



THE WORLD BANK GROUP IN EXTRACTIVE INDUSTRIES

2011 ANNUAL REVIEW

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Abbreviations and Acronyms

AAA	Analytic and Advisory Activities
AFR	Africa region
ASM	Artisanal and Small-Scale Mining
BRIC	Brazil, Russia, India, China
CAO	Compliance Advisor/Ombudsman
CAS	Country Assistance Strategy
CASM	Communities and Small-Scale Mining
CODE	Committee on Development Effectiveness
CommDev	Oil, Gas and Mining Sustainable Community Development Fund
DFID	Department for International Development (UK)
DOTS	Development Outcome Tracking System
DPL	Development Policy Lending
EAP	East Asia and Pacific region
ECA	Europe and Central Asia region
EE	Energy Efficiency
EI	Extractive Industries
EIA	US Energy Information Administration
EIR	Extractive Industries Review
EITI	Extractive Industries Transparency Initiative
EITAF	Extractive Industries Technical Assistance Facility
EITAG	Extractive Industries Technical Advisory Group
FDI	Foreign Direct Investment
FY	Fiscal Year (ending June 30 th for the WBG)
GGFR	Global Gas Flaring Reduction Partnership
GHG	Greenhouse Gas
GRICS	World Bank Institute Governance Indicators
HGA	Host Government Agreement
HIPC	Heavily Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IBRD	International Bank for Reconstruction and Development
ICMM	International Council on Mining and Metals
IDA	International Development Association
IEA	International Energy Agency
IFI	International Financial Institution
IFC	International Finance Corporation
IGA	Inter-government Agreement
IMF	International Monetary Fund
IUCN	World Conservation Union
LICUS	Low-Income Countries under Stress
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
MENA	The Middle East and North Africa region
MIGA	Multilateral Investment Guarantee Agency
MR	Management Response to the Extractive Industries Review
New-RE	Renewable Energy excluding hydro with capacity more than 10MW
NGO	Nongovernmental Organization

OECD	Organization for Economic Co-operation and Development
OED	Operations Evaluation Department
OEG	Operations Evaluation Group
OEU	Operational Evaluation Unit
PRSP	Poverty Reduction Strategy Paper
RE	Renewable Energy
SEGOM	The World Bank's Oil, Gas and Mining Policy Division
SPI	Summary of Project Information
SME	Small and Medium Enterprises
TA	Technical Assistance
TSX	Toronto Stock Exchange
UJV	Unincorporated Joint Venture
UN	United Nations
UNEP	United Nations Energy Program
WBG	World Bank Group

Executive Summary

The World Bank Group has reported on its activities in the extractives sector since 2005, with the objective of providing an overview of the preceding fiscal year and an outline of the Bank's direction and purposes in the sector. The WBG began this annual reporting after the conclusion of a formal, multi-stakeholder review of its role in the extractive sector, both present and future, also known as the Extractive Industries Review (EIR)¹.

The EIR confirmed both the important potential of extractive resources to economic development and of the WBG's continuing role in the sector. It also highlighted the challenges associated with the extraction and development of these natural resources and identified areas in which WBG activity could be enhanced in order to promote the transformation of resource wealth into sustainable development and poverty reduction. The WBG committed to continue helping member countries develop their EI sectors, including oil and coal but also placed a stronger emphasis on certain key principles as conditions for the institution's continued engagement.

Ten years since the start of the EIR process, and in the midst of an unprecedented commodity boom, this Annual Report will reflect on the WBG's progress toward the commitments made in the areas of renewable energy, governance and transparency, environmental and social risk mitigation, and community rights and benefits. In the last seven years, in response to the EIR, the WBG adjusted its way of doing business in the EI sector, becoming an important stakeholder in promoting better practices and higher standards and supporting client countries to maximize development benefits from their resource wealth. Notwithstanding progress, challenges remain, including in the equitable and broad-based sharing of benefits, and the strengthening of governance and management capacity.

In addition to reviewing the last ten years, this report aims to update WBG stakeholders, including governments, civil society, private sector institutions and other development institutions, on the WBG's activities in the EI sector in FY2011.

Markets and other Sector Developments

The past decade has been characterized by a commodity boom unprecedented in recent history. Average commodity prices more than doubled from the start of the decade and rebounded swiftly following the financial crisis in 2008. The bounce back in developing countries precipitated a strong rebound of commodity consumption and price recovery, and for some commodities, prices and consumption levels rose above their pre-financial crisis peak in 2008. More recently, the price rally that started in early 2010 stalled in mid-2011 when

¹ The Extractive Industries Review (EIR) is the collective term given to a series of reviews of the World Bank Group's approach to extractive industries, including an independent stakeholder consultation and evaluations done by the WBG's independent evaluation groups.

economic uncertainty and a global growth scare triggered by events in the US, the Euro Area and the Middle East contributed to a downward correction in prices.

While poor growth prospects in the US, Europe and other industrialized countries are expected to remain, at least in the short run, medium-term growth and demand prospects in emerging markets continue to look promising. Tight current supply of commodities, relative scarcity of resources and strong demand in emerging markets have led several pundits to suggest that there is a “new normal” of higher commodity prices.

Against the backdrop of booming commodity prices and good future demand prospects, there has been a rush to exploration and development activity. Access to resources has shifted from a “buyers” to a “sellers” market, especially in Asia and Africa over the past decade. With prices buoyant, many governments have also (re-) focused on maximizing benefits and receiving an adequate share of returns for their natural resources, as evidenced by upward adjustments (proposed or adopted) to royalty and tax rates and other regulatory changes in the recent past.

Following years of under-investment in the extractives sector, investment in the last decade has been significant and profits have been good. Strong demand and high prices have underpinned a rush by investors to obtain access to mineral resources around the world, with companies from BRIC countries (Brazil, Russia, India, China) joining both large multinational and smaller juniors in the search for new resources. The private sector recovered well after the financial crisis and posted high profits and increased capital spending. However, global economic uncertainty in the past year has taken a toll and affected share prices negatively in the recent months, particularly hitting smaller, junior companies that focus on riskier exploration projects. Companies are also facing higher development costs, and M&A in exploration and production in 2011 has fallen short of activity in 2010.

Private sector companies are being held to higher standards with respect to both the management of environmental and social concerns, and transparency in their interactions with host governments. The push for enhanced transparency in the sector has gained a great deal of traction in the past decade, and a number of initiatives to improve accountability have been launched, including the Kimberly Process Certification Scheme and the Extractive Industries Transparency Initiative (EITI). The Dodd-Frank financial reform act,² requiring US-listed resource companies to disclose material payments made to governments, further boosted the trend toward greater transparency in the extractives sector. Meanwhile a current EU proposal will require European companies to publicly disclose payments made to governments from oil, gas, mining and logging projects.

² Dodd-Frank Wall Street Reform and Consumer Protection Act - Public Law 111-203

WBG Extractive Industries Financing in FY2011

The overall volume of FY2011 WBG financing in the extractives industries (EI) sector was US\$679 million, a decrease over FY2010 of about 32 percent. IBRD/IDA investments accounted for roughly 45 percent of the total financing volume, followed by IFC with 34 and MIGA with 20 percent. The decrease was mainly driven by IFC's lower volume of commitments in EI, possibly reflecting the slow ramp-up of development activity following the financial crisis. WBG EI commitment volume has averaged US\$910 million per year over the last five fiscal years and has been roughly 1 percent of total WBG investment volume over the same period.

The WBG's objective when it comes to engagement in the extractive sector is to ensure that natural resources contribute positively to economic development. The WBG's rules of engagement balance support for public and private investment with respect to risk and the potential for sustainable development and poverty reduction. The WBG engages with both governments and private companies along the extractive industries value chain to ensure that all issues are considered: from access to resources, to transparency and revenue management, to sustainable development. While IBRD/IDA focuses on assisting host governments, IFC and MIGA engage with the private sector, supporting investment in new or expanded physical capacity and seeking to engender best practices with respect to environmental and social standards, and the transparency of payments to host governments. Through its advisory work, IFC also aims to enhance project benefits to local communities.

Since 2006, IFC has tracked the benefits generated by its EI portfolio through its Development Outcome Tracking System (DOTS), which allows IFC to aggregate and report on development results. IFC's investments in the extractive sector have consistently scored high, outperforming the IFC average since reporting on development results began. Moreover, through DOTS, IFC is also able to capture real results on the ground: during FY2011, IFC's oil, gas and mining client companies contributed approximately US\$4.9 billion to government revenues, created or sustained about 72,000 direct jobs and supported local communities with US\$100 million of dedicated community-related spending. Total spending by these companies on goods and services from local and national suppliers approached US\$6 billion, demonstrating both significant linkages to local business and making a major contribution to local economies³.

Partnerships and Initiatives

As a part of its approach to help ensure sustainable EI development, the WBG leads or supports a number of global initiatives and partnerships:

Extractive Industries Transparency Initiative (EITI). With WBG support, the Extractive Industries Transparency Initiative continues to have a positive impact on the transparency of oil, gas and mining sector payments to governments. Until June FY2011, there were thirty-five EITI-implementing countries, of which eleven (including Norway and a range of countries in the ECA,

³ For further information see the IFC's Annual Report for the year ended June 30th 2011 (FY2011). Data can also be accessed on the external website of the IFC: www.ifc.org/ifcext/coc.nsf/content/Disclosure

AFR and EAP regions) have completed their first EITI cycle, including an external validation, and have been declared EITI-compliant. The World Bank supports the initiative through: (a) administration of the EITI Multi-Donor Trust Fund (MDTF) that provides support to governments to implement EITI; (b) support to civil society to enable effective participation in the multi-stakeholder process; and (c) global knowledge work, including assisting the EITI Secretariat in its coordination function and serving as an observer on the EITI Board. As more countries attain EITI-compliant status, WB/MDTF technical assistance and funding are shifting to support broader areas of EI governance beyond EITI.

Petroleum Governance Initiative (PGI). The WBG collaborates with the Norwegian government on a joint Petroleum Governance Initiative. The PGI is based on the thematic pillars of Governance, Environment, and Community Development and works at both the global and country-specific levels. A growing body of work is being coordinated in various countries, including Cambodia, Colombia, Ghana, Mauritania, Peru, Rwanda, Vietnam, and Uganda.

Global Gas Flaring Reduction Partnership (GGFR). The Global Gas Flaring Reduction Partnership brings together industry, government and other stakeholders to reduce gas flaring globally. GGFR is in the third phase of a World Bank-led initiative covering the period 2010-2012 and continues to gain momentum, with new partners slated to come on board, such as Kuwait and the EBRD. The GGFR's work focuses mainly on key anchor countries — Indonesia, Mexico, Nigeria, Qatar and Russia — and on activities in their surrounding regions that may lead to larger flare reduction projects or programs. GGFR has established three new networks: one to examine the technical issues that inhibit further reductions in flaring; another focused on communications-related issues; and a third to address the use of carbon finance to make gas flaring reduction projects more economically viable.

Extractive Industries Technical Advisory Facility (EI-TAF). The Extractive Industries Technical Advisory Facility was established to facilitate the provision of advisory services to governments needing rapid assistance on prospective EI development. The EI-TAF became operational in FY2010 and focuses primarily on facilitating third-party advisory services for EI contract negotiations; short-term capacity building for the beneficiary country's negotiating teams; supporting technical assistance to update the relevant policy, institutional, fiscal, legal and regulatory frameworks; and structuring licensing rounds, public offerings (tender/auction), and competitive and transparent tender packages. The EI-TAF is also engaged in creating the Extractive Industries Source Book, a dynamic, open source wiki-like platform that brings together published works, sample policy/legal and regulatory instruments, and good practice case studies. The Source Book is targeted towards policy makers, advisors and technical consultants in resource-rich developing countries, as well as toward civil society and advocacy groups.

World Bank Institute – Governance for Extractive Industries (GEI). The Governance for Extractive Industries program, housed in the World Bank Institute and supported by the World Bank Africa Region, was launched in 2009. The GEI program promotes transparency and accountability along the EI value chain. It does so by connecting and empowering key EI stakeholders

(governments, private sector, civil society, parliaments, and media) to jointly identify, prioritize and implement actions leading to a more accountable extractives sector.

Since the start of the EIR, the WBG has implemented a number of policy changes that have helped to both enhance the sustainable impact of its own activities and shape the approach of others in the extractives sector. Going forward, growing minerals and fuel production together with high prices, looks likely to mean more countries will have the opportunity to use natural resources in the development of their economies and poverty reduction. There are challenges to ensuring that this happens as well as possible there are many signs that stakeholders are more aware and better prepared to handle these challenges.

I. The World Bank Group in the Extractives Sector - Ten Years on from the Extractive Industries Review (EIR)

1.1 The World Bank Group has been active in the extractives sector since its inception. While it has been a consistent presence, the WBG's focus has changed over time. Particularly, from 2001 to 2004, the WBG undertook an extensive review of its activities and future role. The review included internal evaluations as well as an independent stakeholder consultation process, also known as the Extractive Industries Review (EIR). Ten years on from the start of the EIR and in the midst of a commodity boom unprecedented in recent history, it is an opportune moment to take stock of progress against the key areas of concern that were then raised, and to reflect on the continuing and new challenges associated with the development of extractive resources going forward.

1.2 The EIR has proved to be one of a number of forces that has helped change the approach to extractives industries in developing countries and the approach of key stakeholders involved in it, including NGOs, governments, the private sector and the WBG itself. In that review, many challenges were clearly identified together with possible solutions. Many of the complex issues reviewed remain challenges and still need to be addressed by stakeholders to ensure that EI contribute to economic development and poverty reduction.

1.3 Following the EIR, the World Bank Group produced what has become known as the "Management Response to the EIR"⁴ (MR), a response that was considered at length by the WBG Board and endorsed in September 2004. The MR endorsed two fundamental messages: that extractive industries can contribute to sustainable development and that there is a continuing role for the Bank Group to support EI. The WBG committed to continue helping member countries develop their EI, including oil and coal, but placed a stronger emphasis on certain key principles as conditions for the institution's engagement.

1.4 The MR recommended follow-up commitments that can be grouped into five areas: (i) promoting renewable energy and efficiency to combat climate change; (ii) strengthening governance and transparency; (iii) ensuring that EI benefits reach the poor; (iv) protecting the rights of people affected by extractive industry investments; (v) mitigating environmental and social risks.

4 Striking A Better Balance -- The World Bank Group And Extractive Industries: The Final Report Of The Extractive Industries Review; World Bank Group Management Response September 17, 2004

Commitment 1: Promoting renewable energy and efficiency to combat climate change

1.5 In 2004, at the International Renewable Energies Conference in Bonn, Germany⁵, the World Bank Group committed to increasing its financial support for new renewable energy and energy efficiency projects by 20 percent per year between FY2005 and FY2009, starting from the baseline commitment of US\$209 million, with an implied cumulative commitment goal of US\$1.6 billion. During this period, WBG financing exceeded this goal each year. In the last five years, financing of new renewable and energy efficiency projects amounted to a total of US\$ 12.3 billion, or 30 percent of total energy financing. When large hydropower is included, this percentage increases to 40 percent. In FY2011, 55 percent of financing went to renewable energy (large hydro and new renewable) and efficiency investments, the highest proportion to date and the first time it accounted for more than half of WBG energy commitments.

Table 1.1: World Bank Group Energy Investment by Sector

World Bank Group Energy Portfolio by Sector: FY2007-FY2011 (US\$ Millions)					
Sector	2007	2008	2009	2010	2011
Energy Efficiency	753	1,521	1,685	1,802	1,551
Large Hydropower	468	1,026	177	353	1,878
New Renewable Energy (1)	373	445	1,501	1,552	1,100
New Thermal Generation(2)	364	1,087	987	4,287	290
Other Energy (3)	717	1,015	1,702	2,019	1,783
Transmission and Distribution	458	1,605	1,204	2,208	1,397
Upstream Oil, Gas, Coal	729	972	1,076	725	182
Total Energy Financing	3,862	7,670	8,332	12,947	8,181

Note: (1) New Renewable Energy excludes hydro power plants with more than 10MW capacity. (2) New Thermal Generation includes all new fossil-fuel power plants, including new high efficiency fossil-fuel power plants. (3) Other Energy includes energy policy support and technical assistance projects.

1.6 While total financing for upstream oil, gas and coal has remained relatively stable in absolute terms over the past five fiscal years (with the exception of FY2011 when investment declined dramatically), there has been a reallocation towards gas away from oil since the EIR. Among WBG institutions, IFC continues to finance the majority of new capacity oil and gas projects. Coal projects accounted for an average of 7 percent of the total lending envelope during the period FY2007-FY2011 and came from relatively few coal power projects. In the last fiscal year, coal projects represented only 1 percent of lending.

1.7 A key strategic milestone in the energy area was the endorsement of the WBG's Development and Climate Change Strategic Framework (DCCSF) in October 2008. The DCCSF provides an overall framework for WBG activities with respect to climate change. The DCCSF outlines six criteria under which the WBG may continue to support partner countries, including a requirement that an external expert panel review and advise on the application of these

⁵ For more information see "Beyond Bonn: World Bank Group Progress on Renewable Energy and Energy Efficiency in Fiscal 2005-2009" at www.WorldBank.org/energy

criteria for any coal-fired power generation projects. Since the introduction of the coal criteria, the World Bank has financed two coal-fired power projects, including a major project in South Africa in 2010, the only “super-critical” (i.e.: cleanest technology available) power plant on the African continent. It did so in order to help South Africa after a blackout in 2008 that cut power to hospitals, schools and the country’s manufacturing base. The independent panel’s review of this project can be seen at <http://go.worldbank.org/23XIVY2YN0>.

1.8 The World Bank Group’s energy-related EI activities are further considered in a new draft WBG Energy Sector Strategy, which was initiated in 2009 and is currently under review by the WBG Board Committee on Development Effectiveness (CODE). The new strategy aims to articulate a way forward to help developing countries achieve the twin objectives of improving the availability and reliability of access to modern energies and facilitating the shift to a more environmentally sustainable energy development path.

1.9 In line with these strategic milestones, the World Bank Group has substantially increased its focus on climate change adaptation and mitigation, and a broad range of actions and initiatives have been taken in recent years. These include the development of an Investment Framework for Clean Energy and Development, the establishment of Climate Investment Funds – a collaborative effort among Multilateral Development Banks (MDBs) and countries to bridge financing and knowledge gaps, and the implementation of the Global Gas Flaring Reduction Partnership (GGFR, more detail in section V), to name a few. The WBG has increased its staff to meet the climate change challenge: the Bank has established a Climate Change Team in the Environment Department and increased the number of renewable energy staff overall. IFC recently established a Climate Business Group to strengthen its climate change-related activities and support senior staff responsible for climate change investments in all major industry groups.

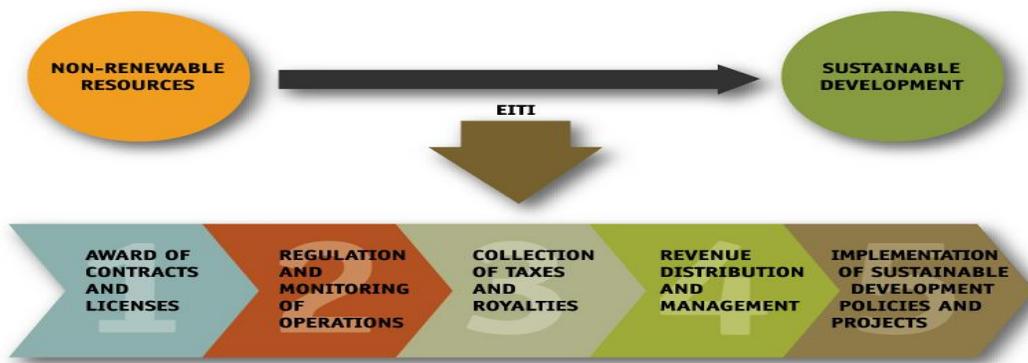
Commitment 2: Strengthening governance and transparency

1.10 The Extractive Industries Review and the Management Response explicitly acknowledged the fundamental importance of good governance and transparency to the sustainable development of natural resources. Consequently, the World Bank has developed a more comprehensive approach to engaging with client countries that emphasizes accountability and transparency along the entire extractive value chain (“EI value chain”): from allocation of resources, to the regulation and monitoring of operations, to the collection of resource rents and their management and distribution in a manner that generates sustainable developmental benefits for the country.

1.11 This value chain framework outlines a consistent and comprehensive approach that can be used to systematically structure a country’s management of EI resources. It has helped to more closely integrate technical advice and work that is done on the upstream side — resource development and production — with work that is done on the downstream side, that is, revenue expenditure and budgeting. While the focus of any given WB project depends on the

level of maturity of the recipient country's EI sector, it will normally encompass elements of most or all of the stages of the value chain.

Figure 1.1: The EI Value Chain



1.12 Following the endorsement of the MR, several concrete requirements regarding transparency and the review of governance capacity were introduced, affecting client engagement, project appraisal and implementation. In addition, the Bank started to address more systematically the extractive sector in its core country strategy documents for resource-rich countries, whether in its Country Assistance Strategies (CAS), its Country Partnership Strategies (CPS) or in its Interim Strategy Notes (ISN).

1.13 In addition, project appraisals started to include a careful ex ante review of country and sector governance, of the risks and mitigating factors that may endanger project benefits, with the goal of achieving a better sequencing of engagement. For all its EI projects, IFC assesses these risks and publicly discloses it has done so for projects in which it decides to get involved.

1.14 The WBG has been a champion of transparency in the EI area over the past decade, and is a key supporter of the Extractive Industries Transparency Initiative (EITI). EITI principles have become recognized standards for resource revenue transparency. By end FY2011, there were thirty-five EITI-implementing countries, of which eleven (including Norway and a range of other countries in the ECA, AFR and EAP Regions) had completed their first EITI cycle and were declared EITI-compliant. The success of EITI has effects beyond revenue disclosure, extending to the creation of mechanisms that build trust among stakeholders in other aspects of managing oil, gas or mining sectors.

1.15 Progress has also been made in strengthening governance and transparency in resource-abundant client countries not only through targeted technical assistance but through various global programs and initiatives (more details can be found in the section "Global Programs"). World Bank technical assistance for oil, gas and mining sector reform has been provided to twenty countries since 2004, supporting the modernization of legislative and fiscal

frameworks, institutional strengthening and capacity building. Global programs such as the Petroleum Governance Initiative (PGI) or demand-side governance-related initiatives by the World Bank Institute have expanded the WB's reach and made important contributions to better governance and transparency.

1.16 In the private sector, IFC has set transparency standards over the past five years and other IFIs have followed its lead. In 2007, IFC first introduced the formal requirement that client companies disclose material payments to governments on IFC-financed EI projects. Each new client has been required annually to make public any material payments to governments.

1.17 With the adoption of IFC's revised Sustainability Framework, EI clients will be required to disclose publicly any principal material contracts related to EI projects that IFC supports (with redaction of commercially confidential information). The public disclosure of contracts is a further step to achieving greater transparency in the sector, making knowledge available to all stakeholders, with the ultimate objective of achieving greater accountability and sustainable development of resource wealth.

Commitments 3 & 4: Ensuring extractive industry benefits reach the poor and protect the rights of affected people

1.18 The WBG has made considerable progress in ensuring that affected communities benefit from the EI projects it supports. This has entailed a broad-based approach, starting with ensuring that projects fully meet environmental, social performance and safeguard standards, and extending to "value added" activities that go beyond compliance.

1.19 IFC partners with investors to broaden the positive development impact of the EI projects it supports, offering advice and working with local communities and governments on a range of initiatives, including: (i) programs that integrate local businesses into the supply chains of EI companies; (ii) building local capacity to ensure better tracking and use of EI revenues coming into the community; (iii) community development programs; (iv) technical assistance on improving the extension of developmental benefits to vulnerable groups. Examples of such projects include the Yanacocha gold mine in Peru, the Ahafo gold mine in Ghana, Lonmin's Platinum operations in South Africa, Cairn India's oil development in India and the Peru LNG in Peru.

1.20 In 2006, a dedicated facility, the Oil, Gas and Mining Sustainable Community Development Fund, or CommDev, was set up to lead IFC's efforts to maximize sustainable benefits to local communities from extractive industry projects. CommDev has been an important vehicle for extending, enhancing and accelerating value-added support to local communities surrounding EI projects that IFC finances, and in identifying good practices for EI community development generally. Since its inception, CommDev has spent US\$6 million on 30 technical assistance projects and has leveraged US\$15 million in 13 countries. (For more detail please see section IV)

1.21 To strengthen the rights of affected people, IFC's Policy and Performance Standards on Social and Environmental Sustainability (PS), introduced in 2006, stipulated that all clients had to engage with local communities, and outlined a process for ensuring free, prior and informed consultation. It also required IFC to ascertain whether communities broadly supported a project before providing financing. In a revision to the PS effective January 2012, IFC strengthened its requirement for informed consultation and participation for affected communities generally. In particular, the revised PS require the "Free, Prior Informed Consent" (FPIC) of Indigenous People Communities for EI projects with (significant) adverse impacts, including impacts on land or natural resources (subject to traditional ownership or under customary use). In addition, all EI projects are required to implement a recommendation limiting the use of security forces to protect project sites, in line with the "Voluntary Principles on Security and Human Rights."

1.22 Moreover, IFC has made notable progress toward better understanding the development impact of its investments by adopting standardized indicators that track project benefits. Since the launch of the Development Outcome Tracking System (DOTS) in 2006, IFC has systematically tracked the development outcomes of its investments, including its EI portfolio. Between FY2006 and FY2010, EI projects generated about US\$35 billion in taxes and other payments to governments, US\$25 billion in domestic purchases of goods and services, and resulted in community development outlays totaling US\$830 million. On an annual basis, EI projects generated or maintained 60,000 jobs on average. With the adoption of the new Sustainability Framework and a new "Access to Information Policy," IFC will begin some project-level disclosure of development results.

1.23 The World Bank has supported the sharing of benefits with local communities through a number of activities and programs, including those focusing on artisanal and small-scale miners and other vulnerable groups. Until recently the World Bank-managed Communities and Small-scale Mining (CASM) Partnership provided support for artisanal and small-scale miners (ASM), the vast majority of whom make a very modest living in often harsh and unsafe working conditions. The structure and activities of CASM partnership have been under review, and stakeholders are actively now considering a range of options to re-launch CASM programs related to communities and other topics in the artisanal and small-scale mining sub-sector.

1.24 The WB's "Women and Extractive Industries Program" has supported initiatives to improve the distribution of benefits and reduce risks to women. WB research has shown that EI bring a particular gender bias, with benefits such as employment and income going predominantly to men while environmental and social risks fall mainly on women and the families for which they care. To address adverse gender impacts, the WB has provided technical assistance and advice. (For more information see section IV)

Commitment 5: Mitigating environmental and social risks

1.25 The IFC's Policy and Performance Standards on Social and Environmental Sustainability, a framework for environmental and social safeguards, was adopted by IFC in 2006 following extensive consultations with stakeholders, and reflected a number of the key recommendations made in the Management Response to the EIR (including revenue disclosure, ensuring consultation with and broad support from communities). Working at times in collaboration with others, IFC has produced a number of good practice guides to help stakeholders successfully implement projects. The Policy and Performance Standards have been adopted by more than 70 "Equator Banks," including institutions such as credit export agencies.

1.26 These Policy and Performance Standards were updated in 2011, along with the IFC's Access to Information Policy, following an 18-month consultation process with a broad set of stakeholders. During this time, IFC has been revising its Environmental, Health and Safety Guidelines, four of which focus specifically on EI. The updated framework clarifies approaches that have become recognized good practices. It has strengthened requirements, including the disclosure of contracts and the requirement that free, prior informed consent be obtained from Indigenous People Communities in specific circumstances. The IFC will implement these standards starting in January 2012.

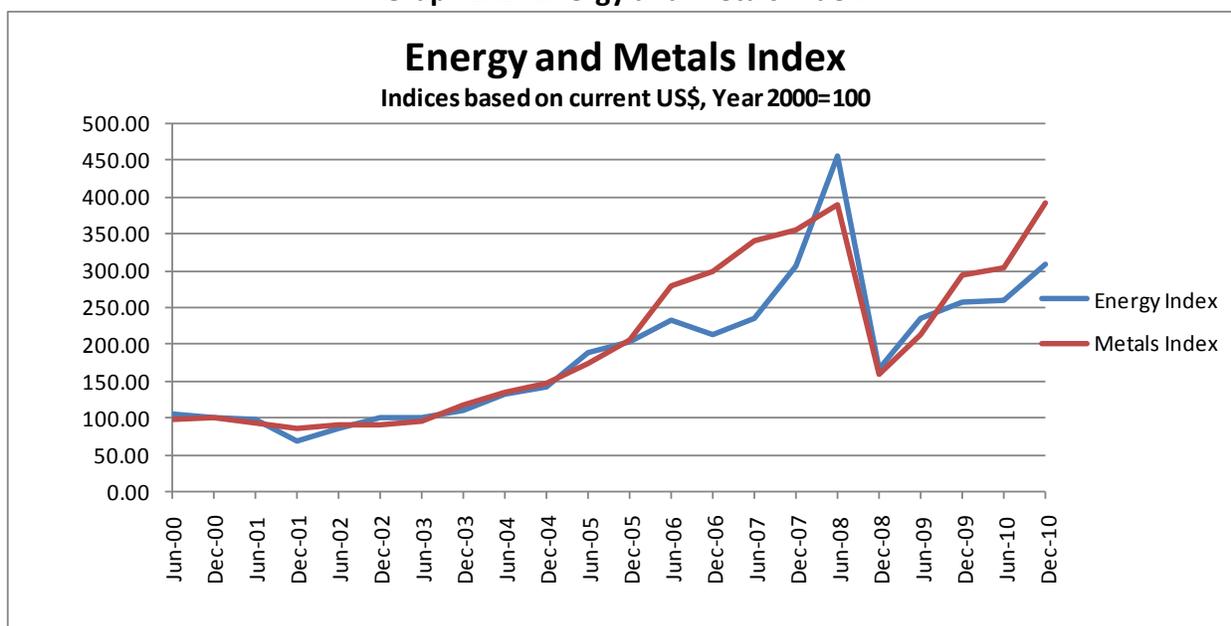
1.27 Following a comprehensive evaluation by the Independent Evaluation Group (IEG) of the implementation of the Safeguard Policies and Performance Standards of the World Bank Group, covering the fiscal years 1999–2008, Management of the World Bank has committed to undertaking an updating and consolidation of its environmental and social Safeguard Policies. This updating and consolidation of the Safeguard Policies will benefit from a highly consultative process with a wide diversity of stakeholders. Management currently expects to complete this process by the end of 2013.

II. Key Developments in the Extractive Sector

The last decade...

2.1 The last decade was characterized by a commodity boom, with most prices reaching historical highs in 2008. Average commodity prices (US\$) more than doubled from the start of the decade. Average annual prices for oil, gas and coal rose 150-180 percent, with gold, iron ore and copper climbing even more. The upward movement in prices was the result of various drivers, particularly the acceleration of commodity-intensive growth in the large emerging market economies in Asia, and a resulting supply squeeze following under-investment in the previous decades when low commodity prices reigned. The prospect of continuing tight supply, given robust demand growth for commodities, has prompted a number of commentators to suggest that there has been a fundamental shift in the relative scarcity of resources and a “new normal” of higher commodity prices.

Graph 2.1: Energy and Metals Index



Source: World Bank

2.2 The importance of emerging market demand growth for commodities has been particularly striking in the last decade. Fifty percent of global oil demand in the past five years has been from developing countries, up from the 25 percent they accounted for in 1970. China’s demand for commodities has been pivotal in commodity markets. In 2009, China overtook the OECD as the world’s largest metals consumer and Chinese metal demand now accounts for 40 percent of global use. The country’s metal demand growth has boosted the

metals intensity of global GDP (metal consumption per unit of GDP) to such an extent that in 2004 it reversed a 30-year trend of declining metal content of global GDP. While its energy demand was only half that of the US a decade ago, China's energy use overtook that of the US in 2010.

Box 1: Minerals boom and the role of China

China has emerged as a key player in the commodities market over the past decade as it has industrialized and urbanized at an extraordinary rate. Ten years ago China produced 150 million tons of steel per year while today it produces more than 600. In (stat on some aspect of urbanization, roads, power etc). Its consumption of main base metals has increased by 16 percent per year since 2000, while the rest of the world's consumption has remained flat. China is now the largest consumer of many commodities, including bauxite, iron ore, coal, copper, and nickel. For several major minerals it has also become the primary producer or processor, including of aluminum (41 percent of world production in 2010, up from 11 percent in 2000), iron ore (38 and 21 percent, respectively over the same period), phosphate rock (37 and 16 percent) and zinc (29 and 18 percent). Thus the economic wellbeing of China, and the rate and resource intensiveness of its growth, has an important and direct bearing on many commodity prices, as witnessed in recent months when a sharp decline in the price of copper (and other metals) was attributed to concerns about a Chinese slowdown. Chinese companies have also been actively seeking to gain access to mineral deposits around the world, especially in Africa in the past decade, often as part of broader infrastructure for mineral access arrangements.

2.3 Demand growth and increased production and prices have impacted developing countries. For some, the sharp rise in energy prices has meant a substantial increase in the cost of oil, a major import and a key development input. For oil and minerals producers, it has meant huge increases in net revenues, investment and economic activity. A recent WB publication, "The Changing Wealth of Nations," highlights the continuing importance of natural capital to the wealth of developing countries, and ultimately their chance to progress on the development path. Between 25 and 30 percent of total wealth comes from natural capital in low and lower-middle income countries, compared to 2 percent in high income OECD countries. While a potential boon to resource-rich countries, the size and volatility of EI revenues can create significant challenges and unmet expectations. New producers, particularly, have not been well prepared to manage their new-found income. They have struggled with developing a political consensus on how the revenues should be used, a complex political process that is influenced by each country's economic circumstances, its geography and population dispersion, its political and administrative systems and the size of its EI sector relative to the rest of the economy. Furthermore, most also have struggled with designing expenditure programs to reach the poor.

A changing global energy mix

2.4 The global energy mix has also changed over the past ten years, reflecting forces such as a supply response to strong demand and change in energy prices; changing location of economic activity and resource endowments and; growing concerns about climate change and changing technologies.

2.5 Coal has almost caught up with oil in the last decade in terms of output. On an energy equivalent basis, oil production dominated with 44 percent in 2000 compared to coal with 27 percent, but after a 60 percent increase in output between 2000 and 2010, coal now contributes roughly the same as oil, 36 percent versus 37 percent, respectively. Given its abundance and low cost, coal will likely be the predominant fuel for power generation in a number of developing countries in the foreseeable future. However concerns about greenhouse gas emissions, especially from power generation, may become a limiting factor on coal (as they could eventually for all fossil fuels. Technologies that can help curb the quantity of emissions per KWh generated include high efficiency boilers and fuel use technologies, and, potentially most importantly, carbon capture and storage technologies which are now only at a pilot stage.

2.6 Significant changes have also occurred in the location of production in the last ten years. Oil exploration and large amounts of new production have moved to more remote, deeper and more technically difficult off-shore locations, as well as to more politically challenging places. Production increased significantly in Central Asia and Africa – reflecting good resource endowments and access to new private investment. By comparison, oil production increased more modestly in the Middle East and North Africa (despite substantial potential) and Asia, and stayed close to flat in the Americas. Production declined significantly in more mature fields in the North Sea and Europe – particularly in the United Kingdom and Norway. During the last decade, several countries became oil producers for the first time, such as Chad and Timor Leste. Others are expecting first oil soon, including Uganda and Sao Tome. While conventional oil resources are increasingly concentrated in relatively few countries in the Middle East, unconventional oil sources will likely make a substantial contribution to supply going forward. These include Canadian tar sands, Venezuelan heavy oil, tight oil in the US and elsewhere, and new discoveries such as in the Brazilian pre-salt layer.

2.7 World natural gas production increased by roughly 30 percent in the last decade across all regions, but primarily in the Middle East (especially Qatar) followed by Asia (particularly China but also Bangladesh, India, Indonesia, Malaysia, Pakistan and Thailand). Gas reserves were more readily available than oil for development, and there were net increases in gas production in all other regions (Central Asia, Africa, the Americas and Europe) as well. While gas production was mostly destined for domestic consumption or neighboring countries via pipeline, LNG exports have also increased globally and are forecast to expand considerably, aided by lower cost approaches. Major new gas projects are under development in a number of countries, including in new producers such as Papua New Guinea. Known resources and

emerging discoveries in countries such as Angola, Mozambique and Tanzania suggest potential for several new LNG projects based in Africa.

2.8 In addition to conventional natural gas resources, advances in the exploitation of shale gas in the US, and the availability of similar resources in other regions, suggest that unconventional gas supplies could have a major impact on local and regional markets. Indeed, US production is already having a major impact in that market. That said, widespread development of unconventional gas resources will require further investigation and a better understanding of the inherent environment and economic issues. In more countries, coal bed methane may also be exploited as a significant resource.

New Resource Nationalism?

2.9 The price boom in the past decade has also brought renewed attention to the sharing of energy- and mineral-related wealth between host countries and investors. A number of world class deposits are now either being developed or are in the detailed pre-feasibility exploration stage – minerals such as bauxite, iron ore and mineral sands in Africa, and copper and iron ore in Asia. Strong demand and high prices have prompted a rush by investors to obtain access to mineral resources, with BRIC-based companies joining both large multinational and smaller juniors in seeking new resources.

2.10 With the rush in activity, access to resources has shifted from a “buyers’ market” (with countries seeking to attract mineral exploration and investment) to a “sellers’ market,” especially in Africa and Asia, with companies competing strongly to obtain mineral rights. The exploration boom has resulted in prospective areas being contracted or licensed, with a shift towards competitive bidding and away from open access for minerals licenses. However, some mineral-rich countries have found that their mineral tax revenues have not increased commensurate with the sharp rise in prices and the increased profits of private developers, and therefore have been seeking to improve their EI-related tax collection in recent years.

2.11 Against this background of increased competition for resources, higher profitability and in some cases government frustration over low tax revenues at a time when the sector is booming, there has been a change in government attitudes toward sharing the profits of their resource wealth. Mining contract reviews have taken place in several African countries (DRC, Tanzania, Guinea, Zimbabwe, Sierra Leone, Madagascar, and Guinea) and regulation changes and adjustments to royalty and tax rates have been either proposed or adopted in many others (South Africa, Chile, Australia, Ghana, Quebec, India, Peru, Argentina, and Nigeria).

2.12 In addition, governments seem to be increasingly conscious of social and environmental safeguards, and are more focused on deriving economic benefits, whether in the form of infrastructure development, local content requirements, or increasing employment opportunities and skills training for local communities. Private sector companies are being held to higher standards, whether with respect to their management of environmental and social concerns, or to the transparency of their interaction with host governments.

Box 2: Mining and Oil & Gas Taxation

The disparity between tax take on the one hand and high prices and growth in profits on the other has been more pronounced in the minerals sector than in the oil sector for a number of reasons. Around 90 percent of the world's oil reserves are in the hands of national oil companies, and even when they are in partnership with private investors this means that the state's share rises directly as prices rise. In addition, fiscal arrangements for oil development are typically more sophisticated than those in place for mining. Oil taxation often includes provision production sharing between the investor and the host government, for example. In some cases, the share due the government is linked to the investor's cumulative rate of return, resulting in marginal tax rates of 80 percent or even higher.

Mining taxation has traditionally been less well designed to deal with volatile prices and extended periods of high profitability. Taxation arrangements typically include a fixed percentage royalty, a fixed corporate tax rate and sometimes dividend remittance taxes and some form of government equity interest. In addition, the mining sector often provides for early amortization of capital expenditures for new projects, thus delaying payment of substantial corporate taxes. The immediate impact of higher prices may be the draw-down of depreciation allowances, which will eventually bring forward the date of profits-based tax payments, but does not lead to substantial immediate increases in revenues to the government.

Transparency

2.13 Awareness of the need to enhance transparency in the extractive sector has gained traction in the past decade, and a number of initiatives to improve accountability have been launched. Among the most prominent are the Kimberley Process Certification Scheme, an international governmental certification scheme set up in 2003 to prevent the trade in diamonds that fund conflicts, and the Extractive Industries Transparency Initiative, launched in September 2002 at the World Summit on Sustainable Development in Johannesburg. The EITI promotes accountability by requiring transparency of flows and validation of both data and processes. EITI is built around partnerships between governments, the private sector and civil society organizations.

2.14 This move towards greater transparency in the extractives sector was bolstered further in July 2010 when the Dodd-Frank financial reform act⁶ was signed into law, requiring US-listed resource companies to disclose material payments to governments. A current EU proposal will require European companies to publicly disclose and break down payments to governments for individual oil, gas, mining and logging projects.

2.15 Increasingly, civil society and other stakeholders are requesting the disclosure of contracts that award companies the right to explore and develop extractive resources. Several countries have already adopted this approach, including Liberia, Timor-Leste, Guinea, Peru and others. As mentioned earlier in the report, IFC has decided under its revised Sustainability Framework, effective January 1, 2012, to also require its EI clients to publish relevant contracts.

⁶ Dodd-Frank Wall Street Reform and Consumer Protection Act - Public Law 111-203

Recent Events...

2.16 The global downturn in 2008 led to a sharp fall in commodity prices and in the equity prices of resource companies, as well as to the review and delay of investment plans. However, global economic growth rebounded swiftly following the global financial crisis, largely on the back of the world's emerging markets growth center, Asia, and notably supported by expansionary policies across the globe. The bounce back in developing countries precipitated a strong rebound in commodity consumption and significant price recovery, paired with continued supply and capacity constraints. For some metals and energy sources, prices and consumption levels rose above their 2008 pre-recession peak. Global energy consumption grew more rapidly than the global economy, suggesting an increase in the energy intensity of economic activity – similar to the increase in metals intensity. Strong growth in energy consumption, particularly of fossil fuels, is likely to have caused the fastest CO₂ emissions growth rate in the last forty years.

2.17 While emerging markets have maintained high growth rates of around six percent, developed country growth rates have hovered around two percent, with deteriorating forecasts coming out in the second half of 2011. The recovery in the US, Europe and Japan has been the weakest following any recession of the past fifty years, and ongoing events in both the US and the Euro Area have further depressed a positive outlook in the near term, with likely negative implications for the global economy.

2.18 Political upheaval in the Middle East as the “Arab Spring” unfolds is adding to the mix of economic uncertainty. The Middle East accounts for 30 percent of total world oil production, with Saudi Arabia alone producing 12 percent of the total, and substantial disruption in the region could have a large impact on oil prices. Even Libya's 2 percent of global production of high-quality, sweet crude has not been easy to replace, though production is now resuming strongly. Further supply disruptions are possible in Syria, given current unrest there, and elsewhere depending on events.

2.19 The rally in prices that started in early 2010 experienced a break in mid 2011, when a downward correction occurred. The global growth scare has softened commodities and speculative flows have left their mark, as financial players (hedge funds, institutional investors, etc.) have assumed an increasing role in commodity markets. While in the long run, financial demand is unlikely to affect real demand and commodity prices, volatility may be exacerbated in the short term.

2.20 The private sector also recovered well over during 2010 and first half of 2011, posting high profits and increasing capital spending. However, market turmoil in the summer of 2011 and future uncertainty in global growth have put pressure on share prices. Companies are also looking at higher costs for the development of their projects. The output of oil companies has stagnated or only marginally increased, and M&A activity in exploration and production has fallen compared to 2010. Smaller, junior players are concentrating on the more risky

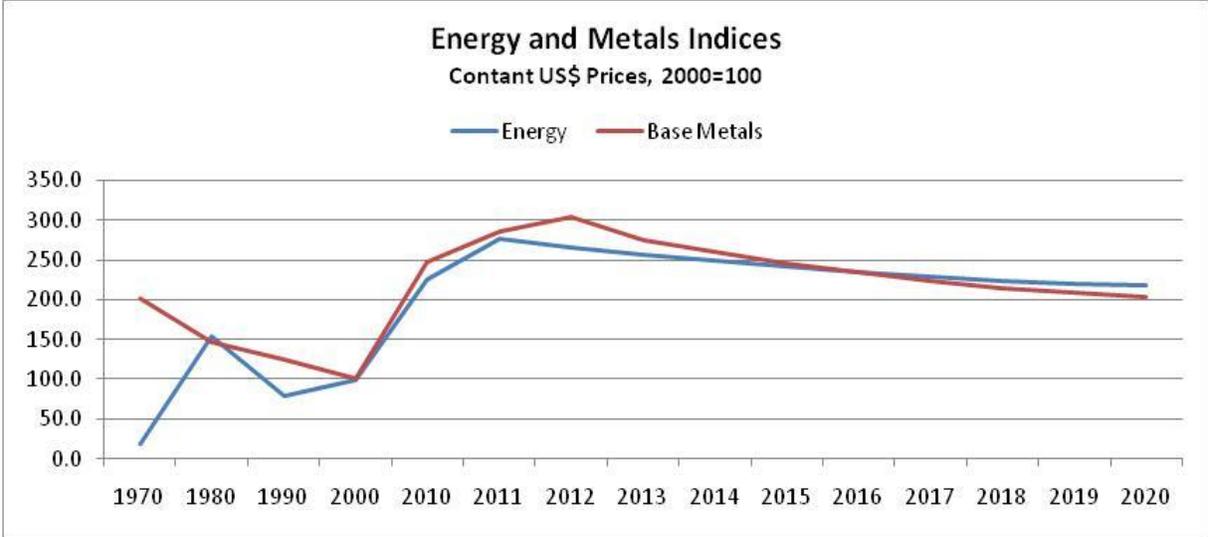
exploration projects, and while buoyed by rising commodity prices over the 2010-2011 period, they were also hit by the stock market woes later in the year.

Looking forward...

2.21 In the long run, a number of fundamentals are likely to keep the pressure on commodity prices and prevent a widespread, long-lasting return to the low levels of the 1990s and early 2000s. Strong economic growth in developing countries, with increasing prosperity fueling demand for goods and greater urbanization driving infrastructure investment, is likely to continue to drive strong demand for natural resources.

2.22 The World Bank forecasts that global metals demand will grow faster than global GDP through 2015, and energy demand is likely to rise by 55 percent until 2030. 80 percent of this increase will be in fast-growing developing countries like China and India. According to the US Energy Information Administration (EIA) International Energy Outlook 2010, total global energy demand will increase by 53 percent by 2035, with the bulk of the increase occurring in non-OECD countries: total energy demand in non-OECD countries will grow by 85 percent by 2035, compared to 18 percent demand growth in OECD countries. The dominant drivers of energy demand, the industrial and (personal) transport sectors, are expected to grow significantly in emerging economies over the coming decades.

Graph 2.2: Long-term Price Movements & Projections of Energy and Base Metals



Source: World Bank

2.23 On the supply side, there will be a continued response to higher prices while markets are likely to remain tight. Investments are not taking place fast enough to offset resource depletion and many of the best prospects for supply growth are in countries seen as politically risky and where infrastructure needs are huge. In the oil sector, much of the world’s known unexploited resources are off limits to private investors or in countries where political risk is

seen as high. Many of the resources that can be accessed by private investors are offshore and increasingly in deep waters. New technologies to tap into unconventional hydrocarbon resources, including fracking, carry potential environmental risks whose costs must be better understood and will have to be weighed against the benefits of access to resources.

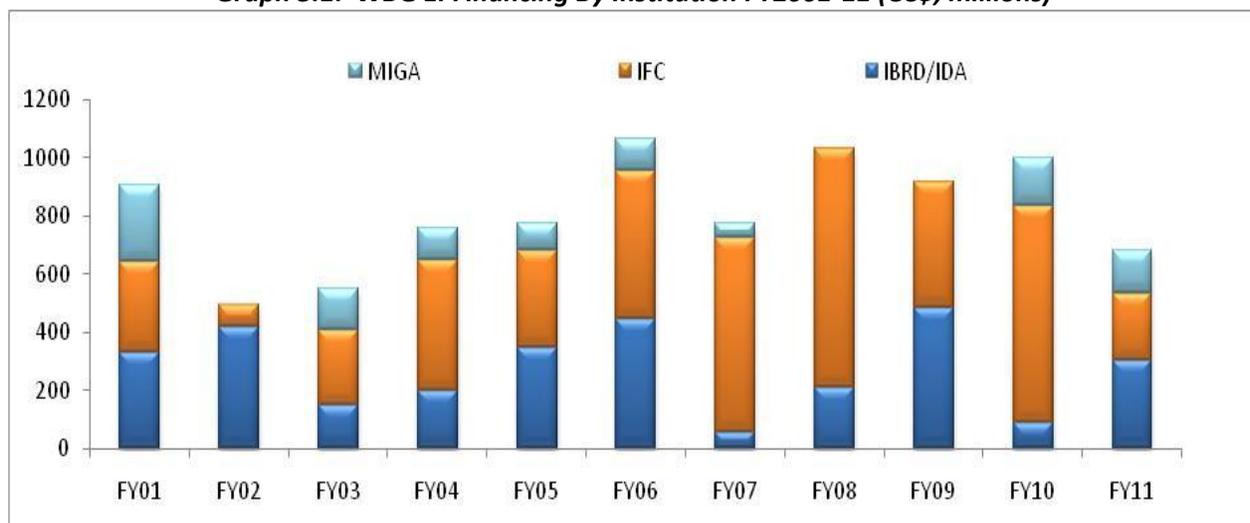
2.24 Robust demand for energy and commodities will generate continuing strong interest in EI exploration and investment in developing countries. In Africa, for example, the number of resource rich countries developing their EI sectors will grow. As major investments are developed, they will generate flows in trade, associated infrastructure, and government revenues that will exceed overseas development assistance. Guinea appears to be moving to develop its world class iron resources, while the Democratic Republic of Congo and Liberia could regain their past positions as major minerals producers. Mozambique, for example, appears to have the potential to become a major new LNG exporter, as could Tanzania, if recent finds prove as substantial as indicated. Mauritania is attracting substantial new investment in gold and other metals. In all cases, investments will depend on price developments in international markets, as well as on local conditions and the investment frameworks that governments construct.

2.25 The impact on sustainable development of these potential, as well as existing, projects, will depend on many factors and stakeholders, but in particular on the policies governments put in place to manage the projects and the revenue flows that they generate. Fortunately, stakeholders are more aware now in general of the risks and of approaches needed to mitigate them.

III. WBG – EI Financing in FY2011

3.1 The overall volume of WBG EI financing in FY2011 was US\$678.8 million, a decrease over FY2010 of 32 percent⁷, driven mostly by a decline of IFC financing in the sector. IBRD/IDA financing accounted for 45 percent of the total financing volume, followed by IFC with 34 percent and MIGA with 22 percent. While WBG commitment volume, on average US\$910 million annually, has been fairly stable over the last five fiscal years, contributions of the individual WBG institutions have oscillated considerably subject to market dynamics and country demand. Over the period, IBRD/IDA financing for EI has increasingly supported policy advice and technical assistance, within the context of larger policy loans, rather than investment in new EI capacity. WBG financing in EI has averaged around 1 percent of total WBG investment volume over the same period.

Graph 3.1: WBG EI Financing By Institution FY2001-11 (US\$, millions)



Source: World Bank Group

3.2 In FY2011, IBRD/IDA contributed almost half of overall WBG financial support to the EI sector, more than tripling its financing over FY2010. The key driver of this increase has been WB support to improve mining sector governance in IDA countries. Overall, the majority of the financing was in the form of policy advice and technical assistance to governments to bolster their capacity to manage environmental and social issues as well as to improve regulatory systems and broader sector governance.

3.3 With regard to new capacity investments, IFC provided US\$229 million in financing in FY2011, roughly equally distributed between oil and gas and mining. There were two dominant oil and gas projects in East Asia Pacific and the Middle East and North Africa focused on

⁷ Details provided in Annex C.

exploration and development. Mining investments were smaller on average and more widely disbursed geographically than oil and gas investments. The largest mining investment supported the expansion of an existing mine in Tanzania. MIGA financed one mining project in FY2011, a US\$147 million guarantee in support of an equity investment in the PT Weda Bay Nickel Project in Indonesia.

Table 3.1: WBG FY2011 Financing by Sub-Sector

New Capacity Investments (US\$, millions)			Other	
Institution	Mining	Oil & Gas	E&S and Policy Capacity Bldg ⁸	
			Mining	Oil & Gas
IDA ⁹	-	-	194.0	81.1
IBRD	-	-	16.8	10.5
IFC	112.4	117.0	-	-
MIGA	147.0	--	-	-
Total	259.4	117.0	210.8	91.6

3.4 By region, investment volume was highest in Sub-Saharan Africa, with 32 percent of total WBG EI financing, followed by East Asia and Pacific and the Middle East and North Africa, with 26 and 23 percent respectively. While a small number of large, new-capacity investments in a few countries account for slightly more than half the volume, total WBG new commitments were spread across more than 27 countries.

IBRD & IDA

3.5 The IBRD/IDA financed 17 programs in FY2011 totaling US\$302.4 million, up from US\$89.3 million of new financings in FY2010. This level of volatility is not uncommon year on year in this sector. The vast majority of programs were part of larger projects (such as development policy loans) with multiple objectives, including government capacity building and support for policy design (in particular with respect to sector governance, public financial management, environmental remediation, social standards and energy distribution).

3.6 Grant-financed activities amounted to US\$6.3 million in FY2011, and the World Bank provided technical assistance and advice to 10 projects, mostly in Sub-Saharan Africa but also in the Middle East, North Africa and South Asia. The majority of projects focused on assisting countries to implement the Extractive Industries Transparency Initiative. Technical assistance by the World Bank in the context of EITI runs the gamut, from supporting the implementation

⁸ Also includes a limited amount of environmental remediation work.

⁹ Includes blend countries – See Annex C

cycle to assisting countries to become EITI-compliant, to post-validation support and outreach to new countries.

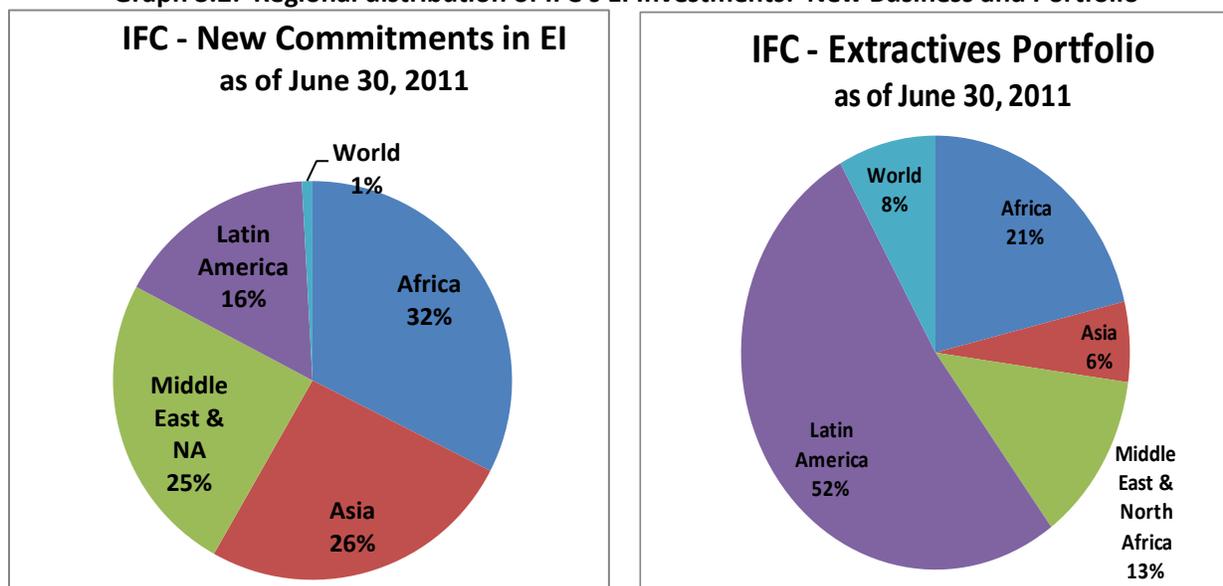
IFC

New Financing Commitments

3.7 In FY2011, IFC committed to financing 15 EI projects for a total of US\$229.4 million, roughly evenly split between oil and gas and mining (see Annex C). By project count, the mining sector dominated with 11 of the 15 investments, with relatively small average investments of US\$10 million, compared to US\$29 million for oil and gas. The smaller project sizes in mining are driven by IFC’s early equity strategy whereby it invests in companies at the early stage of project appraisal and planning, with a focus on Africa and IDA countries. Overall, 59 percent of extractive commitments were equity investments – 65 percent of mining versus 53 percent of oil and gas investments were equity financing. The vast majority of financing went toward investments in junior companies.

3.8 New financings were committed in about 15 countries with the majority of investments, by project count, in Latin America (36 percent), Sub-Saharan Africa (21 percent) — where historically IFC has focused its extractives investments — and in the Middle East and North Africa (21 percent). By commitment volume, the regional dispersion of new investments is weighted towards Sub-Saharan Africa and Asia, with 32 and 26 percent, respectively.

Graph 3.2: Regional distribution of IFC’s EI Investments: New Business and Portfolio



Note: “World” refers to multi-regional investments.

Portfolio

3.9 Overall, IFC holds an EI portfolio of US\$2.1 billion, roughly 75 percent in oil and gas and 25 percent in mining. IFC has investments in about 40 developing countries, the top four of which make up about half of its portfolio: Argentina (US\$413 million), Peru (US\$387 million); Ghana (US\$198 million) and Brazil (US\$198 million). Investments in oil and gas production and development (versus exploration or services) dominate commitments in these countries.

3.10 By asset class, debt continues to dominate, with 67 percent of total EI portfolio commitments versus 33 percent in equity¹⁰. As is the case for new commitments in FY2011, equity is more common in mining than in oil and gas, with 59 and 24 percent of the sectors' portfolios respectively. In terms of clients, equity investments on the mining side have been focused on the exploration phase of the project cycle, whereas in oil and gas the majority of equity investments are in development and production. However, IFC equity portfolios have grown in both sectors.

Mining Investments

3.11 In FY2011, new commitments in the mining sector fell by roughly one third from FY2010 levels, to US\$112 million. Since the early 2000s, IFC has carried out more equity investments, which have represented 65-75 percent of new business in the past few years. The focus has been increasingly on supporting early equity deals — financings usually for smaller, junior companies that are at the exploration or appraisal/planning stages of mine development. This fiscal year, equity represented 65 percent of total new business, with junior companies — for whom IFC was the primary financing vehicle — the dominant client.

3.12 By focusing on small, local and international players, IFC aims to have a significant impact early on by helping companies to increase their capacity for the implementation of good practice environmental and social standards. In addition, smaller companies value IFC's country and sector knowledge as well as its technical expertise and experience in moving from exploration to development. As a long-term partner, IFC expects to support these eventual mine developments.

3.13 In addition to its focus on early equity, IFC continues to provide loan finance for major projects with strong development impacts. In FY2011, for example, it committed to an investment in Tanzania to support the expansion of a long-standing diamond mine. The project is expected to improve the economics of the mine substantially by increasing diamond recoveries and lowering costs. The company is active in the community and is planning to add to its existing community development programs. More broadly, the project maintains and creates new employment, generates important fiscal revenues for the government of Tanzania and will have a positive impact on local SME development.

¹⁰ Equity commitments are quoted at book value and are as of June 30, 2011.

3.14 Overall, both the mining portfolio overall and new investments in FY2011 are heavily weighted in Africa, with 56 percent and 64 percent of volume in this region, respectively. Latin America and the Caribbean follow in second place. The top countries for investments were Tanzania, Ethiopia, Guyana and Peru, with US\$90 million of the total. The portfolio is weighted heavily towards gold and copper, and roughly 50 percent of current exposure is in junior companies.

Oil & Gas Investments

3.15 IFC's financing in FY2011 reached US\$117 million in the oil and gas sector, representing a decline of more than US\$400 million. While year-on-year business volume is generally volatile given the lumpy flow of large deals, the turmoil in the financial markets and economic uncertainty was also felt. Equity commitments represented roughly 50 percent of the total. In line with IFC's strategy in the EI sector, the majority of new investments by volume were with junior companies in FY2011.

3.16 In FY2011, East Asia accounted for 47 per cent of total commitment volume with one large investment in Salamander Energy, which has assets in Indonesia, Thailand, Vietnam, Lao People's Democratic Republic and the Philippines. Regionally, the IFC oil and gas portfolio is concentrated in the Latin America and the Caribbean Region, with roughly US\$960 million, or 61 percent, followed by the Middle East and North Africa and Eastern Europe with US\$200 million, or 13 percent of the total committed portfolio.

3.17 By sub sector, IFC investments run the gamut from oil and gas production, pipelines, gas storage facilities, LNG plants and oil and gas processing. However, in 2004, IFC committed to increasing its support for investments in gas. This is being reflected gradually in the portfolio, although the gas-to-oil ratio can vary considerably from year to year. Increasingly IFC is also targeting gas distribution to support downstream development and inclusion.

3.18 While IFC also supports large companies and major projects when the development case is compelling, it is prioritizing the support of smaller, local or regional players in the development of natural resources in order to help develop local industry generally. IFC also invests in junior players in exploration, production and services, which are often at the frontier of newly opening oil provinces in developing countries, particularly in Africa.

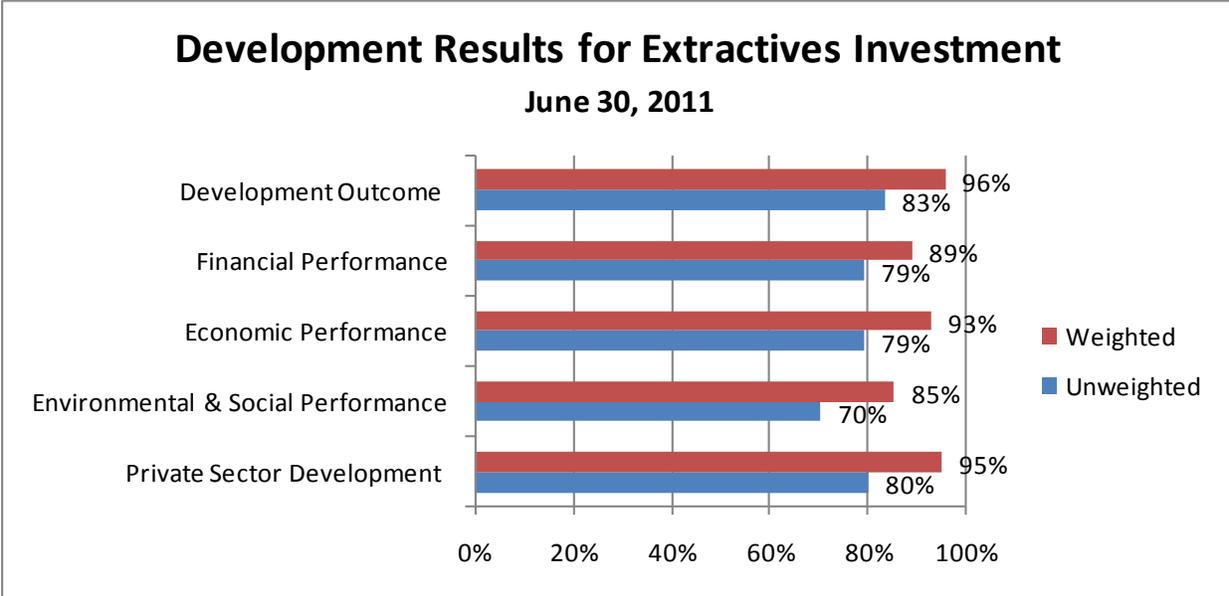
3.19 As is the case with mining, IFC's expertise in environmental and social practices and its focus on community development can help small companies. Increasingly, such companies are eager to differentiate themselves and are keen to partner with IFC to ensure sustainable, positive impact from their projects at the community and country levels, as well as to implement IFC requirements for disclosure of payments to governments.

Development Results of IFC Investments in the Extractives Sector

3.20 IFC systematically tracks the benefits generated by its EI portfolio through its Development Outcome Tracking System (DOTS), which allows the Corporation to aggregate and report on development results. During FY2011, IFC’s oil, gas and mining client companies contributed approximately US\$4.9 billion to government revenues and created or sustained about 72,000 jobs directly. Many IFC client companies are active in supporting the development of local communities, and spent about US\$100 million on such activities in calendar year 2010. Local procurement of goods and services approached US\$6 billion, which highlights the major contribution IFC clients make to local economies¹¹.

3.21 The vast majority of IFC investments in EI continue to have notable, positive development impacts. Indeed, 83 percent of the extractives portfolio demonstrated positive results on the ground in FY2011. If results are weighted by cumulative disbursements to client companies, the proportion of developmentally-successful projects rises to 96 percent. While the financial crisis dampened development results last year, robust commodity prices this year resulted in positive financial as well as economic impacts for client companies and host countries.

Graph 3.3: Portfolio Development Results as of June 30, 2011 (weighted and unweighted)



*Note: Development results are weighted by cumulative IFC disbursements

3.22 Extractives investments have had the greatest developmental success in Latin America and the Caribbean, where all projects have shown positive results, followed by the Africa region, where 75 percent of IFC investments have outperformed set benchmarks. Meanwhile

¹¹ For further information see IFC’s Annual Report for the year ended June 30th 2011 (FY2011). Data can also be accessed on the external website of the IFC: http://www1.ifc.org/wps/wcm/connect/CORP_EXT_Content/IFC_External_Corporate_Site/Annual+Report/?region=IFC_EXT_Design/IFC+regions,IFC_EXT_Design/IFC+industries

66 percent of the portfolio for Eastern Europe, the Middle East and North Africa generated positive development results.

3.23 The expected development impact for new commitments in FY2011 include the generation of US\$508 million in taxes and other payments to governments, national and local purchases of goods and services totaling US\$210 million as well as the creation or maintenance of 1,550 jobs and a contribution of US\$8 million to community development outlays. Expected development impacts of FY2011 projects are also summarized in Annex D.

MIGA

3.24 In FY2011, MIGA issued one guarantee with a net exposure of US\$147 million to Strand Minerals Pte. Ltd of Singapore for its equity investment in the PT Weda Bay Nickel Project, one of the largest undeveloped projects in Indonesia. The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, breach of contract, and war and civil disturbance. MIGA's support for this investment is aligned with the World Bank Group's 2009-2012 country partnership strategy for Indonesia, particularly with regard to making Indonesia's private sector a driver in broad-based growth, and increasing the country's competitiveness regionally and globally.

IV. Partnerships and Initiatives

Extractive Industries Transparency Initiative

4.1 Since its inception in 2003, the Extractive Industries Transparency Initiative (EITI)¹² and its principles have become well-established and recognized standards for resource revenue transparency. The WBG continues strongly to support the implementation of EITI, which is an integral part of the WBG strategies for oil, gas and mining, and for governance and anti-corruption. World Bank support spans the following activities: (i) administration and management of the EITI Multi-Donor Trust Fund (MDTF), comprising 15 donors and contributions of almost US\$50 million; (ii) technical assistance to 50+ countries throughout the EITI implementation cycle up to validation and beyond. The work program also includes direct support to civil society on EITI issues; (iii) assistance and policy inputs where needed to the International EITI Secretariat in its coordination function. The WBG also serves as an observer on the International EITI Board.

4.2 At the start of the WB/Multi-Donor Trust Fund (MDTF) work program in 2004/2005, the initial focus was on outreach and education, helping the initial set of countries to build consensus for and to incorporate EITI into national processes. As acceptance of EITI grew, the EITI portfolio of countries expanded substantially across all regions, but especially in Africa. Since then, the global EITI architecture (EITI Board) and standards (EITI rules) have solidified, as has the focus of the EITI team, and the WB/MDTF's work has evolved accordingly. While the emphasis remains on supporting EITI implementing countries and ensuring they meet EITI deadlines, the WB/MDTF focus now also includes: (i) direct support for civil society to help ensure informed engagement in EITI processes; (ii) continued outreach to new countries; and (iii) a continued, proactive effort to expand global knowledge and learning. As more countries reach EITI-compliant status, the WB/MDTF focus is also shifting to support improved governance beyond EITI, ensuring that EITI is sustainable, irreversible, and a platform for improvements in EI governance and better public financial management.

4.3 By the end of FY2011, there were 35 EITI-implementing countries, of which eleven (including Norway, and a range of other countries in Africa, East Asia, Europe and Central Asia) have completed their first EITI cycle and external validation and have been declared EITI-compliant (see Annex A for a list of EITI countries by geographic region and implementation progress to date). Among the EITI-implementing countries shown, several are at advanced stages of completing validation and reaching EITI compliance. Countries in early stages of implementation include recent candidates such as Trinidad and Tobago and Guatemala as well as Iraq, Indonesia, Afghanistan, Chad and Togo. There remains strong interest in adopting EITI in other countries such as Ethiopia, Colombia, Dominican Republic, Philippines, Malawi and

¹² For more information on the EITI see www.eiti.org.

Ukraine, where WB/MDTF continues outreach work together with the EITI Secretariat in Oslo and other partners.

4.4 With the momentum of EITI, there is emerging evidence of positive results at the country-level, especially concerning data on EI revenues and the systematic depositing of payments in the public domain (often for the first time in many countries). Other positive results include the creation of effective multi-stakeholder mechanisms which not only oversee EITI but help build trust in addressing other aspects of managing the oil, gas and mining sectors. Similarly, at the global level, there is a growing trend towards regional approaches and knowledge-sharing among countries. These positive impacts were acknowledged at the 5th Global EITI Conference (Paris, March 2011), which was attended by a record number of participant stakeholders from EITI-implementing countries, including heads of state and governments (and where a WB Managing Director was a keynote speaker).

4.5 The Conference noted the need for EITI to demonstrate more visibly its impact in terms of better governance of the oil, gas and minerals sectors and on development outcomes, and to complement recent legislative steps in the US (the Dodd-Frank Act) and the EU (proposals that would mandate financial disclosure of EI-related payments by companies to host countries). The key challenges ahead for the WB/MDTF EITI team, therefore, are to help EITI countries to leverage their EITI processes to achieve “higher-order” outcomes in terms of better management of their oil, gas and mining sectors and to build systematic linkages with other domestic reform initiatives (such as stronger tax administration and public financial management, greater transparency of contracts and improved ties to anti-corruption institutions). In the short-term however, WB/MDTF priorities will remain focused on the ongoing validation of several EITI countries and on outreach to new countries. In this respect, the World Bank Group is working actively with the International EITI Secretariat in Oslo, bilateral partners and international civil society as well as with other international institutions such as the IMF, the Africa Development Bank and the Asia Development Bank, to ensure effective EITI implementation.

Global Gas Flaring Reduction Partnership (GGFR)

4.6 The GGFR’s work throughout the AFR, LAC, ECA, MENA and EAP regions demonstrates a common effort to harness potential opportunities by reducing waste of a valuable resource and expanding access to cleaner energy, thus contributing to climate change mitigation and energy efficiency, and promoting sustainable development.

4.7 The GGFR partnership continues to gain momentum in its third phase (2010-12) with the upcoming inclusion of additional partners, such as Kuwait and the EBRD, increased awareness of the issue through conferences, reports and the website, and the preparation of GGFR’s tenth anniversary since the public-private partnership was created in 2002 at the World Summit for Sustainable Development in Johannesburg.

4.8 Satellite data on global gas flaring, which is a joint effort between GGFR and the US National Oceanic and Atmospheric Administration (NOAA), show that overall efforts to reduce gas flaring are paying off. For the fifth consecutive year flaring of gas associated with oil production has registered a drop worldwide: between 2005 and 2010, gas flaring decreased by 22 percent from 172 billion cubic meters (bcm) to 134 bcm, according to satellite estimates.

4.9 GGFR's main work focuses on key anchor countries — Indonesia, Mexico, Nigeria, Qatar and Russia — and on activities in other countries of those regions that may directly lead to larger flare reduction projects or programs.

4.10 The work program includes policy and regulatory advice in high-impact countries; facilitation of dialogue between the government and operators in Nigeria (Nigeria Flare Reduction Committee), Qatar, Gabon, Azerbaijan and Kazakhstan; project development in Nigeria, Mexico, Russia, Indonesia, Kazakhstan, Uzbekistan, Iraq and Azerbaijan; and Country Implementation Plans/Associated Gas Recovery Plans assistance in Qatar, Uzbekistan, Kazakhstan, Gabon and Azerbaijan.

4.11 The work program in Nigeria has continued to focus on supporting the Nigerian government, oil and gas operators and other stakeholders in developing a rational approach to flare reduction through the "Nigeria Flare Reduction Committee" (NFRC), which was set up in October 2007 and is chaired by the Ministry of Petroleum Resources. The NFRC has analyzed a number of options to achieve and accelerate flare reduction.

4.12 Consultations with various partners and other stakeholders on GGFR's role in global gas flaring reduction post 2012 are already underway.

4.13 The reduction in the satellite estimates for global gas flaring, from 147 bcm in 2009 to 134 bcm in 2010, occurred despite a two million barrel-per-day increase in crude oil production over the same period. Satellite estimates also confirm a 15 percent drop in gas flaring intensity (ratio of gas flared to oil production volumes) since 2002 (see graph below). The 13 bcm decline in 2010 is roughly equivalent to 30 million tons of CO₂ emissions, or to taking almost six million cars off the road.

4.14 Most of last year's estimated reductions were achieved in Russia and Kazakhstan, where public and private stakeholders have increased investments in associated gas utilization projects. Overall, Russia and Nigeria have seen the largest reductions but still topped the list of flaring countries in 2010, a list that also includes Iran, Iraq, Algeria, Angola, Kazakhstan, Libya, Saudi Arabia, and Venezuela. Countries that are members of GGFR have been more effective in reducing their gas flaring intensity than non-members (see graph below).

4.15 The 134 bcm of gas flared worldwide in 2010 is equivalent to almost 30 percent of the European Union's yearly natural gas consumption. Overall, the flaring of gas adds about 360 million tons of carbon dioxide in annual emissions, roughly equivalent to the annual emissions from 70 million cars. Some flaring also emits black carbon, or soot.

4.16 GGFR has established three new networks: one to examine technical issues that inhibit further flaring reductions; another on communications-related issues; and a third on the use of carbon finance to make gas flaring reduction projects more economically viable. The third working group seeks to improve methodological aspects that will allow more oil and gas projects to be registered under the Kyoto Protocol's Clean Development Mechanisms (CDM). The methodology group brings together representatives from the oil and gas industry, CDM project developers and international organizations such as the United Nations Environment Program (UNEP).

Petroleum Governance Initiative (PGI)

4.17 The Petroleum Governance Initiative (PGI) is a collaboration between the government of Norway and the World Bank designed to achieve structured cooperation on petroleum sector governance issues. A Memorandum of Understanding (MOU) between the World Bank and Norway initiating PGI was first agreed to in October 2006. Both Norway and the World Bank are significant contributors to petroleum-related cooperation with developing countries, actively assisting with petroleum resource and revenue management and related environmental and community issues. Thus there are many synergies to be realized from this important and close cooperation.

4.18 PGI is based on the thematic pillars of Governance, Environment, and Community Development, and works at both the global and country levels. The total level of support from Norway is around US \$7.4 million. As agreed in the MOU, PGI is a medium- to long-term commitment, in the range of 3-5 years at minimum.

4.19 **Governance Pillar:** Activities supported under this pillar aim to foster the conditions necessary for robust petroleum sector governance, particularly in the areas of petroleum licensing and negotiations, institutional structures and capacity, fiscal regimes, and management of exploration and production operations. Projects are both global and country-specific in scope, providing support to a diverse group of countries such as Cambodia, Ghana, Rwanda, Vietnam, and Uganda.

4.20 **Environment Pillar:** The objective of this pillar is to build the capacity for environmental management in petroleum producing countries or in countries where significant petroleum reserves have been discovered but sector development is still nascent. Work under the Environment pillar has included a survey of environmental management systems to identify best practices for the oil and gas sector; preparation of a toolkit on decommissioning policy adapted to the extractives sector in developing countries; and a Social and Environmental Strategic Assessment (SESA) in Mauritania.

4.21 **Community Development Pillar:** Managed through the Oil, Gas and Mining Sustainable Community Development Fund (CommDev), the aim of the Community Development Pillar is to

raise the bar on investor engagement in community development by providing funding and expertise to support innovative projects designed to ensure that communities in the vicinity of oil and gas operations derive sustainable benefits from them. Activities in FY2011 focused on the completion of a number of country-specific activities and global studies; an evaluation of the entire program; and preparation for the second phase of PGI.

4.22 In late 2010, PGI hired a consultant to evaluate the Initiative, focusing on the strategic coherence of the program goals, the effectiveness and efficiency in delivering on these goals, and on aspects of governance and management. The aim was to gather recommendations for improvements in products, performance and processes.

4.23 Overall, the evaluation found that PGI has made strong progress in its first four years of operations. Norway and the WBG have achieved a genuinely synergistic bilateral partnership in helping developing countries face the challenges of managing petroleum resources. The evaluation found that PGI funds had been used to provide both authoritative global knowledge products and country-based technical assistance with direct impact at the national and community levels. It concluded that PGI-funding had facilitated professional exchanges that have strengthened dialogue at the country level, leading to better coordination and improved country assistance programs, and had enhanced the quality of the Initiative's global products. The evaluation confirmed the continuing relevance of PGI's objectives.

4.24 In light of this positive evaluation, the team in the WB's Oil, Gas and Mining Policy Division (SEGOM) began discussions with Norway on the structure of the next phase of funding for PGI (PGI-II). Following a series of consultations, it was agreed that activities under PGI-II would commence in FY2012 for a period of three years. Total contributions for PGI-II from the government of Norway are expected to be around US\$5.6 million.

Extractive Industries – Technical Advisory Facility

4.25 To address developing countries' needs for real-time advisory assistance, in 2009 the WBG's Oil, Gas, and Mining Policy and Operations Unit (SEGOM) established the Extractive Industries Technical Advisory Facility (EI-TAF). EI-TAF facilitates advisory services to address urgent needs for assistance in connection with prospective EI transactions, and for short-term capacity building related to associated policy reforms and frameworks. The ultimate objective of the EI-TAF is to assist countries in the sustainable development of the extractives sector, to facilitate private investment that is positive for development and to ensure that countries — and ultimately their citizens — benefit from the exploitation of their extractive resources.

4.26 EI-TAF supports the World Bank's work on the extractive industries value chain and is in line with relevant World Bank Country Assistance/Partnership Strategies. EI-TAF collaborates with other development partner activities in this area (e.g., the AfDB's African Legal Support Facility, the IMF's Topical Trust Fund on Managing Natural Resource Wealth, UNDP's Africa

Regional Project for Capacity Development for Negotiating and Regulating Investment Contracts).

4.27 The Facility has mobilized commitments of US\$7.7 million from a variety of donors, including Norway's Oil for Development Program (US\$3.1 million), Switzerland's State Secretariat for Economic Affairs (US\$1.2 million), the IFC (US\$1.9 million), and the World Bank's Development Grant Facility (US\$1.5 million).

4.28 Rapid-response advisory services under EI-TAF offer countries third-party advisory assistance for EI-related contract negotiations; short-term capacity building for negotiation teams; technical assistance on specific extractive industry transactions, including to update policy, institutional, fiscal, legal and regulatory frameworks; and technical assistance on structuring extractive industry licensing rounds, public offerings (tender/auction), and competitive and transparent tender packages. A roster of international, regional, and national experts (in mining and petroleum economics, law, policy, taxation, mineral or petroleum rights administration, contracts, negotiations, engineering, geology, environmental and social issues, and health and safety) has been assembled to provide advisory services.

4.29 There are currently eight country-specific projects in the EI-TAF portfolio: Liberia (US\$1 million), Rwanda (US\$350,000), Kyrgyz Republic (US\$500,000), Sierra Leone (US\$750,000), Pakistan (US\$500,000), Mexico (US\$500,000), Guinea (US\$500,000) and Mozambique (US\$750,000). Additional requests for assistance from EI-TAF totaling approximately US\$2.5 million have been submitted for Yemen, Papua New Guinea, Zambia, Laos, and Mauritania.

4.30 EI-TAF also supports the production and dissemination of global knowledge products to help meet the need for information on good EI governance and management practices. EI-TAF is supporting the production of a good practice Extractive Industries Source Book (www.EISourcebook.org). The EI Source Book is organized around the EI Value Chain and certain cross-cutting issues. It draws on existing information and provides new knowledge products where gaps have been identified. The Source Book is financed primarily by the World Bank Development Grant Facility (US\$1.5 million over three years).

4.31 EI-TAF recognizes the benefits to be derived from collaborative partnerships that bring together a diverse cohort of thinkers, and is building a network of international research institutions within the oil, gas and mining industries called the "Global Knowledge Consortium." In partnership with the World Bank, the University of Dundee's Centre for Energy, Petroleum and Mineral Law and Economics will lead the development of the Source Book, with strong reinforcement from the University of the Witwatersrand (South Africa), the University of Queensland (Australia) and the French Institute of Petroleum.

4.32 In the fall of 2011, in the context of the Extractives for Development (E4D) initiative (http://www.eisourcebook.org/753_ExtractivesforDevelopment.html), the Source Book was part of a series of invaluable regional consultations and launches (in Jakarta, Tunis, Washington, DC and Mexico City) which elicited feedback from a variety of international partners. In 2012,

the EI Source Book initiative will aim to further expand and consolidate the Global Knowledge Consortium; develop new knowledge products on resource corridors, geodata, midstream gas issues, and artisanal and small scale mining; and develop a series of web-based platforms that will include regionally-specific content for Africa, Asia, Latin America, and other regions. The full Source Book Narrative will also be published in hard-copy.

The Oil, Gas and Mining Sustainable Community Development Fund - CommDev

4.33 CommDev is a source of knowledge and funding for community development efforts linked to extractive industry projects. It provides support for designing strategic community investment, capacity building and training, technical assistance and project implementation, and tool development. CommDev serves as an integral component of an extractive industry project, enhancing and accelerating support to communities above and beyond the compliance requirements of IFC investment projects and World Bank loans.

4.34 To date, CommDev has raised over US\$15 million, principally from IFC and the government of Norway's Oil for Development Program. As of August 2011, CommDev has disbursed over US\$6 million for 30 technical assistance projects, leveraging about US\$15 million from private sector companies and international donors. There are 9 projects in the pipeline valued at \$2.5 million.

4.35 CommDev has built awareness of the importance of a strategic approach to community investment, as opposed to one-off interventions. Community investment strategies need to align business strategy with local development priorities. CommDev has supported important local revenue management and social accountability programs in Peru and Colombia, training 68 institutions to track extractive industry royalty flows to local governments. In Colombia, for example, the project helped to restructure 18 long-term projects in five municipalities valued at US\$55 million: 22 percent of this investment went into the health care sector, with 159,686 people targeted; 41 percent went to education projects, with 25,405 people targeted; and 37 percent went to the water and sanitation sectors, with 154,181 people targeted.

4.36 In response to growing demand for community development guidance, CommDev has developed a web-based information clearinghouse, CommDev.org, which acts as a resource for global good practices, with tool kits, case studies, training programs and methodologies for supporting community development in mineral extractive environments. It has increased access to practical knowledge and tools for navigating complicated, community-focused, social, environmental, and economic development issues. Approximately 1,350 users visit the site every day, 53 percent of them from developing countries. The over 2,500 resources available have contributed to raising the bar on how community development is implemented and has helped create more sustainable, technically-grounded foundations for long-term socio-economic development in communities impacted by extractives industry.

Box 3: Planning and Financial Valuation Tool for Sustainability Investments (FV Tool)

There is a growing expectation that large-scale investments by oil, gas and mining industries will bring broad-based benefits to local communities through sustainable investments in areas such as health, education and biodiversity. Business managers within the extractive industries know that such investments are key to protecting a company's license to operate. Moreover, certain interventions, whether in health care, skills training, or other areas, pay back dividends to the companies that make them.

Quantifying the value of these investments and planning accordingly, however, has long posed a challenge for extractive industries and community development practitioners. Existing cost-benefit analyses were unsatisfactory, as they lacked the rigor of those for more traditional investments. This inability to articulate the value of sustainability investments has relegated such investments to the margins of the project planning process.

Over the past three years, a multilateral partnership including IFC CommDev, Rio Tinto Alcan, Deloitte, MIGA, the government of Norway and Independent Project Analysis (IPA) has come together to address this gap, and has developed an innovative financial valuation tool (FV Tool) which estimates the return on site-specific sustainability investments. This tool helps make the business case for social investments quantifiable, and provides a comparative analysis of investment options. Such information can help to justify and stabilize the annual budget that companies devote to sustainability efforts, and create incentives for community investment.

In the last year, the FV Tool was piloted with Newmont Ghana (gold mine), Cairn India (oil and gas) and Rio Tinto (copper-gold mine) to demonstrate the model's value-added when it comes to risk management, strategic planning and project evaluation. The Tool will be further developed and refined by applying it to brownfield operations in Africa, South Asia and Central Asia.

For more information, to download the FV Tool and user guide and explore the tutorial and other resources, please visit: www.fvtool.com

Gender Program

4.37 The World Bank's Oil, Gas and Mining Policy Division (SEGOM) developed a program on Gender and Extractive Industries a number of years ago. Gender is increasingly incorporated into SEGOM projects (Tanzania, Uganda, PNG, DRC, Malawi), into the assessments that are part of project preparation and implementation, into indicators, and into various project activities. In Tanzania, for instance, as part of the Sustainable Management of Mineral Resources Project (SMMRP), a Gender and Mining working group was formed to bring together government, industry, and civil society (particularly women's groups) to identify and address gender-related issues.

4.38 Based on a draft framework to understand the gender dimensions of Artisanal and Small-Scale Mining (ASM), which was piloted in Africa and East Asia (Mozambique, Tanzania, and Lao PDR), a more comprehensive framework and a toolkit have been developed, to be

published by the end of 2011. Based on the success of this toolkit, a similar approach is being employed to study the gender dimensions of the oil and gas sectors – which until now has received little attention. A methodology was developed and is being piloted in five countries. The results will produce case studies, a survey document, and may also be used to prepare a toolkit to identify impacts in other countries.

4.39 SEGOM has focused on exploring opportunities for collaboration around the social dimensions of extractive industries, including gender, and has made efforts to ensure that issues are treated with a coordinated multi-sectoral approach. During the World Bank Group’s “Extractive Industries Week”, SEGOM organized a session on collaboration and cooperation which brought together colleagues from the fields of mining, the environment, social development, conflict resolution, and governance, and representatives from the World Bank, IFC, and the WBI. All of this has helped SEGOM to identify recommendations for specific actions, which may involve including gender issues in all baselines and indicators, offering gender-sensitive extension services, working to improve men's and women's access to capital, and recommending improvements in policy.

4.40 SEGOM’s publications include a book on “Gender-Sensitive Approaches for the Extractive Industry in Peru,” work that was commissioned under SEGOM’s Gender and EI Program. The book presents a detailed look at the importance of ensuring positive development outcomes for women in mining areas. It also explores opportunities for all relevant stakeholders and suggests approaches that government, companies, civil society and communities can take to improve the impact of mining on women, thus bringing positive development outcomes to the wider family and community.

4.41 SEGOM maintains the Bank’s Gender and EI website where its publications can be found along with updates on gender-related activities in EI, and a Gender and EI in the news section which presents related coverage from media around the world.

World Bank Institute: Governance for the Extractive Industries

4.42 The Governance for Extractive Industries (GEI) program, housed in the World Bank Institute and supported by the World Bank Africa Region, was launched in 2009. The program promotes transparency and accountability along the extractive industries value chain. It does so by connecting and empowering key EI stakeholders to jointly identify, prioritize and implement activities that can lead to a more accountable extractives sector, a need identified following an extensive consultation process.

4.43 The program’s approach capitalizes on WBI’s core competency by bringing together and developing the capacities of multiple stakeholders to address the “how to’s” of designing, implementing and managing change. Issues along the value chain are prioritized in terms of governance vulnerabilities and their potential to be corrected. The program works with a wide range of external organizations to promote the emergence of global norms and standards. The

GEI program team is working actively with relevant WBG departments on a diagnostic of current Bank engagement in the EI sector, providing follow up support to improve knowledge management and capture lessons learned related to good governance.

4.44 GEI's Contract Monitoring Initiative aims to offer capacity building to improve the transparency and accountability of extractive industry contracts in priority countries. Together with the Africa Region and as part of a broader procurement monitoring effort, WBI launched pilots in West Africa (Liberia, Ghana, Nigeria and Sierra Leone) in December 2010 and in East Africa (Tanzania, Uganda, and Zambia) in June 2011. For each country, the program convened representatives from the private, public and civil society sectors which developed action plans for monitoring extractive industry contracts over a period of two to three years. In Liberia, for example, the coalition will focus on community monitoring of mining in two counties. GEI will help build the capacity of local groups to monitor contracts more effectively, including by developing a roadmap/tool that will include a module on how to read contracts.

4.45 GEI has continued to support the growing multi-stakeholder Governance of Extractive Industries community (GOXI). GOXI is a forum for practitioners to share information, learn and collaborate on actions to produce greater accountability in extractive industries in Africa. It includes an active online community of more than 700 individuals working on emerging EI governance issues (www.goxi.org).

4.46 In FY2011, GEI began to examine the role that technology can play in supporting better EI governance. One area identified with great potential was the use of online mapping tools. WBI has developed a pilot interactive map of the extractive industries sector in Ghana, overlaid with socio-economic data, information about contracts, EITI data, and more (<http://maps.worldbank.org/extractives/afr/ghana>). The map will be further developed in partnership with Ghana's Central Michigan University and be funded by the WB's Governance Partnership Facility (GPF). Further steps include the addition of a feedback function so that users can respond to the map's data and/or generate their own data through crowd sourcing. The map will be linked to contract monitoring efforts in Ghana, and expanded to other countries (potentially Sierra Leone and Liberia).

V. Other Developments

The Compliance Advisor/Ombudsman (CAO) and Inspection Panel

5.1 In FY2011, the CAO received two new complaints in the EI sector and undertook compliance appraisals of three EI projects at the request of the CAO Vice President. The two new complaints pertained to the Chad-Cameroon pipeline and the Baku–Tbilisi–Ceyhan pipeline, and were received in June and July 2011, respectively. These two cases are in the early stages of Ombudsman assessment. The three projects that underwent compliance appraisal were Tullow Oil, Kosmos Energy, and the Jubilee FPSO, all three in Ghana, and the appraisal concluded in all three cases that full audits were not warranted. The case of Maple Energy is currently under facilitating settlement based on a complaint brought to the CAO last fiscal year.

5.2 In FY2011, the Inspection Panel received no new requests for review related to World Bank projects in the extractive sector. There are no outstanding cases.

Update of IFC Policies and Performance Standards on Social and Environmental Sustainability and Information Disclosure

5.3 In 2011, the Board endorsed the update to IFC’s Sustainability Framework, originally adopted in 2006. The framework was revised after a lengthy consultation process to incorporate lessons from IFC’s implementation experience and feedback from our stakeholders and clients. The revision further clarifies approaches that in recent years have been recognized as good practices and have been adopted by over 70 “Equator Banks” to date.

5.4 Changes of particular relevance to the extractive sector pertain to the approach toward Indigenous Populations as well as to contract transparency. Building on an existing requirement, IFC clients will engage with affected communities of indigenous peoples to establish and maintain ongoing relationships throughout project cycles and ensure free, prior and informed consent where natural resource development impacts land that is under ownership or customary use. On the transparency front and as a revision to its Disclosure Policy, IFC will require its EI clients to make contracts or key terms public, with a two-year phase-in period.

Publications

5.5 In FY2011, Bank staff produced various policy research on EI-related issues. Select recent publications available at www.worldbank.org/ogmc include:

- Sharing Mining Benefits in Developing Countries: The Experience with Foundations, Trusts, and Funds (Elizabeth Wall and Remi Pelon)
- Overview of State Ownership in the Global Minerals Industry: Long Term Trends and Future (Raw Materials Group)
- The World Bank's Evolutionary Approach to Mining Sector Reform (Gary McMahon)
- Implementing EITI at the Sub-National level: Emerging Experience and Operational Framework (Javier Aguilar, Georg Caspary and Verena Seiler)

5.6 Other publications by the World Bank addressing extractive sector issues, and political economy and governance (available on www.worldbank.org/reference) include:

- The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium
- EI Source Book (http://www.eisourcebook.org/753_ExtractivesforDevelopment.html)

VI. ANNEXES

Annex A: EITI Technical Assistance Work Program - Country Portfolio Summary

Shows MDTF FY2012-13 work program including MDTF grants to countries. EITI validation status and implementation stage shown in shaded columns ^{1/}

As of June 30, 2011

Countries which are implementing EITI (or have endorsed EITI publicly) of which:					In dialogue
EITI-compliant ^{1/}	EITI candidate ^{1/}				
Implementing EITI (Validated as compliant and issuing EITI Reports) (11 countries)	Implementing EITI (to the stage of having published one or more EITI Reports – and validation process done or underway) (17 countries)		EITI implementation in progress (working towards their first EITI Report) (7 countries)	Have endorsed EITI (with some making progress towards candidate status) (8 countries)	Pipeline countries that WBG / other agencies are in contact with (17 countries)
<i>Azerbaijan</i>	Cameroon *	Cote d'Ivoire 2/ *	Candidacy gained in 2010:	<i>Botswana</i>	Angola
Liberia *	<i>Gabon</i>	DR Congo *	Afghanistan **	Ethiopia +	Malawi
Timor Leste *	Guinea *	Sierra Leone *	Iraq *		Rwanda
Mongolia *	Kazakhstan *	Madagascar (pilot) *	Chad	Papua New Guinea +	South Africa
Ghana *	Mauritania *	Tanzania *	Indonesia *		Zimbabwe
			Togo *	Ukraine	
Central African Rep *	<i>Rep of Congo</i>	Zambia *		Tajikistan	Cambodia
Kyrgyz Republic *	Peru *	Mozambique *	Recent candidacy (2011):		Solomon Islands
Niger *	Mali *		Guatemala **		Armenia
Nigeria *		Albania *	Trinidad & Tobago **	Colombia	<i>Bulgaria</i>
<i>Norway</i>		Burkina Faso *		Guyana	
Yemen *				Suriname	Senegal
2/					Sudan
					Uganda
					Lao PDR
					Philippines
					Vietnam
					Dominican Republic
By WBG Region:					Egypt
AFR - 5 countries		AFR - 14 countries	AFR - 2 countries	AFR - 2 countries	AFR- 5+3 countries
EAP - 2		EAP -	EAP - 1	EAP - 1	EAP - 2+3
ECA - 2		ECA - 2	ECA -	ECA - 2	ECA - 1+1
LAC -		LAC - 1	LAC - 2	LAC - 3	LAC - 1
MNA - 1 (suspended)		MNA -	MNA - 1	MNA -	MNA - 1
SAR -		SAR -	SAR - 1	SAR -	SAR -
OECD - 1		OECD -			

^{1/} = by decision of EITI Board, as reflected on International EITI web site. Candidate countries required to complete validation process (for EITI-compliant status) within timeline specified. São Tomé and Príncipe and Equatorial Guinea, previously EITI candidate countries, were delisted from EITI effective April 16, 2010.

^{2/} = Effective June 9, 2011, the EITI status of this is that of "EITI-compliant – Suspended", until June 8, 2012, in view of EITI to function in the situation prevailing in that country.

MDTF grant status to country (countries in italics are shown for completeness - no EITI MDTF-related technical assistance /grant yet (but other WBG departments do engage with this country including on EITI)

* = EITI MDTF grant to country in place and under execution

** = EITI MDTF grant to country in process through WB Legal Dept. and Accounting Dept. etc – i.e. request for TF grant received and trust fund agreement in progress (to be signed in next 1-2 months)

+ = Active pipeline – working towards EITI candidacy. MDTF grant proposal activities will only then be agreed (i.e. MDTF trust fund grant agreement not likely for next 6 months or more)

Attachment for information: Extractive resource-rich countries ^{1/} not yet part of EITI (June 30, 2011)

	GNI / capita \$US	IBRD/IDA	HIPC	Hydrocarbon- Rich country ^{1/}	Mineral- Rich country ^{1/}
<i>High-income countries</i>					
Bahrain	19,350			X	
Brunei Darussalam	26,930			X	
Kuwait	31,640			X	
Qatar				X	
Saudi Arabia	15,440			X	
United Arab Emirates	26,210			X	
<i>Upper- middle-income countries</i>					
Chile	8,350	IBRD			X
Libya	9,010	IBRD		X	
Mexico	8,340	IBRD		X	
Oman	11,120	non-OECD		X	
Russia	7,560	IBRD		X	
Venezuela	7,320	IBRD		X	
<i>Lower-middle-income countries</i>					
Algeria	3,620	IBRD		X	
Ecuador	3,080	IBRD		X	
Iran	2,680	IBRD		X	
Syria	1,760	IBRD		X	
Bolivia	1,260	Blend	X	X	
Jordan	2,850	IBRD			X
Namibia	3,360	IBRD			X
<i>Low-income countries</i>					
Turkmenistan	650	IBRD		X	
Uzbekistan	730	Blend		X	X

Income classification:

High-income countries, per capita income above US\$11,456

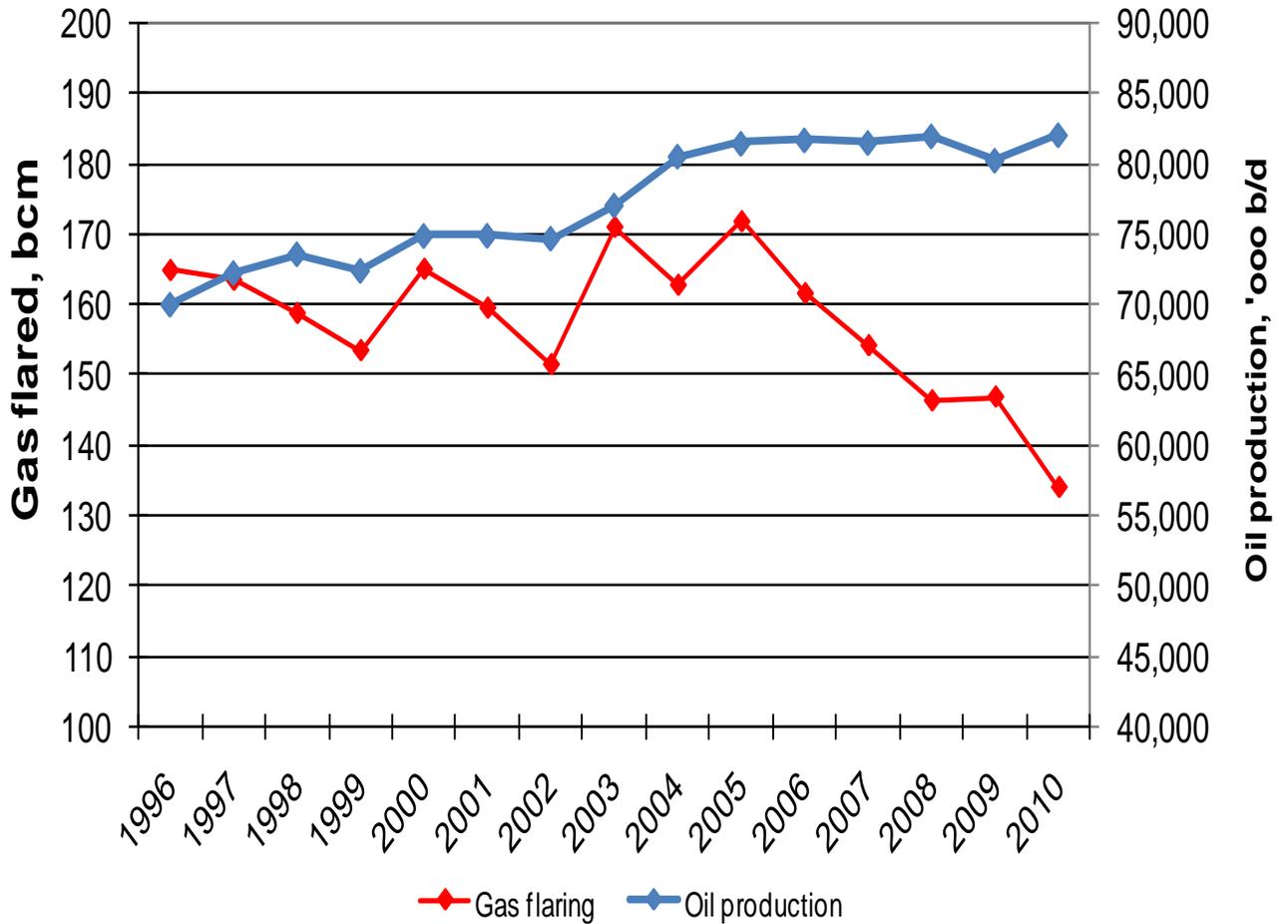
Upper-middle-income countries, per capita income between US\$3,706 and US\$11,455

Lower-middle-income countries, per capita income between US\$936 and US\$3,705.

Low-income countries, per capita income of less than \$935

^{1/} Source: IMF 2007 "Guide on Resource Revenue Transparency" as an indication of the "universe" of resource-rich countries. Countries are considered rich in hydrocarbons and/or minerals if they had an average share of fiscal revenues from those sectors of at least 25 percent during the period 2000-2005 or an average share of sector export proceeds of at least 25 percent of total exports.

Global gas flaring from satellite data



Annex C: World Bank Group Extractive Industries Financing, FY2011

IFC EXTRACTIVE INDUSTRIES FINANCING

TABLE 1: IFC OIL & GAS FINANCING, FY2011

COUNTRY/REGION	COMPANY	PROJECT	US\$M	DESCRIPTION
Chile	Geopark UJV	Otway	10.0	Equity investment to help finance gas exploration in southern Chile with the objective of developing domestic energy sources, a priority of the government of Chile.
East Asia and Pacific Region	Salamander	Salamander 2011	55.0	The project supports the drilling of new wells in existing fields, the selective workover of existing wells and the construction of gas processing facilities and other field infrastructure in Indonesia and Thailand.
Kenya	Gulf Energy	InfraV-GulfLPG	2.0	Development of Liquefied Petroleum Gas supply and distribution framework in Kenya targeted at base-of-the pyramid consumers.
Middle East and North Africa	Kuwait Energy	Kuwait Energy II	50.0	Exploration, development and production of oil/gas assets in Middle East and North Africa and Ukraine. The project will lead to further exploration, appraisal and development of domestic oil and gas resources in Egypt, Yemen and Ukraine, helping to meet domestic demand for oil and gas and curbing production declines particularly in Yemen and Egypt.
TOTAL IFC OIL & GAS FINANCING			117.0	

TABLE 2: IFC MINING FINANCING, FY2011

COUNTRY/ REGION	COMPANY	PROJECT	US\$M	Type of Mineral	DESCRIPTION
Argentina	Argentex Mining	Argentex	7.0	Silver	Equity investment to fund completion of the pre-feasibility study of a polymetallic deposit in Santa Cruz, Argentina.
Armenia	Lydian Intl	Lydian Intl WRT1	0.4	Gold	Exercise of subscription rights in an equity investment to support ongoing exploration and feasibility study work.
		Lydian Intl RI II	3.2		
Burkina Faso	Gryphon	Gryphon RI-2	2.7	Gold	Exercise of subscription rights in an original equity investment to finance the on-going exploration and future feasibility study work at the Banfora Gold Project.
Ethiopia	Nyota	Tulu Kapi Gold	9.2	Gold	Equity investment to support further exploration drilling; completion of a scoping/pre-feasibility study; and preparation of environmental and social impact assessments.
	Allana Potash	Dallol Potash	10.5	Multiple	Equity investment to help finance exploration program, which includes drilling and core sampling, preparation of a feasibility study and an Environmental and Social Impact Assessment report.
Guyana	Guyana Goldfield	Guyana Gold 3Wrt	3.4	Gold	Continued exploration work and completion of a bankable feasibility study as well as environmental and social impact assessment in Guyana.
		Guyana Goldfield	6.5	Gold	
Morocco	Kasbah	Achmmach Tin	3.0	Multiple	Equity investment to support underground drilling and exploration, feasibility studies and environmental and social impact assessments; and general exploration and working capital purposes associated with the Achmmach tin prospect in Morocco.
Peru	Antares Minerals	Antares II	5.5	Copper	Funding for pre-feasibility study and continued exploration work of the Haquira copper mineralization in Peru.
	AAQSA	AAQSA RI2	5.0	Copper	Additional equity finance to support the completion of a revised feasibility study and other pre-development expenditures.
Philippines	Mindoro Resource	Mindoro	4.0	Nickel	Equity investment to support resource drilling, feasibility and other studies, and exploration activities for Mindoro Resource's nickel, copper and gold prospects.
Tanzania, United Republic of	Petra Diamonds	Williamson	50.0	Diamonds and Other Gems	Funding for the mine expansion program of Williamson mine in Tanzania as well as Petra's general corporate needs.
		Petra Warrants	0.0	Diamonds	
World Region	Eurasian Mineral	Eurasian III	2.0	Copper	Equity financing to fund prospecting and exploration expenditures in Haiti and other countries as agreed.
TOTAL IFC MINING FINANCING			112.4		

IBRD/IDA EXTRACTIVE INDUSTRIES FINANCING

TABLE 3: IBRD/IDA MINING PROGRAM FINANCING – FY2011

COUNTRY	PROJECT	SUB-SECTOR	US\$M	DESCRIPTION
IBRD				To improve regulatory and investment environment as well as governance of the mining and telecom sectors with the objective of strengthening competitiveness.
Armenia	Second Development Policy Operation	Mining	6.3	
Peru	Peru Third Programmatic Environmental Development Policy Loan	Mining	10.5	To mainstream environmental sustainability in the development agenda of key sectors, including mining, urban transport and energy.
IBRD MINING PROGRAM FINANCING			16.8	
IDA				
Afghanistan	Afghanistan: Sustainable Development of Natural Resources Project II	Mining/Public Admin of Energy and Mining	44.7	To sustain achievements to date by further strengthening institutions and regulatory capacity in the natural resource sector.
Burkina Faso	Mineral Development Support Project	Mining/Public Admin of Energy and Mining	31.0	To support the government of Burkina Faso in addressing gaps and challenges in the EITI value chain, mainly along the first three links: access to resources, monitoring of operations, and collection of taxes and royalties.
Central African Republic	Economic Management and Governance Reform Grant III	Mining	1.1	To provide fiscal space to the government to protect priority sector spending and mitigate the effects of the global financial crisis as well as strengthen the regulatory framework in the forestry, mining and petroleum sectors so they can continue to be a source of sustainable growth, employment creation and income.
Congo, Democratic Republic of	DRC-Growth with Governance in the Mineral Sector	Mining/Public Admin of Energy and Mining	49.5	To strengthen the government's capacity to manage the mineral sector.
Guinea	GN-Development Policy Lending 1 (GN-DPL 1)	Mining	13.3	To facilitate policy actions aimed at improving public financial management, strengthening public sector efficiency and accountability focusing on core personnel management systems, and fostering transparency in the mining sector.
Kyrgyz Republic	Additional Financing to cover a gap in the Disaster Hazard Mitigation Project (DHMP)	Mining	0.7	Additional financing to an existing project in order to minimize exposure to radionuclides associated with abandoned uranium mine tailings and waste rock dumps.

Lao People's Democratic Republic	Lao Seventh Poverty Reduction Support	Mining	1.4	To assist the government of Lao PDR in implementation of the sixth National Social Economic Development Plan and specifically to sustain growth through improvement of the investment climate, facilitating trade and management of natural resources.
Malawi	MW: Mining Governance and Growth Support Project	Mining/Public Admin of Energy and Mining	22.3	To provide technical assistance over five years to help the government build an efficient, transparent and environmentally and socially sustainable framework for managing mineral rights and operations, to develop transparent arrangements for optimal generation and use of mineral revenues, to improve the enabling environment for mining sector development.
Mali	ML-Fifth Poverty Reduction Support Credit	Mining	7.0	To improve the business environment and enhance governance and efficiency in the energy and mining sectors.
Mauritania	Second Additional Financing to the Second Mining Sector Capacity Building Project	Mining/Public Admin of Energy and Mining	6.1	To strengthen the government's capacity to manage national mineral sector activities in an environmentally, socially and economically sustainable manner
Mongolia	Mongolia - Development Policy Credit 2	Mining	10.1	Continuing to support government efforts in areas most affected by the economic downturn and to address particularly the mining sector given its importance to economic recovery.
Sierra Leone	Sierra Leone Extractive Industries Technical Assistance Project (EI-TAP) - Additional Financing	Mining/Public Admin of Energy and Mining	4.0	To build government capacity to improve management and regulation of the extractive industries sector and to scale-up activities of the Mining Technical Assistance Project (MTAP), approved in 2009.
Togo	TG-Economic Recovery & Gov. Grant 4	Mining	2.8	Supporting policy reforms to strengthen governance and transparency in public financial management
IDA MINING PROGRAM FINANCING			194.0	
TOTAL IBRD/IDA MINING PROGRAM FINANCING			210.8	

* Including Blend countries

Note: Many IBRD/IDA financings are multi-sector and financing allocation to specific sub sectors in some cases may be nominal. Only financing with identifiable extractive industry components are included above.

TABLE 4: IBRD/IDA MINING PROJECT FINANCING THROUGH GRANTS – FY2011

	COUNTRY	PROJECT	SUB-SECTOR	US\$M	DESCRIPTION
Grants	Indonesia	Indonesia: Extractive Industries Transparency	Mining	0.5	To support EITI implementation.
	Mauritania	Mauritania: Phase II: EITI Implementation	Mining	0.1	To support EITI implementation.
	Mozambique	Mozambique: Extractive Industries-Technical Advisory Facility	Mining	0.8	To address immediate regulatory and capacity bottlenecks towards successful negotiations of new mineral development agreements.
	Niger	Niger EITI - Post Compliance I	Mining	0.1	To sustain an enabling environment for disclosure and publication of payments and revenues by the government.
	Sierra Leone	Sierra Leone Technical Advisory Facility	Mining	0.8	To build government capacity to review existing mining development agreements and negotiate new ones.
	Solomon Islands	Solomon Islands: Mining Sector Technical Assistance - Phase I	Mining	0.9	To provide technical assistance and capacity building to the government of the Solomon Islands to better manage its mining sector in a sustainable way.
	Togo	Togo: Extractive Industries Transparency Initiative Implementation	Mining	0.3	To help jump start the process of moving Togo towards achieving Candidate Status for the EITI program.
TOTAL IBRD/IDA MINING GRANT FINANCING				3.5	

* Including Blend countries

Note: Many IBRD/IDA financings are multi sector and financing allocation to specific sub sectors in some cases maybe nominal. Only financing with identifiable extractive industry components are included above.

TABLE 5: IBRD/IDA OIL AND GAS PROGRAM FINANCING – FY2011

COUNTRY	PROJECT	SUB-SECTOR	US\$M	DESCRIPTION
IBRD Peru	Peru Third Programmatic Environmental Development Policy Loan	Oil and gas	10.5	Mainstream environmental sustainability in the development agenda of key sectors, including mining, urban transport and energy
IBRD OIL & GAS PROGRAM FINANCING			10.5	
Central African Republic	Economic Management and Governance Reform Grant III	Oil and gas	1.1	To provide fiscal space to the government to protect priority sector spending and mitigate the effects of the global financial crisis as well as to strengthening the regulatory framework in the forestry, mining and petroleum sectors so that they can continue to be a source of sustainable growth, employment creation and income.
Ghana	Gas and Oil Capacity Building Project	Oil and gas /Public Admin of Energy & Mining	26.2	Improve public management and regulatory capacity while enhancing transparency.
	Poverty Reduction Support Credit (PRSC-7)	Oil and gas	53.8	Support the continuation and deepening of the policy reforms initiated in 2009 and prepare the country for the oil era.
IDA OIL & GAS PROGRAM FINANCING			81.1	
TOTAL IBRD/IDA OIL & GAS PROGRAM FINANCING			91.6	

TABLE 6: IBRD/IDA OIL AND GAS PROJECT FINANCING THROUGH GRANTS – FY2011

	COUNTRY	PROJECT	SUB-SECTOR	US\$M	DESCRIPTION
Grants	Cameroon	Cameroon Phase II: EITI Implementation	Oil and gas	0.2	To continue EITI implementation.
	Indonesia	Indonesia: Extractive Industries Transparency	Oil and gas	0.5	To support implementation of EITI
	Iraq	Integrated National Energy Strategy TA Additional Financing	Oil and gas	1.1	To increase the contribution of the sector to sustainable development
	Iraq	Iraq: Extractive Industries Transparency Initiative Implementation	Oil and gas	0.8	To support implementation of EITI
	Mauritania	Mauritania: Phase II: EITI Implementation	Oil and gas	0.1	To support EITI implementation
	Niger	Niger EITI - Post Compliance I	Oil and gas	0.1	To sustain an enabling environment for government disclosure and publication of payments and revenues.
TOTAL IBRD/IDA GRANT OIL & GAS FINANCING				2.8	

* Including Blend countries

Note: Many IBRD/IDA financings are multi-sector and financing allocation to specific sub sectors in some cases may be nominal. Only financing with identifiable extractive industry components are included above.

MIGA EXTRACTIVE INDUSTRIES FINANCING

TABLE 7: MIGA EXTRACTIVE INDUSTRIES FINANCING, FY2011

PROJECT	COUNTRY	SECTOR	GROSS EXPOSURE (US\$M)	DESCRIPTION
Strand Minerals Pte Ltd	Indonesia	Mining	\$147.0	The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, breach of contract, and war and civil disturbance.
TOTAL MIGA EI FINANCING			\$147.0	

Annex D: Summary of Expected Development Impact of IFC Projects, FY2011

OIL AND GAS PROJECTS

GEOPARK UJV, (CHILE) –Otway Project

GeoPark Holdings, or Geopark, is a junior exploration and production company, established in 2002 and headquartered in Buenos Aires, Argentina, with producing assets in both Argentina and Chile. IFC has joined Geopark as an equity investor and partner in an unincorporated joint venture partner for up to 15 percent working interest in the Tranquilo and Otway exploration blocks, located in the Austral basin of the Magallanes and Antarctica Chilena region in southern Chile. The government of Chile has prioritized the development of the country's energy resources to achieve greater energy security. IFC's investment in this initial exploration stage will help promote the development of domestic energy, associated downstream industry and employment.

SALAMANDER. (EAST ASIA AND PACIFIC REGION) –Salamander 2011 Project

Salamander Energy plc is a rapidly-growing junior oil and gas company exclusively focused on Southeast Asia. Since its foundation in early 2005, Salamander has developed a broad set of assets, including producing and near-production interests in Indonesia and Thailand as well as exploration and appraisal properties in Indonesia, Thailand, Vietnam, Lao PDR and the Philippines. The Project will support the drilling of new wells in existing fields, the selective work-over of existing wells and the construction of gas processing facilities and other field infrastructure in Indonesia and Thailand. The increased availability of natural gas will promote the use of a cleaner fuel, given that natural gas has much lower carbon emissions than coal, which is frequently the alternative fuel for power generation in Southeast Asia.

GULF ENERGY. (KENYA) –InfraV-GulfLPG Project

The InfraV-GulfLPG project is an investment in a greenfield venture which aims to develop an innovative supply and distribution framework for providing Liquefied Petroleum Gas (LPG) at affordable prices to Base Of the Pyramid (BOP) consumers in Kenya. The Sponsor is Gulf Energy Limited, an oil and petroleum products trading company which is today one of East Africa's largest oil importers, with a presence in Uganda, Rwanda and Burundi. Use of LPG will have a direct beneficial impact on quality of life and health by replacing household use of kerosene or charcoal.

KUWAIT ENERGY. (KUWAIT/ Middle East and North Africa) –Kuwait Energy II Project

Kuwait Energy Company K.S.C.C. is one of the few local, privately-owned oil and gas exploration and production companies in the Middle East and North Africa. It was founded in 2005 by former employees of Kuwait Oil Company, Kuwait's state-owned oil company. KSCC is carrying out a work program that mainly consists of drilling four development wells to increase production in KEC's two main gas producing assets in Ukraine; drilling eight development wells in KEC's three producing assets in Egypt; and drilling about six exploration wells and shooting seismic over various oil and gas exploration targets in Egypt, Ukraine and Yemen. The project will lead to further exploration, appraisal and development of domestic natural resources in Egypt, Yemen and Ukraine, helping to meet domestic demand for oil and gas and curbing production declines, particularly in Yemen and Egypt.

MINING PROJECTS

ARGENTEX MINING (ARGENTINA) – Argentex Project

Argentex Mining Corporation is a listed Canadian junior mining exploration company. The Company is focused on its wholly owned polymetallic exploration project located in the Deseado Massif, in Santa Cruz Province, Argentina. The project is at the scoping study stage and IFC investment will fund exploration and further studies for the Pinguino project. The proposed project is located in a remote region of Santa Cruz province that suffers from depopulation and economic stagnation. A volcanic eruption in 1991 covered the area with a thick layer of ash that put an end to the then vibrant cattle industry in the region. There are few other sources of potential economic growth and job creation in the area.

LYDIAN INTL (ARMENIA) – Lydian Int RI II/Lydian Int WRT1 Project

Lydian is a junior exploration mining company focused on finding, acquiring and developing prospective assets in countries in Eastern Europe and Central Asia. IFC is exercising its subscription rights to finance continued exploration and feasibility study work with respect to mineral resource properties in Armenia. In the event of mine development, the expected development benefits of the project would include setting an example for other foreign mining companies to follow Lydian's lead, thereby expanding the country's mining potential. Should a mine be developed, the Armulsar project would produce taxes and royalties and generate positive foreign currency flows for Armenia. It would also help to revitalize an economically depressed area, formerly a center of mining and industry, bringing skilled jobs to workers trained in the sector.

GRYPHON MINERALS (BURKINA FASO) –Gryphon Rights Issue II Project

Gryphon is an Australian-listed, publicly-traded company with a focus in Burkina Faso, where it has been engaged in minerals exploration since 2005. After an initial equity investment by IFC to support minerals exploration, a pre-feasibility study, and initial Environmental and Social Impact Assessment studies, IFC participated in a rights offering to fund additional exploration and studies at Banfora Gold Project. IFC's involvement in Burkina Faso's growing mining sector will have an important demonstration effect in terms of setting environmental and social standards as well as transparency standards. In addition, IFC involvement in the sector could assist in establishing some benchmarks on sustainable resource development.

ALLAN POTASH (ETHIOPIA) – Dallol Potash Project

Allana Potash Corp is exploring for potash on three contiguous licenses located in the Danakil Depression. IFC is a strategic partner and is providing equity to help finance the exploration program over the next two years, which includes drilling and core sampling, preparation of a feasibility study and an Environmental and Social Impact Assessment (ESIA) report. The Project is located in an underdeveloped part of the country; should it transition to a full operating mine it will likely contribute significantly to the area's development through generation of employment, improved infrastructure access, stimulation of local development through purchase of local goods and services, payments to government in the form of royalties and taxes; and improving the inflow of foreign currency to the government.

NYOTA (ETHIOPIA) – Tulu Kapi Gold Project

Nyota Minerals Ltd. is a mineral exploration company with exploration properties in Ethiopia and Burundi. Nyota's most advanced exploration target is the Tulu Kapi gold project, located in western Ethiopia. It is the company's intent to progress Tulu Kapi to the mine development phase. Nyota sought IFC's engagement as a strategic partner to help develop Tulu Kapi in line with industry best-practice in environmental and social sustainability. IFC's equity investment is supporting continued exploration activities, scoping studies, environmental and social impact assessments, and providing working capital. Should the project move to a fully operating mine, it promises to generate notable developmental benefits both for the country as a whole and particularly for the area around the mine, which is located in an underdeveloped part of the country.

GUYANA GOLDFIELD (GUYANA) – Guyana Goldfield/Guyana Gold 3Wrt Project

Guyana Goldfield is a publicly listed company on the Toronto Stock Exchange (TSX) that seeks to advance gold exploration in Guyana. IFC will partially finance preparatory work to position the company to move towards mine development; this project is slated to continue exploration work and complete a bankable feasibility study for the

development of such mines. Mining is an important part of the Guyanese economy, representing 10 percent of GDP. While it is too early to estimate the mine size and development impacts should mine development proceed as planned, it is expected to result in increased gold production, increased regional employment, a dedicated community development program to benefit Amerindian communities; contribution to government revenues; and linkages with regional small- and medium-sized goods and service providers.

KASBAH RESOURCES LIMITED (MOROCCO) - ACHMMACH TIN Project

Kasbah Resources Limited is a junior mining exploration company with a focus on Morocco and is listed on the Australian Stock Exchange. Its prime exploration target is the hard rock Achmmach Tin prospect, located on the western edge of the El Hajeb province. IFC's investment will support underground drilling and exploration, feasibility studies and environmental and social impact assessments, and meet general exploration and working capital needs. The project is located in an underdeveloped part of the country outside of key commercial centers and will likely contribute significantly to the area's development should it transition into a full operating mine.

ANGLO AMERICAN QUELLAVECO S.A. (PERU) -AAQSA Rights Issue II

IFC is an existing shareholder in AAQSA, a relationship that dates back to 1993. Anglo American is the major shareholder and sponsor of a large copper mine located in the south of Peru close to the Chilean border. In 2010, IFC was requested to provide additional equity financing for the project. The eventual development of the Quellaveco mine will create significant economic benefits and opportunities for employment, fostering supply chain development and community investment programs in Peru.

ANTARES MINERALS INC. (PERU) -Antares II Project

Antares Minerals Inc. is a Canadian TSX-listed junior mining exploration company focused on the Haquira copper exploration project in Peru. IFC is supporting the pre-feasibility study and continued exploration of the Haquira mineralization and is providing technical advice on environmental and social issues. At this early stage in the project cycle, the company is trying to implement a program to improve local livelihoods through training in and provision of materials for fish farming, greenhouse cultivation of vegetables, farming of fodder, sowing and occupational training. During the construction and development phase, significant economic development impacts are expected.

MINDORO RESOURCE (PHILIPPINES) - Mindoro Project

Mindoro Resources Ltd. is a junior mining exploration company focused on the Philippines and is dual listed on the Toronto and Frankfurt Stock Exchanges. The objective is to build a successful exploration and mining company in the Philippines with focus on nickel, copper and gold. IFC equity investment will support Mindoro's resource drilling, feasibility and other studies, and exploration activities for its nickel, copper and gold prospects. The project is located in an underdeveloped frontier region. It is outside of key commercial centers and will likely contribute notably to the area's development should it transition into an operating mine.

PETRA DIAMONDS (TANZANIA) - Petra Warrants/Williamson Project

Petra is a producer of rough diamonds and is one of only a handful of publicly-traded pure-play diamond producers worldwide. IFC is providing corporate debt financing coupled with a warrants package to enable the company to finance a mine expansion program at the Williamson Diamond Mine in Tanzania as well as general corporate needs. The Williamson mine expansion program is expected to improve the economics of the mine substantially. Tanzania's Development Vision 2025 aims to increase the mining sector's contribution to GDP to 10 percent overall by 2025. The Williamson expansion, which aims to ensure the long-term and economic sustainability of a 70-year old mine, will support this government objective by setting an example and potentially attracting further investments into the Tanzanian mining sector.

EURASIAN MINERALS INC. (WORLD REGION/HAITI) -EURASIAN/EURASIAN II Project

Eurasian Minerals Inc. (EMX), is a TSX Venture Exchange listed junior mining company focused on early-stage precious and base metal exploration in northern Haiti and Turkey. EMX also has equity or royalty interests in early stage projects in Eastern Europe and the Kyrgyz Republic. IFC is providing equity financing to EMX to help fund its prospecting and exploration in Haiti as well as activities in other countries as agreed. Currently the project is providing local employment in an extremely poor part of the country. Indirectly, the advancement of exploration projects in Haiti could attract additional foreign investment to an underdeveloped but promising sector of the Haitian economy.

Annex E: Summary of Objectives of IBRD/IDA EI Projects, FY2011

MINING PROJECTS

IBRD FINANCING

Armenia

The *Second Development Policy Operation* in Armenia supports the government's two strategic objectives: (i) addressing vulnerability by protecting the poor and supporting human capital development; and (ii) strengthening competitiveness for sustained post-crisis growth by providing a more favorable private sector environment and strengthening governance. Specifically, the operation focuses on improving the business climate for SMEs, modernizing the regulatory framework for mining and telecommunications, reducing compliance cost for tax and customs administration, and enhancing the enforcement powers of the State Commission for the Protection of Economic Competition. Key outcomes include better governance and an improved investment environment for the mining and telecom sectors.

Peru

The *Third Programmatic Environmental Development Policy Loan Program (ENDVDPL)* continues to support the government of Peru's efforts to strengthen environmental governance and institutions, and mainstream environmental sustainability into the development agenda of key sectors (mining, fisheries, urban transport and energy). In support of Country Partnership Strategy pillar one on economic growth, the ENVDPL program will contribute to making growth environmentally sustainable, strengthening biodiversity conservation and the legal and institutional framework with respect to the environment, enhancing control over air and water pollution, improving the sustainability of the mining sector and of fisheries resources. In addition, by supporting the policy instruments of the recently created Ministry of Environment (MINAM), the ENVDPL program will contribute to the modernization of state institutions (CPS pillar III).

IDA FINANCING

Afghanistan

The proposed *Sustainable Development of Natural Resources Project II (SDNRP-II)* is a follow-on to the original Project, which closed in July 2011. The objective of the SDNRP-II is to sustain its predecessor's achievements by further strengthening institutions and regulatory capacity in the sector, attracting additional FDI through new international offerings, and deepening economic linkages within resource corridors. A technical assistance project is proposed to complement activities under the prior program, along with new activities to sustain achievements. These include improving outcomes at the Aynak and Hajigak mines, collecting new geodata, further strengthening institutional and regulatory capacity (for instance, at the Ministry of Mines, the Ministry of Finance and at the National Environmental Protection Agency). Also envisioned is the offering of new tenders for strategic mineral assets (principally the Afghan-Tajik Basin hydrocarbons) and augmenting resource corridors with which infrastructure and industry clusters are associated.

Burkina Faso

The *Mineral Development Support project (MDSP)* supports the government of Burkina Faso in addressing challenges associated with the EITI value chain, mainly along the first three links: access to resources, monitoring of operations, and collection of taxes and royalties. The project will support access to resources by providing technical assistance, including legal expertise, geo-scientific mapping, systems and IT development, and training to government agencies. Monitoring of operations and collection of taxes and royalties will be addressed through the of strengthening institutional sector management capacity and accountability (including capacity building of central government institutions, sub-national governments, decentralized authorities, artisanal and small-scale miners, civil society and community members).

Central African Republic

The *Third Economic Management and Governance Reform Grant Program (EMGRG III)* for the Central African Republic is the fourth in a series of development policy operations (DPOs) that began with the Reengagement and Institution-Building Support Program in 2006. The operation supports the government's efforts to mitigate the economic and poverty impact of the global economic slowdown. The objectives of the proposed grant are to improve transparency and efficiency in the management of public resources and promote private sector development through reforms aimed at: (i) strengthening budget execution and reporting as well as public procurement, and improving revenue administration to increase domestic revenue, with the view to expand public investment in priority sectors; (ii) strengthening the regulatory framework in the forestry, mining and petroleum sectors so that they can continue to be a source of sustainable growth, employment creation and incomes; and (iii) improving the business environment by reducing the cost of doing business.

Congo, Democratic Republic of

The objective of the *DRC-Growth with Governance in the Mineral Sector Project* is to strengthen the government's capacity to manage the mineral sector, improve the socio-economic impacts of industrial and artisanal mining, and improve the conditions for increasing investment and revenues.

Guinea

The *Guinea Development Policy Loan 1 (GN – DPL 1)* project aims to support the authorities' efforts to engage decisively on a reform program that would enhance macro-economic stability and mark a clean break with the past with respect to executive accountability and transparency. While the grant will primarily facilitate arrears clearance to IDA to allow resumption of WB disbursement in support of the Transitional Poverty Reduction Strategy, particular attention is given to policy actions aimed at improving public financial management, strengthening public sector efficiency and accountability focusing on core personnel management systems, and fostering transparency in the mining sector.

Kyrgyz Republic

Additional financing will be provided to the *Disaster Hazard Mitigation Project*. Its development objective is to assist the government of the Kyrgyz Republic in (i) minimizing the exposure of humans, livestock, and riverine flora and fauna to radionuclides associated with abandoned uranium mine tailings and waste rock dumps in the Mailuu-Suu area; (ii) improving the effectiveness of emergency management and response by national and sub-national authorities and local communities to disaster situations; and (iii) reducing the potential loss of life and property in key landslide areas of the country.

Lao People's Democratic Republic

The *Seventh Poverty Reduction Support Operation (PRSO 7)* is the (last) 4th DPL in the second series (PRSO4/7) of four programmatic operations. The purpose of the DPL is to assist the government of Lao PDR to implement the sixth National Social Economic Development Plan (2006-2010), and particularly to help the government sustain growth through improvement of the investment climate, facilitation of trade and management of natural resources.

Malawi

The *Malawi Mining Governance and Growth Support* project will provide sector-specific technical assistance over five years, considering limits to the absorptive capacity of its beneficiaries and the time needed for capacity building programs to be delivered. The project design includes activities to be implemented in three areas, with project implementation a fourth component. The first component of the project is to support the government to build an efficient, transparent and environmentally and socially sustainable framework for managing mineral rights and operations. The second component is to support the government to develop transparent arrangements for the optimal generation and use of mineral revenues. The third component is to support the government to improve the enabling environment for mining sector development by acquiring and disseminating geo-data, fostering more sustainable artisanal and small scale mining, increasing the supply of Malawians who are college-educated in mining-related disciplines and improving the policy environment for mining-related infrastructure development.

Mali

The key objective of the proposed Mali *Fifth Poverty Reduction Support Credit* is to support government reforms to improve the regulatory and institutional framework for infrastructure and private investment, strengthen public financial management and improve basic service delivery. Specifically, the PRSC-5 focuses on supporting the government's efforts to improve the business environment and enhance governance and efficiency in the agriculture, energy and mining sectors; strengthen and modernize the legal framework for procurement and improve the external audit function; advance fiscal decentralization in the education and health sectors; and improve the framework for the participation of the poor in the mutual insurance schemes.

Mauritania

The objective of the *Second Additional Financing* to the *Second Mining Sector Capacity Building* project is to strengthen the capacity to manage national mineral sector activities in an environmentally, socially and economically sustainable manner. The second additional financing will scale up activities that have been successfully implemented during the initial stages of the project: building local and regional capacity to benefit from and establish economic linkages with mine operations, strengthening national capacity to regulate and supervise mine operations, and expanding the geological knowledge-base. Finally, a new activity of education and vocational training support will be added to help form a new generation of mining specialists.

Mongolia

This *Development Policy Credit II (DPC 2)* is the successor to the DPC approved in FY2009, and will build on the economic reforms supported by it. The DPC 2 will continue to support government efforts in four sectors most affected by the economic downturn, including fiscal policy and management, given the budget's strong dependence on mining revenues; social protection, given the impact of the economic downturn on the poor and the fiscal need for reform; the financial sector, which was overheating when the global crisis hit, and which experienced a solvency crisis; and the mining sector, given the sector's importance in driving the recovery.

Sierra Leone

The development objective of the *Sierra Leone Extractive Industries Technical Assistance Project (EI-TAP) – Additional Financing* is to build the government's capacity to improve EI management and regulation and to scale-up the activities of the Mining Technical Assistance Project (MTAP), approved in 2009. The project consists of three components: capacity building to improve regulation of the extractive industries sector; strengthening the technical, institutional, management and regulatory enforcement capacities of the Ministry of Mineral Resources (MMR) and, upon its establishment, the National Minerals Agency (NMA); and finally, provide technical and financial support to MMR for the management, procurement, monitoring, evaluation and audit of the project.

Togo

The *Economic Recovery & Government Grant IV (ERGG 4)* will support policy reforms to strengthen governance and transparency in public financial management as well as in key sectors of the economy (cotton, energy, and phosphates). These policy measures continue the process started in 2007 of restoring production to existing capacity (notably for phosphates and cotton) and of laying the basis for medium-term growth by further improving public financial management and addressing energy sector weaknesses.

FINANCING THROUGH GRANTS

Indonesia

The objective of *Indonesia: Extractive Industries Transparency Initiative* is to help Indonesia with the implementation of EITI.

Mauritania

The development objective of the *Mauritania: Phase II: EITI Implementation Grant* is to support and implement the disclosure and publication of payments and revenues in the mining and petroleum industries; to provide training to civil society and government involved in the committee on EI matters; and to produce and implement a communications strategy to promote good governance.

Mozambique

The *Extractive Industries-Technical Advisory Facility Grant to Mozambique* will support: government negotiations and technical teams on the Chibuto Mineral Sands Project tender; updating of the mining cadastre to enable the government to handle issuance of large-scale mining licenses in accordance with regulations; and updating the current legal and regulatory framework for the management of the mining sector. The development objective is to address immediate regulatory and capacity bottlenecks that impede successful negotiations on new mineral development agreements.

Niger

The objective of the *Niger EITI - Post Compliance I Grant* is to strengthen capacity building and training, support continuous data collection and report preparation and production, and help with efficient implementation. The development objective is to sustain an enabling environment for disclosure and publication of payments and revenues, maintain a multi-stakeholder steering group to manage the EITI implementation process, ensure smooth functioning of EITI-Niger multi-stakeholder groups, strengthen implementation of the communications strategy developed during Phase I, and legislate on EITI principles and objectives to ensure the continued existence of EITI-Niger arrangements.

Sierra Leone

The *Sierra Leone Technical Advisory Facility Grant* will finance the services of a multi-disciplinary team of five specialists to build the government's capacity to review existing mining development agreements and negotiate new ones. The Grant will support the ongoing Mining Technical Assistance project with respect to capacity building in the areas of contract negotiation, monitoring and compliance with contractual obligations, and environmental and social safeguards. The activities will be fully financed by the grant.

Solomon Islands

The development objective of the *Mining Sector Technical Assistance - Phase I* project is to provide technical assistance and capacity building to the government of Solomon Islands to better manage its mining sector in a sustainable way. Phase I provides for immediate assistance in critical areas and preparation of an institutional review and development plan. Phase 2 and any subsequent phases will be planned subject to the intelligence and strategy developed during Phase 1.

Togo

The *Extractive Industries Transparency Initiative Implementation Grant* will help jump start the process of moving Togo towards achieving candidate status in the EITI program.

OIL AND GAS PROJECTS

IBRD FINANCING

Peru

The *Third Programmatic Environmental Development Policy Loan Program (ENDVDPL)* continues to support the government's efforts to strengthen environmental governance and institutions in Peru, and mainstream environmental sustainability in the development agenda of key sectors (mining, fisheries, urban transport and energy). In support of Country Partnership Strategy pillar one on economic growth, the ENVDPL program will contribute to making growth environmentally sustainable by supporting the environmental legal and institutional framework, biodiversity conservation, enhancing control over air and water pollution, improving the sustainability of the mining sector, and the sustainable management of fisheries resources. In addition, by supporting the policy instruments of the recently created Ministry of Environment (MINAM), the ENVDPL program will contribute to the modernization of the state institutions.

IDA FINANCING

Central African Republic

The *Third Economic Management and Governance Reform Grant Program (EMGRG III)* for Central African Republic (CAR) is the fourth in a series of development policy operations (DPOs) that began with the Reengagement and Institution-Building Support Program in 2006. The operation supports the government's efforts to mitigate the economic and poverty impact of the global economic slowdown. More specifically, the objectives of the proposed grant are to improve transparency and efficiency in the management of public resources and promote private sector development through reforms aimed at: strengthening budget execution and reporting as well as public procurement, and improving revenue administration to increase domestic revenue, with the view to expand public investment in priority sectors; strengthening the regulatory framework in the forestry, mining and petroleum sectors so that they can continue to be a source of sustainable growth, employment creation and incomes; and improving the business environment by reducing the cost of doing business.

Ghana

The objectives of the *Gas and Oil Capacity Building Project* is to improve public management and regulatory capacity while enhancing transparency; and strengthening local technical skills in Ghana's emerging oil and gas sector.

Meanwhile, the proposed *Seventh Poverty Reduction Support Credit (PRSC-7)* for Ghana is the first one-tranche Development Policy Operation of a programmatic series of two (PRSC7 and PRSC8) and supports the authorities' efforts to consolidate ongoing fiscal stabilization and protect the development objectives set in the Ghana Shared Growth and Development Agenda (GSGDA) for 2010-2013. The GSGDA emphasizes the need for macroeconomic stabilization and greater executive efficiency, transparency and accountability to provide the adequate setting for the reduction of poverty and socio-economic inequalities through agricultural, private sector, infrastructure and human resource development. Specifically, the PRSC7 supports continuing and deepening policy reforms initiated in 2009 to: restore budgetary discipline and tackle long-standing public sector and energy issues, while protecting the poor and preparing for the oil era.

FINANCING THROUGH GRANTS

Cameroon

The development objectives of the *Cameroon Phase II: EITI Implementation* project are to further development and institutionalization of the EITI initiative in Cameroon, expand the scope and quality of outreach programs and citizen engagement, to expand citizen demand for results from investigations of discrepancies, and to work toward the self-sufficiency of the initiative in Cameroon as the economy improves.

Indonesia

Implementation of EITI in Indonesia - The products from extractive industries are essential ingredients of many developing countries' economies. What governments receive from those industries and how these revenues are used is a subject of interest to both their citizens and the international community. In response to these challenges, a collaborative initiative, the Extractive Industry Transparency Initiative (EITI) launched in 2002, aims at improving transparency and accountability in the world's oil, gas and mineral-rich countries. Indonesia is both a hydrocarbons and mineral rich country and agreed to implement the EITI. The process of implementing the EITI is ongoing from October 2010. Indonesia has been given 2.5 years to implement the Initiative. An important part of EITI Indonesia financing is provided by a [grant from a Multi-donor Trust Fund \(MDTF\)](#) administered by the World Bank.

Iraq

The *Integrated National Energy Strategy TA - Additional Financing* project has supported the development of an integrated national energy strategy (INES) for Iraq - the first of its kind for the country. The project goal is a government strategy to further develop Iraq's energy sector (oil, gas, electricity and linked industries) in a manner that a) maximizes government revenues, b) promotes economic diversification, c) maximizes job creation, d) ensures energy security, and e) ensures environmentally sustainable development. The INES is being developed by a cross-ministerial steering committee, including the Ministries of Oil, Electricity, Finance, Planning, Industry and Water. This committee is Chaired by the Prime Minister's Advisory Commission, and reports regularly to Iraq's Deputy Prime Minister for Energy.

Iraq

The government of Iraq formally applied to join the Extractive Industries Transparency Initiative (EITI) in January 2010, and was accepted by the International Board of the EITI in Oslo in February of that year, thus making it an EITI "candidate country." Iraq has committed to publishing all revenues from its oil sector export sales, while international oil companies buying oil from Iraq will publish what they have paid to the government. A multi-stakeholder group (EITI Stakeholder's Council) made up of representatives from the Iraqi government, extractive industry companies and Iraqi civil society organizations contracted an independent auditor or "reconciler," funded with Bank resources from the Multi-donor Trust Fund (MDTF), to review the reported information, which will then be reconciled and published in an EITI first Reconciliation Report. A second reconciliation pertaining to all 2010 extractive industries revenues will start in early 2012 and should be completed by end of August 2012. This should enable the country to reach the third stage of the EITI process, to eventually become a "compliant country" for the following five years, as long as it continues to fund and produce yearly, validated reports.

Mauritania

The development objective of the *Mauritania: Phase II: EITI Implementation Grant* is to support an enabling environment to develop and implement the disclosure and publication of payments and revenues in the mining and petroleum industries; to provide training to civil society and government involved in the committee on EI matters; and produce and implement a communications strategy to promote good governance.

Niger

The objective of the *Niger EITI - Post Compliance I Grant* is to strengthen capacity building and training, to support continuous data collection and report preparation and production, and to strengthen communications activities and operational support for efficient EITI implementation. The development objective of the project is to sustain an enabling environment for disclosure and publication of payments and revenues, maintain a multi-stakeholder steering group to manage the EITI implementation process, ensure smooth functioning of EITI-Niger multi-stakeholder groups, strengthen the implementation of the communications strategy developed during Phase I, and legislate on EITI principles and objectives to ensure the continued existence of EITI-Niger arrangements.

Annex F: Summary of Objectives of MIGA EI Projects, FY2011

MINING PROJECTS

STRAND MINERALS PTE LTD.(Indonesia)

On August 11, 2010 MIGA issued a guarantee of \$207 million to Strand Minerals (Indonesia) Pte Ltd of Singapore for its equity investment in the PT Weda Bay Nickel Project. The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, breach of contract, and war and civil disturbance. During this period it is anticipated that approximately \$230 million will be invested for the engineering and feasibility studies necessary to conclude a bankable feasibility study for the operation of a nickel-cobalt mine with a hydrometallurgical processing plant on Halmahera Island. Once the studies are complete, an investment decision will be taken on whether to continue developing the mine and building a processing plant. Should this project be developed it will allow Indonesia to become one of the world's major nickel producers. It will provide significant employment, both during construction and during operations, major government revenues, and will contribute substantially to the local economy, in particular for the North Maluku Province. It will also provide an important demonstration of how a major natural resource project can bring benefits to the Indonesian people and be developed in a socially and environmentally-sustainable way.

