World Energy Outlook 2008
International Energy Agency
12 May 2008, Maputo
Session 3: Revenues Management – what works and what does not work

Presentation by Luigi N. Tessiore,
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Western & Central Africa Sub-Regional Office UNDP

Luigi.Tessiore@undp.org
HDR 2005: Link between high mineral wealth and low HDI
Intended Reach of Ongoing Initiatives on Resource’s Revenues Management and Governance
<table>
<thead>
<tr>
<th><strong>Transparent and economically prudent</strong> (with respect to revenue generation) investment agreements negotiate between Governments and companies</th>
<th>Govt Comp</th>
<th>ETI</th>
<th>PWp</th>
<th>OS1</th>
<th>CRS</th>
<th>IBP</th>
<th>GRI</th>
<th>IMF</th>
<th>SWAp/GS</th>
<th>PRSIs</th>
<th>Aarhus Convention</th>
<th>KP</th>
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<tbody>
<tr>
<td>Companies disclose what they pay to governments</td>
<td>Comp Govt</td>
<td>X</td>
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<td>Governments and national oil (NOCs) companies disclose what they receive</td>
<td>Govt NOC</td>
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<td>Credible <strong>formal</strong> (auditors) and <strong>informal</strong> (civil society) oversight systems for payments and receipts</td>
<td>CSO</td>
<td>X</td>
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<td>Governments disclose the criteria or policies upon which they allocate resource revenues</td>
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<td>Governments facilitate participation by civil society in deciding the allocation criteria, policies and priorities, ie achieving ‘downward accountability’</td>
<td>Govt CSO</td>
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<td>Governments build transparent budgeting and expenditure frameworks and systems</td>
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<td>Governments disclose the distribution of revenues to ministries and lower layers of government, eg provincial level</td>
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<td>Governments implement transparent and fair procurement procedures relating to expenditure of resource revenues</td>
<td>Govt</td>
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<tr>
<td>Credible <strong>formal and informal oversight</strong> systems for revenue distribution, budgetary allocation and tracking, and procurement</td>
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<td><strong>Outcome performance monitoring and evaluation</strong>, with credible oversight, ie impact on poverty</td>
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<td>Local development and Service Delivery - MDGs</td>
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Revenues’ Cycle

**Generation of Revenues**
- Production processes and commercialization
- Payments to governments
- Revenues stabilization and savings
- Fiscal & macroeconomic policy

**Use of Revenues**
- Budget allocation to reduce poverty & promote growth
- Budget execution (national & local)
- Development effectiveness

**NRNR Revenues’ Cycle**
Revenues’ Cycle Assistance

Transparency initiatives

Production processes and commercialization

Payments to government

Revenue stabilization and savings

Fiscal and macro economic policy

Budget allocation to reduce poverty and promote growth

Budget execution (national and provincial)

Development performance

WB, ADB, IMF clear strengths

Revenue ‘Cycle’

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Rationale for the local approach

- **Increased impact**: high sustained market price of Mineral resources (next 5-10 y);
- **Increased social responsibility**: open public-private partnerships from local to central levels for poverty reduction actions;
- **Increased sustainability**: endogenous source versus exogenous source;
- **Increased transparency and accountability**: local management & direct social oversight (CSOs participation);
- **Commonly accepted**: new oil (and mineral) revenues management legislations accept the “local principle”;

LUIGI N. TESSORE 2005
May 2008
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Revenue Cycle’s Governance

<table>
<thead>
<tr>
<th>Levels</th>
<th>Attributions</th>
<th>Tools &amp; Activities</th>
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<tbody>
<tr>
<td>Supra-National Cross-Border</td>
<td>Dialogue, Negotiations, Harmonization,</td>
<td>Bi-multilateral Treaties &amp; Joint Activities ........</td>
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<tr>
<td>Central Government</td>
<td>Contracting, Macro Stabilization Investments Programming &amp; Execution</td>
<td>Budgeting, Sectoral Investments Plan, Escrow Accounts ....</td>
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<tr>
<td>Local Government</td>
<td>Local Planning, Services Delivery</td>
<td>Implementation Local Development Plan &amp; Funds ........</td>
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<tr>
<td>Private Sector, MSME, CSO</td>
<td>Contracting, Investment, Oversight, Dialogue</td>
<td>Execution Productive Activ. Consumer, Use of Services ........</td>
</tr>
</tbody>
</table>

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What can governments do to develop local capacity, given that it is crucial to ensure that revenues benefit the energy poor?

Local Content = Local Development?
SECOND PART
Diamond’s for Development

Liberia
D4D Rationale

Transparency Initiatives

Production processes and commercialization
Payments to governments
Revenues stabilization and savings
Fiscal & macroeconomic policy
Budget allocation to reduce poverty & promote growth
Budget execution (national & local)
Development effectiveness

Kimberley Process

GEMAP Partners

Revenue Cycle
Interventions at all levels of the revenue cycle

- Cross-border
- Central government
- Local Government
- Individuals, CSO
- Dialogue & Harmonization
- Escrow Accounts
- Local Development Fund (LDF)
- Reorganization of ASM Cooperatives

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D4D Framework

Diamonds for Development elements for an operational strategy

Support to KP & International Partnership

National Policy for Mineral Resources’ Revenues Sustainable Governance

National Strategic Plan for Decentralization and De-concentration

National Framework for Micro/Small Industry Development

Mining and Extractive’s Industry Policy (coherent with KPCS)

Reorganization and Development of the Small Artisanal Mining sector

Local Development Programme

Use of Revenues

Institutions, Public Administration, Public fiscality

Generation of Revenues

Mining sector, Extractive industry, Private Sector

Communities, Collectivities, Civil Society

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