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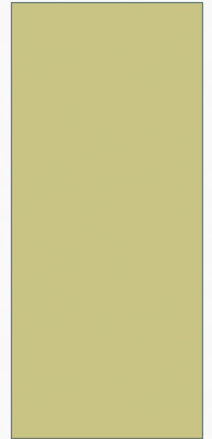


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# NATURAL RESOURCES, CORRUPTION, & THE SDGS

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# THERE IS NO “NATURAL RESOURCES” SDG, BUT THEY ARE EMBEDDED IN MANY OF THEM....

## **1. Ending poverty & hunger**

- Economic rents from oil, mining, etc. expected to fund development budgets
- Many rely on natural resource-related jobs

## **2. End hunger / achieve food security**

- Oil, coal, etc. and the role in climate change and effects on agriculture and fisheries

## **3. Clean water / sanitation**

- Role in natural resource extraction & energy production in water and air pollution
- Mining uses high levels of water

## **4. Affordable, clean energy for all**

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## **5. Sustainable / inclusive economic growth & employment**

- Major source of jobs
- Revenues used by governments to fund state employees
- Historical role of mining in exploitative employment

## **6. Inclusive / sustainable industrialization**

- Natural resources as key inputs to industrialization
- Primary export producers and concerns over terms of trade
- Role of natural resources (i.e. oil) in “de-industrialization” from Dutch Disease, etc.

## **7. Reduce Inequality**

- Natural resource exporting countries tendency to be highly unequal

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## **8. Sustainable consumption / production**

- Sustainable / efficient use of natural resources
- Management of waste generation, production, etc.
- Rationalize inefficient fossil-fuel subsidies

## **9. Climate action**

## **10. Conservation, restoration, & sustainable use of forests, wetlands, mountains, etc.**

- Role of natural resource extraction in environmental destruction; importance of land reclamation

## **11. Peaceful / inclusive societies**

# WHAT DOES CORRUPTION HAVE TO DO WITH ALL THIS?

Resource Curse “rule of thumb”: states with fragile institutions who primarily rely on natural resource exports (especially oil) tend to experience:

- Higher levels of corruption
- Stronger patronage systems
- Much greater levels of violent activity (especially insurgency/civil war)
- Decreased democratization / increased authoritarianism
- Increased human rights abuses
- Lower overall employment; crowding out of local industries; terms of trade

Worst case examples: Angola, Russia, Venezuela, Iraq, Iran

# WHY DO POLITICAL ECONOMISTS THINK THIS OCCURS?

- Breaks the “taxation / representation” cycle: governments not reliant on their populations for fiscal support
- “Winner take all”: especially oil, whoever controls the government and/or territory controls the “rents” from the natural resources
  - Governments will use coercion, violence, election irregularities, etc. to maintain power and access to rents
  - “It’s our turn to eat”: those excluded may use violent means
  - Access to money is removed from overall economic growth of population
  - Strong temptations to skim some of the money for oneself & patronage network
- Opportunities for “bad actors” (corrupt politicians, criminals, terrorists/insurgents)
  - Natural resources as sources of financing
  - Poor levels of rule of law & high corruption facilitate illegal activities
  - Mobilizes popular discontent against corrupt politicians; may have ethnic/religious overtones

# WHERE DOES PUBLIC FINANCIAL MANAGEMENT FIT INTO THIS?

Increased calls for transparency, accountability & due diligence

- Publish What You Pay (PWYP)
- Extractive Industry Transparency Initiative (EITI)
- Dodd Frank section 1502: conflict minerals from DRC & neighboring countries
- Dodd Frank section 1504: oil, gas and mineral companies must publicly report how much they pay governments
- New company payment disclosure requirements in the EU, UK, Norway, South Korea
- ISIS' use of oil, antiquities, agriculture for financing may push new terrorism-related rules

# WHERE DOES PUBLIC FINANCIAL MANAGEMENT FIT INTO THIS?

Increased calls for transparency, accountability & due diligence in financial institutions, too

- Push against anonymous shell companies and for beneficial ownership requirements
- Push for better real estate disclosure and KYC rules enforced
- New York State will issue new financial regulations
- London will conduct major counter-corruption conference in 2016—may lead to new regulation
- Possible new terrorism finance inspired rules—already due diligence difficulties for those banks working with Lebanon, Turkey, etc.
- Increased regulation of Bitcoin & other virtual currencies



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