

NINTH PLENARY MEETING OF THE POLICY DIALOGUE ON NATURAL RESOURCE-BASED DEVELOPMENT

Organised by the OECD Development Centre

Building collective knowledge for actionable policies

DRAFT PRELIMINARY AGENDA

31st January – 1st February 2018 - 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) Domestic Resource Mobilisation (tackling BEPS and corruption).

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), Global Relations Secretariat (GRS), Legal Directorate (LEG), Public Governance and Territorial Development (GOV), and Trade and Agriculture (TAD).

For more information visit the website: <http://www.oecd.org/dev/natural-resources.htm>

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 provide opportunities to advance the work under the different Streams of Work, according to the [roadmap](#) agreed upon at the Eighth Meeting of the Policy Dialogue on 15 – 16 June 2017. The first day (**31 January**), which will have multiparty participation (governments, industry, civil society and think tanks), will be devoted to the preliminary work undertaken within the Thematic Dialogue on Commodity Trading Transparency, and the work under the Work Stream 2 (Natural Resource Revenue Management and Spending) and the Work Stream 4 (Domestic Resource Mobilisation: tackling Base Erosion and Profit Shifting (BEPS) and corruption).

The second day (**1 February**), also with multiparty participation, will begin with two sessions to advance work under Work Stream 1 (Shared Value Creation and Local Development). A working lunch will be organised on integrating clean technologies in the extractive sector, paving the way to the afternoon session on the risks and opportunities associated with climate change and the sector's low-emission transition. The day will be closed by a session on Work Stream 3 - Getting Better Deals.

The objectives of the meeting are as follows:

Work Stream 1 - Shared value creation and local development

Compendium of Practices for Shared Value Creation

- At the Eighth Plenary Meeting, a further tranche of three examples was discussed and validated by meeting participants for inclusion in the on-line [Compendium of Practices](#), which supports and builds on the Framework for [Collaborative Strategies for In-Country Shared Value Creation: Framework for Extractive Projects](#).
- The Ninth Plenary Meeting will provide the opportunity to discuss a third tranche of examples to be added to the *Compendium*. The session will focus on **Step 2** (Build an empirical basis to inform decision making through an inclusive participatory process); **Step 3.1.A** (Encourage a flexible approach to local workforce and supplier development); and **Step 5** (Establish effective and transparent monitoring and evaluation systems and regularly review the collaborative strategy). Although the examples deal with different situations and are context-specific, they are all rooted in identifying shared common ground, the existence of a business case, and the pursuit of win-win solutions for governments, industry and local communities, demonstrating how public-private collaboration can work in practice. The development of the *Compendium* and the session will be supported by the Compendium of Practices Working Group, initially formed in September 2016. The session will provide the opportunity to learn from concrete country experiences in generating shared value related to the extractives sector.

Country Reviews on Resource-based Value Creation

- On the finalisation of the *Collaborative Strategies for In-Country Shared Value Creation: Framework for Extractive Projects*, it was agreed that work will be undertaken to further operationalise the principles endorsed, by conducting Country Reviews on Resource-based Value Creation. The Reviews aim to guide participating countries in identifying concrete viable opportunities and evaluate the economy's capacity for value creation along selected commodity value chains and in complementary sectors, amongst others, infrastructure, technology and innovation, and services. At the Sixth Plenary Meeting, an inception report *Opportunities for Linkage Development in Kazakhstan's Copper Value Chain* was presented, which highlighted amongst others strong backward linkages with environmental services and horizontal linkages with the renewable energy sector.
- The Ninth Plenary Meeting will offer to discussion a revised methodology for Country Reviews, to deepen the focus of future reviews on the role of the extractive sector as a catalyst for long-term sustainable, inclusive economic growth and development. This is in line with the objectives of the African Mining Vision that seeks to position the extractives sector as an integral part of the development agenda, maximising the benefits and reducing the negative impacts of mining activities. Particular focus is attributed to harnessing linkages with clean technologies and low-emission, climate-resilient infrastructure to prevent countries from being locked into a high-emission development pathway.

Work Stream 2 – Natural Resource Revenue Management and Spending

- Following the endorsement of the *Comparative Analysis on the Performance of Stabilisation Funds and Investment Options* at the Fifth Plenary Meeting, participants agreed to undertake further analysis to investigate how to use natural resource revenues to support the implementation of the 2030 Agenda for Sustainable Development. At the Eighth Plenary Meeting, participants considered the advantages and disadvantages of earmarking practices. The discussion considered that the evidence of the effectiveness of earmarking is mixed, and

in some cases (such as Venezuela), negative, as it can constrain budgetary flexibility, lead to inefficiency, and over- or under-investment in certain public services. Additionally, it also encourages procyclicality of public expenditure.

- The Ninth Plenary Meeting will build on this discussion by considering cash transfers as a mechanism for the direct distribution of natural resource revenues, particularly with the view to achieving productive and equitable development outcomes.

Work Stream 3 – Getting better deals

- The CONNEX Negotiation Support Forum (NSF), a joint initiative of the Policy Dialogue and G7 CONNEX Initiative, was launched two years ago at the Fifth Plenary Meeting. The NSF aims to help governments reinforce their long-term capacity for contract negotiation and to improve the quality of advice by service providers. During the Eighth Plenary Meeting, participants discussed the expanded set of *CONNEX Guiding Principles for Durable Extractive Contracts*. The *Guiding Principles* can be used as a common reference for future negotiations of enduring, sustainable and mutually beneficial extractive contracts and can lessen the need for renegotiation of contract terms over time. Participants also embarked on a discussion on the use of model contracts and international human rights, labour and environmental standards as a means to strengthen the contract negotiations position of host governments.
- The Ninth Plenary Meeting will provide the opportunity for participants to re-examine the *Guiding Principles* which have been amended following further discussion by the Friends of CONNEX working group.

Work Stream 4 – Domestic Resource Mobilisation (tackling BEPS and corruption)

- At the Eighth Plenary Meeting, the OECD in collaboration with the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) made progress in an initiative addressing high-priority tax base erosion issues facing many developing countries in raising revenue from their mining sectors. The Ninth Plenary will provide the opportunity to present the work undertaken for some of the priority issues that were selected: excessive interest deductions; the design and use of tax incentives for mining investment; mineral product pricing for products with opaque markets; improving mineral testing processes and organisation; and the use of stabilisation clauses in investment treaties.
- Participants also launched at the Eighth Plenary Meeting a new thematic dialogue on Commodity Trading Transparency and agreed on the scope and initial objectives for the project. During the Ninth Plenary, the first full session of this thematic dialogue, participants will initiate discussions and agree on an action plan. To reach this objective they will work to develop a common definition of the scope of “first-trade” related payments to identify relevant stakeholders, and analyse the current state of company disclosures.

Climate Change, Low-Emission Transition and Clean Technology for the Extractive Sector

- At the Eighth Plenary Meeting, participants discussed the importance of technology and innovation for the extractive sector, with a focus on renewable energy, as part of the work conducted on compiling the Compendium of Practices under Work Stream 1.
- To continue and deepen this discussion, the Ninth Plenary Meeting will convene a working lunch on clean technology solutions for the extractive sector, and a session on the sector’s low-emission transition in the context of climate change. The plenary meeting will aim to bring

together representatives from key stakeholders groups: the extractive industry, home and host governments, clean technology companies, and sustainable investors. The discussion will be organised around the key themes identified by the Secretariat in the background paper prepared for the meeting, outlining various avenues for future analytical work in support of the Policy Dialogue in this area.

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 are distributed 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.

DAY 1 – Multi-Stakeholder Plenary Meeting

31 January (Room CC2, OECD Conference Centre)

8:00 - 9:00 Registration & Breakfast

9:00 - 9:15 *Welcoming remarks*

Co-Chairs: (TBD)

9:15 - 10:45 **Thematic Dialogue: Commodity Trading Transparency**

Participants in the last meeting agreed to pursue a new thematic dialogue on Commodity Trading Transparency as a follow-up to the UK Anti-Corruption Summit held in London in 2016.

In the first full session of this thematic dialogue, participants will work to develop a common definition of the scope of “first-trade” related payments, to map relevant stakeholders, to analyse the current state of company disclosures and to create a shared understanding of the risks and benefits of the “first-trade” related payments.

Session 1: The importance of trade-related payments in resource-rich countries’ revenues and governance

This session will help members to understand the size of revenue flows related to oil and gas and also metals and minerals being traded by governments or related public entities. Through contributions by different stakeholders, the session will take stock of existing initiatives undertaken by some countries to enhance accountability of the government share of production being traded, following on from the new EITI standard.

Objective:

- To reach some clarity and common understanding around the key concepts of commodities trading and discuss the importance of the trade of government’s share of production in various countries
- To share experience about the voluntary disclosures of trade-related payments in the context of the national EITI chapters

For reference:

- Background paper on Commodity Trading Transparency (for discussion)

10:45 - 11:15 Coffee break

11:15 - 12:45 **Session 2: Disclosure of commodities’ sales payments by companies in the context of the motion for revenues transparency**

The session will help clarifying the different initiatives for disclosure by companies.

The session seeks the approval of participants for the action plan of the Thematic Dialogue, based on an issue paper to map the existing initiatives and the knowledge gaps.

Objective:

- To understand and discuss the benefits and drawbacks of existing voluntary or mandatory disclosure practices;
- To gather participants' inputs on the proposal for the joint actions both in the short –term and longer-term;

For reference:

- Background paper on Commodity Trading Transparency (for discussion)

12:45 – 14:15 Buffet lunch (Château, Room G. Marshall)

Co-Chairs: Chile and Kazakhstan

14:15 - 15:45 Session 3: Natural Resource Revenue Management and Spending: Thematic Focus on Direct Distribution Cash Transfers

Objectives:

- Improved understanding of the advantages and disadvantages of direct cash transfers as a mechanism for natural resource revenue distribution
- Brief discussion of next steps for Work Stream 2

This session will feature the fourth of a series of thematic discussions on natural resource revenue distribution and spending mechanisms, focusing on direct distribution cash transfers. Direct distribution cash transfers offer governments a way to distribute natural resource revenues directly to citizens, and have the potential to drive development more effectively and more equitably than through more conventional budgetary methods. The session will offer the opportunity to compare and contrast different country experiences, focusing on experiences in Mongolia, the State of Alaska, and Timor-Leste, with a view to improving understanding around advantages and disadvantages of cash transfers and also to assess their effectiveness in contributing to the achievement of the SDGs.

For reference:

- Background paper on Direct Distribution Cash Transfer Mechanisms: comparative analysis and lessons learned (for discussion)

15:45 - 16:15 Coffee break

16:15 - 17:45 Session 4: Mobilising Resource Revenues from the Mining Sector: Tackling Leakages and Building on the OECD/G20 Actions on Base Erosion and Profit Shifting

The Sustainable Development Goals have focused 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 depends crucially on the ability of governments to collect revenues.

Governments understand how to identify and mitigate against practices in extractive industries that may result in revenue leakages.

Building on actions such as the OECD/G20-led Actions on Base Erosion and Profit Shifting, this session will provide the opportunity to review progress under the joint OECD-IGF project on addressing BEPS risks in mining. In particular, this session will provide the opportunity to present work to date for some of the priority issues that were selected:

- excessive interest deductions;
- the design and use of tax incentives for mining investment;
- mineral product pricing for products with opaque markets;
- improving mineral testing processes and organisation; and
- how stabilisation clauses can be designed to accommodate changes in international tax standards such as under BEPS.

17:45 - 18:00 Closing remarks

DAY 2 – Multi-Stakeholder Plenary Meeting

1 February (Room CC2, OECD Conference Centre)

8:00 - 9:00 Registration & Breakfast

9:00-9:15 *Welcoming remarks*

9:15-10:45 **Co-Chairs: Liberia and Norway**

Session 5: Positioning the extractive sector as a catalyst for sustainable development: Country Reviews on Resource-based Value Creation

The *Country Reviews on Resource-based Value Creation* aim to support countries in identifying viable opportunities and evaluate the economy's capacity for value creation along selected commodity value chains and in complementary sectors, amongst others, infrastructure, technology and innovation, and services. The *Reviews* also help assess the potential positive and negative economic, social and environmental impacts associated with the development of each linkage identified.

Particular focus is attributed to harnessing linkages with clean technologies and low-emission, climate-resilient infrastructure. In view of this, the Session will convene a discussion on the role of the extractive sector as a catalyst for sustainable development, with a focus on the Sustainable Development Goals 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure) and 13 (Climate Action).

Objectives:

- Convene a discussion on positioning the extractive sector as an integral part of countries' sustainable development pathways
- Elicit feedback on the OECD country review methodology, with a focus on the approach it adopts to capturing and assessing numerous linkage opportunities for value creation in host countries
- Discuss the way forward for PD-NR work on country reviews

For reference:

- Methodology for Country Reviews on Resource-based Value Creation

10:45-11:15 Coffee Break

11:15-12:45 Session 6 – Compendium of Practices on the Framework on Collaborative Strategies for In-Country Shared Value Creation: thematic focus on innovation

Objectives:

- Discuss and validate a new set of practices for inclusion in the on-line *Compendium of Practices* complementing the *Framework on Collaborative Strategies for In-Country Shared Value Creation: Extractive Projects*

Sharing concrete practices: for discussion and validation

Governments, industry, think tanks and expert participants will focus on selected actionable recommendations with a focus on **Step 2** (Build an empirical basis to

inform decision making through an inclusive participatory process); **Step 3.1.A** (Encourage a flexible approach to local workforce and supplier development); and **Step 5** (Establish effective and transparent monitoring and evaluation systems and regularly review the collaborative strategy). The examples deal with concrete cases that encourage flexible collaborative approaches and are informed by long-term strategies. Stakeholders will share insights around enabling factors and challenges that were faced in each example, as well as lessons learned. The six examples that will be discussed are grouped around each of the three Steps covered, in order to facilitate discussion and encourage comparative observations.

Step 2. Build an empirical basis to inform decision making through an inclusive participatory process

- Uganda's Industrial Baseline Survey (IBS)

Step 3.1.A. Encourage a flexible approach to local workforce and supplier development

- Oman's In-Country Value Blueprint Strategy

Step 5. Establish effective and transparent monitoring and evaluation systems and regularly review the collaborative strategy

- Mining Local Procurement Reporting Mechanism (LPRM), Engineers Without Borders Canada

12:45– 14:15 Working Lunch: Extractives and Clean Technology (Château, Room G. Marshall)

14:15 - 15:45 Co-Chairs: TBC

Session 7: Climate Change and Low-Emission Transition: Risks and Opportunities for the Extractive Sector

The extractive sector has an important role to play for the attainment of the 2030 Agenda for Sustainable Development and the objectives of the Paris Agreement. A number of avenues exist to align the sector's priorities with the principles of a sustainable low-emission development pathway. At the last plenary meeting in June 2017, participants discussed the importance of technology and innovation for the extractive sector, with a focus on renewable energy.

To continue and deepen this discussion, the Session will bring together representatives from key stakeholders groups: extractive industry, clean technology companies, sustainable investors, and home and host governments. The session will convene a discussion around the key risks and opportunities posed by climate change and the low-emission transition to the extractive sector, and finding collaborative solutions to the effective transition of the sector.

Objectives:

- To enhance the understanding of the risks and opportunities for the extractive sector associated with the low-emission transition, and the role of the Policy Dialogue to support its participants in this work

For reference:

- Secretariat's background paper on proposed future work

15:55– 16:15	Coffee Break
16:15 - 17:45	<p>Co-Chairs: Germany and Guinea</p> <p>Session 8: Structuring extractive contracts for the long term: Guiding Principles for Durable Extractive Contracts</p> <p>Participants in the last meeting discussed the expanded set of <i>CONNEX Guiding Principles for Durable Extractive Contracts</i>. The <i>Guiding Principles</i> can be used as a common reference for future negotiations of enduring, sustainable and mutually beneficial extractive contracts and can lessen the need for renegotiation of contract terms over time. The objective of this work is to move toward symmetric, non-discriminatory and adaptive mechanisms that work for both governments and industry and that can help to build mutual trust during contract negotiations.</p> <p>Following further discussion among the Friends of CONNEX working group, a revised draft of the <i>Guiding Principles</i> has been developed.</p> <p>Objective:</p> <ul style="list-style-type: none">• Discuss the revised draft of the <i>Guiding Principles</i> and consider endorsement. <p>For reference:</p> <ul style="list-style-type: none">• <i>Draft CONNEX Guiding Principles for Durable Extractive Contracts</i>
17:45 - 18:00	Concluding remarks