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FOREWORD

A focus on natural resources and, especially, mineral resources in this issue of *Law in transition* is timely as economies around the world come to terms with an extended period of low commodity prices.

At the World Bank Group, we work with many developing countries whose economies rely heavily on income from the extractive industries. The sector accounts for at least 20 per cent of total exports, and at least 20 per cent of government revenue, in around 30 low-income and lower-middle income countries. In eight such countries, the extractive industries account for more than 90 per cent of total exports and 60 per cent of total government revenue. All of these countries are especially vulnerable when commodity prices remain low. Added to this challenge, the exploration and extraction of oil, gas and minerals engender a high risk of environmental damage which countries often have to address long after mining operations have ceased. If not carefully managed, resource extraction can encourage conflict, feed corruption and capital flight, and increase inequality.

In our experience, the countries that have avoided the resource curse and benefited from the extractive sector have strong governance systems that embrace similar policies: efficient fiscal regimes and macroeconomic stabilisation; development of specialised public management capacity in the oil, gas and mining sectors; and investment in infrastructure, human development and institutions. For example, in Malaysia oil and gas revenues have been invested in education and skills training. In Brazil, a 2013 Oil Law delivers 75 per cent of oil royalties to education. Health services have also benefited from Brazil's oil revenues. Such approaches can translate resource revenues into lasting assets that facilitate long-term equitable and sustainable growth. Essential to these policies is the ongoing commitment to strong governance, even when prices are low, avoiding a "race to the bottom" that might lure investors back in the short term but have detrimental effects in the long term.

International institutions such as the World Bank Group and the EBRD, and global initiatives such as the Extractive Industries Transparency Initiative, can help countries strengthen the governance of their natural resource sectors. We have seen over time that clear policy-making and trusted institutions, along with improved transparency and accountability, can help attract and sustain investor interest. Sound governance attracts sound industry players.

This issue of *Law in transition* provides a rich array of lessons and ideas that can be applied to many resource-rich countries. It is important reading as we navigate an era of low commodity prices.



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