Helpdesk Research Report: Impact of 'Resource Curse' Mitigation
Date: 30.06.2010

Query: What evidence is there about the impact of initiatives to mitigate the 'resource curse'?

Enquirer: DFID

Contents

1. Overview

Initiatives to address the resource curse vary in the harms they address and in whether they operate at a national or trans-national level. They include attempts to: reduce corruption through the Extractive Industry Transparency Initiative (EITI); counteract the 'Dutch Disease' using Sovereign Wealth Funds (SWFs); curb funding sources for militia through the Kimberly Process Certification System (KPCS) for diamonds; and incorporate policy initiatives in governance such as the Chad-Cameroon pipeline.

Success of these initiatives in mitigating the resource curse has been difficult to determine. This is in part due to the complex nature of the harms attributed to the resource curse. Even when initiatives have been successfully implemented it is unclear whether these have been the true cause of any improvements. Though assessments and evaluations of resource curse initiatives are scarce with many of the conclusions challengeable, the EITI, SWFs and the KPCS have been considered by some as successful. The EITI has been seen to promote transparency, SWFs have stabilised currencies and revenues (though mostly in industrialised countries), and the KPCS restricts funds to rebel groups. On the other hand trying to improve governance through conditionality measures, as the World Bank has with the Chad-Cameroon pipeline, has been seen to be less effective.

Resource Curse

Of note is that the term 'resource curse' remains unclear. It has been used to associate a variety of effects with the presence of natural resources even in cases where any relation between them is dubious.

In general the resource curse refers to the observation that the presence of valuable natural resources produces harmful effects which could outweigh benefits. Initial research focused on the 'Dutch disease' where natural resource exports are believed to cause an increase in wages and the real exchange rate. This would undermine once-productive sectors such as manufacturing and reduce overall economic growth outside of natural resource extraction. At the same time a number of studies suggest that the government revenues generated by resource extraction produce wider effects on the political economy of countries. These include: causing and exacerbating conflict; producing a 'rentier mentality' where political elites become unresponsive to citizen demands, in part as they no longer depend on taxation; budget expenditure volatility in response to resource price volatility; corruption and undermining of the rule-of-law; lack of economic and diversification; and undermining human capital through 'brain-drain' and under-resourced education. There can also be environmental damage from the extraction process which threatens livelihoods such as farming and fishing.

2. Extractive Industry Transparency Initiative (EITI)

The EITI was launched in 2002, aiming to strengthen governance by improving transparency and accountability in the extractives sector. The EITI is a coalition of governments, companies, civil society groups, investors and international organisations. EITI developed a standard for monitoring which is verified through a process called 'validation'. As of March 2010, 2 out of 22 countries have completed the validation process – Azerbaijan and Liberia – and 29 countries have candidate status[1] given more time to complete the process. EITI is a voluntary process and governments may choose to de-list their country at any time as 2 countries have done. EITI compliance is monitored by the global civil society coalition Publish What You Pay (PWYP)[2].

The impact of the EITI is unclear. Opinions across a range of stakeholders suggest the EITI is believed to have had a positive impact. At the same time governance indicators fail to show a clear improvement in EITI countries as opposed to non-EITI, except perhaps in relation to business climate and voice and accountability. This is in part due to the difficulty in defining a clear casual relation between revenue transparency and nation-wide corruption. To reduce corruption other factors, such as the capacity of civil society and transparency in expenditures, have been suggested as requisite complements to revenue transparency initiatives.

Rainbow Insight, 2009, Evaluating the EITI's Impact on the Transparency of Natural Resource Revenues http://eiti.org/node/924

Rainbows Insight performed an evaluation of EITI impact. This was made up of a review of published material; a written questionnaire and series of interviews with EITI stakeholders (including Board members, industry executives, public officials, and members of global civil society); and an on-site visit to an EITI Candidate Country (Cameroon). The report finds that EITI is making a number of direct and indirect contributions to "good governance" with respect to natural resource revenues. In particular:

- It is establishing an emerging standard for the reporting of natural resource revenues by both corporations and governments.
- Within candidate countries it is providing a model of multi-stakeholder dialogue on a critical issue of public policy.

[1] Cameroon, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Gabon, Ghana, Guinea, Kazakhstan, Kyrgyzstan, Mali, Mauritania, Madagascar, Mongolia, Niger, Nigeria, Peru, Sierra Leone, Timor-Leste ,Yemen, Cote d'Ivoire, Central African Republic, Norway, Tanzania, Albania, Burkina-Faso, Mozambique, Zambia, Afghanistan, Iraq, and Chad

[2] PWYP is a global civil society coalition that campaigns for transparency in the payment, receipt and management of revenues from the oil, gas and mining industries. They have produced a guide to the EITI Validation process for the recent 9 March 2010 deadline: http://www.publishwhatyoupay.org/en/resources/pwyp%E2%80%99s-short-guide-eiti-validation

- At the international level it is creating a network of civil servants, corporate executives, and representatives of global civil society who share a commitment to revenue transparency in the hope of promoting economic development and poverty reduction.

EITI, 2010, Impact of EITI in Africa: Stories from the ground' EITI Secretariat
http://eiti.org/files/EITI%20Impact%20in%20Africa.pdf

This brochure includes a series of observations from members from the different national EITI's boards, EITI secretariats, civil society organisations and natural resource companies. In Liberia EITI is seen as a strong indication that the government is committed to accountability and through the EITI process suspicion and distrust are being reduced, helping to diffuse the tensions that led to conflict in the past. In Nigeria EITI is seen to be both an instigator of civic interrogation of public officers and a social safety valve, redirecting youthful energies from resorting to violence to engagement in civil debate. In Cameroon it has helped improve the monitoring and management capacity of the relevant government agencies and in Gabon it has provided a platform for civil society to point at challenges in the development and management of natural resources. In Ghana it has helped local communities to engage with companies involved in natural resource extraction.

Aaronson, S., 2008, 'Can Transparency in Extractive Industries Break the Resource Curse?' VoxEU.org http://voxeu.org/index.php?q=node/1395

Susan Aaronson is Associate Research Professor of International Affairs at George Washington University. She performed a preliminary review of governance and human rights statistics for EITI-implementing countries in 2007 and compared their performance to 25 other developing country extractive exporters. Her findings were:

- *Business climate:* 11 countries were able to improve the business climate (economic growth regulations). On average they performed better than their non-EITI peers (Figure 1).
- *Voice and accountability:* Voice and accountability scores – the ability of citizens to influence government and hold it accountable – improved significantly more for EITI than non-EITI countries on average (Figure 2).
- *Corruption Perception:* While some of the EITI countries such as Azerbaijan, Liberia, Cameroon, Kazakhstan and Mali have reduced corruption, many others have not been able to change their countries' 'culture of opacity'.

Aaronson concludes that the countries that have adopted the EITI have done so as policymakers and citizens want to change perceptions of their country and/or want to change aspects of their governance behaviour.

Figure 1 EITI and "Doing Business" improvements

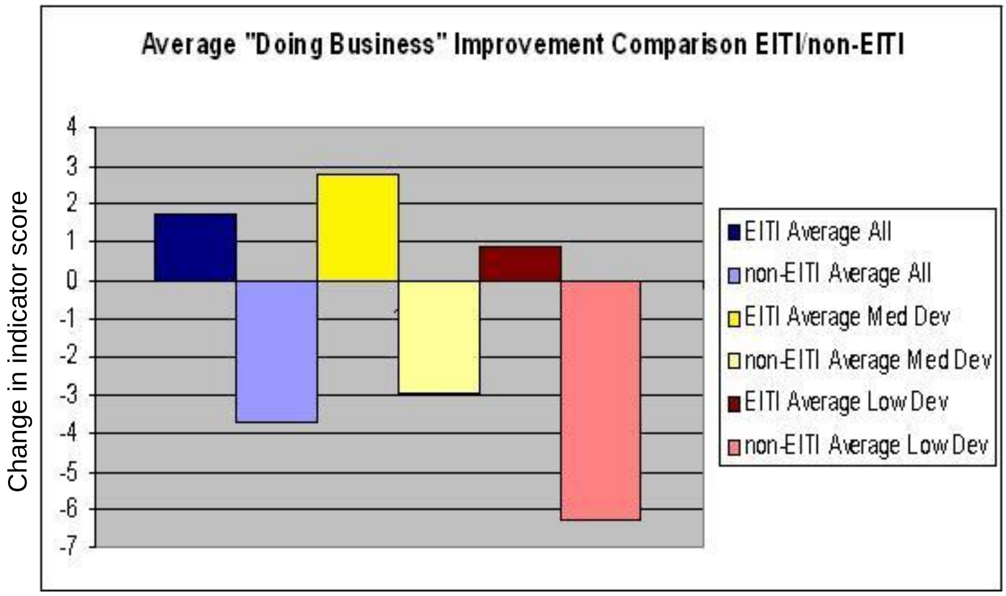
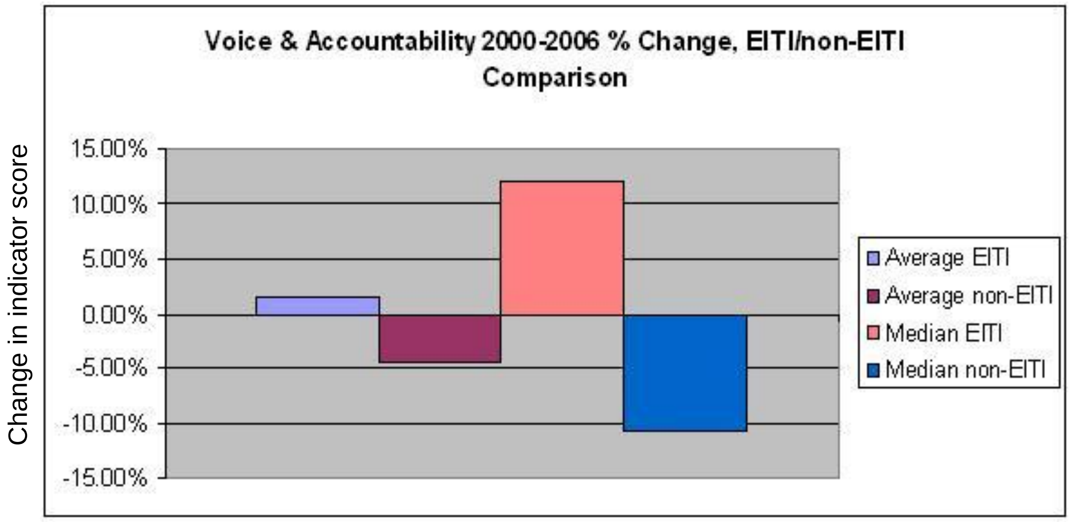


Figure 2 EITI's influence on voice and accountability



Ölcer, D., 2009, 'Extracting the Maximum from the EITI', OECD Development Centre, Working Paper no. 276 http://www.oecd.org/dataoecd/56/60/42342311.pdf

This paper finds that the countries that have signed up to the EITI have seen no visible effect so far in relation to perceptions of corruption. In particular the findings are that:

- Governments' public endorsement of the EITI principles does not, on average, improve the corruption perception levels of the country
- Control of corruption in EITI countries is worse than in non-EITI resource-rich countries, according to the author
- Both EITI and non-EITI countries' World Bank Worldwide Governance Indicators scores have on average deteriorated between 2002 and 2007.

The paper concludes that the EITI must be embedded in a broader reform process and linked to credible institutions, particularly judicial ones; EITI reports should be stricter on the quality and consistency of information; EITI reports should aim to give a holistic picture of the extractive industries covering the whole value chain; and a clear focus should be put on strengthening civil society including providing detailed education on the way the extractive industries are organised, financially, politically, and legally.

Shaxson, N., 2009, 'Nigeria's Extractive Industries Transparency Initiative: Just a Glorious Audit?' Chatham House http://eiti.org/document/shaxson-neiti-glorious-audit

Nigeria had been considered by some as the global EITI's flagship programme. It had relative success in publishing detailed data, enjoyed strong political commitment and had been engaged for a long time. This report aimed to explore the extent to which Nigeria Extractive Industries Transparency Initiative (NEITI) lived up to its goals of improving transparency and fostering better governance (including civil society participation). The report finds that:

- EITI and NEITI did not drive reform in Nigeria. Instead, the initiative flourished for a time in a reformist climate.
- The publication of the 1999-2004 audits is EITI's crowning achievement. They were unprecedented in scope and detail.
- NEITI has informed but has not meaningfully empowered (or significantly energised) civil society.
- It is hard to demonstrate that better transparency has led to better development outcomes. The author notes that this would be hard to demonstrate in any case.
- It is not certain that more capacity-building and work will overcome the fundamental problems faced by civil society. This is likely to be linked substantially to Nigeria's dependence on mineral revenues, which enables rulers to 'ignore' their citizens to a large degree.
- The most strategic consumers of NEITI information may have been elite groups of technocrats and policy-makers. They have gained tools from NEITI to understand the Nigerian oil and gas sector better.
- The tiny discrepancies discovered by the NEITI audits show that the 'reconciliation exercise' did not appear to home in on the core of the problem.
- The global EITI process would be best to focus on countries where the political dynamics for good governance and reform already exist.
- The global EITI concept of transparency, hitched to a multi-stakeholder approach, did penetrate into Nigerian policy-making.

The author comments that the other mainstream prescriptions for the 'resource curse' – oil funds and diversifying the economy partly by building infrastructure – do nothing to counter the poor governance outcomes. Rulers tax mineral/oil companies, but not citizens, disempowering the latter; and those mineral revenues foster the politics of patronage, involving fragmentation of society and the political system. The author suggests that distributing revenues directly to citizens of countries concerned, then taxing them back, may resolve this.

Kolstad, I. and Wiig, A., 2008, 'Is Transparency the Key to Reducing Corruption in Resource-Rich Countries' World Development Vol. 37, No.3, pp 521-532
http://ideas.repec.org/a/eee/wdevel/v37y2009i3p521-532.html

This paper questions the role of transparency in reducing corruption in resource-rich countries, in light of initiatives such as EITI. Transparency is insufficient in itself, and needs to be complemented by other types of policies. The impact of transparency depends on the level of education of an electorate, the extent to which key stakeholders have the power to hold a government to account, and the private or collective nature of the goods about which information is provided. The author suggests putting emphasis on the expenditures as well as revenues. Given the centrality of public expenditures in patronage politics in resource-rich countries, the focus on revenues is not necessarily the most effective one in addressing corruption.

3. Sovereign Wealth Funds / Natural Resource Funds

SWFs are government-controlled investment funds and have been used by countries such as Norway and China both as means of investment and to prevent currency appreciation. They are also known as Natural Resource Funds (NRFs) or resource funds where the revenue is generated through natural resource extraction. SWFs and NRFs are intended to enable revenue stabilisation by building up reserves when resource prices are high and drawing on them when prices are low, currency 'sterilisation' or limiting the exchange-rate and inflationary effects of capital inflows, and savings for future generations to offset the drawing down of natural capital.

Evidence suggests that SWFs have greatest impacts where there are existing systems of good governance. In particular transparency, a strong sense of public ownership, and a separation of oversight powers have been identified as three key ingredients in the success of such a fund. A democratic and open system of government prevents the use of funds for patronage and negative effects are limited when the resource plays a small role in the economy. This is often not the case in many developing countries which often have poor governance and the natural resource industry dwarfs the other industries. Powers may be overly concentrated in the executive (often a presidency), resulting in a lack of overall political will to ensure the fund is used appropriately.

Heuty, A., and Aristi, J., 2010 'Fool's Gold: Assessing the Performance of Alternative Fiscal Instruments During the Commodities Boom and the Global Crisis,' Revenue Watch Institute http://www.revenuewatch.org/files/RWI_Fools_Gold_Heuty_Aristi_FINAL.pdf

An assessment of special fiscal instruments (SFIs) – such as resource funds and fiscal rules – in resource-rich developing countries during the recent commodity cycle shows that they have generally failed to enable long-term economic diversification and sustainable development. The paper suggests that design of fiscal instruments in resource-dependent countries needs to prioritize dealing with commodity price volatility (i.e. stabilisation) The accumulation of wealth for future generations (i.e. savings) should be subordinated to the creation of a diversified economy.

Tsalik, S., 2003, 'Natural Resource Funds: Case Studies in Success and Failure', Chapter 2 in 'Caspian Oil Windfalls: Who Will Benefit?', Caspian Revenue Watch
http://caspianrevenuewatch.org/news/publications/051203.pdf

This chapter looks at NRFs in North and South America, Africa, Europe, and the Middle East. Best practice examples from the case studies such as Norway and Alaska provide important guidelines on how to build transparency and accountability into an NRF. Examples such as Venezuela, Oman, and Kuwait demonstrate how vulnerable NRFs are when power is concentrated in the hands of an executive and an absence of democracy results in no effective oversight. The examples of Chad and Chile illustrate how NRFs can function even where democracy is weak and distrust of government high. Transparency, a strong sense of public ownership, and a separation of oversight powers are identified as three key ingredients in the success of an NRF. Some of the best performing NRFs have accumulated savings, enjoyed popular support, provided some kind of public expenditures, and/or smoothed out government spending while maintaining continuity in the fund's rules and functions. In the more problematic cases, an NRF's assets declined over time while the fund failed to raise living standards or to create a viable non-oil economic sector. Revenues and expenditures were unclear, rules fluctuated, and an absence of separation of powers allowed for easy raiding of the NRF.

For further information see the OECD Development Centre http://www.oecd.org/document/7/0,3343,en_2649_33731_41165959_1_1_1_1,00.html which has a collection of policy briefs and insights on using SWFs to counter the resource curse or

Oxford University's SWF Project http://oxfordswfproject.com/ which contains a series of short articles on the governance of sovereign wealth funds.

4. Kimberly Process Certification Scheme (KPCS)

The Kimberley Process is a joint government, industry and civil society initiative to stem the flow of 'conflict diamonds' – rough diamonds used by rebel movements to finance wars against legitimate governments. The trade in these illicit stones has fuelled conflicts in countries such as Angola, Cote d'Ivoire, the Democratic Republic of the Congo and Sierra Leone. The Kimberley Process Certification Scheme (KPCS) imposes requirements on its members to enable them to certify shipments of rough diamonds as 'conflict-free'. As of December 2009, the KP has 49 members, representing 75 countries, with the European Community and its Member States counting as an individual participant.

The KCPS seems to have had a positive impact in restricting financing to militia from the sale of illicit diamonds. The level of impact is difficult to determine as the diamond trade is notoriously secretive; the size of diamonds makes them convenient as a currency, passing many hands before being polished; and there is the problem of alluvial mining. Alluvial mining involves easily-accessed deposits requiring little capital investment and conducted over vast land areas, mostly outside of government control. There have also been concerns about human rights abuses and health and safety in the mining process itself which the KPCS does not address. The KPCS also does not address the use of diamonds to support governments of questionable legitimacy such as in Zimbabwe[3].

Global Witness, 2006, 'An Independent Commissioned Review Evaluating the Effectiveness of the Kimberley Process', Global Witness
http://www.globalwitness.org/media_library_get.php/272/1277890630/GW%20Commissioned%20Report%20on%20KP.pdf

Operational since 2003 the KPCS can be credited with sizeable increases in legitimate diamond exports. The author praises the KPCS stating that in some of the most conflict-ridden areas, accords supported by U.N. peacekeeping missions are holding in part because Kimberley controls have reduced enormously the market for illicit diamonds. It was, however, noted that fighting in Cote d'Ivoire and findings from both the U.N. and Global Witness that revenue from diamond production is providing income to the rebel movements. This makes clear that the certification scheme, as currently operating, has not eliminated the problem of diamond-financed insurgencies. In fact, the failure of the KPCS to respond quickly or effectively to address the role of diamonds in the conflict in Cote D'Ivoire raises questions about whether the scheme could effectively respond to even greater threats. There is also strong evidence that diamonds from Liberia, which remained under U.N. sanction, were being smuggled into bordering Kimberley Participants. Serious problems also persisted on the Democratic Republic of Congo. There is no doubt that loopholes exist, and in areas with unregulated artisanal alluvial mining, the unsafe, unhealthy and poorly-paid work continues to breed chaos and instability. The report concludes that Kimberley is nonetheless an important tool for the international community in its effort to prevent diamonds from fuelling instability as they have done in the past.

[3] The KPCS has been criticised as failing to react effectively to Zimbabwe's Zanu PF political and military elite seeking to capture the country's diamond wealth. See Global Witness, 2010, 'Return of the Blood Diamond: The deadly race to control Zimbabwe's new-found diamond wealth' Global Witness.
http://www.globalwitness.org/media_library_get.php/1376/1277919146/return_of_blood_diamond.pdf

U.N. General Assembly, 64th Session. Resolution adopted by the General Assembly. 64/109 The role of diamonds in fuelling conflict: breaking the link between the illicit transaction of rough diamonds and armed conflict as a contribution to prevention and settlement of conflicts (A/RES/64/109) http://www.un.org/depts/dhl/resguide/r64.shtml

This resolution notes that the General Assembly considers that the implementation of the KPCS has had a positive impact in reducing the opportunity for conflict diamonds to play a role in fuelling armed conflict. Furthermore the KPCS would help to protect legitimate trade and ensure that the effective implementation of the relevant resolutions on trade in conflict diamonds.

For further information see the Kimberley process website http://www.kimberleyprocess.com/

5. Policy intervention – The Chad-Cameroon pipeline

At the programming level natural resource extraction has in some cases been designed with implicit procedures to counter the effects of the 'resource curse'. The largest single private sector investment in sub-Saharan Africa has been the Chad–Cameroon pipeline project. In part to prevent 'resource curse' effects the World Bank has introduced several 'good governance' policy interventions designed to address the complex environmental, social, and budgetary implications of large-scale oil production. These include certain conditions on loans to finance the project, the establishment of a revenue management law to ensure that the majority of direct revenues from oil production are spent on priority sectors targeting poverty reduction, and the establishment of a joint government-civil society petroleum revenue oversight committee (the Collège).

Studies of the World Bank efforts on the Chad-Cameroon pipeline have been highly critical. Oversight and monitoring process developed at a much slower pace than the development of the capacity to extract and pipe oil. Politicians were able to circumvent rules which were limited in reach and there is little evidence to suggest that the general population benefited from the pipeline. The studies suggest that in situations of poor transparency and corruption the impact of policy interventions to combat these is highly limited.

Gary, I. and Reisch, N., 2005, 'Chad's Oil: Miracle or Mirage? Following the Money in Africa's Newest Petro-State', Catholic Relief Services and Bank Information Center http://www.bicusa.org/proxy/Document.9546.aspx

Many details regarding the calculation of revenues and agreements between the oil companies and the government have remained secret. A number of legal loopholes and a lack of government technical capacity to monitor oil revenues make it difficult for citizens to verify the accuracy of revenue information. Whilst the Collège has made promising steps to establish itself and exert its authority, it lacks funding and support from civil society and has suffered from government interference. The experience of the 2004 and 2005 budgets show that many obstacles remain to achieving transparent budgeting of oil revenues and targeted spending for poverty-reduction.

Significantly, the authors argue that Chad's experience shows that transparency is but one essential ingredient in a system of oversight, accountability and sanction. Transparent information can be used for both formal and informal enforcement of the law, but the tools to use it have to be in place. Investigative and judicial arms of the government must be independent and capable of prosecuting wrongdoing. Elections must be free and fair and Chadians must have the ability to change their government through the ballot box if they think it has not managed the oil wealth well. Informal enforcement – through monitoring by civil society and publicizing information on the radio and via other media – must be part of a system of accountability. Transparency is only meaningful if information is understood by the government and the public, and if the findings of oversight bodies lead to action.

Another key lesson is that minimum conditions of respect for human rights, fiscal transparency, and demonstrated government capacity to implement pro-poor programmes must be in place before promoting investment in the extractive industries.

Pegg, S., 2005 'Can policy intervention beat the resource curse? Evidence from the Chad-Cameroon Pipeline Project' African Affairs 2006 105(418):1-25
http://afraf.oxfordjournals.org/cgi/content/abstract/105/418/1

There have been notable advances in transparency. The oil consortium funds the External Compliance Monitoring Group (ECMG) to monitor its compliance with the project's environmental management plan, and its reports are publicly available. The International Advisory Group (IAG) makes regular field visits to Chad and Cameroon and publishes its reports on compliance with environmental and social safeguards. The World Bank Group's Inspection Panel has issued detailed and extensive reports on both Chad and Cameroon. Financial transparency is promoted through the monthly publication of the oil consortium's royalty payments to the Chadian government's escrow account at Citibank in London and the disbursement of those funds to Chad.

There has, however, been a 'two-speed' process. Whereas construction activities directed towards oil production proceed ahead of schedule (e.g. the first oil left for international markets one year ahead of project schedule), institutional capacity-building projects are consistently delayed. There has been a failure to develop and strengthen the institutional capabilities for the Government of Chad to monitor the Project effectively before the revenues start to flow. A complex revenue management system has been set up to channel fund towards poverty alleviation. However this system only applies to the three original fields, not any new exploration finds; and direct revenues, though indirect revenues could represent more than 40 percent of the project's entire revenue stream. Most notably the system did not apply to the $25 million signing bonus and Chad's President Idriss Deby diverted $4.5 million of this to military spending. There seems to be evidence that the Chadian government officials actively resist some of the fiscal principles behind the system. For example there has been no explicit set of mechanisms for stabilisation of revenues. Inflation in the oil-producing region was widely reported. Health, education, sanitation and resettlement problems were also noted at spontaneous villages that arose around the project sites. It has also been noted that the stark contrast between the well-lit oil facilities and the darkened neighbouring towns and villages is a source of social tension.

The author concludes that the World Bank has consistently overestimated its own abilities to build capacity for this project and that the Chad-Cameroon pipeline is unlikely to lead to poverty alleviation.

6. Other proposed initiatives

In addition to the established initiatives listed above, the following are some other new initiatives that have been proposed or are in early stages of implementation, but have not yet shown concrete evidence of impact.

Humphreys, M., Sachs, J., Stiglitz, J., 2007, 'Future Direction for the Management of Natural Resources', Chapter 12 from 'Escaping the resource curse' Columbia University Press www.columbia.edu/~mh2245/papers1/erc12.pdf

This book explores a series of technical solutions to avoid the resource curse in relation to dealing with corporations, the macroeconomy and the politics. This final chapter outlines a series of recommendations for action by national governments and the international community, with a final note on transparency.

Natural Resources Charter http://www.naturalresourcecharter.org/

The Charter is a set of twelve economic principles launched in 2009 to provide guidance for governments and societies to increase the prospects of sustained economic development from natural resource exploitation. It has been drafted by a group of academics and practitioners led by Paul Collier, Director of the Centre for the Study of African Economies, Oxford University.

African Development Bank, 2007, 'Making Natural Wealth work for the Poor', Chapter 5 from the 'African Development Report 2007', African Development Bank
http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/%28F%29%20AfricanBank%202007%20Ch5.pdf

This chapter examines the linkages between natural resource wealth and poverty in Africa. The linkages are complex and a number of strategies aimed at using resources directly or indirectly for poverty reduction have been implemented. This Chapter analyses the strategies, core issues, and provides suggestions to fully harness natural resource wealth in the future.

IMF, 2007, Revised Guide on Resource Revenue Transparency
http://www.imf.org/external/pp/longres.aspx?id=4176

This guide reflects the IMF's Code of Practices on Fiscal Transparency (2007) and aims to address transparency issues and issues arising from the size and volatility of natural resource revenue as well as the technical complexity of the transaction flows.

CGD Fighting the Resource Curse through Direct Cash Distribution
http://www.cgdev.org/section/initiatives/_active/revenues_distribution

Several authors in this report (e.g. Pegg, Shaxson) have suggested paying natural resource revenues directly to their citizens and then taxing them, to improve accountability. The Center for Global Development (CGD) has set up an initiative to specifically promote the use of Direct Cash Distribution in response to the Resource Curse. This initiative is being promoted by Nancy Bird, Alan Gelb, Arvind Subramanian and Todd Moss. A recent paper[4] by Todd Moss and Lauren Young makes the case for Direct Cash Distribution in Ghana.

Collier, P., 2010, 'The Plundered Planet: why we must, and how we can, manage nature for global prosperity', Oxford University Press

This book argues that technological innovation, environmental protection, and regulation are key to ensuring equitable development. In particular he suggests five things that have to go right if a country is to manage natural resource wealth well. These are discover your natural assets, capture them for your society, ensure that local communities are fully compensated, separate natural resource revenues from other forms of revenue, and invest in investing – i.e. build capacity to do good investment. These five things form a chain in which failure of any link results in failure of the chain.

7. Other materials

Auty, R., 2008, 'Political Economy of African Mineral Revenue Deployment: Angola, Botswana, Nigeria and Zambia Compared', Working Paper 28, Real Instituto Elcano, Madrid
http://se2.isn.ch/serviceengine/Files/EINIRAS/90395/ipublicationdocument_singledocument/CBF17683-8340-415C-9259-52F869F44621/en/WP+28,+2008.pdf

[4] http://www.cgdev.org/content/publications/detail/1422981/

The paper uses Botswana's successful use of resource rents to identify why Zambia, Nigeria and Angola failed. It attributes Botswana's success in managing a large concentrated rent stream not only to ethnic homogeneity and rejection of statist policies but also to the incentives for caution arising from its singularly precarious mineral dependence and also the unexpected stability of diamond prices. In contrast, a complacent Zambian government deployed copper rent through a statist development strategy that within a decade fatally weakened the economy's resilience to economic shocks. Nigeria deployed its burgeoning oil revenue to appease ethnic strife and thereby over-expanded state intervention and weakened the economy. Finally, Angola distorted its economy by central planning. Ethnic conflict then attenuated the elite's time horizon and boosted rentseeking at the expense of wealth creation.

GSDRC, 2010, 'Natural Resource Revenue for Service Delivery' GSDRC Helpdesk Research Report http://www.gsdrc.org/docs/open/HD668.pdf

GSDRC, 2009, 'Donor Approaches to Extractive Industries', GSDRC Helpdesk Research Report http://www.gsdrc.org/docs/open/HD570.pdf

GSDRC, 2009, 'Community-based Approaches and the Extractives Sector in Situations of Fragility and Conflict', GSDRC Helpdesk Research Report http://www.gsdrc.org/docs/open/HD636.pdf

8. Additional Information

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Selected websites visited
Extractive Industries Transparency Initiative; Publish What You Pay; Revenue Watch Institute; Kimberly Process; CommDev; Global Witness; Google Scholar; Oxford SWF Project; Google Books; UN; World Bank; VoxEU