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Mobilising natural resource revenues for development

Governance of natural resources has climbed the development agenda for a decade. This trend will continue into 2013 and beyond for three main reasons.

1. Openness and accountability

First, increasing emphasis on openness, data transparency and accountability. As the UN High-Level Panel on post-2015 development gathered in London in November 2012, co-chair Prime Minister David Cameron wrote in the *Wall Street Journal* of a "golden thread" of conditions that "enable open economies and open societies to thrive … and build a future free from poverty". Cameron noted that "The US has introduced legally binding measures to require oil, gas and mining companies to publish key financial information for each country and project they work on. And I want Europe to do the same."[1]

The UK Government co-founded and co-chairs the Open Government Partnership and has championed natural resource revenue disclosure since launching the Extractive Industries Transparency Initiative (now chaired by Clare Short) in 2002. Despite the voluntary EITI's acknowledged weaknesses, it has contributed to efforts to address the "resource curse" of poor human development that afflicts so many resource-rich developing countries.

Plentiful evidence from states such as Angola, Colombia, the DRC, Libya, Nigeria and the Philippines highlights the risks and costs associated with economic dependency on oil, gas and minerals. Secrecy, corruption (costing Africa $148 billion a year),[2] inequality, environmental and human rights abuse, instability and violence are all aspects of the "curse", and result in GDP growth often failing to deliver poverty reduction.

Non-renewable natural resources are public assets, and calls are growing for extractives sector transparency. The Obama Administration's 2010 Dodd-Frank Act requires US-listed oil, gas and mining companies to report their payments to governments on a country and project basis from 2014. The EU is finalising new Directives requiring similar disclosure by EU-listed and large private extractive and forestry companies. Canada looks set to follow. Transparency champions include Mo Ibrahim, George Soros, Bill Gates, Paul Collier and Bono. The World Bank, IMF and International Council on Mining and Metals, among others, are also moving, if sometimes reluctantly, in a positive direction.

2. Demand for commodities

The second reason is growing world demand for commodities. Barring a complete reversal in current trends – and despite the need to address climate change – high levels of consumption of oil, gas, minerals and other natural resources will continue. Oil and mining companies from the BRICS countries and other emerging economies are expanding operations around the world.

The natural resources sector dwarfs global aid budgets. Exports of oil and minerals from Africa, Asia and Latin America totalled an estimated US$1.19 trillion in 2008.[3] Due largely to commodities, Africa had six of the world's ten fastest growing economies in the 2000s.[4] "In the next few decades, the vast majority of the world's new hydrocarbon supplies will come from developing countries," predicts economist Michael Ross.[5]

3. Development post- 2015

This leads to the third reason. With 1.4 billion people still living in extreme poverty, and international aid budgets constrained, new means are needed to finance the post-MDGs agenda. Developing countries' resource revenues have a huge role to play via investment in infrastructure, health, education, social protection, economic diversification, agriculture, jobs and sustainable livelihoods. Here, better governance generally yields developmental benefits.[6]

Easier said than done, of course. We can't ignore climate change, or the legal right of indigenous communities, and moral right of others, to free, prior and informed consent over resource exploitation on their territory. Civil society also faces a capacity challenge in using extractive industry data to hold governments and companies to account. This last is the mission of the Publish What You Pay coalition, founded in 2002 and now comprising more than 700 member NGOs across 50-plus countries, striving to ensure that oil, gas and mining revenues improve citizens' lives.

The companies are another challenge. While most Western multinationals claim to support transparency, getting all the oil and mining majors to play by the rules won't be straightforward. To ensure that they pay fair taxes and royalties, we need bidding and contract transparency, open fiscal regimes, adequate compensation for affected communities, disclosure of beneficial ownership of companies, and data on turnover and production volumes. Besides, more accountability is essential in other sectors too, such as banking, construction and telecoms, to ensure that business operates worldwide for the public good.

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