



Good resource governance An international quest

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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 curse 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