

Fighting Corruption to Overcome the Resource Curse

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Fighting Corruption to Overcome the Resource Curse

The Resource Curse

- Economic and political explanations
- The *democracy first* theory
- Nigeria's defiance

U4 and international assistance

- Corruption and anti-corruption
- The role of the judiciary
- Judicial system anti-corruption



The Resource Curse

- *The Dutch Disease*
- *The Paradox of Plenty*
- *The Rentier State model*



Oil rich countries can be worse off

- Rich in natural resources
- Poor in economic development

Explanations

- Economic explanations
- Political explanations

Democracy first theory

- Norway
- Australia
- Canada
- Chile
- Brazil
- Malaysia
- Botswana
- ...

- Nigeria
- Angola
- DR Congo
- The Sudan
- Sierra Leone
- Liberia
- Zambia
- Colombia
- Azerbaijan
- Tajikistan
- ...



Economic Explanations

Relative price effect

- Higher currency value
- More imports (cheaper)
- Competition difficult

The 'Dutch Disease'

- Over-investment in extractive industries
- Under-investments in manufacture, agriculture
- "Crowding out" (decline of competitiveness)
- De-industrialisation
- Limited economic diversification

Volatility

- Uncertainty for businesses
- Government waste and debt
- Government borrowing
- Capital flight



The First Law of Petropolitics posits the following: *The price of oil and the pace of freedom always move in opposite directions in oil-rich petrolist states.*

Thomas Friedman 2006

Political Explanations

The prize increases

- Higher government revenues
- Large benefits of being the “state elite”
- Consumption, enrichment, corruption

State autonomy increases

- Off-shore, foreign, High-Tech
- “Un-earned”, easy
- Little taxation domestic economy
- No “social contract”
- Little influence business/middle class
- Little influence of civil society

State power increases

- Means to manipulate institutions
- Means to buy (off) rivals
- Means to buy instruments of coercion



Conflict increases

- Uneven distribution
- Increasing inequality
- Increasing poverty

Authoritarianism increases

- Entrenched elites
- Violent defence of privileges
- Weak institutions

Democracy First Theory

A country will be cursed only when it becomes oil-export dependent *before* accountable and democratic state institutions are established and consolidated

Exceptions?



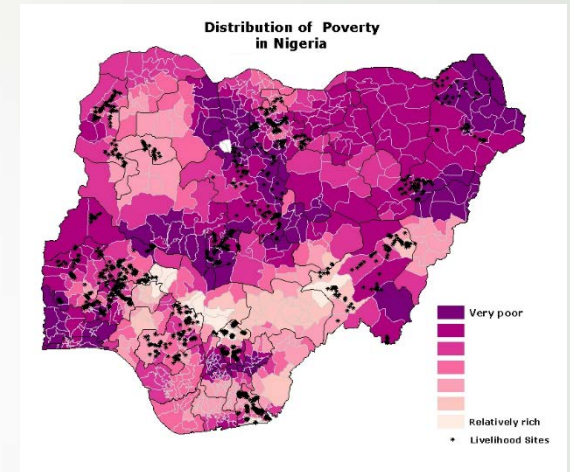
Norway “4 times blessed”

- 1 **Established democracy**
 - Rules of the game settled
- 2 **Resource management experience**
 - Hydro-electric power plants
 - Competent civils service
- 3 **No big expectations**
 - Modest start
- 4 **Big finds**



Nigeria cursed

- **Oil dependency**
 - Oil revenues totaled \$50.3 billion in 2011
 - Oil generated 70 percent of government revenues
- **Poverty**
 - Economy as poor as in 1973 (after \$200bn of oil money)
 - 61% of Nigerians in 2010 living in "absolute poverty" ▲
 - HDI rank 158 (0.511 low ▼)
- **Military rule, civil war, north-south divide, ...**
- **Niger-Delta syndrome, Boko Haram, pirates**
- **Corruption**
 - Abacha embezzled \$ 2-5 bn (4/7 worldwide)
 - TI CPI: Nigeria at low level
 - Capital flight: 300 bn US\$ (1970-2010)
4.5 bn/week (average 2014)
 - International organised crime
 - Nigeria-spam
 - *Godfathers, moneybags, ...*



RANK: 136 /175 SCORE: 27 /100



Mohamed Suharto	President of Indonesia	1967-98	US\$ 15 to 35 billion
Ferdinand Marcos	President of Philippines	1972-86	US\$ 5 to 10 billion
Mobutu Sese Seko	President of Zaire	1965-97	US\$ 5 billion
Sani Abacha	President of Nigeria	1993-98	US\$ 2 to 5 billion
Stobodan Milosevic	President of Serbia/Yugoslavia	1989-2000	US\$ 1 billion
Jean-Claude Duvalier	President of Haiti	1971-86	US\$ 300 to 800 million
Alberto Fujimori	President of Peru	1990-2000	US \$ 600 million

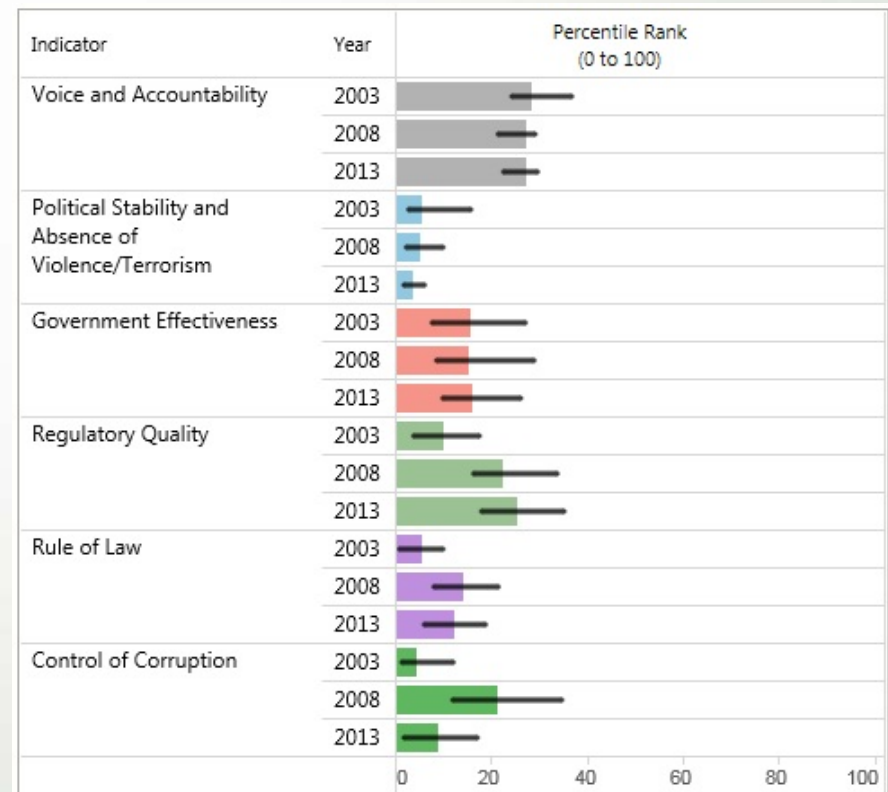
Is Nigeria defying the curse?

• Elections

- 1999: Democratisation
- **2015: Government transition according to free and fair elections**

• Institutional checks and balances

- Governance indicators



The U4 Anti-Corruption Resource Centre

• Established

- 2002 (4 ladies)
- Hosted at the Chr. Michelsen Institute
- Grown from 2 to 12 full staff + project/temporary

• Donor-funded and driven

- Hosted at the Chr. Michelsen Institute
- Grown from 4 to 9 agencies
- Internal web-based training courses
- Internal in-country training courses
- Helpdesk

• Open access resources

- www.u4.no
- Reports, reviews, studies, glossary
- Themes: Corruption and Aid, the **Justice Sector**, the Health Sector, International drivers, Natural Resource management, People's Engagement, Private Sector, Money in Politics, ...





Corruption risks in the criminal justice chain and tools for assessment

More ->



Meet U4 at the [IACC 2015](#)

Malaysia 2-4 September

INTERNATIONAL ANTI-CORRUPTION CONFERENCE

See [agenda](#) for sessions involving U4 and U4 Partners

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Corruption and Aid ->

Justice Sector ->

Evaluation & Measurement ->

International Drivers of Corruption ->

Natural Resource Management ->

View all themes ->

U4 | Recent publications

July 2015 - U4 Brief

The New Deal as an anti-corruption tool? Don't blame the policy, work with it ->

Preview Download

July 2015 - U4 Issue Paper

Governance considerations for the design of REDD+ in Tanzania: The

U4 | Helpdesk

April 2015 - Expert Answer

Zimbabwe: Overview of corruption in the health and education sectors and in local governments ->

Preview Download

April 2015 - Expert Answer

Anti-corruption programmes for young people in conflict and post-conflict

U4 | Upcoming courses

In-Country Training Malawi ->

> 12th August - 13th August

Online training

Corruption in natural resource management ->

> 7th September - 25th September

U4 | News

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Institutions of checks and balances: The Judiciary

*Justice taken away,
what are kingdoms
but great robberies?*

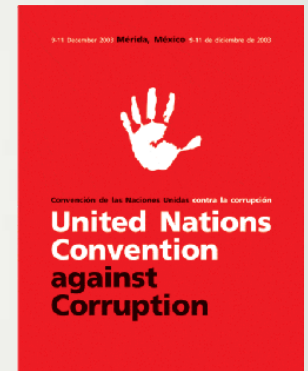
Augustine of Hippo
420 BC

Roles, functions

- Interpret the law
- Control legality of laws (judicial review)
- Implement/incorporate international conventions
- Adjudicate, make sentences
- Enforce contracts
- Consolidate various criminal laws dealing with corruption
- Protect whistle-blowers and those who file complaints
- Control of elections (complaints)
- Imply rules regulating gifts and hospitality to public officials

Problems

- Professionalism
- Integrity and independence
- Access to information (including official secrets)
- Nomination of judges
- Political interference
- Lack of resources and facilities



Corruption and the Judiciary

Some Corruption Risks

- Bribery of police officers
- Bribery of prosecutors
- Bribery of judges
- Bribery of clerks and court staff
- Bribery of corrections officials
- Extortion of victims and witnesses
- Corruption incentives grows as incarceration risk grows
- Individuals and entire organisations
- Favouritism and bias in selection/nomination of judges
- Nepotism
- Conflicts of interest
- Embezzlement of funds
- Extortion of defendants
- Destruction of evidence
- Impunity



Judicial independence is compromised when the executive appoints or promotes his cronies to the bench, or rewards judges who make 'correct' decisions with perks like land, houses, cars, or special office equipment.

Judicial system anti-corruption

Some Anti-Corruption Measures

- Transparency and oversight
- Publish and disseminate judicial decisions
- Controls and checks
- Right to appeal
- Asset declarations of judges
- Conflict of interest declarations
- Increased salaries?
- Strengthen legal education and training
- Corruption awareness-raising
- Complaints mechanisms
- International standards

Recommendations

- Be bold to handle politically sensitive cases
- Be bold to handle cases involving the politically and financially powerful



