Transparency is not a panacea for the resource curse, new study finds

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Global campaigns such as the Extractive Industries Transparency Initiative (EITI) to bring more transparency to the oil and gas sectors in an effort to alleviate the resource curse have yet to live up to their promises, a new study finds.

Analyzing the performance of the first 16 countries that comply with the EITI standard over the period 1996-2014, the study finds that in most metrics EITI countries do not perform better during EITI compliance than before it, and that they do not outperform other countries. Published in the journal *World Development*, this is the first mixed methods, longitudinal estimation of whether the EITI's transparency standard actually improves governance and development outcomes in its member countries compared to reference classes of other countries, including those mired in poverty as well as members of the Organization of Petroleum Exporting Countries.

Many researchers have long sought for cures for the so-called "resource curse"—the fact that resource-rich countries often suffer from political and economic ailments, in spite of their research wealth. Since the turn of the millennium, global campaigns have been launched to make such states and oil, gas and mining companies "publish what they pay."

Professor Benjamin Sovacool, Director of the Sussex Energy Group at the University of Sussex, explains: "The basic idea is that more transparency about the revenues from oil and gas production would lower the chances of corruption and graft, and hence improve governance and development."

The EITI offers an innovative approach for assessing the value of transparency, if any, on the international stage. The EITI operates on the principle of having free, full, independent, and active assessments of the ways that extractive industries companies interact with government and impact communities and society. Initially proposed by UK Prime Minister Tony Blair in 2002, EITI has developed a voluntary standard for revenue transparency for the extractive sector.

In response, some 50 countries and over 90 major companies involved in oil, gas, and mining have disclosed payments and revenues worth some $1.67 trillion. More than 90 of the largest oil, gas, and mining corporations actively participated in the EITI process along with 84 global investment institutions that collectively managed an additional $16 trillion in energy infrastructural assets.

But does the EITI make a difference? Does the transparency engendered by the EITI actually result in better governance and development outcomes in EITI compliant countries? The new study by Sovacool and colleagues from Germany, Belgium and Canada finds that the EITI has yet to deliver on its promises.

As Thijs Van de Graaf, one of the study's coauthors, explains:

"Some supporters of the EITI have hailed transparency as the magic bullet to bring about good resource governance and sustainable development in resource-rich countries. The results of our analysis should be approached with caution, yet they clearly offer grounds to be skeptical about that claim."

The study also postulates some explanations for the ostensible weakness of the EITI: the EITI's limited and its voluntary nature, resistance by the public and corporate sector, and the absence of a strong civil society in many resource-rich countries.

"In the broader scheme of things, our finding should lead us to be modest about the potential utility of global governance, particularly voluntary 'soft' norms, to deliver public goods," adds Nathan Andrews, one of the study's co-authors.

Such insights suggest that while [transparency](https://phys.org/tags/transparency/) and accountability are admittedly important for global efforts to minimize corruption and misappropriation in the energy sector, they remain insufficient to fully tackle the complexity of the resource curse.

Provided by Ghent University

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