



## REVENUE WATCH INDEX QUESTIONNAIRE – GUIDE FOR RESEARCHERS (October 2009)

### I. Introduction and Overview

The Revenue Watch Index is intended to serve as a tool for measuring transparency across a diverse range of countries with considerable oil, gas and/or mineral reserves. The Index aims to provide useful information to help civil society demand higher standards of transparency and accountability in the extractive sector as well as to guide policymakers with specific recommendations for responding to such demands. The research process will also raise awareness among civil society actors in resource-rich countries regarding relevant legal, political, and administrative issues related to resource revenue management, and will identify entry points for advocacy.

This Guide to questionnaire provides further information on the indicators that compose the index and defines the terms used in this project. It is meant to guide researchers and peer reviewers on how to score each question to best reflect the existing practices in the countries under review. In addition, the Guide identifies the sources that have informed each indicator.

The Guide follows the structure of the questionnaire and is a working reference for researchers and peer-reviewers, as well as a training tool on the Index methodology and its framework of indicators. In this Guide we provide definitions of terms and concepts used in the questionnaire to improve comparability.

The questionnaire begins with a section on the demographics and context of each country. Tables 1 and 2 then assess the public availability of key documents required for resource revenue transparency. (None of the questions in this initial section will contribute to a country's transparency score.) Next, there are 55 questions that focus on key indicators for resource revenue transparency across seven different categories. These indicators will be compiled for each country to determine its score on the resource revenue transparency index. The first 24 questions deal with two topics of the extractive industry 'value chain' - access to resources and generation of revenue.<sup>1</sup> The next 31 questions are divided across the following five categories: Institutional Framework, State-Owned Company (SOC) Operations, Special Resource Fund, Sub-national Transfers, and EITI reporting.

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<sup>1</sup> The economist Paul Collier proposed a three-stage division of the extractive industry value chain in his analysis of natural resource revenues. See Paul Collier, *The Bottom Billion. Why the Poorest Countries are Failing and What Can Be Done About It*. Chapter 9, "Laws and Charters – A Charter for Natural Resource Revenue", Oxford University Press, 2007. pp. 140-146.

### **Defining resource revenue transparency**

For the international campaigns that promote transparency in the extractive industries, resource revenue transparency typically refers to the disclosure of data about payments and revenue by companies and governments. In particular, the Extractive Industries Transparency Initiative (EITI) and the Publish What You Pay (PWYP) campaigns promote this definition of resource revenue transparency. Publishing information about payments allows public attention to concentrate on a specific and concrete indicator of good governance. In addition, providing information to the public about the government's activities in the extractive sector helps foster informed debate and promotes accountability. However, there are other practices that also have an influence on transparency. For instance, the IMF has defined resource revenue transparency as a set of institutional practices and policies that support disclosure of information, reduce conflict of interest, limit discretionary powers or avoid opportunities for corruption.

Following these initiatives and IMF standards, our definition of revenue transparency has two components – (i) the public availability of information and (ii) the legal and regulatory framework for transparency.

The first component refers to whether governments (and state-owned companies, if applicable) publish key information on the extractive sector, as well as the level of detail and comprehensiveness of this information. We have identified a set of documents that we consider to be essential for resource revenue transparency, discussed in further detail below.

The second component refers to the laws, regulations and institutions that delineate roles and responsibilities in the extractive sector and provide assurances of integrity. Ideally, there should be different agencies in charge of operating, regulating and overseeing the extractive sector and clearly defined relationships between the government, state-owned companies and international or national private companies. Assurances of integrity are provided via contracting or licensing mechanisms that limit opportunities for discretion, well-defined internal control mechanisms, and institutional checks and balances. This latter category includes the existence of a strong external audit function, as well as opportunities for public and legislative oversight.

## **II. Demographic and Contextual Information**

The questionnaire begins with a short set of questions meant to gather relevant demographic and contextual information. The responses to these questions will not affect a country's score on the *Revenue Transparency Country Index*. **For the pilot, RWI staff will fill in this information;** researchers will receive questionnaires where Sections I and II have already been completed.

The World Bank World Development Indicators<sup>2</sup> and the United Nations Development Program (UNDP)<sup>3</sup> are useful sources of demographic information. Researchers should present data from the most recent year available.

### **Primary resource**

For the pilot implementation, researchers will receive instructions to concentrate on one extractive activity (oil, natural gas, or minerals). In the case where a country produces multiple resources, RWI will identify the primary resource for this research, based on its contribution to fiscal revenue, GDP and export earnings. BP Statistical Review of World Energy<sup>4</sup> and the U.S. Energy Information Agency (EIA)<sup>5</sup> provide useful data to determine production of oil and gas. Databases on mining represent a greater challenge. A good starting point for country reports is the website of the US Geological Service,<sup>6</sup> the British Geological Survey<sup>7</sup> and the Geological Survey of Canada.<sup>8</sup>

### **Economic data on extractive industries**

The IMF uses these indicators to define “resource-dependent” countries as those with at least 25% of their fiscal revenue, GDP or export earnings coming from non-renewable resources. IMF reports (particularly Article IV reports) and World Bank reports and databases are useful sources for this information. The World Gold Council<sup>9</sup> has detailed datasets available for free download, which serve as a good source of information on reserves. Researchers should indicate the data source and present data from the most recent year available.

### **Fiscal regime**

Researchers should choose one of three options for the dominant fiscal regime. According to the literature reviewed, there are two main types of fiscal regime, though some governments employ a mix. Under *Concession or Royalty/Tax systems*, the government grants a company the right to hydrocarbons or minerals within a fixed area for a specified amount of time. The concession, production and sale of hydrocarbons are then subject to rentals, royalties, bonuses and taxes. Companies usually take title of production minus royalty at the wellhead. Concession agreements can take different titles,<sup>10</sup> including:

- Mining Concessions
- Exploration and Production or Exploration and Exploitation Agreements
- License Agreements
- Mineral Development Agreements

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<sup>2</sup> See: <http://data.worldbank.org/>

<sup>3</sup> See: <http://hdr.undp.org/en/statistics/>

<sup>4</sup> See: <http://www.bp.com/productlanding.do?categoryId=6929&contentId=7044622>

<sup>5</sup> See: <http://www.eia.doe.gov/>

<sup>6</sup> See: <http://minerals.usgs.gov/minerals/pubs/>

<sup>7</sup> See: <http://www.bgs.ac.uk/home.html>

<sup>8</sup> See: [http://gsc.nrcan.gc.ca/index\\_e.php](http://gsc.nrcan.gc.ca/index_e.php)

<sup>9</sup> <http://www.research.gold.org/>

<sup>10</sup> Rosenblum and Maples, *Contracts Confidential: Ending Secret Deals in the Extractive Industries*, 2009, available at: <http://www.revenuewatch.org/news/publications/contracts-confidential-ending-secret-deals-extractive-industries>

The second type of fiscal regime is based on *Production Sharing Contracts (PSC)*, which refers to agreements where the contractor bears exploration costs and risks for development and production, in exchange for a share of resulting production, usually under PSC title to hydrocarbons transfer at export point. Finally, some governments employ *Service Agreements*, which are basically a form of PSC where contractors undertake development or production work for remuneration in cash rather than in kind. Their remuneration may be based on a flat fee or a share of profits.

The fiscal regime is often defined in a country's governing resource legislation. The World Law Guide<sup>11</sup> is a useful clearinghouse for downloading country legislation (Constitution and resource laws)

### **Legal definition of ownership of underground resources**

Resource legislation may define ownership as either (1) national ownership; (2) sub-national ownership and/or (3) private ownership. Ownership is defined by what authority has power to grant mineral or hydrocarbon rights, and whether these powers are vested in the national government or sub-national governments. It is expected that only in the case of the US private owners will have rights over underground resources. One objective of this question is to identify whether the mineral regime is centralized or decentralized. However, this should not be confused with whether sub-national governments receive transfers from mineral taxes collected by a national agency.

## **III. Key Documents**

Tables 1 and 2 ask researchers to provide information about the public availability of a set of key documents, which we consider necessary for resource revenue transparency. (See the box on the following page for a detailed description of what constitutes “publicly available” information.) This list is based on previous efforts to measure revenue transparency as well as on relevant literature. Although most of our sources recommend indicators and data that countries should make available to the public, this does not necessarily mean that production of these documents is explicitly recommended. However, RWI has found in its own research that countries with the best transparency practices tend to publish most, if not all, of the following documents, which include indicators and data widely regarded as essential for revenue transparency.

The key documents reflect mainly two stages of the value chain: access to resources and generation of revenue. For this research, it is important to identify what documents are produced and what information is provided to the public about the government's management of mineral resources. It is important also to identify what agency or ministry is in charge of producing and/or publishing these documents. Researchers should refer to the most recently published versions of each document. For some documents we define a

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<sup>11</sup> See: <http://www.lexadin.nl/wlg/legis/nofr/legis.php>

“reporting” year. Documents published prior to the reporting year should not be considered in this research.

In the case where multiple documents are produced for a certain category, researchers should clearly identify the various agencies in charge of publishing the document. Numbering within each category may be useful. The key documents are described in further detail below.

### **Contracts**

We use the term “contracts” to signify agreements between a State (or any of the authorized agencies acting on its behalf) and resource companies that regulate access to resources. We do not include procurement contracts for goods and services used in resource companies’ operations.

A recent RWI publication notes that a typical extractive project has “forty or more contracts uniting fifteen parties in a vertical chain from input supplier to output purchaser.”<sup>12</sup> Among this large number of contracts, there is usually a “primary” contract between the state or state-owned company and the investor that governs the other contracts. For public access, it is this “primary” contract that is the most important (or contracts, in the case of multiple operating companies). It may be fairly short, leaving the allocation of roles, rights, responsibilities, and risk allocation to that which has been stated in the law. Or, it may be very lengthy, addressing all of these issues.

The IMF Guide on Resource Revenue Transparency identifies several types of contracts, which may follow different licensing or negotiating procedures. In order to avoid judging the licensing process or the regime for access to resources, we focus on the resulting agreement that regulates access to resources and establishes the terms for exploration, development, production and division of costs and profits. In general, we are concerned

### ***“Publicly Available” Information***

Using a similar standard as the International Budget Partnership (IBP)’s Open Budget Index, we define publicly available information as information that any and all citizens might be able to obtain through a request to the public authority issuing the document. If the researcher obtains a document through means that would not be available to the average citizen, then that document ***should not*** be used in responding to the questionnaire.

Documents or databases made available on the Internet (even if they are only available on the Internet) should be considered as publicly available for purposes of responding to the questionnaire. However, a document that is available only through subscription to a specialized bulletin or publication issued by the executive should be considered as not available to the public, unless this bulletin is easily accessible to the general public either free of charge, through the payment of a minimal subscription fee, or through sources such as public libraries.

If a document is not available from the authority that issues the document it should not be considered as publicly available. For example, documents that the executive provides to the legislature, but which are not available to the general public through a request to the executive, should be considered as not available to the public.

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<sup>12</sup> Rosenblum and Maples (2009).

with whether Production Sharing Contracts, Concession agreements, Service Agreements, and licensing agreements are disclosed to the public.

In Table 1, researchers should indicate how many contracts published (in the case of multiple operating companies) and where they can be found. Section IV poses some additional questions on contracts.

### **Environmental and social impact reports**

There are some initiatives to standardize these reports for resource companies; in particular the Global Reporting Initiative has been developing indicators and standards for companies to report on their economic, social and environmental impact. However, at this point we are still uncertain about the practice followed by countries regarding environmental and social impact studies. In this section, we want to know whether the Government requires companies to report such information to the public, regardless of the form it takes.

### **Petroleum, Gas and Mining Statistical Reports or Databases**

A number of countries targeted for the Index publish reports with statistical information on the extractive sector. These reports vary from country to country - some are annual and others are updated periodically. These reports may be published as printed reports or databases that are constantly updated on line.

In general, statistical reports are produced and published by the Ministry of the extractive sector, statistical agencies, regulatory agencies or by the state-owned company. (Note that regulatory agencies may be independent governmental agencies or agencies operating within the Ministry of the sector. Regulatory agencies are usually in charge of promoting exploration and production activities, conducting licensing rounds or monitoring compliance with regulation. For instance, in Norway the Norwegian Petroleum Directorate is the regulatory agency; in Ghana there is the Minerals Commission.) This practice can vary from country to country and sometimes different agencies publish their own statistics. Such statistical reports or databases do not typically include narrative descriptions of activities undertaken by Ministries or Agencies, but rather relevant statistics on the extractive industries operations.

### **Annual and In-Year Reports**

In many countries the Ministry of the extractive sector publishes annual reports describing their activities and operations with regards to the extractive industry. These reports provide crucial information on the sector to the citizens, although they may vary depending on the agency publishing them.

In some countries the Central Bank occupies a crucial role as repository for the accounts where the resource companies deposit government payments. Even if the Bank is not in charge of those accounts, usually it acts as repository of currency reserves which allows for a role in keeping record of export earnings. For that reason, the Central Bank should also publish reports on its activities regarding the extractive industry. In addition, state-owned companies often publish reports comprising a narrative description of the

company's activities along with information on the financial standing and operations of the company. Sometimes these reports are required by regulators. Finally, government agencies and companies also sometimes publish quarterly or monthly reports about their operations which we refer to as In-Year Reports. In these sections of tables 1 and 2, we require researchers to consider the most recent report published or available, and note the date of its publication and period of coverage. We would expect that timely annual reports covering 2008 and in-year reports for the first half of 2009 are published at the time of this research.

### **EITI Reports**

EITI Reports vary from country to country. The standard EITI process requires that a multi-stakeholder commission be created with authority to decide on the scope and content of the reports. The periodicity of EITI reports also varies from country to country. Researchers should consider the most recently published EITI report, and note the date of its publication and period of coverage.

### **Auditor's Reports**

This can refer to an annual report issued by the Supreme Audit Institution (SAI) attesting to the government agencies' year-end final accounts.<sup>13</sup> Alternatively, this can also refer to reports from internal or external audit agencies that provide audited financial statements for the SOC or other agencies managing resource revenue. In some cases the internal revenue agency may play this role. For example, in South Africa mining revenue flows directly to the internal revenue agency and then the budget, which poses a challenge since mineral revenue receives no separate accounting. The objective of this query is to identify here current practices on auditing resource revenues and publishing auditors' reports in countries under research.<sup>14</sup>

## **IV. Indicators for Resource Revenue Transparency – Country Index**

This section of the Guide provides a detailed description of the indicators that will be used to determine each country's resource revenue transparency score on the Index. For each question, researchers should choose among multiple answer choices. Some questions have five answer choices (a, b, c, d, or e) whereas others have only three (a, b, or c). Researchers should select the answer choice that seems most applicable and then provide a citation (reference to the relevant key document and/or an interview or exchange with the relevant government official or local expert). Researchers should also provide any additional information which may be relevant in the "Comment" section.

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<sup>13</sup> For detailed standards on the reports that SAIs should produce, refer to the Lima Declaration of Guidelines on Auditing Precepts developed by the International Organization of Supreme Audit Institutions (INTOSAI). For more information see [http://www.intosai.org/en/portal/documents/intosai/general/lima\\_declaration/](http://www.intosai.org/en/portal/documents/intosai/general/lima_declaration/)

<sup>14</sup> In some countries such as South Africa mining revenue flow directly to the budget, because it is captured via corporate income taxes there is not separate accounting for them. In this case, the Internal Revenue Agency decides on auditing and audit publishing practices.

Each question includes a “not applicable/other” option. This option should only be used in cases where the question does not apply at all to the country in question. For instance, “not applicable/other” would apply to questions about Special Resource Funds or State-Owned Companies in a country that has neither. In all cases where the researcher selects the “not applicable/other” answer choice, s/he should provide an explanation of why this option was chosen in the “Comment” section.

As noted in Section III on the Key Documents, researchers should only refer to those documents which are *publicly available* in completing the questionnaire. If one or more of the key documents has been attained through special means (that would not be available to the general public) it should not be used in responding to the questionnaire.

### *Access to Resources*

#### **1. Has this country adopted a rule or legislation that provides for disclosure of information in the oil, gas and mineral sectors?**

This question is meant to capture the extent to which legal provisions encourage transparency in the extractive sector. Our research has found that Freedom of Information laws tend to provide the strongest guarantees of transparency in the extractives sector, though they are not always observed in practice. In some countries, Freedom of Information Acts have led to the publication of contracts, e.g. in Ecuador.

Contract disclosure is not directly addressed in most host country mineral and hydrocarbon laws.<sup>15</sup> In general, the most significant home country laws bearing on investor disclosure are securities laws and regulations. Many stock exchanges require disclosure, in various forms, of “material contracts” or “material transactions.” (Stock exchange listing requirements can often be found on the website of the stock exchange.) Although the contract itself is rarely required to be made publicly available pursuant to securities regulations, the major terms must be disclosed. In other cases, the Executive may decide to issue a decree to require disclosure of information from companies working in the extractive industries.

Any relevant legislation should be specified in the “Citation” section; details on how it is observed in practice should be provided in the “Comment” section. A higher score in this question will be awarded to countries that have the most extensive provisions for disclosure.

#### **2. Are contracts, agreements or negotiated terms for exploration and production, regardless of the way they are granted, disclosed to the public?**

As noted above, a typical extractive project has a large number of contracts, among which there is usually a “primary” contract between the state or state-owned company and the investor that governs the other contracts. This is the contract that should be referenced here. In addition, it may be the case in some countries that multiple

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<sup>15</sup> Rosenblum and Maples (2009).

companies are operating in the sector. In this case, researchers should choose the most recent or significant contract to answer this and other questions related to contracts. In the “Comment” section, researchers should explain if there are other companies active in the sector whose contracts are publicly available.

In some countries, governments only publish the main negotiated terms or winning bids. As noted above, some stock exchanges require the disclosure of much information that is included in contracts and other information often considered sensitive, though not contracts generally. Such cases earn a lower score than publication of the actual contract (or contracts).

In the “Citation” section researchers should include an example of contract or links to websites that publish contracts or information on the main negotiated terms.

### **3. Does the government publish information on the licensing process before or after negotiations?**

The licensing process varies from country to country, which may affect how information on the process is transmitted. In systems based on auctions or direct negotiation, there may be public distribution of information on licensing procedures and contracts, including information on invitations to tender and on the award of contracts, allowing potential bidders sufficient time to prepare and submit their proposals. (This latter provision is recommended by the UN Convention against Corruption, Article 9.) Sometimes governments have no auctions but conducts direct negotiations, often on a first-come-first-served basis. In such cases publication of results or a report on licensing activities is required for a “Yes” answer.

Researchers should indicate in the “Comments” whether the government conducts regular licensing rounds, negotiates directly or has a mix of both.

### **4. Are reports with assessments of the expected environmental and/or social impact of oil, gas and mining projects published?**

The IMF Guide mentions that environmental concerns are being built into general and industry-specific legislation as well as individual contracts.<sup>16</sup> It also mentions the need to clearly specify the party responsible for environmental costs. The issue of consultation has arisen through the eruption of social conflicts and often violence in the communities surrounding mining projects. Additionally, the Global Reporting Initiative<sup>17</sup> is conducting an exercise to create sustainable reporting guidelines for the mining, oil and gas sectors, which will put the burden of reporting on environmental and social practices on resource companies. Although a definition of ‘best practices’ is still evolving, this research seeks to identify at least whether environmental and social impact reports are published. Further research is still required to establish the

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<sup>16</sup> See IMF Guide of Resource Revenue Transparency, “Environmental and Site Abandonment Issues,” paragraphs 63-64.

<sup>17</sup> See: <http://www.globalreporting.org/Home>

practice in countries, so researchers should explain their answers in the “Comment” section.

**5. Is the authority in charge of awarding licenses or contracts for mineral or hydrocarbon production independent of the state-owned company (SOC) or other operating companies?**

The IMF Guide insists on clear division of roles and responsibilities, stating that “the legal framework should define which political entity and official has authority to grant mineral or hydrocarbon rights and regulate their use.”<sup>18</sup> In a recent trend, institutional reform has privileged the idea of separating regulatory agencies with authority to award licenses and contracts from operating companies, which are limited to a commercial role. This has happened for instance in Brazil, Colombia and Indonesia. This question seeks to identify which countries follow this institutional arrangement. Researchers should provide additional explanation in the “Comment” section if the institutional setting is not fully captured by the answer options.

**6. Is the licensing process intended to be open and competitive to all qualified companies?**

Regardless of the licensing process followed, this question aims to assess the degree of competition allowed in the sector. Several sources stress the importance of competition as a mechanism for government to maximize the value of resources and the integrity of resource rights and contracts. The same rule applies for instance to procurement. PEFA PFM High-Level Performance Indicator PI-19 mentions open competition for award of contract as means to ensure value for money and controls in procurement.

Sometimes, governments may limit participation on legitimate bases. For instance, the UN Convention against Corruption, article 9, mentions threshold values for applications and publication in advance of conditions for participation, including selection and award criteria and tendering rules. Researchers should identify such practices in the “Comment” section if they exist.

The answer options provided here reflect different practices and common limits to competition. Researchers should provide additional explanation in the “Comment” section for their answer choice.

**7. Does the licensing process or legislation impose limits to discretionary powers of the authority in charge of awarding licenses or contracts?**

Discretionary powers are an opportunity for corruption and opacity. For this reason the IMF Guide recommends that licensing rules should avoid excessive complexity and opportunities for official discretion. The IMF Guide also recommends standard agreements with few variable bidding terms as a way to reduce official discretion. Similarly, the existence of fiscal stability clauses “can be administratively cumbersome and limit tax policy flexibility [as well as] impair the legislature’s normal authority to pass fiscal legislation.” In some cases, there may be arguments in

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<sup>18</sup> See paragraph 23.

favor of stability clauses, e.g. “they may be necessary in high-risk environments and may increase the overall government take if they reduce investor risk premium.” However, from a transparency perspective, the power to agree to stabilization clauses constitutes a discretionary power, and thus counts negatively in the context of this question.

This question aims at identifying whether there are limits or checks on official discretion. Such limits are typically laid out in the country resource legislation. The researcher should explain the relevant restrictions in the “Comment” section.

**8. Does the legislative branch have the authority to ratify oil and mining contracts?**

Legislative ratification of contracts is standard in several resource-rich countries. The IMF Guide mentions this practice in the context of clearly defining clarity of roles and responsibilities for authorities with powers to award licenses or contracts.<sup>19</sup> Legislative ratification or contract approval does not necessarily mean that contracts are disseminated to the public; however, it can limit negotiators’ discretion. The IMF Guide also notes that “the obligation to disclose the outcome to the legislature... increases pressure on the government to negotiate a good deal.”<sup>20</sup>

The Columbia study found several examples of countries where parliamentary ratification of oil and mining contracts (or of investment contracts) is required by law. For instance, this is the case in Azerbaijan, Indonesia, Egypt, Kyrgyzstan, Sierra Leone, Yemen, Georgia and Liberia.<sup>21</sup>

Such requirements may be enshrined in the Constitution (under provisions concerning international agreements) or in other laws or regulations concerning international business. In this question we look for the existence of such legislation and its implementation. Researchers should provide additional explanation in the “Comment” section for their answer choice.

**9. Is there a process to appeal licensing decisions?**

The IMF Guide mentions among best practices in terms of transparency the opportunity to submit disputes to arbitration, preferably international arbitration.<sup>22</sup> In addition, PEFA PFM High-Level Performance Indicator PI-19 mentions, within the context of procurement controls, the need for a complaints mechanism. The UN Convention against Corruption also recommends building an effective system of domestic review, including an effective system of appeal, to ensure legal recourse and remedies.<sup>23</sup> The EU Hydrocarbons Licensing Directive (1994) contains an appeal requirement relevant for member countries.

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<sup>19</sup> See paragraph 23.

<sup>20</sup> See paragraph 30.

<sup>21</sup> See pp. 33-35.

<sup>22</sup> See paragraph 24.

<sup>23</sup> See Article 19.

In this question we cover the different possibilities of appeal, including whether the right to appeal licensing decisions is open to civil society. The scores are organized based on the existence of such processes and the degree of access provided to different actors. Researchers should provide additional explanation in the “Comment” section for their answer choice, specifically (to the extent of their knowledge) whether this rule has ever been applied.

### ***Generation of Revenue***

Questions 10-24 cover statistical information on revenue generation. Researchers should look for information published by the Ministry of Finance, the Ministry of the extractive sector, the regulatory agency, the central bank and/or state-owned company. This includes statistical reports and databases as well as annual and in-year reports. As noted above in Section IV on Key Documents, these reports vary from country to country - some are annual and others are updated periodically. Given the timing of this research, we expect that annual reports would be available for 2008 and in-year reports for 2009. Researchers should pay attention to a reporting period going from January 2006 to December 2009. Documents published outside this reporting period should not be considered to answer this questionnaire. Reports may be published as printed documents or databases that are constantly updated online. For each agency, we ask whether it publishes a list of indicators; we then ask about the reports comprehensiveness and understandability, as well as the timeliness of its publication. To answer these questions, researchers should only refer to documents that are *publicly available*. Since the questions are essentially the same for each agency, we will not discuss each one individually.

**10./13./16./19./22. Does the [Ministry of Finance/ Ministry of the extractive sector/regulatory agency/central bank/state-owned company] publish some or all of the information on revenue generation presented in the table below (in reports or statistical databases)?**

For these questions, please use information from statistical reports/databases, annual reports or in-year reports (depending on their availability), which are described in the “Key Documents” section. In this section we are looking for information on production and generation of revenue, or payments received by the government. A general practice is that the Ministry of Finance, the Ministry of the extractive sector, the SOC, or the regulatory agency publishes a report of their activities. Researchers are required to provide indication of what practice is followed here. In some cases, official agencies publish information in databases online, which is enough for a positive response to this question. For each indicator, researchers have five options:

- A. **Reporting year and at least one prior year.** Researchers should mark this option when the reports or databases found provide data for 2009 (in the case of in-year reports) or for 2008 (in the case of annual reports), and they provide comparative data with at least one prior year or period.
- B. **Reporting year only.** Researchers should mark this option when the reports or databases found provide data for 2009 (in the case of in-year reports) or for

2008 (in the case of annual reports) and when these reports or databases do not provide comparative data with prior years or period.

- C. **Historical data only.** Researchers should mark this option when the reports or databases found provide data only for years prior to 2008.
- D. **Information not published.** Researchers should mark this option when the indicator is not found in the reports or databases reviewed.

Researchers should use the “Comment” sections for these questions to identify any additional information on revenue generation that is publicly available. This might include the details of any special taxes that are applied to the extractive sector.

The definitions for the indicators below are drawn from the glossary in *Follow the Money: A Guide To Monitoring Budgets And Oil And Gas Revenues*<sup>24</sup>, as well as in Daniel Johnston, *International Exploration Economics, Risk, and Contract Analysis*<sup>25</sup> unless otherwise noted.

*a. Reserves*

Refers to the quantity of oil, gas and minerals estimated to be recoverable from known fields under existing economic and operation conditions. In the case of gold, most governments list the value of official gold reserves (or gold holdings) held by the central bank as a store of value. This is not relevant here. Rather, the relevant data would be gold ore reserves, which is often produced by the ministry of the extractive sector.

*b. Production volumes*

This refers to information on the volumes of oil, gas or mineral extracted from the reservoirs or mines. Common measures of volume are barrels of oil, cubic feet for gas, and ounces, tons or carats for different minerals.

*c. Information on prices*

Prices refer to the amount of money or equivalent in-kind for which oil, gas and mineral production is bought, sold, or offered for sale. Country practice varies regarding price reporting. Some countries provide information on realized prices, while others provide an average by week, month, etc. Any of these options, as long as the country provides information on prices, is acceptable.

*d. Value of resource exports*

This refers to the value of oil, gas, or mineral exports. Such information is often presented in the context of a country’s overall trade balance. It is often reported by the central bank, but may be reported by other agencies as well (such as the ministry of the sector).

*e. Estimates of investment in exploration and development*

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<sup>24</sup> Published by Revenue Watch Institute, November 17, 2004. Available for free download at <http://archive.revenuewatch.org/reports/120204.shtml>

<sup>25</sup> Daniel Johnston (2003).

This refers to capital expenditures in exploration and development activities. Investment activities refer to acquisition of long-term assets or other expenditures intended to generate future income.

*f. Production costs*

This refers to operating costs or operational expenses of activities that generate revenue and that are not investment or financing activities.

*g. Name of companies operating in country*

Disclosure of the name of international and national companies operating in each country should be a common practice. Differences may exist among countries; some publish a list of companies with the assets they own in country.

*h. Production data by company and/or block*

This refers to information on the volume of oil, gas and minerals produced. Several countries provide this information classified by company, block and/or well. This classification depends on the particular organization of assets in each country. Countries with several companies operating in a number of blocks may report production by company. The intention here is to establish whether the government has the capacity to track different contracts and producing regions and report production volumes in a disaggregate form.

*i. Quasi-fiscal activities*

Quasi-fiscal activities or QFAs refer to arrangements whereby international or national resource companies undertake social or environmental expenditure or provide subsidies to producers or consumers without explicit budget support. With respect to resource sectors, the main types of QFAs include:

- Energy QFAs: requirements for NRCs to provide products (particularly energy) at less than cost recovery or market price for domestic consumption;
- Public expenditure QFAs: requirements for NRCs or international companies to provide social services or other public goods normally provided by general government;
- Employment QFAs: provision of employment in NRCs or related activities that go beyond what would be done if companies were run on a purely commercial basis; and
- Borrowing QFAs: use of company leverage to borrow on behalf of government.<sup>26</sup>

If the government does publish this information, researchers should note they type of QFA in the Comment section below Table 3.

*j. Disaggregated revenue streams:*

Specific revenue streams may vary from country to country. For example, Azerbaijan's EITI report includes: government's oil entitlement, oil, gas and minerals production stream, royalties, taxes (excluding employee income tax),

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<sup>26</sup> Definition of QFAs from *IMF Guide on Resource Revenue Transparency*

signature bonuses, license fees, acreage fees, all in volume and cash value. Ghana's EITI report includes: license fees, property rate, rent, royalties, dividends, corporate tax, cash values by company and authority collecting payments. In this section specify which revenue streams are disclosed.

*j1. Production streams value*

This refers to information on the value of production of oil, gas or minerals. This is frequently expressed in US dollars or local currency with an equivalent in US dollars, but this is not a rule. Depending on the reporting practice, production streams value refers to the value of total production.

*j2. Government's share in PSC*

This refers to the government's share of production under the production-sharing contract (PSC), if such an arrangement is in place. This might also be termed the government's share in 'profit oil' (production remaining after the contractor has been compensated for exploration costs and risks for development and production). This can be expressed in cash or volume.

*j3. Royalties*

This refers to the share of the revenue from the sale of oil, gas, or other natural resources paid to the owner, usually the host government. The amount is usually a percentage of gross revenues but there are cases of royalties linked to profitability. This can be expressed in cash or volume.

*j4. Special taxes*

In addition to royalties, some countries levy special taxes on hydrocarbon and mining activities. These taxes are different from those commonly paid by other economic activities such as income taxes or VAT. Special taxes can take the form of "rights" or duties, domestic market obligations, or excise taxes.

*j5. Dividends*

When companies pay part of their profits to shareholders, those profits are called dividends. Sometimes governments receive part of their revenue as dividends.

*j6. Bonuses*

Refers to payments made by a firm to a host government for the right to develop a natural resource such as oil, gas, or a mineral deposit. Bonuses are often paid in stages: at the start of a project and when various stages of development are reached.

*j7. License fees*

A license refers to an arrangement between an oil company and a host government regarding a specific geographical area and petroleum operations. In more precise usage, the term applies to the development phase of a contract after

a commercial discovery has been made. Countries usually charge a small fee for such licenses.

*j8. Acreage fees*

Acreage refers to the amount of land area (or offshore area) under lease or associated with and/or governed by a production-sharing contract (PSC). Countries usually charge a small fee as rent for the area under lease.

*j9. Other (specify)*

Different countries may follow different practices when it comes to taxing the extractive industry. This point offers a chance for researchers to note special tools used by particular countries to generate income from oil, gas or mining activities. Researcher is requested to explain when other income is noted here.

**11./14./17./20./23. Are the reports or statistical databases published by [the Ministry of Finance/ Ministry of the extractive sector/regulatory agency/central bank/state-owned company] comprehensive and understandable?**

In order to be considered comprehensive and understandable, such reports should include definitions of the main concepts and explain information to a broader public, with notes including information on methodology, sources or statistical techniques. The answer choices reflect varying degrees of comprehensiveness and understandability.

**12./15./18./21./24. How often are reports or statistical databases containing information on revenue generation published by [the Ministry of Finance/ Ministry of the extractive sector/regulatory agency/central bank/state-owned company]?**

The standard practice is annual reports from Ministries and companies. However, sometimes information is also updated and presented more frequently. Periodicity reflects organizational capacity and timely reporting earns a higher score here. If reports are produced periodically but not released on time, researchers should make a note of this in the “Comment” section, and this would not count as timely release of information. For instance, if quarterly reports are produced but released at the end of the year only, then the appropriate response would be “c.”

***Institutional Setting***

**25. Are policy, regulatory, and commercial roles in the extractive sector divided across separate institutions?**

The IMF guide insists on clearly defined roles to avoid conflicts of interest and complexity that translates into lack of transparency.<sup>27</sup> The division of roles used here is taken from Calder and McPherson (2008). The purpose is to identify which government agencies intervene in the extractive sector, under what authority and with what role. The assumption is that clearly defined roles and authority will increase transparency. Also, separation of roles between regulator and licensing agencies may

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<sup>27</sup> See paragraph 20.

reduce conflict of interests. A common problem is that oil and mining taxation is complicated, which can create coordination problems among departments involved in managing revenue flows. Researchers should use the “Comment” section to provide further information relevant for their choice.

## **26. Has the government published detailed resource legislation?**

In most countries there are a number of laws and regulations that affect the resource sector. Often, the Constitution will include some basic provisions regarding ownership of resources, and may also include provisions for sharing resource revenue across different levels of government (as in Nigeria). Most resource-rich countries also have specific resource legislation (e.g. Sierra Leone’s Diamond Cutting and Polishing Act). The next level of detail is provided in resource-specific regulations (e.g. Sierra Leone’s Mines and Minerals Regulations). Researchers should list the relevant laws and regulations in the “Citation” section and note if any are not available to the public in the “Comment” section.

According to several sources, transparency of taxpayer obligations and liabilities is crucial for an efficient tax system and it also reduces opportunities for discretion.<sup>28</sup> In the context of resource taxation, key principles and fiscal terms and provisions include the authority and rules to award licenses or contracts. In addition, several countries state in their resource legislation details of extractive companies’ obligations in terms of royalties, special taxes, and income tax, as well as any exemptions or special rules for depreciation. Sometimes it also contains provisions for assessing revenue – whether it is measured at the wellhead, point of export, or some point in the pipeline. The level of detail that would earn the highest score in this question is when the legislation contains detailed and clear principles and rules to assess the companies’ fiscal obligations.

## **27. Does the agency (or agencies) in charge of receiving payments from resource companies have internal controls in place to monitor assets and prevent fraud?**

The IMF Guide suggests that “internal controls and audit procedures for authorizing resource revenue receipts through government accounts or special fund arrangements, and any spending of such receipts through special funds, should be clearly described and disclosed to the public.” The IMF Guide also identifies the following risk areas which should be a priority for internal controls: misstated production volume or value, misstated claims for allowable expenditure, or non-settlement of tax liabilities.

For this question it is important to clearly identify the agency in charge of receiving payments from extractive companies. In some countries it is the Ministry of Finance or the Internal Revenue Service, in others this responsibility may fall on the Ministry of the extractive sector, a regulator or a state-owned company. Researchers should identify the agency with this authority in the “Comment” section. For the answer choice, the main variables are whether the agency that is authorized to receive payments has an organizational structure that distributes responsibilities for

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<sup>28</sup> See paragraph 123 of the IMF Guide, PEFA PFM High-Level Performance Indicator PI-13,

authorizing use and disbursement of resource revenue (payments from extractive companies) and whether there is an internal audit unit.

**28. Is there independent external validation of internal controls of agencies in charge of receiving payments from resource companies?**

Following previous question, the IMF Guide adds that “internal controls should be clearly defined and subject to periodic external review that is accessible to the public. In [some countries], the national audit office can provide adequate assurance that such controls are in place.”<sup>29</sup> In other cases, an independent (non-governmental) external auditor can fulfill this function.

**29. Are payments by resource companies to the government (either to the ministry of the resource sector or other authorized agency) subject to an independent audit?**

In some countries, the government (Supreme Audit Institution, regulatory agency, or internal revenue agency) is in charge of these audits on risky areas. In others, a private firm conducts these audits. For example, in Ecuador the National Hydrocarbon Directorate, the technical arm of Ministry of Mines and Petroleum, conducts audits of petroleum company payments whereas Nigeria’s EITI audit was conducted by a private firm (The Hart Group). Usually, the areas that present higher risk are production statements, cost recovery and tax assessment.

This question aims to uncover whether payments by the extracting company and revenue received by the government are subject to audits. The Lima Declaration of Guidelines on Auditing Precepts developed by the International Organization of Supreme Audit Institutions (INTOSAI) has defined what constitutes a “credible, independent” audit.<sup>30</sup> In this question researchers are asked to simply note whether payments from resource companies are subject to an independent audit.

**30. Does a parliamentary committee scrutinize audit reports on resource-related revenues?**

According to the Lima Declaration, the SAI should report on its findings annually and independently to Parliament and to the general public.<sup>31</sup> This standard is also noted in the OECD Best Practices for Budget Transparency (Section 3.4). The answer choices require identifying whether a parliamentary committee is known to conduct such scrutiny regularly.

**31. Can civil society participate in oversight of revenue generation, for example through EITI committees, board meetings of the resource regulatory authority, or other mechanisms?**

In several countries there has been some acceptance of the importance to include civil society in some aspects of oversight. For instance, in Ghana the new petroleum regulatory authority has Board meetings open to civil society participation. Another

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<sup>29</sup> See para. 121.

<sup>30</sup> For more information see [http://www.intosai.org/en/portal/documents/intosai/general/lima\\_declaration/](http://www.intosai.org/en/portal/documents/intosai/general/lima_declaration/)

<sup>31</sup> See Section 16.

case is provided by multi-stakeholder commissions for the EITI or the publication of Board meetings minutes. The researcher should specify what mechanism exists as well as the possible roles for civil society and rules governing civil society participation.

### ***State-Owned Company Operations***

#### **32. If an SOC exists, does the SOC publish reports with information about its operations?**

The IMF Guide states that the “ownership structures of national resource companies and their fiscal role vis-à-vis the resource sector ministry and the finance ministry should be clearly defined. Commercial responsibilities should be clearly distinguished from policy, regulatory and social obligations.”<sup>32</sup> The IMF also recommends better disclosure of ownership structures of these companies and subsidiaries through disclosure of the participation of government officials, as well as the composition of their board and auditing practices.<sup>33</sup>

Previous reports on resource revenue transparency have found that SOCs publish reports with information about operations, financial statements and disaggregated revenue and production streams. The standard practice for companies that issue bonds or shares in stock exchanges is to publish information on their financial position: assets, liabilities, equity, revenue and expenses, which take the form of profit and loss reports, balance sheet and cash flow statements, and audited accounts. In this question the answer choices try to capture actual practices, with higher scores for more extensive disclosure.

#### **33. Does the SOC follow internationally recognized accounting standards?**

Many countries use or are converging on the [International Financial Reporting Standards](#) (IFRS), established and maintained by the [International Accounting Standards Board](#). However, Generally Accepted Accounting Principles (GAAP) are followed in the US and also in other jurisdictions. Financial statements usually note the standards used in preparation of the report.

#### **34. Are SOC reports audited, and are the audited reports published?**

Several SOCs around the world publish their audited financial statements; sometimes audited reports are accompanied by a statement from the auditor. The IMF Guide recommends following the OECD’s Principles of Corporate Governance, which “suggests that annual audits should be conducted by an independent, competent, and qualified auditor to provide an external and objective assurance to the board and shareholders that the financial statements fairly represents the financial position and performance of the company in all material aspects.”<sup>34</sup>

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<sup>32</sup> See Part E. Natural Resource Companies in the section on Clarity of Roles and Responsibilities.

<sup>33</sup> See para. 51-53.

<sup>34</sup> See IMF Guide, para. 28.

**35. Do SOC audits include consolidated accounts that cover all of the SOC subsidiaries?**

SOC can be complex companies, often comprising subsidiaries that perform different aspects of an integrated business. This question refers to the SOC reports and whether it includes all of the SOC subsidiaries. The report used to answer this question should be specific about this point.

**36. Does the SOC publish information about quasi-fiscal activities?**

See comments under Table 3, #8 for a detailed definition of quasi-fiscal activities (QFAs). In this question we only register whether the SOC reports any of these expenditures. Other resource-related QFAs should be noted in Table 3.

**37. Does the Ministry of Finance publish the overall public sector balance including the SOC financial balance?**

This question tries to assess how SOCs are treated within the government balance sheet. We may think of SOCs as similar to off-budget funds, which the OECD recommends should be included in the budget.<sup>35</sup> Therefore, best practice would be to include the SOC's financial activities in the budget. The PEFA PFM High-Level Performance Indicators also provide some guidance on this issue, recommending reduction of unreported government operations from extra-budgetary expenditures and reporting of aggregated fiscal risks from public sector entities.<sup>36</sup> In this question, answer choices try to capture how comprehensive is reporting on the SOC within the budget and also how the SOC activities are treated within the budget. Answer choices "a" and "b" imply SOC consolidation on budget, with different levels of detail, while choices "c" and "d" imply off-budget treatment of the SOC.

Sometimes companies may be integrated as publicly traded companies with partial state ownership. In these cases, a valid argument may exist for not including the SOC finances into the sector balance. Researchers should note in the "Comment" section whether this is the case.

**38. If there are joint ventures, does the government (Ministry of the sector or SOC) publish information on the SOC equity participation in joint ventures?**

Joint ventures refer to partnership arrangements between a number of companies or a company and a host government. Often, in a joint venture between companies and a host government, the companies bear the costs of exploration, and then retain a right to develop discoveries while sharing profits with the host government.<sup>37</sup> As mentioned above, the IMF Guide recommends better disclosure of ownership

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<sup>35</sup> See the *OECD Best Guidelines -- Off-Budget and Tax Expenditures*. The Guidelines were published in the OECD Journal on Budgeting – Volume 4 – No. 1 and are available for download at [http://www.oilis.oecd.org/oilis/2004doc.nsf/LinkTo/NT000041AA/\\$FILE/JT00164525.PDF](http://www.oilis.oecd.org/oilis/2004doc.nsf/LinkTo/NT000041AA/$FILE/JT00164525.PDF)

<sup>36</sup> See *PI-7 Extent of unreported government operations* and *PI-9 Oversight of aggregate fiscal risk from other public sector entities*.

<sup>37</sup> Definition of joint venture taken from the glossary in *Follow the Money: A Guide To Monitoring Budgets And Oil And Gas Revenues*, published by Revenue Watch Institute on November 17, 2004 and available for free download at <http://archive.revenuewatch.org/reports/120204.shtml>

structures of these companies and subsidiaries and share participation of government officials.<sup>38</sup>

According to Rosenblum and Maples (2009), “a state or state-owned company may create a formal, legal corporate vehicle with companies by creating a joint venture company. If this is the case, then the Joint Venture Agreement will lay out many of the responsibilities and obligations of the parties, and be a “primary” document that would be important for citizens to have access to. Similarly, if a state or state-owned company takes an equity stake in an extractive project, the state is essentially investing the citizen’s resources in the project. Public scrutiny over such decisions and access to the shareholders agreement or other legal document embodying this relationship would be important for ensuring government accountability.”<sup>39</sup>

**39. Are government officials required to disclose information about their financial interest in any extractive activity or joint venture?**

See previous questions for further explanation. Tax returns can be a potential source of information regarding this question. For example, in the U.S. and other countries, tax returns of some public officials are available to the public. In Mexico, government officials are required to disclose their assets to the Ministry of Public Service and update their declarations annually. This information is not published by the Ministry. These cases suffice to score a positive answer here. Researchers should specify the relevant disclosure requirement in the “Comment” section.

**40. Does the SOC publish information on the composition of its Board of Directors?**

The IMF Guide recommends disclosure of ownership structures of state-owned companies and subsidiaries, share participation of government officials, composition of board and audit practices.<sup>40</sup> Disclosure of board composition may be accompanied by rules about board appointments and decision making. Researchers should report whether this information is included in the “Comment” section.

***Special Resource Fund***

Special resource funds – also called “stabilization funds,” “savings funds,” or “future generations’ funds” – refer to separate accounts set up by the government that are funded exclusively by natural resource revenues. Such funds attempt to mitigate some of the negative consequences associated with natural resource dependence. They aim to facilitate the accumulation of large, volatile and temporary revenues when times are good; stabilize public spending; and finance public spending when the revenues are no

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<sup>38</sup> See para. 51-53

<sup>39</sup> Rosenblum and Maples (2009),

<sup>40</sup> See para. 53.

longer flowing in. The Alaska Permanent Fund and the Norwegian State Petroleum Fund are considered as two relatively successful examples.<sup>41</sup>

**41. If a resource fund exists, are the rules governing the fund publicly available? (This includes information on how the instrument is funded, as well as rules for disbursement.)**

This question specifically relates to whether the fund or budget documents provide information on how the instrument is funded, as well as rules for disbursement. If the country in question does not have a resource fund, the appropriate response is “Not applicable.”

**42. If a resource fund exists, does the fund management or authority in charge of the fund publish information on its assets and transactions?**

This question looks only into whether a special fund exists and whether it publishes information on assets and transactions, meaning revenues and expenditures. If the country in question does not have a resource fund, the appropriate response is “Not applicable.” See note to question 41.

**43. How often does the fund management or authority in charge of the fund publish these reports?**

Several resource funds publish audited reports around the world. See for instance E. Truman, “A Blueprint for Sovereign Wealth Fund Best Practices.” Peterson Institute for International Economics, April 2008. Publishing such reports is also recommended by the Santiago Principles on Sovereign Wealth Funds.<sup>42</sup> Reporters are required to identify here the periodicity with which such reports are published, taking into account any report published between January 2006 and December 2009.

**44. Are the fund financial reports audited, and are audited reports published?**

See note to question 43. Researchers should identify whether audited reports are published. This should be clear from the publication itself.

***Sub-national Transfers***

**45. Are arrangements for resource revenue sharing between central and sub-national governments defined by legislation?**

The PEFA Indicators make the following recommendations for inter-governmental fiscal relations: “(i) Transparent and rules based systems in the horizontal allocation among sub-national governments of unconditional and conditional transfers from central government (both budgeted and actual allocations) and (ii) timeliness of reliable information to sub-national governments on their allocations from central

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<sup>41</sup> This background information is drawn from Humphreys, Macartan and Martin E. Sandbu, “The Political Economy of Natural Resource Funds,” Chapter 8 in *Escaping the Resource Curse*. The chapter also includes a discussion of the perceived and actual benefits of such funds.

<sup>42</sup> See Santiago principles here: <http://www.iwg-swf.org/pubs/gapplist.htm>

government for the coming year.”<sup>43</sup> This question is not about whether the ownership of resources is divided between national and sub-national governments; that has been addressed in a context question.

Morgandi (2008) examined sub-national revenue sharing in seven countries (Bolivia, Brazil, Ghana, Indonesia, Mexico, Nigeria and Papua New Guinea) and found a range of revenue distribution legislation. All of the countries studied use derivation to assign at least some of the revenues; four also employ direct mechanisms of partial revenue re-distribution. In PNG, Brazil and Ghana, non-government beneficiaries are entitled to permanent shares of revenues, and most countries studied make use of earmarking, though to varying degrees. Some revenue sharing legislation also includes specific provisions related to transparency. Researchers should specify in the “Comment” section the type of revenue sharing legislation employed, as well as its major provisions.

**46. Are the rules for revenue transfers from central to sub-national governments published, including the formula(s) for revenue sharing?**

See note to question 45.

**47. Does the central government publish information on transfers of resource-related revenues to sub-national governments?**

This information is typically published by the Ministry of Finance. For instance, in Nigeria the Ministry of Finance publishes the monthly allocations from the federal to the state and local governments on its website and in newspapers. Researchers should identify in the “Comment” section who publishes this information and where it is published.

**48. How often does the central government publish information on transfers of resource-related revenues to sub-national governments?**

Reporters are required to identify here the periodicity with which such information is published, taking into account any report published between January 2006 and December 2009.

**49. Is the information on transfers of resource-related revenues comprehensive?**

See note to question 45. In most countries, several different streams of resource revenue are transferred from the central government to sub-national governments. This reflects the variety of revenue streams the central government receives from natural resources. For instance, transfers may include a certain share of royalties, various taxes, and/or an equity stake. As in previous questions about the publication of disaggregated revenues, the highest score will be awarded in the case where the central government publishes a detailed breakdown of revenue transfers. In some cases, the complexity of the transfer system may serve to hinder transparency. Morgandi (2008) notes that this is the case in Bolivia.

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<sup>43</sup> See PEFA PFM High-Level Performance Indicator PI-8: Transparency of inter-governmental fiscal relations

**50. Do sub-national governments publish information on transfers received from central governments?**

See notes to questions 45 and 49. Morgandi (2008) notes that “the lack of transparency at the upstream level affects directly transparency at the lower levels.” For instance, sub-national governments in Bolivia and Indonesia cannot independently compute the total amounts that might be available to them since production amounts and related revenues paid into the central account are not published systematically. Researchers should make a note of similar hindrances to transparency at the sub-national level.

***EITI***

**51. Is this country an EITI candidate or compliant country?**

At the time of this Guide’s writing, there were 29 EITI candidate countries and one EITI compliant country (Azerbaijan). A country that has fully and to the satisfaction of the EITI Board met the four sign-up indicators becomes a Candidate country. These indicators are explained in the EITI Rules (see <http://www.eitransparency.org/document/rules> for further detail).

**52. If this country has adopted EITI, has this country published an EITI report?**

EITI verification is proceeding differently across candidate countries. However, the primary objective of EITI remains to produce reports on government revenue and company payments. As of April 2009, at least 10 EITI countries have published reports. However, reporting quality varies from country to country. The different answer choices try to capture the range of practices; higher scores are awarded to those countries that provide more extensive information in their EITI reports. In the case of audited information, at the moment of writing this Guide only Nigeria has performed an audit as part of the EITI. However, countries where companies have submitted audited accounts of their payments to the government are also included as compliant with this requirement.

**53. In the EITI report, have all the payments and revenue been audited by an independent auditor?**

This question reflects EITI criteria # 2. “Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.” See note to question 54.

**54. In the EITI report, have all payments and revenue been reconciled by an independent administrator?**

This question reflects EITI Criteria # 3 RECONCILIATION: “Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards, and with publication of the administrator’s opinion regarding that reconciliation including any discrepancies, should any be identified.” As in the previous question, EITI practices on this vary from country to country. The different answer choices try to capture this variety.

According to the EITI Validation Guide, in the discussion around Indicator 10 (Is the multi-stakeholder group content with the organization appointed to reconcile figures?) reconciliation must be performed by an organization that is perceived by stakeholders to be credible, trustworthy, and technically capable. Validation of this indicator requires evidence that the EITI multi-stakeholder group was content with the organization appointed to reconcile figures. This could include the following evidence:

- *TORs agreed by the multi-stakeholder group.*
- *Transparent liaison with the EITI Secretariat and Board to identify potential Validators.*
- *Agreement by the multi-stakeholder group of the final choice of organization.*

**55. In the EITI report, is information about payments and revenue from state-owned companies included?**

EITI remains a voluntary exercise in most countries, which means that state-owned companies need to agree to participate. In some countries the SOC has been left out of the EITI report, which clearly earns a negative score in this section. However, in cases where other companies have chosen not to participate, we ask researchers to make a note in the comments section.

The EITI Validation Guide notes under Indicator 9 (Have reporting templates been agreed?) that the national state owned company production entitlement should be included in the EITI report. Under Indicator 11 (Has the government ensured that all companies will report?) it notes that “The EITI Criteria require that all companies – public (state owned), private, foreign and domestic – report payments to the government, according to agreed templates, to the organization appointed to reconcile disclosed figures.”

## ANNEX I – USEFUL SOURCES TO DEFINE ‘RESOURCE REVENUE TRANSPARENCY’

Our understanding of resource revenue transparency has been informed by a careful review of a number of sources, which may also be of use for researchers wishing to conduct deeper analysis.

The IMF’s *Guide on Resource Revenue Transparency* played a key role in developing transparency standards for the purposes of the *Revenue Watch Index*. The IMF Guide, first published for comments in June 2005 and then revised and published in October 2007, had two initial objectives: first, to codify principles that were raised in discussions with resource-rich countries in handling resource revenue, especially in regards to presentation and disclosure of information and contract processes and dissemination; and second, to tailor the IMF’s *Code of Good Practices on Fiscal Transparency* to the specific needs of resource-rich countries.

The IMF Guide has been useful in the context of the EITI and contract transparency, providing a clear set of principles and good practices. However, it has not been used as a checklist to date. This reflects IMF member countries’ aversion to rankings, although during its drafting process the IMF attempted to make the guide fairly applicable across the board. The IMF has used the guide primarily to orient its staff in writing country Reports on the Observance of Standards and Codes (ROSC) in resource-rich countries (though only a few ROSCs treat resource revenue discretely). The guide is also frequently consulted in reference to issues of guaranteeing transparency of revenue flows, wealth-funds management and contracts disclosure.

The IMF Guide includes a set of good practices, which is divided into four pillars:

- I. Clarity of roles and responsibilities
- II. Open Budget Process
- III. Public Availability of Information, and
- IV. Assurances of Integrity

The IMF Guide is based on ten principles from the IMF’s *Manual on Fiscal Transparency* and provides 25 practices, which are then expanded to over 130 sub-practices organized according to the four pillars. It should be noted that some practices reflect IMF-specific priorities, such as the insistence on debt disclosures and deficit rules.

The *Extractive Industries Transparency Initiative (EITI)* also provides a useful framework for assessing resource revenue transparency. Launched in 2001, the EITI promotes disclosure of payments and revenues by companies and governments, while providing a mechanism to reconcile the information and build trust among multiple stakeholders in the process.<sup>44</sup> The EITI is guided by six criteria, which have also informed the development of the *Revenue Watch Index*:

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<sup>44</sup> For more information on the EITI, see [www.eitransparency.org](http://www.eitransparency.org), and the EITI *Source Book* and *Validation Guide*.

1. Regular publication of all material oil, gas and mining payments by companies to governments (“payments”) and all material revenues received by governments from oil, gas and mining companies (“revenues”) to a wide audience in a publicly accessible, comprehensive and comprehensible manner.
2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator’s opinion regarding that reconciliation including discrepancies, should any be identified.
4. This approach is extended to all companies including state-owned enterprises.
5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

The *Revenue Watch Index* was also informed by the ***Resource Charter***, a set of principles for governments and societies on how to use the opportunities created by natural resources effectively. The effort to write a Charter was initiated by three academic economists - Mike Spence (Nobel Laureate, University of Stanford), Paul Collier (Director of the Centre for the Study of African Economies, Oxford University) and Anthony Venables (Director of the Oxford Centre for the Analysis of Resource Rich Economies, Oxford University). The Charter is still in the process of being developed, but it has been designed to evolve into a multi-stakeholder organization owned by all interested parties.<sup>45</sup>

The ***Lima Declaration of Guidelines on Auditing Precepts*** helped to inform our understanding of best practices for conducting external audit.<sup>46</sup> Standards for internal and external controls were also informed by the ***UN Convention Against Corruption (UNCAC)*** and the ***OECD Convention On Combating Bribery Of Foreign Public Officials In International Business Transactions***.<sup>47</sup>

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<sup>45</sup> For more information on the Resource Charter see <http://www.resourcecharter.org/>

<sup>46</sup> The Lima Declaration of Guidelines on Auditing Precepts was developed by the International Organization of Supreme Audit Institutions (INTOSAI). For more information see [http://www.intosai.org/en/portal/documents/intosai/general/lima\\_declaration/](http://www.intosai.org/en/portal/documents/intosai/general/lima_declaration/)

<sup>47</sup> \*The UN Convention Against Corruption was adopted by the General Assembly by resolution 58/4 of 31 October 2003. The General Assembly, and entered into force on 14 December 2005. It is available for download at <http://www.unodc.org/unodc/en/treaties/CAC/index.html> The OECD CONVENTION ON COMBATING BRIBERY OF FOREIGN PUBLIC OFFICIALS IN INTERNATIONAL BUSINESS TRANSACTIONS was adopted by the Negotiating Conference on 21 November 1997 and is available for download at [http://www.oecd.org/document/21/0,3343,en\\_2649\\_34859\\_2017813\\_1\\_1\\_1\\_1,00.html#Text\\_of\\_the\\_Convention](http://www.oecd.org/document/21/0,3343,en_2649_34859_2017813_1_1_1_1,00.html#Text_of_the_Convention)

Researchers may also wish to refer to the glossary in *Follow the Money: A Guide To Monitoring Budgets And Oil And Gas Revenues*, which was published by Revenue Watch Institute on November 17, 2004 and is available for free download at <http://archive.revenuewatch.org/reports/120204.shtml>. The glossary contains definitions of a number of terms that are used frequently in the questionnaire and in this Guide.

**Previous efforts to measure resource revenue transparency**

In light of the emerging focus on resource revenue transparency, some pioneering efforts have already been made to measure it. In 2005, Save the Children UK published two reports under the heading *Beyond the Rhetoric*. The first focused on company revenue transparency, and the second was a “home” country report, which looked at how the home countries of oil companies were regulating their businesses and operations abroad.

In 2008, Transparency International released an update of Save the Children’s country report (revising the methodology and expanding the universe of surveyed companies to an extent). Despite having different targets (i.e. “home” countries and companies, rather than “host” countries), these indices have played a significant role to inform the development of the *Revenue Watch Index*.