

Introduction

Countries with natural resource wealth can be blessed or cursed: if used well, these resources can create long-term economic growth and development; if used poorly, they can cause conflict, economic instability and a deterioration of human development.

In practice, oil, gas and mineral resources have had a perverse effect on many resource-rich nations. Instead of contributing to poverty alleviation and economic growth, resource revenues often lead to large-scale corruption, less development, and wars.

In the absence of strong government institutions that are transparent and accountable to citizens, resource revenues are often managed ineffectively. Large and unregulated inflows of funds to government can create incentives for those in power to corrupt, and policy makers are easily tempted to provide short-term solutions to long-term social and economic problems. The relationship between citizens and governments is undermined as the government depends less on revenues from taxes and non-extractive sectors. In order for natural resources to be used effectively and for development purposes, more accountable and transparent mechanisms must be adopted and supported by a wide range of stakeholders such as governments, multinational corporations, legislative bodies, political parties, civil society organizations and the media.

Current efforts to increase transparency and accountability in natural resource management mainly emphasize the roles of the government and civil society organizations. Much less attention has been paid to the potential contribution of legislators. The three core functions of Parliament—representing constituent interests, legislating, and overseeing the executive branch—are crucial along the entire extractive industries value chain. Legislators are responsible for ensuring that policy and regulatory frameworks regarding extractive industries benefit the population, and they can make sure that government agencies appropriately allocate and account for revenues.

The National Democratic Institute (2007) has identified that legislators often face constraints in fulfilling their roles and responsibilities, including weak individual and institutional capacity, little independence from more powerful executives and ruling political parties, and limited political

will. Because of capacity constraints, and a lack of strong analytical backgrounds, high quality policy analysis is sometimes difficult. NDI finds that faced with proposals from well-informed or connected executive branch agencies or officials, legislators often lack both the information and the confidence to influence legislation, policy or management of the extractive industries. Legislators often operate in a system with weak institutional checks and balances and low levels of accountability.

Natural resources should be exploited to help a country reach its social and economic goals. The exploitation should not take place as a goal in itself. In practice, this means the country has to have a clear vision of where and what it wants to be in the future, and how the resource sector can contribute to this. Natural resource rents should be used to serve the benefit of all citizens, within the framework of a country's long-term development goals (The Natural Resource Charter, 2009).

It is a tremendous challenge to turn natural resource wealth into a blessing and make the sector contribute to sustainable development. Policy makers have many choices to make, from the speed of the extraction path, ways to deal with the volatility and uncertainty of revenues, prevention of environmental damage, to avoiding social conflict. Decisions with inter-generational consequences have to be made in great uncertainty. Luckily there are several practical guiding principles that can help boost transparency, accountability and social and economic development in a resource-rich setting.

This course will explain the elements of the resource curse, what measures can be taken to combat it, and how parliamentarians can play an important role in doing so. The course will address the link between extractive industries and economic and financial management, revenues, expenditures and the budget, environmental and sustainable development, poverty reduction and community development, including transparency and accountability mechanisms.

At the end of this course participants will be able to identify strengths and weaknesses in government's extractive industries policy and how to make the extractive industries sector more developmentally oriented. By reviewing good practices in the extractive industries sector, participants will be able to better understand and analyze the costs and benefits of mining

policy outcomes, their effect on stability, growth and on the budget. Participants will know how to enhance benefits and mitigate the risks related to the extractive industries sector, and can therefore oversee the executive more effectively. Participants can have a more informed debate about extractive industries issues. Participants will know how to enhance transparency and accountability related to the use of revenue and licensing, and they will know how to effectively participate in the Extractive Industries Transparency Initiative (EITI). Vertical accountability mechanisms will be strengthened, as legislators will know how to disseminate information and open proceedings for dialogue and debate.

Unit 1 of this course will give an introduction to the extractive industries sector and the resource curse. It will also describe how Parliament can relate to the sector. In Unit 2 we will discuss which institutions will contribute to counter the resource curse. Unit 3 will describe the importance of sound economic policy and planning, including the four stages of the budget cycle and medium term frameworks. Unit 4 will describe the first stage of the resource chain: the decision to extract. Unit 5 covers the contracting stage, followed by Unit 6 (revenue collection) and Unit 7 (revenue management and sustainable development)

Each Unit will list learning objectives and review questions can be found at the end of each unit. Throughout, words will be underlined that appear in the Glossary.