

IMF Strengthens Global Resource Governance Norms With Its Fiscal Transparency Code

THE CHALLENGE

Transparency is crucial for the translation of natural resource wealth into sustainable development. Relevant and timely information-sharing can bolster oversight, improve trust and minimize waste. Access to information enables people to demand accountability from governments and companies.

Over the last four years, the International Monetary Fund (IMF) has revised its Fiscal Transparency Code (FTC)—one of its main tools for promoting voluntary transparency among its members—including a new pillar that directly referred to resource revenue transparency. In the years leading up to the code's 2019 release, NRGi worked with the IMF to make both the code and the new pillar more robust.

NRGI worked with the IMF to make both the Fiscal Transparency Code and its new resource revenue transparency pillar more robust.

NRGI'S ROLE

During the FTC revision process, NRGi provided three substantial written submissions and participated in a civil society forum to discuss recommendations. NRGi also engaged IMF officials directly, highlighting how the suggested changes would place the FTC in step with current global transparency standards. NRGi made a number of transparency recommendations across the resource management chain: from state-owned company operations, to license allocation, contracts, management of environmental and social impacts, project-level extractive company payments and commodity sales.

23. Transparency of the fiscal regime should extend to both tax legislation and project-specific fiscal terms. Government should publish or disclose project-specific contracts, licenses and agreements. Indeed, contract disclosure is emerging as a norm in many resource-rich countries.

NRGI's arguments played an important role in influencing the final text of the code, with the FTC's published preamble repeatedly citing NRGi's work.

THE IMPACT

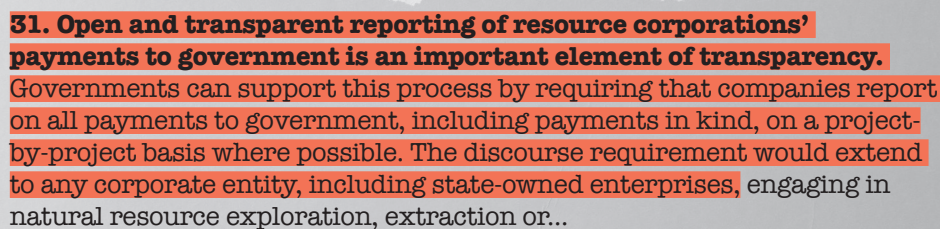
The new FTC explicitly states that the publication of contracts is now an established international norm, reflecting an important shift in extractive industry governance that may inspire other key actors to follow suit.

While there is still room for improvement in the code, many NRGi recommendations were incorporated:

- **Contract allocation.** The code stresses the importance of open contracting procedures for license allocation via mechanisms like published qualification criteria, lists of applicants, decision justifications, and registers of license holders. It calls for the identification of beneficial owners of companies holding licenses, including the chain of intermediaries connecting these owners to the license holder; this helps prevent unqualified/politically connected persons from circumventing fair licensing processes.
- **Project-level reporting.** The code calls project-level reporting an established international norm. Such disaggregated reporting provides critical information on the economic contribution of specific extractive projects.
- **Commodity trading.** The code recognizes the importance of transparency in commodity trading, which has traditionally been subject to limited oversight and susceptible to corruption and governance risks. The new FTC recognizes that disclosing payments by commodity traders is well within reach of countries and companies.
- **Environmental and social impact assessments (ESIAs).** The code calls for publication of ESIA's and accompanying management plans and reports. Such information is crucial for communities affected by extraction.
- **State-owned natural resource companies.** The code reinforces existing standards and requirements from other key actors like EITI and the OECD, echoing their guidance on state-owned companies (including the publication of budgets, annual and quarterly reports, quasi-fiscal activities, major procurement and contract awards and externally audited financial statements).

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The new FTC is a win for transparency advocates, and will serve as an important tool used by the IMF to help countries spot weaknesses in their resource revenue management.



31. Open and transparent reporting of resource corporations' payments to government is an important element of transparency. Governments can support this process by requiring that companies report on all payments to government, including payments in kind, on a project-by-project basis where possible. The disclosure requirement would extend to any corporate entity, including state-owned enterprises, engaging in natural resource exploration, extraction or...

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