



Combating corruption in the extractive industry in Africa

Annie Barbara Chikwanha (PhD)

Combating corruption in the extractive industry in Africa

Annie Barbara Chikwanha

This paper was produced as part of the project *Exploring New Approaches and Strategic Entry Points for Anti-Corruption Efforts*, financed by the Swedish International Development Cooperation Agency (Sida)

Introduction

‘The state’s capacity to mobilize and extract financial resources is the core of state capacity and the foundation for the state’s ability to realize its other capacities.’¹

The 2014 report of the High Level Panel on Illicit Financial flows in Africa, chaired by Thabo Mbeki (known as the Mbeki Panel), has drawn attention to the urgent need to strengthen African efforts to fight corruption and combat illicit financial flows from the region.² Anti-corruption efforts by the African Union (AU) member states have been floundering for a number of reasons, including lack of regulatory and enforcement capacity. The quality of the regulatory and institutional frameworks in Africa presents a formidable challenge to reforming the extractive industry in order to achieve transparency and accountability.³ The state of public services’ governance regimes in most of the continent’s countries affects the implementation of reforms, while enforcement of laws is greatly discouraged by rent-seeking behaviour, which is even more pronounced in extractive-sector investments.⁴ These issues, together with sophisticated private-sector-induced corruption, mean that national extractive systems fail to design and implement reforms that would minimise corruption. Oversight institutions also lack capacity and independence. Overall, prosecuting systems are not autonomous, under-resourced, and lack the skills and infrastructure needed to combat corruption.⁵ As more natural resources are found in Africa, rent-seeking bureaucratic tendencies continue to result in the transfer of wealth from the economy to a few political elites, perpetuating the label of the resource curse.

Corruption in the extractive sector (oil, gas and mining) has a clear supply side: the extractive companies, and an equally clear demand side: the bureaucrats and politicians. This makes it essential to use a definition of corruption that captures both sides of the divide. The ‘circumventing of formally agreed or implicit rules for decision making (in the public or private sector), or the use of personal inducements to achieve institutional and/or personal objectives,’⁶ aptly captures the various dimensions of corruption in the extractive industry and gives indications of possible corrective measures.

Irrespective of the natural resource under scrutiny, the extractive sector’s value chains, from extraction to utilisation of the revenues, and the institutional and policy frameworks for each mineral’s value chain are riddled with corruption challenges. The nature of the resource determines the actors that dominate that specific

product market and these, in turn, determine the types of corruption that emerge. In the African oil sector, for example, big conglomerates and state-owned enterprises dominate the market and deal directly with senior-level politicians. ‘High oil revenues in Africa are associated with poor governance, lack of economic and social development, lack of respect for basic human rights and increased poverty’ in the midst of abundance.⁷ The incipient gas sector appears to be following a similar trend. ‘Emerging developments in the gas and oil sectors in East African countries, such as Mozambique, Tanzania, Uganda, Kenya and Madagascar,’ could become a testing ground for strengthening the Mbeki Panel’s recommendations on anti-corruption mechanisms in the gas extractive regime. In mining, there are many actors (research, extraction, refining, designing, marketing) and multiple layers of trading networks involved (miners, middlemen, exporters), and this again varies from mineral to mineral and country to country. New entrants to the African market, such as the Chinese, tend to deal at a political level with top officials in all their investment ventures. This effectively sidelines public institutions, such as investment centres and relevant ministries, when negotiating for mining rights.

Overall, prosecuting systems are not autonomous, under-resourced, and lack the skills and infrastructure needed to combat corruption

The contribution of revenues from mineral resources to national development in African governments is affected by their vulnerability to tax-evasion practices. These fraudulent acts are a symptom of the low institutional capacity to enforce tax compliance. In South Africa, where there are big corporations, the kind of corruption that triggers illicit financial flows is highly sophisticated. Driven by rich multinational corporations and wealthy individuals with the capacity to do sophisticated tax planning, illicit financial flows result in complex transfer pricing and trade under-invoicing. For instance, in developing countries, oil companies tend to do the accounting for tax payments, rather than governments, because of their capacity. In the absence of stringent auditing measures by governments, opportunities for manipulation therefore arise.⁸ Where artisanal miners dominate, as is the case in Sierra Leone and the Democratic Republic of the Congo (DRC), chains of middlemen dominate the industry, and complex webs that involve politicians and public officials are the norm across all mineral markets.

At the regional level, 'The plethora of African institutions mandated with curbing corruption have largely failed due to poor institutional capacity and the lack of political will in domesticating and implementing anti-corruption protocols. Instead, many of these institutions have remained inward servicing as they struggle with capacity constraints.' A good example is the African Union Advisory Board on Corruption (AUABC), which since its inception has largely concentrated on getting the rules and procedures of the work of the board in place, and has clearly failed to initiate any substantive work on the implementation of the African Union Convention on Preventing and Combating Corruption (AUCPCC), which was adopted in July 2003. A major criticism levelled against all anti-corruption institutions in the continent is the preoccupation with 'grand' corruption. Administrative corruption, which affects the majority of the poor, however, does not get as much attention – yet it is core to the creation of equitable opportunities, which would enable all to benefit from the effective use of public resources. 'There is a need to strengthen provisions in the national codes of conduct for institutions that provide public goods and services and, more importantly, to ensure enforcement and compliance.'⁹

Systematic corruption is a feature of large investments with large rewards taking place in the upper echelons of the administrative system

Boyce and Ndikumana's study on illicit financial flows in 33 sub-Saharan African countries estimated capital flight in the region to be around US\$505.4 billion for the period 1970–2010.¹⁰ Net trade misinvoicing contributed an additional US\$204.8 billion to total capital flight, and unrecorded remittances US\$104 billion.¹¹ African states have been struggling to institutionalise their anti-corruption infrastructure and have not complied with agreed-on regional or international standards. Active domestication of anti-corruption protocols compels countries to take steps to ensure that their commitments are reflected in national legislation and regulation, but this requirement is also wanting. Although 34 countries have ratified the AUCPCC, reviewing and reporting on the protocol implementation remain sluggish. The instruments for reporting are not fully developed and there is neither a system nor the capacity to engage with the substantive content of member state reports.

This report identifies the corruption challenges that African countries face in their extractive value chains and attempts to give recommendations for entry points for

external actors in supporting capacity building to deter corruption and illicit financial flows.

Predominant forms of corruption in the extractive industry

All types of corruption, incidental, systematic and systemic, are pervasive in the extractive sector. Incidental corruption by small-scale operations affects local communities directly and this form of corruption has increased in the last decade as a result of penetration by Chinese investors, who are operating in the artisanal mining sector and forestry, and collude with local authorities for permission.¹² Systematic corruption is a feature of large investments with large rewards taking place in the upper echelons of the administrative system. This form is more organised and involves a significant portion of public officials. Systemic corruption is the most devastating form, as the entire governance system becomes prone to fraudulent tendencies. With systemic corruption, the legal and regulatory systems are open to manipulation, and particularism defines the 'laws and regulations to create opportunities for rent-seeking and private wealth accumulation.'¹³ The presence of all these forms of corruption has contributed to the continued use of bribery and extortion in investors' extractive strategies and exporting decisions in the region.¹⁴ All three conditions identified by Klitgaard (1988) that allow corruption to flourish are prevalent in most African countries. These are monopoly, discretion and lack of accountability.¹⁵ A concise understanding of the dynamics at play among these three elements is critical in designing anti-corruption strategies.

The main form of corruption that occurs in the extractive industry is through illicit financial flows, where the capital is very often legal but the transactions are often illicit. This takes place through corporate and individual tax abuse, and the abuse of market regulations and administrative regulations. However, illicit financial flows that involve illegal capital still occur through corruption, theft of state assets and criminality, and these are more prevalent in failed states.

Bureaucratic discretion

All extractive legislation, especially that concerning mining, 'contains ministerial and/or bureaucratic discretion when it comes granting mineral titles and development permits for mining projects.'¹⁶ Corruption in the public sector is therefore defined by the discretion that officials have in allocating those titles and permits, and the accountability that they face for their decisions. In neopatrimonial bureaucracies, there are rarely any

consequences. ‘As discretion increases and accountability decreases, the potential for corruption grows.’¹⁷ Political elites abuse this discretion to plunder and loot their countries’ natural resources through various mechanisms, such as signature bonuses, facilitation fees and royalty payments, which get diverted into personal accounts. Companies are known to pay bribes to gain contracts. In 2013 Reuters and Petroleum Africa reported on the arrest of Pietro Varone, the former head of Italian company Saipem’s engineering division, for his alleged role in bribe payments to win a series of contracts in Algeria worth around US\$10.6 billion between 2007 and 2010.¹⁸ Since wide discretionary powers and considerable monopoly power increases the gain from public office,¹⁹ restructuring the extractive sector’s legal and institutional is important

Capital flight

Capital flight, or the illicit movement of capital across borders, occurs through the ‘smuggling of foreign exchange and mispricing of international trade.’²⁰ Aided by bank secrecy and tax-evasion tactics, illegally acquired funds are concealed outside the country of origin. Part of the solution to this is transparency and greater enforcement in the foreign-exchange system.

Misinvoicing

Without a system capable of monitoring extraction, companies very often ‘manipulate the reported values of their transactions to lower the amount of foreign exchange to be surrendered to governments. Export receipts are reduced and imports are inflated.’²¹ The difference between the understated export revenue values and the declared value of imports is then retained abroad. ‘Over-invoicing therefore allows importers to obtain extra foreign exchange from the central bank on favourable terms, which can then be transferred abroad. Under-invoicing and outright smuggling allow importers to evade customs duties and regulations.’²² This is a clear pointer to the need to monitor and track extracted volumes and quantities that are exported.

Transfer pricing and tax evasion

With more global trade occurring intra-company, the amount of taxable profits is reduced significantly. ‘Transfer pricing provides a convenient route for international companies operating in the natural-resource sector in Africa to maximise their profits while evading their key corporate-tax responsibilities.’²³ According to the Natural Resource Governance Institute, Zambia could be losing around \$500 million ‘a year in mining tax revenue due to transfer pricing by international mining companies.’²⁴

Box 1: Scope of corruption

- According to the OECD, an estimated 20% of foreign bribery cases analysed involved the extractive industry.²⁷
- Africa loses US\$148 billion a year to corruption – much more than it receives in aid; 33 countries received a total of US\$659.5 billion in official development assistance and attracted US\$306.4 billion in foreign direct investment between 1970 and 2010.²⁸
- In Africa an estimated US\$50 billion every year is lost to illicit financial flows which equals 5.7% of Africa’s GDP and exceeds public spending on health.²⁹
- Capital flight is highest in the oil-exporting countries, with Nigeria leading the pack with a total capital flight of US\$311 billion, followed by Angola at US\$84 billion, and in third place Côte d’Ivoire with US\$56 billion.³⁰
- Nigeria: A parliamentary task force revealed that an estimated US\$6.8 billion was lost between 2010 and 2012 as a result of corruption and mismanagement involving transfers of fuel subsidies. The Petroleum Revenue Special Task Force identified losses of US\$29 billion resulting from natural-gas mispricing, along with missing payments connected to concessions and production-sharing arrangements.³¹ Another report by anti-corruption activist Nuhu Ribadu showed Nigeria lost as much as US\$100 billion in oil and gas revenue between 2000 and 2012.³²
- Zambia lost US\$17.3 billion (in real 2010 prices) in illicit capital flight in the period between 1970 and 2010, mostly through unaccounted-for balance-of-payment movements as well as transfer mispricing. This manipulation of prices in trade was by multinational companies operating in different tax jurisdictions.³³
- Zimbabwe lost US\$12 billion in illicit financial flows over the last three decades.³⁴ In December 2013, the minister of finance revealed during the presentation of the 2014 national budget that the government had not received any diamond dividends in 2013. Reports by the Zimbabwe Environmental Law Association confirmed this, pointing out that only one of the seven companies operating in the Marange diamond fields had made a modest effort at transparency and accountability by publicly disclosing its diamond revenue.
- Between 2010 and 2012, the DRC lost at least US\$1.36 billion in revenues from the underpricing of mining assets sold to offshore companies. Across five deals, assets were sold on average at one-sixth of their estimated commercial market value. Assets valued in total at US\$1.63 billion were sold to offshore companies for US\$275 million. The beneficial ownership structure of the companies concerned is unknown.³⁵

Table 1: Types of corruption in the mining value chain

Value position	Corrupt act
Cost-benefit analysis of decision to extract	In the absence of a cadastre, ³⁶ there is ample room for preferable investors that are open to underhand deals.
Securing prior informed consent	Bribery of local authorities; disregard for environmental concerns; political slush funds
Legal framework for exploration and extraction	In the oil sector specific terms are determined by contracts, hence transparency gets lost; preparation of draft legislation by lobbyists
Contracts	Tax avoidance through subsidiaries in no-tax jurisdictions; signature bonuses
Extraction	Under-reporting of extracted volumes and of export volumes; extracting outside of concession; inflating operating costs; disregard for procurement procedures and over-invoicing of imports; disregard for social compensation
Exporting	Under-invoicing of exports; transfer pricing; transferring taxable income from one affiliate to another; embezzlement by state marketing companies
Taxes and royalties	Non-transparency in funds derived from extractive sector; undertaxation; non-payment of income into the treasury
Use of revenue	Use of revenue

Incidence of corruption in the extractive industry in Africa

The extractive sector is very vulnerable to corruption in developing countries. This sector has the potential to pull Africa out of poverty, but in most of the countries the benefits are lost through weak governance regimes. Transactions in the sector are shrouded in secrecy and deals tend to contain confidential clauses, with the result that neither the public nor legislators are able to access information about either the processes or the content of transactions.²⁵ This secrecy nurtures corruption and deprives local communities of developmental resources. Although natural-resource exploitation accounts for much of the positive growth experienced in a number of African countries, it is also responsible for the high poverty levels that are accompanying the changing structure of growth. Zambia is one such country that experienced this phenomenon (during the period 2004–2008), largely driven by the mining and construction industries.²⁶

The governance and corruption challenges along the mining value chain are shown in Table 1 and this value chain reflects government's responsibilities in the extractive sector. This developmental-oriented value chain makes it possible to understand the role the state should play in each step in the extractive industries' operations. The types of corruption shown in Table 1 require different levels of capacity and monitoring tactics in response. They also give pointers on which

institutions are to be targeted for capacity building and technical support.

Bolstering state capacity in the fight against corruption

Many African countries struggle with the collection and management of revenue. The large revenue flows in the extractive sector require adequate extractive and administrative state capacity. Raising revenue is a critical function of the state, embodying a set of capacities that undergird state power.³⁷ Failure to enforce compliance with tax policies denotes low state capacity.³⁸ For instance, 'southern Africa's mining sector is plagued by tax regimes that are unfavourable to host governments.'³⁹ Coupled with low or absent auditing capacity, 'uneven and inadequate enforcement by tax authorities, corruption' and the connivance with public officials, extensive under-reporting of production volumes and underpricing of minerals take place on a large scale.⁴⁰ States that lack capacity have limited capabilities in their provision of public goods, such as human security, healthcare, and the social and physical infrastructure that promotes human development.⁴¹

'There are many forms of compliant behaviours that could be used as an indicator of state capacity, but compliance with state efforts to mobilise resources stands out in the literature on the state.'⁴² For the purposes of this paper, state capacity is viewed as the ability of the state to control and encourage compliant

Table 2: Corruption and public administration

Country	Corruption Perceptions Index 2014	Firms that bribed public officials (%) (2008–2012) ⁴⁴	Quality of public administration and professionalism ⁴⁵ (rank 100 = highest) (2008–2011)	Rule of law ⁴⁶ (1 = lowest, 10 = highest) (2012)
Angola	19	48.9	34	3.5
Botswana	63	7.3	n/a	8.0
DRC	22	65.7	n/a	2.8
Eritrea	18	0.0	n/a	1.3
Ethiopia	33	4.0	72	2.8
Gabon	37	41.8	n/a	n/a
Ghana	48	n/a	55	7.5
Malawi	33	10.8	79	5.8
Mozambique	31	n/a	n/a	4.8
Namibia	49	n/a	n/a	7.3
Nigeria	27	n/a	51	5.8
Senegal	43	n/a	n/a	5.3
South Africa	44	n/a	77	7.0
Kenya	25	n/a	68	5.5
Tanzania	31	n/a	69	6.0
Uganda	26	n/a	74	6.0
Zambia	38	n/a	n/a	6.0
Zimbabwe	21	7.2	52	3.0

Sources: Compiled from Transparency International, World Bank Enterprise Surveys, Global Integrity and Bertelsmann Transformation Index⁴⁷

behaviour from actors in the extractive sector. 'Administrative capacity is much broader, and includes the ability to develop policies, produce and deliver public goods and services, and regulate commercial activity.'⁴³ Judging by the governance indicators collected by several agencies (see Table 2), most African countries fare badly at administrative capacity. This makes it necessary to scrutinise the linkages between corruption and low state capacity with the aim of strengthening overall capacity to control, prevent and monitor fraudulent activities in the extractive industry.

Governance of the mining sector remains a minefield in Africa. Whereas governments ought to act to optimise value for their citizens, capacity problems in exploration, extraction, refinement, sales and distribution of income all create opportunities for corruption.

The probability of detecting corruption in the extractive sector is low because of the generally high complexity in

the value chains, which vary from mineral to mineral. The convoluted mining governance regimes in the continent have remained fragmented and scattered across many institutions in the face of highly centralised regulatory processes. A good example is the complex and confusing mining regime in Zimbabwe, where miners have to deal with a disintegrated legal and administrative system that covers 45 Acts, 60 statutory instruments, 15 ministries and 20 local boards that are directly involved in mining.⁴⁸ This system also overlaps with the mining commissioners in Zimbabwe's six mining regions, who issue licences in their jurisdictions and adjudicate in disputes.⁴⁹ The commissioners, like the others in the system, report to the permanent secretary in the Ministry of Mines and Mining Development. If this weren't complicated enough, the President's Office issues 'special mining grants', which override any other grants given by any of the other offices. The influx of new actors (mostly Chinese) in the extractive industry in Zimbabwe,

and in Africa in general, has pushed up the demand for exploration permits. This scenario creates a perfect breeding ground for corruption and has simultaneously triggered a move towards greater transparency in the management of mining rights.

Countries often have different levels of capacity along the extractive value chain. For instance, in Zambia, mining companies do not encounter many obstacles to 'registering their enterprises.⁵⁰ Problems arise from obtaining exploration, mining and mineral-processing licences. The process can be very cumbersome, costly and time-consuming,' and this creates room for corruption to hasten the processes.⁵¹ Overall, Zambia's mining 'policies are more responsive to investors than to its communities. Challenges in the sector include outdated policies, the absence of cadastre and geographic information systems, which all contribute to delays in the issuance of rights.⁵²' In Nigeria, the Nigerian Petroleum Directorate, which determines oil companies' royalties due to the government, unearthed major deficiencies in staff capacity.⁵³ In the mining ministry in the eastern DRC, mining officials were unaware of the new mining code for months after it had been passed. Again, staff shortages in the DRC's Geological Survey Division of the Ministry of Mineral Resources constrain the ministry's ability to regulate diamond mining.⁵⁴

Many countries have established anti-corruption institutions, but the capacity to translate these blueprints into action and policy is not always there

Neopatrimonial tendencies also weaken African institutions, as loyalty to the leadership determines all transactions. Subservience to political leaders and the malleability of African institutions permeate public bodies, complicating the continent's bargaining power in negotiating contracts. A good example is the experience of the diamond fields in Zimbabwe. Taking into account the nature of the state in that country, it is worth questioning whether Zimbabwe's mining and treasury systems were prepared for the sudden massive inflow of revenue from diamonds. This is an important question, considering that mining investment deals in the country are signed by the Presidency and the legislation around mining was originally designed to cater for the dispersed numerous mining concerns. This has resulted in the discretionary management of mining rights in Zimbabwe. Madagascar, which also has a neopatrimonial leadership style, is another

example of a country where the growing demand for mining permits is set to increase political interference in the transparent management of mining-rights.⁵⁵

Gaps in international and regional anti-corruption initiatives

Despite the public 'treaties, laws and other legal frameworks that define the relationship between governments and private companies, the actual contracts between governments and companies in the extractive sector largely remain closed to public scrutiny.⁵⁶ To increase transparency in the extractive industry, a number of initiatives have been launched at the international and regional levels. African countries are at various stages of domesticating most of these regional and international guidelines, though progress generally has been slow. Although many countries have established anti-corruption institutions, the capacity to translate these blueprints into action and policy is not always there. Many of the initiatives were articulated on the assumption that there was capacity to implement the measures. However, low administrative capacity in most African states makes it difficult to comply with the normative guidelines (see Table 3).

Regional and sub-regional initiatives on anti-corruption and mining governance

The AU architecture on anti-corruption and mining

Though the AUCPCC was adopted in 2003, it came into effect only in 2010 and, to date, over 20 countries are still to ratify it. Most of those that have signed the African Union Anti-Corruption Convention are party to the UN Convention against Corruption (UNCAC). The AUCPCC requires states parties to adopt legislative and administrative measures to criminalise a prescriptive list of offences considered as corrupt practices. States parties are also expected to adopt legislation and practices for regulating foreign companies' operations; to strengthen national anti-corruption mechanisms; adopt internal accounting and auditing; and ensure public awareness and education on the scourge of corruption.

The fight against corruption in Africa has been let down by the ineffectiveness of the AUABC, an autonomous body within the AU in terms of Article 22 of the AUCPCC, which is mandated with implementing

Table 3: International anti-corruption initiatives

Initiative	Weaknesses
<p>The Kimberley Process – a joint initiative of governments, civic groups and the private sector – aims to limit the unregulated sale of rough diamonds as a source of funding for conflict.</p>	<ul style="list-style-type: none"> • Difficulties in stopping revenue leakages – illicit trade continues as diamonds get routed via legitimate sources. • Entire supply chain, from extraction, trading and manufacturing, has weak regulation and oversight. • Process only applies to rough diamonds, hence polished diamonds slip through the system and the misclassification of countries of origin is used to evade the process.⁵⁷
<p>The Publish What You Pay coalition, a global network of over 300 non-governmental organisations promotes mandatory disclosure of the payments made by oil, gas and mining companies to governments.</p>	<ul style="list-style-type: none"> • Initiative lacks enforcement powers. • The reported payments need confirmation by auditors. • Emphasis is on fiscal transparency only; there is also a need for contract transparency.
<p>The World Bank's Extractive Industries Value Chain approach aims to facilitate sustainable development through the Sustainable Energy, Oil, Gas and Mining Unit, through which it identifies key steps to enhance governance: the procedure of awarding mining titles; regulation and monitoring during operations; collection of taxes and royalties; allocation of revenues; and implementation of sustainable-development projects.</p>	<ul style="list-style-type: none"> • Although it gives technical advice for capacity development and overall extractive industry sector-related advisory services,⁵⁸ the initiative has minimal impact in the absence of other stakeholders to act as watchdogs. • The approach requires other stakeholders to have capacity to track and monitor extractive activities.
<p>The Extractive Industries Transparency Initiative (EITI) attempts to ensure transparency in the extractive sector, so that revenues from the extractive industries contribute to sustainable development and poverty reduction. Oil, gas and mining companies in participating countries have to publish what they pay to governments, and governments must publish what they receive from companies. Different stakeholders are expected to confront issues of systemic corruption, poor governance, poverty and conflict. Of the 20-plus countries committed to the EITI principles and criteria, 14 are African countries.</p>	<ul style="list-style-type: none"> • Impact remains low – focus is on flows between government and companies, leaving out inter-company and intra-corporation transactions, which serve as channels of corruption and tax evasion, notably through transfer pricing. • Reporting is insufficiently disaggregated by company and by projects, with the result that it does not allow full disclosure of transactions. • Reliance on weak civil-society mechanisms to enforce government and corporate-sector accountability. • The initiative's voluntary nature means it depends on political and business will to report figures accurately.
<p>The Natural Resource Governance Institute (formerly the Revenue Watch Institute), helps citizens realise the benefits of their countries' endowments of oil, gas and minerals. The institute works with governments, media and the private sector to ensure accountability.</p>	<ul style="list-style-type: none"> • Relies on governments' political will to implement its recommendations
<p>In August 2012 the US Securities and Exchange Commission issued final rules to implement Section 1504 of the Dodd-Frank Act, requiring US-registered companies to publicly report how much they pay governments for oil, gas and minerals. This is the most comprehensive initiative so far.</p>	<ul style="list-style-type: none"> • Excludes companies outside the US – this best practice would only work if it manages to exert pressure on governments of other developed countries to follow suit and enact similar comprehensive anti-corruption regulations- it does not have own mechanisms for enforcement.

Initiative	Weaknesses
<p>International Financial Reporting Standards (IFRS), set by the International Accounting Standards Board in London, are the accounting rules that govern and influence much of the financial disclosure by the world's oil, gas and mining industry.</p>	<ul style="list-style-type: none"> • Harmonisation of accounting standards not very successful because of minimal technical support given to developing countries, if any. • Some South Africa companies listed on the Johannesburg Stock Exchange have failed to comply with the IFRS (introduced 1 January 2005)⁵⁹
<p>Intergovernmental Forum on Mining, Mineral, Metals and Sustainable Development developed the Mining Policy Framework, tabled during the 19th session of the UN Commission on Sustainable Development in May 2011, in New York. Of the 49 members, 27 are African countries. Delegates recognise the work of the forum, including the policy framework for the mining sector, as a way to provide a systemic approach for developing mining in a way that promotes sustainable development. The policy was presented as a compendium of best practices for governments to deal with the full range of issues related to mining.</p>	<ul style="list-style-type: none"> • Outlines the key elements and best practices required for good environmental, social and economic governance but is held back by political will. • More of a political platform to express goodwill.
<p>The UN Global Compact helps companies embark on long-term, sustainable and inclusive development in Africa. Businesses are encouraged to avoid corruption using the guidance from the UN Global Compact's 10th Principle Against Corruption, and large companies are urged to support small and medium enterprises.</p>	<ul style="list-style-type: none"> • Places all responsibility on businesses to self-regulate. • Assumes state capacity to enforce laws/compliance.

decisions emanating from the policy structures of the AU on anti-corruption. The AU convention confers to the AUABC the responsibility to support member states in adopting measures to prevent, detect, punish and eradicate corruption, and the authority to ask for reports and review the status of the convention's implementation. The AUABC is an authoritative channel for driving anti-corruption initiatives, as its oversight of meetings of national anti-corruption bodies gives it a vantage position for initiating rigorous monitoring of the extractive industry at the national level. In line with its African Governance Platform⁶⁰ mandate, the AUABC is also a focal structure for civil-society participation on corruption in Africa – hence it is ideally positioned to receive reports on corrupt acts in the extractive sector from civil-society organisations (CSOs) and recommend action. If it had sufficient capacity for this role, the AUABC would drive African and global partners in collective anti-corruption efforts and bring stakeholders together.

After a number of years in existence, the AUABC, however, remains weak and has not really been able to deliver on its initial strategic plan. It has failed to take a

proactive role in leading the anti-corruption fight and has been beset with corruption problems itself. To date, the AUABC does not operate in line with its mandate and is still run by an acting commissioner. Recently, efforts to turn this around were made by the AUABC, when, in October 2015, it unanimously adopted Nigeria's president, Muhammadu Buhari, as a champion to play a leading role in efforts to rid Africa of corruption. Buhari's ongoing anti-corruption initiatives in Nigeria have clearly sent signals throughout Africa on the need for disciplined leadership in the fight against corruption. The AUABC's activities have therefore remained symbolic, as they mostly recognise and amplify demonstrations of integrity by national leaders and anti-corruption institutions.⁶¹

UN Economic Commission for Africa

The UN Economic Commission for Africa (UNECA) initiated the Regional Anti-Corruption Programme for Africa, a more holistic initiative, in collaboration with the AUABC since 2011 (to run until 2016).⁶² The programme has contributed to raising awareness of illicit financial flows from Africa through the AU-appointed Mbeki Panel⁶³ by combining 'policy research and analysis with

training and capacity development; through peer learning, information sharing and documentation of best practices on anti-corruption; by means of a policy dialogue platform; and by hosting special events on corruption in Africa.⁶⁴ The project has conducted research for the Mbeki Panel and emphasises tackling corruption across all the levels: national, sub-regional and regional. Most of the comprehensive work on illicit financial flows in Africa was carried out by the UNECA in support of the AU.

The UNECA has attempted to support national anti-corruption institutions and regional initiatives, such as the ‘pan-African Body of National Anti-Corruption institutions and sub-regional networks of national anti-corruption institutions.’ Non-state actors, like CSOs, the media and the private sector, are also mainstreamed into the UNECA’s anti-corruption agenda.⁶⁵ Through the use of a former statesman, the initiative has targeted African heads of state, and some CSOs have jumped on the bandwagon and are initiating studies at a national level to lobby their governments. Beyond this, however, the work of the commission has not exerted the invisible and visible power to compel governments to take action on the scourge. Implementation of the recommendations from the studies remains in abeyance for a number of reasons.

African Tax Administration Forum

The African Tax Administration Forum (ATAF) was established⁶⁶ as a response to the problems in the tax systems that are listed in Box 2. The intention was to promote cooperation and collaboration among African revenue services, and pool capacity-building efforts.⁶⁷

The ATAF’s aims are to support the adoption of ‘a new approach to African taxation, state building and capacity development by establishing and developing bilateral and continental networks that will regularly exchange ideas on best practices on all issues of taxation.’⁶⁸ The forum also engages in dialogue with counterparts from OECD countries, and multilateral and other organisations on sustainable partnerships in support and development of African tax administrations, systems and institutional capacity.⁶⁹ The body covers, among other issues, transfer pricing, tax avoidance and tax evasion, focusing on two extractive sectors – oil and gas. Current efforts are concentrated on combating tax evasion and avoidance through cooperation and by exchanging information. The forum has 35 member states and its contribution in addressing illicit financial flows has been acknowledged by the Mbeki Panel.

The UK provided £250 000 in 2014/15 to the ATAF’s core budget to support its contribution to capacity building in

African tax administrations and to strengthen African representation in international tax debates.⁷⁰ The UK government’s Department for International Development is one of the five regular donors to the ATAF’s core budget (the others being Norway, Germany, Switzerland and Ireland). The ATAF has been battling to build capacity across its member states and in 2011 it established an Exchange of Information and Tax Treaties Working Group, which is made up of six senior officials with experience in tax treaties and knowledge of other international tax matters.⁷¹ This working group, in consultation with technical advisors, identified certain issues as priority areas for 2011/12. Some of the group’s recommendations to the ATAF Council that have been implemented⁷² are as follows (some of these are still works in progress):⁷³

- In 2012 ATAF’s Tax Treaties Working group developed an African Agreement on Mutual Assistance on Tax Matters, which facilitates tax information exchange between African countries to help combat tax evasion.
- ATAF was to provide technical assistance on specific national issues, such as support to the Uganda Revenue Authority on the review of the East African Community’s (EAC) double taxation agreement and tax treaties.

Box 2: Tax administration challenges in Africa

- Lack of treaties as instruments for exchange of information in several African countries.
- Lack of communication as to who are designated competent authorities as only point of contact for requests for exchange of information between countries and/or regular updates on any changes.
- Inadequate legislation and regulatory framework to ensure availability of information for exchange purposes.
- Ineffective legislation to ensure access to information for exchange purposes.
- Lack of capacity and capability in some tax administrations to deal with requests for exchange of information.
- Limited participation by ATAF member countries in the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Source: Elizabeth Storbeck, Capacity building on tax treaty administration, presented at the joint meeting by Financing for Development Office of the UN Department of Economic and Social Affairs, and the International Tax Compact, Rome, 28 January 2013, www.un.org/esa/ffd/wp-content/uploads/2014/10/20130128_Presentation_Storbeck.pdf

- ATAF was to establish an ATAF transfer-pricing working group, exchange of information and tax-treaties working group, and indirect-tax working group, which worked to deliver, for example, a web-based transfer-pricing knowledge database, a practical guide for developing countries on exchange of information and guidelines of taxation in the telecommunication industry.
- In March 2014 the OECD held a series of regional consultations on the proposed changes to rules on base erosion and profit shifting, and the ATAF was the body through which the consultation in Africa was conducted. The ATAF has developed a mechanism for members' input into the global tax dialogue. This is a consultative mechanism for collating their views and feeding these into wider regional and international debates, and it has held a number of structured engagements with multilateral partners to discuss key issues affecting the region. These include engaging with the African Development Bank, the East and Southern African Association of Accountants General, and the Southern African Development Community (SADC).
- The ATAF subsequently set up its own Base Erosion and Profit Shifting Expert Working Group to identify key issues for Africa on this agenda, as well as to respond to the OECD process.
- The ATAF carried out needs assessments, developed a common Africa position on international tax issues, and fed the findings into the international tax agenda, including to the OECD's Base Erosion and Profit Shifting programme.
- ATAF conducted an Africa tax outlook study and published the ATAF regional studies on reform priorities of the six sub-regions to identify key reform needs.
- The ATAF established the Tax Academics Research Network, which aims to enhance the research capacity of tax researchers in Africa through relevant institutions.
- The ATAF is currently developing a Community of Practice and has drawn up Community of Practice Guidelines, which are now approved by the ATAF Council. The Community of Practice includes the African Organisation for Supreme Audit Institutions and the Collaborative African Budget Reform Initiative.
- ATAF member countries participate in the Global Forum on Transparency and Exchange of Information.

- ATAF facilitates multiparty negotiations for its member countries.
- ATAF encourages the adopting of internationally accepted standards of transparency and exchange of information.
- ATAF is in the process of establishing a database on competent /delegated authorised representatives of its members.

The ATAF is clearly overwhelmed by the demands for technical support from tax authorities, especially in the extractive sector, and this is an area that requires strengthening.

The African Peer Review Mechanism

The African Peer Review Mechanism (APRM) reviews private-sector governance in member countries; it has completed reviews in 17 member countries. These reviews are an entry point for addressing governments' efforts in combating private-sector corruption in general through the section on corporate governance. Calls for the mechanism to include a separate section on natural-resource governance have been made by various entities – but this is yet to happen. Unfortunately, the APRM remains a troubled voluntary exercise and its recommendations are not binding on governments, as it relies solely on the goodwill of member states. This august initiative has stopped working. The last reviews were conducted in 2012 and there has never been a mechanism to follow up on the implementation of recommendations.

The African Parliamentary Network Against Corruption

The APNAC is a network intended to coordinate and strengthen the capacity of African parliamentarians to fight corruption and promote good governance.⁷⁴ APNAC's core areas of focus are in advocacy and anti-corruption efforts, geared towards ratifying and domesticating anti-corruption protocols and conventions. Its other focus areas include facilitating the passing of anti-corruption legislation; training and capacity building for its members on anti-corruption issues; civic education through public-awareness campaigns; thematic issues; and collaboration with anti-corruption policy groups. The APNAC's greatest weakness is that it needs capacity building on the extractive industry. Nevertheless, it serves as a tool for lobbying the Pan-African Parliament and connecting the outcomes to the national level.

Regional initiatives on anti-corruption and mining governance

At the regional level, progress in preventing corruption has been seriously wanting. SADC, the Economic Community of West Africa States (ECOWAS) and the EAC have tried to put in place anti-corruption protocols. The SADC Protocol Against Corruption was adopted by the SADC heads of state and government in August 2001 with the intention of promoting the development of anti-corruption mechanisms at the national level, cooperating in the fight against corruption by states parties and harmonising national anti-corruption legislation in the region.⁷⁵ Fifteen years later, at the time of writing, the SADC protocol is yet to be implemented.⁷⁶ The heads of states have not mustered the political will 'to honour their pledge following the adoption of the protocol, namely that preventative and effective measures would be put in place to ensure full implementation of the protocol by member states.' The Southern African Forum Against Corruption continues to express concern at this failure to have put into practice the instrument since the protocol came into force in July 2005.

The ECOWAS Protocol on the Fight Against Corruption was adopted by 16 member states in December 2001 but is still to come into force. ECOWAS's ambition was to establish a technical commission to monitor the implementation at both the national and sub-regional levels. The commission is meant to gather and disseminate information on corruption and assist state parties with capacity.

The EAC's Protocol on Preventing Corruption is yet to be adopted. Plans for the draft proposal first appeared in 2007. Effecting these protocols in line with the African Union Anti Corruption Convention (AUACC,) UNCAC and the AU's Africa Mining Vision (AMV) would go a long way to enhance the capacity of regional anti-corruption agencies to monitor compliance in the extractive sector.

The AMV was crafted in 2009 with the intention of steering the continent towards transparent and optimal exploitation of its mineral resources. This was a response to Africa's ever sluggish development trajectory – even though the continent is very well endowed with mineral wealth. Many new resources are being discovered in Africa and countries are set to see rising profits if corruption is curbed. If the AMV were to be implemented effectively across the continent, there is a high possibility that momentum towards broad-based sustainable growth and socio-economic development will pick up. With the AMV reinforcing the anti-fraud and anti-bribery

principles in Africa's anti-corruption protocols, it will strengthen the promotion of good governance and movement towards 'a transparent and accountable mineral sector – one in which resource rents are optimised and used to promote broad economic and social development.'

The AMV aims to enhance capacity in auditing, monitoring illicit financial flows and regulating the sector, leading to the possible emergence of robust institutions in the mining sector. Even the artisanal mining sector is set to become more organised and regulated. Regional Economic Communities (RECs) have followed the guidelines of the AMV in formulating and harmonising their mineral policy strategies, and several African countries, such as Mozambique, Ethiopia, Lesotho and Tanzania, have used the AMV to reform their legal and regulatory mining frameworks.

Many new resources are being discovered in Africa and countries are set to see rising profits if corruption is curbed

Some anti-corruption initiatives are at the regional/REC level. A good example is the Southern Africa Resource Barometer,⁷⁷ which was designed to assist parliaments with the capacity to assess and monitor the management of their countries' extractive industries throughout the value chains of each precious mineral. The SADC-Parliamentary Forum adopted the barometer in October 2013. This barometer brings together all interested stakeholders, including civil-society activists, selected mining companies and community members.

To give another example, the heads of state of the International Conference on the Great Lakes Region adopted the Regional Initiative against the Illegal Exploitation of Natural Resources to curb the abuse of minerals in conflicts in the region. This includes a database to track the trade in minerals in the region, a regional mineral tracking and certification scheme, formalisation of the artisanal and small-scale sector, and a mining whistle-blowing mechanism. The initiative's impact is not yet known.

Other regional entities that could be used to strengthen the national-level institutions are the Southern African Forum Against Corruption (SAFAC) and Business Action Against Corruption (BAAC).⁷⁸ SAFAC has a mandate to build the capacity of the anti-corruption institutions, so they can effectively investigate, prosecute and prevent corruption, and to provide public education. Established

in 1998, SAFAC is a network of anti-corruption agencies from the region and representatives of government ministries. By connecting SAFAC to the regional level, the body can therefore act as a forum for all national-level anti-corruption agencies that will then engage with the AUABC as one.

BAAC, an initiative based on the view that combating corruption requires broad coalitions across all stakeholder groups, aims at including the international private sector in the anti-corruption fight, pushing for reforms and overcoming entrenched interests in the process. BAAC brings together SAFAC, the African Institute for Corporate Citizenship, the West Africa Business Association (based in Cameroon), and the Commonwealth Business Council. This provides an angle for bringing the corporate sector into the debate on curbing corruption in the extractive sector – especially since Shell International is the current chair of BAAC.⁷⁹ Shell can be used to mobilise the private sector to join the initiative.

Civil-society organisations

CSOs that advocate greater corporate social responsibility and ending corruption in the extractive industry are to be found in all African countries. Like-minded networks of CSOs also exist at the regional level. There has been a more pronounced response by CSOs, however, in countries where there have been recent discoveries of mineral deposits. And where there has been an influx of Chinese investors, there has been more reaction and better organisation by CSOs. Where gross human-rights abuses have occurred – as is the case in Zimbabwe's Marange diamond fields – CSOs reacted vociferously and have scaled up their work to include documenting illicit financial flows from the mining sector. For instance, the Centre for Natural Resource Governance in Zimbabwe is partnering with international actors to conduct more research in this field and lobby the legislature for reforms. In Malawi the Civil Society Action Against Corruption (CSAAC) was initiated and implemented by the African Institute of Corporate Citizenship in partnership with Action Aid.⁸⁰ The CSAAC was launched in September 2006 with the aim of complementing government efforts in the fight against corruption.⁸¹ Such national networks make it easier to support development that is focused on the extractive sector. The key challenge will be making such initiatives felt at the grassroots level, where citizens experience some of the effects of corrupt mining activities.

History shows that national-level initiatives that are designed from the top down are not sustainable, hence

CSOs offer a workable solution. A good example of a top-down approach is the Malawi Leaders' Forum on Building Alliances to Eliminate Corruption, which was initiated in 2005 with support from Malawi's president as a multi-stakeholder effort to fight corruption. The round-table discussions, known as the Business Code of Conduct for Combating Corruption in Malawi, launched in February 2007, are no longer taking place.

Media

There are concerted efforts in capacity building for investigative journalism in the extractive sector in Africa. The culture of silence around key issues, such as royalty and tax agreements, budgets and spending, has discouraged the local media in many instances from scrutinising extractive-sector deals signed by governments. Though many countries have investment centres that ought to take the lead in negotiating the investment deals, many investor agreements are in fact signed out of the public gaze by presidents in the name of state security. Journalists find their operating environments very treacherous and often exercise self-censorship when it comes to reporting on mining agreements. This situation is also worsened by the fact that many journalists on the continent lack the foundational knowledge and financial support that would enable them to embark on investigative journalism in the extractive sector. Such capacity building initiatives on investigative journalism are taking place on a very small scale at Uganda's African Centre for Media Excellence, the Institut Supérieur de l'Information et de la Communication in Guinea and the Environmental Association of Tanzania.

National-level challenges: Oversight

Many anti-corruption strategies in Africa have been designed with explicit reference to the UNCAC. Considering that pan-African discourse emphasises African solutions for African problems, aligning the evolving national anti-corruption mechanisms with the respective RECs, the AUCPCC and the UNCAC would therefore present a more feasible means of implementing the protocols and mobilising the human resources needed to monitor compliance.

A 2007 National Democratic Institute study noted that 'political and institutional constraints are the principal stumbling blocks to improved management and oversight of the extractive industries.'⁸² Legislative oversight of the extractive sector is often difficult for lay

parliamentarians, who lack technical knowledge of the industry.⁸³ The highly sophisticated and well-informed private-sector industry intimidates legislators, who already lack confidence to influence legislation, push for new policies or oversee the extractive industries. Further challenges arise from the fact that the oil and gas industries have contracts containing ‘confidentiality clauses, signature bonuses and production-sharing agreements.’⁸⁴ The mining sector has more challenges than the oil and gas industries because of its expansiveness and the diversity of minerals.

Despite these weaknesses, however, some proactive legislatures, such as those of Nigeria and South Africa, have enacted legislation to ensure sustainable corporate activities in the mining sector.⁸⁵ This extends to frequent requests for information from the executive, so that the legislature can conduct oversight and investigatory activities. These country-level initiatives are modeled on the Norwegian legislature, which ‘plays an important role in overseeing management of the oil and gas industry in the country.’⁸⁶ Through organisations that have a wide reach, such as the Global Organization of Parliamentarians Against Corruption, which serves as a forum for legislators to exchange information, best practices and lessons learnt on a number of policy issues, and capacity building for African legislatures regarding the extractive sector can all be part of the agenda.⁸⁷ Capacity building for the legislative branch of government would significantly improve the oversight and management of African countries’ natural resources by initiating collaborative mechanisms for monitoring revenue collection from the extractive industry and its use. The legislature would be able to take on board the interests of civil society and citizens.

To combat illicit financial flows, and in particular the under-reporting ‘of mineral export earnings, the Zambian government recently enacted a law for monitoring international transactions’ (Government of Republic of Zambia, 2013).⁸⁸ ‘The Bank of Zambia (Balance of Payments) Regulation, enacted as Statutory Instrument No. 55, which came into effect on 1 July 2013, applies to all international transactions, including profits, dividends, remittances, loans granted to non-residents and investments abroad by persons resident in Zambia, among other things. The law also applies to payments for imports and settlement of private external debt, on the principal and interest cost.’⁸⁹ The government also established integrity committees in 13 public institutions, including organisations dealing with extractive-sector investors, such as the Zambia Revenue Authority, the Ministry of Lands and some local authorities in mining districts. Zambia’s National Anti-Corruption Policy and

the National Corruption Implementation Plan were launched in 2010. The impact of these is yet to be felt.

Zambia acknowledged lack of capacity in regulating the mining industry – and this phenomenon is not unique to Zambia. Box 3 lists recommendations made during Zambia’s APRM self-assessment report and reveals the gaps in fighting corruption in that country. That local anti-corruption protocols were left out of the

Box 3: APRM recommendations for Zambian initiatives aligned to the UNCAC

- Promotion of professionalism of the public service through enhanced systems of recruitment, hiring, retention, promotion and retirement of public servants that are based on merit, transparency and objective criteria in line with Article 7 of the UN Convention; further simplification of administrative procedures in public institutions (in line with Article 10 of the UN Convention) in order to enhance service delivery.
- Need to enhance protection of whistle-blowers and witnesses, and protection of citizens against false reports in line with Article 32 of the UN Convention. A bill has been prepared on whistle-blower and witness protection.
- Need to enhance the law on declaration of assets, gifts, liabilities and interests by public officers in line with Article 8 of the UN Convention in order, among others, to extend this law to other public officers in addition to the cabinet ministers and Members of Parliament.
- Enhanced access to public information in line with Article 10 of the UN Convention. The Freedom of Information Bill was tabled in Parliament and underwent first reading, but was withdrawn because of numerous inadequacies. It has yet to be presented again for consideration by the National Assembly.
- Address inadequacies in internal controls and enforcement mechanisms in public institutions in line with Article 9 of the UN Convention, as not all public institutions have internal audit units and committees.
- Address inadequacies in regulation of the private sector, in terms of lack of mandatory requirement of codes of conduct/ethics to govern the sector.

Source: Zambia APRM Country self-assessment report, 2010. aprm-au.org/admin/pdfFiles/Country-Review-Report.pdf

recommendations may signal mistrust with the entire system. The ideal situation would be to connect all the mechanisms and narrow down recommendations to the implementing agency, so that responsibility can be tracked. The case of Zambia also illustrates the failure to link the anti-corruption mechanisms designed in line with the UNCAC to the national and regional mechanisms. Such linkages would allow for better local monitoring and scrutiny of the initiatives' implementation. Parliament would certainly have an upper hand in such a scenario, as it would dovetail with administrative mechanisms that legislators would be familiar with.

A case of good natural-resource governance: Botswana

The case of Botswana is an example par excellence of good governance and management of natural resources for development. Though private companies lead the production process, the government's tax regime is believed to benefit from an estimated 75% of the profits through taxes, royalties and dividends.⁹⁰ The country's stable political system emphasises attributes such as transparency, accountability and commitment to citizen welfare. Meanwhile, a consistent political commitment has nurtured a properly regulated extraction, processing and marketing system for Botswana's national resources, while sound public-private partnerships have put citizens at the centre of the extraction-for-development drive. Botswana's 'key to successfully harnessing its natural resources lies in good governance and good policies. It is a country that has been largely free of kleptocracy and civil conflict.'⁹¹ 'It has maintained a transparent, law-abiding government that has implemented good policies, including a hyper-prudent fiscal policy, which has done much to diversify foreign-exchange earnings and prevent the volatility that typifies many resource-based economies.'⁹²

Reported levels of corruption are relatively low in Botswana and these partly reflect preventative action taken by the government in developing new legislation and anti-corruption structures by emulating the approaches taken elsewhere in the world, especially in Hong Kong, which include a three-pronged attack of detailed investigation, corruption prevention and public education.⁹³ Separate bodies that were 'specifically set up and designed to deal with corruption problems, rather than imposing extra burdens on existing law-enforcement agencies,' explained the success in the countries that Botswana looked to.⁹⁴ Botswana's Corruption and Economic Crime Act 13 of 1994 led to the establishment of the Directorate on Corruption and

Economic Crime.⁹⁵ The directorate operates 'independently of government structures, with the director reporting to the president, and prosecution decisions being taken by the attorney-general.'⁹⁶ It has powers of investigation, arrest, and search and seizure, and is widely recognised as being an effective anti-corruption agency.⁹⁷

Despite all these noble achievements, however, Botswana does not subscribe formally to the EITI. The reasons given for this are the 'confidentiality of the revenue-sharing agreements with De Beers and Debswana, and a desire not to give away confidential commercial information to competitors.' 'Botswana has generally been relatively open regarding receipts from the mining industry. The annual budget documents clearly state total revenues received from minerals. However, this is not broken down by company or by mineral.'⁹⁸

Botswana's key to successfully harnessing its natural resources lies in good governance and good policies

A lean mining governance structure with well-defined functions has also helped to ensure the smooth functioning of Botswana's extractive sector. The government manages the extractive industries through the Ministry of Minerals, Energy and Water Resources, which coordinates development and operational activities in the energy, water and minerals sector.⁹⁹ The ministry also provides leadership and policy direction to relevant departments and parastatals, such as the Department of Geological Survey, the Department of Mines, the Department of Energy Affairs and the Department of Water Affairs. 'The inter-ministerial Minerals Policy Committee, comprising permanent secretaries and the attorney-general, provides overall policy guidance and takes the lead in mining negotiations.'¹⁰⁰

Botswana has also diligently avoided the worst aspects of resource nationalism. It has never nationalised mining companies or tried to run mining operations directly.¹⁰¹ Instead, it has entered into long-term partnerships and joint ventures with transnational companies, 'with the government enjoying an ownership stake in all major mining operations through carefully worked-out revenue- and risk-sharing agreements.'¹⁰² By promoting private-sector investment in the mining sector, and ensuring that it has capacity when entering into

negotiations with transnational mining companies, the government has been able to enter into agreements that have benefited Botswana considerably. By avoiding the low-tax incentives route, and instead favouring an open and transparent policy regime, with zero tolerance for corruption and no political interference, Botswana has created confidence in investors that they can operate in a stable and sustainable manner. The restructuring that took place in the country's diamond industry increased the government's share in that industry to 50% and gave it a greater say and role in the 'operations of De Beers, and access to significant dividends from De Beers's profits.'¹⁰³

By implementing these good-governance policies, Botswana has managed to overcome the threat of the resource curse. Putting in place the following measures also helped Botswana successfully manage its natural resources:¹⁰⁴

- Dutch disease was avoided mainly by government investment in public goods and infrastructure, high fiscal saving, limited consumption and reduced pressure on domestic price inflation (a typical problem in natural-resource booms). This resulted in a surplus on the balance-of-payments current account, and heavy government investment in infrastructure and human capital (Basdevant 2008).¹⁰⁵ The government also took measures to help boost productivity by limiting parastatals and avoiding import substitution policies.
- The volatility curse was overcome by unlinking public expenditure from revenue. The government established savings funds and avoided typical pro-cyclical behaviour and real exchange rate volatility.
- Current predictions are that diamond revenues will begin declining in 2016 and could be exhausted by 2029. Botswana has therefore adopted many appropriate policies to prepare for the depletion of its mineral base by accumulating funds for the future, building infrastructure, and investing in health and education, thus spreading the benefits of the windfall over time.
- Some of the government savings took the form of offshore investments, which directly limited real exchange rate depreciation and diversified the sources of future foreign-exchange revenues.

Autonomous oversight institutions in Botswana have clearly played a role in good natural-resource governance. Meanwhile, in West Africa, Nigeria has been

trying to clean up its extractive-sector governance system for a while. At the national level, Nigeria's Extractive Industries Transparency Initiative (NEITI)¹⁰⁶ sends out the right signals, although corruption appears to remain insurmountable in the country. This is despite the publishing of independent audits of payments and revenues from oil investments. NEITI disaggregates its revenue reports, making it possible to track the transactions of every company along the value chain. Commissioning external audits of the extractive systems further strengthens the impact of NEITI.

Recommendations: Strategies to fight corruption in Africa's extractive sector

Africa has the laws, policies and institutions to fight corruption. The problem is in the nature of the states, the lack of political will, and the low capacity of officials and oversight mechanisms. Mapping the continent shows many regional-level anti-corruption bodies. Their effect, however, is largely unfelt in combating corruption. Combating corruption effectively in Africa requires a strategic strengthening of the overall African anti-corruption system, rather than a fragmented focus on grand corruption cases and support for select national institutions. The anti-corruption systems for the extractive industry have to be embedded in the service ministries, and this calls for all-round capacity that will trigger a mindset shift and instil enough confidence to encourage the development of a new work ethic that is undergirded by the requisite capacity.

The recommendations below are meant to build on existing anti-corruption efforts. They are arranged in order of importance, as defined by the need to stop the biggest illicit flows

1. It is evident that more technical support to public officials in strategic departments, such as auditing/ the auditor-general and revenue-collection agencies is essential to stem illicit flows. This implies developing capacity for auditors to identify gaps and opportunities for fraud and corruption, and to do comparisons of imports and exports. This support should target the critical parts of the mining value chain, especially imports and exports. Emphasis should be on helping identify information sources and partnerships that will expose illicit material flows.
2. Developing a pool of technical staff in relevant departments (mining and tax) that have capacity to monitor extracted minerals and verify quantities for

export is paramount to preventing illicit flows. Attachments to developed countries where compliance is stronger would provide a good learning environment for staff, as would seconding staff to develop skills among a large pool of staff in relevant departments.

3. Support in devising a system that publicises volumes of extracted resources on a quarterly basis would increase transparency and enable other financial institutions, such as banks, to be more open with their transactions.
4. Support for auditing authorities should be followed by technical support to strengthen public officials' capacity in strategic departments for law enforcement, such as the prosecuting and other regulatory institutions, like the Judicial Complaints Authority, the ombudsman and the judiciary. This is imperative for encouraging compliance and discouraging corruption in the various parts of the extractive sector's value chain.
5. In line with the Mbeki Panel's recommendations, there is a need to strengthen independent institutions and agencies of government responsible for preventing illicit financial flows, including financial-intelligence units, anti-fraud agencies, customs and border agencies, revenue agencies, anti-corruption agencies and financial-crime agencies.¹⁰⁷ These agencies' reports on monitoring and enforcement activities, and findings to national legislatures, also need to be strengthened.
6. More support is needed for national and regional anti-corruption agencies and CSOs by providing the requisite management principles and capacity building. Donors could stimulate peer pressure through more liaisons and exchanges of information – for example, by encouraging linkages to the ATAF. By strengthening anti-corruption bodies and increasing monitoring capacity over African states' adherence to the regional anti-corruption instruments, pressure can be exerted to increase accountability for failure to adhere to adopted instruments that improve governments' effectiveness. Such an approach is essential for oil-rich countries like 'Angola, where tax payments by companies are confidential, budgeted expenditure and actual outcomes are not compared and there are no audit reports.'¹⁰⁸
7. Facilitate capacity-building programmes for legislative bodies and individual legislators to improve extractive-industry management and oversight. This can be done at the national level and through the Pan-African Parliament at the continental level. Policy support from think tanks, academics, CSOs and private-sector experts is essential to support this exercise. Build capacity in oversight institutions, including CSOs, to monitor the disaggregation of information in extractive-industry corporations' operations reports on all 'transactions, including profits, charges, tax payments and liabilities'¹⁰⁹ along the entire value chain.
8. Facilitate linkages of the relevant legislative committees with CSOs that monitor developments in the extractive sector to enhance the capacity and expand the information and knowledge base of the legislature. Civic input would make the committee systems more responsive to constituent concerns.
9. Capacity building for journalists covering the extractive sector is a must for most countries. This should be designed to equip journalists with background knowledge, reporting and investigative skills, and access to sources and experts. Professional mentoring and financial resources are needed to increase the volume and quality of their reporting on oil, gas and mining issues.
10. Supporting CSOs to lobby for freedom-of-information legislation is an effective way of forcing transparency in government actions. There is a need to monitor and disseminate information on corrupt activities, demand accountability from governments and companies, and exert pressure on national and international parties.
11. Different stakeholders (Business associations, CSOs and donors) must support dialogue forums through partnerships that build on existing national and regional mechanisms to enhance capacity to tackle corruption. This means linking regional and autonomous bodies with national anti-corruption networks, banks and trade partners.
12. Donors could support the establishment of extractive-sector desks/liason desks in the RECs to connect national-level anti-corruption efforts to the AMV/AUABC as a means of applying pressure for compliance with both instruments. This would enhance information flows and information sharing at a regional level.

Notes

- 1 S Wang, The construction of state extractive capacity: Wuhan 1949–1953, *Modern China*, 27:2, 2001, 229–261, cited in M Ottervik, Conceptualising and measuring state capacity: Testing the validity of tax compliance as a measure of state capacity, The Quality of Government Institute Working Paper Series 2013:20, 5, www.qog.pol.gu.se/.
- 2 AU/UN Economic Commission for Africa, Conference of Ministers of Finance, Planning and Economic Development, Illicit financial flow report of the High Level Panel on Illicit Financial Flows from Africa, 2014, www.uneca.org/publications/illicit-financial-flows.
- 3 Besada, H.G., Lisk, F. & Martin, P., (2015). Regulating Extraction in Africa: Towards a Framework for Accountability in the Global South. *Governance in Africa*. 2(1), p.Art. 2. DOI: <http://doi.org/10.5334/gia.ah>.
- 4 The concept of rent-seeking also applies to the corruption of bureaucrats who solicit and extract bribes or 'rent' for applying their legal but discretionary authority to award legitimate or illegitimate benefits to clients. See Charles Rowley, Robert D Tollison and Gordon Tullock (eds), *The political economy of rent-seeking*, Springer Science & Business Media, 1988.
- 5 Business Action Against Corruption and the African Institute of Corporate Citizenship, Report on benchmarking anti-corruption initiatives in Africa, 2007, www.baacafrika.org/m/files/fs/aicc_anticorruption_report_en.pdf.
- 6 IE Marshall, A survey of corruption issues in the mining and minerals sector, London: International Institute for Environment and Development, 2001, www.mafhoum.com/press4/119S27.pdf.
- 7 P Le Billon, Extractive sectors and illicit financial flows: What role for revenue governance initiatives? Chr. Michelsen Institute, 2011, www.cmi.no/publications/file/4248-extractive-sectors-and-illicit-financial-flows.pdf.
- 8 Ibid.
- 9 Howard Whitton, Transparency International February 2001 'Implementing Effective Ethics Standards in Government and the Civil Service' <https://www.oecd.org/mena/governance/35521740.pdf>.
- 10 JK Boyce and L Ndikumana, Capital flight from sub-Saharan African countries: Updated estimates 1970–2010, Political Economy Research Institute Research Report, October 2012, http://ayyaantuu.com/wp-content/uploads/2012/10/SSAfrica_capitalflight_Oct23_2012.pdf.
- 11 Ibid.
- 12 A Hirsch, Ghana deports thousands in crackdown on illegal Chinese goldminers, *The Guardian*, 15 July 2013, www.theguardian.com/world/2013/jul/15/ghana-deports-chinese-goldminers.
- 13 Léonce Ndikumana 2013 The Private Sector as Culprit and Victim of Corruption in Africa, Working Paper Series no 330, Political Economy Research Institute (PERI) University of Massachusetts Amherst.
- 14 L Ndikumana, The private sector as culprit and victim of corruption in Africa, Department of Economics and Political Economy Research Institute, University of Massachusetts Amherst Working Paper Series No 330, 2013, <http://citeseerx.ist.psu.edu/>.
- 15 Robert Klitgaard, 1988, University of California Press.
- 16 IE Marshall, A survey of corruption issues in the mining and minerals sector, London: International Institute for Environment and Development, 2001, www.mafhoum.com/press4/119S27.pdf.
- 17 Global Organization of Parliamentarians Against Corruption, 2005 Controlling Corruption- a Parliamentarian's handbook', http://gopacnetwork.org/Docs/CCH_Final_EN.pdf.
- 18 S Ondotimi, EU Accounting and Transparency Directives' claws on Africa's extractive industry, 2014, www.csrinternational.org/.
- 19 Odd-Helge Fjeldstad Jan Isaksen 2008 Anti-Corruption Reforms: Challenges, Effects and Limits of World Bank Support, The World Bank, Washington. <https://www.cmi.no/publications/file/3134-anti-corruption-reforms-challenges.pdf>.
- 20 Dev Kar and Devon Cartwright-Smith 2008 Illicit Financial Flows from Africa: Hidden Resource for Development, Global Financial Integrity http://www.gfintegrity.org/storage/gfip/documents/reports/gfi_africareport_web.pdf.
- 21 Léonce Ndikumana 2013 The Private Sector as Culprit and Victim of Corruption in Africa, Working Paper Series no 330, Political Economy Research Institute (PERI) University of Massachusetts Amherst.
- 22 Léonce Ndikumana 2013 The Private Sector as Culprit and Victim of Corruption in Africa, Working Paper Series no 330, Political Economy Research Institute (PERI) University of Massachusetts Amherst.
- 23 Ibid.
- 24 Alexandra Readhead, March 2016. Transfer Pricing in the Mining Sector in Zambia, http://www.resourcegovernance.org/sites/default/files/documents/nrgi_zambia_transfer-pricing-study.pdf.
- 25 African Development Bank Group.
- 26 SAFIC POLICY BRIEF, 29 October 2014, ResourceLed Development In Zambia: The Role Of The Suppliers TO THE MINES http://www.cbs.dk/files/cbs.dk/briefing_paper_on_the_suppliers_to_the_mines_industry.pdf SAFIC Policy Brief.
- 27 African Development Bank Group, Gold Mining in Africa: Maximizing Economic Returns for Countries, 2012, Working paper series no147, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/WPS%20No%20147%20Gold%20Mining%20in%20Africa%20Maximizing%20Economic%20Returns%20for%20Countries%20120329.pdf>.
- 28 JK Boyce and L Ndikumana, Capital flight from sub-Saharan African countries: Updated estimates 1970–2010, Political Economy Research Institute Research Report, October 2012, http://ayyaantuu.com/wp-content/uploads/2012/10/SSAfrica_capitalflight_Oct23_2012.pdf.
- 29 OECD, 2014, OECD Foreign Bribery - Report and Analysis of the Crime of Bribery of Foreign Public Officials, http://www.integriteitoverheid.nl/fileadmin/BIOS/data/Internationaal/OECD_Foreign_Bribery_Report.pdf.

- 30 JK Boyce and L Ndikumana, Capital flight from sub-Saharan African countries: Updated estimates 1970–2010, Political Economy Research Institute Research Report, October 2012, http://ayyaantuu.com/wp-content/uploads/2012/10/SSAfrica_capitalflight_Oct23_2012.pdf.
- 31 Africa Progress Panel, Africa progress report – Equity in extractives, 2013, <https://africaprogressreport.org/>.
- 32 P Smith, Illicit financial flows: South Africa and Nigeria speak out, *The Africa Report*, 27 June 2014, www.theafricareport.com/West-Africa/illicit-financial-flows-south-africa-and-nigeria-speak-out.html.
- 33 JK Boyce and L Ndikumana, Capital flight from sub-Saharan African countries: Updated estimates 1970–2010, Political Economy Research Institute Research Report, October 2012, http://ayyaantuu.com/wp-content/uploads/2012/10/SSAfrica_capitalflight_Oct23_2012.pdf.
- 34 Inter Press Service, quoting from research conducted by the Africa Forum, Network on Debt and Development, and the Zimbabwe Economic Policy Analysis and Research Unit, 27 October 2014, <http://www.ipsnews.net/>.
- 35 Africa Progress Report, Equity in extractives- Stewarding Africa's Natural Resources for All, <https://www.letemps.ch/sites/default/files/media/2013/05/16/2.1.1323106478.pdf>.
- 36 A cadastre is a public register that denotes public and private land for ownership, mining rights and taxation. For oil, a petroleum data bank would handle that task, as would a hydrocarbon licence management unit. See World Bank, Extractive industries value chain: A comprehensive integrated approach to developing extractive industries, Extractive Industries for Development Series No 3 and African Region Working Paper Series No 125, http://siteresources.worldbank.org/INTOGMC/Resources/ei_for_development_3.pdf.
- 37 Benjamin C. Carbonetti, The Cards Dealt Matter: Rethinking Conceptions of State Capacity, Prepared for Presentation at the 2012 Annual Meeting of the Western Political Science Association March 22-24, Portland Oregon. <https://wpsa.research.pdx.edu/meet/2012/carbonetti.pdf>.
- 38 JK Hanson and R Sigman, Leviathan's latent dimensions: Measuring state capacity for comparative political research, 2013, http://faculty.maxwell.syr.edu/johanson/papers/hanson_sigman13.pdf.
- 39 P Le Billon, Extractive sectors and illicit financial flows: What role for revenue governance initiatives? Chr. Michelsen Institute, 2011, www.cmi.no/publications/file/4248-extractive-sectors-and-illicit-financial-flows.pdf.
- 40 Ibid.
- 41 M Ottervik, Conceptualising and measuring state capacity: Testing the validity of tax compliance as a measure of state capacity, The Quality of Government Institute Working Paper Series 2013:20, 5, www.qog.pol.gu.se/.
- 42 Ibid.
- 43 Alexander Heichlinger, Barcelona Nick Thijs, Julia Boss 2015 Strengthening Administrative Capacity Building (ACB) to Public Sector Innovation (PSI): Building Blocks and Successful 'Bridges', http://www.eipa.eu/files/repository/eipascope/20141125143637_EIPASCOPE_2014_ALH_NTH_BOS.pdf.
- 44 World Bank Enterprise Surveys, Enterprise Surveys- What Businesses Experience, <http://www.enterprisesurveys.org/>
- 45 Global Integrity, Global Integrity Report 2011 <https://www.globalintegrity.org/research/reports/global-integrity-report/global-integrity-report-2011/>.
- 46 Bertelsmann Stiftung, 2012, Bertelsmann Transformation Index/ BTI 2012, Political Management in International Comparison, <https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/transformation-index-bti-2012/>.
- 47 Corruption Perceptions Index by Transparency International measures the degree to which corruption is perceived to exist among public officials and politicians. High numbers indicate less perception of corruption, whereas lower numbers indicate higher perception of corruption. Data collected from Transparency International, <https://www.transparency.org/cpi2014>; AGI Data Portal, https://www.agidata.org/site/Report.aspx?report=IDA_REPORT&country=6, World Bank Enterprise Surveys, Enterprise Surveys- What Businesses Experience, <http://www.enterprisesurveys.org/>, Global Integrity, <https://www.globalintegrity.org/research/reports/global-integrity-report/global-integrity-report-2011/>, Bertelsmann Stiftung, 2012, Bertelsmann Transformation Index/ BTI 2012, Political Management in International Comparison, <https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/transformation-index-bti-2012/>.
- 48 The country continues to make contentious reforms.
- 49 AB Chikwanha, Bricoleurs – The plight of indigenous gold miners in Zimbabwe, (forthcoming).
- 50 Africa Peer Review Mechanism, 2014. Zambia APRM Country Review Report. <http://aprm-au.org/admin/pdfFiles/Country-Review-Report-No-16.pdf>.
- 51 Africa Peer Review Mechanism, 2014. Zambia APRM Country Review Report. <http://aprm-au.org/>.
- 52 Ibid.
- 53 S Bryan and B Hofmann, Transparency and accountability in Africa's extractive industries: The role of the legislature, 2007, www.ndi.org/files/2191_extractive_080807.pdf.
- 54 Ibid.
- 55 World Bank, Governance and development effectiveness review – A political economy analysis of governance in Madagascar, Report No 54277-MG, 2010, http://siteresources.worldbank.org/INTMADAGASCARINFRENCH/Resources/ESW_Gouvernance.pdf.
- 56 Missing reference
- 57 Global Witness, Loopholes in the Kimberley Process, 2007, https://www.globalwitness.org/sites/default/files/import/loopholes_in_the_kimberley_process.pdf.
- 58 World Bank, Extractive industries value chain: A comprehensive integrated approach to developing extractive industries, Extractive Industries for Development Series No 3 and African Region Working Paper Series No 125, <http://>

- siteresources.worldbank.org/INTOGMC/Resources/ei_for_development_3.pdf.
- 59 C. Meyer, M. Stiglingh, & E. Venter, undated. The Extent of Compliance With Income Tax Presentation and Disclosure Requirements in the Financial Statement of Companies in South Africa [http://repository.up.ac.za/bitstream/handle/2263/14476/Meyer_Extent\(2006\).pdf?sequence=3](http://repository.up.ac.za/bitstream/handle/2263/14476/Meyer_Extent(2006).pdf?sequence=3).
- 60 The board is one of the AU agencies that are involved in the African Governance Architecture.
- 61 The acting commissioner of the Anti-Corruption Commission, Shollay Davies, on 18 January 2015 handed over the cash prize of five million leones to each of the two recipients of the commission's 2015 National Integrity Awards. The winners of the 2015 award were the auditor-general of the Audit Service, Sierra Leone, Lara Taylor-Pearce, and a retired public-health worker, Sylvanus Boima. See www.anticorruption.gov.sl/show_news.php?id=575#sthash.5EPbeX9G.dpuf.
- 62 See www.uneca.org/publications/combatting-corruption-improving-governance-africa.
- 63 The Mbeki Panel was established in 2011 by Resolution 886 (XLIV) on illicit financial flows, adopted at the Fourth Joint Annual Meeting of the African Union Conference of Ministers of Economy and Finance and the Economic Commission for Africa Conference of Ministers of Finance, Planning and Economic Development.
- 64 Economic Commission for Africa and the African Union Advisory Board on Corruption, Combating Corruption, Improving Governance in Africa Regional Anti-Corruption Programme for Africa (2011 – 2016), http://www.auanticorruption.org/uploads/Regional_Anti-Corruption_Programme.pdf.
- 65 Ibid.
- 66 See the Website <http://www.ataftax.org/en/about/Pages/History.aspx>.
- 67 Ibid.
- 68 IMF, OECD, UN and World Bank, Supporting the Development of More Effective Tax Systems, A REPORT TO THE G-20 DEVELOPMENT WORKING GROUP <https://www.oecd.org/ctp/48993634.pdf>.
- 69 Ibid.
- 70 The UK's Department for International Development (DFID) has funded the ATAF's core budget in the past (£500 000 over two financial years: 2010/11 and 2011/12), which helped the ATAF establish itself as a credible and effective independent organisation, having previously been part of the South African Revenue Service. The DFID already supports partner countries through in-country programmes, as well as through the newly established DFID-funded HM Revenue and Customs tax capacity unit and is supporting work on tax in 17 out of the 18 African countries that are part of the DFID's 28 priority countries. The DFID also funds the OECD, Global Forum and the International Finance Corporation to provide support to developing countries on specific tax issues for which they have a comparative advantage (transfer pricing and exchange of information).
- 71 E Storbeck, Capacity building on tax treaty administration, presented at the joint meeting by Financing for Development Office of the UN Department of Economic and Social Affairs, and the International Tax Compact, Rome, 28 January 2013, www.un.org/esa/ffd/wp-content/uploads/2014/10/20130128_Presentation_Storbeck.pdf.
- 72 Recommendation was approved in March 2012.
- 73 African Tax Administration Forum, 2013 Annual report, <http://www.ataftax.org/en/Documents/ATAF%20ANNUAL%20REPORT%20ENG%202013.pdf>.
- 74 APNAC Secretariat, 2002 The African Parliamentarians Network Against Corruption (APNAC), Kampala, http://gopacnetwork.org/Docs/APNAC%20Paper_EN.pdf.
- 75 Matsheza Phil, 2001 SADC Protocol Against Corruption-Making it Work, Africa Paper presented at the Africa Workshop : Prague, The Czech Republic: 9th October 2001 http://iacconference.org/documents/10th_iacc_workshop_SADC_Protocol_against_Corruption.pdf.
- 76 The director of the Anti-Corruption Commission of Namibia, Paulus Noa, acknowledged this during the 1st SADC meeting of the Anti-corruption Committee on 29 April 2014. See SADC anti-corruption meeting, Gaborone, *Botswana Daily News*, 1 May 2014.
- 77 Southern Africa Resource Watch, the Southern Africa Resource Barometer, SADC-Parliamentary Forum, 2013, http://www.osisa.org/sites/default/files/southern_africa_resource_barometer_1.pdf.
- 78 Edward G. Hoseah, 2005 The Southern African Forum against Corruption, https://www.igg.go.ug/static/files/publications/SAFAC_Presentation_Bujumbura__by_Dr_Hoseah.pdf.
- 79 Business Action Against Corruption and the African Institute of Corporate Citizenship, Report on benchmarking anti-corruption initiatives in Africa, 2007, www.baacafrica.org/m/files/fs/aicc_anticorruption_report_en.pdf.
- 80 African Institute of Corporate Citizenship (AICC) 2008 Business Against Corruption in Africa-Report on Benchmarking Anti-Corruption initiatives in Africa, http://www.baacafrica.org/m/files/fs/aicc_anticorruption_report_en.pdf.
- 81 Report on benchmarking anti-corruption initiatives in Africa, African Institute of Corporate Citizenship, 2008, www.baacafrica.org/m/files/fs/aicc_anticorruption_report_en.pdf.
- 82 S Bryan and B Hofmann, Transparency and accountability in Africa's extractive industries: The role of the legislature, 2007, https://www.ndi.org/files/2191_extractive_080807.pdf.
- 83 Ibid.
- 84 Ibid.
- 85 Ibid.
- 86 Ibid.
- 87 World Bank Institute, undated, Parliaments Oversight Function & Extractive Industries, http://www.agora-parl.org/sites/default/files/parliamentary_oversight_and_the_extractive_industries.pdf.
- 88 UNDP and EU-UN Global Partnership on Land, Natural Resources and Conflict, Capturing mineral revenues in Zambia: Past trends and future prospects, August 2013, www.un.org/en/land-natural-resources-conflict/pdfs/capturing-

- mineral-revenues-zambia.pdf.
Government of Republic of Zambia.
- 89 UNDP, 2013 Capturing Mineral Revenues in Zambia: Past Trends and Future Prospects, discussion paper <http://www.un.org/en/land-natural-resources-conflict/pdfs/capturing-mineral-revenues-zambia.pdf>.
- 90 P Eigen, Avoiding the resource curse: What can we learn from the case of Botswana? Transparency International, 2005, http://eadi.org/gc2005/confweb/papersps/Peter_Eigen.pdf.
- 91 J Leith, *Why Botswana prospered*. McGill-Queen's University Press, 2005.
- 92 Michael Lewin, 2011 Botswana's Success: Good Governance, Good Policies, and Good Luck, <http://siteresources.worldbank.org/AFRICAEXT/Resources/258643-1271798012256/Botswana-success.pdf>.
- 93 Michael Lewin, 2011 Botswana's Success: Good Governance, Good Policies, and Good Luck, <http://siteresources.worldbank.org/AFRICAEXT/Resources/258643-1271798012256/Botswana-success.pdf>.
- 94 K Jefferis, The role of TNCs in the extractive industry of Botswana, *Transnational Corporations*, 18:1, April 2009, http://unctad.org/en/docs/diaeia20097a3_en.pdf.
- 95 Government of Botswana, Chapter 08:05 Corruption and Economic Crime, <http://www.bankofbotswana.bw/assets/uploaded/Corruption%20and%20Economic%20Crime%20Act.pdf>.
- 96 K Jefferis, Botswana and diamond-dependent development, in WA Edge and HM Lekorwe (eds), *Botswana: Politics and society*, Pretoria: Van Schaik, 1998.
- 97 Michael Lewin, 2011 Botswana's Success: Good Governance, Good Policies, and Good Luck, <http://siteresources.worldbank.org/AFRICAEXT/Resources/258643-1271798012256/Botswana-success.pdf>.
- 98 Ibid.
- 99 KPMG Global Mining Institute, Botswana country mining guide, 2014, <https://home.kpmg.com/xx/en/home/insights/2014/04/botswana-mining-guide.html>.
- 100 Jefferies Keith, The role of TNCs in the extractive industry of Botswana, *Transnational Corporations*, Vol. 18, No. 1 (April 2009) http://unctad.org/en/docs/diaeia20097a3_en.pdf.
- 101 Lewin
- 102 K Jefferis, The role of TNCs in the extractive industry of Botswana, *Transnational Corporations*, 18:1, April 2009, http://unctad.org/en/docs/diaeia20097a3_en.pdf.
- 103 Ibid.
- 104 M Lewin, Botswana's success: Good governance, good policies, and good luck, <http://siteresources.worldbank.org/AFRICAEXT/Resources/258643-1271798012256/Botswana-success.pdf>.
- 105 *Basdevant Olivier*, Are Diamonds Forever? Using the Permanent Income Hypothesis to Analyze Botswana's Reliance on Diamond Revenue, IMF working Paper, WP/08/80 <https://www.imf.org/external/pubs/ft/wp/2008/wp0880.pdf>.
- 106 See N Shaxson, Nigeria's Extractive Industries Transparency Initiative: Just a glorious audit?, 2009, https://eiti.org/files/NEITI%20Chatham%20house_0.pdf.
- 107 http://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf.
- 108 P Le Billon, Extractive sectors and illicit financial flows: What role for revenue governance initiatives? Chr. Michelsen Institute, 2011, www.cmi.no/publications/file/4248-extractive-sectors-and-illicit-financial-flows.pdf.
- 109 AU/UN Economic Commission for Africa, Conference of Ministers of Finance, Planning and Economic Development, Illicit financial flow report of the High Level Panel on Illicit Financial Flows from Africa, 2014, www.uneca.org/publications/illicit-financial-flows.

Africa's natural resources represents a wealth which could substantially improve the lives of its inhabitants. However, a vast amount of the resources extracted from African mines, oil and gas fields leaves the continent without benefiting those who live here. Much of this is the result of illicit financial flows which result from corrupt arrangements between private companies and state officials, price transferring and tax avoidance. This paper reflects on the various and substantial efforts to tackle corruption in the extractive industry and explores why they have failed to have the desired impact. The paper also provides specific recommendations for an approach to combating corruption effectively in Africa so as to achieve a strategic strengthening of the overall African anticorruption system, rather than a fragmented focus on grand corruption cases and support for select national institutions.

This paper was produced as part of the project
Exploring New Approaches and Strategic Entry Points for Anti-Corruption Efforts,
financed by the Swedish International Development Cooperation Agency (Sida)