



## The Shared Benefits of Resource Revenue Transparency

Resource extraction provides significant revenues to all levels of governments through taxes, royalties and other fees, voluntary payments, or production sharing agreements. The ultimate beneficiaries of such revenues to governments should be their citizens.

Benefits derived from resource extraction can either be direct or indirect. Direct benefits may include investments in infrastructure, lower fuel consumption costs or core funding of essential services. Indirect benefits may include macroeconomic stability, resulting in an improved business climate for economic development and reduced taxes on goods, incomes and investments.

However, for these benefits to fully materialize there needs to be a transparent and accountable framework for tracking payments between governments and natural resource companies. Without a transparent and accountable framework in place, the potential benefits may fall prey to corruption.

A fully functioning framework of resource revenue transparency and accountability requires the active and ongoing oversight of parliamentarians. This is particularly true when it comes to oversight of public accounts and of procurement, asset disposal, and other forms of public investment.

Parliamentarians are elected officials representing the interests of communities and constituents. When it comes to the oversight function of parliament, the intended role of parliamentarians broadens in scope to include the national interests of citizens. It is within this framework of broader interests that parliamentarians act as a balancing force in assuring the transparency and accountability of resource revenues and public investments, respectively.

GOPAC urges parliamentarians and our global leaders to take an active role in promoting the pursuit of the common good by putting transparency on an equal footing with political demands. GOPAC encourages parliamentarians to consider this principle when conducting their oversight function of ensuring greater transparency and accountability of resource revenues.

## Standards and Mechanisms at the Disposal of Parliamentarians and Civil Society

The **Extractive Industries Transparency Initiative** (EITI) Standard contains the set of requirements that countries need to meet in order to be recognised as an EITI Candidate and ultimately an EITI Compliant country. The Standard was adopted in 2013. Countries implement the Standard to ensure full disclosure of taxes and other payments made by oil, gas, and mining companies to governments. These payments are disclosed in an annual EITI Report, which allows citizens to see how much their government is receiving from the country's natural resources.

The benefits of such a transparent and accountable system are varied. Countries implementing the EITI Standard benefit from an improved investment climate by providing a clear signal to investors and international financial institutions that the government is committed to greater transparency. The EITI Standard also helps to strengthen accountability and good governance, as well as promote greater economic and political stability. Companies and investors benefit because investments in extractive industries are capital intensive and dependent on long term stability to generate returns. Meanwhile, an increased amount of information in the public domain about those revenues that governments manage on behalf of citizens is beneficial to parliamentarians and civil society in helping them to keep the government accountable.

The **Natural Resource Charter** is a set of economic principles for governments and societies on how to best manage the opportunities created by natural resources for development. The Charter is housed within the Natural Resource Governance Institute (NRGI) and comprises twelve precepts, or principles, that encapsulate the choices and suggested strategies that governments might pursue to increase the prospects of sustained economic development from natural resource exploitation.<sup>1</sup> Precept 2 of the Charter deals specifically with practices of oversight and transparency.

Parliamentarians play a fundamental role in overseeing that the prospects for sustainable development from resource extraction actually materialize. Ensuring that payments and public policy decisions (e.g. procurement and asset disposal) relating to resource development are conducted within a framework of transparency and accountability is the purview of parliamentarians. Moreover, transparency in payments is often insufficient to determine the effectiveness of public returns on investments in natural resource development. Contract transparency plays a crucial, dual role in assessing returns on investments (ROI) or reinvestments resulting from resource revenues.

A key component of ensuring the long-term ROI from resource revenues includes the institutional and public policy issues surrounding the management of sovereign wealth funds (SWFs). Therefore, parliamentarians should also concern themselves with the oversight and accountability of the broader governance frameworks for SWFs.

Policy institutes and civil society, more broadly, also have a role to play in these debates. The NRGI and Publish What You Pay provide forums for discussion and information sharing that parliamentarians around the world can benefit from when performing their oversight roles. Parliamentarians can encourage their constituents to get involved in the balancing act of being stewards of sustainable economic development.

## References

1. Source Natural Resource Charter website: <http://naturalresourcecharter.org/>
2. Data for *Total Natural Resource Rents* in Myanmar was unavailable for the years 2001-2011.

## Recommended Resources

- Extractive Industry Transparency Initiative <http://eiti.org/>
- Natural Resource Governance Institute <http://www.resourcegovernance.org/>
- Natural Resource Charter <http://naturalresourcecharter.org/>
- International Forum of Sovereign Wealth Funds <http://www.ifswf.org/>
- Global Witness <http://new.globalwitness.org/>
- Publish What You Pay <http://www.publishwhatyoupay.org/>

## A Country in Transition: Myanmar

Myanmar (Burma) is a country rich in natural resources. Yet the development indices for Myanmar have long remained among the worst in the world. Given the known resources and high exploration potential, the extractives sector could clearly play a substantial role in the economy and development of Myanmar.

Improved governance and transparency in Myanmar's extractive sector was first officially noted as a recommendation in the National Sustainable Development Strategy in 2008. The release of the strategy corresponded with the first ever democratic elections in 2010. At that time, many national and international figures promoted transparency and accountability improvements and reform of the extractive sector as essential for funding national development.

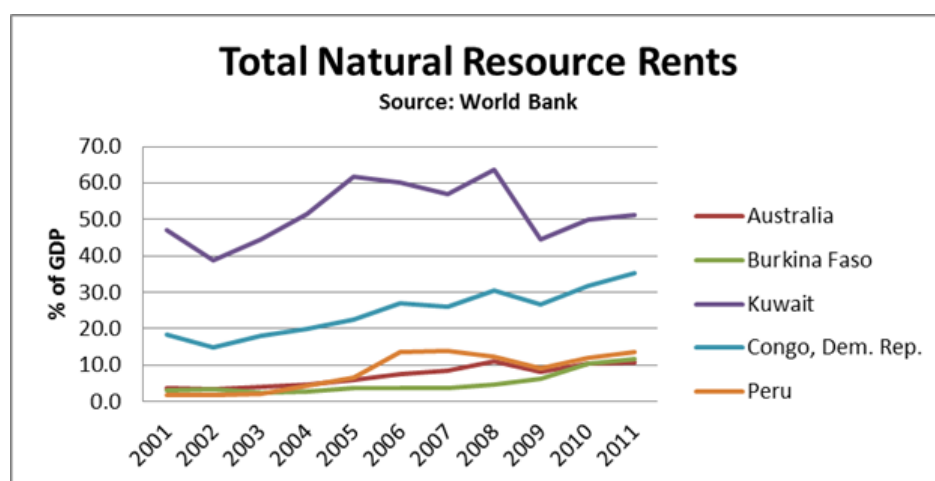
In 2012, the government formally stated its intention to join the EITI and to establish the institutional mechanisms necessary for implementation. The government's Framework for Economic and Social Reform prioritised "quick wins" in governance reform through revenue transparency, EITI implementation, and budget process improvements. The Natural Resource Charter was translated into Burmese and distributed to parliamentarians in 2011 and 2012.

To date, significant change has occurred in the oil and gas tendering processes. While contract terms and assessment criteria are not—at the date of publication of this position paper—publicly known, most will acknowledge that recent processes for tendering of onshore, offshore and deep-water oil and gas blocks have improved in terms of transparency. Projected resource revenues in all sectors are far from clear. However, an options study for EITI implementation in 2013 recommended early focus on oil and gas, mining and hydropower.

Myanmar's candidacy application will be considered by the EITI Board in 2014. Ownership and accountability of the EITI process in Myanmar differs depending on perspective. Government considers it a government initiative, while civil society considers it a public initiative. Parliament has taken an active role in the process of budget approval—a budget that has more than doubled in the transitional period as a result of more accurate gas revenue inclusion and increased revenue flows from state owned enterprises. The public accounts committee is focused on scrutiny, accountability and fairness of the budget process. The oversight role of parliament will continue to be a critical component of ensuring transparency as Myanmar further develops its natural resources sectors.

## Facts and Figures<sup>2</sup>

The figure beside provides a few examples of the importance that natural resource rents have in national economies around the world. As the graph depicts, a number of countries have experienced a growing dependence on natural resources as an engine of economic growth and output. Resource revenue transparency is paramount to good governance in these countries.



## What can Parliamentarians do? Ten Recommendations

- Pursue the common good and put transparency on an equal footing with political demands.
- Pursue greater transparency and accountability of resource contracts and revenues by fostering a continuous improvement agenda: to increase scope and detail of reporting standards.
- Engage with industry and civil society as an honest broker.
- Engage with international organizations and other parliamentarians to strengthen good governance in the management of sovereign wealth funds.
- Build the capacity and knowledge (i.e. human capital) to fulfill the oversight role within parliament.
- Build the frameworks (i.e. institutional capital) necessary to ensure that public accounts of government revenues from natural resource developments are transparent, consolidated, and of sufficient detail.
- Encourage colleagues and subnational governments to comply with the EITI Standard.
- Encourage constituents of resource rich regions to get involved (i.e. become informed citizens) and assist efforts to increase knowledge about the natural resource sectors.
- Foster best practice and competition in public procurement and asset disposal processes.
- Foster, through improved legislation, transparency in government procurement (i.e. legislation outlining minimum thresholds) and asset disposal processes related to resource development.

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