

**The Development Challenge of the Decade:
Natural Resource Governance**
Reflections and Peering ahead, Evidence-based

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Reflecting on 4 'Powers'

1. Power of Data, Research & of Evidence-Based Policy-Making
2. Power of Smart Transparency
3. Power of Incentives
4. Implications for Debate, including: Power of Partnerships

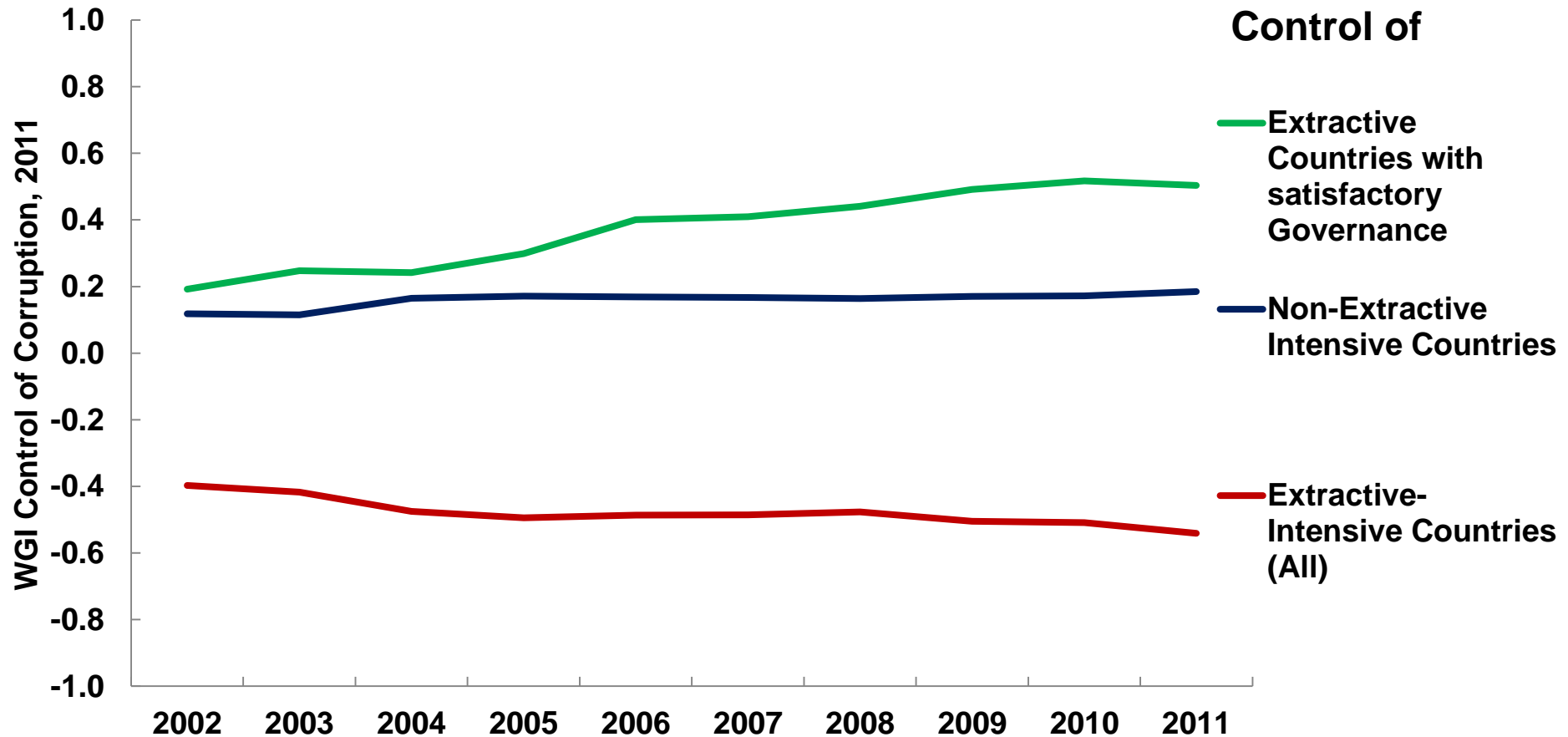
1. Power of Data & Research

Power of Data, Research & of Evidence-Based Policy-Making:

- Better outreach of existing data/evidence and analysis on governance in natural resource governance
- Building a major Databank; making sense of the existing & upcoming data; enabling multitude of users around the world (in-country) to use it effectively
- Guarding against: i) 'Zombie Data'; ii) Confusing the Macro with the Micro in charting data work ahead; iii) viewing Data & technical analysis as substitute to civil society advocacy (not so); iv) misalignment with international statistical norms (thus IMF needs to be further involved, etc)

Basic Data, 1: What are the Poverty figures since 1990?...

Basic Data, 2: Trends in Control of Corruption, Extractive vs. Non-Extractive Intensive Countries, 2002-2011



Source: Worldwide Governance Indicators, 2012. The extractive countries with satisfactory control of corruption trend line (atop) includes a dozen countries.

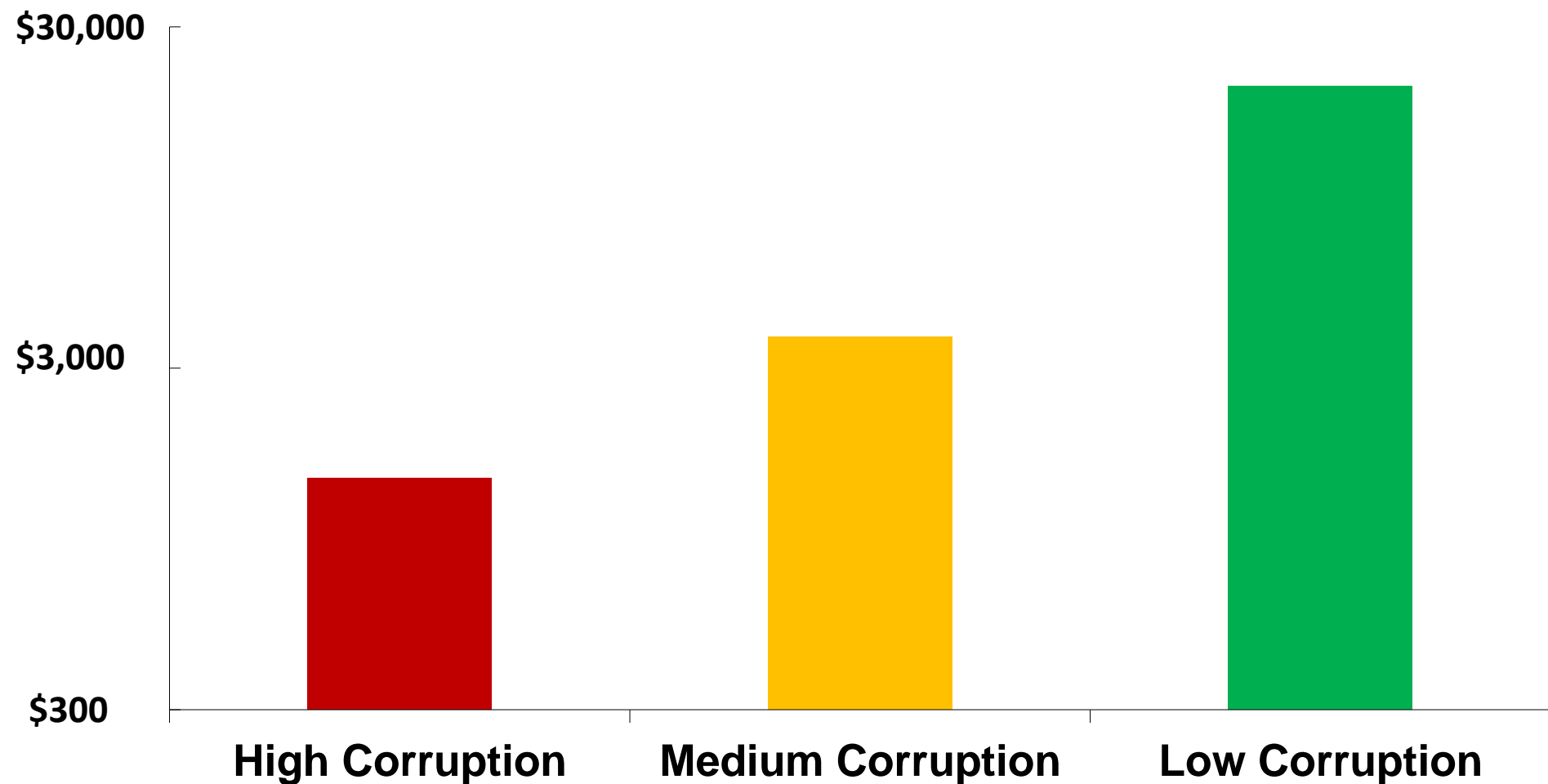
2. Power of Smart Transparency

- **Transparency Matters**
- **But guarding against:**
 - 1. “Zombie” Transparency (de jure, opaque transparency, overly aggregate);**
 - 2. Partial Transparency: only on monetized revenues, but not on: contracts; in-kind; expenditures; sovereign funds; in-kind, NOCs; commodity traders; ownership, etc.**
 - 3. Lonely Transparency (without key complementary measures)**

Governance & Transparency Matters: ***Some Empirics in brief***

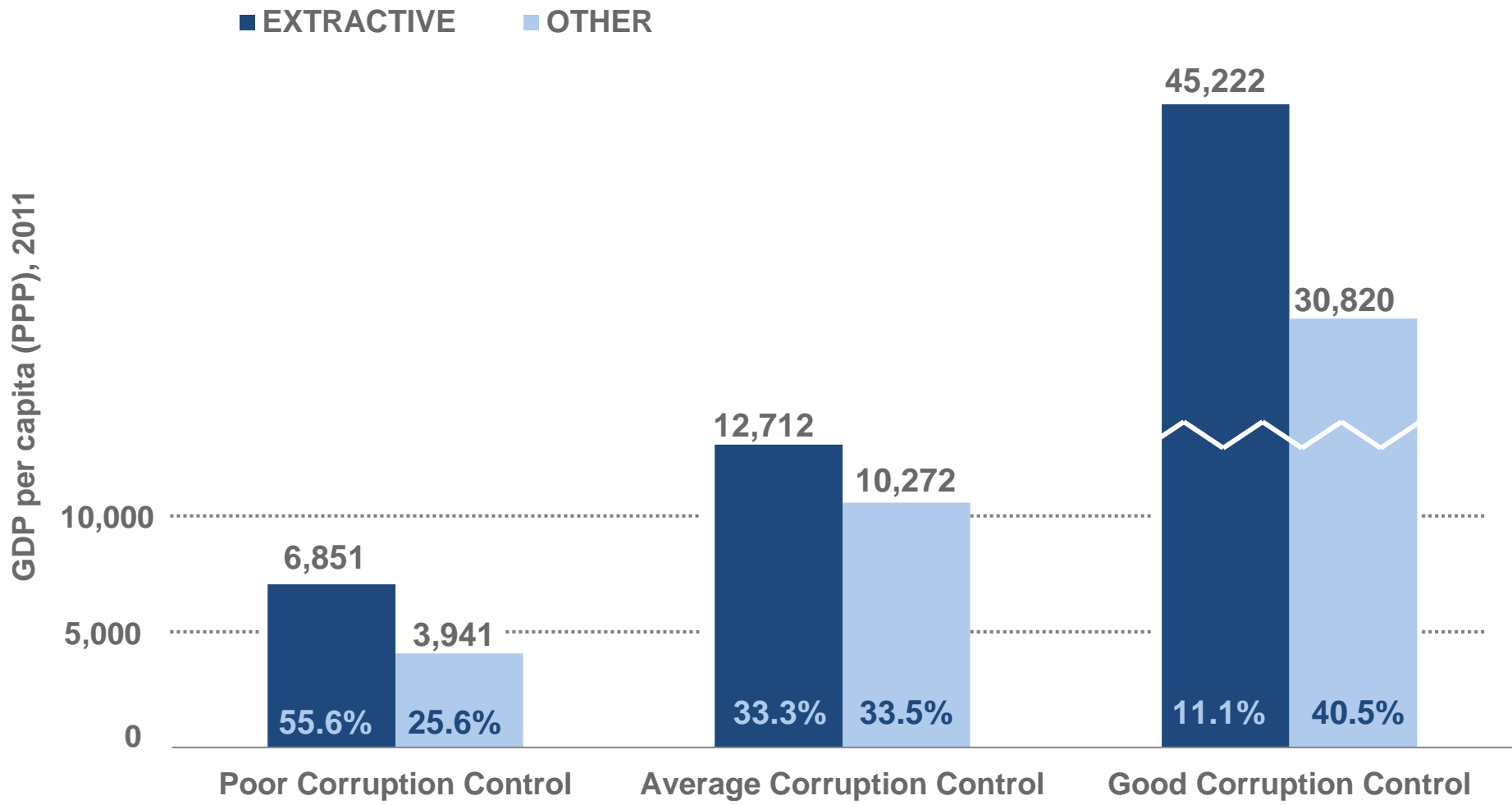
- **Governance Matters for Development: Empirical Analysis shows that.**
- **The ‘payoff’ or development dividend of good governance is at least as large (if not larger) for resource-rich countries**
- **Controlling corruption is key to development outcomes, and transparency is associated with controlling corruption**
- **But ‘lonely transparency’ has less impact: transparency with sanction has more power**

The 300% Development Dividend From Improving Governance & Controlling Corruption



Data Source for calculations: KK 2004. Y-axis measures predicted GDP per capita on the basis of Instrumental Variable (IV) results for each of the 3 categories. Estimations based on various authors' studies, including Kaufmann and Kraay.

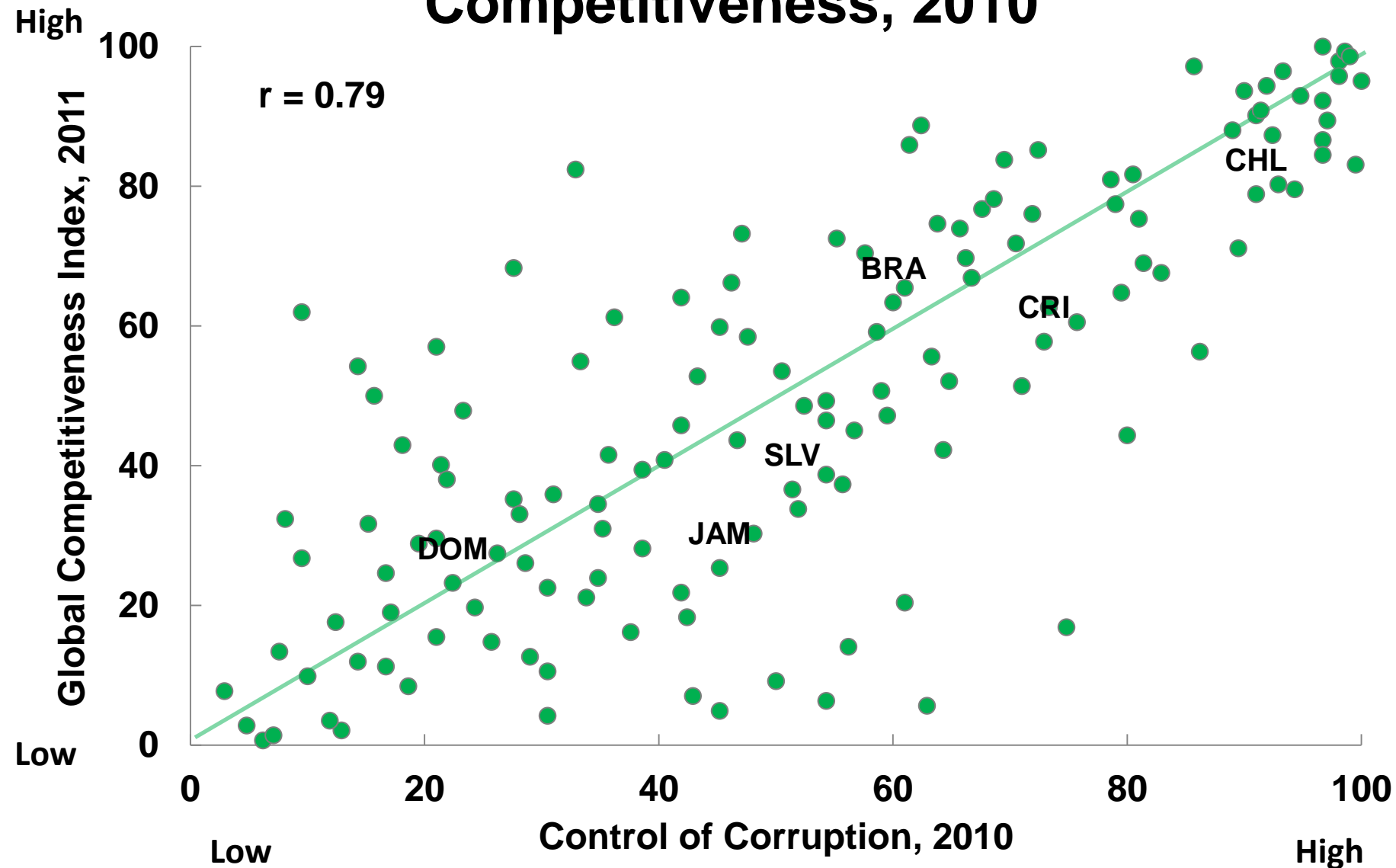
GDP per Capita in Extractive-Intensive & Other Countries, by Control of Corruption Tercile Groups, WGI 2011



Note: The percentages inserted in each dark blue column represent the % of all extractives that belong to each control of corruption tercile (poor, average, good). Similarly, for light blue columns, the % of all other countries in each control of corruption category.

Sources: Corruption Control data from Worldwide Governance Indicators (WGI), 2012. IMF 2010 Report on Resource-Intensive Countries. GDP p.c. from World Bank World Development Indicators, 2012. Countries were grouped into terciles based on the WGI control of corruption score for the sample of all countries in the world.

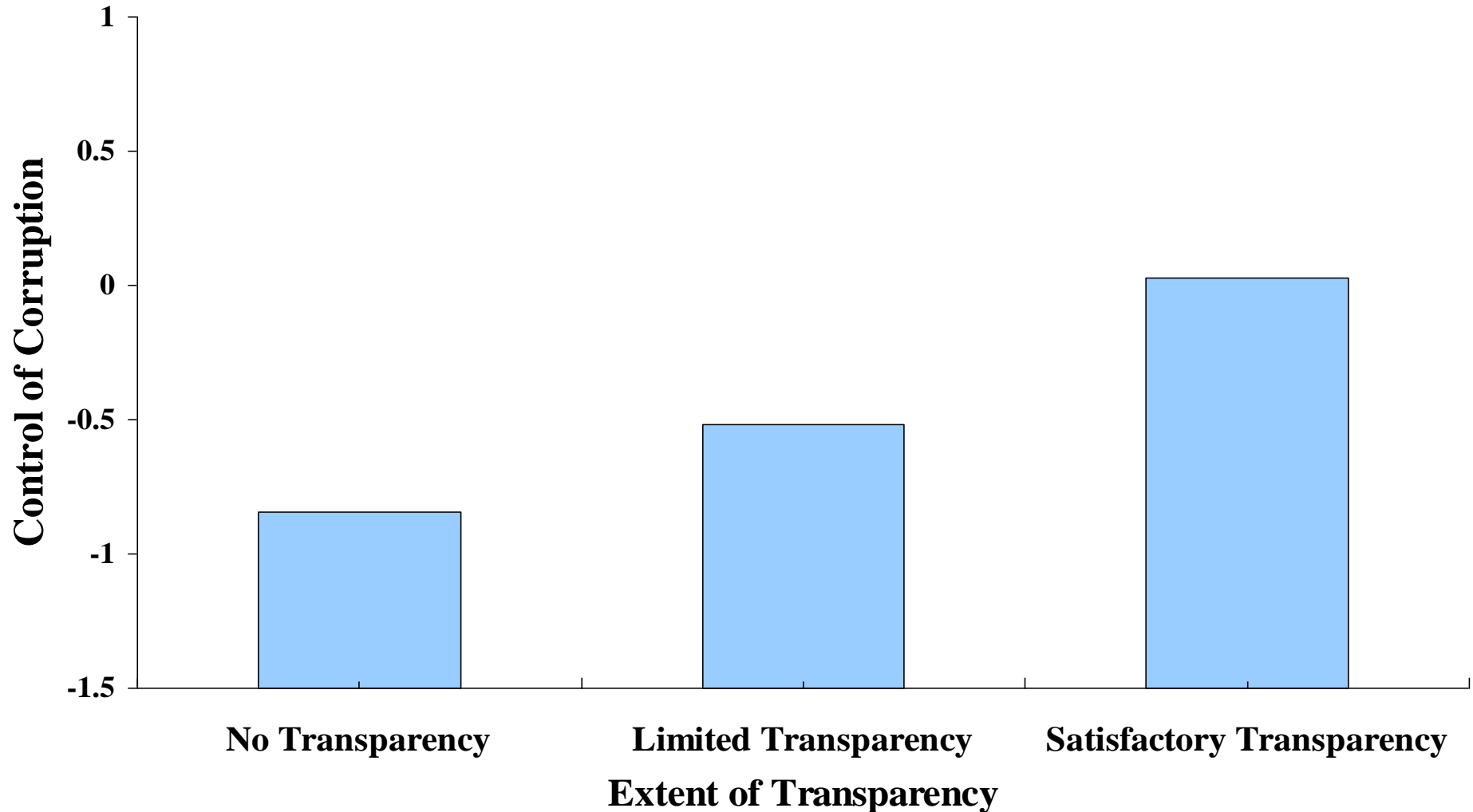
Control of Corruption and WEF GCR Competitiveness, 2010



Improved Transparency is Associated with Corruption Control

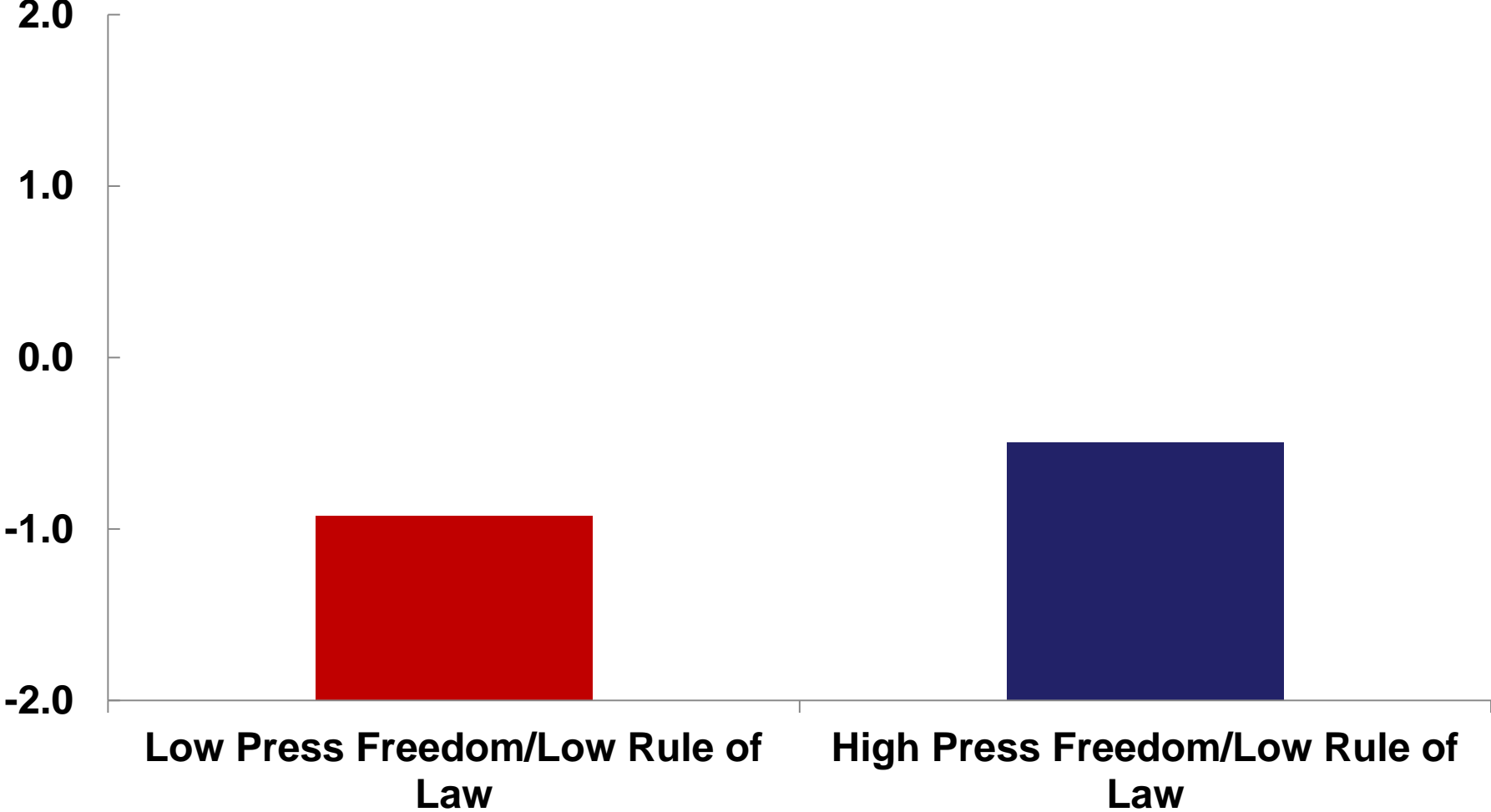
(Emerging Economy sample-- 135 countries)

Good



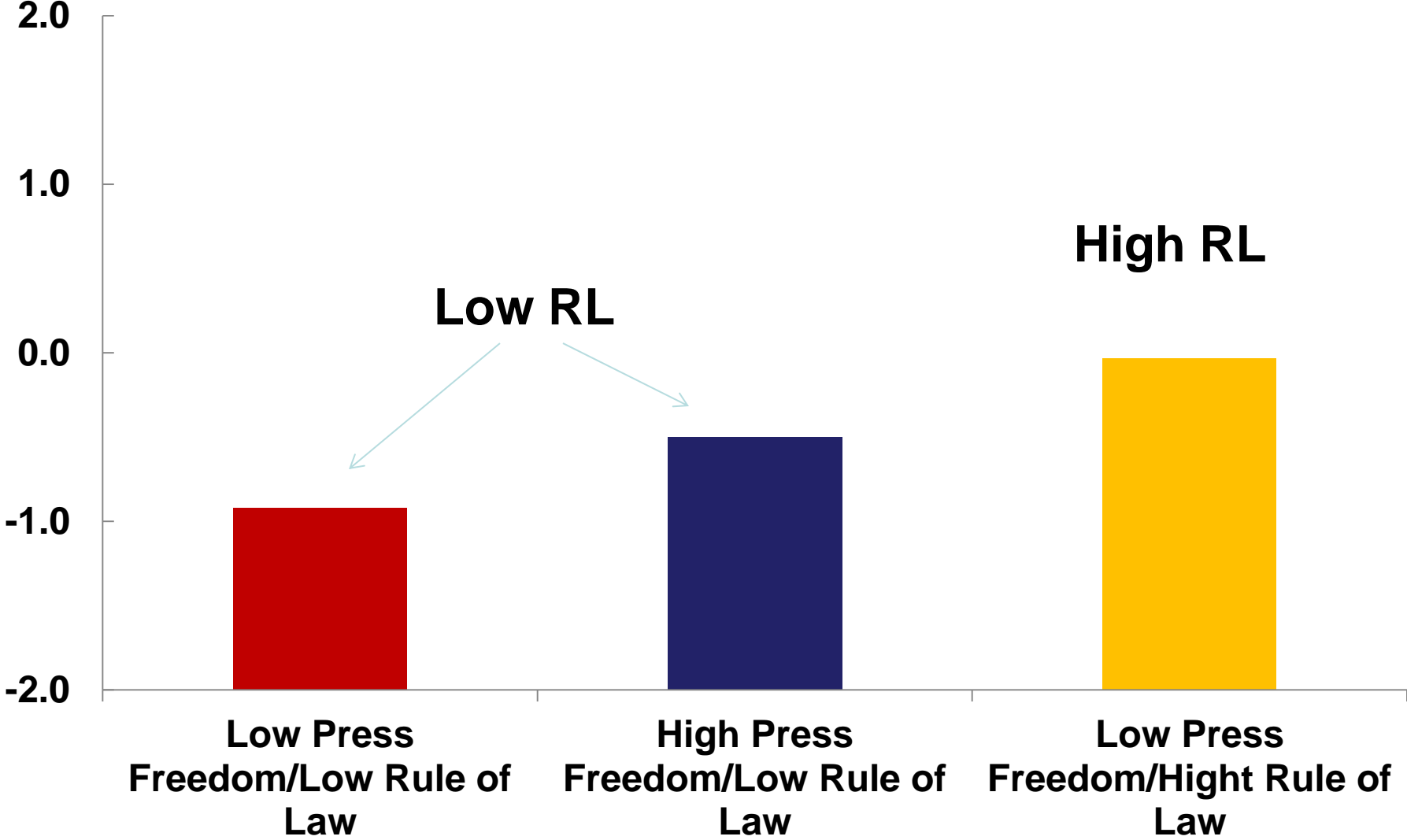
Source for Control of Corruption: : 'Governance Matters IV: Governance Indicators for 1996-2004', Kaufmann, D., A. Kraay and M. Mastruzzi, (<http://www.worldbank.org/wbi/governance/govdata/>); Source for Press Freedom: Freedom House. Source for Gender Equality: CPIA 2004. Source for Transparency: 'Transparency Matters: Transparency and the Quality of Government', A. Bellver and D. Kaufmann. Satisfactory Freedom/Rights reflect higher ratings from Press Freedom, women's rights, gender equality and transparency ratings.

Effect of Media Freedom/Transparency on Control of Corruption (*when Low Rule of Law*)



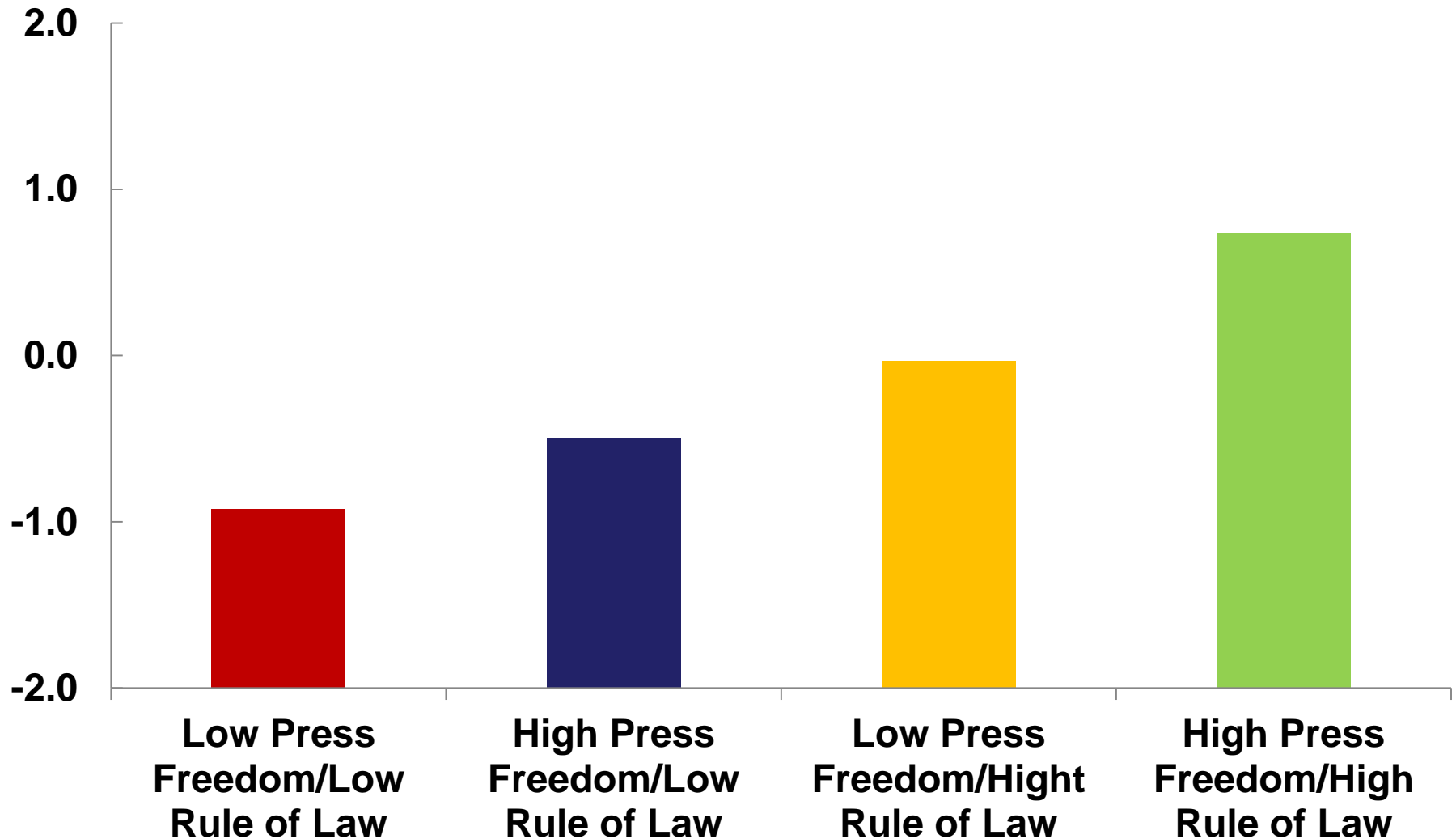
Sources: Kaufmann D., A. Kraay, M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues, September 2010; Freedom House, Freedom of the Press, 2005-2009 editions

Impact of Transparency/Free Press on Control of Corruption (*for Low vs. High Rule of Law*)



Sources: Kaufmann D., A. Kraay, M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues, September 2010; Freedom House, Freedom of the Press, 2005-2009 editions

Effect of Media Freedom and Rule of Law on Control of Corruption

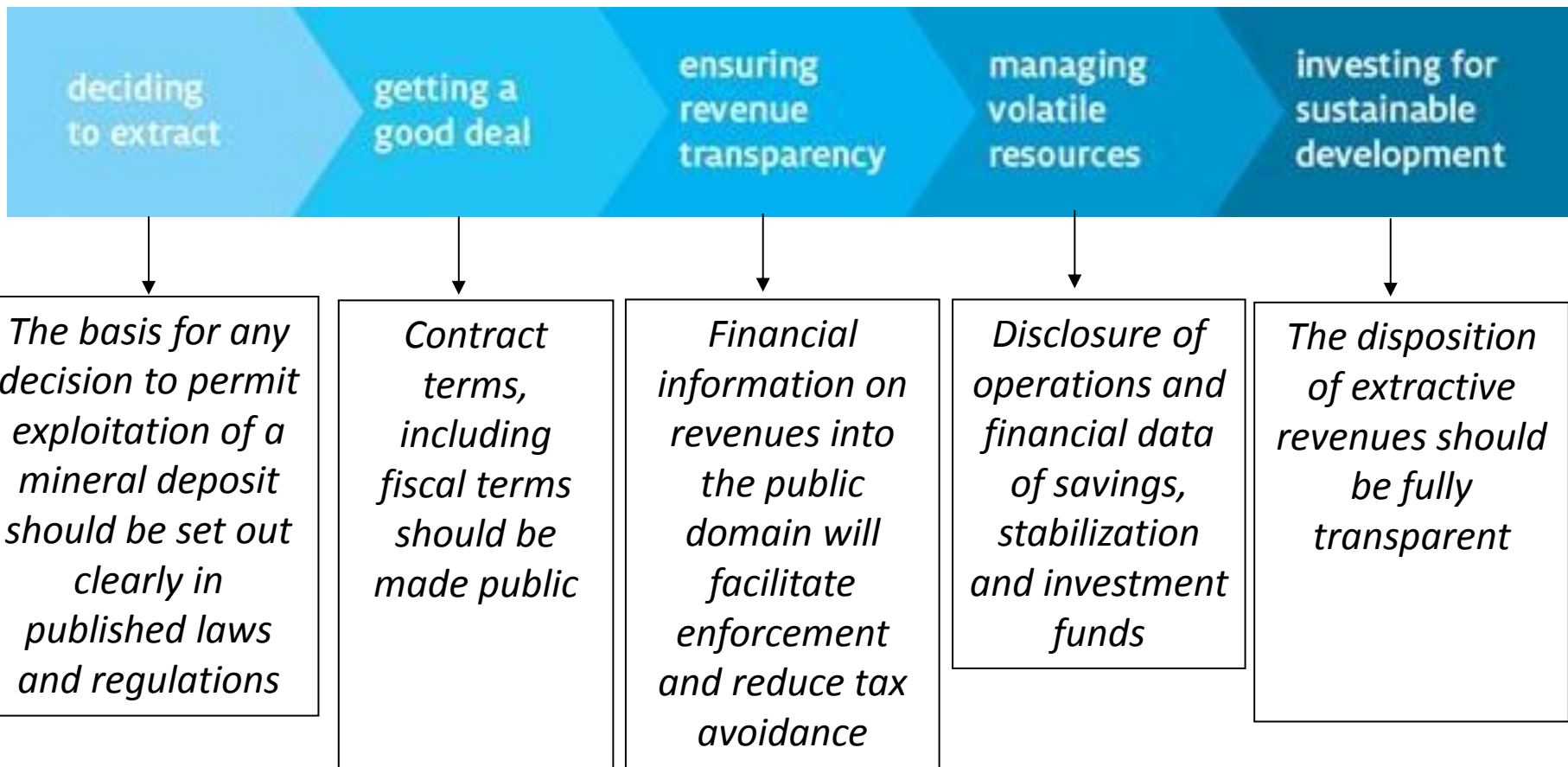


A Broader Transparency Framework

- **Beyond Transparency in Revenues: the full value chain**
- **Beyond Transparency: Complementary measures – how context specific?**
- **New Analytical and Empirical Diagnostic Tools: Natural Resource Charter (NRC); the Resource Governance Index (RGI), EITI information translation into standardized data and performance indicators?**
- **Subnational Governance in Natural Resources**

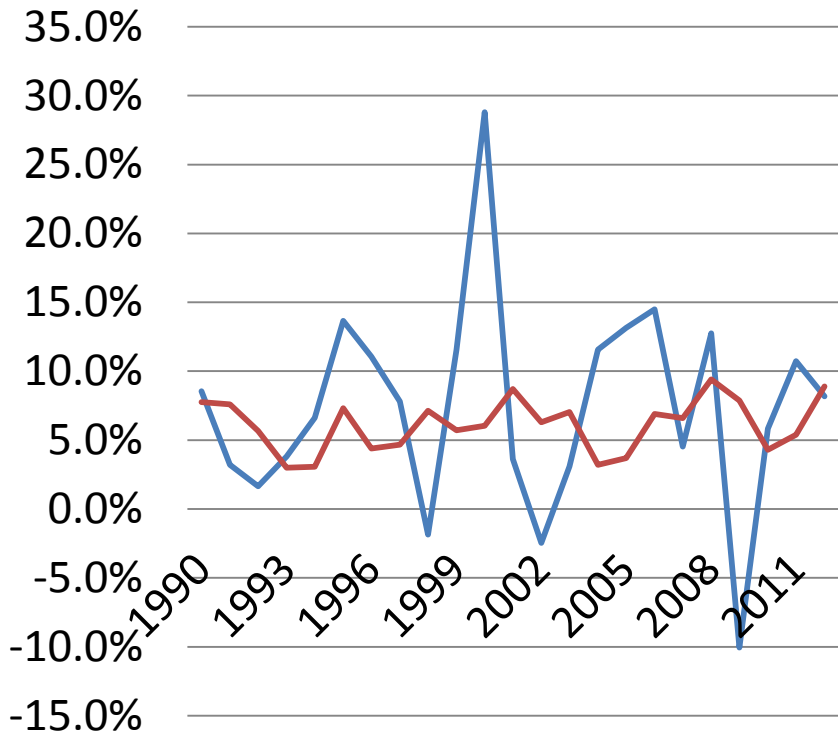
BEYOND REVENUE TRANSPARENCY: WHICH AREAS SHOULD BE TRANSPARENT?

Transparency across the Value Chain



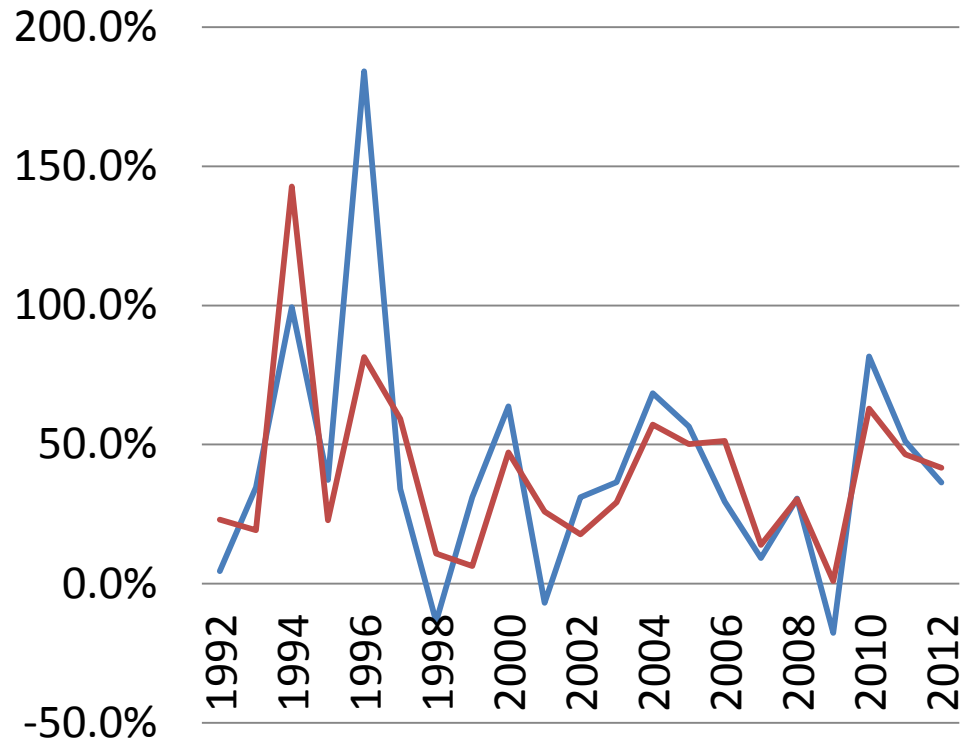
Managing Volatile Revenues

Norway



- Government revenue growth (kroners)
- Government expenditure growth (kroners)

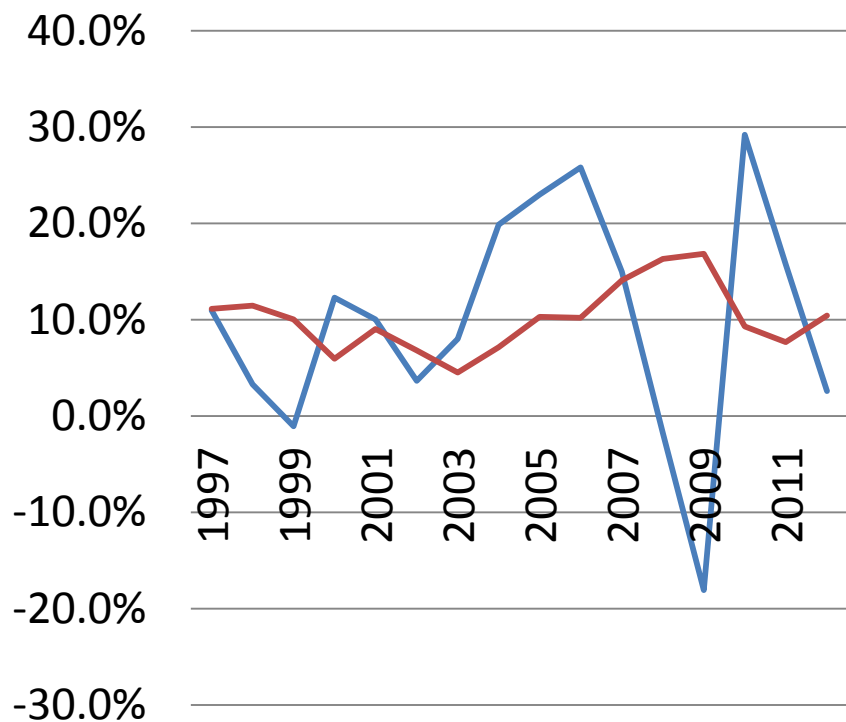
Venezuela



- Government revenue growth (bolivares)
- Government expenditure growth (bolivares)

Managing Volatile Revenues

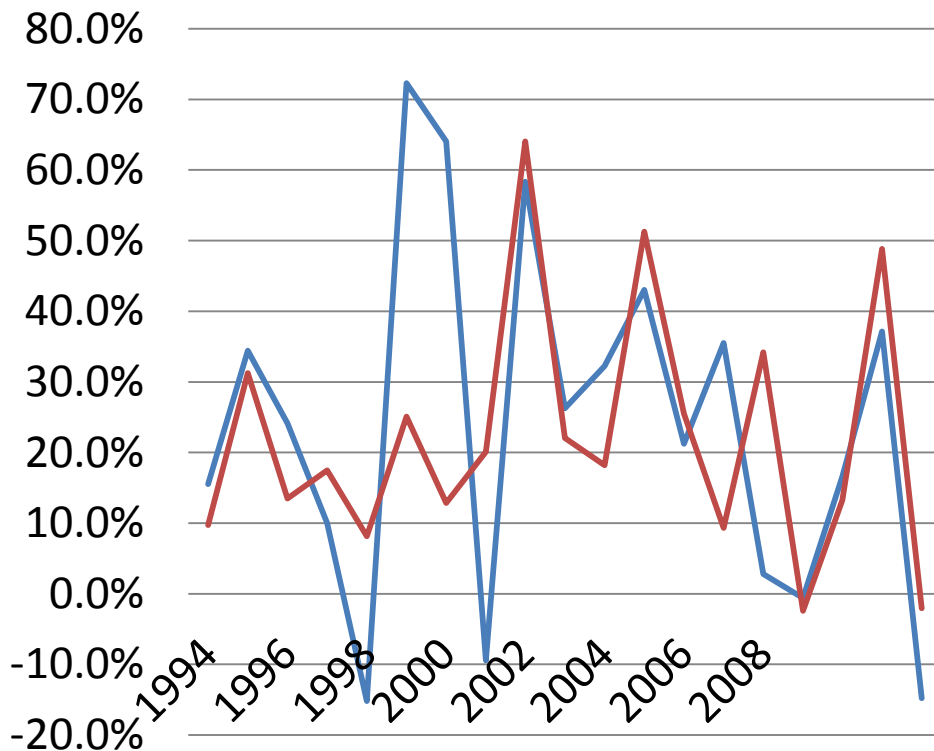
Chile



— Government revenue growth (pesos)

— Government expenditure growth (pesos)

Iran



— Government revenue growth (rials)

— Government expenditure growth (rials)

3. Power of Incentives

- Belonging to a Global Transparency ‘Club’ is a powerful incentive
- Balancing: i) *Inclusivity* [in ‘belonging’ to ‘Club’, so country has incentive to improve], with ii) MMS: Maintaining Minimum Standards (vs. damaging the brand by low standards)
- Practically, 3-categories (not 2): *In or Out*, and *if In: potential vs. real performer*
- A key is tough implementing criteria on ‘real’ performance
- Performers can be reverted to non-performers, but stay ‘In the Club’ (*unless dramatic deterioration*)

Some Conclusions & Implications so far, including

4. The Power of Partnerships

1. Power of Data: Investing in Data gathering, management, rigorous analysis, training/TA of multiple national users
2. Distinguishing between Zombie vs. Real Transparency
3. Complementary to Transparency: Governance in full value chain
4. Taking Incentives seriously: “Tough Love” (Love: *‘In the Club’*, Tough: *Real Performance implementation criteria, w/ metrics*)
5. Taking Institutional Partnerships seriously and to the next level:
 - i) Scan & Mapping of activities & organizations, division of labor;
 - ii) Joint Country Strategies; iii) Strategic Partnerships & Mergers

Some Perspective on the Power of Transparency & Data...

**‘If it cannot be measured, it cannot be
controlled’**

Lord Kelvin

**‘Not everything that counts, can be counted,
and,
not everything that can be counted, counts’**

Einstein