



## Raw Materials Sector Governance Challenges

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### Essential Question

**Does natural resources lead to long term prosperity?**

- **The scale of the issue is great** (1.5 bn people live in poverty in 50 RRCs)
- **Poverty not abating:** ½ of world poor will live in RRCs in 2030
- **Record is bad:** RRCs grew slower than non-RRCs (by 4 times between 1970-93)
- **Costs are great:** billions are missing (Angola, Nigeria); 2 of 7 people live on less than 2 dollars in Mongolia

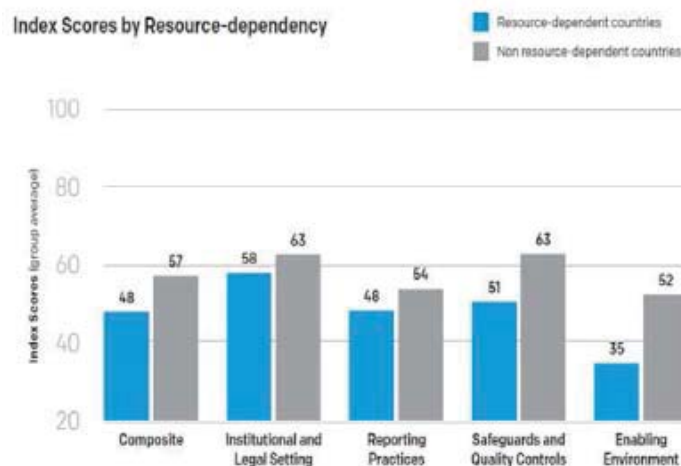


## Tackling the Development Challenge of the Decade

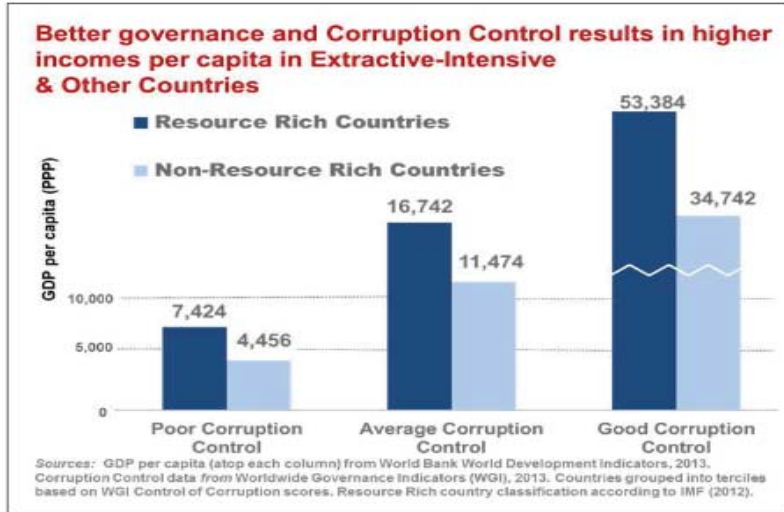
- This man-made resource curse persists for millions of people living in poverty in the midst of abundance
- Resource curse not predetermined
- Yet most resource-intensive countries face a major '**governance deficit**'
- In those countries, the poor are not benefiting from their resource riches



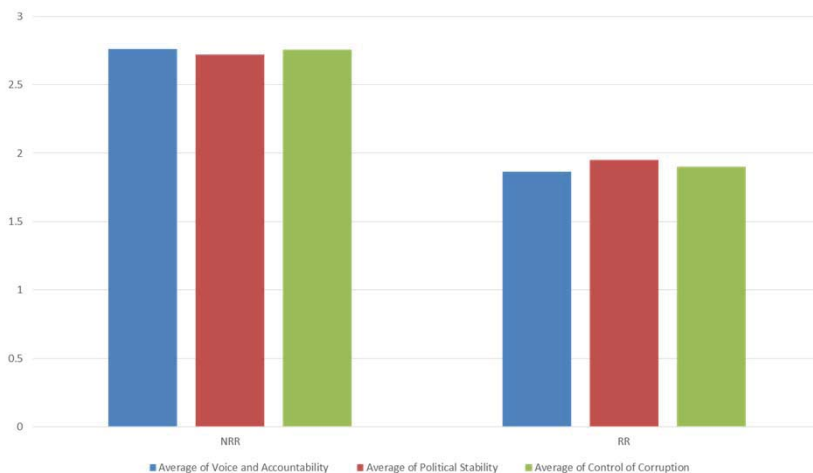
## Transparency is missing where it is most needed



## Corruption control matters



## Governance indicators, by resource richness



## The Decision Chain



- Transforming oil, gas and mineral wealth into sustainable development requires a complete **chain of economic decisions** and strong **foundations of good governance**.

## Rules do matter

- State Policy on Ecology (1997)
  - Ecological balance
    - Safe and healthy living environment
    - Minimization of ecological damages for the future generations
    - Transparent decisions and actions in protecting environment and using natural resources
- Green Development Policy
  - 6 objectives:
    - economic use of resources;
    - protection and rehabilitation;
    - economic promotion of green economy;
    - support to green employment and poverty reduction;
    - leverage on education, science and innovation;
    - population settlement planning based on climate change

## Institutions are vital

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- Many of the policies are neglected in favor of economic benefits
- Skills and resources are limited
  - Specialized inspection agency is limited in capacity
  - Remoteness limits state's reach in implementation and monitoring of policies
- Economic promotion for good environmental record is limited
  - Reclamation bond is limited
- Sanctions for failure are not strict enough



## Informed citizens also a key

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- Local communities need to engage
  - Capacity and resources limited
  - Often lack negotiation skills
  - Trade off between economic benefits and enforcement of environmental policies
  - No formal venues to participate
- Civil society
  - Representation challenges (local vs. national NGOs)
  - Lack of Capacity
  - Asymmetric access to information

**Authorizing environments is necessary**



## EITI an example

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- Clear rules
  - Reporting requirements
- Institutions set up
  - Multistakeholder approach
  - Self nomination of representatives
  - Regular meetings and defined processes
- Participation of citizens/CSOs
  - Civil society key at MSGs
  - Protection of CSOs
  - Communication of reports to citizens
- Challenges
  - Ambitious enough?
  - Timing



Local communities involved?

## Key Messages

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- 1. Resource Curse happens:** Track record of resource rich countries is not great.
- 2. Resource Curse can be avoided:** The governance of natural resource sector is the key.
- 3. Holistic approach is needed:** Governance throughout decision making chain is important
- 4. Practical solutions:** Multistakeholder platforms promising



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Thank you

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