

IM4DC

Action Research Report

SUMMARY

Researchers:

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School/Centre:

Development Policy Centre

University/Institutions:

Australian National University

Key themes:

Governance and regulation
Community and environmental sustainability

Key countries:

Mongolia

Completion:

August 2015

Research aims:

This research project investigated the practice of direct distribution of natural resource wealth in developing countries using Mongolia as a case study, by carrying out:

- desk-top research and analysis
- interviews with government, NGO, academic and community representatives in Mongolia
- two focus group sessions in Mongolia

For further information on this action research:

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Resources-to-Cash: a Cautionary Tale from Mongolia

Recently, the direct distribution of natural resource wealth through cash transfers ('resources-to-cash') has been recommended to help avoid the resource curse. The rationale is that by removing the resources from the hands of government, incentives which undermine strong institutions will be removed, accountability and transparency will grow and the benefits of natural resources will be more equitably shared. However, there is little evidence to test these claims.

This paper tells the story of Mongolia's experience with its resources-to-cash transfers. Mongolia is perhaps the only developing country that has actually introduced a resources-to-cash scheme. The findings of this study are based on desk research supplemented by fieldwork undertaken in Mongolia in September 2014. Interviews were conducted with government officials, international development organisations, civil society and academia, and several focus group sessions were held with different socio-economic groups in an urban area and in a rural district.

The overall finding is that direct distribution has been to date a failure in Mongolia. The universal program delivered significant short-term benefits, greatly reducing poverty and inequality for a couple of years, but it was poorly implemented and unsustainable. Once a political winner, it has since become deeply unpopular, and is viewed by the public as wasteful and unaffordable.

Overall, Mongolia is a cautionary tale. The potential benefits of resources-to-cash should certainly not be dismissed on the basis of one poorly designed and implemented instance. Rather, the lesson of the Mongolia experience is that resources-to-cash needs to take its place alongside, rather than be favoured over, other policy instruments that have been recommended for resource-dependent economies.

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FUNDED BY



Australian Government
Department of Foreign Affairs and Trade



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