PROGRAM DOCUMENT

November 2016

TRUST FUND

Managing Natural Resource Wealth (MNRW-TF)

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International Monetary Fund

A Multi-Partner Trust Fund for IMF Capacity Development

in

Managing Natural Resource Wealth
Phase 2

MNRW
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(November 2016)

BOXES

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List of Selected Acronyms

ATI	Addis Tax Initiative
EI	Extractive industries
EITI	Extractive Industries Transparency Initiative
FARI	Fiscal Analysis for Resource Industries
IMF	International Monetary Fund
LIC	Low-income country
LMIC	Lower-middle-income country
LTO	Large taxpayer office
MNRW	Managing Natural Resource Wealth
MNRW-TF	Managing Natural Resource Wealth Trust Fund
RBM	Results Based Management
RM	Revenue Mobilization
RTAC	IMF Regional Technical Assistance Center
SC	Steering Committee
SDT	Summary Data Template
SWF	Sovereign Wealth Fund
TA	Technical assistance
TF	Trust Fund
WB	World Bank

Overview

The need for revenue mobilization (RM) in resource-rich countries is clear. The recent Addis Tax Initiative highlighted the critical need to boost the capacity of less-developed countries to finance their Post-2015 Development Agenda. For resource-rich countries, the recent commodity price slump has intensified the urgency of diversifying the revenue base and ensuring the effective management of resource revenues. Commodity price volatility has also placed pressure on resource-rich countries to address their exchange rate and macroprudential policies to smooth the macroeconomic and financial impacts of volatile prices.

The Managing Natural Resource Wealth Trust Fund (MNRW-TF) already has a proven track record in assisting resource-rich countries in mobilizing and managing their revenues. Under Phase 1, the trust fund's technical assistance (TA) contributed to significant improvements in the fiscal management of natural resource wealth in a large number of countries. TA was also provided on statistics for managing natural resources and sovereign wealth fund asset and liability management. This hands-on advice was supported by the important analytical advances and diagnostic tools that were sponsored by the TF.

Phase 2 of the MNRW-TF ('MNRW2') will build and expand on this success, focusing on the following areas:

- ***Targeted and intensive TA engagement***. This work will continue to represent the bulk of Phase 2 engagement, but with three broad changes: (1) an expanded scope—providing additional emphasis on international tax policy and administration issues, given the growing awareness of base erosion and profit shifting by multinational companies, and providing TA on energy subsidy reform; (2) more flexible delivery modes—providing greater scope for more intensive mission work, including assigning experts to remain in-country for an extended period, or the use of in-country or regional long-term advisors; (3) strengthened project design and planning with greater upfront engagement from country authorities—through scoping missions and memorandums of partnership with authorities. The Fiscal Analysis for Resource Industries (FARI) model will be consolidated as a TA-enhancing tool.

- ***Continued analytical work, with a stronger focus on dissemination and learning, especially through on-line and face-to-face training.*** Phase 2 will continue to undertake research and analytical work, to identify good or best practices and to distill lessons learned. At the same time, Phase 2 will put greater emphasis on horizontal learning (e.g., conferences, workshops), and on-line and face-to-face training, which can prepare officials in advance of TA delivery or follow-up afterwards, to ensure that the knowledge delivered through TA is absorbed and retained.

- ***A refined modular design***. The same modules will be retained for Phase 2—extractive industry (EI) fiscal regime design; EI revenue administration; EI macro-fiscal policies and public financial management; and statistics for natural resources—except that the module on asset and liability management will be replaced with a module on exchange rate regimes and macro-prudential policies in resource-rich countries.

- ***The primary focus will continue to be on low- and lower-middle-income resource-rich countries.*** The list of eligible countries could be expanded by the Steering Committee to include some upper-middle-income countries or a region, where appropriate***.***

To achieve the vision for Phase 2, the TF will require funding of around $30 million, covering the six-year period from mid-2016 to mid-2022. This will enable a further deepening of targeted and intensive TA engagement, with some scope for expanding country coverage and addressing emerging issues.

1. Improving the Management of Natural Resources

A. Background

The Managing Natural Resource Wealth Trust Fund (MNRW-TF) is a multi-partner trust fund established in 2011 by the International Monetary Fund (IMF) to help countries in managing natural resource wealth. The MNRW-TF exploits the IMF's strong track record in supporting the management of natural resource wealth, due to its specialized expertise and unique ability to integrate policy, administrative and legislative dimensions, and its standard-setting work in fiscal transparency. The MNRW-TF also has provided an effective basis for the IMF to work with partners to help maximize the impact of their support for resource-rich countries.

The MNRW-TF was designed to respond to the fact that many resource-rich developing countries fail to realize the full development potential of their natural resources. This is especially the case for countries that have significant extractive industries—oil, gas, and mineral resources. In principle, the enlarged fiscal space from such resources can provide large revenues for the government, and in turn finance the public goods and services needed to support sustainable development and poverty reduction. However, in practice, governments often fail to properly address the institutional and policy challenges that come with natural resources, and development outcomes for these countries have been disappointing—a characteristic sometimes referred to as the "resource curse."

The reasons for this shortfall are varied. In many cases, however, national administrations are weak, laws and regulations are defective, policies are inadequate, and governments are often not equipped to deal with international extractive industries (EI) companies. Moreover, the overall governance environment is often poor. As a result, countries may not receive fair compensation for their resources, and the revenues that do accrue to governments are often not spent in a manner that yields the desired benefits. The MNRW-TF seeks to address this challenge, building capacity through technical assistance (TA) and drawing on the IMF's longstanding practical experience in the broad range of institutional and policy issues relevant for resource-rich countries.

The recent Addis Tax Initiative (ATI) has again highlighted the critical need for revenue mobilization (RM) to finance the Post-2015 Development Agenda. The ATI has emphasized that low-income countries (LICs) in particular need extensive TA to boost their fiscal revenue in a sustainable manner and ultimately to meet RM goals. The efficient maximization of revenues from natural resources is a key component in RM for resource-rich countries.

Indeed, developments since the establishment of the MNRW-TF in 2011 have intensified the need for technical assistance by resource-rich, low-income countries. Most notably, the fall in commodity prices has significantly worsened their fiscal positions and, in response, these countries are seeking to reform their natural resource and non-natural resource revenue systems. The importance of support for these efforts is heightened by the fact that this more difficult environment also means that these countries are also under pressure from investors to offset their own weaker revenue streams with more generous fiscal terms or other incentives. In addition, commodity price volatility has also placed pressure on resource-rich countries to address their exchange rate and macroprudential policies to help cope with the macroeconomic and financial impacts of volatile prices. Finally, TA needs have grown as a result of the increasing focus on climate change, and the potential implications of a reduced reliance on, and demand for, fossil fuels (oil, gas and coal). In some countries, these challenges have been accompanied by the significant depletion of the total natural resources, resulting in the need to ensure the effective management of the declining revenues as well as fiscal policies that optimize extraction.

The MNRW-TF is well-positioned to continue to meet the ongoing TA needs of resource-rich countries in addressing RM and related issues.[1] Phase 1 of the trust fund will expire in April 2017, and during its initial five years has demonstrated its success in assisting resource-rich countries in progressing reforms and building capacity in managing natural resources. Phase 2 of the TF ("MNRW2") will ensure that this important TA can continue to be provided to resource-rich countries, and provide a valuable component in the global strategy to support RM.

B. MNRW-TF Phase 1 Achievements

There have been a significant number of achievements in projects supported by the MNRW-TF. The return on partners' investments in the TF is evident in the important reforms undertaken in a number of countries receiving TA supported from the MNRW-TF, which have been buttressed by important analytical and diagnostic tools sponsored by the TF (Box 1). These achievements have contributed to the revenue raising potential of the recipient countries, while ensuring the effective management of those revenues.

A results based management (RBM) methodology has helped measure and monitor progress in implementing reforms under the MNRW-TF. This methodology has been useful in providing information to identify successes and failures in implementing reform, and to support the MNRW-TF Steering Committee's (SC) decision-taking process. Based on the RBM framework, Appendix 1 presents information about the overall performance of the MNRW-TF, and draws some lessons from the TF.

The midterm evaluation for Phase 1 was also positive about the performance of the MNRW-TF. The evaluation found that, from commencement to April 2014, the overall average ratings of the projects were very good on relevance and good on other criteria (using the Organization for Economic Cooperation and Development [OECD] Development Assistance Committee criteria). The recommendations of the evaluation (see Box 2) have been taken into account in formulating Phase 2.

[1] The original phase of the TF ("Phase 1") was to operate for five years (May 2011 to April 2016), but this period has been extended until April 2017. The amount contributed to Phase 1 is US$24.7 million. The current partners to the TF are the European Union and the governments of Australia, Kuwait, Netherlands, Norway, Oman, and Switzerland.

The MNRW-TF has had broad geographical coverage, with most projects in Africa (Figure 1). The focus in Africa is not unexpected given that 48 percent of countries eligible for MNRW-TF TA are in that region (Table 1). The region least represented is the Middle-East (18 percent of eligible countries), but the lack of projects in that region is due in part to the unsettled security situation. While the number of projects in the Asia-Pacific region is consistent with the number of eligible countries, it is hoped that the August 2015 MNRW-TF sponsored conference on Natural Resources Taxation in the Asia-Pacific Region will generate further interest in TA in the region.

Box 1. Key Achievements Supported by the MNRW-TF—Results to February 2016

- Since the MNRW-TF commenced in May 2011 the Steering Committee (SC) has approved 43 projects in 22 countries, 8 research projects and 5 conferences/workshops.
- Nine countries have reformed (either enacted or introduced to the governing authority) the laws relating to the EI fiscal regimes, based on IMF advice, making the regimes more efficient and more conducive to an increasing government revenue share.
- The capacity to effectively manage resource wealth has been increased in 12 countries in using the IMF's Fiscal Analysis for Resource Industries (FARI) model, which is used for evaluating fiscal regime design and revenue forecasting. Training was provided in workshops, usually more than one per country, with an average of 20 participants per workshop.
- The ability to better administer fiscal regimes has been enhanced with five countries forming special staff or units within the revenue administration to administer large EI companies, with training workshops provided in most of these countries.
- New or revised frameworks for public financial management are being implemented in 11 countries, to better manage natural resource revenues.
- One country has reformed the governance structure and investment management of its Sovereign Wealth Fund (SWF).
- Three countries have improved their reporting of natural resource revenues in the national accounts.
- Four successful regional conferences on EI fiscal issues were held in East Africa, Asia-Pacific region, and the Andean region (two conferences), with between 60 and 90 participants at each conference. These conferences provided a forum for participating countries to exchange views and experiences on the fiscal challenges and macroeconomic considerations they face in relation to natural resources, while also learning from the experience of international experts.
- A conference was held in Washington, DC, to discuss international issues for the EI sector, with the papers being used as a basis for a book on *International Tax Issues for the Extractives Industries* to be released in 2016.
- Capacity development has been enhanced through the release of two handbooks on: *Administering Fiscal Regimes for Extractive Industries: A Handbook* (recently translated into French and Spanish); and *Sovereign Asset-Liability Management Guidance for Resource-rich Countries*.
- A new template for collecting data on government revenues from natural resources was developed and field-tested in several countries. In a significant confirmation of the importance of the template, the Extractive Industries Transparency Initiative (EITI) announced it will collaborate with the IMF in using the template to improve transparency.

- A public version of the FARI model has been developed and released, together with an accompanying Technical Notes and Manual. There has been very positive feedback from civil society organizations, governments and other stakeholders on the release of the model.
- A draft guide on specific compilation issues for natural resources in macroeconomic statistics has been completed and will be soon released online for comment.

Box 2. Recommendations of MNRW-TF Midterm Evaluation

The mid-term evaluation, prepared by an independent reviewer, made the following broad recommendations:

- Strengthen project design, planning and TA delivery through scoping missions, more focused and realistic objectives, outcomes and time frames, defining milestones and preparing road maps, more in-depth risk analysis, delivering more hands-on TA, and aiming at continuity of engagement and capacity development.
- Increase participation of IMF Regional Technical Assistance Centers (RTACs) and regional advisors.
- Improve synergies and coordination among Fiscal Affairs Department (FAD) modules and with the IMF's Legal Department.
- Consider providing TA support on monetary and capital markets and statistics under non-TF IMF TA.
- Enhance the use of research projects and workshops to achieve TF objectives.
- Enhance the RBM as a monitoring tool by disaggregating outcomes and objectives in the log frame used in the top-down approach and using one set of scores for the bottom-up approach.
- Clarify the process for dealing with inactive projects.
- Enhance the efficiency of reporting to the SC.
- Improve project budgeting to reduce the over costing of projects.
- Appoint a full-time supra-manager in FAD financed by the TF to enhance standardization of the RBM system and the technical aspects of the projects and distill lessons across projects.

The SC carefully considered the recommendations of the evaluation, and the design of Phase 2 reflects the Committee's advice on how to address these issues.

Figure 1. Total Approved Budget by Region

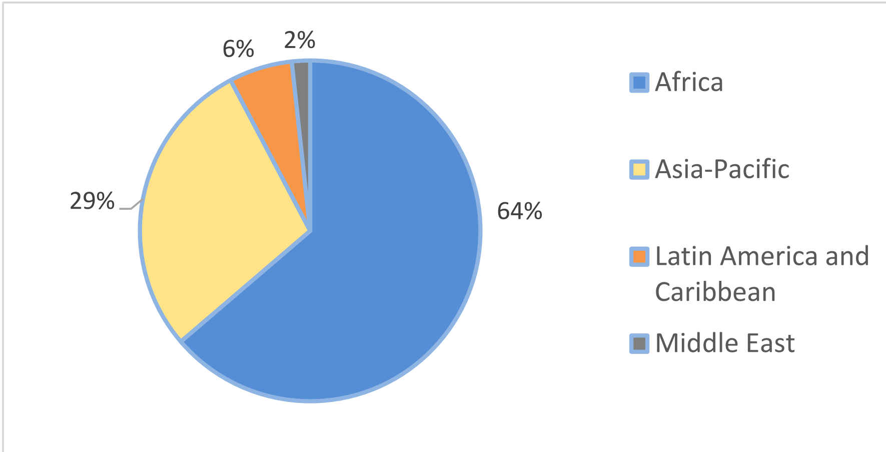


Table 1. Total Project Countries by Region

Region	Number of Eligible Countries	Percentage of Eligible Countries	Number of Project Countries	Percentage of Project Countries
Africa	24	48	13	59
Asia-Pacific	11	22	5	23
Europe	1	2	0	0
Middle East and Central Asia	9	18	2	9
Latin America and Caribbean	5	10	2	9
Total	50	100	22	100

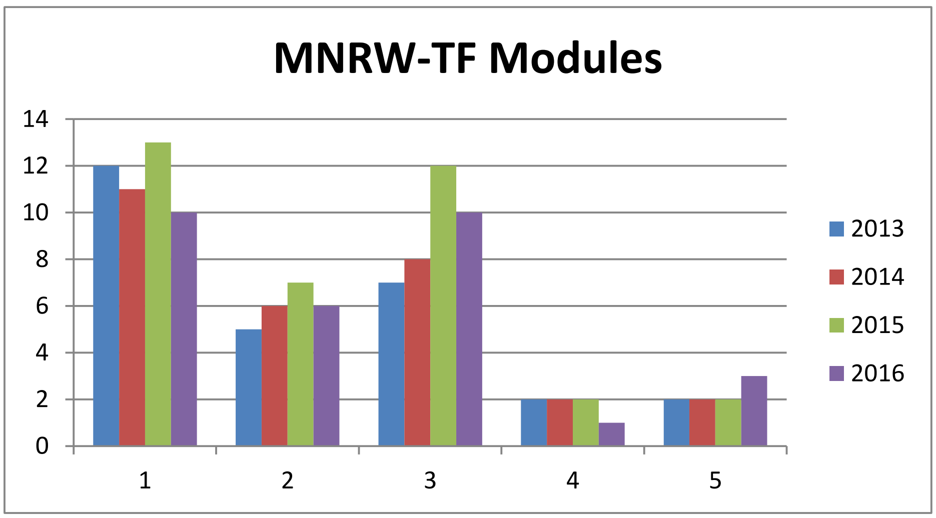
Most of the MNRW-TF projects in Phase 1 relate to improving EI fiscal regimes and revenue management in recipient countries (see Figure 2). The MNRW-TF currently concentrates on capacity development in five areas (referred to in the program documents as 'modules'): (1) EI fiscal regimes, including modeling; (2) EI revenue administration; (3) macro-fiscal policies and public financial management; (4) asset and liability management; and (5) statistics for natural resources. As expected at the inception of the TF, many of the initial projects were focused on the revenue side of the fiscal regime (module 1), with later projects addressing the collection and management of those revenues (modules 2 and 3).

There were fewer than envisaged MNRW-TF projects on asset and liability management and statistics (modules 4 and 5). It was always expected that these would be a smaller part of the TF, but the number of projects still fell short, in the former case due at least in part to limited demand. Despite the limited number of projects, there have been notable achievements. A handbook on

Sovereign Asset-Liability Management: Guidance for Resource-Rich Countries was published. The new template to collect data on government revenue from natural resources, developed as a MNRW-TF project, has been adopted by the Extractive Industries Transparency Initiative (EITI) for gathering data from EITI countries.

The experience gained under Phase 1 illustrates the importance of mechanisms to address the risks associated with TA projects in this field. In particular, not all projects were successful, and a lack of progress led to a small number being discontinued. More often than not, these disappointments reflected the result of a lack of sustained commitment by the authorities. In particular, despite an initial enthusiasm for the project, in some cases this waned over time, sometimes due to a change in key officials (e.g., the Minister of Finance) or weak commitment to project objectives in key ministries. As discussed below, this experience has underscored the importance in Phase 2 of seeking greater ownership by the authorities.

Figure 2. Number of Active Projects by Module



2. MNRW-TF Phase 2 Proposal

A. Objectives and Benefits

Phase 2 of the TF will continue to focus on supporting the proper management of natural resource wealth among developing countries. More specifically, the objective for MNRW2 will be to build economic policy and administrative capacities to enable LICs and lower-middle-income countries (LMICs) to derive the maximum benefit from their oil, gas, and mineral resources, so as to facilitate their economic development and poverty reduction goals.

This work will also have broader reaching effects. The improved development prospects of beneficiary countries will provide a useful demonstration to their peers, better management of natural resources will have important benefits for global commodity markets, and the work of the TF will yield analytical and policy lessons that will represent a global good and help strengthen the effectiveness of both development partners and the IMF. These expected benefits, outlined in Box 3, build on the achievements under Phase 1 of the TF and the broader objectives of the trust fund.

Box 3. Expected Benefits of the MNRW2

For resource-rich countries

- Maximization of revenues over the life-cycle of extractive projects, thanks to a fiscal regime that balances government and industry interests, and an effective administration for collecting revenues.
- More effective spending of resource revenues, which can assist countries in meeting their sustainable development goals, such as in education and health, with the help of budgetary mechanisms tailored to the large size of resource revenue, and its volatile and finite nature.
- Better governance throughout the government by enhancing accountability through transparency in the public service dealing with resource revenues.
- More investment in the natural resource sector thanks to an attractive, stable investment climate that induces socially responsible behavior by companies.
- Smoother impact on the economy of potentially large and unpredictable swings in commodity prices, in order to support stable economic growth and financial sector stability.
- Creation of an information base on the economic impact of natural resources exploitation to inform strategic policy decisions.

For the global community

- Foster economic and social development in low-income countries (LICs) and lower-middle-income countries (LMICs) by using aid money to leverage the development impact of natural resource revenues.
- An enlarged and more secure global supply of energy and minerals.
- Improved climates for investment and production so that international resource companies can operate consistently with their corporate social responsibility standards and with their home countries' development policies.

For the partners

- A mechanism for coordinating partner assistance in the area of natural resource wealth management and RM.
- The opportunity to participate in discussion of IMF-led analytical and diagnostic tools sponsored by the TF.
- Enhanced visibility and greater impact on the ground from leveraging a multi-donor trust fund.

For the IMF

- Improved coordination and knowledge exchange with other TA providers.
- IMF's TA delivery will benefit from the programmatic approach used in the TF and the governance structure emphasizing results orientation and accountability.

These objectives and a number of these benefits are embodied in a strategic log frame that will be used to measure and monitor results. This log frame (Appendix 2) builds on the application of this approach in Phase 1 of the TF, and is fully consistent with the IMF's enhanced RBM framework. This system involves the definition of standardized catalog of TA project 'objectives' and 'outcomes,' requires the definition of project milestones, and establishes a framework for periodic scoring of, and reporting against, all three. The log frame for MNRW2 (as distinct from the log frames at the project level) aims at reporting results at a strategic level, complementing and aggregating the project-specific RBM indicators. Its design reflects the programmatic structure of the TF to provide full accountability for each module.

Monitoring and evaluation of the MNRW2 will be continuous and overseen by the SC. In the latter case, this will be in the context of the reports to the SC and reviewed by an independent midterm evaluation (in FY2020). Project-specific RBM progress reports will be included in both the annual and midyear reports, while the strategic log frame results will be included in the annual reports only. Further refinements to the log frame will be done in consultation with the SC.

B. Scope and Nature of MNRW2

The TF will continue to concentrate on extractive industries—oil, gas, and mining. These industries share a number of characteristics, and thus there is a commonality in the best policy approaches, notably tax design, revenue administration, and macroeconomic management. Extractive projects all have large sunk costs and long production periods, can produce substantial "rents,"[2] may dominate a country's tax revenues, are often taxed as individual projects, and are taxed both nationally and internationally. Although these features are not unique to the extractive industries, the scale of the challenge is unique as is the fact that the underlying resource wealth associated with extractive industries is non-renewable. And correspondingly, this has unique implications for the design of optimal tax instruments, tax administration, and public financial management.

The TF will continue to fund capacity development (TA and training) in areas that fall within the IMF's macro-economic and financial mandate. This includes EI fiscal regime design, EI revenue administration, EI macro-fiscal policies and public financial management, and statistics for natural resources, areas where the IMF has a proven track record and a reputation for expert assistance.

In response to the needs of beneficiary countries, MNRW2 will involve a modified scope to cover new or enhanced work areas. These include: energy subsidy reform in resource-rich countries; more focused engagement on international tax issues; and exchange rate regimes and macro-prudential policies in resource-rich countries. This broadening of scope reflects the increased need of beneficiary countries for assistance in these areas, especially in the context of the greater global

[2] An economic rent occurs if the payment for some action exceeds the minimum cost required for it to be undertaken.

focus on international tax issues and the impact of the collapse of commodity prices on developing countries. The specifics of the trust fund's work in these areas are discussed in more detail below.

Transparency will continue to be emphasized in the work of the TF. The IMF plays an important role in promoting transparency in the EI sector, with the IMF's *Guide on Resource Revenue Transparency* being a benchmark for assessing transparency along the "value chain," transforming natural resource wealth into sustainable development. In addition, the IMF is developing a new Pillar IV of the IMF's Fiscal Transparency Code, which will cover natural resource revenue management and therefore play a helpful role in guiding the advice given under the TF.[3] The IMF will continue to work with other transparency agencies and initiatives, in particular the EITI.

TA to individual countries will continue to be delivered through different modalities, providing flexibility and adaptability to a country's needs:

- **Headquarters staff missions**: Designing and delivering TA, in the context of diagnostic and review missions, and working with country authorities to provide advice that is tailored to their needs and implementation capacity.

- **Headquarters based desk reviews and backstopping**: Delivering TA from headquarters, usually in the form of reviewing draft documents and draft laws. Also providing backstopping of short-term experts.

- **Short-term expert missions**: Under the oversight of IMF staff, providing specialized skills in specific areas to support the implementation of IMF technical advice.

- **In-country workshops and seminars**: Delivering targeted training and disseminating lessons learned.

However, MNRW2 will adopt an additional degree of flexibility in its delivery of TA. Phase 2 of the TF could provide greater scope for more intensive TA where there is greater need for hands-on support and the authorities' commitment is strong. This more intensive TA could include: more in-depth mission work (e.g., longer or greater number of missions); the possibility of assigning short-term experts to remain in-country for an extended period (e.g., 2-3 months) to assist in implementation; or the use of in-country or regional long-term advisors.

The TF-funded TA will continue to be additional to the IMF's internally funded TA. In parallel to the TF, the IMF will continue to provide a limited amount of TA on natural resource wealth management from its own resources. That TA will complement the programmatic TA of the TF in several ways, for instance to address urgent issues not anticipated in the work program with one-off

[3] The cost of developing and implementing Pillar IV of the Code has to date been borne by the IMF, and it is not intended to be funded by the MNRW2.

missions, to serve countries not eligible for the TF, or to cover natural resources other than hydrocarbons and minerals.

The lessons learned from TF-funded TA projects will be disseminated and integrated into the IMF's TA. Lessons learned in specific projects are shared on both a formal and informal basis. For example, project managers and IMF staff and experts work on multiple TA projects (both MNRW funded and internally funded) with different team members, which enhances the shared learning. Also at both the divisional and departmental level, project experiences and lessons are shared through presentations, peer review of TA reports, and research and analytical work.

C. Programmatic Modular Approach

The TF will continue to follow a programmatic approach facilitated by its modular structure. The following are the key features of this approach: (1) Together the five modules cover the topics along the natural resource "value chain" on which the IMF has expertise, thereby offering eligible countries a comprehensive program of support; (2) The modules are defined around sets of outcomes, and in any country they will aim to deliver an appropriate subset of those outcomes, for instance those that have the highest priority or are most achievable; (3) The application of one module will typically involve multiple missions and other TA interventions and therefore typically take several years; (4) While the modules are interconnected they can be undertaken separately, allowing focused application; (5) Given that the modules are interconnected and mutually reinforcing, the TF will favor countries with the need and commitment to undertake several modules, but in other countries, single modules will fill in gaps in capacity.

The TF will again offer five modules. These five modules, which correspond with IMF areas of expertise, are discussed briefly below.

Module 1 – EI Fiscal Regimes, Licensing and Contracting

The design of a good fiscal regime is critical to ensuring significant government revenues from the EI sector. Analysts and practitioners broadly agree on the key characteristics of a good EI fiscal regime. First, it should be "neutral," that is, not distort investment and production decisions. Second, the regime should reserve the major portion of possible resource rents for the government, something that can be argued on both efficiency and fairness grounds. Third, the regime should assign risk to government and investors depending on their abilities to bear risk. Fourth, it should usually be "progressive," that is, lead to higher payments to government as underlying profitability increases, for instance when commodity prices rise. Fifth, the regime should be flexible or adaptable to changing circumstances, thereby increasing the likelihood that it will be adhered to. Sixth, the regulatory environment, including the fiscal regime, should be stable and credible.

The TA provided under this module will draw upon the IMF's long-standing expertise on fiscal regimes, both regarding practical advice and research.[4] The TA will include advice on the following: the different EI fiscal instruments (e.g., production sharing contracts, tax and royalty regimes, rent taxes, state participation); other taxes, such as the income tax and indirect taxes, and any special issues relating to the EI sector; the framework for awarding licenses and contracts; the transparency of the fiscal regime; and fiscal decentralization (e.g., when a portion of EI revenues are shared with subnational governments). This TA could also include legal drafting undertaken by the IMF's Legal Department. While the TF will assist governments to prepare for contract negotiations by providing general policy advice, it cannot directly support negotiations as this is outside the IMF's mandate. Other TA providers such as the World Bank, African Development Bank and the Commonwealth Secretariat can assist. Local content in natural resources is also an issue that is well covered by other TA providers, including the World Bank and the OECD. Therefore, the MNRW-TF will not provide direct TA on this issue, but in providing advice the implications for local content will be considered, where relevant.

In addressing the fiscal regime, additional emphasis will be placed on work on international tax policy and administration issues. This reflects the growing awareness of the importance of issues related to base erosion and profit shifting by multinational companies, which are especially prevalent in the EI sector in developing countries. This new emphasis will build on the work already undertaken on these issues under the MNRW-TF,[5] and take account of developments from the OECD-led Base Erosion and Profit Shifting (BEPS) initiative. The international community has endorsed the BEPS initiative, which establishes a new framework for reducing the extent to which multinational enterprises can use tax planning to erode the tax base in countries where they operate. IMF research has illustrated the significant drain on developing country tax revenues.[6]

It is envisaged that recipient countries, as part of their broader TA on the EI fiscal regime, are likely to seek advice on international tax issues. These issues include transfer pricing in the EI sector, permanent establishment rules for the sector, taxation of indirect transfers of interest in natural resource licenses, and tax treaty issues. While the IMF will draw on its particular expertise on these issues as they apply to the EI sector, it will ensure that its work does not duplicate other TA providers, such as the OECD, that are addressing these issues for multinational companies more generally. The TA on designing fiscal regimes will be supported by the IMF's FARI modeling. This is discussed further in section 2.E.

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[4] For example, see *The Taxation of Petroleum and Minerals: Principles, Problems and Practice*, edited by Philip Daniel, Michael Keen and Charles McPherson, IMF and Routledge, London, 2010

[5] In particular the work for the proposed book, *International Taxation and the Extractive Industries*, which is due to be published in 2016.

[6] See Spillovers in International Corporate Taxation, IMF (2014) at http://www.imf.org/external/np/pp/eng/2014/050914.pdf.

Module 2 – EI Revenue Administration

The collection of EI revenues is conceptually straightforward but quite problematic in practice. This is often because in developing countries revenue collection is fragmented among government departments and agencies, and administrative capacities are weak. Traditional tax administration often collects only part of resource revenue, namely the corporate income and other taxes due by EI companies, while other revenue streams are collected by other departments and agencies—royalties and production shares are typically collected by the resource ministries and/or national resource companies, export taxes by customs, surface taxes by property administrations, and dividends on equity participations by ministries of finance and/or national resource companies. Most developing country revenue administrations also struggle to undertake the important fiscal and cost audits that are up to international standards, of a quality that matches the skills of the corporate taxpayers, and commensurate with the large sums at stake. One step to address these concerns is having a large taxpayer office (LTO) in the tax administration, which can play an effective role in collecting the tax part of the revenues and overseeing the whole administration effort.

For revenue administration, as for tax policy, the TA under Phase 2 of the TF will continue to draw on the IMF's extensive expertise and practical experience. Given the importance of stable revenue mobilization for macroeconomic policy, building capacity in tax and customs administration has always been part of the IMF's mission. It has developed specific expertise in resource tax administration, through country workshops, TA missions and research. As with tax policy, this TA will also place greater emphasis on international tax issues.

Module 3 – EI Macro-Fiscal, PFM, and Expenditure Policy

In a resource-rich country that depends heavily on natural resource revenues, macroeconomic management is essential to address the special challenges of those revenues. The revenues are very volatile—largely due to cyclical price swings but also to variability in production—and are non-renewable and thus finite. The revenues may also be on a scale the country is unable to absorb effectively in the short term. The critical macro-policy decisions are how to: (i) split the revenues between savings and consumption; and (ii) divide investment of savings between financial assets abroad and physical and human capital at home. A revenue management system based on law can help institutionalize some of these key decisions. It is preferable that all spending decisions are taken in the context of a medium-term budget framework based on conservative projections of resource revenues and consistent with long-term fiscal sustainability. Resource-rich countries often face difficult spending decisions not observed in other countries including: sharing of revenues with sub-national governments where extractive industries are located; subsidizing to stabilize domestic retail petroleum product prices below world market levels; and investing in infrastructure financed directly from resource revenues.

The TA under Phase 2 of the TF will continue to address these specific resource management issues using the IMF's fiscal capacities, given its macro-fiscal expertise. The activities undertaken in this module will have a clear link to managing natural resource revenues, and will include advice on the following: developing capacity for making medium- and long-term macroeconomic projections for the EI sector; making rules for the allocation of resource revenues to the budget or savings; and ensuring effective public financial management systems are in place to handle EI revenues. Unlike Phase 1 of the TF, MNRW2 will not cover asset and liability management issues related to sovereign wealth funds (SWFs). However, it will continue to cover SWFs under the public financial management module (e.g., the development of fiscal rules on the allocation of revenue to the budget and SWFs).

Diagnostics tools and devices would be an important basis for TA delivery under this module. In particular, the IMF has recognized that the proper evaluation of fiscal regimes for EI requires economic and financial analysis at the project level. And in support of this, has developed the FARI framework. This tool has been invaluable in assisting countries with fiscal regime design, revenue forecasting, analysis of revenue management issues (including quantification of fiscal rules), and the integration of the EI sector in the country macroeconomic frameworks.

The topics covered by this module will be expanded to include energy subsidy reform in resource-rich countries. While the energy subsidy issue is not unique to resource-rich countries, the use of these subsidies tends to be more pronounced in resource-rich countries.[7] Therefore, it is important in considering the macro-fiscal issues in a resource-rich country to also consider the extent of energy subsidies and the scope for their reform. The current fall in oil prices also provides an opportunity for countries to reduce their energy subsidies. The IMF is a leader in the area of energy subsidy reform, having undertaken extensive research on the issue and developed the widely used country subsidy database.[8]

The TA on energy subsidies also links with the IMF's broader work on climate change.[9] This includes work on the size and macroeconomic impact of energy subsidies, as well as work on carbon taxes or tax-like policies to address climate change. However, TA on carbon taxation would be

[7] Analysis of the IMF's country level energy subsidy estimates (http://www.imf.org/external/np/fad/subsidies/data/codata.xlsx) shows that of the 10 countries with the highest post-tax subsidies for petroleum as a share of GDP, all are resource-rich countries.

[8] See the energy subsidies template http://www.imf.org/external/np/fad/subsidies/data/subsidiestemplate.xlsx and the country level energy subsidy estimates http://www.imf.org/external/np/fad/subsidies/data/codata.xlsx. For publications see: *Energy Subsidy Reforms: Lessons and Implications*, edited by Benedict Clements, David Coady, Stefania Fabrizio, Sanjeev Gupta, Trevor Alleyne, and Carlo Sdralevich, Washington, DC: International Monetary Fund, 2013; and *Getting Energy Prices Right: from Principle to Practice*, edited by Ian Parry, Dirk Heine, Eliza Lis, and Shanjun Li, Washington, DC: International Monetary Fund, 2014.

[9] For a review, see M. Farid and others, "After Paris: Fiscal, Macroeconomic, and Financial Implications of Climate Change," IMF Staff Discussion Note (SDN/16/01), January 2016.

outside the scope of the MNRW2, given its particular mandate and the scope to provide this TA through other instruments.

Module 4 – Exchange Rate Regimes and Macroprudential Policies

Commodity price volatility has put enormous pressures on the exchange rates of a number of countries supported by the MNRW-TF. Those countries that operate a pegged exchange rate regime face challenges not only in stabilizing the exchange rate (vis-à-vis a single currency or a basket, or a measure of the real effective exchange rate), but also in assessing what the appropriate exchange rate target should be. In some cases, countries have acknowledged the need to adopt a more flexible exchange rate regime, but the process of moving from a pegged or stabilized exchange rate to a flexible exchange rate regime can be complex and difficult, when: (i) domestic currency monetary policy and the monetary policy operational framework are underdeveloped (and therefore fail to provide an alternative monetary policy anchor besides the exchange rate); (ii) FX and money markets and financial regulation to facilitate the implementation of a flexible exchange rate are not well developed; or (iii) strains on government revenues associated with the weak commodity price weaken the fiscal position.

The impact of global commodity price shocks on financial stability can also be substantial. Accordingly, it is critical for commodity-exporting LICs and LMICs to understand how best to use macroprudential policy tools to counter the volatile fluctuations in commodity prices. The macroprudential policy toolkit could involve measures to lean against excessive exchange rate and credit risks when high commodity prices result in over-exuberance in the economy. It should also include heightened microprudential oversight to identify and forestall emerging balance sheet risks. In addition, these policies would need to be coordinated with fiscal policy, since building up FX reserves during high commodity prices tends to have an indirect impact on fiscal revenues.[10]

The TA provided under this module will help countries design exchange rate and macroprudential policies to smooth the macroeconomic and financial impacts of volatile commodity prices. The TA will use existing and ongoing research on this topic and enhance the analysis with country-specific studies. It will also focus on the current needs of commodity exporting LICs and LMICs, taking into account their economic and financial structures, and constrained policy capacity. The key issues the TA will try to address include the following:

- Various options the commodity exporting LICs and LMICs may have in considering an appropriate exchange rate regime (fixed, managed float, or market-based flexibility);

- If a move to greater exchange rate flexibility is desirable, how the transition can best be managed;

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[10] For example, building up FX reserves can indirectly worsen the fiscal balance by reducing central bank profit remittances to the government, and increasing the local currency cost of imports for infrastructure development.

- How the existing regimes could be strengthened if such a move is not warranted;

- The scope for using macroprudential policies to bolster monetary and exchange rate instruments and financial stability in the face of commodity price shocks; and

- The interaction between fiscal policy adjustment and appropriate exchange rate and monetary policies.

Module 5 – Statistics for Managing Natural Resources

The first element of this module will further develop capacity in select countries for implementing the compilation of the revenue template within the EITI's *summary data template* (SDT). Through a combination of further pilot testing and a workshop to be conducted in collaboration with EITI counterparts, the module would seek to support application of the SDT, as well as adherence and observance of the IMF's Fiscal Transparency Code. In addition, it would seek to leverage linkages with the concepts explored in the IMF course on "Macroeconomic Management in Resource-Rich Countries". Work aimed at improving capacity for tax and other revenue collection under the module should also support countries' capacity to compile and disseminate data that can facilitate monitoring the UN's Sustainable Development Goals, particularly Goal 17 on strengthening revenue mobilization.

A second element of this module will be to develop a *Guide to Analyze Natural Resources in the National Accounts* and to undertake pilot testing of the guide in a number of countries. The guide will aid policymaking by providing guidelines for dissemination of key analytical information needed to understand the actual or potential macroeconomic impacts of changes in natural resource product volumes, values and prices, and it will aid national accounts compilation in resource-rich economies by helping to reveal errors, omissions and inconsistencies in measuring transactions related to natural resource wealth and its extraction. An important part of the pilot testing will be to develop capacity for compiling national accounts covering natural resource industries.

D. Country Selection and Ownership

Phase 2 of the TF will continue to focus on resource-rich LICs and LMICs. The eligibility criteria for Phase 2 will be broadly similar to that used in Phase 1. It will include LICs and LMICs already receiving large revenue flows from their natural resources—that is, countries with revenues from natural resources on average at least 25 percent of government revenues (or 25 percent of export earnings), using 2000-11 as the reference period—and countries considered "prospective" natural resource producers based on ongoing exploration, including those that are either EITI Candidate countries or EITI Compliant countries. Appendix 3 sets out an indicative list of countries meeting these criteria, but does not preclude other countries being proposed to the SC for consideration as an MNRW-TF beneficiary. A country can only receive assistance from the MNRW-TF if approved by the SC.

The IMF may, under certain (and limited) circumstances, recommend for SC endorsement funding for countries that do not satisfy the eligibility criteria. Such recommendations may reflect cases in which a natural resource-rich country does not strictly satisfy the revenue or export test, possibly because its resource revenues are still relatively nascent. Or it could reflect the fact that a proposed beneficiary is an upper-middle-income country, but whose development needs would still argue for MNRW support. In making decisions on whether to fund projects in such cases, the SC will take into account the following criteria:

- The country has prospective resource abundance, even if not so far exploited;
- The country has synergy and complementarities with similar or neighboring countries in which MNRW-TF projects are already underway;
- The country has demonstrated commitment to EITI and, where appropriate, to other initiatives such as the Natural Resource Charter and to reform of the domestic transparency framework; or
- The country is part of region, where TA on a regional basis may be more effective (e.g., deep-sea mining in the Pacific).

The selection of countries by the SC for projects should be aimed toward maximizing the results from the portfolio of projects financed by the trust fund. Selection of projects should be guided by:

- **Country ownership:** Evidence of at least some of the following: (1) public advocacy of reform by the relevant ministries; (2) the authorities have demonstrated commitment to act on a reform agenda; (3) accountability in the relevant agencies; (4) civil society engagement in public sector reforms; (5) demonstrated commitment to the EITI; (6) stakeholders being informed about the reform agenda and agreeing with its objectives; and (7) good track record implementing past IMF TA recommendations.
- **Relevancy and urgency:** The project is linked to the government’s broad reform strategy to improve the efficiency of natural resource wealth.
- **Domestic implementation capacity:** The authorities allocate sufficient human resources to ensure the project is supported in the country and reforms can be implemented.
- **Complementarities:** Preference will be given to new modules that complement projects under Phases 1 or 2, thus allowing for deeper engagement with the recipient countries and enhancing the sustainability of the TF’s impact.

The process for approval of country projects by the SC will be similar to Phase 1. The IMF will put forward to the SC project proposals setting out the purpose of the project, the objectives and outcomes, and a proposed budget. The projects put forward by the IMF will be based on requests for TA from countries that satisfy the MNRW eligibility criteria, or will be one of the special cases outlined earlier, and the IMF considers the nature of the TA sought by the country suitable for a MNRW2 project (i.e., there is scope for a program of ongoing TA work in the country). In approving the projects, the SC will take account of the selection guidelines outlined above and the available budget.

To maximize commitment by country authorities in Phase 2, there will be strengthened project design and planning, including greater upfront engagement with the country authorities. Country authorities will be engaged earlier in the project design and planning to discuss objectives, outcomes, and timeframes. In some case, this will be achieved through scoping missions, which will allow for more detailed upfront assessments, strengthened buy-in, and evaluation of risks. It will also help increase the probability of project success, and be supported by monitoring under the new RBM system.

As a practical means to obtain country "buy-in," project arrangements will be agreed and formalized with country authorities. One vehicle for this could be an agreed memorandum that would specify agreed project timelines and milestones, Phase 2 resource commitments, and counterpart staffing, facilities and other project resources to be provided by the country (see Box 4).

This agreement could also spell out the specific circumstances and conditions that would trigger the suspension and/or termination of a Phase 2 project. This would reinforce transparency of, and accountability for, meeting agreed project milestones, outputs, and outcomes. The MNRW-TF project manager should also take proactive interventions to address project implementation risks with country authorities, to ameliorate implementation risks and keep projects "on-track."

Box 4. Key Elements of Memorandum of Partnership

The Memorandum of Partnership (MOP) will be a formal agreement of cooperation between the IMF and the country authorities. The MOP should be agreed before the project commences and be discussed during the scoping mission, if undertaken. It is envisaged that it will include the following elements:

Project Description: This will include the project scope, objectives, outcomes, indicators, and timelines. This should be the basis for the project's RBM.

IMF Project Participation: This will explain the proposed technical assistance to be provided by the IMF. It should include the nature and scope of proposed missions (e.g., headquarters missions, short-term expert visits, and long-term experts), the number and possible timing of the missions, and the expected outputs (e.g., TA report, training). It should also refer to the amount of funds allocated by the TF for the project.

Other Partners' Inputs and Participation: Any complementary input by bilateral donors to specific country projects will be included in the MOP, reflecting their operations on the ground or any additional assistance (e.g., complementary TA or training). This will help to enhance partner coordination and avoid duplication.

Country Commitment**:** The MOP should also detail the country authorities' commitment to the project. This would include identifying a senior official (e.g., Minister, Deputy Minister or Permanent Secretary) to be the main government counterpart for the project, as well as a liaison person for dealing with organizational and administrative arrangements for the project. The government should also commit to provide all available data necessary for the project. To ensure that the recommendations of the project are properly considered by the government, it may be appropriate for the authorities to establish a steering group to oversee the project. In the case of a long-term expert, the authorities would be expected to assist in facilitating the necessary entry permits, as well as providing work facilities. A regular reporting by the government on reform progress could also be included in the MOP.

Termination and Suspension of the Project: The MOP will also specify the circumstances where a project will be suspended or terminated. This may be where there has not been sufficient reform progress by the authorities (e.g., no substantial action on recommendations in the previous 12 months), or where external factors, such as security issues, make it difficult for the project to continue.

E. Research and Analytical Work

Phase 2 will continue to support the IMF's leading research and analytical work on managing natural resource wealth, to identify good or best practice approaches and distill lessons from experiences. As identified in Chapter 2, the MNRW-TF Phase 1 supported a range of research and analytical projects that have made a contribution in the areas of work covered by the TF. It is envisaged that this work will continue in Phase 2, drawing on the lessons learned from the projects in Phase 1. In order to ensure this link between the analytical work and capacity development, research proposals should include a discussion on how the results of the research will be taken into account in the design of subsequent capacity development interventions. The results of the research and analytical work will be disseminated widely, including to policy practitioners, development partners and other stakeholders, via publications, and regional and international workshops and conferences.

FARI Model

During Phase 2, work will continue to consolidate FARI as a TA-enhancing tool. As noted above, the FARI model is a modeling framework developed by FAD to perform EI fiscal analysis. FARI analyses how annual project cash flows over the life of an EI project are shared between investors and the government, through detailed modeling of a particular fiscal regime, a set of economic and financial assumptions, and an EI project example (e.g., a petroleum field or mine). In addition, FARI has a number of analytical routines built in for Average Effective Tax Rate, Marginal Effective Tax Rate, and progressivity and stochastic analysis. FAD has used the model extensively in providing TA during Phase 1 of the TF.

The IMF will also continue to refine FARI and its uses to ensure it meets the needs of developing countries. There is growing demand for the use of FARI by LICs and LMICs, in particular with the public release of the FARI methodology in October 2015. Phase 2 of the TF will continue to support the use of the FARI model as a tool for assisting in the design of EI fiscal regimes and revenue forecasting. It will also support its development as a revenue administration tool for comparing actual revenues with model results.

F. Outreach and Training

Horizontal and peer learning opportunities will continue to be used in Phase 2 of the TF to disseminate issues, practices and policies for managing natural resource wealth. During Phase 1 of the TF, a number of successful conferences and workshops, both regional and in-country, were undertaken in TF-eligible countries. The international events have proven to be an opportunity for participating countries to exchange views and experiences on the fiscal challenges and macroeconomic considerations they face in relation to natural resources, while also learning from the experience of international experts. The in-country workshops have enhanced capacity in the project countries. To ensure the best value-for-money, the workshops and conferences under Phase 2 will be designed to ensure they are cost-effective and well-targeted.

In addition, Phase 2 of the TF will support other training methods for dissemination and learning. In particular, the TF will support the development and ongoing provision of on-line training courses and face-to-face courses relating to managing natural resources wealth. At this stage, two courses are envisaged: Macroeconomic Management in Resource-rich Countries; and Energy Subsidy Reform (the later course has already been developed, so the TF will only support the ongoing provision of the course). The online tools provide a cost effective means to scale up the transfer of knowledge to a broader group, including the public. The courses would also provide preparation for officials in advance of TA delivery or follow-up training, to ensure that the knowledge delivered through TA leads to sustainable capacity development as noted in external mid-term evaluation of the MNRW-TF.

3. Integration and Close Coordination for Success

Integration of the operations of this TF with other IMF activities and coordination with other development partners is essential. The experience of MNRW Phase 1 demonstrated the need for this integration and coordination for the TF to be effective and efficient to achieve results.

A. Integration between Capacity Development and IMF Surveillance and Lending

The Capacity Development (technical assistance and training) provided under the MNRW2 will continue to be integrated with the IMF's other two core activities, surveillance and lending (Figure 3).[11] The IMF's capacity development is demand-driven, strives to have the full involvement and buy-in of recipient countries to ensure effectiveness and impact. It also draws on extensive experiences and achievements of over a half century, around the world, and in countries at various stages of development.

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[11] For further details, see "IMF Policies and Practices on Capacity Development", August 2014, IMF.

Experience has shown that capacity development contributes to good policymaking, builds institutional capacity, and reinforces the Fund's other core functions. For example, it is expected that the MNRW2 capacity development engagements will provide useful inputs for the design of structural benchmarks (for IMF lending programs) or policy recommendations (under Article IV consultations). In turn, the work of the IMF's area departments' teams that are in charge of surveillance and lending activities will play a useful role in identifying and prioritizing capacity development (e.g., when capacity development activities may help reduce macro-fiscal risks), as well as help monitoring and encouraging implementation of MNRW2 TA advice. These benefits will be reflected in the project proposals and regular monitoring reports that are put forward to the SC.

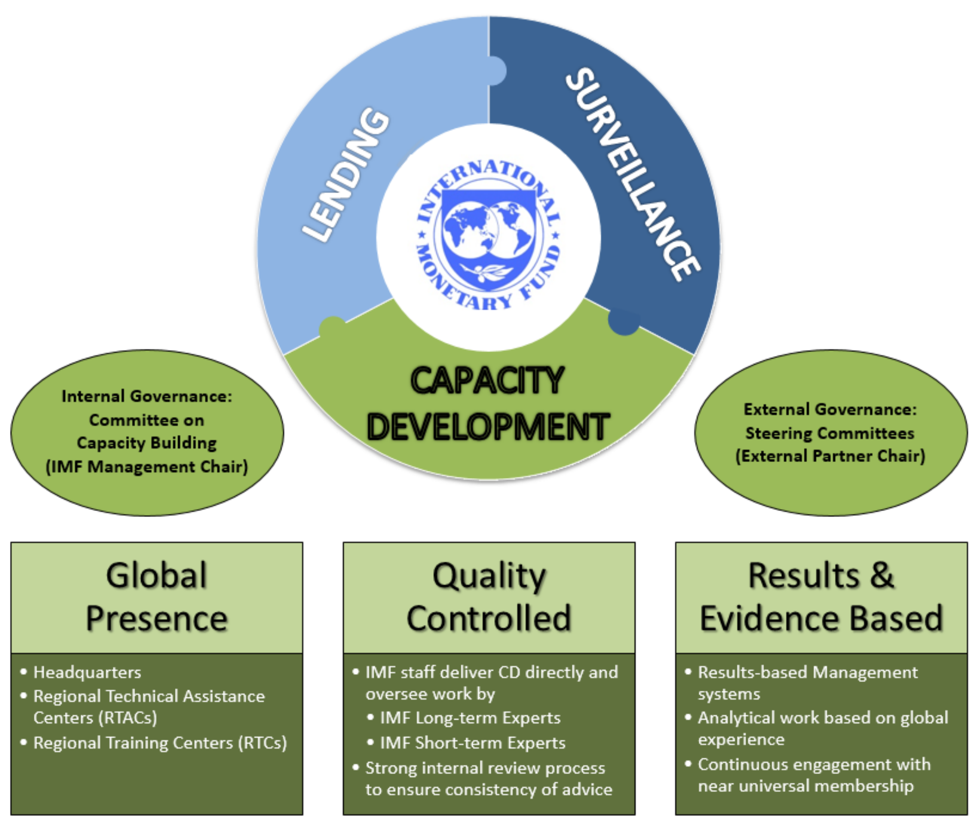
The IMF provides comprehensive capacity development to LICs and LMICs. This includes policy diagnostics and evaluation, policy design, legal drafting, support for implementation—which is increasingly linked to the operations of the RTACs as discussed below—and follow-up through regular surveillance or program consultations. This comprehensive approach facilitates an appropriate sequencing of reforms, and reduces the risk of delays in policy implementation. In countries that are supported by an IMF lending program, technical assistance advice also often informs the design of the fiscal component of the program, to ensure that it is technically sound and appropriately reflects the country's institutional context.

IMF capacity development focuses on its core areas of expertise and is provided by functional departments staffed by a large group of leading specialists in various fields. These specialists draw on their collective international experience to: (1) advise country authorities on reform agenda and support implementation; (2) advise the IMF's area departments on technical issues to support surveillance and lending; and (3) contribute to building and maintaining the IMF's institutional knowledge in its areas of core expertise.

Gender

Capacity development under the TF will incorporate the IMF's broader work on gender. The IMF is actively addressing gender concerns, with a particular focus on labor force participation, inequality and economic opportunities. This work recognizes the importance of women in economic participation for growth and stability. Therefore, while TA under the MNRW2 would not be expected to directly address gender issues, given its focus on broader macro-fiscal, statistical, and macro-financial objectives, it will take account of this work and ensure that the government policies being reviewed as part of the TA do not have a gender bias. However, the increased training component of MNRW2 does provide an opportunity to enhance the capacity development of women through the active promotion of their participation in the face-to-face and online training courses. The level of women participation will also be included as an indicator in the MNRW2 log frame.

Figure 3. Framework for Capacity Development in the IMF



B. Full Integration with Other IMF Capacity Development Activities, including through RTACs

Work under the TF is an integral part of the IMF capacity development work program, which is overseen by the interdepartmental Committee on Capacity Building (CCB), chaired by a Deputy Managing Director. Every fall, the CCB reviews capacity development priorities in light of member's demands and overall IMF priorities. The CCB's conclusion then feeds into the IMF-wide planning and budget discussions conducted in the context of the departments' accountability frameworks. This process helps align capacity objectives with broader institutional priorities. Guided by the priorities set by the CCB, work plans are developed to cover individual countries, part of which are delivered by the TF after receiving the trust fund SC's endorsement. Most beneficiary countries have extensive assistance needs and, in many cases, also receive support from TA outside the trust fund, including through the RTACs.

The IMF exercises strong quality control over its advice to beneficiaries. Headquarters- based staff deliver TA directly and oversee and support (backstop) the work of all IMF-hired short-term and long-term advisors, including those working under RTAC programs, to ensure quality and consistency of advice provided to countries. While headquarters (HQ)-led TA focuses on strategic issues, the work of short- and long-term experts focuses on specific issues related to implementing reforms.

The partner-funded RTACs will also complement the work under Phase 2 of the TF. There is a clear division of responsibilities between TA operations initiated by HQ and those undertaken by RTAC resident advisors and short-term experts assigned by the RTACs. The former addresses more complex diagnostic and strategic issues, with the later providing practical support in implementation. In the case of the MNRW-TF, RTACs are mostly involved in TA related to revenue administration and revenue management (modules 2 and 3). The work program of HQ and RTACs and TA priorities are closely aligned and coordinated to ensure a seamless and mutually supportive delivery of TA across all program modules.

During Phase 2, project managers will continue to ensure that there is no overlap and/or inconsistency between MNRW-TF and RTAC TA. In practice, this involves close coordination and communication with the HQ staff responsible for supervising the RTAC advisor in the particular region where a MNRW-TF project is located, and ultimately with the RTAC advisor as well. In many cases, the headquarters-based manager of a project in a country will also be the person assigned responsibility for supervising the RTAC advisor who covers that particular country. The new RBM will also deliver a common platform for reporting on both MNRW-supported TA reforms and TA that will be delivered by RTACs. This should also ensure that TA efforts from both sources are complementary and closely synchronized.

C. Coordination with Other Development Partners

Phase 1 of the TF provided opportunities to develop synergies with the many development partners active in this area, and this will continue in Phase 2. IMF staff and external experts involved in TF-funded country projects seek to work closely with those development partners operating in that country. This usually involves consulting them before missions and then engaging them throughout the reform process.

The IMF also closely collaborates in particular with the World Bank to avoid potential overlap, and ensure synergies. The IMF's mandate is to approach MNRW issues from a macro-fiscal and macro-financial perspective, while the World Bank does so from a sector-specific perspective. This creates opportunities for mutually reinforcing advice, but also potential for overlap, which requires close coordination, especially in the field. The World Bank also recently established a multi-donor trust fund—the Extractive Global Programmatic Support (EGPS)—that will support implementation of the EITI, as well as other Bank EI work. In order to avoid fragmentation and duplication, exploit synergies, and respect the limited absorptive capacity of recipient countries, the MNRW2 will—with the SC's assent—invite a participant from the World Bank and the EITI to attend as observers of SC meetings.

Close collaboration will continue with other TA providers. These include the Norway Oil for Development Programme, Switzerland State Secretariat for Economic Affairs (SECO), Australia, United Nations (UN), the European Commission (EC) and UK Department for International Development. Of particular importance will be collaboration with the OECD given the increased emphasis on international tax issues. This is already occurring, with the IMF participating in a joint working group on international tax issues with the OECD, World Bank, and UN. In particular, work is in progress to develop a "tax platform" jointly by the IMF, OECD, UN and the World Bank, which is intended to help coordinate work among these institutions and others on the development of toolkits and guidance for developing countries in the international tax sphere.

Consultation with other stakeholders, such as the private sector and civil society organizations (CSOs) is also important. During Phase 1 of the TF, it is usual for project managers to meet with representatives of the private sector and CSOs to obtain their important perspectives on EI issues. This will continue under Phase 2.

4. Governance and Operational Arrangements

A. Governance Structure

A multi-partner trust fund provides the scope for considerable synergies and efficiencies. It enables a more effective and agile administration of TA-funding, helps ensure partner coordination, encourages a more uniform and global reach, and provides greater visibility. The governance and operational arrangements of the TF aim to reap fully these benefits.

Steering Committee

Work under Phase 2 of the TF will continue to be guided by a SC, composed of partner representatives and IMF staff. The SC will be chaired by a partner representative, with the possibility of rotating the chairmanship among partners. IMF staff will serve as the Secretariat to the SC. Committee meetings will be held annually, with additional meetings as necessary. When appropriate, other stakeholder organizations could be invited to participate as observers. The Secretariat will ensure a regular flow of information throughout the year and, if necessary, consult informally with the SC. A report will be prepared annually (or biannually if requested by the SC) on the activities of the TF and project results. A version of the report will be made public.

The SC's function is to provide strategic guidance and contribute to the setting of policies and priorities, including through the endorsement of an annual work plan. The SC will review progress under the work plan as well as performance under the program. The SC will also be a forum for coordinating TA on managing natural resource wealth among the TF, partners, and other stakeholders. For that purpose, the TF will share with the SC information on mission planning.

B. Work Plan

Projects to be supported by the Phase 2 of the MNRW-TF will be initiated in the context of the annual work plan, which will be subject to the prior approval of the SC. Project selection and TA delivery will be demand-driven based on the identified needs and country requests. Typically, IMF area departments works with member countries to identify needs that would support the countries' reform agendas, drawing on the technical expertise of TA departments. A constant flow of TA demand is expected from new requests as well as the IMF's substantial past and ongoing TA work under Phase 1. TA prioritization will be based on country need and authorities' commitment to reform, as well as distribution across regions and modules. TA will be organized into projects reflecting the modules described in section 2.C above.

The work plan will also include applied research relevant to the work of the TF and conferences, workshops and training. The latter as a mechanism for dissemination of findings that are of broader interest.

The work plan will be submitted to the SC for its endorsement at its regular meetings. At each SC meeting, the IMF will deliver a report on the execution of activities under the previously endorsed work plan.

C. Dissemination Policies

Dissemination policies of Phase 2 of the MNRW-TF will be guided by the IMF's transparency policies. TA reports may be shared with the SC members with consent of the TA recipient on a no-objection basis, and on the understanding that such information shall be kept confidential. Sharing of TA reports with non-SC development partners will be determined case-by-case based on whether the institution in question has a legitimate interest in the TA report in question, for example through its engagement in related activities in the beneficiary country.[12] The IMF will continue to encourage countries to publish the TA reports. Operational guidelines for the SC, as well as clarification of the roles of SC members and the Secretariat, will be discussed and agreed at the first SC meeting.

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[12] See *Staff Operational Guidelines on Dissemination of TA Information* http://www.imf.org/external/pp/longres.aspx?id=4332 .

D. Accountability and Results Based Management

To foster accountability, effectiveness, and sustainability of the TA delivered, the management and use of TF resources will be closely monitored:

- At the project level, and individual projects will have at the outset a comprehensive log frame established, in line with the IMF's new *Results Based Management* (RBM) System. These log frames will be designed in a manner that is consistent with the modules described in section 2.C, and they will define the inputs needed to deliver specific country-level objectives and outcomes. Attainment of these outcomes will be measured using a set of verifiable indicators, as well as intermediate milestones. These objectives, outcomes, and indicators will be drawn from the IMF's new RBM log frame catalog.

- At the TF level, a strategic log frame will also be used to set goals at the outset and monitor progress for the portfolio of projects (see Appendix 2). This log frame will establish strategic (top down) impact indicators for the trust fund as a whole, but also modular (bottom up) indicators that will measure results of the portfolio of projects within each module. Two types of strategic indicators are defined: results that can be directly attributed to the work of the trust fund (e.g., implementation of reforms); and results that may only partially reflect the effects of TF work (e.g., resource revenue as a share of GDP). At the modular level, the strategic outcomes will be aligned with the objectives set at the project level, and the indicators will be based on the aggregation of results at the project level.

- The IMF's TA departments will supervise, carry out, and backstop the TA delivery under the TF. This reflects the principal role of these departments in maintaining the overall quality and consistency of all IMF TA and policy recommendations in their respective areas of expertise. Operationally, quality control will be provided through: (a) the screening and selection process for experts; (b) regular supervision and backstopping support from IMF headquarters; and (c) regular self-assessments, assessing progress achieved to date against the pre-defined project objectives and outcomes.

- The IMF's Area Departments will also, in the context of IMF-supported country programs and surveillance activities, monitor the progress of beneficiary countries in implementing reforms that are supported by the TF.

- Relevant information on project status will be accessible to Partners via the IMF's partner portal. In addition to financial information, the portal is a central repository of information on Partner arrangements, including their legal documentation, project documents, progress reports, project status, and self-assessments.

- Accountability for performance of the trust fund will be in the context of the semi-annual meetings of the Steering Committee, during which summaries of progress at both the project and portfolio level will be presented.

E. Independent Evaluation

After no fewer than three years of operation, an independent evaluation of the work carried out under Phase 2 of the TF will be conducted by a team of outside experts. The evaluation, which is expected to take place in FY2020, will assess the effectiveness and sustainability of this work and will formulate recommendations for improvement. The findings of the evaluation will inform discussions on operations for the remainder of this six-year phase and beyond.

F. Visibility

The TF will intensify its outreach efforts, enhancing its public profile and partner visibility. The IMF is developing operational guidelines on partner visibility and communications for externally-funded capacity development. It will provide a common framework for recognition of the source of external funding, thereby strengthening the visibility of partners but also to foster communication with partners, beneficiary countries and other TA providers. More specifically, under Phase 2 the TF outreach will aim to expand beyond publications. Existing tools, including a website, booklets, and partner debriefings, will be supplemented by other vehicles such as newsletters, conferences/press releases. Partners will be systematically recognized in outreach activities, with acknowledgement in publications.

G. Project Management

TF envisages the establishment of a small dedicated team to manage the scaled-up operation. The team's functions would include monitoring the performance of country programs, ensuring high-quality reporting against the RBM framework and to the SC; strengthening synergies and coordination with other TA providers; and enhancing visibility of the Phase 2 partners. The TF team would include a full-time program manager, with overall responsibility for coordinating the work of the TF, one research assistant, and one administrative assistant.

5. Financing and Administrative Issues

A. Financing

The estimated total cost of MNRW TA provided under the TF for an initial five-year phase is US$30 million. To provide stability and continuity, financing is sought in advance for the entire five-year period. Tables 2 and Figure 4 provide an illustrative budget for the TF six-years. Figure 5 shows an indication of distribution of the TA delivery budget between the five modules.

Table 2. Illustrative Budget of the MNRW-TF Phase 2, US $'000

MNRW-TF Phase II ($'000)	FY17	FY18	FY19	FY20	FY21	FY22	Total
TA Delivery	**670**	**3,120**	**3,200**	**3,270**	**3,350**	**3,286**	**16,896**
Targeted TA	540	2,990	3,060	3,130	3,210	3,286	16,216
Scoping missions	130	130	140	140	140	0	680
Research and Analytical Tools	**90**	**370**	**380**	**390**	**400**	**405**	**2,035**
Research Projects	90	180	190	190	200	203	1,053
FARI Country STX Follow-up Visits	0	180	190	190	200	203	963
Workshops and Training	**0**	**1,930**	**1,140**	**1,170**	**1,190**	**1,220**	**6,650**
Workshops & Conferences	0	310	315	320	330	340	1,615
Training	0	1,620	830	850	860	880	5,040
Program Management	**355**	**360**	**370**	**580**	**390**	**400**	**2,455**
*Staff Costs**	355	330	339	343	347	356	2,070
Independent Evaluation	0	0	0	200	0	0	200
Steering Committee	0	30	31	37	43	44	185
Sub-total	**1,116**	**5,780**	**5,091**	**5,410**	**5,330**	**5,310**	**28,037**
TF Management Fee (7%)	**78**	**405**	**356**	**379**	**370**	**372**	**1,960**
Total	**1,194**	**6,190**	**5,447**	**5,788**	**5,700**	**5,682**	**30,000**

* This budget line refers to the staff time of FAD MNRW-TF coordinator, as well as the Deputy Director, Division Chiefs, and administrative staff, in charge of managing the MNRW-TF. This is separate from the trust fund management fee, which covers costs incurred by the IMF for managing trust fund finances, donor relations and legal issues.

Figure 4. Illustrative Budget Breakdown by Category, Percent of Total

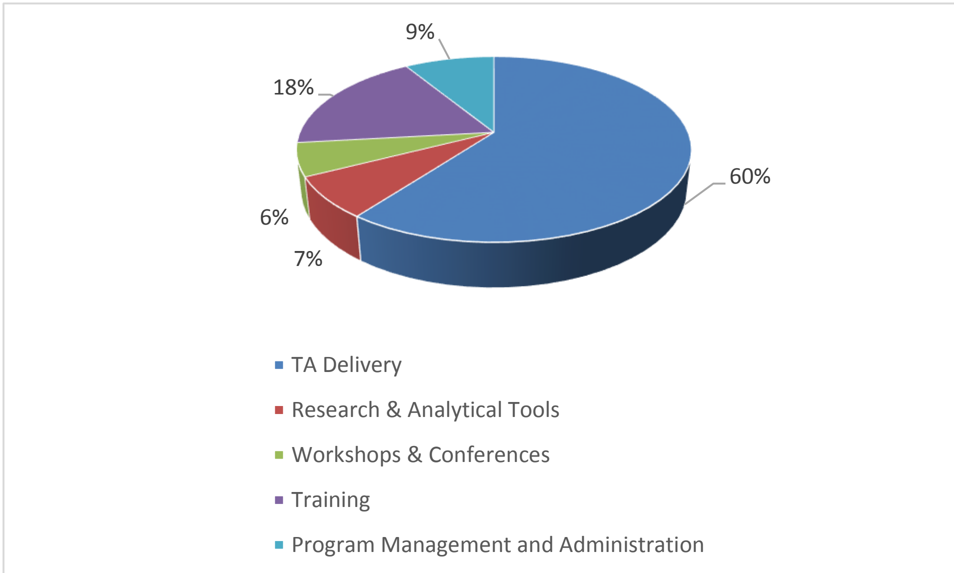
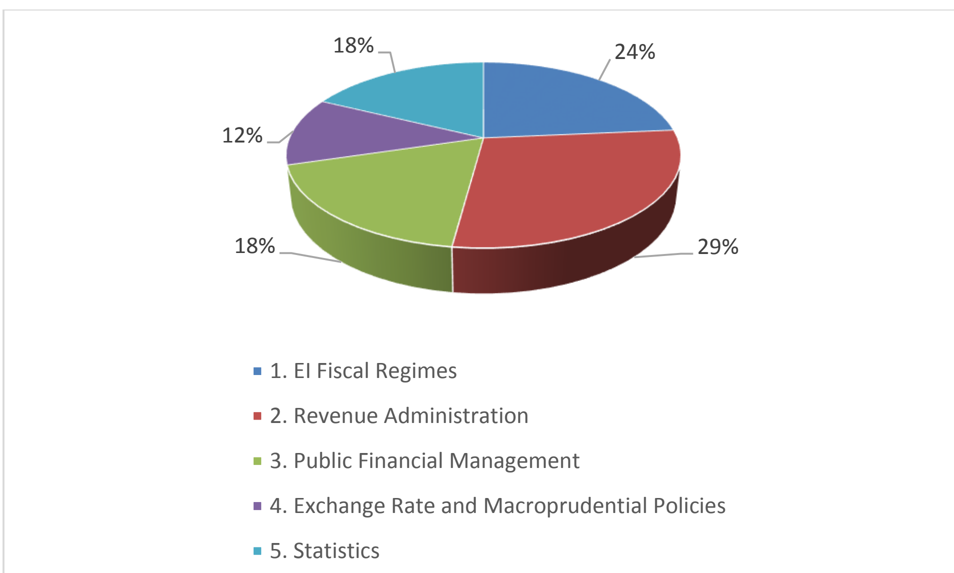


Figure 5. Illustrative Budget Breakdown by Module, Percent of Total TA Delivery Budget



B. Administrative Arrangements

All contributions from partners will be made into the multi-partner MNRW subaccount (Subaccount) under the IMF's Framework Administered Account for Selected Fund Activities (the

"SFA Instrument").[13] An operating unit for Phase 2 will be established under the Subaccount to receive contributions and finance activities under the MNRW-TF. All funds will be commingled. The basis for the financial arrangements between partners and the IMF will be a *Letter of Understanding* and subject to the terms and conditions of the Subaccount, as well as the SFA instrument. The IMF will administer and account for all partner contributions in accordance with its financial regulations and other applicable IMF practices and procedures. If the IMF recruits outside consultants and experts, it will do so in accordance with its normal procedures.[14] For any procurement of goods and services beyond a certain threshold amount (currently US$50,000), IMF regulations require a competitive bidding process with at least three competitive bids.[15] The IMF will charge all project-related costs of TA provided under the TF on the basis of actual cost, including for IMF staff time. In addition, the IMF charges a trust fund management fee of 7 percent.

The IMF will provide partners with reports on the subaccount's expenditures and commitments. The operations and transactions conducted through the subaccount will be subjected to annual audits. Separate reporting on the execution of the TF budget will also be provided at each SC meeting and is available on an ongoing basis via the IMF's partner portal.

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[13] In late 2010, the IMF established the Managing Natural Resources Wealth Topical Trust Fund subaccount, which is governed by *Framework Administered Account for Selected Fund Activities (SFA)* adopted in March 2009 (see http://www.imf.org/external/np/pp/eng/2009/030409.pdf).

[14] The Fund maintains a roster of experts whose certification is based on, among others, strong performance records, and proven familiarity with international best practice.

[15] For more on IMF procurement methodologies, see http://www.imf.org/external/np/procure/eng.

Appendix 1. Key High-Level Results and Lessons from the MNRW-TF

This appendix provides a brief summary view of the MNRW-TF Phase 1 performance over its life cycle. The results to-date from the MNRW-TF Phase 1 are summarized in Box 1 as are the recommendations from the Midterm Evaluation. Table 3 shows how the results set out in Box 1 meet the objectives for the MNRW-TF. The subsequent summary focuses on the project-level RBM and evaluation results, some lessons learned, and includes some case studies.

Table 3. Objectives and Results for MNRW-TF Phase 1

Objective 1: Extractive industry (EI) fiscal regimes in participating countries that improve revenue flows to host governments over project life-cycles, while providing predictability and stability to EI companies, and preserving attractive returns to investment and production.
Results: • Nine countries have reformed (either enacted or introduced to the governing authority) the laws relating to the EI fiscal regimes, based on IMF advice, making the regimes more efficient and more conducive to an increasing government revenue share. • The capacity to effectively manage resource wealth has been increased in 12 countries using the IMF's FARI model. Training was provided in workshops, usually more than one per country, with an average of 20 participants per workshop. • Four successful regional conferences on EI fiscal issues were held in East Africa, Asia-Pacific region, and the Andean region (2 conferences), with between 60 and 90 participants at each conference. These conferences provided a forum for participating countries to exchange views and experiences on the fiscal challenges and macroeconomic considerations they face in relation to natural resources, while also learning from the experience of international experts. • A conference was held in Washington, DC, to discuss international issues for the EI sector, with the papers being used as a basis for a book on *International Tax Issues for the Extractives Industries* to be released in 2016. • A public version of the FARI model has been developed and released, together with an accompanying Technical Notes and Manual. There has been very positive feedback from civil society organizations, governments and other stakeholders on the release of the model.
Objective 2: Efficient collection of EI revenues due to host governments of participating countries under existing EI fiscal regimes, whether by law or contracts.
Results: • The ability to better administer fiscal regimes has been enhanced with five countries forming special staff or units within the revenue administration to administer large EI companies, with training workshops provided in most of these countries. • Capacity development has been enhanced through the release of *Administering Fiscal Regimes for Extractive Industries: A Handbook*, which has been translated into French and Spanish.

• A conference was held in Washington DC with 70 participants from 12 MNRW-TF eligible countries, as a peer learning opportunity for government officials and international experts to discuss revenue administration risks and administration strategies.
Objective 3: Development of effective Public Financial Management systems in participating countries for handling host governments' EI revenues and the expenditures arising from those revenues.
Results: • New or revised frameworks for public financial management are being implemented in 11 countries, to better manage natural resource revenues.
Objective 4: Building an integrated approach to sovereign asset-liability management, through appropriate management of assets and liabilities; and promoting sound and transparent management of sovereign assets based on international standards.
Results: • One country has reformed the governance structure and investment management of its Sovereign Wealth Fund (SWF). • Capacity development has been enhanced through the release of a handbooks on *Sovereign Asset-Liability Management Guidance for Resource-rich Countries*.
Objective 5: Development and maintenance of improved national statistics on natural resource activities in participating countries, with respect to both government finance and national account statistics
Results: • Three countries have improved their reporting of natural resource revenues in the national accounts. • A new template for collecting data on government revenues from natural resources was developed and field-tested in several countries. In a significant confirmation of the importance of the template, the EITI announced it will collaborate with the IMF in using the template to improve transparency. • A draft Guide to Analyze Natural Resources in the National Accounts has been released online for comment.

The MNRW-TF has activated a total of 56 projects during the period 2011-2016. Key characteristics of the projects include:

- **43 country projects** in 22 countries including:
    - **30 currently active projects;**
    - **9 projects were completed**—8 of these projects were evaluated by the independent midterm evaluation, with 6 of these projects being assessed as "very good" and the remaining 2 projects as "good."

  - **2 projects were terminated**—Mongolia module 1 was terminated due to the reform effort stalling, due in part to lack of commitment from the authorities and fragmentation of policy responsibilities between different agencies; and Niger module 1 was terminated due to lack of commitment from the authorities.

  - **2 projects were never made active due to lack of commitment from the authorities**—Iraq module 4 and Uganda module 4.

- **8 research projects**—5 of those projects are still active with the 3 completed projects having resulted either in publications or input to other work.

- **5 conferences**—4 have been undertaken.

Overall outcome and project performance has been monitored by a RBM system. The results are summarized in Figure 6, but details and some of the lessons learned include:

- Of the 37 active projects at October 2015, 38 percent are assessed as "largely" or "fully achieved;" 49 percent assessed as "partially achieved;" and 14 percent assessed as "not achieved;"

- A number of factors have contributed to the successful projects: strong commitment at both the political and institutional level; good cooperation between the different government ministries and agencies; and being able to provide timely and relevant TA, including bringing together a range of necessary skills (e.g., policy, modeling and legal drafting).

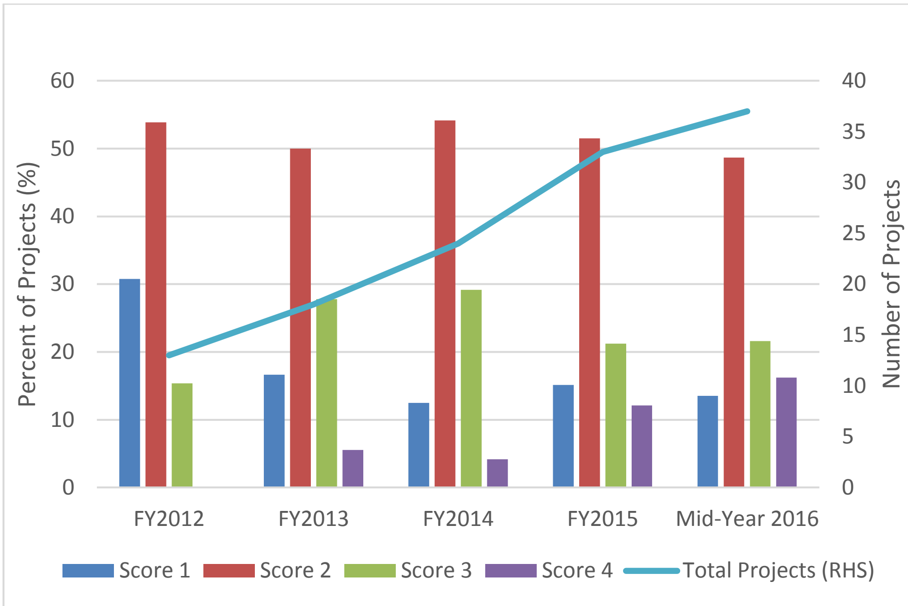
- Projects that have not progressed as expected are due to a range of reasons. Some projects were delayed due to security (Mali) or health concerns (the Ebola crisis in Sierra Leone and Guinea). Other projects have progressed slowly due to the authorities' lack of commitment and/or responsiveness to the TA.

- As set out in Box 1, the Midterm Evaluation provided a number of lessons, which have been taken into account in the design of MNRW2, including:

  - The need for better project design, planning and TA delivery—with more focused and realistic objectives, outcomes and time frames, defining milestones and preparing road maps, more in-depth risk analysis, delivering more hands-on TA, and aiming at continuity of engagement.
  - Increased participation of RTACs and regional advisors.
  - Improved synergies and coordination among FAD modules and with the IMF's Legal Department.
  - Enhanced use of research projects and workshops to achieve TF objectives.
  - Enhanced RBM as a monitoring tool.
  - Clarifying the process for dealing with inactive projects.
  - More efficient reporting to the SC.
  - Improved project budgeting to reduce the over costing of projects.

Some of the lessons learned are illustrated in the case studies set out in Box 5 (these are drawn from the MNRW-TF annual reports).

Figure 6. MNRW-TF Project Average RBM Outcomes



Box 5. MNRW-TF Phase 1 Case Studies

The module 1 project in ***Mauritania***, from 2011 to 2014, resulted in reforms that contributed to improved revenue performance in the country. In 2013, a withholding tax at 15 percent was levied on any transaction involving non-residents in order to limit profit shifting through subsidiaries, which raised revenue equivalent to 0.33 percent of GDP in 2013. In March 2014, the Mauritanian parliament approved changes to the mining code with mining companies being subject to standard VAT (a zero rate for exporters), avoiding their VAT exemptions. These law modifications are expected to reinforce the recent performance of tax revenue (excluding natural resources) in Mauritania, which improved by around 13 percent between 2010 and 2015. The project also provided a forecasting model of resource revenue to the Mauritanian authorities. The success of the project was due in part to the strong political support and management commitment from key ministries.

The initial TA program for ***Guinea***, from 2012 to 2015, focused on the design of the fiscal regime (module 1). That work has proven to be largely a strong success, with the fiscal provisions of the Mining Code being completely reviewed, redrafted and adopted by the National Assembly, and the preparation of related redrafted Fiscal Regulations and Model Agreement. The value added tax (VAT) regime for mining companies has also been significantly strengthened. Roughly half of the mining projects were modeled, with remaining projects modeling depending on data to be provided by mining companies. The prospects that the reforms can be sustained were enhanced with the commencement of the public financial management project (module 3) in 2014, with its initial results including: (1) the formulation of a strategy for developing capacities related to fiscal forecasting and budgeting in the context of the expected surge of mining resources; (2) a framework to strengthen the fiscal governance and transparency of parastatals, including the various governmental entities involved in the management of natural resources; and (3) the implementation of a VAT refund system for the mining sector. The success of the program was due in part to very strong support from all relevant ministers, and even from the President. There was strong support and commitment from the relevant ministries at both the high level as well as the technical level, despite very strong political and economic headwinds, and the Ebola crisis. There are still challenges including weak capacity, which continue to be addressed by the authorities.

The module 1 project in ***Kenya***, from 2013 to 2016, resulted in several important reforms relating to the fiscal regime, including: (1) development of a schedule in the new model production sharing contract; (2) a revised income tax law for extractive industries, which is now in force and reflects much of the project's policy and legal advice; and (3) a draft Mining Bill, incorporating suggestions from the project. The development of these reforms was critically supported by the use of the FARI model, with workshops conducted for local officials so that the model could be transferred to the authorities. The project also received a high profile at the "Kenya Rising" conference in Nairobi in September 2013 and again at the EAC workshop on fiscal management of oil and gas in East Africa in January 2014 (also MNRW TTF supported). A key to the success of the project has been the strong commitment of senior government officials in the key government agencies. The project encouraged lateral communication among these agencies and built strong relationships with Cabinet Secretaries and Principal Secretaries. Despite the success of the project, challenges remain, in particular the limited capacity. The project sought to address this by delivering workshops to the key agencies, and also liaised closely with the World Bank, which is delivering a large TA program in Kenya, including capacity building in the petroleum sector. Another factor in the success of the project has been the bringing together of necessary skills—policy, modeling, and legal drafting—to meet the authorities needs in a timely manner as the project progressed. The success of the project has led to the authorities seeking an MNRW-TTF project on revenue management (module 3) and showing interest in a revenue administration project (module 2).

The ongoing project in ***Mongolia*** (macro-fiscal and PFM - Module 3) began in 2013. Despite the fiscal challenges of the recent fall in commodity prices and the production slowdown in Mongolia, the project has resulted in several important reforms including: (i) significant expansion in the scope and sophistication of the medium-term fiscal framework (MTFF), including a focus on quantifying fiscal risks and measures to manage them; (ii) development of cash flow forecasting models needed to manage seasonal variations in highly volatile revenues; and (iii) support in drafting a sovereign wealth fund law aimed at inter-generational savings, which led in early 2016 to final agreement by Parliament to create such a fund—this work was complementary to the asset and liability management (module 4) project in Mongolia. The Ministry of Finance has been a strong supporter of each of these reforms. The single strongest headwind to sustainable and equitable fiscal policy are the strong political pressures to increase spending in light of the many infrastructure needs in this large and sparsely populated country. The project benefited from close cooperation with the World Bank with regard to enhancements to the MTFF and with the U.S. Treasury Department with regard to cash management.

Appendix 2. MNRW-TF Phase 2 Strategic Logical Framework

STRATEGIC OBJECTIVE: Assist low and lower-middle income countries to derive maximum benefit from their oil, gas and mineral resources		
Impact Outcome	**Impact Indicators**	**Source**
1. Increased resource revenues for low and low-middle income countries	Average resource revenues as a share of GDP increases in MNRW-TF countries Average potential government take for a standard resource revenue project in MNRW-TF countries	WoRLD 1/ Project managers FARI Model
2. Better management of EI revenues in MNRW-TF countries	A significant majority of participating countries implement reforms to improve management of EI revenues by having the following: • Medium term expenditure estimates; • Coverage and comparability of in-year budget reports: • Budget classification; • Information on revenue collections; • Consolidation of cash balances; • Reporting of contingent liabilities and other fiscal risks.	Project managers
3. Effective exchange rate and macroprudential policies in MNRW-TF countries	A significant majority of participating countries have improved their exchange rate regimes and macroprudential policies by: • Having an exchange rate that responds to changes in supply and demand, and having tools and operational procedures in place to facilitate price discovery while managing financial stability risks; and • Establishing a macroprudential policy body with the mandate to implement macroprudential policy, and having a legal framework in place.	Project managers
4. Improved statistics for natural resources	A significant majority of participating countries have improved their statistics for natural resources by: • Publishing EI revenue data in line with the IMF template; • Publishing resource and non-resource GDP separately, in line with the IMF's Statistics Manual and Compilation Guide.	Project managers

1/ WoRLD – IMF World Revenue Longitudinal Dataset

OBJECTIVE 1: IMPROVED EI FISCAL REGIMES **EI fiscal regimes in participating countries improve potential revenue flows to host governments over project life-cycles, while providing predictability and stability to EI companies, and preserving attractive returns to investment and production**		
Outcomes (expected results)	**Verifiable indicators**	**Source**
Result 1.1: Adoption of amended EI fiscal regimes that improve host government revenues, either through changes to laws, contracts, or other means	• 10 participating countries have amended their fiscal regimes broadly in line with IMF advice • Using the FARI model, estimated EI revenue potential is improved due to fiscal regime reforms in participating countries	Project managers Project managers
OBJECTIVE 2: ENHANCED EI REVENUE ADMINISTRATION AND COLLECTION **Better administration of EI fiscal regimes and efficient collection of EI revenues in participating countries**		
Outcomes (expected results)	**Verifiable indicators**	**Source**
Result 2.1: Organizational arrangements enable more effective delivery of strategy and reforms	• 8 participating countries with a clear organizational structure along functional lines and/or taxpayer segments established and operating, for the EI sector	Project managers
Result 2.2: Development of effective risk management for the EI sector	• 8 participating countries that have compliance risks identified, assessed, ranked, and quantified for the EI sector • 8 participating countries that have compliance improvement program in place to mitigate identified risks for the EI sector	Project managers Project managers
OBJECTIVE 3: BETTER MANAGEMENT OF EI REVENUES **Development of effective Public Financial Management (PFM) systems in participating countries for managing EI revenues and the expenditures arising from those revenues**		
Outcomes (expected results)	**Verifiable indicators**	**Source**
Result 3.1: Management of EI revenue and expenditures is accomplished through a credible medium-term fiscal framework integrated with the budget, and strengthened budget execution and control	• 10 participating countries that have revised or introduced a credible medium-term fiscal framework integrated with the budget that includes EI revenues • 10 participating countries with better controls over EI revenues and expenditure commitments and payments	Project Managers Project Managers

Result 3.2: Improved coverage and quality of fiscal reporting of EI revenues and expenditures and related financial assets and liabilities	• 10 participating countries that have budget classifications and charts of accounts incorporating specific EI details in line with international accounting standards	Project Managers Project Managers
Result 3.3: Effective asset and liability management framework for EI revenues, including strengthened fiscal risk management related to EI operations	• The EI revenues and expenditures are progressively conducted through a treasury single account consistent with international best practices in 10 participating countries • 10 countries that disclose and manage contingent liabilities and other fiscal risks related to EI operations more comprehensively	Project Managers Project Managers
OBJECTIVE 4: EFFECTIVE EXCHANGE RATE AND MACROPRUDENTIAL POLICIES **Effective exchange rate and macroprudential policies in participating countries to smooth the macroeconomic and financial impacts of volatile commodity prices**		
Outcomes (expected results)	**Verifiable indicators**	**Source**
Result 4.1: The degree of exchange rate flexibility is consistent with the desired FX and monetary policy regime, and does not give rise to undue financial stability risks.	• 4 participating countries in which: ○ The exchange rate fluctuates—within the bounds of any explicit policy on leaning against short-term volatility—with changes in the demand and supply of FX, and appropriate instruments and operational procedures exist for the conduct of FX intervention. ○ The transition plan to a more flexible exchange rate regime is appropriately sequenced, and prudential regulations are developed to ensure FX risks are adequately monitored and managed in the financial sector.	CD-PORT
Result 4.2: Macroprudential framework is established, and policy tools are implemented to mitigate specific systemic risk.	• 4 participating countries in which: ○ Legislation is enacted to establish an institutional framework granting the mandate and powers over tools to conduct macroprudential policy to a particular body or committee. ○ A systemic risk monitoring framework is established and implemented, and the authorities have established a framework to map the assessment of risk into policy action.	CD-PORT
OBJECTIVE 5: IMPROVED STATISTICS FOR NATURAL RESOURCES		

Development and maintenance of improved national statistics on natural resource activities in participating countries, with respect to both government finance and national account statistics		
Outcomes (expected results)	**Verifiable indicators**	**Source**
Result 5.1: Improved quality of data on government revenues from natural resources	• Participating countries have charts of accounts and budget classifications that provide the detail necessary to complete the EITI summary data template in line with *GFSM 2014* recommendations	Project managers
Result 5.2: Enhanced capacity to compile national accounts for natural resource industries	• Pilot countries have developed capacity for compiling national accounts covering natural resource industries. • A workshop conducted in collaboration with EITI counterparts to support monitoring of the UN's Sustainable Development Goals, particularly Goal 17 on strengthening domestic resource mobilization	Project managers CD-PORT
OBJECTIVE 6: TOPICAL RESEARCH AND ANALYTICAL WORK **Identification of good or best practice approaches, and distillation of lessons learned, on managing natural resource wealth, including development and implementation of TA enhancing tools**		
Outcomes (expected results)	**Verifiable indicators**	**Source**
Result 6.1: Good or best practice approaches are identified and lessons learned from experience are distilled	• 3 publications are produced setting out good or best practices and lessons learned in relation to topics related to managing natural resource wealth	CD-PORT
OBJECTIVE 7: CAPACITY DEVELOPMENT THROUGH LEARNING OPPORTUNITIES **Capacity is developed in participating countries on managing natural resources wealth through the effective use of horizontal and peer learning opportunities**		
Outcomes (expected results)	**Verifiable indicators**	**Source**
Result 7.1: Capacity is developed in MNRW eligible countries on managing natural resource wealth, through IMF training	• Number of participants from MNRW eligible countries in online or face-to-face IMF courses relating to management of natural resource wealth. • Number of women, and percentage of participants who are women, participating in these courses.	ICD Training Statistics
Result 7.2: Shared learnings by senior officials from eligible MNRW countries on the fiscal challenges and	• At least one regional/international conference or workshop per year for MNRW eligible countries to exchange views and experiences in managing natural resources wealth	Project managers

macroeconomic considerations in relation to natural resources		

MNRW-TF SUMMARY REPORTING ON OUTPUTS
Number of TA missions completed (total and by module)
Number of TA reports produced (total and by module)
Number of workshops completed
Number of research papers published
Number of people trained (disaggregated by online and face-to-face and by sex and region)

Appendix 3. List of Indicative Countries Satisfying Eligibility Criteria

List of Countries that Satisfy Eligibility Criteria (new countries in bold)

(Based on World Bank country classification at 1 February 2016, and satisfaction of resource revenue or export criteria; those countries identified as EITI countries are those that do not satisfy the revenue/export criteria, but are EITI compliant or candidate countries)

Low-Income Countries

Afghanistan
Burkina Faso
Cambodia
Central African Republic
Chad
Congo, Dem. Rep. of
Ethiopia (EITI country)
Guinea
Liberia
Madagascar
Malawi
Mali
Mozambique
Niger
Sierra Leone
South Sudan
Tanzania
Togo
Uganda

Lower-Middle-Income Countries

Bolivia
Cameroon
Congo, Rep. of
Cote d'Ivoire
Ghana
Guatemala
Honduras (EITI country)
Indonesia
Kenya
Kyrgyz Republic
Lao PDR
Mauritania
Myanmar
Mongolia
Nigeria
Papua New Guinea
Philippines (EITI country)
Sao Tome and Principe
Senegal (EITI country)
Solomon Islands
Sudan
Syrian Arab Republic
Tajikistan
Timor-Leste
Ukraine (EITI country)
Uzbekistan
Vietnam
West Bank and Gaza
Yemen, Rep.
Zambia