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Workshop 3.2 Anti-corruption practices in Non-Renewable Natural Resources for Sustainable Human Development, Thursday 16 Nov. 11:30-14:00

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Linkages between policy experiments and the anticorruption practice and strategies  
in West and Central Africa  
Towards a UNDP strategy

*“If oil could be turned into aid the development consequences would be enormous. Oil and other resource rents are in aggregate much larger flows to developing countries than aid, and their effects to date have been on average significantly negative.”* [Source: Paul Collier (2005) ‘Is Aid Oil?’, p 21]

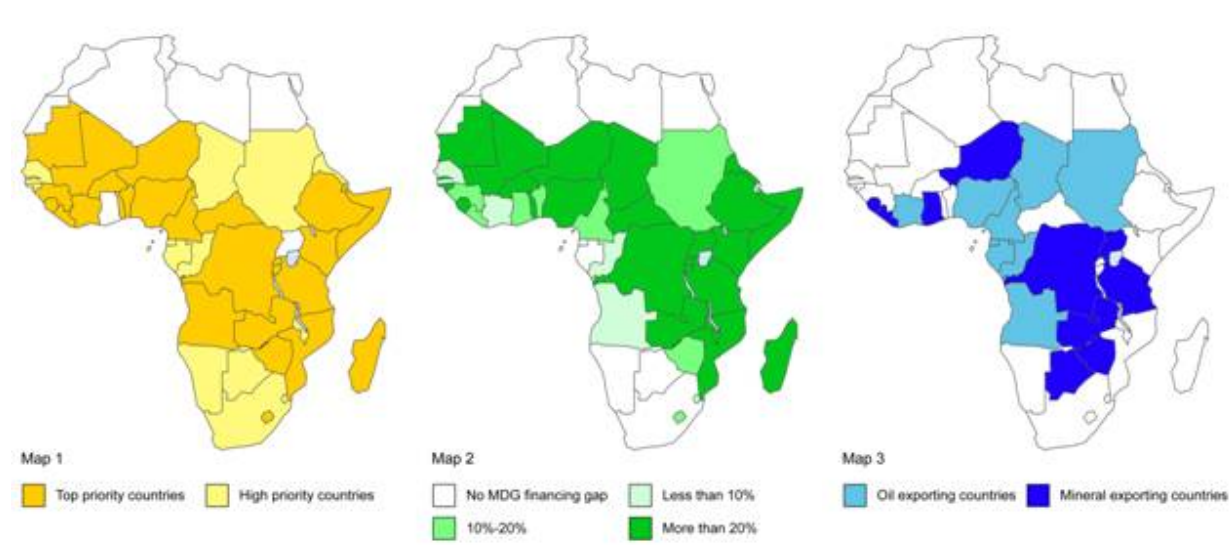
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## 1 Introduction

A number of concurrent factors have brought in the recent years to the scrutiny of the international public opinion the negative impact that oil, gas and other mineral resources have on the development of rich endowed countries, more specifically on countries with poor governance.

- *Even if many African countries have thus been enjoying natural resource revenue ‘windfalls’ for a number of years, in the last period the number of them producing oil has increased exponentially. In this moment twenty-one countries in the sub-Saharan African region (over half) are already sizable oil, gas or mineral exporters. For example, five countries are dependent on hydrocarbons for more than 30% of their GDP, and six countries on non-fuel minerals for greater than 10%<sup>1</sup>;*
- *Different sources (e.g. Soros foundation, Columbia University, etc.) affirm that by 2025 almost 60% of the whole oil production will come from poor countries with serious governance problems and weak absorption capacity;*
- *At the same time, many governments in sub-Saharan Africa have a substantial financing gap between their available resources and the total investment needs to achieve the MDGs by 2015;*
- *Coincidentally, global demand for metals, minerals, oil and gas continues to generate sustained ‘windfall’ revenues for a number of governments and state-owned enterprises in the region. Over the next 25 years global demand for energy may rise as much as 50%, with 75% of this demand driven by the developing world<sup>2</sup>;*
- *This enduring “bonanza” is not bringing the expected growth and development. In fact, during 2004 the growth rate of the African oil exporters’ economies was identical to the rest of Africa (IMF, 2005, Table SA2)<sup>3</sup>.*



Within the horizon 2015 (MDGs), and certainly because of the delay accumulated in their achievement, this new situation has brought to a different attention to the linkage between corruption and oil, gas and other mineral resources (we will use here the general definition of Non Renewable Natural Resources – NRNR), as well as to the consistency and impact of the current related anti-corruptive practices and instruments.

<sup>1</sup> Overseas Development Institute, Briefing Note 6, 2005.

<sup>2</sup> International Energy Agency (2005) US Department of Energy <http://www.eia.doe.gov/oiaf/ieo>

<sup>3</sup> In Collier op. cit. p. 2.

Certainly a wide literature exists about the “structural” reasons for the difficult performance of the countries endowed with mineral resources<sup>4</sup>. Nevertheless, the macroeconomic instability and the inflation cannot be considered anymore as the sole reason for the substantial failure of these economies. Among other “key hypothesized causal mechanisms” are that the NRNR rents are “generating widespread dysfunctional rent-seeking behaviours” evidently related to corruptive practices and patronizing mechanisms. Also the relations between the negative impact on growth of mineral resources and international aid are now analyzed with a renewed interest, extended on the negative impact on governance and corruption<sup>5</sup>.

## 2 Specificity of the sector

Rents produced by oil, gas and other NRNR are ‘sovereign rents’, in the same way as international AID, but differently from other productive sectors. Their relative and absolute weight in the economy of a country determines the level of negative impact on governance and corruption<sup>6</sup>. Authors like P. Collier estimate that “the critical level of resource rents beyond which democracies under-perform is around 8% of GDP”<sup>7</sup>

We can count in Africa now 21 countries with GDPs predominantly from NRNR, thus according with P. Collier, with “democratic underperformance”, or to say it in another way prone to corruptive, patronizing practices.

The definition of a coherent strategy and the deployment of adequate resources for balancing this situation are not only important. It is vital for the achievement of the MDGs and for the sustainable development of the continent.

## 3 UNDP practice and strategic approach

With the intention of providing elements of policy to the development of future strategies for sustainable development based on the NRNR assets, I will focus below on some selected experimental approaches that UNDP has developed in the recent years in Central and West Africa. These are treated here in relation with their “anti-corruptive core”.

### 3.1 UNDP involvement

Governments dealing with oil, gas and other NRNR have received until now assistance mostly by IFIs, predominantly at macro economic and sectoral level. After the end of the cold war, mainly international NGOs and Civil Society groups have been mobilizing international and local public opinion on issues related to the potential for conflicts of NRNR and transparency. Awareness and conflict analysis on one side and ecologic advocacy on the other have become in some way also traditional areas of interest.

Both these two areas of work have been evolving recently to include questions related to transparency, accountability and anti-corruption, mainly in relation with disclosure of contractual documents and transparency of procedures between States and International Oil

<sup>4</sup> See for more information publications about the Dutch disease, and or the resource curse. I.e. the classical *Booming Sector and Dutch Disease Economics: Survey and Consolidation* W. M. Corden *Oxford Economic Papers*, New Series, Vol. 36, No. 3 (Nov., 1984), pp. 359-380.

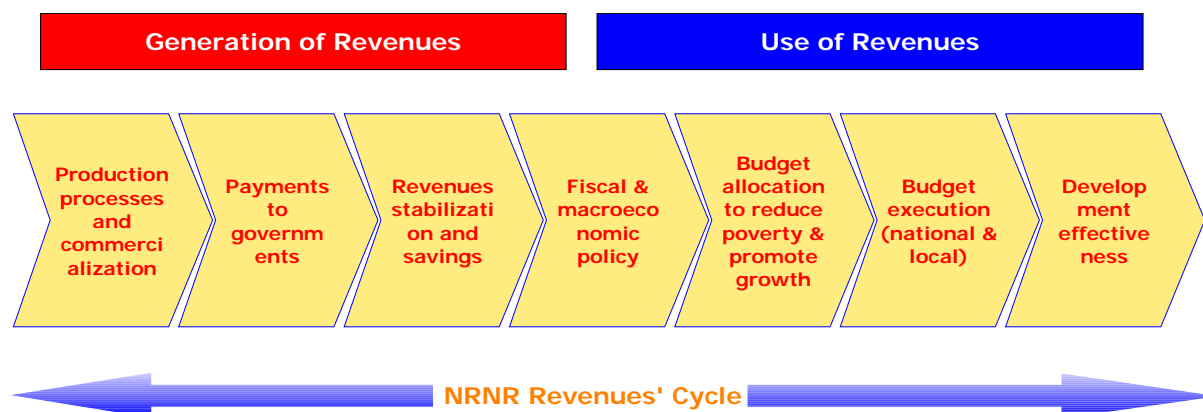
<sup>5</sup> **How the resource curse works?** Natural resource exports may damage economies in several ways. First, they create volatility in government revenues that, if poorly managed, will lead to inflation and boom-and-bust cycles in government spending. Second, they produce foreign currency earnings that, if not neutralized by monetary policy, will raise the real exchange rate, undermining the competitiveness of other sectors. Third, they can damage institutions (including governance and the legal system) indirectly—by removing incentives to reform, improve infrastructure, or even establish a well-functioning tax bureaucracy—as well as directly—by provoking a fight to control resource rents. (in Tim Harford and Michael Klein *Aid and Resource Curse*, WB, Public Policy for the Private Sector, Nr 291, 2005).

<sup>6</sup> See Collier, op. cit. .... provide an account as to why natural resource rents worsen governance. They find that resource rents subvert and indeed reverse the normally beneficial economic effects of democracy....

<sup>7</sup> Ibidem

Companies – IOC. A flagship example of this is the EITI supported by the British Govt and a number of International Oil Companies – IOC.

Within its mandate, UNDP is actually testing innovative approaches in the area of governance, linking directly the “governance” of the mineral resources (non renewable natural resources) with other of its traditional fields of work, including anti-corruption, focusing on strategies to support the rise of the impact on development of revenues form NRNR. Even if the specific linkage between these areas of work and the governance of NRNR is not always explicit, the bases for establishing a clear conceptual and practical relation exist, as the selected examples and UNDP field experience provided below can demonstrate (see # 6 below).



Until now the assistance provided by UNDP in Africa has been based on the demand received by countries, with little attention to existing experiences and knowledge and good lessons learned maybe in other regions. Because of the rapid increase of both countries producing oil and other NRNR, and the knowledge that countries producing oil are performing worst than others in relation with MDGs achievement<sup>8</sup>, the need for a more concentrated effort from donors and for an increased dissemination of existing knowledge, have provided the ground and reinforced the need for this initiative.

### 3.2 UNDP work in relation to NRNR

The UNDP field activities in relation with the NRNR cover a number of selected areas, following different strategies in relation with the specificities of each Country Programme. These main areas could be classified in this way.

- 1. Decentralization and local governance for development.** This includes:
  - Local good governance, etc.
  - Decentralization policies and legal framework,
  - CSOs support and empowerment,
  - Participatory planning and budgeting procedures,
  - Local Govt. capacities,
  - Regularization of the local administration,
  - Local dialogue frameworks
- 2. Anticorruption,** including:
  - Building constituencies for accountability and anticorruption,
  - Building systems for Check and Balances, for transparency and accountability,

<sup>8</sup> See: *Working Paper on Reversing the Curse – The Role of UNDP in Supporting Non-Renewable Natural Resource Revenue Management* [by the Overseas Development Institute].

- Public information, accessibility to specific information related to NRNR,
  - Tools for public oversight,
  - Efficacy of appropriate checks and balances that enforce accountability of politicians to citizens;
3. **Services delivery and MDGs**, This whole area is referring directly to the MDGs achievement including the local level:
- local development, and specifically local economy development (in the oil sector terminology this is somewhat interrelated to the “local content”)
  - services delivery and infrastructures – SDI,
  - budget allocations for SDI,
  - Procurement procedures,
  - local capacity for participatory planning and M&E,
4. **Environmental governance**, including:
- Land management and tenure,
  - Local land management,
  - GIS and related
  - Energy and
  - Vulnerability
5. **Conflicts prevention and recovery**, including:
- Conflict analysis, risk assessment,
  - Conflict prevention,
  - Early recovery
  - Post crisis stabilization,
  - Local dialogue and reconciliation,

#### 4 Extended Partnership

Partnership through coordinated support, harmonization, mutual accountability and joint initiatives is not only one of the central themes of the actual debate<sup>9</sup>. When dealing with such a critical issue like the NRNR governance it became both an unavoidable theme, and a key for success.

The relevance of the UNDP initiative in this context consists on two aspects:

- a) It is innovative, because it targets specifically areas that are not yet “crowdy” with the assistance provided by many other ongoing initiatives (i.e. graphic above and the matrix below shows much of the ongoing activities are concentrated in the areas of transparency and accountability)<sup>10</sup>,
- b) It focuses explicitly in an extended partnership<sup>11</sup> based on the ongoing activities by proposing an integrated platform based on complementarity and comparative advantages.

Furthermore, the matrix below provides a synthetic view of the ongoing assistance in the NRNR sector, with an allusion to the UNDP domains of activity at both global and country/local level.

<sup>9</sup> See *Paris Declaration on Aid Effectiveness*, OECD March 2005.

<sup>10</sup> See: *Working Paper on Reversing the Curse – The Role of UNDP in Supporting Non-Renewable Natural Resource Revenue Management* [by the Overseas Development Institute].

<sup>11</sup> Reference to the Cardoso Report prepared by the High Level Panel, appointed by the UNSG, and charged of reviewing relations between UN and Civil Society. The report *We the peoples: civil society, the United Nations and Global Governance* published on 7 June 2004 (item A/59/354 Archive of the UN General Assembly)

|    | Intended 'Reach' of Initiatives or Recommendations  | Act or          | Key Initiatives |      |     |     |     |     |     |          |       |                   |      |             |  |
|----|---|-----------------|-----------------|------|-----|-----|-----|-----|-----|----------|-------|-------------------|------|-------------|--|
|    |   |                 | EITI            | PWYP | OSI | CRS | IBP | GRI | IMF | SWAp/GBS | PRSPs | Aarhus Convention | UNDP | NORAD – O4D |  |
| 1  | <b>Transparent and economically prudent</b> (with respect to revenue generation) investment agreements negotiate between Governments and companies                | Govt<br>Comp    |                 |      |     | X   |     |     |     |          |       |                   |      |             |  |
| 2  | Companies <b>disclose what they pay</b> to governments  | Comp<br>Govt    |                 | X    |     |     |     | X   |     |          |       |                   |      |             |  |
| 3  | Governments and national oil (NOCs) companies <b>disclose what they receive</b>   | Govt<br>NOC     | X               | X    |     |     |     |     | X   |          |       |                   |      |             |  |
| 4  | Credible <b>formal</b> (auditors) and <b>informal</b> (civil society) <b>oversight systems</b> for payments and receipts  | CS<br>O         | X               | X    | X   | X   | X   |     | X   |          |       | X                 |      |             |  |
| 5  | Governments <b>disclose the criteria or policies</b> upon which they <b>allocate resource revenues</b>  | Govt            |                 |      |     |     |     |     | X   | X        |       |                   | X    |             |  |
| 6  | Governments <b>facilitate participation by civil society</b> in deciding the allocation criteria, policies and priorities, ie achieving 'downward accountability' | Govt<br>CS<br>O |                 |      |     |     |     |     | X   | X        | X     | X                 | X    |             |  |
| 7  | Governments <b>build transparent budgeting</b> and expenditure frameworks and systems   | Govt            |                 |      |     |     |     |     | X   | X        |       |                   | X    |             |  |
| 8  | Governments <b>disclose the distribution of revenues</b> to ministries and lower layers of government, eg provincial level  | Govt            |                 |      |     |     |     |     | X   | X        |       |                   | X    |             |  |
| 9  | Governments <b>implement transparent and fair procurement procedures</b> relating to <b>expenditure</b> of resource revenues                                      | Govt            |                 |      |     |     |     |     | X   |          |       |                   | X    |             |  |
| 10 | Credible <b>formal and informal oversight systems</b> for revenue distribution, budgetary allocation and tracking, and procurement                                |                 |                 | X    | X   |     | X   |     | X   | X        | X     | X                 | X    |             |  |
| 11 | <b>Outcome performance monitoring and evaluation</b> , with credible oversight, ie impact on poverty  |                 |                 |      |     |     | X   |     |     | X        | X     | X                 | X    |             |  |
|    | Local development and Service Delivery – MDGs achievement   |                 |                 |      |     |     |     |     |     |          |       |                   | X    |             |  |

[UNDP elaboration on ODI matrix]

## 5 Elements of an innovative strategy (recommendations)

In relation with the traditional areas of interventions, the principal elements constituting the UNDP field experience on NRNR – Anticorruption are the following:

- When dealing with NRNR, the explicit goal of support should be only indirectly referring to corruption. By focusing on fostering inclusive human development, implicitly we will have to deal with anti-corruptive practices. A lesson learned in countries long time producing oil, gas and NRNR, is that talking about corruption will only close doors, being the patronizing and corruptive practices so well imbedded into the social and institutional culture.

- Even if the goal of the intervention is to reduce the political space for corruption on the governance of NRNR, this is seldom declared as the first option. The success of the intervention and the practice will prove it possible;
- Sector-wide approach: targeting not specifically the corruption, but the way the economic sector works, how it is organized and governed, thus fighting the “space” that corruption has in the legal frameworks;
- Efficacy of appropriate checks and balances that enforce accountability of politicians to citizens can be a good entry point;
- There is a need for governing the whole cycle of the NRNR, not only the first part of it, the one dealing traditionally with international transparency (contracts between IOC and States). Very little is known about how the revenues from NRNR are spent, and about the programming mechanisms governing the expenditure;
- The experience accumulated by the targeted-direct-budget-support DBS could be recycled in relation with the governance of the NRNR revenues, at both central and local level. Specifically at local level the model of Local Development Funds developed by various donors (direct budget support to the Local Authorities) could be especially relevant in situations with weak institutional capacity and poor governance;
- The creation of LDFs with revenues from NRNR shall have a positive impact both on the distributive capacity of the state, and the absorptive capacity of the Local Governments, thus improving popular participation on decision making, a more diffused oversight capacity and finally a better chance for achieving MDGs;
- On the other side legal frameworks and implementation of planning and procurement mechanisms (the whole cycle of governance of the public expenditure) are the necessary complement;
- Public Private Partnership, including explicit anti corruptive practices and activities;
- At local level public information on Public Procurement and linkages between Local Planning and execution. This related directly with the localizing MDGs policies and practices;
- At both central and local level support to information, targeting specifically information about institutional activities will certainly support the creation of strong constituencies for accountability, thus reducing the political space for corruption;
- **And finally:** Support the creation of Natural Resource Funds (with effective popular oversight).

## 6 Selected UNDP Activities in Africa dealing with NRNR (including oil)

### 6.1 Angola

#### 6.1.1 Anticorruption contents:

- Public-private partnership,
- Accountability and transparency,
- Sector-wide approach

#### 6.1.2 Activities and elements of the Model

In Angola UNDP is working in selected fields related to Oil and gas.

A strategic partnership with the Government and Chevron-Texaco entitled the **Angola Enterprise Program (AEP)** represents the most important operation. This initiative is aimed at promoting the development of a diverse and robust micro, small and medium enterprise sector in Angola by supporting a process to build a consensus around a common vision and a national strategy for micro and small business development.

AEP seeks to achieve its objectives by investing in four key areas, namely: (i) improving the enabling environment for small enterprise development; (ii) expanding the supply of micro and small business credit, (iii) introducing pilot models of business development service providers, and (iv) re-directing vocational training towards the market.

## 6.2 Liberia

### 6.2.1 Anti corruption contents:

- sector-wide approach
- Stabilization fund,
- public information,
- building constituencies for accountability,
- legislative reform support
- parliament support,
- decentralization support
- local economic development support,
- improved access to services,

### 6.2.2 Activities and elements of the Model

Diamonds for Development– D4D is a joint UNDP-Government of Liberia Initiative, focusing on the sustainable use of revenues from mineral resources for sustainable development. The focus on diamonds is strategic, because of the role diamonds have played during the conflict, but the initiative directly targets the role that mineral resources have performed in the past (including in fuelling conflicts), and can play (in the future) for development. How we can reverse the course?

D4D programme includes complementary activities for policy reforms, local governance for development by empowering communities and fighting poverty thus improving livelihoods for equity, transparency and accountability in mineral resources management. Furthermore D4D is complementary with the Kimberley Process.

The whole assistance is articulated in two pillars/components; (i) local governance for development and (ii) re-organization of the mining sector. Each pillar incorporates activities at policy and at field level, with a bottom-up approach, that is providing a learning ground to both the Govt. and the constituencies in the country, aiming at the sector's reform.

|   |   |
|---|---|
| <b>At central policy level</b>                      | <ol style="list-style-type: none"> <li>1. mineral resources' revenues sustainable management<sup>1213</sup></li> <li>2. decentralization and de-concentration<sup>14</sup></li> <li>3. micro/small industry (including cooperatives)</li> <li>4. mining and extractive industry (coherence with KP)<sup>15</sup></li> </ol> |
| <b>At local level</b><br>(in selected mining areas) | <ol style="list-style-type: none"> <li>1. local governance for development<sup>16</sup></li> <li>2. small artisanal mining sector<sup>17</sup></li> </ol>   |

<sup>12</sup> including (i) the whole set of the Country's mineral resources (diamonds, gold, iron ore, bauxite, and other minerals),  
(ii) it may include also Timber + Rubber.

<sup>13</sup> including (i) creation of escrow account and funds for future generations,  
(ii) retrocession of a quota - up to 25% - of profits/taxes/incomes to local governments,  
(iii) creation of a Diamond's Fund with a compensatory mechanism.

<sup>14</sup> Initially support to the definition of a Govt Strategic Action Plan

<sup>15</sup> See note 6 above.

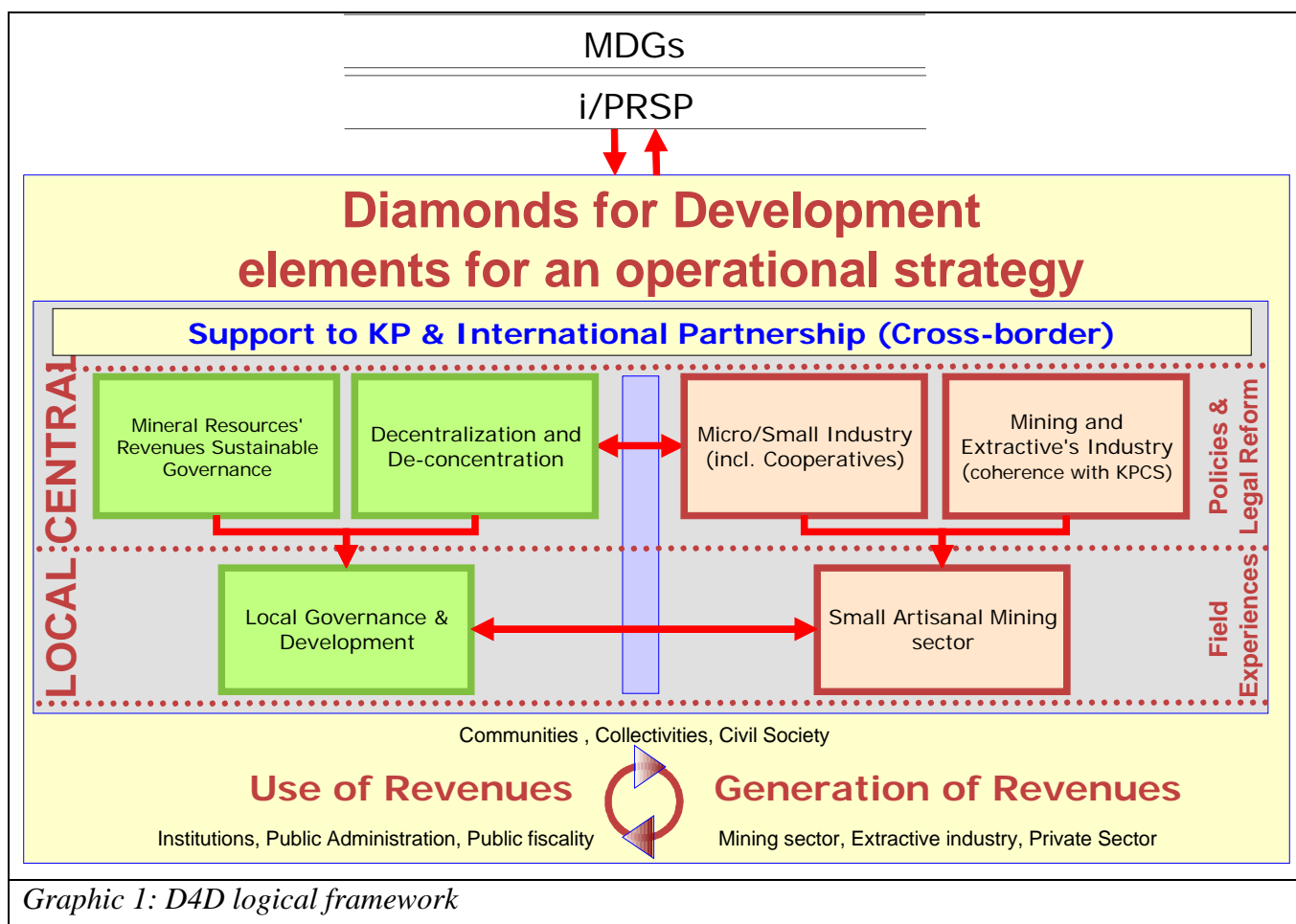
<sup>16</sup> A programme for supporting LGD (with UNCDF) is being formulated

<sup>17</sup> including (i) micro-finance, loan and grant system,  
(ii) support to micro/small industry including cooperatives in the diamonds and other sectors.



The programme with the two parallel initiatives, is expected to bring about equity in the distribution of revenues, encourage licit mining, and augment the revenues due to central government, first on a test area, and after on the totality of the Liberian territory.

The programme has sponsored a sub-regional conference on cross-border issues related to the Diamonds sector (27-29 June 2006) where the Mano River Countries (Cote D'Ivoire, Guinea, Liberia and Sierra Leone) played a central role, and to which the UNDP Country Offices and Head Quarters, interests from the private sector, academia, international NGOs and stakeholders have contributed. The first output of the D4D conference is the organization of a Cross-border Task-force at ministerial level, with a Secretariat (international Alert) in charge of the implementation of the conference recommendations.



Graphic 1: D4D logical framework

### 6.3 Mauritania

#### 6.3.1 Anti corruption contents:

- public information,
- building constituencies for accountability,

#### 6.3.2 Activities and elements of the Model

UNDP Mauritania is currently considering the support it can provide to the government of Mauritania in ensuring that revenues from the exploration of oil and gas will contribute to the achievement of the MDGs. In doing so, the UNDP country offices are currently coordinating

with the World Bank office to ensure complementarities and synergies. The following are some initial options that are being proposed for UNDP to undertake or support:

- Organization of a conference on international best practices of oil revenue management that are relevant to the case of Mauritania.
- Initial scoping analysis to identify main constraints and opportunities effecting linkage between NR management and achievement of development goals and political security
- Review previous Mauritanian experiences of natural resource management (minerals, etc).

## 6.4 Nigeria

### 6.4.1 Anti corruption contents:

- public information,
- building constituencies for accountability,
- decentralization support
- local dialogue for accountability support
- Local Government's transparency support

### 6.4.2 Activities and elements of the Model

Starting in 2005, UNDP Nigeria has developed a public private partnership with Shell in the Niger Delta Region. This large-scale partnership is focusing in the first phase on developing a *Niger Delta Human Development Report (HDR)*, which through a participatory process with a wide range of stakeholders will define a human development agenda for the region. This Human Development Report is expected to be completed and presented before end of 2006.

In close coordination with the finalization of the HDR, a programme to address the main development priorities in the Niger delta Region is currently also being formulated. The main area of intervention will focus on the linkage between conflict resolution and **local governance**. The planned initiative proposes a neutral dialogue framework at both Local and State levels for developing local capacities for better and more effectively manage revenues from oil and gas extraction in the interest of the poorest. As such, the programme intends to strengthen both capacities of local institutions and civil society on issues such as:

- 
- Build-up of a neutral space for local dialogue,
- Local Planning,
- LG Financial management (Budgeting, Procurement, Public Works)
- Internal audit

This set of components of the programme explicitly targets the question of conflict management (linked to good local governance). Local economic development and job creation in particular for youth, community determined infrastructure, HIV/AIDS and biodiversity protection will be the concrete outputs of the process supported.

## 6.5 Sao Tome and Principe

### 6.5.1 Anti corruption contents:

- sector-wide approach
- public information,
- building constituencies for accountability,
- legislative reform support

- parliament support,
- decentralization support

#### 6.5.2 Activities and elements of the Model

The Government of Sao Tome and Principe asked UNDP for support to establish an oil revenue management mechanism, including a fund to benefit future generations. UNDP prepared a project, Platform of Dialogue on the Future of Sao Tome and Principe with Oil, which is funded by UNDP, the World Bank, DFID and UNFIP. Project activities include:

- Workshop on the challenges that come with large oil resources
- Seminar to share and debate information on the oil block bidding process, transparency, roles of different institutions, oil revenue management law and civil society role
- Conference on “Living with oil: Civil Society Experiences in African Oil producing states” (funded by UNFIP)
- Support for the formulation of oil laws, with the advise of a former Governor of Alaska (recruited jointly with the World Bank)
- Support to Parliament in the formulation and finalization of the Oil Revenue Law through national consultancies
- Seminar on options for oil revenue management
- Production and dissemination through 55 town hall meetings of 20,000 copies of a bulletin on oil
- Survey on the aspirations of the population regarding their future and oil. A national forum, chaired by the President, discussed the results in July 2004.
- Support to National Parliament to strengthen capacities in budget management and accountability
- Strengthening of the National Oil Agency with additional staffing, training and planning capacities
- Support for creation and capacity strengthening of Auditor General Office
- Establishment of capacities at the Central Bank for the investment management of oil revenues (UNDP project hiring World Bank services on cost recovery basis)
- Support to the creation of the Constitutional Court, which will have the ultimate say in case of conflict on oil matters
- Contracting of Norwegian consultant for oil sector strategy, co-funded by World Bank

In the second phase of this initiative, UNDP is now planning to continue to work with the Government on oil management issues. UNDP will be supporting the Government and Parliament in the implementation of the Oil Law, including creating and implementing:

- The Oversight Commission
- The information and registration office
- Mechanisms of Law enforcement

## 6.6 Gabon

### 6.6.1 Anti corruption contents:

- Public information,
- Transparency through Participatory Planning
- Building constituencies for accountability,
- Decentralization support

- Local dialogue for accountability support
- Local Government's transparency support

#### 6.6.2 Activities and elements of the Model

UNDP Gabon with a local partnership with Shell Gabon is cooperating on the implementation of the **Programme d'Appui aux Développement du Département de N'Dougou** (PADDN). This partnership focus on piloting in one Department of the Country (where Shell has developed most of his investments) a strategic and participatory approach to the long term development strategy in view of the post-oil era. This pilot should provide both a platform for countrywide discussion and a learning ground for the necessary adjustments in the country's governance in relation with the end of the oil exploitation (foreseen within the next 20 years).

Broadly the selected activities are supported by UNDP within this framework:

- (i) long term perspective study called « Gamba : Vision 2015 »;
- (ii) long term perspective study for the N'Dougou Department within the Vision 2015;
- (iii) Reinforcement of technical and fiscal capacities of both the communities and the local governments;
- (iv) Provision of TA, strategic expertise to both the Municipality of Gamba and the Department of N'Dougou, within the Shell partnership,

## 6.7 Guinea

### 6.7.1 Anti corruption contents:

- Public information,
- Transparency through Participatory Planning
- Building constituencies for accountability,
- Decentralization support,
- Transparency and participatory oversight on Public Procurement
- Local dialogue for accountability support
- Local Government's transparency support
- Local Development Fund from revenue's taxes of Gold mining industry,

### 6.7.2 Activities and elements of the Model

In 2000 UNDP with UNCDF started the PDLG (Programme de Développement Local de la Guinée) in two Provinces with important mining activities. This programme was testing among others, a system for financing local infrastructures, service and revenues generating activity (Local development Fund) through TA and capital investments.

Guinea fiscal legislation establishes that mining activities should pay a small percentage of the tax on revenues (0.4% approx) directly to the locality of mining. Lacking the local systems for investing these revenues, their impact was very little in development, but very high is corruptive practices.

After a period of 3 years of public discussions and monitoring of PDLG investment's activities, the two gold mining companies proposed to the Govt of Guinea to disburse directly into the Local Development Fund (PDLG's initiative) the taxes that they had to pay locally. This would provide sustainability to the local financing mechanisms, and empower communities and logical government in the implementation of their local development policies.

The LDF is now supplied directly from the mining companies' local tax, through participatory management mechanisms at provincial level, involving directly the Communes, the CSOs, the Provincial authorities, and the technical services.

## 6.8 Mano River basin (Cote d'Ivoire, Guinea, Liberia and Sierra Leone)

### 6.8.1 Anti corruption contents:

- Cross-border approach,
- Sector wide approach,
- Public information,
- Transparency through Participatory Planning
- Building constituencies for accountability,
- Decentralization support,
- Transparency and participatory oversight on Public Procurement
- Local dialogue for accountability support
- Local Government's transparency support
- Local Development Fund from diamonds' revenues
- Anti smuggling policies and legal framework

### 6.8.2 Activities and elements of the Model

The Liberia initiative D4D, raised attention in the neighbouring countries that have been involved in the same kind of problems related to diamonds and other NRNR.

Together with Liberia the whole sub-regional area, roughly defined as Mano River basin, including Cote d'Ivoire, Guinea, and Sierra Leone, has been subject to protracted conflicts, endemic crisis, with an important trans-boundary destabilization component. Actually the cross-border component of the sub-regional instability has been related by many studies to uncontrolled circulation of persons and goods, including precious stones and other minerals. Furthermore, the four countries mentioned are involved in different stages of the Kimberley process<sup>18</sup>, and specifically Liberia and Cote d'Ivoire are under Security Council sanction on diamonds commercialization and export, pending their compliance with the KP.

The recent D4D conference, deliberate in order to address these cross-border specific issues the creation of a cross-border task force. The task force should assist in the execution of the conference deliberations, thus:

- fostering cross-border dialogue and harmonization of policies,
- coordinating and monitoring responsibilities and the standardization of the diamond market in the region.

The Task Force shall be the tool needed for following up the recommendation from the conference and deal specifically with the cross-border issues and emerging priorities related to the small artisanal mining sector in the four countries: Cote d'Ivoire, Guinea, Sierra Leone and Liberia.

UNDP Liberia has decided to take this challenge and to fund the first phase of the Task-force operations.

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<sup>18</sup> To ban the inappropriate utilization of resources, the UN Security Council (UNSC) imposed sanctions on the export of Liberian rough diamonds [Res. 1343 - 2001], and these will only be lifted once the country is deemed compliant with the Kimberly Certification Process Scheme (KPCS). The KPCS is a paper trail and, as such, was neither designed nor is it expected to address the issues related with the mismanagement of mineral revenues at the central and/or local level, nor to alleviate poverty in the country, specifically the mining communities.