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| **SIXTH PLENARY MEETING OF THE POLICY DIALOGUE ON NATURAL RESOURCE-BASED DEVELOPMENT**  **Jointly organised by the OECD Development Centre and the G7 CONNEX Initiative**  *Building collective knowledge for actionable policies*   1. **DRAFT PRELIMINARY AGENDA**   **22-23 June 2016 - OECD, Paris (OECD Conference Centre)** |
| **ABOUT THE POLICY DIALOGUE**  The Policy Dialogue on Natural Resource-based Development is a **multi-year intergovernmental process of knowledge sharing and peer-learning among OECD and Partner natural resource producing countries on** how to harness natural resources for structural transformation and more inclusive and broad-based development.  Compared to other fora, the added value of the Policy Dialogue on Natural Resource-based Development lies in its unique structure designed to facilitate the generation, systematisation and access to tacit and newly developed collective knowledge through collaborative OECD and non-OECD evidence-based policy analysis.  The Policy Dialogue focuses on four Work Streams: **(i) Shared Value Creation and Local Development; (ii) Revenue Spending and Natural Resource Funds; (iii) Getting Better Deals and (iv) Detecting and preventing corruption risks in the extractive value chain.**  The Policy Dialogue is a cross-directorate OECD initiative, led by the Development Centre and involving relevant Directorates that can contribute or lead in specific policy domains, namely, the Centre for Tax Policy and Administration (CTPA), Development Cooperation (DCD), Environment (ENV), Financial and Enterprise Affairs (DAF), Legal Directorate (LEG), Public Governance and Territorial Development (GOV), Trade and Agriculture (TAD). The Policy Dialogue is a pilot of the Knowledge Sharing Alliance (KSA) initiative.  For more information visit the website: <http://www.oecd.org/dev/natural-resources.htm>  **ABOUT THE G7 CONNEX INITIATIVE**  The G7 Initiative on Strengthening Assistance for Complex Contract Negotiations (CONNEX) was launched in June 2014 at the Brussels G7 Summit with a view to “providing developing country partners with extended and concrete expertise for negotiating complex commercial contracts, focusing initially on the extractives sector”. For more information visit the website: <http://www.bmz.de/g7/en/Entwicklungspolitische_Schwerpunkte/Connex/index.html>  **OBJECTIVES, STRUCTURE, FORMAT OF THE EVENT AND PARTICIPANT EXPECTED CONTRIBUTION**  This two-day meeting will bring together representatives of governments, extractive industries, civil society and think tanks and will afford opportunities to advance the work under the different Streams of Work, according to the roadmap agreed upon at the [Fifth meeting of the Policy Dialogue on 2-3-4 December 2015](http://www.oecd.org/dev/pd-nr-events-december-2015.htm). The first day will feature sessions to advance work under Work Streams 1, 2 and 3. The second day will be devoted to the Negotiation Support Forum, a joint initiative of the OECD Policy Dialogue and the G7 CONNEX Initiative, undertaken as part of Work Stream 3 - Getting Better Deals.  The objectives of the meeting are as follows:  **Work Stream 1 - Shared value creation and local development**   * Following the endorsement of the [*Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*](http://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf), it was agreed to use the Framework as a reference tool to carry out *Country Reviews on Shared Value Creation.* Work is already underway to produce an inception study on opportunities for in-country value creation in the copper value chain in Kazakhstan. The findings of the mapping exercise will be presented at the meeting. The Framework shall also support the development of Country Mining Visions in collaboration with the African Minerals Development Centre. A *Compendium of Practices* will take the form of an on-line living tool showcasing concrete examples of how public-private collaboration can work in practice. The Compendium will foster cross-fertilisation of practices, mutual learning, and inform any necessary future revisions and adjustments of the Framework. The meeting will provide the opportunity to discuss a first set of practices for inclusion in the *Compendium* and learn from participating government and industry representatives about how they are using and promoting the Framework.   **Work Stream 2 –Revenue Spending and Natural Resource Funds**   * Following the endorsement of the *Lessons Learned of the Comparative Analysis on the Performance of Stabilisation Funds and Investment Options*, participants in the Fifth Plenary Meeting of the Policy Dialogue on Natural Resource-based Development agreed to undertake further analysis to investigate how to use natural resource revenues to support the implementation of the 2030 Agenda for Sustainable Development. The meeting will afford opportunities to discuss and validate a questionnaire deigned to collect the experiences of developing and emerging economies in natural resource revenue spending.   **Work Stream 3 – Getting better deals**   * The CONNEX Negotiation Support Forum, a joint initiative of the Policy Dialogue and G7 CONNEX Initiative, was launched at the last meeting of the Policy Dialogue in December. It aims to help governments reinforce their capacity for contract negotiation and to improve the quality of advice by service providers. Three main issues will be addressed in 2016: i) how to handle pressure for renegotiation, especially in a scenario of declining commodity prices and explore options for appropriate responses; ii) improve understanding and level of practice around stabilization and renegotiation clauses as well as mechanisms to increase responsiveness to changing circumstances; and iii) work towards the development of a check-list to assist governments with the assembly of multidisciplinary teams and elaborate Model Terms of Reference for the selection of advisors, which can also serve as a reference to compile a roster of national and international experts. * On-going activities under this work stream further include the work carried out on mineral pricing issues, which aims to strengthen government’s capacity in contract negotiations and assist revenue authorities in verifying mineral product prices. At the last meeting, participants agreed to extend the analysis to thermal coal and bauxite. Progress results will be presented at the plenary meeting.   **Work Stream 4 – Detecting and preventing corruption risks in the extractive value chain**   * The Typology on Corruption Risks in the Extractive Value Chain will be launched at the [2016 OECD Integrity Forum](http://www.oecd.org/cleangovbiz/integrity-forum-2016.htm) on **20 April from 11.30 to 13.00**. The Typology will serve as a standard diagnostic framework for demand-driven assessment of corruption risk in resource-rich countries to provide practical recommendations on preventing and fighting corruption in such a high risk sector.   The meetings of the Policy Dialogue **depart from** the traditional conference format distinguishing between speakers and audience. **Every participant** plays a role as both **a knowledge holder and a knowledge recipient** while the **OECD Development Centre** acts as **a neutral knowledge broker,** by contributing to framing the issues and facilitating the generation, systematisation and access to tacit or newly developed collective knowledge.  Participants are not only expected to share relevant experience, policies and case-studies but also to clearly articulate their knowledge needs and indicate which countries they would like to learn from to build or further refine their knowledge base. **In this interactive setting, there are no prepared speeches, official statements or long presentations. Proposed guiding questions** aim at helping participants prepare their contributions and identify relevant issues and questions they would like to see addressed during the meeting.  **Reference documents** will bedistributed ahead of the meeting in order to help participants prepare their contributions, support the discussion and move the process forward. Participant contributions are expected to be short, narrative in style and reactive to other interventions.  **The event will be closed-door and held under Chatham House Rule of non-attribution of sources in order for participating countries and stakeholders in the multi-stakeholder consultation to engage in frank and thought-provoking discussions.** It is expected that this method of work will be conducive to the establishment of a trustworthy environment where participating countries engage in frank and open exchanges that could pave the way for the collective development of new knowledge as well as innovative and mutually beneficial policy solutions and outcomes. |

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| **DAY 1 - Multi-Stakeholder Plenary Meeting**  22 June (Room CC12, OECD Conference Centre) | |
| **8:00 – 9:00** | **Registration & Breakfast** |
| **9:00 – 9:15** | ***Welcoming remarks*** |
| **9:15-13:00** | **Co-Chairs Liberia and Norway**  **Session 1 – From concept to action: operationalising the Framework on Public-Private Collaboration for In-Country Shared Value Creation (Work Stream 1)**  **Objectives:**   * Discuss a first set of practices for inclusion in the *Compendium of Practices* complementing the *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* * Present the findings of an inception report on opportunities for local value creation in the copper value chain of Kazakhstan |
| **9:15-10:00** | **Session 1A – *Tour de Table* on the use of the Framework**  Participants in the Policy Dialogue are expected to report on any efforts undertaken since the formal endorsement of the Framework on 29 February 2016 to promote its wide use and application across governments, industry and civil society. |
| **10:00-11:30** | **Session 1B – Building a Compendium of Practices**  Session 1B will kick-off a continuous learning process on how the *Framework* can be implemented. Session 1B will offer the opportunity to discuss the first set of practical examples on how the actionable recommendations under each step of the *Framework* can work in practice. This work intends to contribute to supporting the implementation of the 2030 Sustainable Development Agenda and inform any necessary future revisions and adjustments of the *Framework*. Participants in the meeting will be invited to comment and provide feedback and further details on the first set of practices as well as to suggest any additional examples that could enrich the Compendium.  ***For reference*:**  *- First set of practices for inclusion in the Compendium of Practices* |
| **11:30 -11:45** | **Coffee Break** |
| **11:45 - 13:00** | **Session 1C – Going national**  The present sub-session will focus on identifying the opportunities and potential for unlocking in-country shared value creation and linkage development. The discussion will showcase the example of Kazakhstan’s copper value chain based on the *Inception Study on Resource-based Value Creation in Kazakhstan’s Copper Value Chain* under development by the OECD Secretariat.  ***For reference*:**  *Inception Study on Resource-based Value Creation in Kazakhstan’s Copper Value Chain* |
| **13:00 – 14:30** | **Buffet lunch (Château, Room R. Ockrent)** |
| **14:30 -18:00** | **Co-Chairs: Chile and Kazakhstan and Korea**  **Session 2 – Mobilising domestic resources for development: stepping up efforts for natural resource revenue collection and spending (Work Streams 2 & 3)**  The Addis Tax Initiative has stepped up efforts to mobilise domestic resources for development, including through taxation and management of revenue from natural resources. The extent to which natural resources contribute to development largely depends on the ability of governments to collect revenues and negotiate good contracts. The recent downturn in commodity prices is placing considerable fiscal and macroeconomic pressure on many resource-rich countries with taxes, jobs, and exports falling. Governments need to manage this revenue shortfall and fully understand the implications of practices that may result in the erosion of their tax base, including transfer pricing issues. The Policy Dialogue is building developing countries’ capacity to better understand how minerals are priced. This will assist revenue authorities to improve their collection efforts. The Policy Dialogue also offers a space to discuss how developing countries can use natural resource revenues to support the implementation of the SDGs.  **Objectives:**   * Discuss issue paper on spending of natural resource revenues and endorse the draft questionnaire that will be used to collect participants’ experiences on revenue spending practices. * Discuss methods for verifying mineral pricing of thermal coal and bauxite. |
| **14:30 – 16:00** | **Session 2A – Getting the most out of natural resource revenues through effective spending**  Participants will discuss existing practices and mechanisms including natural resource funds for revenue management and spending. Input will be sought on a preliminary stocktaking of existing literature and country experiences. A questionnaire will be distributed to participants for validation with a view to collecting responses feeding into the analytical report on effective spending to be tabled at the Seventh Meeting of the Policy Dialogue in December 2016. |
| **16:00 -16:30** | **Coffee Break** |
| **16:30 - 18:00** | **Session 2B –Verifying mineral pricing in transactions between related parties**  The commodity price environment has implications for revenue collection. This is because countries usually impose taxes such as corporate income tax that use the value of product sales as a key element of the tax base. As prices fall, so too do profits and therefore tax collections. The Policy Dialogue on Natural Resource-Based Development has offered a valuable venue for discussing and developing case studies on mineral product pricing practices for gold, copper and iron ore products. The scope of the work is being expanded to thermal coal and bauxite. The session will offer the opportunity to take stock of progress made on these two additional commodities. |

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| **DAY 2 – Multi-Stakeholder Plenary Meeting of the CONNEX Negotiation Support Forum**  23 June (Room C, OECD Conference Centre) | |
| **8:00 - 9:00** | **Registration & Breakfast** |
| **9:00 – 9:15** | ***Welcoming remarks*** |
| **9:15 – 10:45** | **Co-Chairs: Germany and Guinea**  **Session 3 – Renegotiation of contracts and the swinging pendulum of bargaining power**  The renegotiations of natural resource contracts in the 1960s and 1970s were driven by political considerations, on the grounds that agreements concluded in the colonial era were inequitable and exploitative in nature. Modern renegotiations are mainly motivated by asymmetry of information resulting in the perceived initial unfairness of the contract calling for adjustments to redress imbalances. This session will discuss the impact of price and currency fluctuations as well as variations of costs and quality of resources over time on the economic equilibrium of the contract. The session will also consider how risk-averse market conditions for access to finance are driving extractive companies’ short-term action, while also bringing additional costs and risks to their operations.  **Kick-off interventions by:**  Joseph Bell, ISLP [TBC]  Darryl Egbert, Exxon Mobil [TBC]  ArecelorMittal [invited]  **Objectives:**   * Understand the drivers behind contract renegotiations * Understand the impact of such factors as currency volatility, price cycles, costs and quality of resources on the economic viability of extractive projects * Understand oil & gas and mining companies’ current demands for renegotiations |
| **10:45 – 11:00** | **Coffee break** |
| **11:00 – 13:00** | **Session 4: How are governments handling demands for contract renegotiations?**  Governments need to manage the revenue shortfall resulting from declining commodity prices and at the same time maintain or attract investments. This tension between fiscal policy objectives and the need to ensure continuity of extractive operations as a source of employment, foreign currency and technology poses significant challenges in a scenario of declining investments, reduced profits and cash flow. Where contract renegotiations are motivated by the economic rationale to adjust the contract terms to commodity price changes, reactions should be carefully considered to avoid a race to the bottom, which could increase competition for private capital, jeopardise the long-term stability of the contract and create the conditions for future revisions as commodity prices start to rise again. Indeed, past experience show how steady increase in commodity prices between 2002 and 2008 led both developing and developed countries to revise their fiscal regimes and/or renegotiate contracts in an attempt to get a fair share of the benefits, mainly by way of new windfall taxes or increasing royalties. The recent downturn in commodity prices is pushing governments in the opposite direction. This session will offer the opportunity to review governments’ responses to demands for renegotiations. Participants will also receive feedback from regional dialogues on contract renegotiations held in preparation of the plenary meeting. Participating countries involved in current and past contract renegotiations will be invited to share their experience.  **Kick-off interventions by:**  Guinea  Niger [TBC]  Boris Dolgonos [TBC]  OECD Secretariat, Tax and Development Programme  **Objectives**:   * Share past and current experience in contract renegotiations and types of concessions and benefits granted to companies * Understand implications and risk associated with reactions to short-term pressures and rash changes in the tax regime and contract terms * Explore appropriate governments’ responses to maintain the cash flow for business and reduce operational costs * Learn how to make effective and efficient use of tax incentives |

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| **13:00- 14:30** | **Buffet lunch (Château, Room G. Marshall)** |
| **14:30- 16:00** | **Session 5 – Legal techniques for ensuring dynamic stability and adaptation to changes of circumstances**  Historically, investors have always sought stability guarantees to secure their up-front investment, while governments have looked for stronger control over their non-renewable natural resources over the performance cycle of the contract. This session aims to explore how the quest for stability and the need for flexibility to adjust to supervening and often unforeseen circumstances due to price increases, fiscal or regulatory changes can be reconciled. The stocktaking analysis tabled for discussion aims to improve understanding around the level of practice on contractual stability and review mechanisms. The stocktaking will offer a basis for investors, lenders and governments to pursue innovative drafting approaches which balance the legitimate interests and expectations of all parties. While no silver bullet solution exists, as each deal reflects context-specific considerations, broadening the shared knowledge base to work towards options for balanced and durable contracts can help countries (re)-negotiate better deals.  **Objectives:**   * Stocktaking analysis of stabilisation clauses and review mechanisms * Identify challenges and issues to be addressed   ***Kick-off interventions by:***  OECD Secretariat, Development Centre  Salli Anne Swartz [TBC]  ***For reference*:**  *Stock-taking of current stability and review mechanisms* |
| **16:00 – 16:15** | **Coffee break** |
| **16:15- 17:30** | **Session 6: Financial techniques to use contracts as an optimal risk sharing process.**  This session will discuss how contract (re-)negotiations motivated by the economic interests of the parties can be used to work towards Pareto optimality, according to which no party gains any undue economic benefit as a result of the change in economic circumstances. Exploring options through which the position of both parties can be better off or the position of one of them can be better off without worsening the condition of the other party will help define a new equilibrium reflecting an equitable solution to both parties in the new circumstances. Mechanisms that set out the financial expectations of the parties over the course of the projects and allow for dynamic adjustments to changes of circumstances will be explored.  **Objectives:**   * Review the practice around flexible and responsive mechanisms for adaptation of contract terms, including metrics for automatic adjustments to change of circumstances   ***Kick-off interventions by:***  Exxon Mobil  Marc Frilet [TBC] |
| **17:30-18:00** | ***Closing session*** |