Mining Matters: Natural Resource Extraction and Local Business Constraints

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Abstract
We estimate the impact of local mining activity on the business constraints as perceived by over 20,000 firms across eight resource-rich countries. We find that the presence of active mines deteriorates the business environment in close vicinity to a firm (<20km) but relaxes business constraints for more distant firms. The negative local impact of mining is concentrated among firms in tradable sectors whose access to inputs and infrastructure becomes more constrained. This deterioration of the local business environment also adversely affects firm growth. Our results therefore point towards a natural-resource curse at the sub-national level.

JEL codes: L16; L25; L72; O12; O13; Q30

Keywords: Mining; natural resources; business environment

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