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**IMF Opens Public Comment Period on Draft Guide on Resource Revenue Transparency**

The International Monetary Fund (IMF) opened today a two-month public comment period on a *Draft Guide on Resource Revenue Transparency* that seeks to help countries address the many challenges associated with the fiscal management of resource revenues from extractive industries such as oil, natural gas, and mining. The *Draft Guide* (Guide on Resource Revenue Transparency–Draft) underscores that institutional strengthening and improved transparency can provide significant benefits to governments and taxpayers. A higher level of fiscal transparency promotes more informed public debate and helps achieve sounder fiscal policies.[1]

The *Draft Guide* applies the *Fiscal Transparency Code* (Fiscal Transparency) and supplements the *Manual on Fiscal Transparency*, which was published in 2001 as part of the IMF's work on standards and codes (Standards & Codes). Fiscal transparency reports, or Reports on the Observance of Standards and Codes, have been published for about 70 member countries on the IMF's website. These reports assess country practices against those described in the *Fiscal Transparency Code*. The *Draft Guide* can be used for fiscal transparency assessments by the IMF in natural resource-rich countries and will also be useful in the IMF's policy dialogue in these countries.

The draft guide is one of various IMF initiatives to promote better transparency, which also includes support for the Extractive Industries Transparency Initiative (EITI) that was launched by UK Prime Minister Tony Blair at the Johannesburg World Summit of Sustainable Development in September 2002 (Extractive Industries Transparency Initiative (EITI) ).

Persons wishing to comment on the *Draft Guide* should submit remarks by February 18, 2005 to the following email address: rrt@imf.org. Comments submitted will be reviewed by the IMF and considered in the preparation of the final version of the *Guide* as part of a consultative process imed at distilling a range of views on the issue of fiscal transparency in natural resource revenue management.

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[1] In an interview in the November 29, 2004 *IMF Survey*, the IMF's Managing Director Rodrigo de Rato underlined the importance of fiscal transparency and its role as a key element of IMF advice to oil-exporting countries (http://www.imf.org/external/pubs/ft/survey/2004/112904.pdf).

**Summary of *Draft Guide***

The *Draft Guide* promotes fiscal transparency in four areas:

1) **It underlines that there should be clarity in the roles and responsibilities of government.** For example, governments should establish a clear legal and regulatory framework for the resource sector, covering all production stages and including licensing procedures, production sharing contracts, and the fiscal regime (e.g., royalties and other taxes). The relations between governments and state-owned enterprises, the mechanisms to coordinate oil savings funds with the government budget, and resource revenue sharing arrangements between central and local governments should also be clear.

2) **It stresses that governments should disclose resource revenue data and other relevant information.** In this area, many resource-rich countries can make quick and highly visible progress, demonstrating their commitment to better transparency. All government resource revenues should be published in the budget and other reports. Governments should also disclose data on debt and other liabilities (e.g., government guarantees) related to resource sector operations, financial assets (e.g., those held in oil savings funds), and information on noncommercial (quasi-fiscal) activities of state-owned enterprises, such as the selling of energy products below cost recovery or providing social services and infrastructure.

3) **It emphasizes that governments should have open processes for budget preparation and execution.** Governments need to make clear policy statements on the use of revenues from natural resources. Non-resource fiscal balances (i.e., the fiscal balance excluding resource revenues) should be used to monitor fiscal policy performance, in addition to the overall fiscal balance and other indicators. Price and other relevant risks, as well as measures to address them (e.g., hedging policies), should be explained in budget documents. Systems and policies on accounting and internal control and audit should be transparent, and applied as elsewhere in the public sector. Domestic and international resource companies should be subject to the same tax administration framework as other companies, and this framework should be clear and cover all aspects related to taxpayers' rights and obligations, revenue administration powers, and dispute resolution processes; and

4) **It notes that external or independent assurances of integrity are important.** This includes that companies comply fully with internationally accepted standards for accounting, auditing, and publication of accounts. A national audit office or any other independent national organization should verify and report regularly to parliament on revenue flows between companies and the government.

The *Draft Guide* draws on, and complements, earlier work of the IMF on fiscal policy in resource-rich countries. This includes the books *Fiscal Policy Formulation and Implementation in Oil-Producing Countries* (edited by J. Davis et al., 2003) and *Lifting the Oil Curse. Improving Petroleum Revenue Management in Sub-Saharan Africa* (written by M. Katz et al., 2004).