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RESOURCE CURSE: AN ANALYSIS OF CAUSES, EXPERIENCES AND POSSIBLE WAYS FORWARD

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Abstract

With rising oil prices the question how oil exporting countries can meet the challenges of the resource curse has regained importance. Views range from the cynical negative to the cautiously optimistic. International experience in managing the risks of oil and gas revenue and realising the opportunities that this source of income provides have varied. Summarising this experience and the continuing discussion on meeting the challenges of the resource curse, the paper addresses four questions:

- What are the positive and negative effects of high oil prices on oil exporters?
- What have been the experiences on managing revenues?
- What institutional arrangements ensure oil revenue impact development?
- And what is the way forward with respect to the role of governments and the international community?

We argue that the emphasis on institutional arrangements has so far largely ignored under what conditions institutions are formed and get changed. The paper examines the strands of analysis from the literature which try to explain what forms institutions and what factors may lead to “good” versus “bad” institutions. It concludes that this process of institution forming is not well understood and until it is better understood, there is limited value in simply advocating reform to secure “good governance”.