

Governance For Extractive Industries

Update – March 2010



THE WORLD BANK



World Bank
Institute



AFRICAN DEVELOPMENT
BANK GROUP

Governance

Background

- The Governance for Extractive Industries (GEI) Program is a joint World Bank Institute (WBI) and World Bank Africa Region program.
- The program takes direction from a 6 month consultation phase.
- We consulted with African stakeholders from government, private sector, civil society, parliament and media, including from Ghana, Liberia, Sierra Leone, Zambia, DRC.
- We had conversations and collected input from regional and global experts and existing extractive industries-related networks and organizations, such as the Extractive Industries Transparency Initiative, Publish What You Pay, Revenue Watch Institute, Oil for Development, Global Witness and Oxfam.
- We are working with World Bank Group staff from different teams related to extractive industries issues.
- During the consultation phase the African Development Bank joined as a full partner in the process.



Building Strong Partnerships

- WBI, the World Bank Africa Region and Africa Development Bank seek to collaborate broadly in this effort to leverage knowledge, skills, resources for improved results.
- We want to do this through building a diverse, cross-sectoral group to both govern and co-design this program.
- We recognize it will take several months to build, and we are open to refining our approach as new partners join the process.



Current Reality of Extractive Industries

- Poor choices about how natural resources are developed result in poor development outcomes for society at large.
- Poor choices are often characterized by secrecy, asymmetry of information, poor prioritization and planning, weak institutional capacity and a lack of checks and balances.
- These risks are exacerbated in countries with fragile democratic and political processes, high-levels of corruption and disempowered civil society.
- Weak institutions are often made weaker under the pressures caused by the discovery and development of extractive resources.
- The development of natural resources is complex. It typically requires large upfront investment and involves decisions that typically impact multiple generations.
- It is inherently cross-disciplinary, requiring technical, economic, financial and institutional expertise.



Current Reality of Extractive Industries in Africa

More than 250 million Africans live in countries where natural resources account for more than 80% of exports and, in some cases, more than 50% of government revenues.



Extractive industries will continue to be of growing significance for Africa's development over the next two decades.

An increasingly diverse collection of local, national and international stakeholders are involved with the extractive industries sector in the region.



Good Governance in Extractive Industries

- Governance of extractive industries is the making and implementing of choices concerning the management of country's extractive resources for the benefit of its citizens.
- Governance has three dimensions that span the length of the value chain: technical policy provisions, capable institutions and accountability.
- Improving governance in the extractive industries is critical to improving social, political and environmental outcomes in resource-rich countries.

Deciding to extract the resources

Negotiating the best deals for the resources

Developing the resources properly

Collecting and maximizing the revenues

Managing and sharing the revenues

Achieving sustainable development

3 dimensions for good governance across the value chain

- **Technical policy provisions**
- **Capable institutions**
- **Accountability**



Accountability as Route to Better Governance

- Key to creating good governance is increasing the accountability of those that are making and implementing decisions - in the government, the private sector and civil society.
- Greater accountability leads to better choices at all stages in developing extractive resources (licensing/contracting, monitoring operations, collecting taxes and royalties, sharing revenues, and resulting development projects).
- All sectors of society are responsible for ensuring greater accountability.

Accountability = Transparency + Participation



Current Activities to Support Governance in the Extractive Industries

- In the past decade governance has been increasingly recognized as critical to development effectiveness in the extractive's sector.
- A lot of effort both nationally and internationally is being put into improving governance of extractive industries, including through the Extractive Industries Transparency Initiative, the Publish What You Pay network, organizations such as the Revenue Watch Institute, Oxfam, and Global Witness, international development institutions, such as Norway's Oil for Development program, and numerous country initiatives.
- Our consultations have highlighted the challenge of building on the momentum generated to ensure greater collective effectiveness.



Opportunities to Improve Governance Impact

Based on what we heard in consultations, we believe there are a number of opportunities for improving governance of extractive industries:

- fostering innovative accountability approaches that address the whole extractive industries value chain
- paying more attention to the linkages between accountability, policy frameworks and institutional capacity
- creating greater connection across disciplines, stakeholder groups, initiatives and countries
- supporting more dynamic practitioner networks on accountability
- building greater capacity to catalyze and manage change on the ground



GEI Objective and Stakeholders

We aim to foster innovation and collaboration across diverse stakeholder groups to improve accountability along the value chain.

- We intend to work with a range of stakeholders, including government, parliament, CSOs, local communities, private sector, interested citizens, media, faith based organizations and World Bank Group staff.
- Currently our focus is on Africa, but, if effective, there is potential to expand our scope over the coming years.



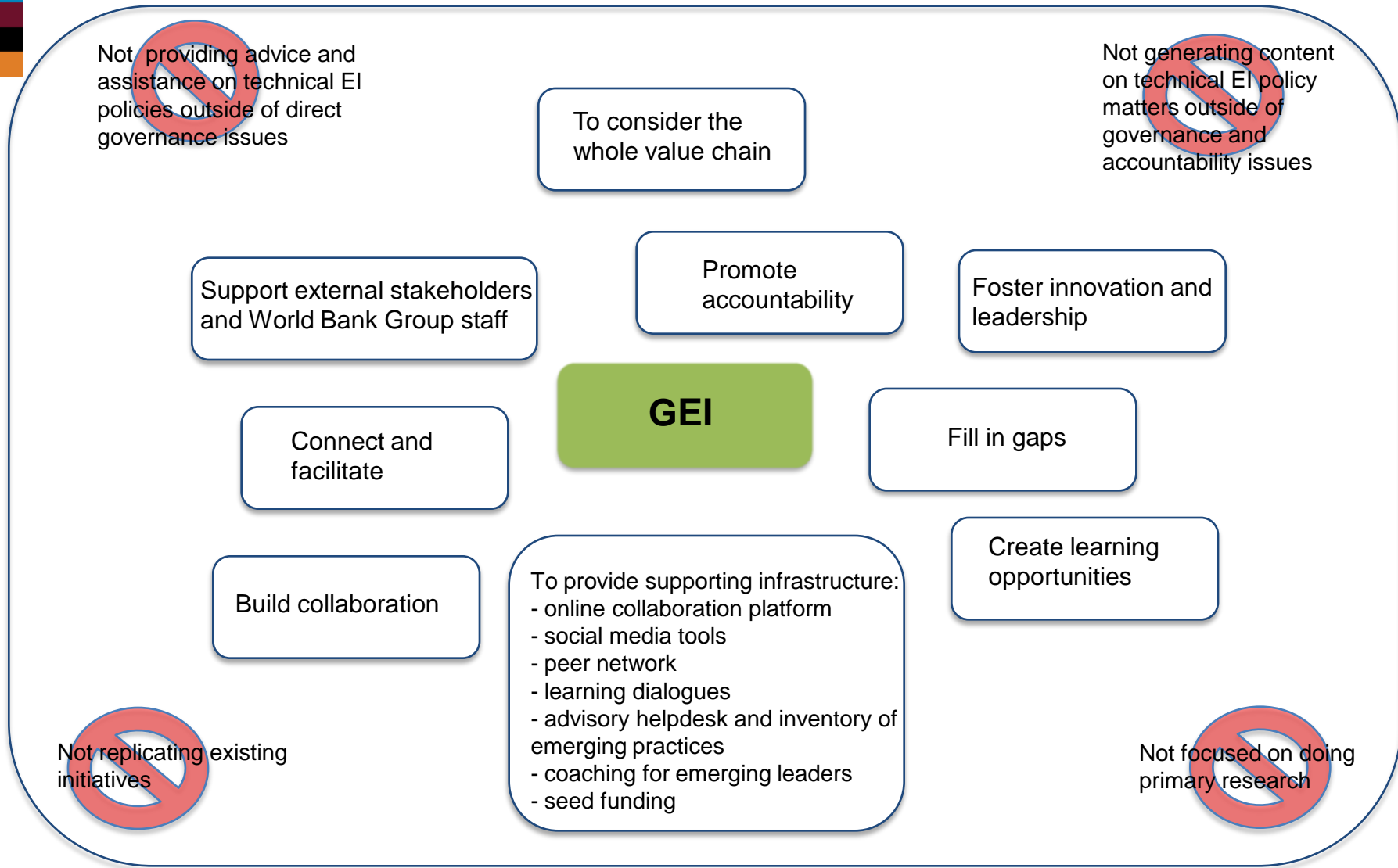
Multi-Stakeholder Engagement

We believe:

- The most robust way to promote accountability is through multi-stakeholder engagement.
- In order for stakeholders to engage effectively and work with each other, well-designed processes need to be used that are appropriate to the nature of the challenge, cultural context and the industry in question.
- It is critical that any multi-stakeholder process builds capacity of individuals and organizations to more effectively execute their individual and collective responsibilities.
- Infrastructure needs to be in place to support timely sharing of information, insight and dialogue across stakeholder groups, traditional sectors and silos.



GEI Approach



GEI Activities

External

- Create an on-line collaboration & learning platform (“open source” model)
- Build a network connecting practitioners across stakeholder-groups, disciplines and countries
- Convene and facilitate “Big Conversations” – experiential learning dialogues - with stakeholders on hot governance-related topics
- Screen for new accountability ideas and practices in EI (including those harnessing communication technologies) and support their incubation through coaching and seed funding
- Identify and help address unmet capacity development, leadership, and training needs on accountability along the value chain
- Support creation and promotion of a common vision of good governance of EI

Internal to World Bank Group

- Provide technical assistance on accountability issues within EI operations
- Contribute to cross-departmental learning on governance in EI
- Help build a knowledge sharing platform for Bank staff with operational tools
- Showcase innovative governance practices from on the ground practitioners
- Support the development of an aligned approach to governance across WBG



Next Steps March - June 2010

- Outreach to potential partner organizations (ongoing)
- Organize initial “Big Conversation” on *Getting a good deal for Africa: fostering accountability in the award of licenses and contracts* (June 2010 - tbc)
- Develop and launch online collaboration and learning space (June 2010 – tbc; Open Society Institute potential partner)
- Input to forthcoming World Bank Liberia and DRC EI projects on accountability aspects (ongoing)
- Actively exploring ideas with potential partners, including Paul Collier and Revenue Watch Institute, for:
 - Citizen outreach campaign to support good governance along the value chain using social media
 - Complementary dialogues with government leaders on shared vision on good governance in extractive industries
 - Multi-year coaching process for cohort of emerging leaders from across stakeholder groups to implement good governance approaches along the value chain

