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# EXTRACTIVE INDUSTRIES FOR SUSTAINABLE DEVELOPMENT

United Nations Development Programme

# DEVELOPMENT AND EXTRACTIVE INDUSTRIES

Natural resources—oil, gas and minerals—have been contributing to human development in many countries. However, many resource-dependent countries are also unable to fully benefit from their natural wealth.

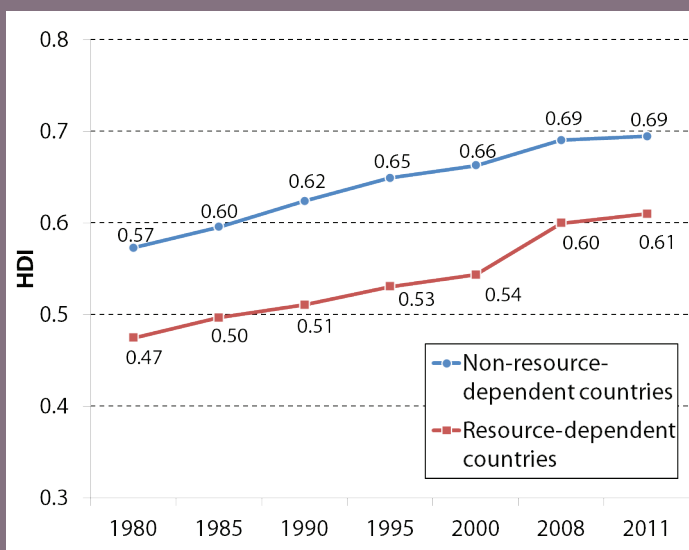
While development of extractive industries<sup>1</sup> holds the promise of raising incomes, poverty can still persist; jobs may be hard to come by; the industry can be an ‘enclave’, having no links with local enterprises that could provide production inputs to it or consume its produce (backward/forward linkages); and the environment can be degraded while livelihoods are destroyed. The wealth pouring into the country can also breed corruption and raise inequalities. All of these unwanted outcomes may create fertile grounds for violence and conflict.

Therefore, it is not surprising that, on average, resource-dependent economies score lower on the human development index than less endowed countries (see Figure 1).

But it does not have to be this way. Some countries have managed their extractive industries successfully. They have diversified their economies, ensured backward and forward linkages, tackled corruption and conflict and invested in human and physical capital.

By focusing its development work on extractive industries, UNDP helps countries to reduce the risks and realize the benefits of resource extraction.

## FIGURE 1: HUMAN DEVELOPMENT INDEX



*“As a matter of principle, I am convinced that natural resources can drive human development if they are managed in transparent, inclusive and sustainable ways.”*

Helen Clark, Administrator, UNDP

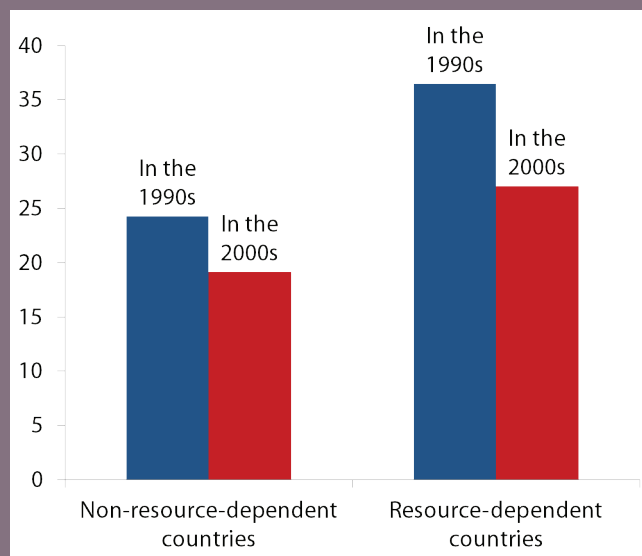
<sup>1</sup> The extractive industry physically extracts natural resources (in this case, oil, gas and minerals) and sells them for domestic and international consumption.

# UNDP'S MANDATE AND ROLE

- ❑ At the Rio+20 conference<sup>2</sup>, the UN system was called upon to promote the integrated and sustainable management of natural resources.
- ❑ UNDP realizes that, in countries where the extractive sector is prominent, peace-building and poverty-reduction efforts become meaningless if the sector is not governed well. For instance, poverty is higher and falls more slowly in resource-dependent economies than in non-resource-dependent ones (see Figure 2).
- ❑ Governments, the private sector and civil society from developing countries are increasing their demands for UNDP's policy advice, technical assistance and capacity development. For instance, UNDP is currently providing policy advice and technical assistance to Kenya, Liberia, Guyana, Azerbaijan and Iraq on issues ranging from revenue management to strengthening local content provisions.
- ❑ The field of extractives is intensely contested, with different actors in pursuit of national and self-interests. UNDP's impartiality and convening role is, therefore, important to facilitate multi-stakeholder dialogue and collaboration among communities, governments and the private sector.
- ❑ UNDP, through its presence in a large number of countries, has the institutional infrastructure to facilitate global cooperation. For instance, the South-South Energy Initiative has been established for the sharing of knowledge and expertise among emerging and developing countries.<sup>3</sup>

- ❑ UNDP has been supporting countries to tackle poverty, deepen democratic governance, prevent conflict and assist in post-conflict recovery by improving governance of the oil, gas and mineral sectors. Going forward, UNDP's Strategic Plan (2014-2017) focuses on extractive industries to ensure that natural resource wealth is used to improve people's lives.

## FIGURE 2: POVERTY RATE, \$1.25/DAY



<sup>2</sup> See [www.uncsd2012.org](http://www.uncsd2012.org) for more information

<sup>3</sup> This Initiative is supported by the Special Unit for South-South Cooperation, UNDP.

# UNDP'S STRATEGY, PROGRAMMES AND PROJECTS

UNDP has launched a Strategy to guide its work on supporting countries to govern their extractive sector sustainably. The organization is implementing the strategy through its global, regional and country programmes and projects, which provide the following services:

1. Support countries to design, improve and implement their legal, regulatory and policy frameworks to effectively govern their extractive sectors.
2. Facilitate formal and informal participatory decision-making processes to institutionalize representation of communities, women's organizations and indigenous peoples in the governance of extractive industries.
3. Assist the private sector to align its core business operations and Corporate Social Responsibility (CSR) activities with national and local development plans. Support its engagement in meaningful consultations with local and indigenous communities and help it to connect with local providers of goods and services.
4. Strengthen systems to ensure transparent and accountable management of resource revenues.



Consultations with local communities. Photo: Salman Saeed/UNDP

*In November 2013, UNDP has joined the World Bank Institute (WBI) as convener of the GOXI Community (see [www.goxi.org](http://www.goxi.org))*

*GOXI is an online platform where extractive sector practitioners exchange policy and practical experiences, news, events, training opportunities and expertise.*

*With UNDP's involvement, GOXI will be an even richer platform for dialogue on the governance of extractive industries.*

5. Help countries develop strategies to invest resource revenues in economic transformation, social development and environmental regeneration.
6. Strengthen the capacity of artisanal and small-scale miners and of the public institutions that regulate and promote them.
7. Strengthen regional mechanisms by supporting the realization of the African Mining Vision and the establishment of the African Mineral Development Centre.<sup>4</sup>
8. Foster a global network of experts and practitioners to collect, generate and share knowledge.
9. Facilitate South-South knowledge exchanges, convene knowledge-exchange platforms and develop tools for capacity development.
10. Support practitioners in addressing practical problems through a UNDP **help desk facility** to respond to queries related to extractive industries; provide an extensive **roster of experts** and an **e-library** on extractives-related data, readings and documentation.

4 Please see [www.africaminingvision.org](http://www.africaminingvision.org) for more information

# AT A GLANCE: UNDP'S WORK ON EXTRACTIVE INDUSTRIES

## Ongoing

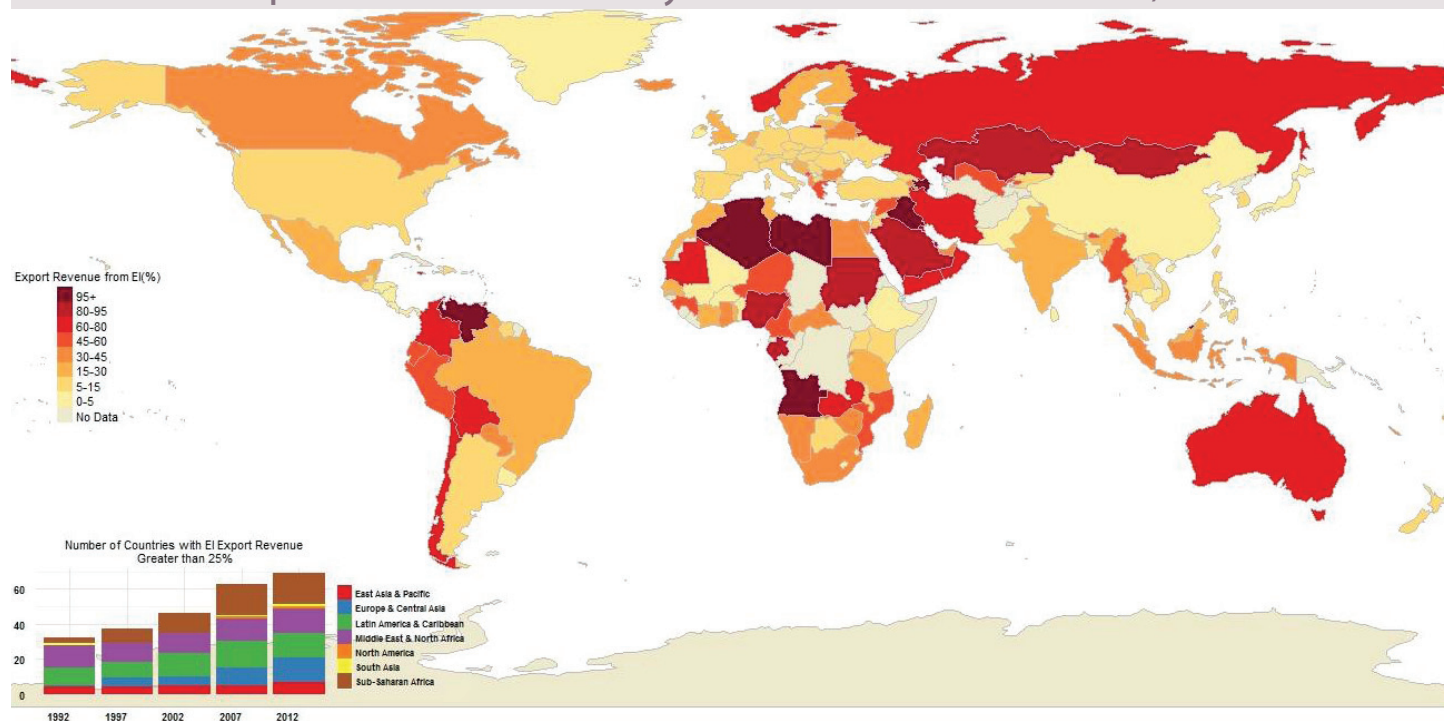
- ❑ In **Kenya**, UNDP developed a project that will foster community participation in decisions on extractive industries and strengthen systems for transparent and accountable revenue management.
- ❑ In **Zambia**, UNDP carried out policy research, which highlighted the potential to raise additional revenues from copper exports by negotiating better contracts and tackling transfer pricing malpractice.
- ❑ In **Liberia**, UNDP developed a project that will support the formulation of a nationwide local content policy and linkages between Small and Medium Enterprises and large mining companies.
- ❑ In **Papua New Guinea**, UNDP is supporting the government in producing a National Human Development Report on extractives. The report is expected to provide policy guidance for improved governance of the extractive sector.
- ❑ In **Azerbaijan**, UNDP is contributing to policy dialogues to design economic diversification strategies away from oil-dependence.
- ❑ In **Iraq**, UNDP is supporting an initiative that fosters local content and business linkages between multinational and local companies.
- ❑ In **Guyana**, UNDP convened policy discussions on good practices of extractive sector governance, which fed into the ongoing development of a national strategy for extractive industries.

## In the recent past

- ❑ UNDP supported **Liberia** and **Sierra Leone** in rebalancing the asymmetries in oil and mining contract negotiations, enabling the government to obtain a better share of revenues.
- ❑ The Diamonds for Development (D4D) initiative in West Africa began with UNDP's conducting of research on 'conflict diamonds'. The research contributed to **Liberia's** participation in the Kimberley Process Certification Scheme.<sup>1</sup>
- ❑ UNDP supported the development of oil laws in **São Tomé and Príncipe**, including the establishment of an oil fund and strict anti-corruption and transparency measures.
- ❑ In **Nigeria**, UNDP worked with Shell to support the preparation of a sub-regional Human Development Report for the Niger Delta, which resulted in initiatives for skills development for youth.
- ❑ UNDP/Global Environment Facility partnered with the United Nations Industrial Development Organization to implement a major **global programme** to reduce the environmental impacts of artisanal gold mining, dramatically reducing or even eliminating mercury use.
- ❑ UNDP/Global Environment Facility has supported **Namibia, South Africa** and **Angola** in developing and implementing reforms to reduce the environmental impact of offshore diamond mining on vital marine resources.

1 See [www.kimberleyprocess.com](http://www.kimberleyprocess.com) for more information

# Share of Export Revenue from Hydrocarbons and Minerals, 2012



Data: UNCTAD stat: [www.unctad.org](http://www.unctad.org)

Since 1992, there has been a large increase in countries dependent on extractive industry exports. As this map illustrates, several of these countries are emerging resource-exporting nations.

**Want to know more? Contact us at:**



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**April 2014**

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