

12TH Plenary of the OECD Natural Resources Policy Dialogue

The PD-NR provides a platform for producer countries, private sector, development agencies, think-tanks and civil society to share knowledge and craft innovative collaborative solutions in order to address the complex multidimensional challenges of the extractives industry's contribution to the **Sustainable Development Goals**. The PD-NR is framed around four Work Streams (1) shared value creation and local development, (2) revenue management and spending, (3), getting better

deals and (4) Domestic Resource Mobilisation (tackling BEPS, corruption and commodity trading transparency).

Please refer to the previous Briefing Notes for more information on the **9th Plenary**, **10th Plenary** and **11th Plenary**.

Work Stream 1: In-Country Shared Value Creation

The session explored the shared use of transport infrastructure for mining projects and the value that can be generated for governments, investors and communities. Shared use of infrastructure can create economies of scale that can significantly reduce costs for infrastructure development and use, while also acting as a catalyst for other sectors of the economy.

Discussions focused on Framework Step 3: exploring how to unlock opportunities for in-country shared value creation: local workforce and supplier development and shared infrastructure. The shared use of the North-West Corridor in the Boké region, Republic of Guinea was validated for inclusion in the **on-line compendium of practices**, which operationalizes the *"Collaborative Strategies for In-Country Shared Value Creation"*.

The success of this shared railway infrastructure project was attributed to an alignment of the interests of all the stakeholders involved (the government, the concessionaire and operator of the infrastructure, and the new mining companies operating in the region), a well-designed governance structure through contractual arrangements, and the government's ownership and political will to support the shared use infrastructure agreement.

Any member country that wishes to submit a case study for consideration and inclusion in the Compendium should please contact ONR.

Work Stream 3: Getting Better Deals

Participants endorsed the finalised version of the *Guiding Principles for Durable Extractive Contracts*. The Guiding Principles set out eight principles and supporting commentary that host governments and investors can use as a common reference for negotiations of enduring extractive contracts. It reflects the outcomes of a four-year multi-

stakeholder process involving host governments, industry, civil society, international organisations and private sector practitioners which included several expert working group sessions, dedicated workshops, public consultation and plenary discussions. The OECD Development Centre will present the final version of the Guiding Principles to the OECD Governing Board for adoption in October 2019.

Participants at the plenary recognised the significance and value of the product and advocated for its wide dissemination and publicising via different media including websites of various organisations, professional associations and social media.

Member countries are encouraged to familiarise themselves with the Guiding Principles and utilise these Principles when negotiating contracts with investors. Member countries are welcome to contact ONR for any enquiries or clarifications in relation to the Guiding Principles or for support in their implementation.

Work Stream 4: Domestic Resource Mobilisation (tackling Base Erosion and Profit Shifting, corruption and commodity trading transparency)

This work stream reflects the global commitment to counter corruption and address tax base erosion issues faced by many developing countries in raising revenue from their natural resource sectors.

The IGF and the OECD Centre for Tax Policy and Administration provided an update on the BEPS in Mining Program particularly on-going work on international treaty research and progress on the implementation of the IGF-OECD technical assistance programme whose objective is to support governments to design better international tax treaty provisions. A presentation was made during the session of an International Institute for Sustainable Development led book sprint publication on integrated modelling for sustainable development as a tool that will contribute to changing how decisions are made by enabling a more holistic modelling process from a sustainable development perspective, taking into consideration both financial and non-financial dimensions. The publication can be downloaded [here](#).

As a follow up to discussion at the 11th Plenary, the EITI and OECD are exploring the development of a global reporting template for use by companies involved in commodity trading. The template can also be used by host governments, trading hubs and home governments as a reference to clarify expectations or introduce possible requirements on disclosure of information by buyers. The idea is for the template to mirror the EITI disclosure requirements for governments and SOEs, with additional recommended items for disclosure specifically targeted at buyers. Glencore (a trading company) noted the inherent challenges with applying certain criteria meant for governments and SOEs to companies - particularly around commercially sensitive information. Participants noted the importance of expanding the reach beyond EITI countries – since 90% of commodity transactions take place in non-EITI countries – with the objective of creating a level playing field across all countries, including trading hubs and discussed the need for more regulation of and introduction of disclosure requirements by the governments in trading hubs. Participants also emphasised the differences in the sales processes for oil, for gas and for minerals, and the corresponding need for guidance to address the different characteristics of these different commodity sales processes.

The Framework on Collaborative Strategies for In-Country Shared Value Creation presents a guide on how host governments, extractive industries and civil society can work together in a structured and systematic way to enable in-country shared value creation.

STEP 1. Adopt a comprehensive, long-term vision and implementation strategy to build

competitive and diversified economies and create in-country shared value from natural resources.

STEP 2. Build an empirical basis to inform decision making through an inclusive participatory process.

STEP 3. Unlock opportunities for in-country shared value creation: local workforce and

supplier development and shared infrastructure (power, water and transport).

STEP 4. Support and contribute to innovation leading to new products and services.

STEP 5. Establish effective and transparent monitoring and evaluation systems and regularly review the collaborative strategy.



The Commonwealth

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