Good resource governance
An international quest

Jose Correia Nunes
European Commission, DEVCO 03
Head of Unit

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Natural Resource Governance Challenges.

- Domestic Revenue Mobilisation: how to improve Transparency and Accountability

- Value chain: contribute to sustainable development – vertical integration vs horizontal integration
Management of resource revenues presents unique challenges.

- **Revenues are volatile:** price swings on the world market, variability in production
  
  Boom-bust development cycles can be detrimental to growth

- **Revenues are non-renewable and thus finite**
  
  How to split the resources between savings and consumption to best serve intergenerational equity. Income distribution impact on growth

- **Revenues might not be absorbed effectively in the short term.**
  
  Capacity constraints: institutions, human capital
Important decisions

- how much of the revenue to consume and how much to save and invest?
- If consumed: Current expenditures vs. investment expenditures (scale up invest)?
- Do we need to invest on domestic capacity to increase absorption (human capital and effective institutions)?
- Sovereign wealth funds: how to manage?
- Shock Absorbing Mechanisms: how to mitigate risks?
Sound fiscal management: understanding the impact of resource revenues on public finances

**Goal:** Contribute to sustainable development and poverty and inequality reduction

**Conditions:**

- Macro policy decisions on resource extraction and resource revenues are taken within the context of the country’s long-term development strategy.
- Resource revenues are used in a transparent and accountable manner: spending decisions are taken in the context of a medium-term budget framework and are consistent with long-term fiscal sustainability. Effective and efficient allocation of resources.
- Understanding fiscal risks (contingent liabilities) and Tax expenditure.
Global Economy - Global Transparency and Accountability

**Conditions:**
- Increase the global Pie: More effective and efficient allocation of resources globally
- Promote transparent, cooperative and fair tax environment
- Fair redistribution of the benefits of the globalisation
Ensuring Global Transparency and Accountability and establishing a level playing field

**Obstacles:**
- Tax evasion
- Tax avoidance
- Illicit capital flows
- Natural resources course and curse: short-sightedness
Ensuring Global Transparency and Accountability and establishing a level playing field

Responses:
- Country by Country Reporting
- EITI
- Transfer Pricing
- BEPS -OECD
- ITC
- UN
- Africa Mining Vision
- ...

Ensuring Global Transparency and Accountability and establishing a level playing field

**EU Responses:**
- CBCR
- Policy initiatives
- Transfer Pricing initiative EU-OECD-WB
- EITI support
- BEPS -OECD
- ITC
- UN – Transfer pricing manual
- Africa Mining Vision
- Support to regional organisations
- ...

EU response on Transparency in revenue collection and allocation

- Contribution to the set-up of a global standard of Transparency in the extractive and forestry sectors.
- Promoting a transparent, cooperative and fair international tax environment at global level to increase DRM
- Enhancing participation and involvement of all countries and regions in the global tax dialogue in order to help them build up effective, efficient, fair and sustainable national DRM systems