



Committee for Development Policy

United Nations Department of Economic and Social Affairs

Development Policy and Analysis Division

Session 3

Case studies of natural resource exploiting countries

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Pathway 1

Growth through natural resource exploitation

Angola ('21) & Equatorial Guinea ('17)

- Oil drives economic growth
- Non-virtuous path
 - Income ↑
 - Social outcomes ↓
 - Economic vulnerability ↑
- Graduation on 'Income only'
- Natural resource curse
 - Ineffective governance
 - Dutch disease impacts

Pathway 2

Economic specialisation & Investment in human capital

Botswana ('94) & Bhutan ('21?)

- Specialization few sectors
- No manufacturing
- Investments in human capital
 - Income ↑
 - Social outcomes ↑
 - Economic vulnerability ↑
- Small populations

Angola & Equatorial Guinea

Channeling resources for building productive capacities

- Using natural resources through production sharing agreements for channeling funds to the State
- Economic diversification limited, but some success in Investments in infrastructure (may suppress social spending)
- Misalignment of investments in social sectors due to low transparency

Angola & Equatorial Guinea (cntd.)

Need for Fiscal stabilization & Accumulation of reserves

- Avoiding Dutch disease effect
- Stabilizing volatility commodity markets

Late & slow implementation of instruments, lack of transparency and governance issues makes stabilization mechanisms ineffective.

Botswana

- Vulnerability (small size, remoteness, X concentration)
- Priority setting through development plans
- State-controlled development governance
 - Institutions, infrastructure, education human resources, negotiation skills, rule of law
- Good governance and accountable management
 - Skilled bureaucracy -> (Ministry of Finance and Dev Planning)
 - Stable public expenditures are aligned with development obj.
 - Independent monetary policies
 - Successful sovereign wealth fund

Botswana (cntd.)

- Social policy channels revenues to social sectors
 - Facilitate economic growth and employment
 - Build national cohesiveness, stability, peace
 - Reducing inequality
- Public expenditure driver of growth – but crowding out
 - Slow privatization process
 - Economic diversification constrained
 - Mismatch in labour market

Bhutan

- Closely linked to India (85% of X, 80% of M)
- GNH -> economic growth as a means rather than end
 - National vision and legitimizing policies and measures
- Rapid eco growth since opening to trade and investment
 - Hydropower, Tourism, Mining, Manufacturing (ferro alloys), IT
 - Hydropower arrangements with India reduce risks, but limited employment impact
- Investments and progress in social sector
- Good governance
- Challenges in maintaining monetary stability
 - Hydropower investments require Imports from India
 - Export revenues upon completion