



OPEN  
GOVERNMENT  
GUIDE

## Extractive Industry

Customised Report

[www.opengovguide.com](http://www.opengovguide.com)




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# Introduction

At the heart of open government are the ideas of transparency, participation and accountability. As a working definition;

- **Transparency** means the public understands the workings of their government
- **Participation** means public can influence the workings of government by engaging with public policy processes and public service providers
- **Accountability** means the public can hold the government to account for its policy and service delivery performance

 More about definitions can be found at [www.opengovguide.com/glossary](http://www.opengovguide.com/glossary)





The Guide has been developed by the Transparency and Accountability Initiative (T/AI). It aims to support governments and civil society organisations to advance transparency, accountability and participation particularly as part of the Open Government Partnership. It highlights practical, measurable, specific and actionable steps that governments can, and are taking to advance open government.

The full guide covers a broad range of topics, and more are being developed.




Cross cutting topics	Focused topics
<a href="#">Assets disclosure and conflicts of interest</a>	<a href="#">Aid</a>
<a href="#">Budgets</a>	<a href="#">Construction</a>
<a href="#">Citizen engagement</a>	<a href="#">Elections</a>
<a href="#">Open government data</a>	<a href="#">Environment</a>
<a href="#">Public contracting</a>	<a href="#">Extractive industry</a>
<a href="#">Public services</a>	<a href="#">Fisheries</a>
<a href="#">Records management</a>	<a href="#">Land</a>
<a href="#">Right to information</a>	<a href="#">Parliaments</a>
<a href="#">Whistleblower protection</a>	<a href="#">Police and public security</a>
	<a href="#">Tax and Illicit flows</a>

 A full index can be found at [www.opengovguide.com/topics](http://www.opengovguide.com/topics)

Each Topic has been developed by an expert organisation and offers a flexible menu of 'illustrative commitments' which governments could adopt.

-  **Initial steps** – actions that a country can take starting from a relatively low baseline
-  **Intermediate steps** – actions that countries can take once they have already made moderate progress
-  **Advanced steps** – established best practice demonstrated by the most advance performers
-  **Innovative steps** – new approaches which countries are trying out

For each step the Guide lists.

-  **Recommendations** – detailed guidance from expert networks
-  **Standards and guidance** – key principles, guidance, reports, rankings and tools
-  **Country examples** – examples in practice from around the world

The levels of ambition do not imply that countries must work through the steps one by one, or that the country examples given in relation to a particular action implies an overall rating of national progress. Rather, it seeks to offer a flexible framework to support national dialogues about reforms in support of progress towards greater openness.

This document is a customised extract from the full online guide, which is a work in progress. [Opengovguide.com](http://Opengovguide.com) is not just a static website. We hope that it will continue to grow with new case examples, resources and ideas. Contact [info@opengovguide.com](mailto:info@opengovguide.com) with comments and suggestions.

## About T/AI


T/AI is a donor collaborative that aims to seize momentum and expand the impact breadth and coordination of funding and activity in the transparency and accountability field as well as to explore applications of this work in new areas. The collaborative includes the Ford Foundation, Hivos, the International Budget Partnership, the Omidyar Network, the Open Society Foundations (OSF), the Revenue Watch Institute, the UK Department for International Development and the William and Flora Hewlett Foundation

The contents of The Guide are attributable to the contributors for each Topic. The Transparency and Accountability Initiative members do not necessarily endorse the recommendations mentioned in the publication and website.

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# Extractive industry

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## Introduction

Many resource-rich developing countries fail to realise the full development potential of their natural resources. This is especially acute in the case of oil, gas, and mineral resources. Evidence from many resource-rich countries shows their performance on human development indicators compares unfavourably to less-endowed countries. At the root of this underperformance—often referred to as the “resource curse”—is the failure by governments to properly address the institutional and policy challenges that come with natural resources. (IMF, 2010)

More than 50 countries depend on oil, gas and minerals as their most important sources of government and export revenues. Large-scale fisheries, forestry and leasing of agricultural lands are also becoming important sources of revenue. As the government is managing such resources in trust for the people, the people have a right to know what is being done with their natural wealth.

Mismanagement and corruption have many manifestations and can have dire consequences. Some countries negotiate poor terms with extractive companies, forsaking potential long-term benefits. Many countries do not collect resource revenues effectively. And even when resource revenues do end up in government coffers, they aren't always spent in ways that benefit the public. (Revenue Watch, 2013).

Transparency and accountability are crucial in the governance of natural resources, from the decision to extract to the granting of concessions, the collection of revenues and the management of resource revenues. This can increase the efficiency of government policies, reduce opportunities for self-dealing and diversion of revenues for personal gain, raise the level of public trust and reduces the risk of social conflict. An informed and engaged public can hold the government to account, but will also help ensure that complex, large-scale projects meet government standards for environmental and social protection as well as revenue generation.

Public disclosure requirements can improve the quality of data the government gathers and maintains. This makes it easier for relevant bodies such as financial, energy and mining ministries, as well as environmental and regulatory agencies, to do their jobs. Reliable and frequent data can make it easier for governments to plan and manage their budgets and long-term development plans. Transparency also reduces the cost of capital.(Hameed, 2005)

NB: This topic relates to oil, gas, mining, forestry and fisheries as well as to the leasing of agricultural lands. However there are also separate sections dealing with specific issues in the forestry, fisheries (forthcoming) and land sectors. This topic relates to oil, gas, mining, forestry and fisheries as well as to the leasing of agricultural lands. However there are also separate sections dealing with specific issues in the forestry, fisheries and [land](#) sectors. Other critical steps in support of extractive industry transparency and integrity are the enactment and implementation of [Right to Information](#) laws and the requirement that officials with a role in the oversight of the extractive sector disclose any [conflicts of interest](#).

### References

IMF, 2010, 'Managing Natural Resource Wealth', Program Document.

Revenue Watch, 2013 'Resource Governance Index'

Hameed, Farhan, 2005, Transparency and Economic Outcomes, IMF Working Paper

Expert Organisations

Revenue Watch Institute <http://www.revenuewatch.org/>

Extractive Industry Transparency Initiative <http://eiti.org/>

Natural Resources Charter <http://naturalresourcecharter.org/>

OGP Working Group: Extractives <http://www.opengovpartnership.org/get-involved/join-working-group>

## Summary of illustrative commitments

### Initial

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- Disclose contracts signed with extractive companies
- Make all rules and regulations for natural resource licenses and concessions available in a public database
- Publish timely, comprehensive reports on oil, gas and mining operations, including detailed revenue and project information

### Intermediate

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- Create a national strategy for the extractive sector, through an open and participative process
- Create mechanisms for the public and legislators to engage in extractive concessioning
- Publish comprehensive financial reports on natural resource funds
- Publish environmental and economic impact studies for all natural resource projects
- Publish resource-related revenue transfers to sub-national governments
- Require state owned enterprises to publish comprehensive reports

### Advanced

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- Create a public web registry of all natural resource concessions
- Require all listed companies to disclose resource related payments on a project by project basis

## Detailed Recommendations

### Initial Step: Disclose contracts signed with extractive companies

#### Justification

Laws and contracts establish the terms of what a country might gain from extraction, which can affect a nation's ability to derive full benefits from its resources. While parliaments are constitutionally mandated to ratify laws, they generally do not have a role in reviewing contracts. Contracts, even when signed, are rarely disclosed to parliament or the public.

This secrecy is a problem because contracts contain important terms and conditions. In several countries, contracts may contravene national legislation or contain stabilisation clauses, allowing companies to ignore changes in national law. If contracts are not disclosed, parliaments cannot adequately monitor the sector and secure a fair share of the profits for citizens. Contract transparency is crucial to ensuring that laws are followed and gains are maximised (Pelligrini, 2011).

Disclosure also provides an incentive to improve contract quality. If contracts are subject to public scrutiny, government officials will be deterred from seeking their own interests. With access to international contracts, government officials can engage in negotiations that will not only increase their bargaining power but also lead toward good global practices. Contract transparency also increases investment stability for extractive companies by securing balanced deals from the outset. Countries that publish contracts, like Liberia, Timor-Leste and the United States, have attracted substantial investments from major companies.

The IMF 'Guide on Resource Revenue Transparency' and the Natural Resource Charter consider publication of contracts to be best practice.

#### Recommendations

1. Publish existing contracts
2. Adopt clear rules for the publication of all licenses and contracts. The fullest possible information should be disclosed, including public offering documents, lists of pre-qualified companies, successful and unsuccessful bids, contracts and other agreements signed with extractive companies, including the identity of the beneficial owners.
3. Assign responsibility for maintaining the data repository to specific government agencies. This agency should make regular and timely public reports on any anticipated and concluded allocation of natural resources licences.

#### Standards & Guidance

- IMF Guide on Resource Revenue Transparency <http://www.imf.org/external/np/pp/2007/eng/101907g.pdf>
- Natural Resource Charter [http://naturalresourcecharter.org/sites/default/files/NRC\\_Eng\\_2011.pdf](http://naturalresourcecharter.org/sites/default/files/NRC_Eng_2011.pdf)
- Open Contracting: A New Frontier for Transparency and Accountability <http://pro-act.org/profiles/blogs/research-highlights-open-contracting-practices-from-around-the-wo>
- RWI: Contract Confidential Report <http://www.revenuewatch.org/sites/default/files/RWI-Contracts-Confidential.pdf>

#### Country Examples

##### Congo (DRC) publishes all mining, oil and forestry contracts

In May 2011, the Congolese government passed a decree that all contracts relating to natural resources (oil, mining, forestry) should be made public within 60 days.



The government began systematically disclosing agreements in June 2012, however a few controversial contracts remain secret.

- <http://www.revenuewatch.org/countries/africa/democratic-republic-congo/transparency-snapshot>

### Guinea discloses dozens of mining contracts on centralised government websites

The Government of the Republic of Guinea adopted a new mining code in 2011 decided to establish a clear and systematic approach to the review and, where appropriate, the renegotiation of mining titles and mining agreements in conditions that respect the normal rules of business.

IN 2013 the Guinean government launched a new online database containing all its existing mining contracts – 60 contract documents covering 18 mining projects.

The website was developed with the assistance of experts from Revenue Watch Institute, the World Bank Institute and Columbia University, who have been supporting the Guinean government in its contract review. The online materials include a searchable summary of contract terms, allowing non-expert readers to find key sections and to understand the obligations for companies and the government.

Guinea's Technical Contract Review Committee published on its website more than 60 contract documents covering 18 mining projects. The government thus fulfilled a commitment of the mining code adopted in 2011. The online materials include a searchable summary of contract terms, allowing non-expert readers to find key sections and understand the obligations for companies and the government.

The government has said it will add online any amended contracts and all future contracts.

- <http://www.contratsminiersguinee.org/>
- [http://www.revenuewatch.org/news/press\\_releases/guinea-making-contracts-public-greater-transparency-accountability](http://www.revenuewatch.org/news/press_releases/guinea-making-contracts-public-greater-transparency-accountability)

### In Sierra Leone the law requires that oil contracts must be awarded through competitive auctions

Sierra Leone has a long history of mining as its major economic activity. The mining sector provides employment and livelihood to over 135,000 workers, the overwhelming majority of whom are engaged in artisanal, small-scale mining operations. Artisanal mining constitutes an estimated 84 percent of total diamond exports from Sierra Leone. Sierra Leone does not currently produce any petroleum, but there are offshore prospects.

The petroleum sector is regulated by the Petroleum Exploration and Production Act of 2001. Under this Act, Sierra Leone developed a model petroleum agreement which provides a 10 percent royalty, a 37.5 percent income tax rate and annual rental between \$30 and \$100 per sq. km. A revised Petroleum Exploration and Production Bill was submitted to parliament in July 2011 that included several clauses seeking to improve transparency, including a requirement that oil contracts be awarded only through competitive auctions, that contracts be published and that payments be disclosed in accordance with the terms and procedures of EITI.

Paragraph 39 of the Petroleum (Exploration and Production) Act form 2011 states that "A Minister may, following a transparent, fair and competitive process and on the advice of the Directorate, grant a petroleum licence to two or more applicants who offered the most favourable terms and conditions to the State."

- <http://www.revenuewatch.org/countries/africa/sierra-leone/extractive-industries>
- <http://www.revenuewatch.org/sites/default/files/Sierra Leone Petroleum Act 2011b.pdf>

#### Liberia publishes information on bids and contracts

In Liberia the Land, Mines and Energy Ministry publishes information on the number of bids received, bidding requirements, and winning bids. Most mineral development agreements are published, and the Ministry is launching a Mineral Cadaster Information Management System.

- <http://www.revenuewatch.org/countries/africa/liberia/overview>

#### Timor Leste publishes some minerals contracts

In Timor Leste, the government introduced a requirement in the Petroleum Act (2005) which requires all oil and gas contracts signed after the effective date to be publicly disclosed. As a result, the vast majority of Timor-Leste's Production Sharing Contracts (PSCs) been published.

However, there is no formal mechanism to request these contracts from the government and as of January 2011, they could not be found on any government websites. The contracts can currently be found on the website of the La'o Hamutuk NGO.

Some contracts signed before 2006 have also been released by the operating partners, although several paragraphs have been censored. Where partners have refused to publicly release these earlier contracts the government has not requested public disclosure.

- <http://www.revenuewatch.org/countries/asia-pacific/timor-leste/transparency-snapshot>
- <http://www.laohamutuk.org/>

## **Initial Step:** Make all rules and regulations for natural resource licenses and concessions available in a public database

### Justification

Transparency and uniform rules level the field for investors and promotes competition. Both governments and investors are generally better served if there are clear rules applicable to all investors. This ensures that operators know that

treatment is non-discriminatory, reduce opportunities for corruption and may reduce demands from individual investors for special treatment.

It also supports citizens in holding government to account, by providing a clear baseline against which to monitor and measure government actions and performance.

While all laws and regulations should be published, the format in which they are published also matters. Formats such as pdfs (or pdfs of scanned documents) may allow citizens to view information, but restrict their ability to analyse or find it. Information provided in open data formats, such as structured XML, can be processed and re-purposed by citizens and parliaments for use in a variety of ways and using a variety of technologies while retaining the integrity of the original information. There is an emerging international consensus that government and parliamentary information should be made available in open and structured formats.

## Recommendations

1. Make all rules and regulations for natural resource licences and concessions available and indexed in one place on a public website.
2. Provide clear definitions and explanations on fiscal terms, property rights and social and environmental protections.
3. Ideally rules and regulations on natural resource licenses and concessions should be compiled and released in an open and structured format, such as structured XML, that can be read and processed by computers.

## Standards & Guidance

- IMF Guide on Resource Revenue Transparency <http://www.imf.org/external/np/pp/2007/eng/101907g.pdf>
- Natural Resource Charter [http://naturalresourcecharter.org/sites/default/files/NRC\\_Eng\\_2011.pdf](http://naturalresourcecharter.org/sites/default/files/NRC_Eng_2011.pdf)
- Revenue Watch: Resource Governance Index [http://www.revenuwatch.org/sites/default/files/rgi\\_2013\\_Eng.pdf](http://www.revenuwatch.org/sites/default/files/rgi_2013_Eng.pdf)

## Country Examples

### Colombia has a comprehensive legal framework for the extractive sector

Colombia has comprehensive legal framework and independent licensing process, earning it a satisfactory score of 75 on the Institutional & Legal Setting section of the Revenue Watch Index.

The National Hydrocarbons Agency (ANH) grants extractive rights following direct negotiations or open bidding. A 2003 hydrocarbons law replaced production-sharing agreements with a concession system in which companies pay the government taxes and royalties in exchange for extractive rights. The Customs and Tax Authority collects taxes while the ANH collects non-tax revenues and regulates the oil sector. Royalties go into a special account at the Finance Ministry and do not enter the national treasury.

Environmental and, in some cases, social impact assessments are required before projects begin. The results are published, but the consultation process does not always address the concerns of affected communities. Colombian law includes several provisions designed to improve public access to information, some of them specific to the extractive sector, but there is no equivalent of a Freedom of Information Act.

- <http://www.revenuwatch.org/countries/latin-america/colombia/overview>

## Initial Step: Publish timely, comprehensive reports on oil, gas and mining operations, including detailed revenue and project information

### Justification

Revenue transparency is essential to ensure public accountability for both income and spending. Resource-related payments are often generated outside normal budgetary processes, so a dedicated disclosure procedure may be needed to capture these flows in public data.

As part of their core functions and to encourage an open, stable investment environment, industry regulators should take responsibility for publishing such information as the process for allocating licenses, revenues received from each project, and environmental and social impact assessments.

### Recommendations


1. Ensure that regulatory agencies publish timely, comprehensive reports on all oil, gas and mining operations, including detailed revenue and project information. This should include signature bonuses, royalties, taxes, payments in kind and transit revenues
2. Regular and detailed reports should be available in a central location for public consumption.
3. All operating resource companies should be required to disclose project-by-project location, production volumes, costs, revenues and payments to the state.

NB: Countries may do this by joining and implementing the Extractive Industries Transparency Initiative (EITI).

### Standards & Guidance

- Extractive Industries Transparency Initiative Standard [http://eiti.org/files/EITI\\_STANDARD-screen-version.pdf](http://eiti.org/files/EITI_STANDARD-screen-version.pdf)
- IMF Guide on Resource Revenue Transparency <http://www.imf.org/external/np/pp/2007/eng/101907g.pdf>
- Natural Resource Charter [http://naturalresourcecharter.org/sites/default/files/NRC\\_Eng\\_2011.pdf](http://naturalresourcecharter.org/sites/default/files/NRC_Eng_2011.pdf)

### Country Examples

 39 countries are implementing EITI

The Extractive Industries Transparency Initiative (EITI) is an international multi-stakeholder coalition of governments, companies, investors, civil society organisations, and partner organisations. Implementing countries publish EITI Reports that disclose the revenues from extraction of the country's natural resources. Companies report payments to government (taxes, royalties, etc) and the government reports what it has received. These two sets of figures are compiled and reconciled by an independent reconciler, chosen by the country, and published in the EITI Report.

- <http://eiti.org/>

 Brazil publishes detailed information on resource revenues


Overall, Brazil has good levels of revenue and expenditure transparency, driven by two main factors: its legislation for

disclosure of public data on government web pages, and the National Oil Company's participation in the stock exchange. The National Petroleum Agency (ANP) provides sregularly publishes information on reserves, production volumes, prices, exports, investment, the names of companies operating in the country, production data by company, and disaggregated revenue streams such as production values, royalties, special taxes, bonuses, and acreage fees.

 Colombia announced that it would implement the EITI

The Government of Colombia announced at the 2012 Open Government Partnership (OGP) summit that it would implement the Extractive Industry Transparency Initiative Standard.

- <http://eiti.org/news-events/colombia-and-ukraine-commit-implement-eiti>

 Ghana publishes information on receipts from petroleum companies on a quarterly basis

In 2011, Ghana passed the Petroleum Revenue Management Act, which requires the government to publish quarterly information on receipts from petroleum companies

 Ukraine announced that it would implement the EITI

Ukraine announced in April 2012 that it would implement the EITI.

- <http://eiti.org/news-events/colombia-and-ukraine-commit-implement-eiti#>

## Intermediate Step: Create a national strategy for the extractive sector, through an open and participative process

### Justification

Governments owning natural resources have the responsibility to manage those resources for the benefit of current and future citizens. Where the revenues from resource extraction are properly managed they can help to alleviate poverty, generate economic growth and develop the economy, thus sustaining a more prosperous future. Exploitation of natural resources should be pursued in order to help a country meet its broader social and economic goals, not as an end in itself. This means having a vision of how the resource sector fits in a country's economic future.

A national strategy for the extractive sectors can provide direction and clarity on key issues, enabling integrated development of policies and institutions in multiple areas, including leasing and fiscal regimes, social and environmental regulation, and national development plans.

The strategy needs to address how the capabilities and capital required for efficient development of the resource will be obtained, how near-term benefits, and long-term interests will be balanced, and how the risks, costs and benefits of

extraction will be shared between public and private sectors and across regions and stakeholders. Other key areas addressed in national strategy include local content, fiscal objectives, revenue and expenditure management and social and environmental concerns, including the role of artisanal mining. The roles of the sector ministry, its agencies, and the national resource company (NRC), if there is one, are of the greatest importance. These institutions are typically mandated to implement and oversee sector strategy.

These long-term decisions will be more robust, credible and less subject to abuse if they are developed with the participation and knowledge of citizens and investors.

## Recommendations


Develop a national strategy for the extractive sector that

1. Identifies how the sector fits into national development;
2. Sets clear economic, social and environmental performance benchmarks for the sector (Can use the Natural Resource Charter as a tool to do this such as in Nigeria, Sierra Leone and Tanzania)
3. Identifies a scheme for monitoring the country's progress.

## Standards & Guidance

- Natural Resource Charter [http://naturalresourcecharter.org/sites/default/files/NRC\\_Eng\\_2011.pdf](http://naturalresourcecharter.org/sites/default/files/NRC_Eng_2011.pdf)

## Country Examples

 Bulgaria is developing a strategy for more effective management of natural resources

As part of its OGP Action Plan published in April 2012, Bulgaria committed to implementing new good practices in managing natural resources. Its planned activities were to:

- Develop a New National Strategy for the Mining Industry
- Develop a new Law on the Underground Resources incorporating the European and global practices of effective management of the underground resources.
- Develop a public information system with data about the location, group of mineral resources and their status and/or found deposits of underground resources, specialised maps and registries of exploration permits and concessions.

In order to enhance the transparency of managing mineral resources they aim to involve experts from the academic circles and NGOs in carrying out tender and competitive procedures for obtaining rights on the underground resources.

- <http://www.opengovpartnership.org/country/bulgaria/action-plan>

 Ghana's Petroleum Revenue Management Act was developed with public consultation

Immediately following announcement of oil discoveries in 2007 the government of Ghana started to take steps to avoid the pitfalls of other petroleum-rich countries.

Public consultations took the form of regional 'town hall' meetings and a public survey. The timetable of the meetings


was publicised in the newspapers and on the radio. Between 300-500 people attended each of the meetings and a number of written submissions were also received. Additional dialogues were organised by the World Bank, civil society platform, Council of Churches and UNIDO – including a consultation with children.

Key questions were who should collect and account for the revenues, how much should be spent in current budgets and how much saved for future generations, how should the natural resource fund be managed and how should it be safeguarded?

The law that was developed reflected public preferences, and required the publication of revenues and payments, mandating public access to information.

[Source: Natural Resource Charter]

- [http://naturalresourcecharter.org/sites/default/files/Ghana Public Participation.pdf](http://naturalresourcecharter.org/sites/default/files/Ghana%20Public%20Participation.pdf)

 The government of Peru has committed to strengthen extractive industry transparency

As part of its OGP Action Plan published in April 2012 Peru has committed to strengthen transparency and access to public information.

This includes an explicit commitment to improve mechanisms for access to information and transparency in environmental matters and in relation to extractive industries. The government committed to discuss an extractive industries transparency law and to consider expanding the scope of its EITI reconciliation reports to build an environment of trust among oil, gas and mining industry stakeholders.

- <http://www.opengovpartnership.org/country/peru/action-plan>

## Intermediate Step: Create mechanisms for the public and legislators to engage in extractive concessioning

### Justification

Legislative and public hearings around licensing rounds ensure that major concessions align with the development aspirations of the country and help to minimise risks of corruption.

Countries could create platforms for engaging civil society in the monitoring of contracts (particularly environmental and social aspects) and the oversight of revenues from the natural resource sector, including through initiatives such as the EITI.

### Recommendations

1. Establish legislation or policies calling for public consultation, civil society observers of public contracting in the extractive sector, and civil society monitoring of contract performance, and requiring that public bodies are receptive to these inputs and take corrective action as a result of citizen feedback.
2. Enter into cooperation agreements with civil society organizations to monitor their public contracting in the extractive

sector. This could involve creating multi-sector monitoring platforms for the oversight of revenues and social and environmental aspects through initiatives such as the EITI.

## Standards & Guidance

- Natural Resource Charter [http://naturalresourcecharter.org/sites/default/files/NRC\\_Eng\\_2011.pdf](http://naturalresourcecharter.org/sites/default/files/NRC_Eng_2011.pdf)
- Open Contracting Principles [http://www.open-contracting.org/global\\_principles](http://www.open-contracting.org/global_principles)

## Country Examples

### Ghana is establishing Committee with civil society participation to oversee the petroleum sector

The Public Interest and Accountability Committee is established by law to monitor and evaluate compliance by the government in the use of petroleum revenues, to provide a platform for public debate on spending priorities and an independent assessment on the management and use of revenues. The Committee is mandated to publish reports each year.

- <http://piacghana.org/>

### The Northwestern Power Council in the USA developed a vision for power development, through widespread public consultation

The Northwest Power Planning Council in the USA began its most recent power plan review by asking for a public response to its characterisation of the major issues of concern to the region and also asking for suggestions of other topics. The council established a number of advisory committees, including committees on conservation resources, demand forecasting, generating resources and natural gas. Through public meetings with the advisory committees, the Council obtained the views of the Bonneville Power Administration, its customers, relevant public interest groups, the region's ratepayers and other important participants in regional power policies. These included broad issues, such as the effects of climate change, capacity to meet loads, integrating renewable resources, power system interactions with the fish and wildlife programme etc.

The Council continued to release papers and draft forecasts for further public comment over the following two years that it engaged in the power planning process. These were more technical papers, including draft fuel price forecasts and draft demand and economic forecasts. Views from the public and advisory committees continued to be solicited through public meetings.

The Council then released a draft power plan for public review. It received 750 written comments over a 60-day period, and held public hearings in nine cities across the region, receiving the testimony of hundreds of interested individuals and representatives of organisations, utilities, businesses, public interest groups and government agencies. Transcripts of the public hearings and written comments received were published on the Council's website. The final power plan included responses to comments received.

The Council followed the requirement of the Northwest Power Act to facilitate widespread public involvement in the preparation, adoption and implementation of the plan, and the Notice and Comment procedures in the Federal Administrative Procedures Act that require at least 30 days' notice.

- <http://>



## Intermediate Step: Publish comprehensive financial reports on natural resource funds

### Justification

Natural resource funds (NRFs) can serve as important tools to manage revenue volatility, balance near-term expenditures with long-term savings, and utilize resource revenues to generate sustainable economic development. However, governance risks are high since NRF financial flows can bypass the regular budget process or become vehicles for patronage and discretionary allocations.

Annual reports from natural resource funds allow stakeholders within government and outside to understand how national financial resources are being stewarded. This information should include full reporting on assets, transactions and investments.

### Recommendations

1. **Provide comprehensive and timely reports** on NRFs transactions and assets;
2. **Establish legally mandated** deposit and expenditure rules for NRFs;
3. **Subject NRFs** to financial audit
4. **Ensure that NRFs are subject to** legislative oversight.

### Standards & Guidance

- Extractive Industries Transparency Initiative Standard [http://eiti.org/files/EITI\\_STANDARD-screen-version.pdf](http://eiti.org/files/EITI_STANDARD-screen-version.pdf)
- IMF Guide on Resource Revenue Transparency <http://www.imf.org/external/np/pp/2007/eng/101907g.pdf>
- Revenue Watch: Resource Governance Index [http://www.revenuewatch.org/sites/default/files/rgi\\_2013\\_Eng.pdf](http://www.revenuewatch.org/sites/default/files/rgi_2013_Eng.pdf)
- Santiago principles <http://www.iwg-swf.org/pubs/eng/santiagoprinciples.pdf>

### Country Examples

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Trinidad and Tobago created the Heritage and Stabilization Fund in 2007 to help insulate the economy from oil and gas price fluctuations. Law requires deposits be made to the fund when oil and gas revenues exceed expectations and allows for withdrawals when revenues fall short. The Finance Ministry presents audited quarterly reports to Parliament and publishes them. Officials involved in the fund's management are required to disclose any financial interest in the sector.

## Intermediate Step: Publish environmental and economic impact studies for all natural resource projects

### Justification

Successful natural resource management requires government accountability to an informed public. Resource projects can have significant positive or negative local economic, environmental and social effects, which should be identified, explored, accounted for, mitigated or compensated for at all stages of the project cycle.

### Recommendations

1. Publish environmental, social and economic impact assessments for all natural resource projects. Such reports will help the public assess the costs and benefits of resource development.

### Standards & Guidance

- IMF Guide on Resource Revenue Transparency <http://www.imf.org/external/np/pp/2007/eng/101907g.pdf>
- Revenue Watch: Resource Governance Index [http://www.revenuwatch.org/sites/default/files/rgi\\_2013\\_Eng.pdf](http://www.revenuwatch.org/sites/default/files/rgi_2013_Eng.pdf)

### Country Examples

 Environmental and social impact assessments are mandatory for extractive concessions in Australia

Australia's Freedom of Information Act requires disclosure of information on the mineral sector, and environmental and social impact assessments are mandatory before mineral rights can be awarded.

 Environmental impact assessments are required for the extractive industry in Colombia

Environmental and, in some cases, social impact assessments are required before projects begin. The results are published, but the consultation process does not always address the concerns of affected communities.

## Intermediate Step: Publish resource-related revenue transfers to sub-national governments

### Justification

In a number of countries, sub-national units get a defined share of resource revenues, which is not part of the national budget. In some cases these amounts are discretionary.

These transfers are often large, subject to competing claims and managed by subnational governments that may lack accountability and the capacity for good governance.

## Recommendations

1. Establish and publish clear rules in legislation to govern transfers of natural resource revenues to local government.
2. These rules should require publication of a detailed breakdown of transfers to local government
3. Direct distributions to citizens should also be disclosed.

## Standards & Guidance

- Extractive Industries Transparency Initiative Standard [http://eiti.org/files/EITI\\_STANDARD-screen-version.pdf](http://eiti.org/files/EITI_STANDARD-screen-version.pdf)
- IMF Guide on Resource Revenue Transparency <http://www.imf.org/external/np/pp/2007/eng/101907g.pdf>
- Revenue Watch: Resource Governance Index [http://www.revenuwatch.org/sites/default/files/rgi\\_2013\\_Eng.pdf](http://www.revenuwatch.org/sites/default/files/rgi_2013_Eng.pdf)

## Country Examples

### Peru reports natural resource transfers to local government online

The Economic Transparency Portal is an open-access information platform which allows any user to have, in real time, comprehensive economic information from the Ministry of Economy and Finance (MEF). It includes regularly updated online reporting system of transfers to local governments.

## Intermediate Step: Require state owned enterprises to publish comprehensive reports

### Justification

State-owned enterprises (SOEs) bring in more than two thirds of total government revenue in countries including Azerbaijan, Iraq and Yemen. In the mining sector, Chile's Codelco is the largest producer of copper in the world, Botswana's partially state-owned Debswana is the leading producer of diamonds and Morocco's OCP is the largest company in the country and the main producer of phosphates in the world. In countries like Angola and Nigeria, SOC functions and influence stretch across the sector—from licensing and production, to revenue collection and even direct expenditures. Given their unique institutional status and frequently high levels of authority, SOCs often operate with limited oversight and accountability.

Requiring state owned enterprises to publish annual reports including cash flows, details of joint ventures and quasi-fiscal activities, production, revenues, costs payments to the state, on a project by project basis, and the Board of Directors' decision making process would open state-owned enterprises up to greater scrutiny and accountability for performance. Moving towards international disclosure practices and standards will also be crucial for any future listing.

### Recommendations

1. **Establish legal requirements for SOEs to publish comprehensive reports** in compliance with international accounting standards.
2. **Disclose audits and data** on production and revenues.
3. **Include SOE financial information** in the national budget.

## Standards & Guidance

- Extractive Industries Transparency Initiative Standard [http://eiti.org/files/EITI\\_STANDARD-screen-version.pdf](http://eiti.org/files/EITI_STANDARD-screen-version.pdf)
- IMF Guide on Resource Revenue Transparency <http://www.imf.org/external/np/pp/2007/eng/101907g.pdf>
- Revenue Watch: Resource Governance Index [http://www.revenuwatch.org/sites/default/files/rgi\\_2013\\_Eng.pdf](http://www.revenuwatch.org/sites/default/files/rgi_2013_Eng.pdf)
- Santiago principles <http://www.iwg-swf.org/pubs/eng/santiagoprinciples.pdf>

## Country Examples

### Norway's Statoil publishes all its revenues and payments by country

Norway's Statoil is a partially state-owned company. It was one of the first major oil companies to start disclosing all revenues and payments in the countries in which it operates. It has supported the Extractive Industries Transparency Initiative (EITI) since its inception in 2002/2003, and became a board member of the EITI in 2009.

- <http://www.statoil.com/annualreport2010/en/sustainability/society/ethicsandtransparency/pages/transparency.aspx>

## Advanced Step: Create a public web registry of all natural resource concessions

### Justification

Effective and transparent management of licenses with clearly defined responsibilities and processes create a more attractive investment environment. Transparency is crucial all along the natural resource chain from the decision to extract to final mine closure, otherwise corruption and misallocation are likely to be transferred from more transparent parts of the process to those that are more opaque.

Information systems such as the mining repository and mining cadastre are vital first steps towards a holistically transparent mining sector. Putting information about natural resource concessions into a central registry makes the information available in a systemised and organised manner so that it can be read and processed by computers and can be easily reused and analysed by citizens, civil society, the private sector and government to check for discrepancies and to enable democratic debate on whether the government is using the country's natural resources to the benefit of the people.

### Recommendations

1. Create a national public web registry of all natural resource concessions that includes physical demarcation, identity

of leaseholders, production volumes, costs and revenues for each lease.

2. Develop systems to collect and publish this data in a structured manner on a timely, current, and routine basis and in a form that enables easy use, participation, and analysis.
3. Where feasible, concession information should be digitized and made available to the public on an online portal.
4. Structured formats such as structured XML and inclusion of all relevant meta-data allows for user-friendly searching and access.
5. Digital information should be retained and made available in perpetuity.
6. Where possible use non-proprietary software applications.

## Standards & Guidance

- Revenue Development Foundation tools <http://www.revenuedevelopment.org>
- Spatial Dimension: Flexicadastre <http://www.spatialdimension.com/Solutions/EITI-Compliance>

## Country Examples

### Several countries use the 'Flexicadastre' system to create public mining portals

The Flexicadastre system designed by Spatial Dimension is one solution used to implement Mining Cadastre Systems to facilitate all aspects of the application, evaluation, granting and compliance monitoring of mineral rights and related permits.

As well as using the system to facilitate application and concession management a number of countries have also used the system to develop Public Mining Cadastre Portals which provide a spatial view into the mining cadastre data and are intended to improve stakeholder communications, reduce corruption and improve transparency.

### Sierra Leone set up an online mineral concession registry

The Minerals Cadastre Administration System (MCAS), was set up in Sierra Leone in 2009. An MCAS is a means for government to collect, organize, maintain and deliver data on mineral resources in an integrated and effective way. It is a tool responsible for the administration of resource rights.

There are two parts to the system:

- The database. A database of key information on mining licenses, including their status, location, fees paid/outstanding and ownership of exploration and extraction rights. Data is collected from across government entities, as well as a number of newly established rurally based offices. The licenses are mapped using Geographic Information Systems (GIS) technology, which allows users to view coordinates of concessions on a detailed map of Sierra Leone. The IT system organises and maintains the data by providing a real time check throughout the lifecycle of the licenses and automatically notifies users of outstanding payments, correspondence or status of license.
- The online public portal. As part of the MCAS, a Mining Repository was established in 2012 which publishes all the data on mining licenses on a web interface. This interface is easily accessible online and delivers the information directly to users.

These information systems were accompanied by a number of additional measures:

- A Mining Cadastre Office was established, acting as the focal point for all applications and license holders.
- A Data Sharing Agreement was signed in order to establish a clear mandate within government ministries and agencies to share information relevant to the MCAS.
- An inter-ministerial task force was created and has set up joint inspection teams in order to use the reconciled data to collect outstanding revenue.

The Natural Resources Charter identifies three key success factors:

- Political support. The mandate for establishing a MCAS in the new Mining Act of 2009 as well as strong political backing was a vital condition for overcoming opposition to improved transparency from entrenched interests.
- Government cooperation. First, an official Data Sharing Agreement was signed by ministers, providing an official mandate for sharing financial and MCAS information. Second, an inter-ministerial Task Force of all reporting agencies of the MCAS was established and meets on a weekly basis.
- Donor/contractor support to train government staff. The continued backing of the donors has also been crucial due to a lack of institutional capacity. To this end the contractors which established the online system also had staff based within the Mining Cadastre Office to support change in administrative processes. Training has also been provided to government staff on how to use the IT based systems.

[Source: Natural Resource Charter]

- <http://sierraleone.revenuesystems.org/login/auth>
- <http://naturalresourcecharter.org/sites/default/files/Sierra%20Leone%20Mining%20Repository%20Case%20Study.pdf>

### South Africa set up an online portal for mining applications and information

The Department of Mineral Resources (DMR) launched the South African mineral resources administration (Samrad) online application system in order to streamline the application process and to make it transparent. Since 2011 all applications for prospecting rights, mining permits and mining rights have had to be submitted in electronic format on the department's website. The site includes a list of all applications for rights in terms of the Mineral and Petroleum Resources Development Act (MPRDA). Users can browse the locality of the rights applied for, rights granted and available land for any mineral or minerals anywhere in South Africa, and make applications.

However there have been technical problems and weaknesses with some users having difficulties in gaining access and problems of double-granting of rights and lengthy processing times. The system does not provide details of when an applicant has been issued with an instruction to proceed with a public participation process, making its use to the public limited.

- <http://portal.samradonline.co.za/>

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**Advanced Step:** Require all listed companies to disclose resource related payments on a project by project basis

## Justification

Companies that extract natural resources and the countries where these companies are based share the responsibility to advance transparency. Some resource-rich countries are concerned that applying strict standards of openness will reduce their ability to attract necessary investment to the sector. If home governments can mandate project-by-project payment disclosure, this will ensure that revenue payments are disclosed even in countries whose governments do not require it, and it will provide a flow of reliable, timely and detailed information to support better reporting in those that do.

Transparency also reduces financial risk for investors and enhances security of supply for consumers. Major investors support country-by-country reporting, and some support project-level disclosure. The World Bank's IFC requires project reporting and the publication of related contracts as a lending condition.


The utility of aggregate payment information provided only at country level is limited. Royalties and other payments vary enormously within jurisdictions and are typically negotiated in developing countries on a project-by-project basis. Project-level data allows investors to properly assess risk, governments to better track company compliance, citizens to track who is gaining from particular resources, and local communities to track their entitlements, essential to reducing conflict and interruptions to production.

## Recommendations

**Home countries should pass legislation requiring their companies to report payments to governments on a project-by-project basis:**

1. "Project" should be defined at the level of the licence, production-sharing agreement, lease or other such agreement. The materiality threshold should be set in relation to payment levels that are important to national and local governments in developing countries. For local governments receiving payments, this means the threshold should take account of the relatively small sums that are often meaningful to local budgets. A sensible threshold might be for any payment, or set of payments, amounting to more than €15,000.
2. Disclosure of information should include not only payments relating to exploration, discovery, development and extraction but also those relating to transport and security.
3. To provide a full picture, disclosure of payments should apply to each country where a company has operations of any kind, including countries of registration and where companies have a financial trading presence.
4. Country-by-country and project-by-project payments data should therefore be fully audited and included in companies' annual financial statements.
5. The report should be published as a summary in print with detailed online data available to download in a structured format.

## Country Examples

 The Dodd-Frank Act in the US requires companies to report on how much they pay governments for access to oil, gas and minerals

In July 2010, the U.S. Congress passed Section 1504 of the Dodd-Frank Act, a measure requiring companies registered with the Securities and Exchange Commission (SEC) to publicly report how much they pay governments for access to oil, gas and minerals.

Dodd-Frank 1504 adds to existing stock listing requirements in the US by obliging all extractive companies to publish


the payments they make to the US and foreign governments in the countries where they operate. This information is to be disclosed in an annual document to the US Securities and Exchange Commission.

All companies that are listed in the US and engage in the commercial development of oil, gas and other minerals (defined in Dodd-Frank 1504 as exploration, extraction, processing, export and other significant actions) will be covered. This includes eight of the ten largest mining companies and 29 of the 32 largest internationally active oil companies.

Companies that engage in the commercial development of oil, natural gas or minerals will have to report – The type and total amount of payments made for each project, and, – The type and total amounts of payments made to each government.

These payments cover report taxes, royalties, fees (including license fees), production entitlements and bonuses.

- <http://www.revenuewatch.org/issues/dodd-frank>
- <http://publishwhatyoupay.org/about/stock-listings/cardin-lugar-amendment-dodd-frank-1504>

 The EU requires extractive companies to publish their payments on a country-by-country and project-by-project basis

In July 2013 European Parliament approved the EU Transparency and Accounting Directives, which will oblige all extractive listed companies (and large non-listed) to publish their payments on a country-by-country and project-by-project basis. The European Commission Accounting Directive, introduces a new obligation for large extractive and logging companies to report the payments they make to governments. Reporting would also be carried out on a project basis, where payments have been attributed to specific projects.

The Directive introduces a new obligation for listed and large non-listed extractive and logging companies to report all material payments to governments broken down by country and by project, when these payments have been attributed to a specific project. Production entitlements, taxes, royalties, dividends, bonuses, licence fees and payments for infrastructure improvements must be reported.

- [http://europa.eu/rapid/press-release\\_MEMO-13-541\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-541_en.htm)
- <http://publishwhatyoupay.org/about/advocacy/eu-country-country-and-project-project-reporting-proposals-qa>

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No commitments for this level



# Annex: Standards and Guidance

## Extractive industry

### Extractive Industries Transparency Initiative Standard

[MULTI-STAKEHOLDER](#) [PRINCIPLES](#) [DETAILED GUIDANCE](#) [DATA STANDARD](#)

The Extractive Industries Transparency Initiative (EITI) Standard is a global transparency standard whose purpose is to ensure disclosure of government revenues from natural resources in countries signing up to the EITI. Building on the EITI Principles from 2003, the EITI Standard was launched in 2013 after two years of stakeholder consultation. Compared to the earlier Principles, the Standard aims to produce more relevant, reliable and usable information, as well as better linkages to wider reforms.

[http://eiti.org/files/EITI STANDARD-screen-version.pdf](http://eiti.org/files/EITI_STANDARD-screen-version.pdf)

### IMF Guide on Resource Revenue Transparency

[INTER-GOVERNMENT](#) [DETAILED GUIDANCE](#)

The International Monetary Fund's Guide on Resource Revenue Transparency from 2005 (updated in 2007) provides detailed transparency guidelines accompanied by explanatory text and examples of good practice in producing countries. The Guide aims to help steer resource-rich countries through the special issues arising from the technical complexity and volatility of resource revenue flows and from the sheer magnitude of such transactions. The Guide makes available to providers of technical support and civil society a set of authoritative references of good and best practices of resource revenue transparency.

<http://www.imf.org/external/np/pp/2007/eng/101907g.pdf>

### Natural Resource Charter

[MULTI-STAKEHOLDER](#) [PRINCIPLES](#) [DETAILED GUIDANCE](#)

The Natural Resource Charter is a set of principles to guide governments and societies in their use of natural resources so that these economic opportunities result in maximum and sustained returns for citizens. It provides a framework for addressing the challenges of natural resource management and is directed primarily at policy makers and citizens in resource-rich countries. The drafters of the Charter are an independent group of the world's foremost experts in economically sustainable resource extraction.

[http://naturalresourcecharter.org/sites/default/files/NRC\\_Eng\\_2011.pdf](http://naturalresourcecharter.org/sites/default/files/NRC_Eng_2011.pdf)

### Open Contracting Principles

[MULTI-STAKEHOLDER](#) [PRINCIPLES](#)

The Contracting Principles reflect norms and best practices from around the world related to disclosure and participation in public contracting. The Principles are intended to guide governments and other stakeholders to

affirmatively disclose documents and information related to public contracting in a manner that enables meaningful understanding, effective monitoring, efficient performance, and accountability for outcomes.

[http://www.open-contracting.org/global\\_principles](http://www.open-contracting.org/global_principles)

## Open Contracting: A New Frontier for Transparency and Accountability

EXPERT / OTHER GENERAL REFERENCE

This report produced by the World Bank Institute, on behalf of the Open Contracting Partnership provides an overview of emerging practices and methodologies of disclosure and participation in public contracting . It outlines the practical actions that are already being taken by governments, civil society, private sector, and donors to support open contracting with reference to concrete examples from around the world as well as the rationales behind them.

<http://pro-act.org/profiles/blogs/research-highlights-open-contracting-practices-from-around-the-wo>

## Revenue Development Foundation tools

EXPERT / OTHER DATA STANDARD

The Revenue Development Foundation (RDF) is a development organisation seeking to assist governments to increase their revenues. The foundation advises and supports governments in developing countries to mobilise revenue from legitimate sources such as through licenses and property taxation.

RDF develops and operates software systems for government management of licenses (including minerals concessions, forestry rights, fisheries rights).

<http://www.revenuedevelopment.org>

## Revenue Watch: Resource Governance Index

EXPERT / OTHER RATING

The Resource Governance Index measures the quality of governance in the oil; gas and mining sector in 58 countries. It evaluates four key components of resource governance in each country: institutional and legal setting; reporting practices; safeguards and quality controls; and enabling environment. In addition, the report provides a diagnostic tool to help identify good practices as well as governance shortcomings, and offers a set of policy recommendations.

[http://www.revenuewatch.org/sites/default/files/rgi\\_2013\\_Eng.pdf](http://www.revenuewatch.org/sites/default/files/rgi_2013_Eng.pdf)

## RWI: Contract Confidential Report

CIVIL SOCIETY GENERAL REFERENCE

This report 'Contracts Confidential: Ending Secret Deals in the Extractive Industries' , published by the Revenue Watch Institute in 2009 includes a global survey of confidentiality clauses and a model 'best practice' confidentiality clause.

<http://www.revenuewatch.org/sites/default/files/RWI-Contracts-Confidential.pdf>

## Santiago principles

INTER-GOVERNMENT PRINCIPLES

The Santiago Principles established by the International Working Group of Sovereign Wealth Funds (IWG) are a set of 24 voluntary guidelines that assign best practices for the operations of Sovereign Wealth Funds. They provide a common framework of accepted principles and practices regarding governance and accountability arrangements. The Principles monitor three areas: legal framework, institutional framework and governance framework, and investment policies and risk management. So far 25 nations have signed onto the Principles.

<http://www.iwg-swf.org/pubs/eng/santiagoprinciples.pdf>

## Spatial Dimension: Flexicadastre

EXPERT / OTHER DATA STANDARD

The Flexicadastre system designed by Spatial Dimension is one solution used to implement Mining Cadastre Systems to facilitate all aspects of the application, evaluation, granting and compliance monitoring of mineral rights and related permits. As well as using the system to facilitate application and concession management a number of countries have also used the system to develop Public Mining Cadastre Portals.

<http://www.spatialdimension.com/Solutions/EITI-Compliance>

# Annex: Acknowledgements

## Topic Contributors

### Extractive industry

This topic has been developed by [Revenue Watch Institute](#).

## Guide to Opening Government

The Open Government Guide has been developed and edited by Maya Forstater, (consultant) under the direction of Vanessa Herringshaw (Director, T/AI) with support from Linnea Mills. T/AI is grateful to all the authors who generously contributed their time and expertise to the project, and to those who have provided comments, case studies and resources.

An advisory group provided high level comments to the development of the guide. Thank-you to Linda Frey and Paul Maassen from the Open Government Partnership, Martin Tisne from Omidyar Network, Julie McCarthy from the Open Society Foundations, Katarina Ott from the Institute for Public Finance in Croatia and Joel Salas.

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