

Challenges and solutions to the resource curse

Ideas and evidence from the social sciences

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Challenge 1:

What are natural resources worth and who holds this information?

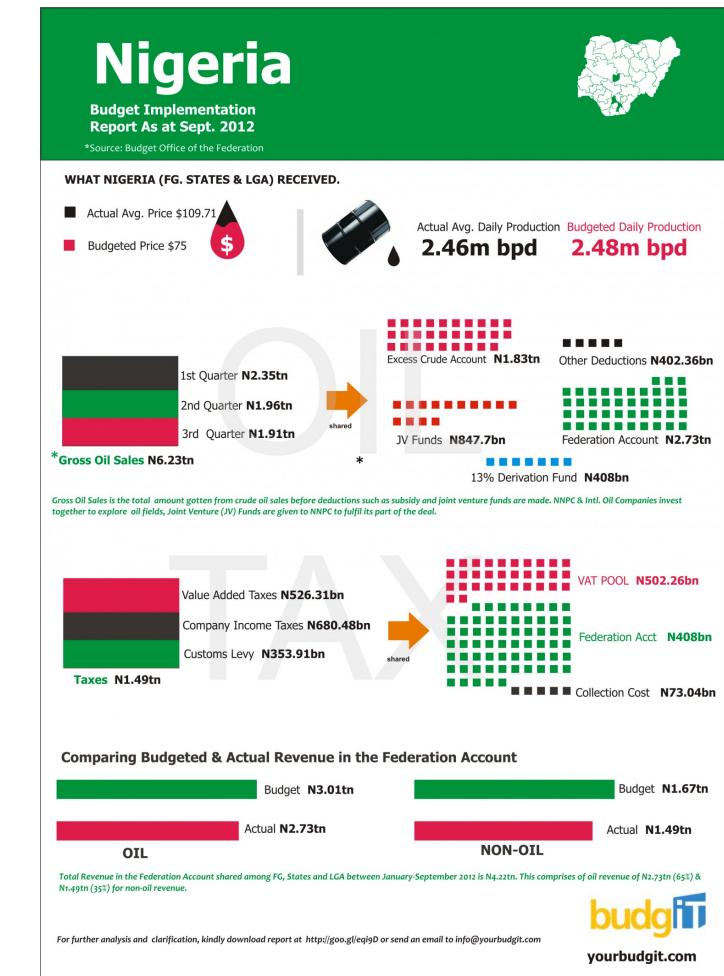
- Companies and central governments know value
- Citizens, civil society, and regional governments cannot demand accountability for how money if how much is available is unknown
- *Beliefs about value* drive expectations about benefits
 - Service delivery, employment, revenue distribution, and ability to mitigate harms from extraction



Challenge 1:

What are natural resources worth and who holds this information?

- Motivates interventions to share *information* about value of resources, where they are produced, and how revenues are spent
 - Enables accountability mechanisms
 - Levels expectations
- But who should be informed? Will they take action? How?



Challenge 2: How can benefits of resources be equitably shared?

- What should resource revenues be spent on?
- When should they be spent?
- Who should benefit?
- Who decides?



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Challenge 2: How can benefits of resources be equitably shared?

- Improve *policies*
 - Ensure public services are provided to the poor
 - Save resource revenues for the future
 - Share benefits widely, including to those affected by extraction
- Improve *decision-making processes*
 - Bring citizens, underrepresented minorities into decisions over sharing benefits



Challenge 3:

How can negative externalities be minimized?

- Economic *inflation, property destruction*
- Social *displacement, drugs, and alcohol*
- Environmental *water, air, soil, noise*
- Health *workers, neighbors*
- Political *payoffs*



Challenge 3:

How can negative externalities be minimized?

- Aim: prevent harms, maximize remediation efforts
- Problems stem from companies failing to pay costs themselves
- Solutions push costs back onto companies
 - Administrative penalties
 - Legal remedies
 - Public relations consequences



Challenge 3:

How can negative externalities be minimized?

- Imposing costs for violations requires *monitoring*
 - Citizens know about harm to themselves, incentives to overclaim
 - Companies know about operations, incentives to hide
 - High-capacity government, civil society can independently verify
- Collect information from citizens
- Verify independently



Potential solutions

	Challenge 1: Value Information	Challenge 2: Sharing	Challenge 3: Externalities
Capacity building		Grupo Faro, NRGI Mongolia	
Information, transparency and monitoring	Fundar FEMPH program	Fundar FEMPH program	
Legal remedies			PODER
Participatory interventions		ODP Social Promoters	

If we successfully address these challenges,
what outcomes should change?

- Governance *service delivery, regulation*
- Development *livelihoods, inequality*
- Conflict *social conflict, insurgency*
- Health *worker health and safety, asthma rates*
- Environment *water quality, air quality*



What works? Do we know?



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Potential Solutions: Information, transparency, monitoring

- Need for transparency in many areas:
 - Transfers from industry to government
 - Transfers from central to subnational governments at every level
- Revenue and expenditure transparency are important.
- Growing evidence base:
 - Audits
 - Information campaigns to citizens/communities



Do municipal audits strengthen accountability?

(Ferraz and Finan 2008)

- Municipalities in Brazil randomly selected for audits of expenditures of federally transferred funds.
- Audits revealed irregularities, including corruption and bad administration.
- Some audit reports randomly released before mayoral elections.
- **Main finding:** Public evidence of corruption public hurt likelihood of getting re-elected for incumbents.



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Do information campaigns strengthen accountability?

- Report cards in India caused voters to punish poorly performing politicians (Banerjee et al 2011).
- Publicizing corruption in Mexico reduced turnout (Chong et al 2015).
- Eight coordinated studies in six countries → little evidence that information on performance affected voter behavior (Dunning et al, in press).

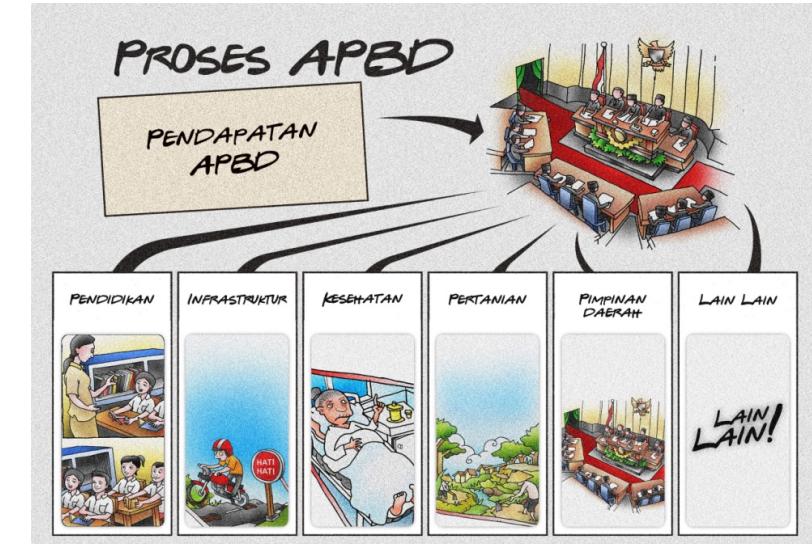
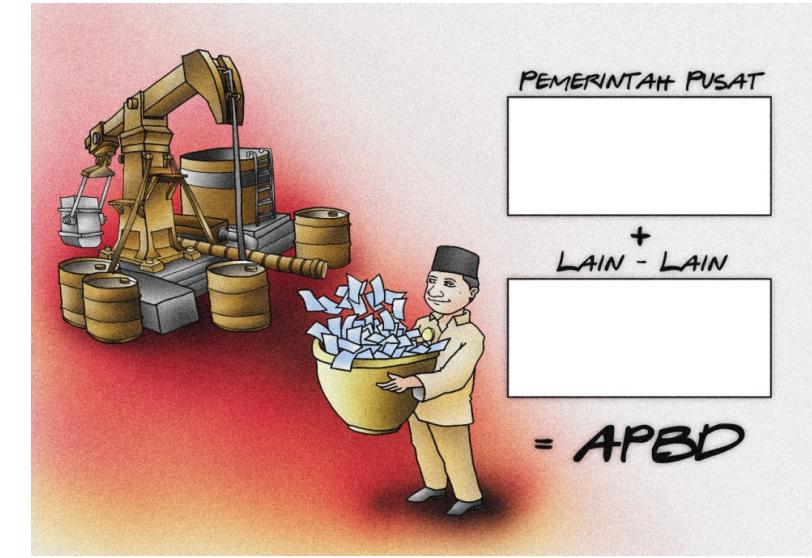
Delhi (Vidhan Sabha) Assembly
Hindustan Monday, 24 November 2008
हिन्दुस्तान
गणक अधिकारी मंत्रालय

Southern District		No. of legislative constituencies	11	Total allotted money (lakh)	5647.0	Average Allotment per Area	513.4	
Every MLA is given approximately Rs. 2 crore per year for the development of their constituency. This data is of the expenditure from the local area development fund in year 2004-05.								
Okhla (6)		Parwej Hashami (Present MLA)	Tuglakabad (35)					
Attendance (2007) Starred Questions Unstarred Questions		Attendance (2007) Starred Questions Unstarred Questions						
2/18 2 3		2/18 2 3						
Allocation of Local Area Development Scheme funds 2004-05		Allocation of Local Area Development Scheme funds 2004-05						
Category	Money (lakh)	Percentage	Category	Money (lakh)	Percentage	Category	Money (lakh)	Percentage
Road/Footpath	178.2	68.4	Road/Footpath	348.5	72.6	Road/Footpath	348.5	72.6
Drainage	71.4	23.4	Drainage	49.0	10.3	Drainage	49.0	10.3
Light	6.9	2.3	Light	17.4	3.6	Light	17.4	3.6
Park	30.1	4.0	Park	13.6	2.8	Park	13.6	2.8
Water	0.0	0.0	Water	33.0	6.9	Water	33.0	6.9
Sewage	30.1	0.0	Sewage	10.9	2.3	Sewage	10.9	2.3
Others	6.3	2.1	Others	7.0	1.5	Others	7.0	1.5
Total	305.6	100	Total	477.4	100	Total	477.4	100
Delhi Water Board (2005-06)		50.0	Delhi Water Board (2006-07)		50.0	Delhi Water Board (2006-07)		50.0
Delhi Water board gives Rs. 50 lakh to each MLA per year.								
On Govt. Committees								
Name of the committee	Post held by the MLA	Duration	Last Meeting	Name of the committee	Post held by the MLA	Duration	Last Meeting	
Ration vigilance	Chairman	Quarterly	01/04/08	Yes	Ration vigilance	Chairman	Quarterly	01/04/08
District development	Member	—	15/02/08	No	District development	Member	—	15/02/08
Grievance redressal	No committee constituted in Southern district			No committee constituted in Southern district				
Police Thana committee	Chairman	02/08/08	No	Police Thana committee	Chairman	29/08/08	Yes	
Affidavits from the main candidates of Okhla (New Legislative Constituency no.- 54)								
	<ul style="list-style-type: none"> Property – Parwej Hashami has declared assets of Rs 3.36 crore belonging to him and his wife. Education - Hashami has a Masters in Chemistry. He received his Masters of Arts from Aligarh Muslim University, U.P. in 1977. Criminal Record - According to the affidavit given to the commission, there are eight criminal cases registered against him. 							
	<ul style="list-style-type: none"> Property – Surendra Kumar has declared assets of Rs 18.9 lakh belonging to him and his wife. This includes his four vehicles worth 16.3 lakh rupees. Education – Surendra Kumar has a Bachelor's Degree. He received his Bachelor's in Commerce from Delhi University in 1987. Criminal Record - According to the affidavit given to the commission, there are no criminal cases registered against him. 							
	<ul style="list-style-type: none"> Property – Brahma Singh has declared movable property of worth 11.7 lakh rupees belonging to him and his wife. He also has agricultural land and a house worth approximately Rs. 10 crore rupees. Education – Brahma Singh has not given any information regarding his education. Criminal Records- According to the affidavit given to the commission, there are no criminal cases registered against him. 							
	<ul style="list-style-type: none"> Property – Ramesh Bidhuri has declared movable property worth Rs. 37 lakh belonging to him and his wife. He also possesses commercial and housing buildings worth Rs. 1 crore. Education – Ramesh Bidhuri holds a Bachelor's Degree. He received his Bachelor's in Commerce from Delhi University's Shaheed Bhagat Singh College in 1986. Criminal Records - There is a case pending against him for distribution of objectionable material. 							
	<ul style="list-style-type: none"> Property – Suhil Ram has declared movable property worth Rs. 2.4 lakh belonging to him and his wife. He also possesses land and residential property worth Rs. 6.8 lakh. Education – Suhil Ram passed the Delhi Senior Secondary Examination in 1979. Criminal Records- There are cases pending against him of creating a nuisance with a dangerous weapon and forcibly obstructing a government employee in his duties. 							

Report card in Banerjee et al (2011)

Do info campaigns on oil revenue & spending strengthen accountability? (Paler 2013)

- Does information about oil revenue and spending mobilize citizens?
- Collaboration with two Indonesian CSOs.
- Civic education campaign on oil (versus tax) revenue and spending.
- 1,863 randomly selected people in one district participated.
- **Main finding:** Spending information mobilizes citizens when revenues come from oil.



Potential solutions: Strengthening collective action and reducing barriers to participation

- Participation problems:
 - Demands on citizen are increasing.
 - Participation takes time and effort.
 - Participation levels (especially for marginalized groups) is low.
- Benefits of ICT:
 - Reduces costs of communication.
 - Improves bottom-up information flows.



Do participatory budgeting and policy-making programs work?

- Objectives:
 - Strengthen civil society
 - Improve transparency and accountability
 - Informed and engaged citizenry
 - More equitable distributions
- Increase participation but don't necessarily change outcomes? (Sheely 2015).
- Major concerns:
 - Participants are unrepresentative
 - Elite's retain influence



Does deliberation on oil policies shift preferences?

- In 148 nation-wide deliberation meetings in Sao Tome and Principe, preferences were heavily swayed by leaders (Humphreys et al 2006).
- Deliberation at national level in Tanzania (Sandefur et al, 2018):
 - ***Representative sample*** of participants.
 - Tried to minimize ***elite influence***.
 - Deliberation changed some ***preferences*** and increased demands for ***transparency***.



Potential solutions: Improving access to the legal system

- Critical to mitigating negative externalities from extractives.
- BUT general evidence base is sparse and focused on intercommunal disputes.
- Two examples:
 - Legal aid to individuals improved dispute resolution in Liberia (Sandefur and Siddiqi 2013).
 - Community trainings reduced disputes (Blattman et al 2014).



Potential solutions: Capacity-building

- Programs could target different actors (legislators, journalists, civil servants), and could operate at national or local levels.
- Example (Raffler 2018):
 - Elected officials sometimes lack ability to oversee civil servants.
 - Program provided to 260 local governments in Uganda.
 - Included info on revenue and training on responsibilities.
 - **Main finding:** Legislators increased knowledge and effort



To keep in mind as we move ahead...

- We are all aware of the challenges facing better governance of the extractive sector.
- Evidence for what to do about it is sparse in general, and almost non-existent when it comes to extractives.
- When there is evidence, it is often mixed.
- It is important not to make assumptions about what works.
- Also important to think about trying different versions of programs or combinations of programs.

