



Managing Natural Resource Revenue in Liberia

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(with gratitude to Paul Collier and Tony Venables)

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Unexplored potential in Africa

Region	'Known' subsoil assets/km ² (in USD)
World	105,000
OECD	114,000
Africa	23,000
South Asia	53,000
LAC	95,000
MENA	361,000
East Asia & Pacific	77,000
ECA	93,000

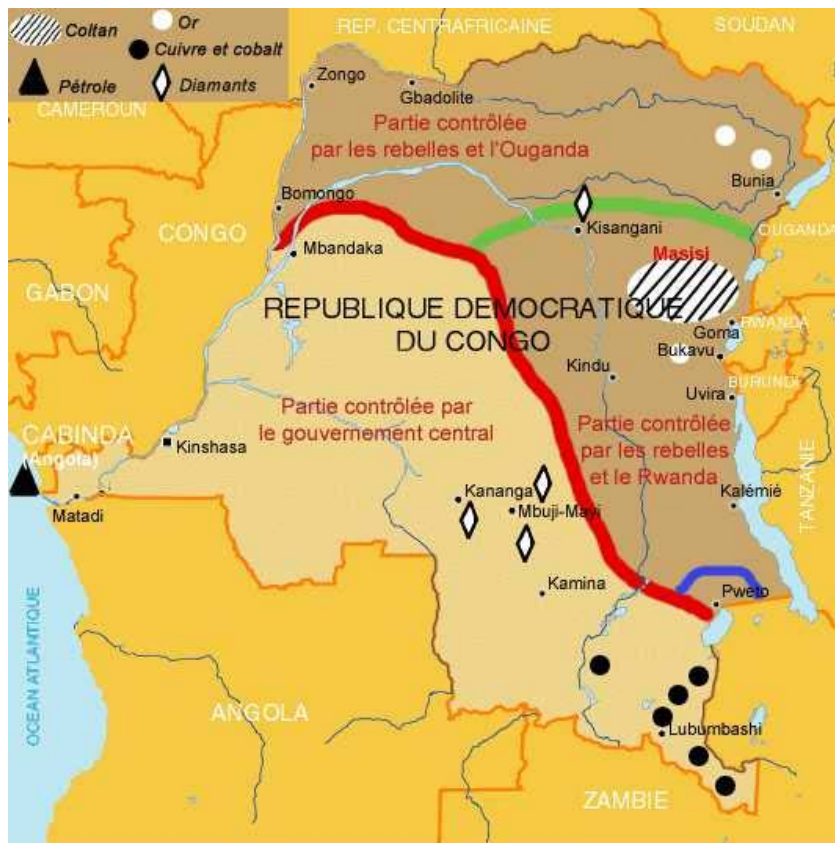
Source: World Bank (2006), Collier and Hoeffler calculations

Changing the game

Sub-Saharan Africa	2000	2008
ODA	\$12bn	\$36bn
Resource Rents	\$39bn	\$240bn

But is this a good thing?

- What about the so-called resource curse?



GEODATLAS - Copyright 1998 Graphi-Ogre
0 100 200 300 400 km



Letting the data speak

What is the effect of a higher rate of mineral/energy exports as a share of merchandise exports on...?

Effect on	Of mining	Of oil and gas
Life expectancy	-	0
Manufacturing/GDP	-	-
Gross savings/GDP	0	+
Military expenditure/GDP	0	+
External debt stocks	0	-
External debt stocks in 1990	0	0
Democracy	0	-
Conflict	-	+
Conflict in 1990	0	0

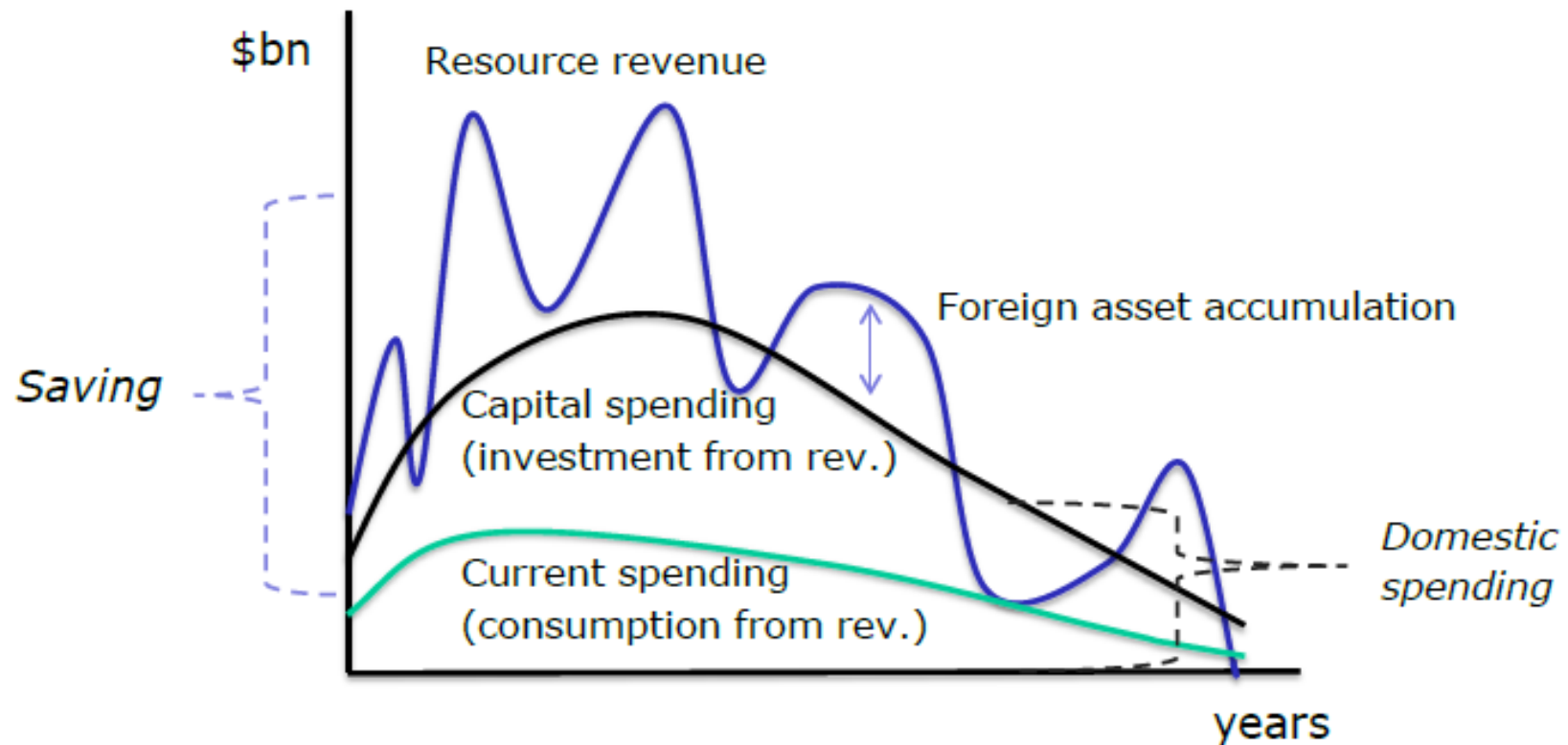
The “resource curse” is not deterministic, it can be avoided, and often is.

What to do about it today?

- Get the laws and policies around the extraction right to maximize revenue and good outcomes
- Get the laws and policies around the revenue management right
- Investing in Investing
 - Building capacity for public investment
 - Building capacity for private investment
 - Building capacity for reducing the unit cost of capital
- Managing the revenues for development, stability, the future

Options for resource revenue:

3 options: Current spending, capital spending, foreign assets



Two key features of 'optimal' revenue management:

- Avoid boom-bust by smooth path of domestic spending – decoupled from resource revenue
- Saving and domestic investment a high proportion of revenue