

**UNDP's Strategy for Supporting
Sustainable and Equitable Management of the
Extractive Sector for Human Development**

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UNDP aims to support programme countries to harness their extractive industries for a people-centred and sustainable development process

1. Introduction

The management of extractive sectors (oil, gas and minerals) is a major challenge and opportunity facing developing countries today. The exploitation of non-renewable natural resources has often triggered violent conflicts, degraded the environment, worsened gender and other inequalities, displaced communities, and undermined democratic governance. In contrast, there are plenty of cases where the effective management of a society's natural resources has unleashed sustainable and equitable human development.

It is the design and implementation of a broad set of policies that determines whether countries can harness extractive resources for sustainable development for all. These include new or reformed legal and fiscal frameworks, reinforced public financial management systems, mechanisms for allocation of revenues for high social returns and job-intensive sectors, measures to address displacement as well as mitigate negative social and environmental impacts, and setting strategies for the diversification of production away from extractives.

This paper proposes a UNDP strategy to support the efforts of resource rich developing countries to design and implement such policies. The importance of developing such a strategy is underlined by the growing number of countries that seek UNDP's support in managing the risks associated with natural resource wealth, and for transforming this wealth into advances in human development for all women and men. The strategy builds on UNDP's past and present programmes and projects that support the management of oil, gas and mineral resources. The strategy is also informed by initiatives undertaken by various international, regional and county level organizations and institutions.

The strategy is composed of three elements: i) an **organizing framework** for UNDP's engagement; ii) an **integrated package of services** to respond to unmet demand, exploiting the potential for synergies across UNDP's practice areas; iii) a **new UNDP initiative**, spelling indicative activities and their mode of delivery.

The strategy notes that UNDP would not advocate for resource extraction in all cases. Rather, UNDP supports governments and women and men in communities to make informed choices about whether and how the extraction of resources could take place. When resource exploration and extractions are approved, UNDP would work with all stakeholders to ensure that the benefits are shared equitably, which means an emphasis on pro-poor policies, and in ways that promote realization of human rights and sustainable development.

The organizing framework for UNDP's work structures the support to programme countries on extractive industries for: 1) enabling participatory legislation, policy and planning processes; 2) conducting people-centred exploration and extraction operations, that is gender-sensitive and addresses conflict risks and environmental and social sustainability; 3) prudently collecting and managing revenues to advance sustainable development for all; and 4) investing in human, social, physical and financial capital to advance sustainable human development, compensate for declining natural wealth and support economic diversification. Throughout, UNDP will take a human rights approach paying particular attention to indigenous peoples and local communities, and among these; women, girls and boys, migrants and artisanal miners and their families, and other vulnerable groups.

The integrated package of services responds to the demand from developing countries to have integrated support across the four pillars of the organizing framework. The strategy proposes to deliver this integrated support by supporting countries on: 1) governance, including participation, transparency and accountability; 2) environmental and social sustainability; 3) conflict prevention and recovery; 4) engagement with private sector, civil society (in particular women's organizations and indigenous peoples' organizations), foundations and other stakeholders; and 5)

economic and social policy formulation. Gender mainstreaming will be a core activity undertaken within each of these thematic areas.

The new global initiative is to be implemented together with programme countries and in partnership with development partners, civil society and the private sector. The suggested delivery mechanisms of the global initiative are: knowledge management (creation, capture and sharing) and cross regional fertilization of experiences; policy advisory and technical assistance services (with strong technical capacity across the organization); capacity development at the regional and country levels; catalytic financing; and advocacy and partnerships.

The operationalization of the strategy will be developed subsequent to its approval by the Executive Group but its implementation at country-level will have the following components:

1. Assessment of country-specific needs using the organising framework outlined above. This assessment will include a detailed situational analysis, assessment of risk (conflict sensitivity and environmental and social impacts, including on gender and indigenous peoples and local communities) and forecasting of key trends, and will be done on demand from host governments and in partnership with key stakeholders at national and sub-national levels.
2. Comparing the needs identified with existing or readily available capacities will highlight the key capacity and financial gaps that will need to be closed.
3. Mobilising and delivering support will be done through the alignment of UN and UNDP programme instruments and through strengthened partnerships around a nationally-owned agenda of “extractive industries for human development” with donors, private sector, foundations and other possible contributors.

The successful adoption and implementation of this strategy will enable UNDP to support programme countries to manage their extractive sector through:

- Increasing “upstream” support, including on: (i) formulating comprehensive policies to manage extractives; (ii) implementing, monitoring and evaluating

the implementation of these policies; (iii) improving institutional coordination and policy coherence across sectoral ministries;

- Strengthening of capacity in sub-national governments and civil society, including women's groups and indigenous peoples' organizations to engage in participatory planning, implementation and monitoring of inclusive and sustainable policies for the management of extractives;
- Establishing partnerships with the private sector, international NGOs, foundations and other stakeholders at the global and regional levels to support and scale up country-level efforts;
- Enhancing UNDP's organizational and programme coherence (through cross-practice and cross-cutting work), strengthening UNDP staff capacities and knowledge, and promoting UN-wide efforts for better coordination and impact at the country level
- Ensuring that benefits to human development is maximized with due consideration to human rights and potential impacts on vulnerable groups, including women, girls and boys, indigenous peoples and local communities.

The rest of the document is organised as follows: Section 2 outlines the rationale for UNDP's continued and scaled-up support to countries dependent on the extractive sector. Section 3 reviews on-going efforts and past experiences of UNDP projects and programmes. Section 4 presents a summary of initiatives undertaken by partners globally. Section 5 recommends a framework for an integrated approach for UNDP to engage with programme countries. Section 6 proposes a global initiative and provides options for actions at the country, regional and global levels.

2. Why a strategy is needed: the rationale

What is commonly known as the 'resource curse' can be an impediment for advancing human development.¹ Our broad definition of the 'resource curse' is a situation where: countries rely on a few commodities as a volatile source of growth, revenue and foreign exchange earnings; they are more prone to corruption; experience violent conflict and suffer from environmental degradation; and communities, especially those in the areas where the extraction takes place, have no information, voice, and participation to obtain redress for their grievances.² Often these

manifestations reflect and perpetuate group-based inequalities e.g. between men and women, between geographical areas, and between ethnic groups.

One of the most notable economic effects is from the so-called ‘Dutch disease.’ That occurs when a large inflow of resource revenue are accompanied by an appreciation of the real exchange rate. In turn this tends to render domestic manufacturing and agriculture uncompetitive, causing job losses and higher unemployment. The adverse competitiveness is often exacerbated by a reorientation of public and private resources away from these sectors and towards those around the booming resource industry. Moreover, lost jobs are not directly compensated for by growth in the natural resource sector, which tends to be capital-intensive and with few backward linkages into the local economy. Again the adverse impacts on human development tend be borne disproportionately by some groups thus deepening inequalities. This can happen if a short-term surge in construction related to mining activities generates employment opportunities for males at the expense of lower competitiveness in an export-oriented industry such as textiles that tend to employ relatively more women. The result can be increased unemployment and women, and greater gender segregation and wage gaps in the workforce.³

There is ample evidence that shows that extraction operations can adversely affect a broad range of social outcomes. Mining communities tend to have a high proportion of sexual work and gender-based violence. The links between GBV and HIV are also well established. Migrant workers often make up a significant share of the workforce involved in extractive industries. According to the Global Commission on HIV and the Law, migrant populations face higher risk of HIV and other Sexually Transmitted Infections (STIs) than workers with secure homes. Because of their transient nature, migrant miners often engage in multiple concurrent partnerships and other unsafe sexual practices, which have driven the spread of HIV especially in southern Africa.⁴ Moreover, there is evidence to suggest that Governments in mineral-dependent countries capture relatively less tax revenue and thus spend less on social sectors than other countries.⁵ . This challenge is particularly evident in the case of spending on HIV/AIDS.⁶

Women and men living in communities that directly depend upon environmental health for their livelihoods face a disproportionate burden from extractive industries. Too often community lands, rivers and ecosystems are being despoiled, and communities displaced by mining activities. Enormous industrial wastelands are created from vast open pit mines and mountain top removal; voracious use and poisoning of water systems; deforestation; contamination of precious topsoil; air pollution; acid leaching; cancer clusters - the catalogue of devastation is relentless and growing. The rights of farming, pastoralist and indigenous communities are threatened. Each wave of new extractive technologies requires ever more water to wrench the material from its source. The hunger for these materials is a growing threat to the necessities for life: water, fertile soil and food. The implications are potentially severe.⁷

However, there is also sufficient evidence from developing countries which demonstrate that the ‘resource curse’, is not inevitable. Several resource-dependent developing and emerging nations have to various degrees achieved decent economic growth rates over longer periods of time; have managed to diversify their economies and have resolved the potential negative social and economic impacts of resource-dependence. Therefore, a comprehensive approach, as proposed in this strategy is needed to support countries manage the risks associated with resource-dependence and maximize the benefits.

Given the inherent unsustainability of extracting non-renewable resources and given the challenges in protecting the environment and maintaining the industry, and given the vital and non-fungible relationship between the health of the environment and the health of communities, a holistic approach is necessary to move away from the dependence on this industry and with time move towards the sustainable use of renewable resources, including renewable energy.

Oil, gas and minerals are becoming major sources of economic growth for several developing countries. This is a result of rising commodity prices over the past decade, advances in exploration technologies and greater political stability in many countries with untapped resource wealth. According to one estimate, no less than 50 African nations are either producing or exploring for oil.⁸ New discoveries of

gas along the eastern coastline of the continent could be the biggest the world has seen in the last decade.⁹ Essential minerals, key for industrial and high technology processes, are rising in value and represent opportunities for economic growth. A strategy is needed for UNDP to respond effectively to this new reality affecting its programme countries. While focusing on hydrocarbons and minerals, the strategy has implications for UNDP's wider work in sustainable development, economic and democratic governance, human rights gender empowerment and natural resources management.

In a declining aid environment, revenue from extractive sectors can serve as an additional source of financing for programmes to advance human development.

According to data from OECD, official development assistance fell in 2011 due to the global economic recession and tight budgets in many OECD countries will likely keep aid levels under pressure in the coming years.¹⁰ Moreover, while private capital inflows, such as foreign direct and portfolio investments are of growing importance to developing countries, these can be highly volatile and concentrated in certain regions and sectors.¹¹ Mobilization of domestic resources for development is a growing priority in developing countries. The potential additional development finance from the extractive sector is a key motivational factor for UNDP's engagement in the sector.

As demands for natural resources increase, as a result of rapid global economic growth, so will competition over natural resources, placing enormous stress on the environment with diverse repercussions for society.

The stresses placed upon the environment from this industry can be permanently destructive to the ecosystems, and to the livelihoods of the women and men in indigenous communities who depend upon the environment. Furthermore, in post-conflict and other countries, internal tensions continue over the allocation of natural resource wealth. The challenge of tackling natural resource induced conflicts may well come to define global peace and security in the 21st century. With a significant number of civil wars associated with high value natural resources, it is important for UNDP to respond to the challenges if the pursuit of peace and stability is to be realised.¹² The struggle to control scarce and high-value resources, such as precious metals and hydrocarbons, can trigger a relapse to conflict in countries emerging from civil wars. However, if managed well, these

resources could provide opportunities for rebuilding societies and be part of a peace dividend. Holistic and equitable natural resources management is therefore a critical ingredient in minimising the risk of conflict relapse while providing the foundation for development following crises.

The demand for UNDP’s services is increasing. We are witnessing a rising flow of requests for policy advice and technical assistance from all corners of the world. This demand typically comes to us from national governments through our Country Offices. These requests are for UNDP to assist in improving the management of the extractive sector both among established commodity exporters and emerging ones. A larger proportion of the requests are coming from the latter group of countries that have just discovered new resources. These countries are keen to learn good and bad practices from other countries before they design their own strategies. We are also seeing increased demand coming to headquarters through representatives from industry, civil society and donors who seek to partner with UNDP in specific as well as broad-based initiatives. The increasing demand for services is a sign of the confidence member countries and partners have on UNDP to provide support and the awareness that UNDP has a key role to play. A strategy, therefore, is warranted to meet this rising demand and place UNDP strategically in the management of extractive industries. The objectives should be to insure: that extractive industries contribute to people-centred development, that their adverse environmental effects are minimised, that the extracted rents benefit the women and men living in the communities directly and indirectly impacted, and that their contribution towards national development objectives reflects the multiple dimensions of sustainability (economic, social and environmental) .

A strategy will enable UNDP to respond to growing belief among the international community that extractive industries can contribute to sustainable and equitable development. For example, the outcome document from the Rio+20 World Conference on Sustainable Development entitled “The Future We Want”¹³ notes that *“mining offers the opportunity to catalyze broad-based economic development, reduce poverty and assist countries in meeting internationally agreed development goals, including the MDGs, when managed effectively and properly...and recognizes that governments need strong capacities to develop,*

manage, and regulate their mining industries in the interest of sustainable development” (Page 40). The Summit also invited “all relevant agencies of the United Nations system and other relevant international organizations to support developing countries and, in particular, least developed countries in capacity-building for developing resource-efficient and inclusive economies, including through:

- a) sharing sustainable practices in various economic sectors;*
- b) enhancing knowledge and capacity to integrate disaster risk reduction and resilience into development plans;*
- c) supporting North-South, South-South and triangular cooperation for the transition to a resource efficient economy” (Page 48)*

2.1 UNDP’s added value

UNDP has two main assets that enable the organization to be effective in support of developing countries on extractives: i) its neutrality and impartiality; and, ii) its ability to offer a broad range of services. Many development partners provide specialized support. But the field of extractives is intensely contested. The stakes are high, with billions of dollars in play over many years, often many decades. There are multiple players with varying interests competing over these resources. The frontiers between public and private sometimes become blurred, with countries supporting different actors in pursuit of their national self-interest. The role for an organization like UNDP, that does not have a direct financial stake in how these resources are managed and that is neutral, impartial and human-rights based, can be critical in providing views that arbitrate these competing interests and safeguards the development outcomes that serve to advance the aspirations of women and men, girls and boys, in developing countries. In addition, of the many organizations that offer support, some focus on macroeconomic issues and revenue management, such as the International Monetary Fund (IMF). Others focus on building legal frameworks, licensing and tendering, for instance the African Development Bank or Norway’s Oil for Development programme; or on governance issues as in the case of Extractive Industries Transparency Initiative (EITI). In contrast, UNDP offers services over a broader range of areas, over which the organization also has the mandate. While the sector specific aspects of managing extractive resources are highly technical, the emphasis of the strategy is on the significance for human development. The

complexities associated with natural resource extraction call for UNDP's expertise and experience in democratic governance, poverty reduction, crises prevention and recovery, environmental sustainability, stakeholder engagement, gender and other areas. However, to maximise our impact we must also be aware that prioritisation among activities must inevitably be made. However, adherence to human rights principles, norms and standards will be central to all priorities selected.

UNDP has the institutional infrastructure to facilitate global (North-South, South-South, Triangular) cooperation in extractive sector management. UNDP's presence in a large number of countries provides the architecture for facilitation of mutual learning and technical assistance cooperation among resource-rich economies. Particularly, UNDP can be a natural entry point for emerging resource exporting nations, who are seeking assistance from established extractors.

UNDP can also make best use of the demand for its support that is coming from multi- and bi-lateral development partners as well as multinational companies. These partners, more often than not, have important commercial interests in the extractive sector and their involvement is perceived as being at odds with objective advice and national ownership.

In the final analysis, UNDP also needs to support development strategies that will recognise the limits of extraction-based development. By its nature, extraction of oil, gas and minerals has serious implications for people and the planet. Many countries are struggling to deal with the tensions between the need for resource-fuelled growth and the need to protect the environment and the livelihood of communities. These tensions are closely related to the need to establish democratic governance; transparency and accountability; and human rights protections. UNDP can play a significant role in addressing these tensions and support countries manage their resources in ways that protect the environment and rights of women and men, and in particular indigenous and local communities. This means that new extraction projects will not always be appropriate and women and men in communities must have the ability to negotiate on fair terms with government and private companies—and have the ability to stop projects with undue social or environmental costs. They must be able to benefit equitably from extractive processes and as a minimum be

empowered to seek redress for grievances when their rights are violated or resources used unfairly or in violation of agreements. Furthermore, oil, gas and minerals are finite, non-renewable resources. Countries therefore need to put in place upfront strategies for how to convert natural resource fueled growth to broader economic growth and diversification that create jobs and ensures greater resilience.

3. UNDP's past and present programmes, projects and activities

UNDP has an extensive track record in supporting countries to manage their oil, gas and minerals sectors. The Organization has been supporting countries and partners in managing extractive industries through a number of initiatives. Some of these initiatives are integrated into country programmes and others are more *ad hoc* reflecting emerging opportunities and new requests from partners. Programmed activities are typically instituted in practice areas related to poverty reduction; democratic governance; human rights; environment and energy; and conflict prevention. The programmes and activities draw resources from country, regional and global levels. In this section, we present a brief survey of these experiences. The survey is not intended as a complete mapping, but rather as indicative of the breadth of UNDP's experiences and some key lessons emerging from the work.

In many countries, UNDP's role in extractive industries has centred on working with partners on designing strategies for inclusive growth and economic diversification. In Afghanistan and Papua New Guinea, for example, UNDP has provided support to the Ministry of Mines to develop a basic policy framework guiding the sustainable development of the mining sector in Afghanistan. In Azerbaijan for instance, UNDP supported the national Foundation for Investment Promotion and Advise to support export promotion in the non-oil sector. In Yemen, UNDP supported the formulation of a non-oil based development strategy and facilitated cross-sectoral dialogue in the implementation of the Economic Diversification Support Programme. As part of the Country Programme Action plan 2011-2015 for Cambodia, UNDP supports the development of the mining and petroleum sectors through capacity development, policy dialogue and knowledge sharing.¹⁴ In the Philippines, the Poverty-Environment Initiative has supported the Government in attracting quality Foreign Direct Investments and to maximize natural

resource revenues for poverty reduction and environmental sustainability. Key achievements include reviews of natural resource revenue collection, support for Philippines to join the Extractive Industries Transparency Initiative (EITI) and recommendations to speed up the release of the share of the Local Government Units of the national resource revenues.

UNDP supports effective management of extractive industries through deepening democratic governance and preventing conflict and recovering from it in resource rich countries. Our global work on enhancing accountability and transparency has both direct and indirect implications for the extractive sector. Our support in strengthening capacities of formal and informal governance institutions such as parliaments, courts, traditional leaders, and community-based organisations who serve as enablers for turning natural resources into human development. Niger, for instance, with support from UNDP, adopted a “Charter of Good Governance” establishing with broad stakeholder buy-in, fundamental principles that all parties commit to uphold in governing mineral resources. As of 2010, Niger’s Constitution also requires the publication of natural resource contracts and revenues on a disaggregated, company-by-company basis. UNDP supported the development of one of the most progressive oil laws in the world in São Tomé & Príncipe. The law is designed to ensure that oil revenues become a source of prosperity and stability. The law also provides the establishment of a national oil fund to be held in an international custodial bank. The law requires public and competitive tenders for contracts to have anti-corruption and transparency provisions.

UNDP, through the UN-REDD Programme and the GEF Small Grants Programme has extensive experience in supporting the rights of indigenous and local communities. For example, UNDP, through the UN-REDD Programme has developed a guideline on the application of the principle of Free, Prior and Informed Consent (FPIC), a standard that will need to be upheld when activities will significantly impact the rights, lands or territories of indigenous peoples.

UNDP also engages with the UN Permanent Forum on Indigenous Issues and is a partner in the UN’s Indigenous Peoples’ Partnership programme, with the key aim to facilitate implementation of the Declaration on the Rights of Indigenous Peoples and

the ILO's Indigenous and Tribal Peoples Convention, 1989 (No. 169). UNIPP is an inter-agency collaborative framework between UNDP, ILO, OHCHR, UNICEF, and UNFPA, which is currently being implemented in several countries through the UNIPP Multi-donor trust fund. Similarly, our work in conflict prevention, focuses on convening and facilitating dialogue, undertaking conflict analysis and building national (government, private sector and civil society) capacities for conflict management through training and knowledge-sharing. Here again, UNDP, in its REDD+ work is building experience in developing and piloting methodologies and tools to strengthen national capacities to establish national grievance mechanisms.

UNDP supported programme countries to break the information and bargaining asymmetries that often lead to governments to sign unfavourable contracts.

Recognizing that governments often are misrepresented in negotiations over big mining and oil contracts, UNDP has developed a regional programme in sub-Saharan Africa that provides technical support in the negotiation phase and capacity development for monitoring contract implementation. This project has assisted countries such as Liberia, Sierra Leone and Tanzania in rebalancing the asymmetries in bargaining power so that countries obtain a fairer share of the revenues from their extractive sectors.

UNDP's work on extractive industries often draws from our broader work in the area of environment and energy.

For instance, UNDP supported the national regulatory frameworks. In Uzbekistan, we have launched a project with funding from the GEF aimed at mainstreaming biodiversity into the oil and gas sector, as well as capacity building for sustainable land management. Several projects within the Global Environment Facility portfolio are also directly relevant for managing and safeguarding bio-diversity in the mining sectors in countries such as Colombia, Nigeria, Mauritania, Russia, and Uzbekistan. Biodiversity projects working with the mining sector have stressed the governance aspects, mainly building or enhancing national capacities to apply the mitigation hierarchy – to avoid and reduce impact, rehabilitate and offset. In South Africa, the UNDP supported project “National Grasslands Biodiversity Programme” is working with government regulators to

develop mechanisms for wetland mitigation in coal mining areas. In Ecuador, UNDP has supported the Government in the establishment of a Trust Fund that will leave an estimated 846 million barrels of crude oil lying under the Yasuní National Park, a World Biosphere Reserve since 1989, to conserve biodiversity, protect indigenous people's rights, and avoid CO2 emissions. The aim is to mobilize at least 50 percent of the estimated US\$7 billion that tapping the oil would bring.

In the International Waters focal area, UNDP/GEF has partnered with UNIDO in support of a major global program to reduce environmental impacts from artisanal gold mining using mercury as an amalgamator. This project introduced alternative gold recovery and processing technologies and practices that dramatically reduce or even eliminate mercury use, raised awareness locally and globally, helped countries reform mining policy and legislation, and contributed to a now global process of negotiating an international legal regime on managing mercury.

UNDP/GEF has also supported a number of countries and regional ocean governance institutions in building capacity for oil spill risk assessment and contingency planning in regions subject to intense oil and gas exploration and exploitation. This includes work in several African marine ecosystems, in the Caspian Sea, and in the East Asian Seas through the PEMSEA programme. Lastly, UNDP/GEF has supported the countries of the Benguela Current Large Marine Ecosystem (Namibia, South Africa, Angola) in developing and implementing policy and regulatory reforms to reduce the environmental impact of offshore diamond mining on vital marine resources which these countries depend so heavily upon for sustenance and economic livelihoods.

Under the terms of the MDG Carbon Facility partnership with financial institutions, UNDP is helping countries conceive initiatives in different extractive and non-extractive sectors that reduce emissions of greenhouse gases, while delivering real, sustainable human development benefits (e.g. environmental sustainability, poverty reduction).

Partnerships with international and national civil society organizations have also been a central part of UNDP's work. For instance, UNDP supports the Extractive Industries Transparency Initiative (in Central African Republic and the Philippines)

and inclusive business in the mining sector through the Business Call to Action. UNDP engages more directly with stakeholders among business and communities supporting consultative processes as in the case of Angola and Argentina. The Diamonds for Development (D4D) initiative in Liberia was a joint UNDP-Government initiative. It began by conducting research into the diamond industry in West Africa and culminated in a report which gave an overview of the sub-region and detailed analysis of Cote d'Ivoire, Guinea, Liberia and Sierra Leone.¹⁵ The initiative was central in supporting the government in its effort to deal with 'conflict diamonds'. Liberia is now a Kimberley Process Certificate Scheme participant and has established a tracking mechanism (from mine of origin to point of export) for diamonds produced in the country.¹⁶

As is evident from country office request logs, countries are increasingly turning to UNDP for support. Some of this demand is related to potential work with the private sector, including individual firms, industry groups, and foundations, involved in the extractive sector. Partnerships focus on areas where UNDP has expertise including developing models for strengthening small enterprises to become local content suppliers, building local capacities to provide social services, or promoting environmental sustainability. For example, in Kazakhstan and Angola, UNDP worked with Chevron to support general local micro, small and medium size enterprise development, including increasing capacity of enterprises to become suppliers of various goods and services to oil and gas companies. In Turkey, UNDP provided support to NGOs along the Turkish segment of the Baku-Tbilisi-Ceyhan oil and gas pipeline route for biodiversity conservation projects through the establishment of Small Investment Funds. In China UNDP has led a partnership with ArcelorMittal, the world's largest steel-iron firm, where UNDP raised US\$5m for local projects on climate and sustainable energy. BP in Indonesia provided \$1m for cross-thematic work focused on economic diversification, conflict prevention and socio-environmental impact assessments, improving governance and protecting the rights of indigenous peoples and affected communities.

This work can have important benefits in terms influencing and leveraging the private sector to more strategically contribute to human development and in ensuring the rights of affected communities, participatory planning and civic empowerment. It also

contributes to mobilizing additional resources, including for UNDP programme activities. Engagement with the private sector should be closely aligned with UNDP due diligence procedures and priority areas and build on UNDP core competencies. Even so there are potential reputational risks involved and UNDP is mandated to carry out due diligence screening of potential partner companies before Country Offices enter into a partnership. More broadly, UNDP must ensure that its engagement with the private sector is consistent with its core principles and impartial role, so as not to jeopardize its own legitimacy of the institution in engaging in this sector. The organization cannot afford to be seen as either supporting companies that violate human rights or of “taking sides” with one sector or one company, and its engagement has to be guided by the strategic objectives of this paper.

UNDP also works at the regional and global level to strengthen networks and dialogue. In 2007, the Special Unit for South-South Cooperation hosted in UNDP organized the first High-level Meeting on Oil and Gas Management in Qatar for southern oil and gas producers to exchange experiences.¹⁷ A follow-up conference was held in 2009 in Kenya.¹⁸ In 2010, UNDP and Government of Cambodia jointly organised an international conference on the extractive sector in Cambodia. In 2011, UNDP and the Government of Mongolia organized a similar but much larger international conference on Managing Extractive Industries for Human Development. These and other conferences organized by us and partners are important conduits of South-South collaboration, for sharing good practices and for building consensus around what needs to be done at national and regional levels. UNDP can help raise the value of international, regional and national conferences and training sessions by working to ensure that they are not one-off events. At the same time, we must ensure they fit into a coherent framework of strategic deliverables where actions—especially those related to capacity development—are clearly defined, implemented and evaluated.

UNDP is also leveraging its analytical and research capacities. UNDP conducts studies that raise awareness of policy options, builds capacity for analysis and galvanizes commitment by stakeholders. UNDP’s Arab Development Challenges Report 2011 documents how resource dependence has underpinned mutually reinforcing processes of socio-economic and political exclusion in the Arab region. In

Azerbaijan, the 2007 UNDP report “Converting Black Gold into Human Gold,” made specific recommendations for using oil revenues to build competitive industries in manufacturing, tourism and agriculture. In Bolivia, the Democratic Republic of Congo and Timor Leste, through National Human Development Reports, UNDP has been effective in presenting analytical perspectives to tackle the challenges and exploit the opportunities sustainable management of natural resources. In Nigeria, UNDP worked with Shell to support the preparation of a sub-regional Human Development Report for the Niger Delta. This partnership resulted in initiatives for skills development for youth and local governance capacity building. In a cross-bureau effort, UNDP is currently working on a series of studies that examine revenue capture from natural resource rents and the options and experiences in investing these in human development and structural transformation. The first two studies on Botswana (diamonds) and Zambia (copper) have been completed. UNDP has also produced analysis of the feasibility of Habitat Banking in Latin America and the Caribbean, and supported the Handbook for Biodiversity Offsets in the mining sector, a tool for auditors, developers, conservation groups, communities, governments and financial institutions working in the extractive industry sector.

Many of these efforts and initiatives have yielded important and verifiable results. However, a strategy, such as this, is required for UNDP to support programme countries in a more strategic, coordinated and integrated approach. There are at least two advantages of such an integrated approach. First, offering integrated, rather than *ad hoc* interventions, bring out synergies across the organisation. Second, the impact of isolated interventions is weaker. For instance, UNDP may support a successful completion of an environmental impact assessment. But, this alone does not guarantee that conflict over resources would not arise or that the government would raise adequate revenues from the sector. The former requires both gender and conflict analysis and the latter capacity development in public finance. Therefore, UNDP will be better placed if it offers an *integrated package of services* combining its practice areas. This is particularly pertinent given, as we see in Section 6 below, the engagement of a large and growing number of stakeholders in supporting extractives sector management. The framework for the integrated package of services we are proposing is outlined below.

4. Global partners: who does what?

UNDP complements the global effort to support the sustainable and equitable management of the extractive sector. A comprehensive strategy is timely, if not overdue, given the field is getting crowded, with many organisations offering a menu of technical assistance and policy advice. It is important for UNDP to identify where the gaps and complementarities are, and ultimately where UNDP can have the greatest impact. A quick external mapping of stakeholders found no less than 93 different organizations and networks engaged in the extractive industries at regional and global levels. This section provides an overview of the key stakeholders engaged in the area of extractive industries grouped loosely according to the type of institution. This overview excludes the many companies that are doing business in the sector as explorers, operators and suppliers, but does include some of their industry umbrella groups. It is also deliberately incomplete when it comes to the countless national civil society and community groups who are critical in assessing and shaping national and local policies. To be effective, UNDP's strategy needs to be able to provide a framework especially for supporting Country Offices in working with multiple partners among governments, business and civil society.

- **Bilateral and multilateral donors:** Among bilateral partners Norway is probably the best example with its Oil for Development Programme that draws from that country's own and very successful experience in harnessing its hydrocarbon resources. Canada and Australia are other partners that have sought to leverage their own extensive mining experiences through their aid programmes. DfID, USAID and EU are among other important bi-laterals especially in terms of their support to governance and transparency issues. For all the bilateral partners, including the emerging ones, the more altruistic objectives for development cooperation are, to varying degrees, intertwined with their own strategic and commercial interests. Legislative changes inside developed countries matter a great deal for enabling effective utilisation of extractive resources. The recent Dodd-Frank financial regulation bill in the US is a good example. The bill requires US listed companies to scrutinize their supply chains; verify whether they sourced minerals in conflict areas; and disclose the payments they make to host governments. A similar proposal is

being discussed in the European Parliament. Moreover, the 1997 OECD Anti-Bribery Convention has prompted changes in the legal frameworks and business practices among its 38 signatory countries, including all OECD member states. The Convention criminalizes foreign bribery, which is a particular problem in extractive sector. It also makes monitoring and undergoing periodic peer review binding requirements.¹⁹

Among the multilateral institutions, the IMF has traditionally provided support through its regular consultations with member countries and through its extensive technical assistance related to EI, including for tax administration, public financial management, and revenue management. As an indication of its strengthened focus on extractives, the Fund recently launched a Managing Natural Resource Wealth Topical Trust Fund with a budget of \$25 million (funded by Australia, EU, the Netherlands, Norway, Switzerland, Kuwait and Oman) to support capacity development in 50 countries.

The World Bank has an Extractive Industries Advisory Group to help it identify and promote good practices in oil, gas, and mining sectors. The Group follows up on the implementation of the agreed recommendations from its on-going series of Extractive Industries Reviews. The Bank committed an average of \$1 billion annually over the last five years to the extractives industries through lending (IBRD and IDA) and private sector financing, insurance and advisory services (IFC and MIGA).²⁰ Moreover, the Oil, Gas and Mining Policy and Operations Division of the World Bank manages a multi-donor trust fund, the Extractive Industries Technical Advisory Facility. This \$11 million facility provides advisory and capacity development services to resource-rich developing countries on contract negotiations and associated policy reforms. World Bank-led Global Gas Flaring Reduction (GGFR) initiative, which is a public-private partnership launched at the at the 2002 World Summit on Sustainable Development (WSSD), which aims to support national governments, development agencies, and the petroleum industry in their efforts to reduce the environmentally damaging flaring and venting of gas associated with the extraction of crude oil. Regional development banks

such as the African Development Bank and the Asian Development Bank, also supply technical and financial support.

- **The United Nations system** is involved through its permanent bodies and global conferences, as well as through the specialized agencies funds and programmes. For instance, the recent outcome document from the Rio+20 World Conference on Sustainable Development in June 2012 recognizes the role of extractive industries in the intersection of social, economic and environmental sustainability challenges. It also recognizes that governments need strengthened capacities to develop, manage, and regulate their mining industries in the interest of sustainable development. The establishment of a World Centre for Sustainable Development was one distinct outcome of the Rio summit, supported by several UN entities including UNDP, UNEP, UN-HABITAT, ILO and UNU, although its distinct role in supporting extractive sector management is not yet clear.

The UN's human rights system is often engaged in matters related to investigating and advocating for the rights of vulnerable groups affected by exploration and extraction of minerals. For instance, through the Human Rights Council and the Special Rapporteur on the Rights of Indigenous Peoples, the UN system raises issues related to human rights violations. One notable document which will guide UNDP's activities will be the widely adopted and Human Rights Council endorsed (2011), *Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework*", developed by the Special Representative of the Secretary-General, which outlines the duties and responsibilities for businesses and states with respect to human rights.²¹ The UN's Permanent Forum on Indigenous Issues works to enhance partnerships around mitigating the impacts of extractive industries on indigenous territories. Moreover, CEDAW, the Commission on that Status of Women, and other mechanisms of the Human Rights Council such as the Special Rapporteur on Violence against Women its Causes and Consequences, are also engaged in matters relevant to resource extraction.

Gabon and Belgium, which are the Co-Chairs of the Group of Friends on Natural Resources, have taken the initiative to draft a General Assembly resolution on “promoting transparency throughout the value chain of natural resources to boost inclusive and sustainable growth”. The objective of the draft resolution is to encourage Member States to work towards enhancing transparency in the value chain and request the Secretary General to report to the General Assembly on existing best practices in natural resources management by Member States. This report may then form the basis for future discussion in the General Assembly of a possible role for the United Nations in promoting transparency initiatives at the international level.

The UN Global Compact was launched in July 2000 by the UN Secretary General as a leadership platform for the development, implementation and disclosure of responsible and sustainable corporate policies and practices. The Global Compact has specific working groups on issues such as human rights, business and peace, environment etc. and extractive companies are participating in all of these. For example, the working group on transparency and accountability has a sub-working group for the oil and gas industry. Endorsed by chief executives, it seeks to align business operations and strategies everywhere with ten universally accepted principles in the areas of human rights, labour, environment and anticorruption. It has more than 8,500 signatories in over 135 countries including many of the world’s largest mining companies.

The United Nations Interagency Framework Team for Preventive Action, (hosted at BCPR) leads a multi-year, interagency project on natural resources and conflict working with UNDP, UNEP, UN-HABITAT, DPA, PBSO and UNDESA. In partnership with the EU, the project has produced toolkits with extensive guidance notes and on-line training on extractive industries, land, and renewable resources. The purpose of the partnership is to improve capacities of UN staff, EU delegations, and national counterparts on land and natural resources management for conflict prevention and to provide technical assistance, policy development and programme coordination between key actors particularly at country level.

UNEP has a strand of work related to conflict, natural resource management and the environment. In addition to actively participating in the United Nations Interagency Framework Team for Preventive Action, UNEP is undertaking an extensive environmental assessment of over 300 oil- impacted sites in the Ogoni region of the Niger Delta. The findings will be used to make recommendations for appropriate remediation activities to facilitate environmental clean-up operations.

Some UN entities offer specific analytical tools and tailored training that deal with extractive industries. For instance, UNDESA works on the System of Environmental-Economic Accounting, which contains the internationally agreed standard concepts, definitions, classifications, accounting rules and tables for producing internationally comparable statistics on the environment and its relationship with the economy. In 2007, UNCTAD used its World Investment Report to examine the role of transnational corporations and extractive industries. UNITAR provides a five weeks training course in the Governance of Extractive Industries UNDP's Special Unit for South-South Cooperation is preparing a comprehensive programme for institutional capacity development and training for southern governments.

- **Numerous civil society organisations at global, regional and national level** have been effective in highlighting specific challenges in the extractive sectors. These stakeholders range from human rights, women's, development, environmental and faith-based organisations. Some have specialized in single-issues especially around transparency, and the most effective are capable of and galvanizing public debate and action. National and international organisations are often linked either through formally established structures and subsidiaries or more loosely, though not necessarily less effectively, as part of regional or global networks. Trade unions play an important role, especially in terms of advocating for the rights of mine workers and ensuring decent pay and workplace safety.

Publish What you Pay (PWYP), is a global network of 650 organisations that work for oil, gas and mining revenues to form the basis for development and improve the lives of citizens.¹ PWYP undertakes public campaigns and policy advocacy to achieve disclosure of information about extractive industry revenues and contracts. Among the founding members of PWYP are Oxfam, Save the Children and Transparency International. The Revenue Watch Institute (RWI) provides capacity building, technical assistance, research and advocacy for effective, transparent and accountable management of oil, gas and mineral resources. In the regional project supporting contract negotiation and implementation in African countries mentioned above, UNDP partnered with RWI, the International Senior Lawyers Project and Advocates for International Development in providing technical assistance.

Third World Network (TWN) is an independent non-profit international network of organisations and individuals that serves as the secretariat for the pan-African extractive sector network known as African Initiative on Mining, Environment and Society (AIMES) Founded in 1999. AIMES is a Pan-African network of organisations, groups, communities and individuals engaged in extractive sector advocacy, in particular mining. Most recently, TWN-African, AIMES and the International trade Union Federation organized consultations on the African Mining Vision (see below).

The Gaia Foundation is an international non-governmental organization focused on regenerating cultural and biological diversity, and restoring a respectful relationship with the Earth. They work with partners throughout South America, Europe, Africa, and Asia. Most recently, the Gaia Foundation published a report highlighting the environmental impacts of extractive industries.

Global Witness have run a series of highly effective campaigns against natural resource-related conflict, corruption and human rights abuses in places such as Angola, Botswana, Cambodia, Congo and Sierra Leone. Its work on “Blood Diamonds” was particularly instrumental in creating the diamond certification scheme known as the Kimberly Process (see below).

National organisations also play a critical role. In Uganda, the Advocates Coalition for Development and Environment (ACODE) has been working on local governance issues for more than a decade. ACODE has joined forces with other national and international CSOs and independent media such as the Daily Monitor and the Independent, to lead a charge for more openness around the production sharing agreements signed by the government and international oil companies exploring in the western Albertine Graben-region. ACODE has established the Uganda Oil and Gas Documentation Bureau as a source of key legal documents and analysis. Similarly, Cambodians for Resource Revenue Transparency works with the government and the private sector to help ensure that revenues from extractive industries are equitably and transparently managed in a way that is understood by the general public. Another example is Women in Mining (WIMSA) from South Africa, which was established to facilitate greater engagement of women in the mining industry. WIMSA provides support and guidance on personal growth, leadership and career development with programs such as mentorship. It also advocates for women friendly work environment, better health and safety standards etc. to advance women's participation and leadership role in mining.

- **Academic support:** Natural resource management is an established field in academia. Some examples include: the Oxford Centre for the Analysis of Resource Rich Economies; the Rubenstein School of Environment and Natural Resources at the University of Vermont; the Centre for Sustainability in Mining and Industry and University of the Witwatersrand in Johannesburg; and the Centre for Energy, Petroleum and Mineral Law and Policy at the University of Dundee. These are important sources of expert consultants for policy oriented analysis. Top policy makers and experienced practitioners (including Ernesto Zedillo, Mo Ibrahim and Luisa Diogo) as well as leading academics in the area (including Michael Spence, Paul Collier and Anthony Venables), have created a “Natural Resource Charter”, which sets out 12 principles along the extractives value chain for governments and societies on how to best manage the opportunities created by natural resources for development.

- **Regional initiatives deal with cross-borders issues.** One example is the Andean Regional Initiative (ARI) for Promoting Effective Corporate Social Responsibility. ARI is being implemented in Colombia, Peru and Bolivia, and is intended to improve communication between local populations and extraction companies. The initiative aims to aid local governments and communities in creating projects that encourage sustainable development for people living in and around sites of resource extraction. The African Mining Vision (AMV) is another example of regional collaboration. The AMV was adopted by the Heads of State and Government of the Africa Union in February 2009 with an action plan adopted in December 2011. An African Minerals Development Centre is being established within the structures of the UN Economic Commission for Africa (UNECA). Under the auspices of the UNECA the Eight African Development Forum was held October 2012 focusing on “Governing and Harnessing Natural Resources for Africa’s Development”. At the Forum an African Mineral Skills Initiative was launched in collaboration with AngloGold Ashanti. The initiative is aimed at creating the necessary skills so that African countries can take advantage of mineral development and growth opportunities.
- **Industry groups at global and national level are also important stakeholders and partners.** These bodies represent their members, lobby for their interests and can be conduits for greater dialogue between the private sector, governments and other stakeholders. The global oil and gas industry association for environmental and social issues (IPIECA) is the industry’s principal channel of communication with the UN. Industry groups such as the International Organisation of Oil and Gas Producers, World Diamond Council and the International Council on Metals and Mining (ICCM) represent their industries in multi-stakeholder initiatives (see below). UNDP was consulted by the International Council on Metals and Mining as it was developing a new toolkit to evaluate the socio-economic effects of mining at the local, regional and national levels.

- **Important multi-stakeholder initiatives that include development partners, country governments, and civil society have also emerged in recent years.** Probably the best-known is the Extractive Industries Transparency Initiative, which is a coalition of governments, companies, civil society groups, investors and international organisations that seeks to promote revenue transparency. It has developed a methodology for monitoring and reconciling company payments and government revenues at the country level. Each implementing country creates its own EITI process which is overseen by participants from the government, companies and national civil society. 21 countries currently meet its five sign-up requirements and 15 are considered EITI compliant by publishing a report that reconciles what companies say they pay in taxes, royalties and signature bonuses, with what governments report they have received. Another example of multiple stakeholders coming together is the Kimberley Process, which is a joint initiative by governments, industry and civil society that seeks to stem the flow of diamonds mined in conflict zones. It is open to all countries that are willing and able to implement its requirements and currently has 51 participants, representing 77 countries, covering approximately 99.8% of the global production of rough diamonds.
- **Electronic networks:** New technologies open new opportunities for networking and exchanging experiences. For instance, UNDP conducted e-discussion among development practitioners in Asia-Pacific to advance Sustainable Development in the Extractive Industries in 2012. As part of the preparation of this strategy, the Task Team relied on UNDP's Teamworks as a depository of information and to facilitate interaction and sharing of knowledge.²² Another network resource that UNDP should consider tapping into and perhaps partnering with is www.GOXI.org. Managed by the World Bank Institute, it serves as a standing forum for innovation and collaboration across stakeholders groups, countries and initiatives. The network currently has more than 1,300 members.

With so many initiatives and actors engaged in the area of extractive industries a natural question emerges as to what role for UNDP: what is our value-added? This strategy identifies four reasons for why UNDP should engage.

First, the organization has developed extensive skills and experiences in the area of extractive industries in recent years. This has been acquired based on a demand from host countries and has created a unique base of knowledge and on-the-ground expertise that needs to be harnessed in a coherent and strategic way.

Second, it is also evident that while multiple stakeholders might be present, few have the ability as UNDP to think about extractive industries in a comprehensive way, and to ensure that a complete package of support is available to countries. This is a clear gap in the current context. Such an approach is integral to UNDP's cross-cutting mandate and the organization's human rights basis and commitment to gender equality. This will need to be done in a comprehensive and coordinated fashion that pays particular attention to strengthening the capacities of national institutions to manage the development process.

Third, UNDP's role as a trusted and neutral partner is critical in an area where commercial and strategic interests of developed country governments and multi-national companies must be made to converge with the needs of developing countries.

Finally, the growing importance of natural resources in terms of financing development in the years to come is likely to transform international cooperation and the way that development assistance is provided and implemented. As revenue influx commences traditional UNDP support will not suffice. Natural resource-exporting countries will need upstream policy support from UNDP that is currently not being provided systematically, and which can impede inclusive and sustainable development. In countries like Equatorial Guinea, Gabon, and Angola UNDP has become peripheral in the national development agenda precisely because we are not engaging in upstream extractive related activities that are central to development in those countries. In order for UNDP to stay relevant in this context, the organization needs to engage and position itself with a comprehensive package of upstream policy services in extractive sector linked to strategic activities on the ground. Against this background the next section proposes a framework for UNDP support.

5. UNDP’s Strategy for Equitable and Sustainable Management of the Extractive Sector

The strategy is composed of three elements: i) an **organizing framework** for UNDP’s engagement; ii) an **integrated package of services** to respond to unmet demand, exploiting the potential for synergies across UNDP’s practice areas; iii) a **new UNDP initiative**, spelling indicative activities and their mode of delivery. This section presents the first two elements, which focuses on the approach, while the next section presents in more detail a series indicative programmatic actions that make up the new UNDP initiative.

5.1 The organising framework

The components of managing extractive industries, depicted in the Figure below, offer UNDP a framework for advancing human development. It is possible to separate the process of turning natural resource extraction into human development into four distinct yet overlapping components. This is the proposed framework for structuring UNDP’s policy and programme support.

Figure: A Framework for Extractive Industries and Human Development



UNDP’s strategy identifies the opportunities and risks under each of the four components of resource management.

Participatory legislation, policy and planning. At this stage, countries lay the foundations. This may include constitutional or other provisions that assert the land and property rights of women and men, including indigenous and local communities

within regimes and modalities for allocation of exploration and extraction rights, policy frameworks, bills and acts of parliament that establishes key institutions (e.g. National Petroleum Companies, Sovereign Wealth Funds) and delineates mandates (e.g. between Ministries of Finance and of Energy, and Parliament) and the legal framework for social and environmental safeguards.

People-centred exploration and extraction. At the exploration and extraction phase, state institutions will need to have adequate capacity to negotiate and enforce contracts. The aim is to rebalance what is often an asymmetrical relationship between national governments and multi-national mining companies. Awarding of contracts also need to be transparent, accountable and free from rent-seeking and patronage. Assessment of the social (including gender) and environmental impacts and identification of mitigation measures need to be integrated into these processes, including gender responsive options for replacing and/or restoring livelihoods. Clearly established obligations on the part of private companies to adhere to national laws and regulations are extremely important and need to go beyond voluntary arrangements for corporate social responsibility as helpful as these might be.

Prudent revenue collection and management. During revenue collection and management, capacity must be in place to collect taxes and royalties, which may include the need to renegotiate contractual arrangements, as well as to take remedial action against capital flight and misappropriation of funds. Revenue management also requires the capacity to deal with the volatility of revenues (“boom and bust cycles”), which arises from fluctuations in international commodity prices and in production levels as new resources are discovered and old ones are depleted.

Investments in human, physical, financial, and social capital. Investing revenues from resources in human development requires converting natural capital into other forms of capital (human, physical, social). Such investments ensure a non-declining stock of national wealth and to lay a foundation for long-term structural change away from extractive sector dependence. This stage also involves decisions about more short-term concerns related to spending resource revenues on alleviating absolute poverty, addressing group-based inequalities and/or compensating communities affected by exploration and extraction (i.e. addressing horizontal inequality).

5.2 An integrated package of services

A critical feature of the framework presented above is the interconnectness of each of the four areas that combined can work to accelerate human development. Each stage builds upon the previous one. A country cannot plan to invest its mineral rents in human development and economic diversification if no revenues are being collected. Revenues cannot be collected if no exploration or extraction is taking place.

The synergies among the resource management stages are critical. For instance, where the legislation is weak in delineating property rights; conflict is likely to emerge at the exploration and extraction stages. Similarly, sound social and environmental safeguards legislation—and attention to its implementation—is key to mitigating the negative impacts over the different phases of the extractive process. If contracts are negotiated in secrecy, without transparency, or without the representation by all community members (female and male) and sectors of society misappropriation of funds limits the amount of fiscal revenues available for financing growth and development.

Therefore, the strategy proposed responds in an integrated manner to exploit the synergies among UNDP's areas of expertise. These are supporting: 1) governance, including transparency and accountability; 2) environmental and social sustainability; 3) conflict prevention and recovery; 4) engagement with private sector, civil society, foundations and other stakeholders; and 5) economic and social policy formulation. The advancement of gender equality and the empowerment of women and other vulnerable groups will be mainstreamed throughout this work.

Offering an integrated package of services is potentially how UNDP will be distinguished from other initiatives surveyed in Section 6 below. Many organisations and institutions tend to offer more narrow and specialized services that are not integrated across the multiple phases outlined in the framework above. The strategy proposes that UNDP launches a *new initiative* based on the framework provided above and focusing on the organization's mandate, skills and expertise.

6. Towards a new UNDP initiative: with global, regional and country-level programmes

The proposed new UNDP initiative would be called “*Sustainable and Equitable Management of the Extractive Sector for Human Development*”. The initiative will have global, regional and country-level elements. The initiative will provide timely and predictable technical and financial support to our Country Offices and act as hub for knowledge management and thought innovation in the extractive sector. It will act as a conduit for advocacy and channeling core resources to finance the support functions and as a possible central pool for development partners to contribute to. The initiative will mobilize capacities and expertise across the organization that will provide policy guidance and technical assistance in implementation.

The operationalization of the strategy will be developed subsequent to its approval by the Executive Group but its implementation at country-level will have the following components:

1. Assessment of country-specific needs using the organising framework outlined above. This assessment will include a detailed situational analysis, assessment of risk (conflict sensitivity and environmental and social impacts, including on gender and indigenous peoples and local communities) and forecasting of key trends, and will be done on demand from host governments and in partnership with key stakeholders at national and sub-national levels.
2. Comparing the needs identified with existing or readily available capacities will highlight the key capacity and financial gaps that will need to be closed.
3. Mobilising and delivering support will be done through the alignment of UN and UNDP programme instruments and through strengthened partnerships around a nationally-owned agenda of “extractive industries for human development” with donors, private sector, foundations and other possible contributors.

In practice, the initiative will focus on interventions within the four broad pillars of support with indicative activities outlined in Table 1 below. These activities fall under the thematic areas proposed in this Strategy as *integrated package of services*

comprising UNDP’s mandate, expertise, and skills: These are supporting: 1) governance, including transparency and accountability; 2) environmental and social sustainability; 3) conflict prevention and recovery; 4) engagement with private sector, civil society, foundations and other stakeholders; and 5) economic and social policy formulation.

Table 1: Indicative country support actions

1. Supporting participatory legislation, policy and planning framework	
1.1	Ensuring that extractive industries are effectively represented in national development strategies and poverty reduction frameworks, with clear linkages to sectoral policies
1.2	Supporting governments, communities and businesses to enact systematic procedures for establishing free prior and informed consent of indigenous and local communities.
1.3	Developing capacity and raising awareness of women and men in communities to understand the nature of the extraction operations and accountability from governments and the private sector as well as their rights and use systems to exercise them, including mechanisms for redress.
1.4	Establishing legally binding procedures to ensure community consultation including whether extraction projects should proceed. These must be gender-sensitive.
1.5	Developing capacity to formulate or update bills, laws and charters (including those that define property rights), and clarify the role of key institutions such as mining and environment ministries.
1.6	Establishing legally binding procedures to ensure environmental assessment including whether extraction projects should proceed
1.7	Supporting coordination, delineation of roles, responsibilities and obligations among ministries.
1.8	Developing government, community and private sector capacity on dialogue and conflict management to resolve conflict early and constructively.
1.9	Advocating and working with industry actors to mainstream issues relating to environment, transparency, gender equality and human rights, economic linkages into their internal policies and planning tools.
1.10	Supporting integration of environmental protection measures and low emission standards into policies of the ministries of minerals and energy.
1.11	Strengthening climate change and biodiversity considerations within national government policy (e.g. land use, landscape level planning around concession areas, rehabilitation standards and procedures).
1.12	Support the participatory development or review of environmental policies and regulatory frameworks, including instruments and tools such as ‘Strategic Social and Environmental Assessments and Impact Assessments’ and Gender Assessments.
1.13	Facilitating cross-border dialogue to avoid over-exploitation of the resource at the harm of other nations, given natural resource wealth is often shared between and among nations.
2. Supporting people-centred exploration and extraction	
2.1	Strengthening oversight capacity and responsibilities of Parliaments, CSO’s (including women’s groups) and the media.
2.2	Carrying out corruption risk assessments for better understanding of potential governance bottlenecks.
2.3	Supporting transparent procurement processes to reduce the risk of corruption when awarding licenses.
2.4	Support transparent environmental permit processes, monitoring and enforcement of permits.
2.5	Strengthening the capacity for implementation, monitoring and enforcement of legal and

	regulatory frameworks, including through access to information, access to justice and legal empowerment.
2.6	Enhancing access to justice and legal empowerment of relevant stakeholder's; access grievance/recourse mechanisms and provision of legal assistance.
2.7	Supporting offsetting of the negative impacts on ecosystems, livelihoods and the atmosphere (e.g. oil spills, mineral pollution, greenhouse gas emissions).
2.8	Promoting least destructive environmental policies loss principle of impact assessments and ensuring active ecosystem management and regeneration through environmental management plans.
2.9	Supporting environmental rehabilitation measures to increase ecosystem resilience and protect biodiversity
2.10	Carrying out gender sensitive conflict risk analyses to identify local stakeholders, drivers of conflict, peace capacities, existing traditional and non-traditional dispute resolution mechanisms.
2.11	Supporting the formalization of mining, in both the regulated and unregulated sector to: 1) minimize its impact as financier of conflict; ii) prevent gender based violence and protect community health; iii) to insure the implementation and monitoring of environmental laws and regulations; and iv) develop alternative livelihoods for artisanal miners to reduce over reliance on potentially destabilizing sector.
2.12	Supporting implementation and monitoring of the legal as well as the Corporate Social Responsibilities (CSR) of private operators.
2.13	Fostering forward and backward linkages with the local economy (local content), focusing on technology transfer to and integrating local enterprises owned and operated by women and men along the value chains, particularly small- and medium-scale suppliers to the extractive sector.
2.14	Supporting contract awards (procurement) processes that reveal true values through competition (for example, by using auctions).
2.15	Ensuring community participation at all stages of the extraction project (design, implementation, monitoring and evaluation), especially among women, migrant and mobile populations.
2.16	Engaging and consulting with private companies when supporting countries with Environmental and Social Impact Assessments of extractive industry projects.
2.17	Ensuring closure, remediation and post closure environmental standards are integrated into company obligations and permit/license conditions (especially in the case of mining).
2.18	Supporting initiatives focused on women's economic empowerment and political participation, preventing and responding to gender-based violence, and capacity development for women's advocacy organisations in and around mining communities.
3. Supporting prudent revenue collection and management	
3.1	Support the articulation of a national framework that guides decision on spending, savings and investments of rents from extractive sectors (overlaps with 1).
3.2	Developing capacity to collect taxes and supporting the formulation of progressive, equitable tax regimes
3.3	Working with international financial institutions and feminist economists on advising governments in the formulation of macroeconomic policies towards pro-poor policies
3.4	Supporting regional cooperation for setting up contractual and taxation standards.
3.5	Putting in place corruption risk mitigation systems (against capital flights and misappropriation of funds), for both government and companies.
3.6	Developing civil society and government capacity in advocating and ensuring transparency in revenue management.
3.7	Engaging with initiatives such as EITI, Revenue Watch, to advocate for company commitments to transparency (EITI principles).
3.8	Developing local capacities in responsive and accountable governance by strengthening state-citizen interactions, gender-sensitive and participatory planning and other social accountability initiatives to ensure sustainable management of extractive industries.

3.9	Supporting the inclusion of measures for remediation and financial guarantees (environmental liability) in relation to waste minimization and disposal, closure plans and for ecosystem regeneration.
3.10	Promoting policies for revenue reinvestment in mitigation and rehabilitation measures, such as biodiversity offsets, and low emission development.
4. Supporting investments in human, physical, and social capital to replenish depletion of non-renewable resources	
4.1	Supporting policy decisions that increase investments in economic diversification.
4.2	Developing incentives or regulations to ensure the various actors in the production chain constrain wasteful policies by encouraging re-use, recycling, and pro-active designs for recyclability, and to develop the systems that use materials efficiently and economically to close the cycle of waste and reduce environmental impact.
4.3	Supporting dialogue between private and public sector to discuss the preparation of industrial policies to promote the conversion of minerals and crude oil into higher value-added products to supply both the domestic and the international markets.
4.4	Supporting the formulation of fiscal systems that address vertical and horizontal inequalities, based on the principle of benefit sharing among women and men, girls and boys, in local communities.
4.5	Working with governments, firms and communities (starting at an early stage in the extraction cycle and with a long-term view) to put in place appropriate policies and to invest in capacities and infrastructure that contribute to economic diversification and to creating alternative long-term employment opportunities for women and men.
4.6	Working with government, firms, and local actors, women and men, to prepare for closure of mines and oil and gas extraction projects (e.g. to support alternative employment, diversification of economies).

This new initiative and the country support actions will be implemented using four delivery mechanisms listed below:

1. Knowledge management (creation and sharing) and cross regional fertilization of experiences;
2. Policy advisory and technical assistance services (with strong technical capacity across the organization);
3. Capacity development at the regional and country levels;
4. Catalytic financing for country-level and global initiatives; and
5. Advocacy and partnerships.

UNDP, through the appropriate global, regional, and country programmes, will implement the delivery in support of country offices. The apportionment of the activities to be undertaken to the existing (or new, if needed) global, regional, and country programmes need to be carefully assessed in an implementation strategy to be

developed as soon as this strategy is approved and takes effect. The recommendation is also for the implementation plan for this strategy to be developed after the approval of this strategy by the Executive Group, which would also guide and monitor the implementation of the initiative

Indicative actions to be taken at regional and global level are listed in Table 2.

Table 2: Indicative actions to be taken at global and regional levels

1. Knowledge management (creation and sharing)
1.1 Establish research and knowledge needs and carry out policy-oriented research.
1.2 Explore joint knowledge management opportunities with existing platforms e.g. GOXI.
1.3 Provide a platform for continuous knowledge exchange with a specific focus on South-South exchanges.
1.4 Lead the conceptualization and development of analytical and modeling tools that enhance our understanding of the socio-economic impact of extractive industries on women and men, and generate policy options for countries.
1.5 Update catalogue of experiences and conduct deeper analysis of impact and UNDP's role.
1.6 Survey global trends, challenges and opportunities.
1.7 Join global initiatives and actively participate in international events.
1.8 Research and promote alternative, less environmentally destructive methods in extraction
1.9 Looking beyond the extractive industry, promote an efficient, holistic use of resources, and thus significantly decrease the waste inherent in promotion of the need for extractive industries.
2. Policy advisory and technical assistance services
2.1 Develop further the concept of the <i>integrated package of services</i> .
2.2 Sensitize UNDP staff on the <i>integrated package of services</i> approach.
2.3 Developed expertise on the <i>integrated package of services</i> .
2.4 Deliver advice to regional and country level programmes and projects.
3. Capacity development and augmentation
3.1 Map internal capacities among policy advisors and economists at country, regional and HQ level, and establish a community of practice.
3.2 Prepare capacity development tools and conduct targeted trainings that focus on management of EI specifically and 'green economy' tools more broadly.
3.3 Augment national level capacities through direct country support in areas of programme, policy and operations.
4. Financing
4.1 Allocate funds from global and regional programme resources to support country programme actions.
4.2 Initiate a multi-donor basket fund (after assessment of interest among donors and the experiences of existing funds).
4.3 Support pilot programmes that seek to implement the integrated package of support at country level.

5. Advocacy and partnerships
5.1 Set-up an international advisory panel of experts to guide UNDP's work.
5.2 Explore options for spearheading the establishment of an International Commission for extractive industries.
5.3 Provide support to country offices in how to manage relations with private sector, due diligence and reputational risk analysis.
5.4 Advocate for international and regional cooperation to develop capacities in areas such as geological surveying, illicit financial flows, cross-border externalities, price setting and contract management and infrastructure development.
5.5 Build a global "alliance" of private and public partners in the area of extractive industries for human development.
5.6 Establish strong links with indigenous communities that enhance their empowerment.
5.7 Establish links to, and forge synergies with, existing bilateral and multi-lateral initiatives, including those of the regional commissions and development banks, and ensure voice and participation in global and regional fora.
5.8 Prepare targeted and relevant outreach and communications strategies for various potential partner groups UNDP will seek to engage with.

The level of knowledge and capacity in UNDP must be developed in the area of the extractive sector. Staff members require technical knowledge of the extractive sector, a practical knowledge of work in the industry, political knowledge of the situation in countries, and breadth of experience across teams. The current situation is that UNDP seems to have very little staff with mining, gas and oil experience, and if so, mostly not available for advisory services. As an example, at present, eight countries in Latin America are asking for support from UNDP in the environmental aspects related to extractive industries. Under current circumstances, without available core funds and experienced staff, the organization is not able to provide an integrated service package as outlined in this strategy. In addition to strengthened internal staff capacity, partnerships with relevant expert organizations and the establishment of a comprehensive expert roster will be essential for implementation.

There is a need to scale-up human resources to deliver the proposed strategy.

The recommendation is for teams and focal points to be nominated and appointed. The criteria for team formation at the country level could reflect demand for UNDP's integrated package of services outlined above; the extent of resource-dependence; and the severity of the 'resource curse'. Based on these and additional criteria, UNDP will be better placed to provide services within the Country Offices. At the regional and HQ levels, the designation of focal points will ensure continuous flow of information;

exchange of global ideas; stronger policy advisory services; and effective resource mobilization.

In line with the recently approved UNDP private sector strategy, an “alliance” of private and public partners could be established. At the global level, an alliance would engage public, private and civil society partners that would be interested in working with UNDP in one or more of its focus areas in a more systematic way. Such an alliance would be closely linked with UNDP’s overall global knowledge and support services proposed in this strategy. Bringing together various partners offers an opportunity for greater knowledge sharing among partners, cross-country learning, pooling of resources and efforts and global visibility and advocacy. Linkages with the expected new UN partnership mechanism as well as the UN Global Compact and its networks could be explored and the UNDP Istanbul International Centre on Private Sector in Development as well as other UNDP centres should be leveraged. A suggestion is an annual Global Private Sector Forum on Extractives (a meeting) convened by UNDP to get together all development actors, but centered on the private sector to exchange experiences on the legal and voluntary responsibilities of business.

At the country level, alliances could also be formed through the establishment of public-private platforms: These would bring relevant parts of the Government, the extractive industry, civil society and donors together in dialogue and to take coordinated actions that help translate natural capital into human development benefits. Such platforms could also be a mechanism for encouraging greater policy coherence that UNDP could be well suited to facilitate. The early UNDP experiences of facilitating and supporting countries with establishing national level public private platforms for major agriculture commodities could inform the establishment of these platforms. Furthermore, UNDP should explore partnership opportunities with governments that have a particular interest in sharing their own experiences in managing extractive sectors with other countries (e.g. with Governments of countries such as Norway, Canada, Australia).

A multi-donor basket fund would support the implementation of UNDP’s new initiative. Such a Fund will enable UNDP to implement the initiative. Such a Fund could support the scaling-up and quality improvement of UNDP’s knowledge

management; policy advisory and technical assistance; advocacy and partnership building at all levels; and financing key initiatives, including the proposed International Commission on extractives. Whether or not a separate fund is established will depend on an assessment of current funding modalities, availability of fresh resources as well as core UNDP allocations.

Spearhead the establishment of an International Expert Group on extractive industries. All states should have full sovereignty over their natural wealth. However, sustainable and equitable management of the extractive sector can be facilitated by global cooperation and coordination in a range of areas. Some of these include: a) cross border effects including managing negative externalities associated with downstream effects or territorial disputes related to resource discoveries in multiple countries; b) stemming the flows of illicit finance that is often associated with extractive industries and recovering stolen assets; c) investing in geological surveying and exploration; d) facilitating trade, improving access to international credit markets and strengthening insurance mechanisms for developing countries; e) exploring the setting of international standards in areas such as corporate governance, resource contract design, price mechanisms and knowledge management. An International Expert Group comprising leading experts and respected policy makers (female and male) could coordinate research efforts into these and other areas, conduct regional and local consultations to facilitate broad-based debate about the use of non-renewable resources, and provide guidance where global action is necessary. UNDP could take a leading role in such Expert Group drawing from recent experiences with the Global Commission on HIV and the Law and the Commission on Legal Empowerment of the Poor. This initiative would complement the proposed UNDP initiatives, particularly the global initiative. It would increase the visibility of UNDP's work and link it with vital networks that will help establish UNDP firmly as a central development partner in the area of extractives.

Endnotes

¹ Hailu, D., S. Rendtorff-Smith, C. Ochieng, and U. Gankhuyag (2011) “Conflict Prevention in Resource-Dependent Economies: The Role of Economic Policies”, Paper prepared for the UN Interagency Framework Team for Preventive Action and the Poverty Group of Bureau for Development Policy (BDP), UNDP, New York.

² Additional sources are: Auty, R. M. (1993). *Sustaining Development in Mineral Economies: The Resource Curse Thesis*. London: Routledge; Sachs, J. D and W, Andrew M (1995-02-02), [NBER Working Paper 5398: Natural resource abundance and economic growth](#); Gylfason, T (2001), "[Natural resources, education, and economic development](#)", *European Economic Review*, 45 (4-6): 847–59.

Hailu, D. and J. Weeks (2011) [Macro-economic Policy for Growth and Poverty Reduction: An Application to Post-Conflict and Resource-Rich Countries](#), DESA Working Paper 108, United Nations Department of Economic and Social Affairs. New York; Conceicao, P., Fuentes, R. and Levine S., “Managing Natural Resources in for Human Development in Low-Income Countries,” Working Paper 002 December 2011, UNDP Regional Bureau for Africa.

³ A good overview of materials related to women in the mining sector can be found here: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/EXTTEXTINDWOM/0,,contentMDK:22086230~menuPK:3157115~pagePK:210058~piPK:210062~theSitePK:3156914,00.html>

⁴ Lucia Cornoa and Damien de Walque. 2012. “Mines, Migration and HIV/AIDS in Southern Africa.” *Journal of African Economies*. 21 (3): 465-498.

⁵ Hinojosa, L., Bebbington, A., Barrientos, A. and T. Addison “Social Policy and State Revenues in Mineral-Rich Contexts,” Social Policy and Development Programme Paper Number 44, September 2010. United Nations Research Institute for Social Development.

⁶ de Soysa, I and T-I Gizelis “*The Natural Resource Curse and the Spread of HIV/AIDS, 1990-2008*,” *Social Science & Medicine*, forthcoming

⁷ One recent study is: Sibaud, P (2012) “*Opening Pandora’s Box: The New Wave of Land Grabbing by the Extractive Industries and the Devastating Impact on Earth*”. The Gaia Foundation.

⁸ <http://www.economist.com/node/21561886>

⁹ <http://www.bloomberg.com/news/2012-08-29/africa-gas-rush-imperils-100-billion-in-australian-ling.html>

¹⁰

<http://www.oecd.org/dac/aidstatistics/developmentaidtodevelopingcountriesfallsbecauseofglobalrecession.htm>

¹¹ <http://dgff.unctad.org/chapter1/1.2.html>

¹² Hailu, D., S. Rendtorff-Smith, C. Ochieng, and U. Gankhuyag (2011)

¹³

<http://www.uncsd2012.org/content/documents/727The%20Future%20We%20Want%2019%20June%201230pm.pdf>

¹⁴ An overview of that work is available here: <http://www.un.org.kh/undp/extractive-industries>.

¹⁵ The report also identified ways of using diamonds as a tool for development rather than as fuel for conflict, such as ensuring that miners and their rural host communities receive larger portions of diamond revenues. D4D adopted a combination of national and sub-regional initiatives to develop the equitable, transparent and accountable management of mineral resources. The programme focused on introducing sustainable and long-lasting reforms to the mining sector and developed a strategy for improving local governance. See http://www.lr.undp.org/d4d_Programme_document.pdf

¹⁶ Other examples are: developing guidelines for Corporate Social Responsibility in Sao Tome and Cambodia; and strengthening community level awareness of the Amerindian mining Act in Guyana.

¹⁷ A collection of proceedings is available here: <http://ssc.undp.org/content/dam/ssc/documents/e-library%20docs/Effective%20Hydrocarbon%20Management%202009.pdf>

¹⁸ <http://tcdc2.undp.org/GSSDAcademy/Download.aspx>

¹⁹ A precursor is the U.S. FCPA (Foreign Corrupt Practices Act of 1977) that imposes strict reporting requirements on extractive industries (notably, oil and gas majors) on illegal payments made to governments and national counterparts.

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http://siteresources.worldbank.org/INTOGMC/Resources/WBG_EI_Annual_Report_FY11_Final.pdf

²¹ See *Report of the Special Rapporteur on the rights of indigenous peoples, James Anaya on Extractive industries operating within or near indigenous territories* (2011).

²² The space currently has 62 members and can be accessed here:

<https://undp.unteamworks.org/node/125342>