

Changelog

Amendments to Level 1 and 2 text made following global consultation during 2010 and the 2010 Annual Natural Resource Charter Workshop, Oxford, 16th and 17th September 2010.

The Natural Resource Charter (NRC) is addressed to a broad array of stakeholders in natural resource extraction across a great variety of countries. Its intended audience is thus very large. Therefore, each of its 12 Precepts (P1-12) are described, analyzed and supported at four different Levels of detail and technical complexity (L1-4). L1 consists of the Precepts themselves, L2 of a description of the Precepts addressed to an intended audience including non-specialist journalists, civil society organizations and interested members of the public in resource-rich developing countries, as well as the home governments of extractive companies and international capital centers. L3 comprises discussion papers laying out a technical guide to best practice and synthesis of the latest research and L4 is a compendium of references and other supporting data. Both of the latter two are more suited to technical and specialist audiences, but should be by no means restricted to them.

The textual changes described in the following pages arose both from direct commentary at the workshop and subsequent analysis of those and other contributions. These were focused on the overarching L1 and L2, which together make up the bulk of the November 2010 NRC Brochure. The changes were derived from a sense of the informal consensus of proceedings, as determined from video recordings, transcripts and written contributions, and are reproduced without specific attribution in the Chatham House fashion. Alterations at one level, e.g., Precept 3, Level 3 (P3-L3) were often followed up by complementary alterations at another level, e.g. Precept 3, Level 2 (P3-L2). Where appropriate, the draft text heading into the conference is reproduced in full, and the subsequent re-write included to allow for full before/after comparison.

Level 1: The Precepts

- **P3**

- Before:
 - ‘Fiscal policies and contractual terms must ensure that the country gets maximum value and be sufficient to attract the necessary investment to realize that value. The long-term nature of resource extraction requires policies and contracts be robust to changing circumstances’.
- After:
 - ‘Fiscal policies and contractual terms should ensure that the country gets full benefit from the resource, subject to attracting the investment necessary to realize that benefit. The long-term nature of resource extraction requires policies and contracts that are robust to changing and uncertain circumstances’.
- Explanation:
 - ‘Value’ changed to ‘benefit’, to emphasize broader, multi-stakeholder concept of gain, given narrower, business-centric connotations of ‘value’ (though these aren’t being rejected in the change; they are instead included as a component of benefit).
 - Reference to contracts being ‘trusted’ excised, though robustness to changing circumstances was retained, with the additional description of such circumstances as inherently ‘uncertain’ as well as changeable.
 - As throughout the Charter, the use of prescriptive language was occasionally tinkered with, so long as the commitment was not watered down; in this case ‘musts’ become ‘shoulds’.

- **P4**

- Before:
 - ‘Competition in the award of contracts is a critical mechanism to secure value and integrity’.
- After:
 - ‘Competition in the award of contracts and development rights can be an effective mechanism to secure value and integrity’.
- Explanation:
 - Competition in contracts/development rights no longer listed as ‘critical’ mechanism, instead: it ‘can be an effective’ one since ‘critical’ was seen as too forceful and undermined the detailed content of the Precept, with its emphasis on the importance and difficulty of designing effective competitive systems; competition is no simple panacea.

- **P5**

- Before:
 - ‘Resource projects have serious environment and social effects which must be identified, accounted for and mitigated for at all stages of the project cycle. The decision to extract should be considered carefully’.
- After:
 - ‘Resource projects can have significant positive or negative local *economic, environmental and social effects* which should be identified explored, accounted, mitigated or compensated for at all stages of the project cycle. The decision to extract should be considered carefully.’

- Explanation:
 - The draft Precept was both too narrowly focused and too strong. It was thus edited to stress that effects could be ‘positive or negative’ and that they should be ‘explored’ as well as just identified. As well as being ‘mitigated’ it was added that such effects should be ‘compensated for’.
 - In other ways, the original draft was too broad, and thus was narrowed to emphasize that this Precept was particularly focused on impacts which were disproportionately local, since the NRC as a whole—in each and every Precept—addressed wider effects.
- **P6**
 - Before:
 - ‘National resource companies should be commercially run operations. They should not be charged with conducting regulatory functions or other governmental activities’.
 - After:
 - ‘Nationally owned resource companies should operate transparently with the objective of being commercially viable in a competitive environment’.
 - Explanation:
 - Initial confusion about whether absencing national resource companies from being ‘charged’ with regulatory functions implied that they would not have to fulfill regulatory obligations led to some change for clarification. But this also raised the problem of how practical such strictures were in countries of very low capacity that were just developing professional capabilities. It was noted that recent research had explored this theme in detail and provided new evidence. Such countries, it was decided, may need to make use of in-house expertise (with precautionary internal administrative divisions) to begin with, so long as these were transparent. This being the case it was decided to rephrase the suggestion that national resource companies ‘should *be* commercially-run operations’ to better emphasize that this was the ultimate aim—that they should *become* such. Hence the language on the ‘objective’, which also better suggested that the NRC took into account that national resource companies were the norm and were here to stay— and that this was not incompatible with their behaving like commercial companies. It was concluded that this better reflected the nuance at L2 and L3 whilst adding to—rather than detracting from—the clarity of P6 itself.
- **P7**
 - Before:
 - ‘Resource revenues should be used primarily to promote *sustained economic growth* through enabling and maintaining *high levels of domestic investment*’.
 - After:
 - ‘Resource revenues should be used primarily to promote *sustained, inclusive economic development* through enabling and maintaining *high levels of investment* in the country’.
 - Explanation:
 - The call for the promotion of sustained growth became ‘sustained, inclusive economic development’. Specifying investment as being ‘in the

country’, which though effectively the same as ‘domestic’ served, was inserted so that, alongside the first change, it would stress that the NRC is devoted to broader development aims and needed to have language better suited to *all* stakeholders at L1 & L2, particularly given its prospective civil society audience.

- **P8**
 - Before:
 - ‘Effective utilization of resource revenues requires that *domestic expenditure be built up gradually* and be *smoothed* to take account of revenue volatility’.
 - After:
 - ‘Effective utilization of resource revenues requires that *domestic expenditure and investment be built up gradually* and be *smoothed* to take account of revenue volatility’.
 - Explanation:
 - ‘Investment’ was added to ‘expenditure’. Reflects that current expenditures are finite, whilst investment can help prepare for post-depletion.

- **P9**
 - Before:
 - ‘Government should use resource wealth as an opportunity to increase the *efficiency of public spending* and to stimulate economic diversification’.
 - After:
 - ‘Government should use resource wealth as an opportunity to increase *the efficiency and equity of public spending* and enable the private sector to respond to structural changes in the economy’.
 - Explanation:
 - ‘Effectiveness’ was dropped as excessive given the presence of efficiency, which was now twinned with ‘equity’ instead; effectiveness was considered as a given aim that needed no mentioning for the intended audience, and implicit in the other two in any case. The consensus idea was that if new expenditure created an opportunity to improve the integrity and effectiveness of spending, it also created an opportunity to improve its fairness and that it was crucial that this be given equal billing if the aim was to secure maximum benefit to citizens, but also—crucially—if natural resource policies and aims were to secure the broadest possible informed consensus around NRC goals.
 - The addition of ‘enable the private sector to respond to structural changes in the economy’ arguably is merely restated in P10 in its discussion of diversification. This repetition reflects the critical importance of this issue for countries seeking to avoid the resource curse and producing sustained benefits that endure when natural resources are depleted. It also reflected concern that public expenditure should not be considered in isolation from – or antithetical to - the private sector.

- **P10**
 - Before:
 - ‘Government policy should *facilitate private sector investments* at the national and local level to exploit opportunities for domestic added value

and diversification from the structural changes associated with resource wealth’.

- After:
 - ‘Government should *facilitate private sector investments* at the national and local level for the purposes of diversification, as well as for exploiting the opportunities for domestic value added’.
- Explanation:
 - The first version was not very clear. The second stressed the primary aim of government facilitation: diversification, to which exploiting opportunities for domestic value added was secondary. With the precise language on ‘structural changes’ now in P9, ‘diversification’ can better stand on its own in P10 with the overall aim still clear and the emphasis on the importance of diversification and dealing with structural change strengthened.

Level 2

- P2

- ‘Political will’ added to capabilities and capacity as the two alone guarantee nothing without the will—and will is not a matter of individual application so much as political economy.
- ‘Extractive resources are public assets’ was clarified with a footnote that ‘most countries’ deem natural resources the property of the state (or in some cases the State or Province). The NRC is recognizing this overwhelming fact, rather than advocating a particular conception of what could and should constitute public assets.
- Accountability becomes a requirement of effective resource governance, not something that can just ‘strengthen’ it.
- ‘Parliamentary representatives’ replaces ‘representatives in government’ to stress the need for representative figures outside of the executive and responsible to the citizenry in ensuring accountability.
- That citizens, representatives and civil society must be able to act on information ‘with respect to all aspects of the decision chain’ was excised: it is redundant given that the Charter’s *raison d’être* and running thread is about the need to cover the entire chain.
- The precedents for the right to information from the UDHR, Rio Declaration, Aarhus Convention etc. and the success of EITI were added as illustrations. Reinforces claim to a broad norm, indicates the NRC builds on a strong foundation of previous activity.
- That the public is entitled to information has only been ‘advanced’; there is much work to be done to ensure this principle is fully ‘established’, hence the latter’s alteration to the former.
- A sentence was added to link transparency to improved government policymaking in terms of ‘efficiency and effectiveness’ in order to echo other parts of the NRC and emphasize the importance of tying transparency to behavioral change rather than promoting transparency for transparency’s sake.
- ‘Freedom’ was added to the requisites of an active civil society that has the capacity to hold companies to account. It was added to avoid any appearance of equivocation on the point, which was mentioned later in the paragraph but is now promoted, and is related to the addition of ‘political will’ earlier in the section: capabilities and capacities are insufficient if they are constrained by a lack of will, or the chilling effect upon that will of a lack of freedom to make use of them.
- That transparency *does* lower the cost of capital was inserted as a stronger alternative than the original ‘is known to’.
- The last sentence in the paragraph on ‘active civil society’ was split in two to stress not only that civil society must be independent in its appointments but must operate with a general level of independence if it is to be effective.
- A paragraph was added to the end of P2-L2 stressing that accountability requires responsibility and enforceability—i.e. there had to be penalties so as to put real meaning behind ‘holding to account’. Without such consequences it was feared that political accountability alone would not be sufficient constraint. Corrupt officials and criminals must not just be exposed to daylight and called to account in public opinion—they must be held responsible.

- **Preamble to Precepts 3-10**

- ‘The chain of decisions’ replaced just ‘decisions’ to echo and emphasize the Charter’s overarching theme calling for a comprehensive approach to a decision chain with a ‘weakest link problem’, which was also inserted into the preamble.
- ‘Development’ was added alongside diversification. Another case of language being ‘promoted’ from the main body of text to the Precepts or preambles to avoid excessive emphasis on narrow ends: diversification is the means of securing sustained development, not an end in itself, and it is appropriate to emphasize this in preambular language. It is entirely legitimate and desirable that revenues go towards the promotion of development more broadly conceived – even immediate consumption needs – as well as diversifying the economy so that consumption and broader development gains are sustained.
- The number of precepts in the section was inserted to help make the grouping of Precepts more familiar to a reader.

- **P3**

- ‘International’ was removed from partners as part of the general promotion of the acceptance of the important role national companies pay, especially if partners of government rather than an extension thereof. The criteria of partnership should be the necessary technical and management skills, and it is not presupposed that these would necessarily be possessed only by international companies (even if, in many cases, this is quite likely).
 - Similarly, that partners could be ‘public or private’ is also excised. It goes without saying.
- ‘Reasonable fiscal and contractual terms that simultaneously balance the tradeoffs’ was struck out in favor of language on the need to ‘attract’ partners. This required ‘carefully designed’ fiscal and contractual terms. These were all new constructions which were chosen because they were considered less likely to generate suspicion than the vague standard of what was ‘reasonable’ and implied that so long as design was carefully pursued varying circumstances could legitimately and effectively produce any of a broad spectrum of specific architectures.
- The type of royalty suggested by the need for government to share in profitability and have minimum revenue in all periods was spelled out as one levied on ‘a value or physical basis’ to indicate what precisely was meant here by royalty and the choice available under that heading. L2 is addressed to a broad audience and so must spell out things that would be taken for granted at L3.
- ‘Enforceability and administration will be enhanced if these contingent elements are linked to variables that are observable and verifiable, such as world prices’ was clarified by replacing contingent with specifically ‘fiscal’ elements, and by qualification of the statement as a whole with the additional suggestion that this be done, yes, but only ‘when possible’.
- ‘Some factors’ to be taken into account in fiscal regime design were omitted. These were more appropriate as introductory or summary elements in L3, rather than here in L2.
- A paragraph on production sharing agreements was inserted.
- An extra paragraph on stability and robustness to changing circumstances. This specifies what would constitute an effective design alluded to earlier but couched it in the language of requiring flexibility, justifying it as being designed to

- maintain balance between parties and preserving the agreement from renegotiation or defection.
- ‘Which may have been poorly executed’ was excised from the discussion of projects. Negative impacts can result from good, poor or indifferently executed projects and so it was counterproductive to imply that the concern was chiefly with poor projects; the concern is with the impact of the impacts, so to speak, not their provenance.
 - ‘Regulations’ was added alongside ‘contractual terms’ as leaving it as the latter alone neglected the former’s role in defining critical terms and measurements used in assessing impacts.
 - In addition to specifying impacts, ‘avoidance ‘ ‘mitigation’ and compensation were added: it is not sufficient to identify or account for impacts—to ensure stability, fairness and accountability in agreements clarity is needed as to what necessarily follows from identifying risks or impacts. Or, as was also added in order to summarize: ‘responsibility for legacy impacts needs to be carefully assigned’. This is of a piece with the general upgrading of the NRC’s ‘beyond transparency’ themes throughout the redrafting of the document: to bring about changes in behavior transparency requires accountability, enforceability and responsibility with a clear and flexible consensus amongst stakeholders as extraction begins so that they can be held mutually accountable by each other.
 - Management was upgraded to coequal status with technology to stress that physical capital alone is not sufficient—or even as important as—acquiring broader how-to knowledge.
 - A simpler description of prequalification was adopted and the term dropped in favor of ‘licenses’ requiring a ‘demonstration’ of capabilities required to be eligible for bidding.
 - ‘Licenses’ was further clarified to the ‘granting of licenses’: the licenses should not be granted until capabilities are generated, not afterwards (i.e., in the terms of the license).
 - A paragraph on ‘commodity market risks’ and ‘uniformity’ was omitted as unnecessarily detailed and replaced with a simpler paragraph on ‘allocation of risk’, with some discussion transferred to a preceding and newly-inserted paragraph on ‘fiscal stability and changing circumstances’.
 - Before: ‘Commodity market risks; future prices for natural resource outputs are uncertain. Governments typically wish to preserve some minimum revenue flow at low prices, e.g. via a royalty, while participating in any upside, e.g. via profits or return based taxes implement via income taxes or production sharing arrangements. Investors will be averse to paying royalties while making sustained losses but may be willing to be exposed to commodity price volatility if they can balance upside and downside risks. International companies may also be best placed to accept market demand risk if they have their own marketing networks. Inevitably these factors will either be subject to negotiation or set prior to bidding. The key contractual point is that there should be clear renegotiation and arbitration mechanisms in the event markets, preferably defined by reference to independent international benchmarks, move outside the range originally envisioned by the parties’.

- Beneficiary owners should be ‘disclosed’, which implies publication, rather than ‘known’, a passive construction which does not clearly connote who should know: the aim is for maximum transparency; who the information is known to and how they can act on it is crucial.
- Still further qualification in the description of auctions for the rationales outlined above and below led to some simplifying of more detailed discussion
 - Before: ‘Where practical, auctions are generally the preferred mode, both on grounds of transparency and securing maximum value. Such actions are likely to require pre selection of bidders in order to ensure that participants are reputable and technically qualified, and to limit the numbers entering the bidding round’.
 - After:
 - Technical competence, capacity and financial capability may be important criteria for careful and robust pre-qualification’.
 - ‘Where practical, auctions are generally the preferred mode, both on grounds of transparency and of securing maximum value’, as before, with added ‘The design of the auction or allocation mechanism may differ across resource types and geological conditions’. This played down any implications of one size fitting all.
- A paragraph was added on strategic partnership as an alternative to auctions if and when it becomes apparent that auctions will fail. This accepted the reality and potential desirability of strategic partnership, but tied endorsing this in practice to a finding that auctions were not applicable first. Thus the status of auctions as most desirable in the abstract was maintained, with a cautious endorsement of partnership in particular circumstances, if those circumstances are analyzed and justified rather than assumed.
- A sentence on the need for ‘clear incumbency rights’ for prospectors or geological info providers was added, for, without it, the necessity of good geological information could be lost as a result of uncertainty and contention over these rights, and the ultimate benefit not attained.
- A paragraph requiring terms to be set in law or regulations and another on making as much information as possible available to the public prior to the awarding of contracts was struck out. This is a general principle of the NRC covered at other levels and in other Precepts.
- **P5**
 - Inserted a sentence in the first paragraph on the need for assessments and their relationship to the decision whether or not to extract:
 - ‘The decisions to explore or develop should be informed by an *understanding of the possible local economic, environmental and social consequences*, usually through a strategic or project impact assessment. These consequences need to be weighted in the decision of whether or not to extract’.
 - The specifically local impacts were highlighted from the start and stressed. The second paragraph was added, as was additional text in the first paragraph indicating that spillovers ‘will be felt most by communities located in the region being explored or developed’.

- Some unnecessary repetition of the text of P5, coupled with too much detail for an introduction was excised from the first paragraph. This was not a rejection of ‘impact assessments’; indeed, it was added later in the paragraph that these were a useful tool and that they ‘should be public documents’.
 - Technology was not the only reason suggested for deferring extraction: ‘new data’ was added, correcting an oversight.
 - Locality was emphasized, with an additional paragraph on the benefits to regions, prior to the paragraph on their bearing a disproportionate share of the costs as well. The NRC did not want its increased emphasis on the disproportionate local costs to provide an implicit justification of the over-localization of the benefits of what are *national* resources.
 - A paragraph was inserted on indigenous prior informed consent, an issue which had been neglected and is of increasing importance. It is likely more elaboration on this point will be required.
- **P6**
 - The importance of national resource companies as capacity-builders was added, in contrast to the more negative approach of the earlier draft. Thus was the ‘legitimate national stake’ argument harnessed to an argument about capacity. National resource companies were accepted as a ‘fact of life’ many nations had already chosen and which had to be worked with. But, again, this shift in tone was married to an emphasis on an ultimate objective of commercial viability: a disciplined acceptance rather than a casual endorsement.
 - Before: ‘Many resource-producing companies have chosen to use public sector enterprises to develop their resource base, in whole or in part. Often this is motive by a legitimate political objective of exerting full ownership and sovereign rights over a country’s resource base. However, state-owned resource companies may not be the best vehicle to deliver ownership and maximum revenue to citizens. Governments face difficult decisions as to whether to create such enterprises, and if so what kind of governance and regulation will best ensure maximum value and development benefits for their citizens’.
 - After: ‘Some resource-producing countries use public sector enterprises to develop their resource base, in whole or in part. State-owned companies might be used to develop domestic capacity and support development of domestic linkages between the resource and other sectors. These objectives might be beneficial at some point during an economy’s development, but the state enterprise should adapt to changes in the economic environment. Successful national resource companies have been characterized by limited scope, professional management and a founding goal of becoming commercially viable’.
 - A single paragraph linking a trajectory to commercial viability and transparency together was inserted rather than two separate points in order to stress their intimate connection. The description of what a successful resource company would be like was thus modified. The endorsement of national companies was conditioned on making them ‘transparent and subject to market tests’. If a more positive approach was to be taken to national resource companies, the reasoning went, this had to be qualified by inserting the ultimate goal of commercial viability and by indicating the need to monitor trajectory via transparency. This

compromise thus maintained the consistent judgment and warning of the NRC across multiple drafts: many national resource companies have performed poorly.

- Reference to ‘inefficiencies associated with monopoly’ was deleted. As was a reference to procurement as a ‘major source of waste and abuse’. They were considered unnecessarily pejorative uses of language.
 - State enterprises should compete for ‘inputs as well as outputs’ replaced ‘investment and operating funds’. Competition can be effective across far more domains than the initial draft suggested.
 - Reduction in detail and reworking of negative tone: the aim being to increase simplicity and clarity:
 - Before: ‘New investments and additional operating cost ultimately come either at the expense of other government programs (if internally generated funds are used rather than being paid as dividends to the state for use in other programs) or by increases in the public debt. Any initial public investment and organizational costs should be treated as government expenditure and be evaluated in the context of the alternative uses of public funds’.
 - After: ‘New investments and additional operating cost come either at the expense of other government programs or by increases to total public debt (SOE debt plus public debt). All investments should be judged relative to the cost of public funds’.
 - The new draft’s added-in, cautious acceptance of national resource companies (if on a commercial trajectory) required the insertion of a stronger health-warning against conflicts of interest between an entity charged with being ‘commercially viable’ and with fulfilling regulatory functions affecting profitability.
 - ‘Subsidized fuel’ was replaced with ‘subsidized output’. The former is too narrow: the concerns about subsidies can apply to non-fuel outputs too.
 - ‘Opportunity cost’ was replaced with ‘equivalent budgetary cost’ to reduce the amount of economics jargon to suit the L2 target audience.
 - Tone: the concluding sentence was struck out as too emphatically repeating what was already apparent in the preceding text, and as inappropriately depicting a stark dichotomy between politics and professionalism that would be unnecessarily contentious and risked missing the point.
- **P7**
 - ‘Infrastructure’ was explicitly expanded to include the ‘physical, human and even environmental’, so as to clarify that the term did not mean narrowly physical projects. ‘Social protection’ was removed, but only as it was held to be subsumed under the expanded definition of human infrastructure.
 - ‘Broad-based growth’ now a ‘necessary condition of sustainable poverty reduction’ and not ‘the only route’ to it.
 - An important caution concerning ‘sustained high levels of investment’ was removed from lower down L2-P7 and inserted into the second paragraph: productive absorption of investment ‘may at any time be limited by its human capital and administrative capacity as well as by its physical infrastructure’; this increased salience reflects the Charter’s focus upon ‘investing in investing’.
 - Expansion on infrastructure ‘in addition’ to ‘physical capital investment’ and the justification of such investments as being ‘worthwhile in themselves’ was added. This emphasized a key theme of the research behind the NRC: the appropriateness

of immediate consumption boosts and concordant immediate improvements in welfare. This was included alongside discussion of the role of infrastructure investments in ‘improving the climate for investment’ from the original draft, and the added ‘complementing private investments by raising the returns to capital’; because the goal is not just the creation of a friendly environment for private capital, but actively complementing such capital. This point on complementing, as well as facilitating, was not clear in the original draft.

- In cautioning against the over-eager embrace of sovereign wealth funds by low-income countries, the rationale was rephrased. The need to remedy ‘these deficiencies’ of capital-scarce, low-income countries was reframed as a generally pressing matter of both human welfare *as well as* the need to increase the rate of return. This was an alternative to justifying opposition to sovereign wealth funds in low income countries *solely* on the basis that ‘the return on appropriate domestic investment can be above what can be earned by investing on world markets’. The two (welfare concerns and comparable rates of return) are obviously not antithetical, but the latter’s relation to the former is more appropriately explored further at L3.
- ‘Administrative capacity’ was added to ‘human capital and infrastructure’ in the list of what determines absorptive capacity for investments. The NRC is primarily addressed to governments and the informed civil societies necessary for their successful functioning; singling out ‘administrative capacity’ rather than leaving it subsumed in ‘human capital and infrastructure’ was thus thought appropriate.
 - This was elevated to a higher point in L2-P7 (see above) to better reflect its importance.
- Cash transfers were pulled out into a paragraph on their own and substantial detail added, going beyond just mentioning the political economic implication of reminding citizens they are the ‘ultimate owners’ to identifying a potential avenue of improved accountability and raising the awareness which is foundation of an informed consensus. Thus was the original point more explicitly linked to the *raison d’être* of the NRC as a whole. This was potentially politically contentious and required more sympathetic argumentation. The use of transfers was justified on the basis of lack of capacity, poverty of information for sound citizen investment, market failures and volatility, rather than being implicitly derisory of governments. These justifications also suggested some limits to using transfer programs and thus there was also added the suggestion that only a portion of resource revenues may be spent on transfers.
- Recent research on the success of *conditional* cash transfers was incorporated as it spoke to concern about designing transfer mechanisms to meet distributional goals.
- The cash transfer section’s expansion led to the critical discussion of subsidies being separated out into a paragraph of its own and the critique given greater weight by the suggestion of an alternative (transfers) that is much more preferable (than subsidies) in meeting similar ends.
 - This critique was concluded with a link back to the preferable alternative of cash transfers with the paragraph’s added conclusion that ‘some form of direct or targeted transfers may be preferable and less costly’.
- Redistribution was added as a legitimate objective in addition to poverty alleviation.

- Instead of simply counseling prudence in designing expenditure mechanisms as a virtue in of itself, additional rationale was provided in the warning that expenditures are ‘hard to reverse’.
- **P8**
 - The need for smoothing was strengthened in the opening paragraph to better reflect its importance; a gradual buildup is ‘likely to be necessary’—it is not a question of it just maybe being so.
 - The recent financial and economic crisis was explicitly added in recognition that the experience of it supports the argument of P8, and that the crisis deeply affects the contexts in which decisions about domestic expenditure and investment are made.
 - ‘Stabilization funds’ were replaced by ‘assets held for the purposes of stabilization’ because it is the function, not the specific design, that is important, especially as—in another addition—it was clarified that, for example, foreign assets ‘can be held in a combined fund with a portfolio of different asset fundings’. This undermined the firmer dichotomy of the earlier draft between ‘future generations’ (also called ‘heritage’) funds and stabilization funds, to reflect a greater flexibility in operational practice.
 - Accepting such mixing required an additional health warning: these assets are for stabilization/heritage funding and not for any general rainy-day purposes—at least not huge ones. The recent crisis highlighted how they may be attractive for such purposes, but in order to be effective they would be distorting in their bulk, hence the warning.
 - ‘A period of low prices’ was clarified as simply an example—it is ‘fluctuating events’, not just low prices, that smoothing should deal with.
 - Clarification added that the aim *is*, in part, to build a long run ‘savings’ fund, but that this was not the ‘exclusive’ goal.
 - The stabilization fund should have ‘a portion’, not its entirety ‘in a form that is less exposed to fluctuations in value’. This recognizes the role of both short-term and medium-term stabilization; countries will desire assets both highly liquid and others less so.
- **P9**
 - That the quality of spending was a matter of its efficiency/effectiveness *and* equity/fairness was introduced throughout, such that it was held that what made spending ‘valuable’ was its performance in both areas. As with the replacement of ‘value’ with ‘benefit’ elsewhere this was intended to refer to the broader, sustained gain for citizens without rejecting the crucial importance of questions of business ‘value’, which could be interpreted as indicating excessively narrow concerns.
 - What was meant by ‘integrity’ was defined, clarifying that misallocation is as much a concern as clear, outright corruption.
 - The shock-absorbing capacity of an economy was correctly re-identified as an ‘economic’ characteristic, not a policy.
 - Flexibility is advocated not merely as a good way for resource-rich economies to weather shocks, but as highly valuable because such shocks are more likely to strike such economies: ‘since resource-rich economies are exposed to particular types of shocks they should prioritize such flexibility accordingly’.
- **P10**

- Local content discussion was substantially expanded for clarity and to make up for the lack of attention to this key area in earlier drafts.
 - Before:
 - ‘The role of government in encouraging supply to the resource sector includes reasonable local content clauses in contracts, promotion of technical training and business laws which encourage capability building and joint ventures with international suppliers. Such support should not impede the efficiency of the resource sector’.
 - After:
 - ‘The role of government can include requiring investors to use local source or other levers to build the competitiveness of local firms. Large investors often have access to technology, skills and standards which would make local firms more competitive. Governments can require investors to develop a package of local sourcing and knowledge transfer as part of their bid for concessions, or in post-award negotiation’.
 - ‘It should be noted that laws which simply require a portion of investor expenditures to be made inside the country may lead to adverse and unintended effects. These can include rent seeking, importing products without adding jobs or value locally, and the build-up of local industry which is non-competitive once the investor departs. As a general rule, laws that incentivize long-term competitiveness are superior to laws that incentivize short-term purchasing alone’.
- Diversification *is* the preferred use of increased capital, not ‘likely to be’; this required greater clarity’.
- **P11**
 - Enhancing transparency as a *starting* point only was added to respond to EITI and Dodd-Frank(Cardin-Lugar)’s success and so as to more explicitly identify how the NRC complements rather than duplicates it: the entire value chain must be embraced to secure and build on progress. References to Cardin-Lugar were added to the previous mention of EITI and the need to build on ‘the first steps beyond voluntarism’ was also inserted. This was a response to changing events.
 - The meeting of EITI requirements is advocated, and straightforwardly so, the qualification ‘where relevant and material’ was excised as unwarranted and confusing.
 - IFIs role in furthering NRC goals was expanded from their financial contribution, to call for their acting in their equally valuable (and more easily accessible) roles in technical assistance and political influence (in that order).
 - IFI’s ‘influence’ was replaced by ‘leverage’ to strengthen it; the goal of avoiding excessive conditionality should not be confused with a desire to eschew the important role of IFIs as powerful drivers of behavioral change.
 - International competition discussion editing for clarity:
 - Before: ‘The economic basis for this international competition in access to natural resources is usually flawed’.

- After: ‘The economic rationale that is used to motivate a competitive approach to securing access to natural resources is often overstated’.
 - That importing countries can pay market rates without requirement for preferential access only ‘generally holds’, though it also applies to ‘long-term contracting’ in addition to such access to extraction.
- **P12**
 - Reporting ‘country-by-country’ and not just ‘by country’ was an alteration made to explicitly establish the NRC’s support for and consonance with the growing moves in tax fairness campaigns in many countries that are uniting behind this specific slogan. ‘Project-by-project’ may need to be added as well.
 - The UN’s role in norm formation was more accurately described as being long-gestating rather than recently originated. In addition, language was added to specify that UN efforts here were being met with ‘growing acceptance’ compared to those earlier in its history, as it was felt this merited being specifically flagged.