briefing report

Lifting the Resource Curse

Extractive industry, children and governance

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Acknowledgements

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List of acronyms

APPG	All Party Parliamentary Group
BP	Beyond Petroleum (formerly British Petroleum)
CAFOD	Catholic Fund for Overseas Development
CHIP	The Childhood Poverty Research and Policy Centre
DFID	UK Department for International Development
DRC	Democratic Republic of Congo
EITI	Extractive Industry Transparency Initiative
FOI	freedom of information
FDI	foreign direct investment
GDP	gross domestic product
GNP	gross national product
HIPC	heavily indebted poor countries
IDASA	Institute for Democracy in South Africa
IFI	international financial institution
IMF	International Monetary Fund
LDC	least developed country
NEPAD	The New Partnership for African Development
NGO	non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PRSP	Poverty Reduction Strategy Paper
PWYP	Publish What You Pay
SOCAR	state oil company in Azerbaijan
UNCRC	United Nations Convention on the Rights of the Child
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

Executive summary

The link between mineral resource extraction and child poverty is a paradoxical one. Oil, gas and mining can generate enormous wealth. Yet countries rich in minerals[1] tend to be blighted by corruption, conflict, poor economic growth, low public spending, poor rights records and low levels of child welfare. As Save the Children has seen in the developing countries in which it works, the results of this ‘resource curse’ can be devastating. Where unaccountable elites divert resources for private gain, negligible investment in basic services such as health, education and sanitation results in infant deaths from easily treatable illnesses such as diarrhoea. Countries earning a substantial share of their income from the export of primary commodities such as oil, gas and minerals are significantly more at risk of conflict.[2] And it is children who bear the brunt of the resulting destruction and displacement.[3]

With vast deposits of coltan, a key mineral used in mobile telephones and information technology, the Democratic Republic of Congo (DRC) is in the grip of conflict, and infant mortality rates in parts of eastern DRC reached a terrible 41 per cent per year in 2001.[4] Save the Children estimates that oil, gas and mining industries are important in over 50 developing countries which are home to some 3.5 billion people. One and a half billion of these people, including at least 700 million children, live on less than $2 a day.

Yet this ‘resource curse’ is unjust and unnecessary. There are countries that have managed to transform their mineral assets into benefits for their citizens. Botswana has managed so well that it had an average of 12.3 per cent annual growth in GDP per capita over 20 of the 35 years since the country’s diamond cache was discovered.[5] The population has benefited directly from this through strong social investment – Botswana has the second highest public expenditure on education in the world as a proportion of GNP. This has been achieved despite the presence of initial adverse conditions shared by many post-colonial African countries such as minimal investment and high inequality. Key to this success has been the transparency of revenues streams to the government and its wise management of this income.

This report explores the reasons underlying the paradoxical link between mineral wealth and child poverty in countries such as Azerbaijan, Colombia, Nigeria, Sudan and Venezuela. Drawing from the experience of these countries and the success stories of Botswana and Norway, it focuses on positive, practical and achievable approaches that key actors (governments, extractive companies and civil society) can use to lift the ‘resource curse’ and improve the impact of the extractive industry on children and the rest of their societies. In summary, Save the Children believes that the following are key approaches:

1. Instituting full transparency and improved management of mineral resource revenues by governments

- **Governments of resource-rich countries** should strive to institute full transparency in their management of mineral resource revenues and undertake measures to enable economic and political stability by:
  - establishing mechanisms for the autonomous and transparent management of revenues
  - maintaining a high national savings ratio
  - avoiding 'bonanza spending', and strengthening social investment in basic services such as health and education
  - ensuring a fair distribution of resources between different social groups and geographical areas
  - establishing standardised methods for the negotiation of oil contracts
  - supporting the functioning of a strong and meritocratic civil service.
- **Donors and international financial institutions** should strengthen their support for mechanisms to improve transparent and accountable fiscal management processes.

2. Publishing all payments made by extractive companies and received by governments

Save the Children believes that a key impetus towards improved transparency and resource management could be created by the full disclosure of payments from companies to resource-rich governments, ie requiring companies to 'Publish What You Pay'.[6]

- **Extractive companies** should publish their payments to all governments and use their influence individually and industry-wide to support mandatory mechanisms for disclosure.
- **Resource-rich governments** should make such disclosure mandatory for all extractive companies working within their boundaries and publish their receipts from such sources.
- **Governments on whose territory extractive companies are registered** should require the mandatory reporting of revenues to all governments, including those in developing countries.
- **Civil society** in the North and the South should press governments and companies to increase such transparency and should make use of available revenue information to push for better use of resources for development.

3. Improving the development impact of business operations

- **Extractive companies** can implement and independently monitor mechanisms to ensure that they are acting ethically and are not furthering resource-driven conflict and deprivation, including:
  - adhering to international codes/standards concerning corruption, security and human rights
  - working to benefit local businesses and communities in areas of investment

- ensuring their community support projects build local civil society capacities and basic services such as health and education for children, without replacing or drawing resources away from public services
- working with government, NGOs and local organisations wherever possible towards making revenue transparency a reality
- working with the governments of the countries in which they invest to create a climate governed by the rule of law and full respect for human rights.

- **Shareholders and investors** have a key role in supporting such approaches.
- **Governments on whose territory extractive companies are registered** should reinforce corporate social responsibility and its reporting.

4. Ceasing foreign state involvement in the illegal exploitation or mismanagement of mineral resources inside the territory of other states

- **Governments directly involved in mineral resource mismanagement and exploitation inside other states** must cease such activities.
- **The international community** should apply diplomatic pressure to bring a rapid end to such activities.
- **Governments on whose territory extractive companies are registered** should investigate the practices of companies involved in the illegal exploitation of resources and avoid colluding in the perpetuation of resource-driven conflict and exploitation.

5. Strengthening the capacity of civil society to monitor transparency and improve resource management

- **Civil society** should seek to enlarge the democratic space open to them to hold their governments and extractive companies to account for the management of mineral resource revenues. This might include pushing for:
  - improved freedom of information
  - close monitoring of budget allocation and expenditure and its impact on development (especially improvements in the well-being of children)
  - an independent and active media
  - full engagement in national planning, including Poverty Reduction Strategy Paper processes.
- **Donors and international financial institutions** should make support for this civil society capacity and activity a key part of aid and lending programmes, and ensure that mineral revenue management is included in national poverty plan discussions.

In ensuring mineral resource extraction brings benefits for ordinary citizens, including children, national governments have a duty to institute transparent, non-corrupt management of mineral resources on behalf of their citizens. Depending on the democratic space available, civil society has a vital role in calling their governments to account for the use of resources. Donors and international financial institutions need to support governments and civil society in improving transparency and resource management.

But in many ways, it is the extractive companies that are best placed to trigger change now. By committing to publishing their revenues and payments to states, they can help generate more accountable government, an environment more attractive to appropriate investment, and an improved development outlook. For the children whose lives are being destroyed by conflict and collapsing services, the leadership of these companies could make a real difference to their survival and development.

Introduction: Comparing mineral resource winners and losers

The link between mineral resource extraction and child development is a paradoxical one. Mineral finds can generate enormous wealth. Yet, countries rich in minerals tend to be blighted by corruption, conflict, poor economic growth, low public spending, poor rights records and low levels of child welfare. This 'resource curse' is both unjust and unnecessary. Natural resources are held in trust by the state for the ordinary citizens of that country.[7] And some countries have become 'resource winners', translating their mineral wealth into economic growth and improvements in well-being for their citizens, including children. So why do the ordinary citizens of some countries gain from their mineral wealth while those in others lose out?

Resource cursed: Where mineral wealth benefits only the few

Where unaccountable elites divert resources for private gain, investment in basic services such as health, education and sanitation may be negligible. Many children die from preventable illnesses such as diarrhoea and literacy rates are low. Dependency on extractive resources tends to lead to unaccountable state institutions. The political and state structures that tend to surround a 'bonanza' economy generally fail to bring about social and cultural changes that lead to long-term investment in social development. Resource-rich governments tend to use low tax rates and patronage to dampen democratic pressures and spend an unusually high proportion of their income on internal security.

Countries earning a substantial share of their income from the export of primary commodities are significantly more at risk of conflict.[8] While the causes of war and the collapse of basic services for children are many and varied, there is nevertheless a clear link, in Africa and elsewhere, between mineral resource extraction, conflict and failing states. During the last two decades, Africa has become the most conflict-affected region in the world, with the bleakest prospect for children's development. At least one in five children live in a conflict zone, nearly one in five children do not reach the age of five years, and school enrolment rates are lower in sub-Saharan Africa than in any other region.[9] Worldwide, it is estimated that so-called 'resource wars' have killed or displaced over 20 million people and raised at least $12 billion a year for rebels, warlords and repressive governments.[10] And it is children who bear the brunt of the resulting destruction and displacement.[11]

Governance and conflict problems relating to mineral resources and the resulting poor social indicators exist, for example, in Algeria, Angola, Azerbaijan, Myanmar (Burma), Cambodia, Chad, Congo-Brazzaville, Democratic Republic of Congo, Equatorial Guinea, Gabon, Kazakhstan, Nigeria, Sudan and Venezuela.

Statistical data confirms the implications of this kind of resource abundance for children's lives. Such mineral resource-rich developing countries have significantly worse GDP growth than their resource-poor counterparts. Iran, Nigeria and Venezuela – to name but a few – all showed a decline in per capita GDP from 1975 to 2000 (see Table 1). Child development indicators in one of Africa's major oil-producing countries Nigeria, reflects this trend –

infant mortality rates, for example, remain significantly below the average for developing countries. Unfortunately, HIV/AIDS almost certainly accounts for Botswana's higher infant mortality rate (in 1998 it was 38 per 1000 live births).

Table 1: Comparison of development performance between countries rich in oil, gas and minerals

	GDP per capita annual growth rate (%, 1975–2000)	Public health expenditure (% of GDP, 1998)	Public education expenditure (% of GNP, 1995–97)	Infant mortality rate (per thousand live births, 2000)
Nigeria	-0.7	0.8	0.7	110
Venezuela	-0.9	2.6	5.2	20
Iran	-0.7	1.7	4.0	36
Botswana	5.1	2.5	8.6	74

Source: UNDP Human Development Report 2002

Resource winners: Where mineral wealth benefits the many

Mineral resources can bring enormous benefits to a country and its people. The key lies in good governance in the public interest. Mineral resource-rich countries that have become growth 'winners' include Canada, Australia and Norway.

In 1900, Norway was Europe's poorest country – in the space of a century, it has become one of the richest, and sits at the top of the UNDP's Human Development Index. Children in Norway enjoy some of the highest standards of living in the world, with a life expectancy at birth of 78.5 years and an infant mortality rate of just 4 per 1000 births.

However, Botswana may be the most significant example, for other developing countries in Africa and beyond, of the good use of mineral resources. While there are important differences between countries rich in oil/gas and those rich in other minerals (the latter are less prone to overheating their economies, for example), a case such as Botswana is useful in isolating those government policies that facilitate the most fair and effective use of mineral resource revenues for the benefit of the whole population.

Botswana stands out as the only graduate from the World Bank-created category of ‘least developed countries’ (LDCs). At independence in 1966, it was one of the poorest countries of the world – it is now classified as an upper-middle income developing economy. It has had the highest rate of annual growth of any country in the world – an average of 12.3 per cent GDP per capita over 20 of the 35 years since the country’s diamond cache was discovered. By 2000, GDP per capita stood at $4,076 – 11 times that of Nigeria.

This meteoric rise was fuelled by the discovery in 1967 of profitable deposits of diamonds, which triggered a process of structural change from an economy dependent on low productivity agriculture to an economy where mining and services became the dominant sectors. This has been achieved despite the presence of initial adverse conditions (eg minimal investment and high inequality) shared by post-colonial African countries that have suffered from the ‘resource curse’.[12]

The country is now the biggest producer of diamonds in the world. Some $1.7 billion worth of diamonds was mined in 1999, and this figure is expected to climb significantly. Over the years, Botswana has been able to earn an unprecedented $6.5 billion in foreign exchange reserves. Much of this has been invested in public services. Botswana has the second highest public spending on education in the world, as a proportion of GNP (see Table 1 for figures). It spent approximately $US 77 per capita on public health in 1998. Improvements to under 5 mortality have been spectacular, falling from 13.9 per cent in 1970 to 4.8 per cent in 1998, with an average of 99 per cent of births attended by skilled health staff between 1995 and 2000. This compares to Nigeria which spent close to $US 3 per capita on public health in 1998. Under five mortality only declined from 20.1 per cent in 1970 to 18.7 per cent in 1998. [13] Fair elections have been held in Botswana every five years since independence.

What Botswana has is transparency. Diamonds account for more than 65 per cent of all government revenue and there is great transparency over this diamond income. According to Transparency International’s 2003 Global Corruption Report, Botswana is the most transparent country on the African continent. Transparency in tax and royalty receipts has put the onus on the government to widen the circle of beneficiaries beyond public officials, politicians and the diamond industry’s narrow employment base. It is clear that the country’s economic success derives more from efficient and transparent management of its diamond revenues than from their mere presence. UNCTAD allots a “good part of the credit for its performance” to “the wise management of natural resources and good governance, enabling political and economic stability to prevail”.[14]

In summary, it is clear that the presence of mineral reserves has the potential to bring great social and economic development. But it can also stimulate conflict and/or the collapse of key social services and economic growth. The key lies in the governance of those reserves. Governments, extractive companies and civil society all have key roles to play in this governance. The following sections will look at practical approaches needed to ensure that mineral extraction results in benefits for ordinary adult citizens and their children.

Ensuring the extractive industry benefits children: Key approaches

Drawing from the examples of great variation in the growth and development of mineral resource-rich countries, the remainder of this report focuses on practical approaches that key actors can use to 'lift the resource curse' and ensure that extractive industry benefits ordinary adult citizens and their children.

1. Instituting full transparency and improved management of mineral resource revenues by governments

Post-diamond discovery Botswana has been characterised by macroeconomic stability: government budget surpluses, low inflation, a strong currency and balance of payments surpluses. So how has this been achieved? This section will seek to explore both the financial and political/institutional measures that have contributed to the success of Botswana and several other countries in effective and transparent mineral resource management.

a. Autonomous and transparent management of revenues. Clearly-defined, accountable revenue management has two strands:

i. Arrangements guaranteeing the separation and independence of government from the private sector

In order to achieve transparent, effective revenue management, the importance of clearly-defined governmental responsibility for the revenues cannot be over-emphasised. Responsibility for vital national assets such as mineral resource revenues needs to be independent of other governmental roles so that lines of accountability for such assets are clear. This independence should be guaranteed via political institutions as well as through financial management structures. Accordingly, it is imperative that the country's political structures and extractives sector are separated. This point is emphasised in the IMF's Code on Fiscal Transparency.[15]

Working towards the IMF Code should be a recommendation for any mineral resource-rich country. While many developed countries already conform to or exceed the standards set out in this Code, many developing countries have not yet implemented its clear technical framework by which fiscal transparency can be achieved.

The necessity of this separation of powers is exemplified by the case of Azerbaijan, where the head of state effectively runs the oil industry. Azerbaijan is heavily oil dependent. Indeed, there is a long history to the nation's relationship with the resource – in 1891, half of the world's oil extraction took place in Azerbaijan.

Officially, the state oil company, SOCAR, is responsible for the national oil strategy. In fact, the SOCAR vice-president is the son of Azerbaijani President Heydar Aliyev. Such an arrangement may bypass formal government mechanisms – insufficient checks or balances may be exerted on crucial decisions about Azerbaijan's vast oil reserves.[16] However, Azerbaijan leadership have shown an interest in improving revenue transparency.

One of the key conclusions to be drawn from the case of Azerbaijan is the need to appoint a minister with specific responsibility either for each resource or natural resources collectively. Neither in Azerbaijan, nor in such a mineral resource-abundant nation as Nigeria, does a minister with specific responsibility for oil exist. Considering that in excess of 70 and 90 per cent respectively of these countries' total exports comes from crude oil and oil products, this seems astonishing. While Nigeria has now appointed a petroleum adviser, there remains a crucial gap in ministerial responsibility for oil; the very broad remit of the Minister of Power and Steel means accountability for the resource is far from satisfactory. Such an oil minister should adopt a coherent, competitive national policy for revenue generation and taxation and stipulate the economic development obligations of international extractive companies.[17]

ii. The creation of an autonomous 'fund' to manage revenues, either as an informal (as in Botswana and Russia), or as a formal, fund.[18] In addition to their purpose of buffering price volatility and offsetting resource depletion, such funds can assist in the avoidance of a rent-seeking culture due to their delineation of responsibility for revenues and prescribed mechanisms for channelling them. They also carry important potential to enhance citizen participation in the management of resources, since by existing as an official 'focal point', lines of accountability to citizens are enhanced. In Azerbaijan, the creation of a fund has served to promote debate about what happens to oil revenues. In Alaska, the public stake in revenue management is highlighted and formalised through payment of resource dividends to citizens and index-linking of pension funds to the fund.[19]

But such funds have their critics. One major debate concerns how likely it is that a fund can possibly exist as an island of responsible management if the rest of the machinery of government is corrupt and unaccountable. In some countries, funds have become just another layer of bribery, an unnecessary addendum to government mismanagement that simply compounds the situation.

While a number of models of funds exist, it seems clear that institutional mechanisms need to be adapted to country contexts. However, whatever their form, they "should **not"**, as the World Bank has advised on special funds in general, "have independent spending power: this creates two fiscal authorities and defeats the purpose of the budget process".[20]

Civil society should have unobstructed access to information about any fund in order to have oversight of its operations input to its structure and allocation. This need for civil society involvement is exemplified by an oil trust fund set up as a result of the construction of the Chad-Cameroon pipeline. Ten per cent of this fund is put aside for the Chadian people in years to come, while the other 90 per cent exists as a 'stabilisation fund' for diversification of the oil-dependent economy. However, in response to controversy over the Chadian Government's use of some of the stabilisation fund on arms in 1999, much of Chadian civil society believes this ratio should be reversed so that current government corruption does not result in precious oil money being wasted.

b. Maintaining a high national savings ratio. Sensible saving permits a country access to a long-term stream of income rather than sudden bulges of wealth. These assets are independent of volatile oil prices. Government saving is essential to stabilise the economy.

According to a report on petro-states produced by Norway's Centre for Economic Analysis and The Fridtjof Nansen Institute, "Governments need to offset the accelerating, oil-related capital inflows by increasing savings and investments elsewhere in the economy".[21]

Botswana has made saving a cornerstone of its economic policy. Since the second half of the 1980s, its domestic savings ratio has consistently exceeded its investment ratio by a large margin.[22] The country is therefore not so dependent on foreign direct investment (FDI) as other countries – high national savings allow Botswana to co-finance FDI-sponsored investment keeping at least part 'ownership' of these projects in-country. For example, Debswana, the producer of Botswana's diamonds, is owned 50:50 by De Beers of South Africa and the Botswana Government.

c. Careful management of government expenditure with the focus on social investment. Careful public expenditure has been another important pillar of Botswana's economic policy. In UNICEF's *Development with a Human Face*, Duncan, Jefferis and Molutsi highlight the absence of "inefficient and unproductive spending" as a key factor in Botswana avoiding the fate of "the more profligate mineral exporters". [23] Spending has followed a long-term national development strategy within the framework of plans that have been in operation since independence.

The alternative of trying to do too much too soon can be a strong temptation. As Lynn Karl argues, and as is evidenced by the case of Venezuela, states often overstretch themselves upon receipt of large mineral windfalls. She vividly describes the temptation for excess at the time of Venezuela's oil boom: "To policymakers in 1973, the oil boom evoked a sense of politics without limits – a once-in-a-lifetime opportunity to restructure the economy and polity".[24] Being targeted by rent-seekers at this point can compound the problem. Mahdavy has suggested that government response to windfalls is often to "devote the greater part of their resources to jealously guarding the status quo"[25] rather than development.

In Botswana, not only has expenditure been carefully managed, it has also been directed towards social investment. An early emphasis on directing public expenditure towards infrastructure and basic services has paid dividends – public spending has been able to grow faster than the economy as a whole in the last 25 years (an average of 13 per cent in real terms). Social expenditure has accounted for between 30 and 40 per cent of total public spending and has on average grown at 11 per cent a year in real terms – slightly faster than public spending in its entirety.[26]

Thus children in Botswana have been able to receive lasting benefits from this effective resource management at government level – 99 per cent of births are now attended by skilled health staff and 97 per cent of one-year-olds are fully immunised against tuberculosis.[27]

d. Ensuring the fair distribution of resources. Unless preventative institutional measures are employed, the benefits of mineral resources can be disproportionately concentrated among certain social or geographical groups. This may favour elites at the centre, often at a distance from the source of the extraction. Regions without deposits may fail to benefit from revenues. Deepening inequalities can provide fertile ground for unrest and potential conflict which may reverse developmental gains.

The issue of the geographical distribution of energy revenues is highly topical in a number of countries. It is an issue, for instance, with which Nigeria has recently grappled, and the outcome offers hope to other countries. In Nigeria, oil is predominantly sourced from five of the country's seven basins: the Niger Delta, Anambra, the Benue Trough, Chad and Benin. The first of these regions, the Niger Delta, was witness to bitter civil society unrest during 1999 over the issue of revenue distribution. Oil revenues were being directed to central government accounts and used for the development of the new capital, Abuja. Very few of these funds ever returned to the areas from which the oil was produced despite these regions being the ones to suffer from the environmental damage resulting from oil production. Local campaigners demanded proportionate remuneration from the Delta's contribution to onshore oil production revenue, amounting to 30 per cent of the total.

Campaigners eventually won concessions for the local people in August 2000, when a bill was introduced ensuring 13 per cent of oil revenues generated by the twelve oil-producing states are returned to them. As a result of continuing disputes between the region and the central government, the Niger Delta Fund Initiative was established in the summer of 2002. This initiative aims to create an autonomous fund whereby a portion of oil royalties will be distributed to local citizens as cash dividends. Another portion of the funds will be made accessible to people as low interest loans for sustainable development, and yet another to fund conflict resolution and conservation programmes.

Clearly, the success of the initiative has yet to be proven, but it is hoped that it will be a model that can subsequently be emulated in other countries. In Azerbaijan, oil resources are geographically concentrated near to Baku, the capital, and there is considerable disparity between the quality of healthcare and other essential services here compared to other areas. Sudan's 40-year civil war has had a profound impact on children's survival and development. Of the country's 4 million displaced people, at least half are children, many of which have no access to education or health services and are vulnerable to chronic food insecurity. It is crucial that current peace talks incorporate an agreement on transparent and accountable measures for a just and fair division of oil revenues across all regions if peace is to hold and poverty to be alleviated in any significant way.[28]

But even when geographical distribution of resources is improved, benefits may still be directed to elites. Save the Children and Oxfam's engagement with BP Amoco on its development impact in Casanare, Colombia discovered allegations that up to a quarter of the $268,000 received by Casanare and its municipalities had been spent on luxury goods and services, despite legal requirements that royalties from natural resources are spent on health, education, water and sanitation needs.[29] Fair and equitable allocation of mineral revenues remains a vital priority.

e. Standardised methods for negotiation of oil contracts. As well as clearly-defined government functions in relation to oil, gas and mining, it is important that standardised methods for negotiating resource contracts are institutionalised. Ad hoc negotiation can lead to conflicting interpretations of contracts, whereas institutionalised arrangements are likely to ensure clearer and more enforceable division of payments. In its six years of existence, the Azerbaijan state oil company has not rejected or returned for review an oil contract, suggesting that deals that may be unwise may have been implemented too freely.[30] While oil deals do have to be ratified by parliament, the destination of bonuses and other payments is usually unknown. This opacity offers little chance for Azerbaijan's 8 million people – 3.5 million of whom are children – to hold their government accountable for the spending of the huge revenue streams. An infant mortality rate of 74 per 1000 live births and a safe water supply available to only just over half of the rural population suggests there is no shortage of social causes to which revenues could usefully be directed. [31] It is hoped that the government will be taking steps to redress this situation.

f. A strong and meritocratic civil service. In countries where mineral resources have successfully boosted social and economic indicators, the civil service has often played a very important role. Stevens suggests that senior civil servants in particular have been instrumental in the successful growth of such countries as Botswana, Chile, Malaysia and Norway.[32]

One of the most important benefits a meritocratic bureaucracy imparts is a general lack of rent-seeking behaviour and corruption. Botswana once again provides evidence of such departure from corrupt practices. Here, upon independence in 1965, the Government chose to retain the public service structure established under colonial rule and developed it into an efficient bureaucracy – a civil service based on merit rather than status, and largely free of corruption. The motive for state officials to manipulate use of mineral resources towards private gains or other illegal ends is lessened when an anti-corruption ethos prevails. Building this culture is a long-term process, but raising official wages is one way of assisting its development. Once in place, such a public service can monitor the executive and ensure the state machinery operates a regulated procedure for the channelling of oil revenues. In turn, this should also promote transparency and accountability.

In each of the areas outlined above (a–f), prime responsibility for effective and transparent use of mineral resources rests with the governments of the countries in which they are located. However, other governments can support responsible management through diplomatic channels. As donors, they can assist governments in exercising effective financial management through technical and budgetary assistance. Pledging long-term aid may be especially useful since it ensures a predictable source of funding around which spending rules can be built. This is reflected in the UK Government's proposal for an International Finance Facility (January 2003).[33]

Civil society should also be facilitated to play a key role in deciding how mineral resources are managed and incomes spent. (For more details, see section 5.)

2. Publishing all payments made by extractive companies and received by governments

An important component of good governance is access to information. Citizens need to be in charge of the facts in order to hold their governments to account for the use of revenues generated by oil, gas and mineral extraction. General awareness of financial mismanagement may be widespread. However, if provided with specific information on payments made by companies to governments, civil society can call government spending into question and generate open debate on revenue allocation.

Revenue transparency, then, can act as a crucial contribution by companies to the promotion of child rights and poverty reduction.[34] This places extractive companies under a duty to disclose information about the payments they make to governments to ordinary citizens for whom the state holds mineral resources in trust. This duty extends to all countries where mineral resources provide a major proportion of state income, where corruption associated with state income is a concern, or where companies are not fully transparent about their payments to national governments.

'Publish What You Pay'

Given the poor child rights and development outlook in many developing countries with oil, gas and mining operations, Save the Children, CAFOD and Global Witness founded the Publish What You Pay (PWYP) coalition.[35] Growing rapidly, membership of the coalition has now reached over 130 organisations in 33 countries.

The coalition has a single demand: mandatory disclosure of payments to and transactions with governments by multinational natural resource companies, their subsidiaries and their business partners for every country in which they operate.

This requires that publicly traded companies be obliged by regulators to disclose information about taxes, royalties, fees and other transactions with governments and/or public sector entities for the products of every country in which they operate.

Listed oil, gas and mining companies already routinely disclose information about payments to the state in the developed world. We are simply calling for them to do the same in developing countries.

Mandatory disclosure by companies

Relying on voluntary transparency from companies is problematic since those that do disclose payments may have their operating licenses revoked by governments and awarded to less scrupulous competitors. This is evidenced by the announcement of BP's intention to 'publish what it pays' in Angola, which brought threats of concession termination from the Angolan oil company, Sonangol. BP has not yet disclosed information about tax payments and royalties to the government but it did disclose its signature bonus.[36]

The PWYP coalition believes that mandatory payment disclosure would solve a number of problems that have hindered voluntary disclosure. Specifically, it would:

- level the playing field between competitors, preventing more principled and transparent companies from being undercut by their less scrupulous competitors
- eliminate concerns about confidentiality clauses preventing companies from publishing payment data. Currently, contracts can include a 'get-out' clause exempting information from being disclosed due to regulatory requirements for confidentiality
- address the problem of non-transparency in all countries of operation
- depoliticise the issue of payment disclosure in authoritarian regimes and allow companies greater freedom to behave responsibly. Publishing what is paid to such regimes is likely to have the knock-on effect of encouraging greater transparency and fiscal governance in other areas of the economy
- eliminate a major international double standard between levels of transparency in developing and developed countries.

Business case for company disclosure

Publishing such information would be in the interest of business. A market cannot behave effectively if information is not provided. Disclosure is in the interest of business for two key reasons. Firstly, financial markets, analysts and investment funds would benefit from more information. Speaking off the record, analysts have said that they would like such information on a country-specific basis since it gives them a better idea of political risk. Secondly, revenue disclosure and good governance is in long-term shareholder interest as it would promote a more stable social and political environment for operations.

How could companies be required to disclose revenue payments?

There are a variety of mechanisms that could regulate company disclosure. To ensure all companies are covered, it would probably be necessary to employ a combination of the following methods:

i) A requirement for disclosure of revenue payments could be incorporated into the **listing rules** for regulated markets worldwide. This would incorporate the revenues from all the major players in the mineral resource sector – it is improbable that a major company would delist from an international exchange to avoid transparency. The UK Listing Rules are currently under review so such changes could be incorporated under this process.

ii) A requirement for disclosure could be incorporated into **company law**. Such a requirement would have the advantage of extending to all registered companies. Company law is currently under review both at UK and EU level.

iii) A requirement for disclosure could be written into **international financial institution conditionality** applied to loans or grants made to recipient governments.

iv) The **International Accounting Standards** could include a requirement for disclosure. These are also currently under review.

v) A new **UN convention** that builds on UN General Assembly Resolution 1803 (see endnote 8). Binding for states that have ratified it, such a convention would require them to ensure disclosure of revenue payments.

vi) Individual mineral resource-rich governments could pass **national legislation obliging companies to make public their payments to governments.** Though potentially effective in each context, it would take a long time to ensure coverage across all countries. It also relies on the existing regime to institute the change and may therefore be most difficult to achieve in the very places where change is most needed. However, where successful, it would allow coverage of all extractive companies, including national corporations.

Extractive Industries Transparency Initiative

The importance and feasibility of improving transparency was highlighted by UK Prime Minister Tony Blair when he announced plans for the new Extractive Industries Transparency Initiative (EITI) at the World Summit on Sustainable Development, Johannesburg, in September 2002. In his speech to world leaders he said, “Let us be sure that we make the right decisions. We know the problems. We know the solutions. Let us together find the political will to deliver them”.

The EITI is a voluntary initiative that brings together government, corporate and civil society representatives to improve transparency in the extractive industry. DFID has an EITI section in its Policy Division.[37]

The PWYP coalition has actively participated in the EITI since its inauguration. However, PWYP remains certain that mandatory, comprehensive mechanisms are necessary to achieve full transparency.

3. Improving the development impact of business operations

Transparency and accountability are key principles for all organisations. In companies in general, and the extractive industry in particular, adherence to high standards of business practice (such as good governance and public disclosure) is now firmly on the business and investor agenda.

Extractive companies have a great impact on the development of the communities and countries in which they operate. Significant experience of approaches to make this impact more positive has already been generated within the extractive industry and new models are being developed. Shareholders and investors can play a key role in encouraging and rewarding good practice. The following is a summary of some key standards and approaches relevant to good business practice in the extractive industry:[38]

a. Adhering to international codes / standards concerning corruption, security and human rights. The US Foreign Corrupt Practices Act, 1977, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, effective 1999, Draft Fundamental Human Rights Principles for Business Enterprises, 2001, UK / US Voluntary Principles on Security and Human Rights, 2000 all have application to extractive industry operations. The governments of the countries in which extractive companies are registered also have an important role in ensuring that corporate behaviour is ethical and that the companies' performance in these areas is adequately monitored and reported.

b. Working to benefit local businesses and communities in areas of investment. Where possible, efforts should be made to offer real benefits to local people, whether through employment opportunities, environmental protection or wider community initiatives. Measures should also be taken to protect local companies whose market share may shrink with potentially devastating effects on local livelihoods. This may involve sourcing commodities, such as food, from local businesses rather than importing them from outside.

c. Ensuring community support projects build local civil society capacities and improve basic services available to children, without undermining public systems. Oil companies can offer valuable assistance in energy supply or communications infrastructure to local communities. Companies should be careful to ensure their community projects support public services. For example, building a new clinic that is not integrated into the public healthcare system may increase inequality and / or attract precious skilled staff away from public services for the poor. Investing in support of long-term government plans will foster sustainable development and maximise impact on child poverty. Wherever possible, such initiatives should also be transparent and independently monitored. For example, in Georgia, BP is insisting on the publication of its community fund expenditure at the local level.

By working closely together, companies, NGOs, community-based organisations and others can share experience and expertise and help build capacity for further development in both the private and civil society sectors.

d. Committing to working effectively and closely, wherever possible, with government, NGOs and local organisations towards making revenue transparency a reality. Recognising the link between revenue transparency and poverty reduction, companies can work with civil society organisations to ensure that the maximum social benefits are secured from revenues paid to governments. They can help build the capacity of civil society to access, understand and use information on the public revenues generated by the extractive industry (see section 2 above) to call their governments to account.

e. Recognising their potential influence on the governments of the countries in which they invest, use opportunities to work towards creating a business and political climate governed by the rule of law and with full respect for human rights. While it is clear that companies cannot control the onward use of revenue inflows by governments, companies can and do exert a strong influence on governments because of their importance to the economy. In Nicholas Howen's 2001 report on peace-building in Angola, he suggests that companies should use opportunities "to project a vision of Angola as a country governed by the rule of law, where human rights are respected and the people able to participate in the political process".[39] Involving national governments in decision-making, offering technical advice where appropriate, and ensuring their own ethical standards are as high as possible are all ways in which a climate of change can be introduced by extractive companies.

4. Ceasing foreign state involvement in the illegal exploitation or mismanagement of mineral resources inside the territory of other states

Some governments are themselves directly involved in mineral resource mismanagement and exploitation inside other states. A stark illustration of such activity is given by the current situation in the Democratic Republic of Congo (DRC), where neighbouring states have intervened in the country's internal affairs in order to 'capture' natural resource incomes.

Mineral resource exploitation by foreign governments: The case of the DRC

Save the Children has been working in the DRC since 1994.[40] Very little of the abundant natural resources of the DRC have directed used towards development or poverty reduction in this war-ravaged country. Following independence in 1960, the DRC experienced a gradual descent into disaster. Mobotu's kleptocratic state (renamed Zaire and lasting thirty-five years until 1997) instigated commonplace corruption and rampant exploitation of natural resources with the spoils ending up in the elite's own private coffers.

Over 2.5 million people have died since the outbreak of war, many of them children. A joint report by Save the Children, Oxfam and Christian Aid found women and children to have borne a disproportionate burden of suffering in emergency situations engendered by the conflict. Many children have been separated from their families and infant mortality rates in parts of eastern DRC reached a horrifying 41 per cent per year in 2001.[41]

While Congolese forces are by no means without blame, it is to a large degree foreign armed forces that have plundered the DRC's mineral resources during the war, especially those of Rwanda, Uganda and Zimbabwe. The November 2002 report of the UK All Party Parliamentary Group (APPG) on the Great Lakes and Genocide Prevention draws on clear evidence that foreign armies have deliberately waged war in order to carry out this exploitation. For instance, the report points to how the Zimbabwean regime has used its presence to initiate advantageous joint business ventures with the DRC Government and companies in order to exploit some of the most precious resources. Similarly, in eastern DRC, 'opportunistic' Ugandan generals have decentralised power enabling them to establish Ugandan or Congolese-led companies. Rwandan politicians and army officers have either directly exploited mineral resources themselves or secured favourable terms by which Rwandan-owned companies can do the same.[42]

This resource exploitation has undermined any recovery in the country since the recent peace accords. The November 2002 APPG report calls on the UK Government to commission an evaluation of the impact of other national governments' activities in the DRC during the conflict, including a reassessment of the UK's own aid programme in these countries.

With regard to the DRC and other resource-rich countries, governments directly involved in mineral resource mismanagement and exploitation inside other states must cease such activities. The international community must apply diplomatic pressure against such activities.

It should also be noted that there are a number of companies involved in the illegal exploitation of natural resources that fall under government jurisdiction in developed countries. In 2002, a UN panel of experts listed 84 international companies working in the DRC that it considered to be in violation of the OECD Guidelines for Multinational Enterprises.[43] The UK APPG report cited above called upon the UK Government to specifically review the actions of the UK companies and individuals named in the report.[44]

Governments on whose territory extractive companies are registered should investigate the practices of companies involved in the illegal exploitation of resources and avoid colluding in the perpetuation of resource-driven conflict and exploitation.

Until foreign governments who are contributing – either directly or indirectly – to mineral resource exploitation are called to account and cease such activities, citizens of resource-rich countries will continue to be denied the benefits of their countries' natural riches and children's rights will continue to be denied.

5. Strengthening the capacity of civil society to monitor transparency and improve resource management

Article 1 of UN General Assembly Resolution 1803 'Permanent Sovereignty over Natural Resources' states that, "The right of peoples and nations to permanent sovereignty over their natural wealth and resources must be exercised in the interest of their national development and of the well-being of the people of the State concerned"[45].

The scope of civil society engagement on mineral resource revenue management is contingent on individual country circumstances and the available democratic space. In many countries, civil society may know what rights it should have but can do little to exercise them.

Clearly, improved disclosure by multinational companies and revenue-receiving governments will need to be accompanied by actions to promote both capacity-building for the management of newly identified revenue streams and awareness-raising in civil society. International financial institutions, national development assistance agencies and others should be seeking to mainstream transparency as a central component of technical assistance in governance and poverty reduction programmes, as well as applying persistent pressure for transparency and the empowerment of civil society in all their areas of operation. The New Partnership for African Development (NEPAD) could also play a central role in promoting the ability of local civil society to call government to account over revenue management and budgeting through its proposed peer review mechanisms.

Civil society is, of course, made up of a rich assortment of actors that vary between countries and regions. In many parts of the world, for example, faith groups are one of the most credible sectors of civil society. In July 2002, the Association of Episcopal Conferences of the Region of Central Africa released a statement on the damaging impact of oil on the region, including the unequal distribution of oil-incomes and "contracts drawn up in absolute secrecy". The bishops blamed this on the 'complicity' between oil companies and politicians.[46] Trade unions could prove to be an important lever for improved transparency in the extractive industry. NGOs and community-based organisations are a key part of civil society. The PWYP coalition is a growing force with over 130 members from 33 countries (see section 2 above).

While all countries may not be able to carry out all of the options below, they offer an overview of the primary routes available to civil society when seeking to hold their government to account for the management of mineral resource revenues:

a. Freedom of information (FOI).

FOI is often guaranteed constitutionally, and both enshrines the public's ability to access information held by public authorities and obliges the latter to publish specified categories of information. Article 17 of the UN Convention on the Rights of the Child confers such a right to information on and for all children: "States parties recognize the important function performed by the mass media and shall ensure that the child has access to information and material from a diversity of national and international sources, especially those aimed at the promotion of his or her social, spiritual and moral well-being and physical and mental health".[47]

Unfortunately, this cornerstone of constitutional democracy is particularly prone to neglect. Many countries (eg South Africa, Kyrgyzstan and Poland) have found that constitutional provisions alone are not sufficient to protect FOI, and legislation has accordingly been implemented.

The case of Nigeria provides ample evidence of the necessity of civil society activism in procuring FOI. Ranked second from bottom in Transparency International's 2002 Corruption Perceptions Index,[48] Nigeria has long struggled with pervasive corruption. Its active civil society, therefore, was greatly encouraged when President Olusegun Obasanjo was elected in 1999 on a platform of 'honesty and transparency'. A large group of NGOs, led by the Media Rights Agenda group, have organised an admirable campaign in support of an FOI bill. As a result of prolific letter-writing, distribution of briefing documents, seminars, workshops and conferences raising awareness about FOI, the campaign was successful in introducing a draft FOI bill in July 1999.

Unfortunately, optimism has been tempered by the huge delay in the passage of the draft bill, which has made very little progress through Parliament. But, if and when it is passed, the bill will allow access to areas such as declarations of assets by public officers and other vital information necessary to assessing governmental management of revenues. Media Rights Agenda's Executive Director, Edetaen Ojo, has put the bill's delay down to government reluctance to be held to account: "The initial enthusiasm with which legislators received the bill waned as they became apprehensive about the consequences for their own political security. Legislators recognise that a regime of freedom of information would subject them to greater public scrutiny".[49] This threat to economic mismanagement should stand as a spur rather than obstacle to civil society. Government obfuscation in Nigeria speaks volumes of the imperative of fighting for FOI.

b. Budget monitoring.

Budget monitoring greatly assists transparency and accountability by opening up economic management of all national funds, including mineral resource revenues, to public scrutiny. It can also take place during the PRSP and UN Convention on the Rights of the Child reporting processes, among other official channels giving citizens the opportunity to scrutinise government policy. Budget monitoring has the dual benefit of building capacity among civil society for effective participation and providing decision-makers with research, analysis, information and recommendations about the impact of budgets upon the poor.

Save the Children has used budget monitoring as a mechanism to enhance government accountability.[50] The process has also been useful as a means to help identify resource gaps. For example, if a National Poverty Reduction Strategy states that primary education is to be provided free of charge it is possible to make projections of the cost of this pledge and to track the real budget allocation for education. Budget monitoring also permits assessment of what proportion of allocated funds actually filters down to local level, as well as the initial division of monies. Where government expenditures and donor contributions fail to cover the whole cost of a sector programme, or when a sector programme is manifestly unable to meet the demands being placed upon it, budget monitoring can be a key tool to advocate for increased funding from other sources.

Accordingly, Save the Children has initiated a series of children's budget projects to analyse the impact of budgets on tackling childhood poverty. For example, Save the Children Sweden has been supporting the Children's Budget Project at the Institute for Democracy in South Africa (IDASA).[51]

These and other experiences have emphasised the close links between transparency and participation – they are generally mutually reinforcing and jointly required for better budgetary outcomes. Their potential use in monitoring revenue management and distribution is to be highly recommended as a means by which civil society can influence responsible revenue management.

c. The media.

According to the Panos Institute, "Trends in media in many developing countries are providing major new opportunities for public debate… Rapid liberalisation of the media has created more complex, dynamic and democratic media environments".[52] These developments have in many cases opened up a crucial new space in which civil society can influence government policies in general and revenue management strategies in particular.

In addition to the publication of actual official data, the press will need to exist as a discussion forum on what is disclosed – an essential catalyst in democratisation and full transparency. It is therefore essential that the foundations for a vigorous, open democratic media are laid while moves towards full revenue transparency are being implemented.

The huge scope offered by the press for mobilising popular support, linking networks of activists, acting as an arena for opinion, and communicating messages to and from government is well-documented and will not be explored in detail here.

In such contexts where the press is government controlled, it could be that independent publication of mineral revenue data itself could contribute to opening space for a freer and more independent media.

d. Participation in national planning processes such as Poverty Reduction Strategy Papers (PRSPs).

Launched by the World Bank and the IMF in 1999, PRSPs represented a new method by which to focus development efforts on poverty alleviation. Developing country governments are required to produce PRSPs to qualify for debt relief or concessional lending. They must consult the national population, including the poor, as part of the process. In fact, this formal recognition of a role for civil society participation in the policy design process was hailed as a vital step forward in the workings of the international financial institutions. The Panos Institute terms this opportunity for participation "one of the most significant innovations of PRSPs".[53] The Childhood Poverty Research and Policy Centre (CHIP), based at Save the Children, believes that, "While much work is required by all involved before [PRSPs] are a comprehensive or strategic approach to reducing childhood poverty or securing the well-being of future generations… the potential for more effective policy is strong."[54] A joint paper by Save the Children and Oxfam also points out that through its "grass-roots contacts" and "independent and useful information and perspectives on how governments and other key policy actors are doing", civil society's participation in PRSPs monitoring "can add real value to the process itself and its policy outcomes".[55]

It must be pointed out that many mineral resource-rich countries do not have to complete PRSPs and thus this route will not be open to all civil societies. Precisely because of their resource wealth, countries such as Nigeria, Venezuela and Azerbaijan are classed as middle income by the World Bank and thus are not eligible for concessional lending and heavily indebted poor countries (HIPC) debt relief, which are the outcomes of the PRSP process. However, resource-rich countries that do have PRSPs include Bolivia, Angola, Central African Republic, the DRC, Cameroon, Chad, Ghana, São Tomé and Príncipe, and Senegal.

Several years on from the introduction of the PRSP process, civil society participation can perhaps best be described as uneven.[56] It has often remained at the level of information-sharing for most sectors of society but has sometimes reached a level of authentic consultation with some groups. Genuine involvement of civil society in decision-making remains largely an aspiration. However, it may be that at the stage of monitoring PRSP impact, civil society representatives will be empowered to initiate and drive the process. That said, there are good examples of successful civil society participation in planning (see box overleaf).

Examples of successful civil society participation in national planning processes

- Consultation when led by an umbrella organisation that lays down conditions for civil society participation. A good example of this is the case of Bolivia, where NGOs set out conditions for their participation/degree of 'ownership' in the second national dialogue on development, which formed a major part of the PRSP process. The conditions included access of information and satisfactory follow-up, among others, and the NGOs stated that their participation depended upon these conditions being met.[57]

- Promotion of national awareness of the PRSP process through a national campaign, eg Niger's Strategic Communication Plan. Led by World Bank staff and a national PRSP Secretariat, the campaign included publications, workshops and public meetings nationwide (as well as specific activities to engage young people). The media made a vital contribution to the campaign through large-scale coverage and independent televised conferences, documentaries, etc.[58]

- Use of experiences of previous participatory processes. For instance, in Uganda, the Uganda Debt Network sought to apply learning from previous participatory processes to the country's PRSP through a series of regional consultations held in 42 of Uganda's 45 districts during March and April 2000, successfully utilising grass-roots consultation methods.[59]

From the wide body of commentary and criticism on participation in PRSPs, it is possible to extrapolate key points of opportunity for potential civil society inputs concerning more responsible revenue management.[60] While by no means prescriptive, the diagram set out in Figure 1 suggests possible stages at which influence on revenue management, including revenues from mineral resource extraction, might appropriately be exerted.

Thus, despite its many limitations, such participatory processes offer at least some opportunity for civil society to engage with revenue management and its future impact on child poverty. Specifically, civil society should push for the inclusion of an explicit account of the link between revenue management and poverty. The process offers a high-profile, official opportunity to make the case that the state has a duty to ensure citizens receive the benefits they are due from their country's mineral resources.

Whatever the approach chosen, it is clear that civil society has a right to hold their governments and extractive companies to account for the management of mineral resource revenues.

Figure 1: Possible opportunities for civil society interventions in national poverty policy processes to ensure more responsible revenue management

Stage 1 **Analytical work:** research into causes of poverty, reflecting diverse experiences (eg regions).	Civil society can use Participatory Poverty Assessments to show that the lack of transparency and good management of resource revenues is a key factor in preventing the reduction of childhood poverty.
	Budget monitoring can show what funds are reaching local levels.
Stage 2 **Strategy formulation:** identification of policies used to trigger poverty reduction.	Participatory analysis of expenditure and investment policies, for example, can emphasise to officials and 'experts' the importance of good revenue management and transparency.
Stage 3 **Approval** at country level then by IFI Boards: debt relief and concessional lending now become available.	Public approval of the proposed strategy is crucial at this stage (although it may need to be pushed by civil society as this element is often ignored by authorities). Scrutiny of transparency and resource revenue policies should occur.
Stage 4 **Implementation:** agreeing responsibilities at government/local level. Monitoring/revision of strategy.	Participatory monitoring will enhance people's awareness of their rights and build civil society capacity. Allocation of roles to civil society is useful in agreeing acceptable standards for transparency and accountability.
Stage 5 **Impact assessment:** retrospective evaluation of the PRSP so lessons may be drawn out for future versions.	Even if essential changes have not been made, inclusion of these can be sought in the next version of the PRSP. Participatory evaluation also helps civil society share their grievances/positive feedback with government and other stakeholders.

Conclusion

This overview of the impact of extractive industry operations on child poverty is by no means comprehensive. It does not seek to examine the manifold effects of the environmental impact of the industry, for example. Nor does it fully address the responsibility of some groups – for instance, multilateral institutions such as the UN, IMF and World Bank – to ensure responsible revenue management.

But what it has sought to do is to focus on positive, achievable ways in which the main stakeholder groups can ameliorate or even banish many of the economic and social problems caused by the extractive sector, whether directly or indirectly.

In ensuring mineral resource extraction brings benefits for ordinary citizens, including children, national governments have a duty to institute transparent, non-corrupt management of mineral resources on behalf of their citizens. Depending on the democratic space available, civil society can play a vital role in calling their governments to account for the use of resources. Donors and international financial institutions need to support governments and civil society in improving transparency and resource management.

But, in many ways, it is extractive companies that are well placed to trigger change. By promoting transparent business practices and publishing revenues and payments, they can help generate more accountable government, an environment more attractive to appropriate investment, and an improved development outlook. For the children whose lives are being destroyed by conflict and collapsing services, the leadership of these companies could make a real difference to their survival and development.

Notes

[1] The term 'minerals' is used in the report to encompass the raw materials of the oil, gas and mining extractive industries
[2] Paul Collier, Director, Development Research Group, World Bank, *Economic Causes of Civil Conflict and their Implications for Policy*, 15 June 2000
[3] Save the Children (2000) *War Brought Us Here: Protecting children displaced within their own countries by conflict*, London, Save the Children UK
[4] Save the Children UK, Christian Aid and Oxfam GB, *No End in Sight: The human tragedy of the conflict in the Democratic Republic of Congo*, August 2001, available at www.reliefweb.int/library/documents/2001/oxfam_drc_06aug.pdf
[5] This figure is for the period 1975–1995. Average per capita growth rate is less impressive when measured up to 2000, probably due to the effects of HIV/AIDS (see Table 1)
[6] See www.publishwhatyoupay.org
[7] Article 1 of the UN General Assembly Resolution 1803 (XVII) 'Permanent Sovereignty Over Natural Resources' states: "The right of peoples and nations to permanent sovereignty over their natural wealth and resources must be exercised in the interest of their national development and of the well-being of the people of the State concerned". This was adopted 14 December 1962.
[8] See note 2
[9] Source of data: World Development Indicators 2000, World Bank
[10] Figures from Michael Renner (2002) *The Anatomy of Resource Wars*, Worldwatch Institute, Washington, DC
[11] See note 3
[12] Clearly, Botswana's HIV/AIDS crisis could severely dampen this progress – a distressing setback to this otherwise encouraging success story
[13] UNDP Human Development Report 2002, available at http://hdr.undp.org/default.cfm.
[14] *UNCTAD Investment Policy Review: Botswana*, Geneva, September 2002, p. 19
[15] See *IMF Manual on Fiscal Transparency*, Chapter 1: Clarity of Roles and Responsibilities. Available at www.imf.org/external/np/fad/trans/manual/sec01a.htm
[16] David Hoffman, *Oil and Development in Post-Soviet Azerbaijan*, National Bureau of Asian Research (NBR) Publications, NBR Analysis: Vol 10, No. 3, August 1999, p. 13
[17] David L Goldwyn, 'Revenue sharing', presentation to IGAD (Inter-Government Authority on Development) symposium, July 2002
[18] Julia Devlin and Michael Lewin, World Bank, 'Issues in Oil Revenue Management', presentation for World Bank/ESMAP (Energy Sector Management Assistance Programme) Workshop on Petroleum Revenue Management, 23–24 October 2002, Washington, DC, p. 7, available at www.ifc.org/ogmc/pdfs/MichaelLewin.pdf
[19] Ibid., p. 10
[20] Ibid., p. 9
[21] ECON and the Fridtjof Nansen Institute, Norway (2000) *Petro-states – Predatory or Developmental?*, p.14
[22] See note 14
[23] Tyrell Duncan, Keith Jefferis and Patrick Molutsi, 'Botswana: Social development in a resource-rich economy' in Santosh Mehrotra and Richard Jolly (eds) (1997) *Development with a*

Human Face: Experiences in social achievement and economic growth, UNICEF/Oxford University Press, p. 116

[24] Terry Lynn Karl (1997) *The Paradox of Plenty: Oil booms and petro-states*, University of California Press, p. 118

[25] Hussein Mahdavy, *The Patterns and Problems of Economic Development in Rentier States: The Case of Iran* in M A Cook (ed) (1970) Studies in Economic History of the Middle East, Oxford University Press, p. 443

[26] see note 23

[27] UNDP Human Development Report 2002, available at http://hdr.undp.org/default.cfm. Figures for 1995–2000 and 1999, respectively

[28] Save the Children UK Position Paper, *Conflict and Oil Investment in Sudan*, May 2002, p. 1

[29] Save the Children UK and Oxfam joint paper to BP Amoco, 'We should not stand for this' July 2000, p. 4

[30] See note 16

[31] UNICEF Country Statistics, February 2002, available at www.unicef.org/statis/Country_1Page11.html

[32] Professor Paul Stevens, Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee, Scotland, 'Resource Revenue Management Scorecard', presentation to the Workshop on Petroleum Revenue Management, World Bank, 23 October 2002

[33] DFID/HM Treasury, International Finance Facility, January 2003, available at www.hm-treasury.gov.uk/documents/international_issues/global_new_deal/int_gnd_iff2003.cfm

[34] Fiona King, '*What price peace?*' Children and Development, Issue 2, June 2002, Save the Children UK

[35] See www.publishwhatyoupay.org

[36] Announcement by BP's Head of Exploration and Production, Richard Olver, made in early 2001, as detailed in 'Angolagate' special report, *Upstream* magazine, 21 February 2002

[37] See www.dfid.gov.uk

[38] For a set of key questions specifically for businesses operating in conflict-affected countries, see Save the Children UK, *Business and Conflict:* Presentation to the UN Global Compact, 21 March 2001

[39] Nicholas Howen (2001) *Peace-building and Civil Society in Angola: A role for the international community*, FCO/DFID-commissioned report, p. 42

[40] Save the Children undertakes programmes in the DRC including emergency preparedness, livelihood protection, reunification of children with their families and other child protection activities, in many areas of the country, including Goma, Bukavu, Ituri and Mbujimayi

[41] See note 4

[42] UK All Party Parliamentary Group on the Great Lakes and Genocide Prevention, *Cursed by riches: Who benefits from resource exploitation in the DRC?*, November 2002, p. 3

[43] Annex III, Final Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth in the Democratic Republic of Congo, S/2002/1146, 15 October 2002

[44] See note 4

[45] See note 7

[46] Bishops letter, *The Church and Poverty in Central Africa: The case of oil*, AFROL news article, 18 July 2002

[47] The full UNCRC is available at www.unicef.org/crc/crc.htm

[48] Transparency International Global Corruption Report 2003, pp. 264–5
[49] Edetaen Ojo, *Facing obstacles in Nigeria: The ongoing struggle for access to information,* in Transparency International Global Corruption Report 2003, p. 58
[50] See the Save the Children manual: Magnus Lindelow (2002) *Holding Governments To Account: Public expenditure analysis for advocacy* which describes how civil society can participate in the budget process
[51] Ibid p. 83
[52] The Panos Institute (2002) *Reducing Poverty: Is the World Bank's strategy working?* p. 28
[53] Ibid
[54] Rachel Marcus, John Wilkinson and Jenni Marshall, *PRSPs: Fulfilling their potential for children in poverty?*, Journal of International Development 14 (7)
[55] Marta Foresti (Save the Children UK), John Wilkinson (Save the Children UK) and Max Lawson (Oxfam GB), *What role for civil society in monitoring poverty reduction policies?*, discussion paper for the European Evaluation Society Conference, Seville, October 2002
[56] IDS (2000) *Participation in PRSPS: A synthesis of experience with participatory approaches to policy design, implementation and monitoring,* , UK, IDS Working Paper 109
[57] Rosemary McGee and Andy Norton, *Poverty Reduction Strategies: A part for the poor?*, IDS Policy Briefing Issue 13, April 2000, p. 3
[58] See note 52
[59] See *Ignoring the Experts: Poor people's exclusion from poverty reduction strategies*, Christian Aid Policy Briefing, October 2001, p. 20
[60] In particular, the flow diagram 'Where participation fits in' *in Poverty Reduction Strategies: A part for the poor?*, IDS Policy Briefing Issue 13, p. 2 offers a basis for such analysis