

## Progress Report- 2015

### Strengthening the Governance of Extractive Industries for Sustainable Human Development

**Background:** The EI sector is a vital sector in Asia and the Pacific. Countries in the region are among the largest producers and consumers of fossil fuels and mineral resources in the world. The region accounts for nearly half of the global production and consumption of oil and gas, and around 70 percent of mineral products such as coal, copper, iron, nickel and zinc. Although the EI sector is vital for modern economies, the very nature of extraction is environmental destructive. Further, lack of a strong governance framework of the EI sector can exacerbates existing challenges that have broad repercussions on the overall governance, inclusive economic development, environment protection, human rights, conflict, and gender equality in the region.

To address the multiple challenges posed by the EI sector, the Regional Programme Document for Asia and the Pacific, 2014-2017, of UNDP's Bangkok Regional Hub (BRH) in line with the UNDP's Strategic Plan (2014-2017), and the 2012 global strategy on Supporting Sustainable and Equitable Management of the Extractive Sector, calls for a multidimensional and interdisciplinary approach to address multiple challenges of the EI sector in Asia-Pacific.

Towards this end, BRH has established a multi-disciplinary development solutions team (DST) to bring together its different practice areas to provide integrated support to countries in the region. BRH focus on addressing the multi-dimensional challenges associated with EI sector from five perspectives:

- Governance [legal and institutional framework, capacities for implementation of laws, policies and programmes, HRs (indigenous people), anti-corruption and oversight, civic engagement]
- Social and economic policies [regulations i.e. licensing etc., revenue management, green economy, distribution of revenues for social services, employment policies, CSR, etc.,]
- Environment [sustainable land and water management, pollution control, restoration of degraded land, climate change mitigation and adaptation, access to energy]
- Conflict [Exclusion of local communities and stakeholders from decision making, contested land rights(traditional/communal rights vs. state decision to allocate land for mining), inadequate benefit sharing, unwillingness to address EI sector in peace processes]
- Gender [women's political and economic participation, gender based violence]

The **Strengthening Governance of Extractive Industries for Sustainable Human Development** project funded by BCPR (now BPPS) was initially designed to fund preparatory activities for a larger regional programme. The project was further extended till end of 2016.

**Progress made:** the EI for sustainable development (EI4SD) is an emerging area of work for UNDP BRH. Countries in the region are increasingly recognizing the importance of addressing the various challenges of the EI sector to improve overall governance, reduce the negative social and environmental impact, and ensure that the revenues are used to provide basic services to the public. However, countries are also grappling to develop new ways and means to address the multiple challenges of the EI sector.

Activities were implemented in four countries (Indonesia, Mongolia, Pakistan and the Philippines). Table one shows progress made so far and the activities planned for 2016.

BRH also developed a regional programme document on EI4SD, which is yet to be funded.

Table two provides the expenditure report for 2014-2015, and budget for 2016.

**Table one: Progress Made in 2014-2015**

INTENDED OUTPUTS & INDICATORS OF CHANGE	BASELINE & OUTPUT TARGETS	INDICATIVE ACTIVITIES	Progress Made	2016 Activities
<p><b>Output 1:</b> Countries are supporting informed policy and programming on EI in line with the UNDP strategy</p> <p><b>Output Indicators:</b></p> <ol style="list-style-type: none"> <li>1. Number of governance risk assessments supported</li> <li>2. Number of plans supporting EI for sustainable human development developed</li> <li>3. Harmonized tool for EI risk assessment in place and data and knowledge on regional status of EI increased</li> <li>4.</li> </ol>	<p><b>Baseline 2014:</b> A number of countries in the region have direct or indirect ad hoc interventions impacting EI</p> <p><b>Targets for Year 1 (2014):</b></p> <ul style="list-style-type: none"> <li>- Risk/governance assessments initiated in at 2 countries</li> <li>- Integrated programming for EI in line with UNDP Strategy initiated in 2 countries</li> </ul> <p><b>Targets for Year 2 (2015):</b></p> <ul style="list-style-type: none"> <li>- Risk assessments completed in 4 countries</li> <li>- Integrated programming for EI in line with UNDP</li> </ul>	<ol style="list-style-type: none"> <li>1. Undertaking integrated country risk assessments focusing on contexts specific risks, including governance and legal framework, social, economic, environment and gender impacts in selected countries, to identify areas for UNDP support.</li> <li>2. Developing integrated plans/projects for support together with selected countries based on the risk assessments</li> </ol>	<p><b>Progress:</b> Integrated scoping missions (Indonesia, Mongolia and the Philippines) helped to identify challenges and identify programming options for UNDP Country Offices to strengthen contribution of EI to sustainable development.</p> <p>In <b>Indonesia</b>, support was provided to the development of Coal Mining Road Map, Feasibility Study on Sovereign Wealth Fund in Bojonegoro, and the development of Mining Governance Index with the Anti-Corruption Agency (KPK). The governance index will be used to assess the quality of governance in extractives sector at the provincial level.</p> <p>In <b>Mongolia</b>, preparatory activities were completed and experts were hired to conduct three studies:</p> <ol style="list-style-type: none"> <li>a. Mining revenue allocation study</li> <li>b. Consultancy on Responsible mining</li> <li>c. Study on Corruption Risk mitigation</li> </ol>	<ol style="list-style-type: none"> <li>1. On-going studies in Indonesia, Mongolia, Pakistan and the Philippines completed</li> <li>2. Final country reports on EI produced.</li> </ol>

	Strategy initiated in 4 countries		<p>The three studies will be completed in 2016.</p> <p>In <b>Pakistan</b>, a mapping and analysis of constitutional, legal, institutional and financial aspects of the EI governance is currently being conducted.</p> <p>In <b>the Philippines</b>, the GREENR project supported local and national consultations on governance of the mining sector. The project also brought together all the oversight institutions to discuss their role in strengthening environmental governance in the Philippines.</p>	
<p><b>Output 2:</b> Regional data, knowledge and tools are generated and disseminated</p> <p><b>Output Indicators</b></p> <ol style="list-style-type: none"> <li>1. Number of tools for extractive industries risk assessment adapted/developed</li> <li>2. Number of regional learning/exchange initiatives held</li> <li>3. Number of awareness/advocacy products supported</li> </ol>	<p><b>Baseline 2014:</b> Lack of analytical knowledge about the impact of extractive industry on human development in Asia Pacific</p> <p><b>Targets for Year 1 (2014):</b></p> <ul style="list-style-type: none"> <li>- standard tool for governance risk assessment adopted for the region (or adapted from the GI)</li> </ul>	<ol style="list-style-type: none"> <li>1. Developing regional research and knowledge sharing strategy and plan</li> <li>2. Supporting South-south exchanges on EI and regional events for knowledge, capacity building and advocacy</li> <li>3. Defining full scope of intervention at regional level and adequate support and lessons documented for the eligible countries on a demand basis.</li> </ol>	<p>Two draft knowledge products were produced in 2014 – one ) overview paper of the EI sector in Asia-Pacific</p> <p>Two) mapping and gap analysis tool</p> <p>A regional South-South Exchange and Training meeting was held in Bangkok in October 2015. The meeting brought together over 80 UNDP staff, experts, and partners to share information on addressing multisectoral challenges of extractive sector</p>	<ol style="list-style-type: none"> <li>1. Study on EI revenue sharing between central and local produced</li> <li>2. Regional meeting on SDGs and EI organized.</li> </ol>

<p>4. APRC EI Regional Project adopted and partially funded</p>	<ul style="list-style-type: none"> <li>- regional repository of data on EI in place</li> <li>- One meeting held at regional level to document and brainstorm on EI progress</li> </ul> <p><b>Targets for Year 2 (2015):</b></p> <ul style="list-style-type: none"> <li>- Full-fledged regional project for EI developed and resourced targeting 4 to 6 countries</li> <li>- Depending on demand, up to 4 countries have received support and launched country initiatives on EI</li> <li>- Two regional meetings held to document and brainstorm on EI progress</li> </ul>		<p>Activities are already implemented in four countries (see progress under output 1)</p> <p>A regional pro-doc was developed.</p>	
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Table two: Expenditure report

<b>Country</b>	<b>Expenses and commitment in 2015</b>	<b>Projected Budget 2016</b>
Indonesia	69295.69	40,000
Mongolia	19728.25	45,000
Pakistan	48130.11	15,000
Philippines	81836.77	40,000
Regional (including GMS +DPC)	69051.07	35,000
GMS+DPC		18983.51
<b>Grand Total</b>	<b>288041.89</b>	<b>193,983.51</b>