

CANADA-IFC PARTNERSHIP

Supporting Revenue Management Initiatives in Peru and Colombia

IFC's Revenue Management Programs in Peru and Colombia bring greater accountability in the use of mining and oil & gas royalties through collaborations with companies, municipalities, civil society organizations and local leaders.

REVENUE MANAGEMENT PROJECTS IN LATIN AMERICA

Extractive companies generate revenue through payment of taxes and royalties to government, but sometimes the results of these contributions are not seen or felt by local populations. Too often tax revenue contributes to a national pool or, when targeted locally, it is not sometimes clear on how it is spent, due to government capacity or a lack of transparency.

With \$1.6 million in support from the Government of Canada, IFC has pioneered a Local Revenue Management initiative in Latin America with a focus on Peru and Colombia. The program builds a coalition of the private sector, local government, and civil society to track how revenue paid to local government is being spent. The Program also seeks to build the capacity of local governments to successfully plan and implement critical local development projects. The goal of the initiative is to help governments to manage resources in a responsive, responsible and accountable way.

IFC PROJECT DESCRIPTION

In Peru, the Apurimac Revenue Management Project seeks to strengthen the capacity of local leaders to establish dialogue with government authorities. The program's aim is to maximize the effective use of government resources generated by mining in the area. In Colombia, the work has focused on strengthening the revenue management initiative with the government by developing tools to support stakeholder engagement and royalty investments including indigenous regions. In addition, a program on artisanal mining will soon be initiated.



Development of the Good Governance Index (Peru)

A tool has long been needed to quantify how well local governments respond to the needs of their local populations. In 2015, IFC developed the "Good Governance Index" which rates local governments along these factors: i) Responsiveness, ii) Responsibility, and iii) Accountability. To date, eight municipalities have undergone their first assessment. The tool also includes a series of training workshops held for municipal officers to identify manner in which the municipality's rating can be improved. Monitoring Report (REMI) methodology.



IN PARTNERSHIP WITH:

Canada

 **International Finance Corporation**
WORLD BANK GROUP

THE GOALS

Peru

- Build the capacities of local leaders so that they can establish an informed dialogue with their authorities sharing their concerns.
- Guide a constructive dialogue between local leaders and local authorities on revenues generated by mining in the region.
- Help municipalities manage their investment resources in a responsive, responsible and accountable way.

Colombia

- Strengthen the capacity of municipalities in Colombia.
- Enable them to meet requirements and access funds through the General Royalty System (GRS).
- Work in partnership with Ecopetrol (the state-owned oil company in Colombia).

RESULTS TO DATE

Peru

- In-depth assessment of 8 municipalities' current investment practices, revealing considerable room for improvement.
- A survey of 298 local leaders and 138 grassroots organizations revealed that these groups do not participate in municipal activities but are interested in participating in budgeting and other decision making processes.
- Held workshops with municipalities and local leaders to enhance municipal responsiveness, responsibility and accountability.

Colombia

- Forty-five new municipalities signed letters of commitment, bringing the total to 100 municipalities participating in the program.
- Ninety municipal projects completed in 2015, representing US\$82M in expenditure.

PLANS FOR 2016–2017

Peru & Colombia

- Continued program roll out with a focus on implementation of municipal projects

For more information on IFC's Infrastructure & Natural Resources Advisory work, visit Commdev.com



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"This program has a great impact on the community. IFC, Ecopetrol and the National Planning Department gave us the tools we needed to plan and elaborate projects, to define budgets, make contracts and undertake audits."

—Luis Felipe Conde
Mayor of Aipe, Colombia

