



ESID Briefing Paper No. 9

Research Framing Paper No. 3

Researching the politics of natural resource extraction: A new conceptual and methodological approach

November, 2014

The approach:

- Addresses institutional and political relationships that govern the interactions between natural resource extraction, economy and society.
- Argues that existing political settlements and coalitions structure the forms taken by an expanding extractive economy and are subsequently shaped by this expansion, influenced by social mobilisation, shifting political coalitions and the extent to which institutional learning occurs.
- Recognises that actors involved in these processes operate at subnational, national and transnational scales, and there are important interactions among these scales.
- Proposes that any effort to understand the governance of extraction, and of its relationships to development, *must* be spatially and historically explicit.
- Identifies channels of inclusion and the need to understand what sorts of coalition and settlement might foster greater inclusion.

Introduction

Significant natural resource finds in developing countries present opportunities for growth and human development, but also challenges. These include the threat of the resource curse and exploitation of the resources through unaccountable and clientelist practices. The nature of the ruling coalition in a country when natural resources are discovered has implications for how and in whose interests the resources are governed. Institutional and political relationships play an important role in determining the quality of growth, as well as mediating the interactions between extraction and inclusion, which shape the contribution of natural resource finds to inclusive development.

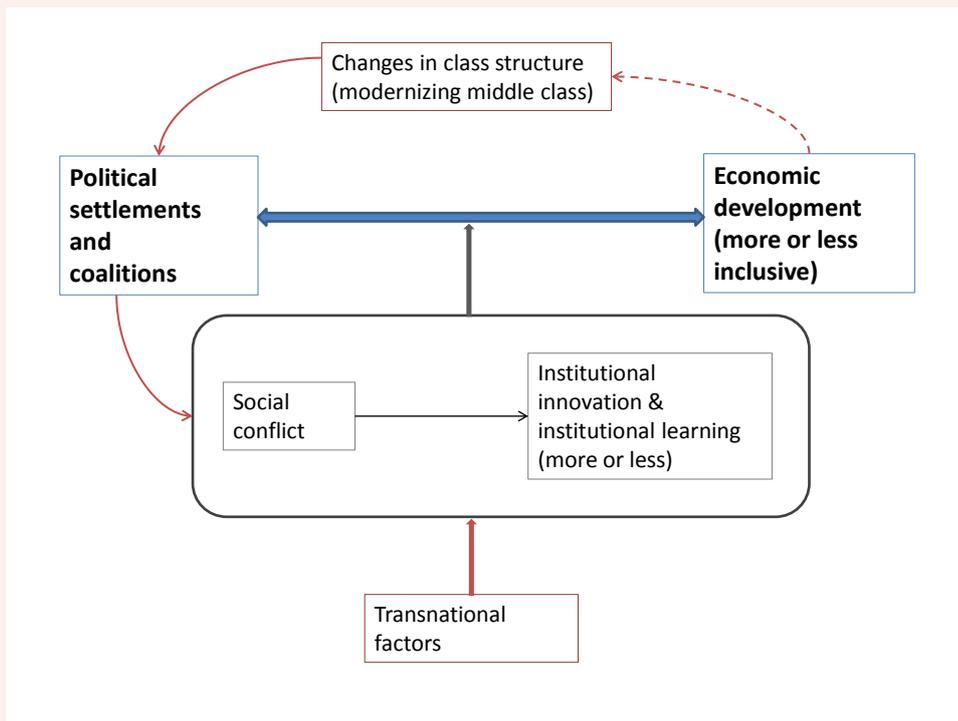
Key concepts in large-scale natural resource extraction are: political settlements and institutions; social mobilisation; the role of coalitions (including the incentives, identities and ideas that shape the strategies of diverse actors within such coalitions); and epistemic communities. Coalitional politics, social mobilisation and policy networking all occur *somewhere* and *sometime*. Therefore this new approach examines the specific relationships of scale, space and time that characterise the natural resource sector and give it its specificity.

The implication is that an adequate account of changes in the institutions of natural resource governance must explain how mobilisations, coalitions and policy networks emerge in the first instance, how they articulate with existing institutional arrangements, and how they are translated into the final effects that they have. At the core of this explanation must be an account of how incentives, ideas and identities influence the emergence of actors promoting change in extractive industry governance, and of the models for new regulations that will be the basis of such change. This puts political settlements at the heart of this approach to the politics of natural resource extraction.

The framework

At the core of the framework is the interaction between economic development, political settlements and political coalitions. While the language of political settlements can feel static, the framework introduces two elements of dynamism. First is the argument that patterns of economic development ultimately modify class structures in ways that cannot be easily controlled by dominant coalitions. This modification can take a variety of forms and each of these forms serves to destabilise existing settlements. This destabilisation can be both incremental or abrupt (involving mobilisations), but either way it constitutes forms of conflict that put pressure on existing institutions and have the potential to lead to institutional change. Such change itself contributes to further modification of the forms of economic development occurring. In the case of extractives this might be because it involves new tax regimes, new land use planning guidelines, or new forms of ownership.

Figure 1: A schema



The framework treats institutional and governance change as both endogenous to the relationships among settlements, coalitions and the economy, and as shaped by exogenous factors. This is especially the case for the political economy of extraction, which is characterised by an important presence of international companies, multilateral agencies, international advocacy networks and transnational non-governmental organisations, as well as by international commodity price volatility, which can also elicit domestic coalitional and institutional change.

Space and time matter for the governance of extraction

The ‘where’ of these political processes occurs within other geographies: the geographies of resources themselves (where they are located, where they are transported, etc.); the interactions between resource geographies and geographies of human settlement, water, economic activity, etc.; and the uneven and politically symbolic geographies of cities and regions, of metropolitan areas and aboriginal territories, and of national, subnational and international jurisdictions. Meanwhile, the ‘now’ of extraction is characterised by institutions and power relationships inherited from the past, as well as memories of that same past. Indeed, the literature on the extractive economy has become increasingly aware that *where* subsoil natural resources are located and *when* they are discovered and developed each matter a great deal for the quality of resource governance and, in particular, for the relationships between extraction and patterns of development.

Space matters: contention and the search for stabilisation

Space has to be treated as endogenous to any analysis of the interactions between institutions and politics in the following domains: the relationships between space, externalities and contention; the relationships between space, rents and contention; the awkward relationships between rents,

national redistribution and a spatialised politics of recognition; and the ways in which these spatialised politics of extraction mean that political settlements around its governance are inherently unstable as a result of tensions between different national and subnational actors.

Key aspects of the concept of space include:

- Institutional arrangements govern **flows**, not spaces.
- Resource extraction, even when as ‘clean’ as technologically conceivable, produces significant **externalities**.
- At the same time, the localisation of extraction inevitably produces tension over the socio-spatial distribution of **rents**.
- The *national* ownership of subsoil resources, coupled with their *subnational* existence and the different spatial scales at which a **politics of recognition** are made manifest, present further axes of latent or open contention surrounding the governance of extraction.
- These three considerations (*externalities*, *rents*, *recognition*) mean that the spatialised governance of extraction presents immense challenges and is itself also an axis of contention.
- National-subnational **settlements** around the governance of extractive activities and revenue transfers tend to be very unstable.

Time matters: history, memories and context

Historicised approaches to the relationships between resource extraction and development identify three primary senses in which ‘history matters’: the sequences in which institutions become ‘layered’; the nature of international commodity and credit markets when the resources begin to be exploited or governed in particular ways; and the timing of when resources are discovered in relationship to the dynamics of political settlements within a country. This does not equate to ‘original conditions rule’ and so these reflections are not arguments for the existence of entrenched path-dependent effects. However, this emphasis on history does recognise path-dependent *tendencies* whose change requires significant forms of agency, serendipity or coordination among all stakeholders.

If these insights suggest that the politics of natural resource extraction *must* be understood historically and with much sensitivity to time, sequences and memories, they also leave hanging a series of questions, including how far does an analysis need to go back in time?

This presents a methodological challenge: how to select the time periods into which one would break up the analysis of cycles in the governance of extractives. While a general rule for analysis cannot easily be defined, the implication is that it is worth looking for significant sub-periods within longer-term processes of political and institutional change in the extractive sector, and to recognise that the politics of governing extraction may change significantly between these periods.

The issue of historical memory raises the question not only of what is remembered, but also what is *not* remembered about prior phases of resource extraction. Thus, while methodologically it is important to attend to the ways in which key ideas about the past are framed and mobilised in contemporary politics of extraction, it remains important to keep asking why other parts of extractive industry history are erased from political discourse.

Channels of inclusion

The channels through which resource extraction might foster inclusive development can be separated very simply between those channels that are directly related to the ways in which the extractive enterprise governs and organises itself (channels 1 to 4 below) and those that derive from the way the extractive industry as a sector is regulated by third parties, above all the state (channels 5-8). Each of these is important:

1. **Employment.** Populations can be included in or excluded from the political economy of extraction, depending on the direct and indirect employment effects of mining, oil and gas investments.
2. **Supply chain management.** Companies can manage their supply chains in ways that offer more, or fewer, opportunities for local and regional populations to be included in their activities.
3. **Corporate social responsibility and transparency.** Company approaches to employee and community wellbeing, to redistribution of profits through company-sponsored social programmes, and to financial transparency, are all additional influences on who is and is not included in the benefits of extraction.
4. **Ownership.** Though this occurs *much* less frequently, companies can also include populations and the workforce in the ownership structure of the extractive enterprise, either as shareholders or as joint owners.
5. **Public ownership.** A number of extractive enterprises, particularly in the hydrocarbons sector, are publicly owned and as such allow for some sort of social inclusion in their operations, even if in practice such operations generally run as enterprises owned and organised by government.
6. **Planning and consultation.** Populations can be included or excluded, depending on practices and rules governing how resource extraction is planned for, who is consulted and how, and how far the voice of those consulted can affect the unfolding of the extractive economy (and, relatedly, how far consultation and participation is managed such that it does little more than legitimate decisions and project designs already made: Li, 2009).
7. **Taxation and social expenditure.** How far populations are included in access to the financial resources generated by extractive industry depends entirely on the ways in which the sector is taxed and the extent to, and means through, which this fiscal revenue finds its ways into social investment and other development programmes.
8. **Environment.** The potential for adverse environmental effects is high in the extractive economy. To the extent that environmental damage is a mechanism through which contemporary and future generations are excluded from (net) benefits, then the governance of environmental impact is important for social inclusion.

Ascher (2012) highlights the inevitable trade-offs between the short-, medium- and long-term channels between extraction and social spending. The literature notes the importance of technocratic factors. For example, in the Indonesian case, the technically strong and politically protected Ministry of Finance played an important role in managing revenues for the long term, and avoiding political pressures that would distort policy oriented to long-term growth.

Coalitions for inclusion

The extent to which these different channels of inclusion are present at both local and national scales varies greatly and this variation can be understood in terms of differences among political settlements and political coalitions across space and time. This raises the question: what sorts of coalition and settlement might foster greater inclusion?

It is important to understand the institutional relationships through which resource extraction is governed as endogenous to an existing political settlement, while also exploring the processes through which both endogenously and exogenously driven institutional change might occur. Focusing on cases where institutional change has fostered inclusion can serve as a basis for identifying the types of coalitional dynamic through which exclusionary settlements might be destabilised. This in turn would suggest the types of political process that might be supported with a view to increasing the likelihood that resource extraction might contribute to inclusive development.

Key methodological elements to consider

- How to select the time periods into which one would break up the analysis of cycles in the governance of extractives.
- While it is important to attend to the ways in which key ideas about the past are framed and mobilised in contemporary politics of extraction, it remains important to keep asking why other parts of extractive industry history are erased from political discourse

What does this mean for research on the politics of development?

- Comparative research applying this approach to case studies in the oil, mining and hydrocarbon sectors will produce results comparable across the dimensions of political settlements, ideological perspectives and forms of natural resource. It also has wider relevance for research into other natural resource sectors.
- ESID is conducting two related projects adopting this approach: an historical study of natural resource extraction in Ghana, Zambia, Peru and Bolivia; and a study examining oil, governance and inclusive development in Ghana and Uganda.
- The approach contributes to an understanding of the conditions that might favour the emergence of institutional arrangements under which resource extraction is more likely to foster inclusion.
- Focusing on cases where institutional change has fostered inclusion could generate suggestions of the types of political process that might increase the likelihood of resource extraction contributing to inclusive development.

Further reading

- Ascher, W. (2012). 'Mineral wealth, development and social policy in Indonesia'. In K. Hujo (ed.), *Mineral Rents and the Financing of Social Policy: Opportunities and Challenges*. New York, USA: Palgrave MacMillan.
- Bebbington, T. (2013). 'Natural resource extraction and the possibilities of inclusive development: politics across time and space', *ESID Working Paper No. 21*. Manchester: Effective States and Inclusive Development Research Centre.
- Li, F. (2009). 'Documenting accountability: environmental impact assessment in a Peruvian mining project'. *PoLAR* 32(2): 218-236.

About this briefing

This briefing is part of a series of ESID framing papers outlining new conceptual and methodological approaches for researching the politics of development. The aim is to operationalise ESID's political settlements approach in specific domains – in this case natural resource extraction – and provide a framework for doing so. The briefing was adapted by Kate Pruce from Professor Anthony Bebbington's ESID Working Paper No. 21.

The Effective States and Inclusive Development Research Centre

The Effective States and Inclusive Development Research Centre (ESID) aims to improve the use of governance research evidence in decision-making. Our key focus is on the role of state effectiveness and elite commitment in achieving inclusive development and social justice.

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