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Research focus

Does EITI implementation stimulate economic growth?

La mise en œuvre de l'ITIE stimule-t-elle la croissance économique ?

Published on November 6, 2024. [Read the blog article](#)

Improving governance in resource management is essential for many developing countries. Indeed, poor resource governance can undermine economic growth, a concept known as the “resource curse”. The Extractive Industries Transparency Initiative (EITI) was established in 2003 to promote transparency and accountability in the use of natural resource revenues. In this article, we aim to assess the effectiveness of EITI implementation in increasing economic growth in developing countries.

Context, objective, and hypotheses

On the one hand, some authors like [Sachs and Warner \(1995\)](#) have highlighted a negative and significant relationship between natural resource abundance and economic growth, which had been qualified as the “resource curse. On the other hand, other authors such as [Alexeev and Conrad \(2009\)](#) have found that extractive resources have enhanced rather than inhibited long-term growth. A common feature of these authors is that they all recognize the role of good governance in the growth process, highlighting the necessity to efficiently and responsibly manage natural resources.

Our article, published in the *European Journal of Political Economy*, analyzes the effects of implementing the Extractive Industries Transparency Initiative (EITI) on economic growth. More specifically, **we analyze the average effect of the EITI implementation on GDP per capita growth rates.**

Furthermore, we explore the EITI’s dynamic effects, in the short, medium, and long terms. Moreover, the study identifies and tests three hypotheses, corresponding to the main transmission channels through which EITI implementation may affect economic growth.

Firstly, the EITI, through its incentive and enforcement mechanism, should help to **reduce the misappropriation of extractive rents and improve governance and accountability in public management, leading to a healthy investment climate.** Secondly, by enhancing the mining investment climate and sending a signal to international investors about member countries’ commitment to promoting transparency and combating corruption in the extractive sector, EITI implementation should **enhance the attractiveness of foreign direct investment and boost economic growth.** Thirdly, by increasing resource revenue and requiring governments to disclose extractive industries’ payments and government revenue collected, the EITI implementation could **positively affect economic growth in developing countries.**

Effects of EITI implementation on economic growth

First, to evaluate the effects of the EITI implementation on economic growth, we use a sample of 99 developing countries from 1995 to 2019. We employ the heterogeneity-robust difference-in-

differences estimator developed by [De Chaisemartin and d'Haultfoeuille \(2020\)](#), to control the heterogeneous effects in the EITI implementation since member countries adhere to the EITI at different times. The main result indicates that **implementing the EITI significantly increases the GDP per capita growth rate by 0.69 percentage points**. This result is robust to several robustness tests.

Secondly, the analysis of transmission channels concludes that **increased foreign direct investment and higher natural resource revenues represent the transmission channels** through which EITI implementation affects economic growth.

Third, we analyze the dynamic effects of EITI implementation on economic growth. To do so, we employ the dynamic heterogeneity-robust difference-in-differences estimator developed by [De Chaisemartin and d'Haultfoeuille \(2024\)](#). The result indicates **positive and statistically significant effects in the short term** (one and two years after the EITI membership) and **in the medium term** (after the fifth and sixth years of implementation). Finally, we explore four possible explanations for the EITI's mixed results on long-term growth.

Concluding remarks and policy implications

This article highlights the positive and significant effect of EITI implementation on economic growth. This study has important economic policy implications.

First, developing countries with resource endowments should implement the EITI norm to **improve transparency and governance in natural resource management**.

Second, the EITI board should **better control the implementation of the norm's requirements**, specifically in the long term.

Finally, the EITI board, member countries, and international institutions supporting the implementation of the EITI should **step up their efforts to promote governance** in the management of extractive resources in general and critical minerals in particular to avoid a "curse of critical minerals".

Article reference

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