NATURAL RESOURCES, CORRUPTION, & THE SDGS

JODI VITTORI
SENIOR POLICY ADVISER, GLOBAL WITNESS
ADJUNCT PROFESSOR, GEORGETOWN UNIVERSITY

DECEMBER 9, 2015
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
THERE IS NO “NATURAL RESOURCES” SDG, BUT THEY ARE EMBEDDED IN MANY OF THEM....

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
There is no “Natural Resources” SDG, but they are embedded in many of them.

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
Contact Info:

Jodi Vittori
Senior Policy Adviser, Global Witness
Adjunct Professor, Georgetown University
jvittori@globalwitness.org