



Reversing the Resource Curse: Theory and Practice

An SPP–RWI–NRC Course

**9–15 December 2012 and 12–20 March 2013
Budapest, Hungary**





Background

The effort to promote good governance in resource-rich countries has developed significant momentum over the last decade. At the same time, the degree to which this global agenda finds more than rhetorical support from political elites in both the North and the South is a matter of considerable debate. In particular, it is unclear to what extent rising powers with expanding energy needs support this effort and if and how they will engage in it. It is equally unclear whether civil society groups in developing countries are strong enough to take full advantage of transparency when it is practiced.

In this light, this SPP-RWI-NRC course is designed to equip a pool of exceptional individuals from civil society, government, international organizations, and academia with the knowledge and tools necessary to help reverse the

“resource curse.” Specifically, the course will examine the political economy of governance in resource-rich states and look into how it impacts policy debates and practice, both domestically as well as internationally. The course will also offer practical lessons for policy improvement, based on best practices from across the globe, targeting individuals already engaged in the management and/or oversight of extractive industries. Relying in part on the framework provided by the Natural Resource Charter and focusing on rigorous analysis and advanced techniques, the course is designed primarily for individuals who already have a solid understanding of the subject matter but are seeking to enhance their knowledge and skills in order to play a more prominent role in developing, monitoring, and/or evaluating the mineral and petroleum sectors in their countries and across the globe.



The Course

Course Content

The course is divided into three parts:

- 1) **Designing and Evaluating Fiscal Regimes,**
- 2) **Revenue Management, and**
- 3) **The Political Economy of Governance in Resource-Rich States,**

which will draw in part on the “Precepts” of the Natural Resource Charter.

Part 1: Designing and Evaluating Fiscal Regimes

A properly-designed fiscal regime (i.e. the range of tax, royalty and other revenue collection tools used by governments) can secure substantial resources with which to fund development. However, the challenges to good fiscal regime design can be formidable and the choice of a fiscal regime involves significant trade-offs. There is no “one-size-fits-all” model. Understanding the trade-offs and being able to evaluate policy choices is therefore an essential skill.

Sessions in Part 1 will be evenly divided between classroom lecture and computer lab work. Lectures will explore the economic theory underpinning the most commonly used fiscal tools in a government’s arsenal. Course participants will gain a better understanding of the key features of these tools, their similarities and differences, and the loopholes and pitfalls that can often undermine their proper application.

In guided workshop sessions, participants will develop Excel-based models to evaluate and compare different fiscal regimes. Exercises will start with a refresher on cash flow analysis and net present values, and will progress to the development of sophisticated risk analysis techniques. Participants will learn how to use the models they have developed to inform policy analysis and decision-making through a mock negotiation exercise.



Part 2: Oil, Gas, and Mineral Revenue and Expenditure Management

In resource-rich countries, oil, gas and mineral revenues offer opportunities to accelerate economic development and reduce poverty. At the same time, their unpredictability, volatility, size relative to the rest of the economy and finite nature can create perverse incentives, complicating economic management and, in some cases, actually impeding development. Common challenges include over-dependence on a single source of revenue, over-borrowing, under-investment in the domestic economy, destabilizing “boom-bust” cycles, redirecting of funds to special interests, and mismanagement of capital inflows through either over-consumption or capital flight.

Part 2 of the course will discuss how to analyze these problems and overcome them. Sessions will examine the causes of weak development outcomes in resource-rich environments and elaborate on some available tools to improve management of oil, gas and mineral revenues. These tools will include: rules controlling the amount of resource revenues that enter the domestic economy; rules describing revenue distribution to special funds, sub-national jurisdictions and even individual citizens; rules regulating the use of resource revenues by state-owned companies; public accountability mechanisms for

revenue and expenditure management; and formulation and implementation of economic diversification plans.

Sessions will focus on practical policy options rather than academic research and will prepare course participants to analyze revenue management systems and provide advice to policymakers on specific saving and spending choices. Basic arithmetic and Excel skills are required.

Part 3: The Political Economy of Governance in Resource-Rich States

Part 3 of the course will explore the political economy dynamics of the domestic governance and international relations of resource-rich states. Its main goal is to demonstrate the crucial impact of political economy on development outcomes, focusing on both its transnational nature and its interaction with the technical/sectoral dimensions of individual resource-rich economies; and identify working policy solutions.

Part 3 will be divided into three sections. The first will introduce participants to the major tenets of the global governance of energy markets. We will discuss the role of major regulatory structures, actors and institutions, as well



as key developments in the last decade such as the rise of new consumers, the increasing role of national oil companies, and the systemic importance of commodity trading.

The second part will focus on domestic politics in resource rich-states. We will assess the importance of political and institutional context to governance outcomes, the role of decision-making in natural resource management, and the politics of the natural resource value chain. We will assess these matters, and the broader question of the resource curse, by focusing on the contrasting trajectories of oil-rich states such as Nigeria and Indonesia.

The final part will focus on the transparency debates of the last decade. We will look at the major international efforts, with a focus on EITI and the more recent US Dodd-Frank reforms, and review the normative shifts and policy realignments brought about by the reform agenda. We will then examine some major domestic efforts at transparency reform, zooming in on the Nigerian experience. In addition to assessing the strength of political will behind individual reform attempts, we will estimate the likelihood of systemic reform. Among others, Part 3 of the course aims to underline the political economy nature of most challenges in the governance of resource-rich societies, as well as their intrinsic global-local character.



Course Methodology

Each part of the course will include interactive lectures, group discussions, practical skill-building workshops or policy labs, as well as guest presentations by leading experts. Sessions will integrate the following:

- i. General Concepts (theory and practice);
- ii. Comparative analysis of current situations (globally);
- iii. Case studies;
- iv. Policy labs to analyze case studies and develop practical analytical skills; and
- v. Plenary discussions and conclusions.

Course Structure and Dates

Course participants will attend two residential phases for face-to-face interaction in a classroom setting. In between the two phases, they will work on a set of assignments which must be completed successfully before proceeding to the second phase. Course dates are as follows:



Application process

Phase 1: 9–15 December 2012

Pre-course readings set in October 2012

Phase 2: 12–20 March 2013

Mid-course assignment set for January–February 2013

Post-course project set for submission in summer 2013

Course Venue

The course will be held at the School of Public Policy (SPP), on the campus of the Central European University in Budapest, Hungary.

Course Fees

The full cost of participation in the course will be covered for a limited number of applicants from resource-rich, developing countries.

Free tuition will be available for additional applicants selected on a competitive basis. In addition to paying for their own travel, these individuals will be liable to pay a fee of 2,000 Euro (covering hotel accommodation and catering during the seminar).

Interested individuals should submit the attached application form by **23 September 2012**, accompanied by:

- a resume;
- a letter from your employer in support of your application, which also describes the organization's work related to the extractives industries;
- a short essay (no more than two pages) on the challenges faced by the extractives industries in your country of origin/residence (or internationally) and on your expectations of how the course will benefit you in your efforts to help address those challenges.

Additional information is available on the websites of:

SPP <http://spp.ceu.hu/>

RWI <http://www.revenuewatch.org/>

NRC <http://naturalresourcecharter.org/>



Instructors

Biographical sketches of confirmed course instructors

Paul COLLIER

Oxford University

Paul Collier is Professor of Economics and Director of the Centre for the Study of African Economies, Oxford University. An esteemed expert in resource governance and macroeconomic management, Paul is the author of *The Bottom Billion*, which in 2008 won the Lionel Gelber, Arthur Ross and Corine prizes and in May 2009 was the joint winner of the Estoril Global Issues Distinguished Book prize. His second book, *Wars, Guns and Votes: Democracy in Dangerous Places* was published in March 2009; and his latest book, *The Plundered Planet: How to reconcile prosperity with nature* was published in May 2010, focusing on natural resource governance. In addition, Paul was one of the founding members of the Natural Resource Charter.

Paul acts as an advisor to numerous resource rich governments as well as international organisations. He is currently Advisor to the Strategy and Policy Department of the IMF, advisor to the Africa Region of the World

Bank; and he has advised the British Government on its recent White Paper on economic development policy. He sits on the Advisory Boards of many civil society organisations including the Revenue Watch Institute, ONE and Academics Stand Against Poverty. His research covers the causes and consequences of civil war; the effects of aid and the challenges of natural resource management in low-income countries.

Ricardo SOARES de OLIVEIRA

Oxford University

Ricardo Soares de Oliveira is a University Lecturer in Comparative Politics (African politics) at the Department of Politics and International Relations, Oxford University; fellow of St Peter's College at Oxford; and a fellow with the Global Public Policy Institute, Berlin. He has been awarded a Leverhulme Research Fellowship for 2011–12. He has worked in the field of governance and the energy sector for the World Bank, the European Commission, Catholic Relief Services and the National Democratic Institute for International Affairs (NDI), among others. He is the author of *Oil and Politics in the Gulf of Guinea* (Columbia University Press, 2007) and a co-editor of *China Returns to Africa: A Rising Power and a Continent Embrace* (with Daniel Large and Chris Alden, Columbia UP 2008) and *The New Protectorates: International Tutelage and the Making of Liberal State* (with James Mayall, Columbia UP 2012). He holds a B.A. in politics from the University of York, an M.Phil. in International Relations and a Ph.D., both from the University of Cambridge.

Robert F. CONRAD

Duke University

Robert Conrad is an authority on the economics of tax policy, mineral taxation and international tax issues. He has over thirty years of experience providing assistance to governments, international organizations and private sector entities tax and natural resource policy. His particular areas of expertise

include the overall design of tax systems, mineral taxation and taxation of multinational enterprises. Dr. Conrad has worked in over forty countries, including extensive experience in Russia and Eastern Europe.

Dr. Conrad is a member of the faculty at Duke University where he was Director of the Duke Center for International Development. In addition, he currently serves on the Panel of Experts at the International Monetary Fund. Among other positions, Dr. Conrad served as Director of the U.S. Treasury's Tax Advisory Program for Central and Eastern Europe and the Former Soviet Union and was selected by the United States government and the Russian Federation to coordinate and direct all bilateral technical assistance for tax policy between the two countries. His papers have appeared in journals such as the *Review of Economics and Statistics*, the *Journal of Public Economics*, *The National Tax Journal*, *Resources and Energy* and *Land Economics*. Dr. Conrad holds a Ph.D. degree in Economics from the University of Wisconsin-Madison.

Matthew GENASCI

Revenue Watch Institute

Matthew Genasci heads the legal and economics team at the Revenue Watch Institute in New York. He has an extensive background in tax law and policy, having served as lead corporate and international tax counsel on the staff of the U.S. Senate Committee on Finance from 2003 to 2005, during a major reform of the U.S. tax code. Prior to that, he worked as an attorney in a Washington, D.C. law firm, where he advised energy, private equity and hedge fund clients on the design of complex tax-favorable transactions. Matthew oversees Revenue Watch's legal and economic research and its offer of advisory services to the governments of resource rich states. He has worked with government officials in Africa, Latin America and Asia on the development and analysis of mining laws and policies and serves as a member of an international advisory team supporting the review and renegotiation of several

mining contracts in West Africa. Matthew also supports Revenue Watch's efforts to build parliamentary and oversight capacity in resource dependent countries through the design and delivery of a range of training programs and the provision of remote technical support.

Matthew previously worked as a consultant at the International Energy Agency in Paris, where he conducted research on the intersection of international trade law and climate change policies. Matthew has a law degree from Stanford Law School and a Masters degree in international relations and international economics from the Johns Hopkins University, SAIS.

Andrew BAUER

Revenue Watch Institute

Andrew Bauer is an economic analyst at the Revenue Watch Institute. Prior to joining, he served on Canada's G7/8 and G-20 teams as an international economist at the Department of Finance, where he provided economic policy advice and participated in the planning and execution of the G8 and G-20 Summits as well as the preparatory ministerial meetings during Canada's host year. At Revenue Watch, Andrew focuses on economic technical assistance and research, including advising governments and civil society on macroeconomic management, the economic implications of extractive sector policy options and governance and accountability mechanisms. He has held positions in government, nonprofits and the private sector, having worked for Debt Relief International, UNICEF-Canada, Transparency International-Kenya, the Commission on Human Rights and Administrative Justice (CHRAJ-Ghana), among others. Originally from Montreal, Canada, Andrew holds an M.Sc. in Economics for Development from Oxford University, where he won a thesis distinction for his work on the monetary transmission mechanism in Tanzania. He also received a B.A. in Economics and International Development Studies from McGill University.

School of Public Policy / Central European University

Nádor utca 9, H-1051 Budapest, Hungary

Phone/Fax: (+36 1) 327-3110

Email: sppexed@ceu.hu

<http://spp.ceu.hu>

Revenue Watch Institute

1700 Broadway, 17th Floor, New York, NY 10019, USA

Phone: (+1 646) 929-9750

Fax: (+1 212) 548-4618

Email: info@revenuewatch.org

<http://www.revenuewatch.org>

Natural Resource Charter

<http://naturalresourcecharter.org>

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