

Grounded in Washington:

Extractive Industries Review Implementation
in Europe and Central Asia (2004-2005)



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Two years after the release of the final World Bank Extractive Industries Review (EIR) Report by Dr. Emil Salim in December 2003, and just over a year after the release of the Management Response to this Report (September 2004), several NGOs in the Europe and Central Asia region decided to find out whether the EIR recommendations are being implemented in World Bank Group projects.

We decided to base our assessment on both the EIR Report as well as on the Management Response because in a number of places the World Bank Group Management chose to ignore or drop some of the EIR recommendations. Even if we believe that the EIR Report did not go far enough to ensure that World Bank Group activities will help to "alleviate poverty through sustainable development", it is the first serious attempt by the World Bank Group to bring its extractive industry sector operations in line with its mandate. Based on both documents, we developed indicators that were used by local researchers to assess the compliance of World Bank Group funded extractive projects with the EIR recommendations and with the Management Response commitments.

We acknowledge that it has been a rather short time interval since the release of the EIR Report and Management Response, which limited the assessment in terms of the diversity of projects and countries, as well as the possibilities to assess projects through the full implementation cycle. Therefore, we anticipate the continuation of monitoring of new projects in the future.

Nevertheless we believe that the projects that we have investigated so far already give sufficient indications about those areas where the World Bank Group is making progress and those areas where 'business as usual' continues to result in negative social, environmental and human rights impacts rather than poverty alleviation.

List of Abbreviations

CAS	Country Assistance Strategy
CDAP	Community Development Action Plan
CLS	Core Labour Standards
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EIR	Extractive Industry Review
EITI	Extractive Industries Transparency Initiative
EMP	Environmental Management Plan
GRI	Global Reporting Initiative
HGAs	Host Government Agreements
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IGAs	Inter-governmental Agreements
ILO	International Labour Organisation
IMF	International Monetary Fund
IUCN	International Union for the Conservation of Nature and Natural Resources
MIGA	Multilateral Investment Guarantee Agency
PAD	Project Information Document
PID	Project Information Document
PRSP	Poverty Reduction Strategy Paper
PRSC	Poverty Reduction Support Credit
PSA	Production Sharing Agreements
SME	Small and Medium Enterprises
SPI	Summary of Project Information
TA	technical assistance
WBG	World Bank Group
WHO	World Health Organization

Table of Contents

List of Abbreviations	2
Executive summary	4
Overall results of project assessments	4
Specific areas.....	5
Project lending score card	9
Overall Project Lending Performance	13
Poland: Hard Coal Mine Closure Project (IBRD)	14
Summary	14
Evaluation Matrix.....	16
Poland: Hard Coal Social Mitigation Project (IBRD)	25
Summary	25
Evaluation Matrix.....	27
Romania: Mine Closure, Environment & Socio-Economic Regeneration Project (IBRD)	34
Summary	34
Evaluation Matrix.....	37
Russia: Russkiy Mir II (IFC)	51
Summary	51
Evaluation Matrix.....	53
Russia: Mayskoye Gold Mine	66
Summary	66
Evaluation Matrix.....	67
Poverty Reduction Support Credit, Azerbaijan	79
Summary	79
Evaluation Matrix.....	80
Overview of EIR Recommendations and Indicators	93
Public participation.....	93
Information Disclosure.....	94
Contract Transparency.....	95
Revenue Transparency	96
Revenue/Benefit Sharing.....	97
Governance.....	98
Environmental, Social and Health Impact Assessment.....	99
No-Go Zones	99
Emergency Response planning.....	100
Transport of oil and hazardous substances	101
Mining and use of toxic materials	101
Indigenous Peoples' Rights	101
Poverty Impacts	102
Human Rights.....	104
Resettlement.....	104
Core Labour Standards.....	105
Adherence to CAS Objectives and Priorities	107

Executive summary

Overall results of project assessments

The goal of our research was to identify how much the projects comply with both EIR Report recommendations as well as the commitments that were made by the World Bank Group (WBG) Management in their response to EIR. In the selection of the projects for our assessment we attempted to go for a diverse range of projects as well as country locations. The projects assessed are:

- Mine Closure, Environment & Socio-Economic Regeneration Project, Romania, IBRD
- Hard Coal Social Mitigation Project, Poland, IBRD
- Hard Coal Mine Closure Project, Poland, IBRD
- Mayskoe Gold Mine, Russia, IFC
- Russkiy Mir II (oil and gas terminal), Russia, IFC
- Poverty Reduction Support Credit (PRSC), Azerbaijan, IDA

The project assessments, utilizing indicators covering both the EIR Report recommendations and the Management Response commitments, revealed that while there is some progress in several areas it is limited; and the progress is uneven across the assessed projects.

Main findings include:

- Overall, a majority of indicators (60%) assessed across all EIR issue areas were found to be either in violation (5%) or unsatisfactory (55%). This represents 143 indicators out of 238 total that received scores. Twenty-one percent had some progress, and 19 percent were perceived to be in full compliance with the EIR recommendation.
- For indicators that represent a Management Response commitment, the results were slightly better than for all the EIR recommendations. However, still over half (52%) of the commitments were found to be either in violation (6%) or unsatisfactory (46%). While some progress was made or full compliance was reached on forty-eight percent of the indicators, 24 percent each.
- The highest rate of progress was clearly on CAS compliance with 45 percent some progress and 55 percent judged as full compliance.
- Project performance was the worst on indicators of Revenue and Contract Transparency with 90 percent and 100 percent unsatisfactory scores respectively across projects.
- Issue areas with the highest rate and number of violations were Public Participation and Information Disclosure with four violations each representing 11% of indicators for each of the areas.

Given these overall results and considering the significantly poor performance on four critical EI issue areas, the conclusions of our assessment are:

There have been no significant qualitative shifts in the implementation of extractive projects in the Europe and Central Asia region.

The EIR recommendations and Management Response commitments have not yet been institutionalised. The fact that areas of improvement are uneven across projects seems to indicate that what appears to be progress on the EIR may simply be due to unrelated factors, such as national policy or public pressure on individual projects.

For a quick view of EIR performance across individual projects and all issue areas, please see the Project Lending Score Card. To review the overall performance across issue areas and for a comparison between EIR recommendations and the Management Response commitments, please see the table Overall Project Lending Performance.

Other observations include:

There was a clear improvement in linking projects with Country Assistance Strategies and Poverty Reduction Strategy Papers. It is a positive sign that all countries ratified all conventions that cover Core Labour Standards, and we appreciate the fact that several of the World Bank Group projects in our region deal with the social and environmental impacts of mine closure, which was one of the recommendations of the EIR Report.

Since the major progress areas we observed were linked with mine closure projects that were the follow-up to previous projects in Poland and Romania, it appears that this progress is a reflection of a strong labour and social movement that influenced an improved design of these projects after the failure of previous ones rather than the results of better project management by IBRD.

Unfortunately our report shows that violations of the World Bank Group's own policies are rather common and not exceptional. Alas, in this regard not much has changed as it was similar violations that were the source of the public criticism which led former World Bank president James Wolfenson to establish the Extractive Industries Review in the first place. We hope that the new World Bank Group administration will show zero tolerance to such cases.

One case study deserves particular attention for its poor performance vis-a-vis the EIR: the Russkiy Mir case study indicates that there has been no major change from the IFC projects that were monitored by NGOs in eastern Europe before the completion of the EIR. The project violates several IFC Safeguard Policies, the local population is enduring negative impacts while the so-called benefits remain very much at the theoretical level. Furthermore, project-related requests for information are ignored and those who raise critical questions are ignored or even harassed.

Specific areas

Public participation: In this area we found progress towards full implementation of the EIR recommendations as well as failures in compliance with the World Bank Group's policies. Trade unions were intensively consulted for the Polish Mine Closure Project and an agreement was reached with them; in the case of the Mayskoye Gold Mine the project sponsor organised consultations with the local community.

In the other cases, public participation was probably seen by the project sponsors as a mere formal requirement. For example, the public consultation that took place in Baia de Aries (one of the mines in Romanian Mine Closure Project) in May 2004 was announced via telephone and was attended by public authorities only. A second such meeting, again announced via telephone, took place in September 2005 and did not involve the local community.

Civil society participation in the preparation of the PRSP, which feeds into the PRSC, was considered successful by both the World Bank. However, at least one participating NGO disagreed and found that many of the participants were government "consultants". Moreover, there were no consultations on the PRSC itself.

Also Azerbaijani NGOs complained that there was no adequate information, assessment, and Azeri translation for the PRSC. This illustrates another common failure. Translation of documents into local languages is a weak part of nearly all of the assessed projects. It is impossible to imagine having effective and meaningful public participation without releasing all information in people's native languages.

The Russkiy Mir project research revealed another problematic area. Although the project was categorised by the IFC as category B, a public consultation on the EIA was organised (based on Russian legislation). Nevertheless the local public's submissions were largely ignored. Indeed, a majority of the project hearings' participants voted against the oil and gas terminal construction. However, this fact was omitted from the official minutes.

Information disclosure: Our assessment shows very contradictory results. While on some indicators there is full compliance with the EIR recommendations as well as the Management Response commitments, there remains a number of other issues where information disclosure is still a problem. One specific problem is the timely disclosure of environmental and social assessments; in some cases the absence of this not only violates the World Bank Group's policies but also affects the potential for effective public participation. Another issue which remains problematic is the dissemination of information. For example, in the case of the Baia de Aries (Romanian Mine Closure), only one person (from the National Resources Agency) heard about the World Bank project, while the mayor's office, the Director of the mine, and people in the mine area had no information or documents related to the project.

Russkiy Mir is a good illustration of the difficulties which are all too often encountered by people who try to obtain information. During the research for this report, when representatives of Bankwatch and NCEW came to the Volna office of Tamanneftegaz (project sponsor) asking for the EIA documentation, the company staff present called the police. After checking personal identification documents, the Tamanneftegaz staff agreed to have a short meeting but did not provide the EIA text, stating that it is subject to copyright.

In Poland, more positively, it was found that the monitoring reports and financial audits of the project (together with other relevant documents) are publicly disclosed and available on the websites of the Ministry of Economy and Labour and the mine companies. Nevertheless in other projects there was found to be a lack of public information, so we have to conclude that this positive outcome is a result of country legislation and public pressure rather than of World Bank policies being duly implemented.

Contract transparency: Due to the nature of assessed projects we have been able to provide a detailed assessment of contract transparency for only two projects: PRSC and Russkiy Mir. In both cases the assessments show unsatisfactory progress in the implementation of the EIR recommendations as well as the Management Response commitments - no contracts are disclosed.

Revenue transparency: As in the above section, we were able to assess revenue transparency issues only for the two mentioned projects. The overall rating on revenue transparency is unsatisfactory particularly when revenue transparency is one of the PR flagships of the World Bank Group's extractive industries' activities. There is very little progress towards the implementation of the EIR recommendations as well as the Management Response commitments.

Even if the World Bank has been supportive of the Extractive Industries Transparency Initiative (EITI) in Azerbaijan, the PRSC did not contain any specific follow-up measures to improve revenue and contract transparency which means that there is a missed opportunity to go beyond the establishment of the Oil Fund and bringing transparency to SOCAR's tax payments or PSA income taxes. In the case of Russkiy Mir there is no information regarding revenue flows to the state or local budgets. Civil society groups are not allowed to participate in the revenue monitoring procedures; there is no evidence that such procedures have been established; or that there are at least plans to establish any monitoring procedures.

Revenue/benefit sharing: Similar to the above, we were able to assess this area in the case of only two projects. There is little progress towards compliance with the EIR recommendations in establishing benefits for the affected groups in both projects. In the case of the PRSC there has been some work in identifying the types of benefits as well as in attempting to establish equitable distribution. On the other hand, the Russkiy Mir project follows a pattern seen previously in other IFC projects. The benefits for the population are very limited, if any. In Taman, the local population expressed several concerns about negative project impacts that they should have been compensated for. These include a decrease in fish stocks, the migration of workers

from other regions, an impact on the tourist industry in Taman and damage to roads. Lack of compensation for economic losses is a direct violation of the IFC policies.

Governance: There has been progress in addressing the governance issue in several cases. The World Bank Group analysed governance capacity in two mine closure projects. However, it failed to take the same approach in the case of Russkiy Mir. The handling of complaints depends solely on the Russian legislation system that is not sufficient. This was demonstrated when the construction works started without a construction license. Tamanneftegaz was found guilty and was fined approximately USD 1,800, an amount which (taking into account the total size of the project) is insufficient to significantly affect a project sponsor's behaviour.

One common problem faced by affected communities and local NGOs seems to be a lack of awareness about the possibilities to use World Bank Group compliance mechanisms – the Inspection Panel or the Compliance/Advisory Ombudsman.

Environmental, Social and Health Impact Assessment: The results of our analyses are unsatisfactory. While some of the projects have been categorised as Category A and have completed integrated social & health impacts assessment, others were categorised as B (Romanian Mine Closure as well as Russkiy Mir), with the PRSC in Azerbaijan having category U.

In Romania the environmental assessments took into account possible health impacts, yet the social impact justifies a complete EIA procedure. Even more worrying is the situation with the Russkiy Mir project. It was categorised as category B, despite the fact that another similar project (an ammonia terminal) in Taman was previously classified by the IFC (as well as by the EBRD) as category A. The construction proves that there are both social and environmental negative impacts. The miscategorisation of the project prevents proper assessment of the project as well as the preparation of adequate mitigation measures.

The EIR made a very direct recommendation for policy lending (e.g., PRSCs) – to require an upstream environmental and social impact assessment for countries where the extractive industries played a significant role or in countries where the extractive sector was expected to grow significantly. This recommendation should have definitely been applied to overly oil dependent Azerbaijan. However, it appears to have been ignored, with the exception of a few social assessments related to revenue management, electricity tariff hikes, and the health sector reforms.

No-Go zones: The results of the research are rather unsatisfactory. Mayskoe Gold mine project does not affect any protected sites but in the case of Russkiy Mir the project affects Cape Panagia, a protected landscape area, as well as an archaeological site, which violates the EIR recommendations.

Emergency response planning: There is some, yet again mixed, progress. In the Polish case, the emergency response plan has been made publicly available but was not consulted with the public. On the other hand, in the case of the Russkiy Mir project, such documentation is neither publicly available or consulted on. In the case of the Mayskoye Gold Mine, the project sponsor had some preliminary discussions on this issue, but as the project is at a very early stage the quality of consultation as well as access for the public in later stages is still to be determined.

Transport of oil and hazardous substances: Only one case study, Russkiy Mir, involves marine transport and there were no additional conditions set for the quality of the oil and gas tankers that would go beyond the usual regulation for the Black Sea.

Mining and use of toxic materials: There is limited progress in this area. The Polish and Romanian projects support mine closure which was one of the key elements of the EIR recommendations. At the same time there is very little progress on the implementation of the Hazardous Material Management Guidelines. In both cases the World Bank Group relies on national legislation while there is no analysis that this legislation is in line with the Hazardous Material Management Guidelines. This does not seem to be in line with the Management

Response commitment to "review the operator's procedures for transporting, storing, using, and disposing of toxic materials to ensure they are in line with the Hazardous Materials Management Guidelines."

Poverty impacts: There is progress on projects that have a social component built into the project design, but no progress on the others. It is rather obvious that with those projects that focus on mine closure with social components, both in Poland and Romania, we have identified a number of indicators showing full compliance or where there is progress towards compliance with the EIR recommendations on poverty impacts. Nevertheless, in the case of the Russkiy Mir project, the local population is deeply upset about the limited amount of low paid jobs offered to locals, which is in turn far outweighed by the negative impacts brought to bear on the fishing industry as well as local tourism.

Human rights: While there is a positive assessment of projects' consistency with international human rights law, there seems to be a lack of a systematic approach from the World Bank Group when it comes to an assessment of country obligations to international human rights law.

Although one of the key approaches of the Management Response was the promotion of US/UK Voluntary Principles on Security and Human Rights, we were not able to get information on whether the project sponsors signed on to those principles. This probably means that far more needs to be done in order to promote the Voluntary Principles to the project sponsors.

The human rights situation related to World Bank Group projects requires further attention. We would like to note that during the conducting of this assessment one of our researchers was harassed by local police when asking for the EIA documentation for the Russkiy Mir project.

Core labour standards: All countries where projects were implemented ratified all eight ILO conventions, though we were not able to confirm whether the World Bank Group staff is actually monitoring the implementation of these conventions in given projects. In the case of Russkiy Mir, local people raised the issue of salary discrimination towards local workers compared to workers coming from outside the region.

Adherence to CAS/PRSP objectives and priorities: This is one area where, in all cases, we were able to identify full (or at least progress towards) compliance with the EIR recommendations.

Project lending score card

KEY: ■ Violation of WB/IFC policy ■ Unsatisfactory ■ Some progress ■ Full compliance

◆ – WBG Management Response commitment to EIR recommendation

U – Unable to determine (please see project matrix for details); NA – Not applicable

EIR Indicator	POLAND: Coal Mine Closure / Hard Coal Social Mitigation (IBRD/IDA)	ROMANIA: Mine Closure Env.&Soc.- Economic Regeneration (IBRD/IDA)	RUSSIA: Mayskoye Gold Mine (IFC pending)	RUSSIA: Russkiy Mir II – Oil/Gas Terminal (IFC)	AZERBAIJAN: PRSC I (IBRD/IDA)
I. Public Participation					
◆1. Sponsor sought consent	■ / ■	■	■	■	NA
◆2. Broad community support	■ / ■	■	■	■	■
3. Signed community agreement	■ / ■	■	U	■	NA
4. Independent facilitators	■ / ■	■	■	■	■
◆5. Proper translation	■ / ■	■	■	■	■
◆6. Monitoring mechanism	■ / ■	■	U	■	■
7. Community input reflected	■ / ■	■	U	■	■
II. Information Disclosure					
◆1. Ensured timely disclosure	■ / ■	■	■	■	■
◆2. Translation and dissemination of documents	■ / ■	■	■	■	■
◆3. Timely disclosure of env. and social assessments	■ / ■	■	U	■	■
◆4. Informed communities of project effects	■ / ■	■	U	■	■
5. Informed of Inspection Panel & CAO	■ / ■	■	U	■	■
6. Independent monitoring	■ / ■	■	U	■	■
◆7. Disclosure of monitoring reports	■ / ■	U	U	■	U
◆8. Disclosure of impacts annually during implementation	■ / ■	U	U	■	U
III. Contract Transparency					
◆1. Disclosure of all key contracts required	NA	NA	U	■	■
2. Accessibility to contracts for local population required	NA	NA	U	■	■
◆3. Contract translation	NA	NA	U	■	■
4. Explanation for redacted information required	NA	NA	U	■	■
◆5. Disclosure requirements explained in SPI or PID/PAD	NA	NA	U	■	■
6. Assistance to governments for contract negotiation	NA	NA	U	U	NA

EIR Indicator	POLAND: mine closure / social	ROMANIA: mine closure	RUSSIA: gold mine	RUSSIA: oil/gas terminal	AZERBAIJAN: PRSC
◆7. Implementation – all key contracts were disclosed	NA	NA	U	■	NA
8. Contracts are easily accessible	NA	NA	U	■	NA
◆9. Contracts were translated	NA	NA	U	■	NA
10. Appropriate explanation for redacted information given	NA	NA	U	NA	NA
<u>IV. Revenue Transparency</u>					
◆1. Disclosure of all fiscal contributions by all companies	NA	NA	U	■	NA
◆2. Disclosure by individual companies (not aggregated)	NA	NA	U	■	■
3. Disclosure of gov. expenditures	NA	NA	U	■	■
4. Format of expenditure disclosure is comprehensible	NA	NA	U	■	■
5. Format of revenue disclosure is comprehensible	NA	NA	U	■	■
◆6. Independent audit	NA	NA	U	■	■
◆7. Revenue transparency issues contained in SPI or PID/PAD	NA	NA	U	■	■
◆8. Promoting transparency of public finances at country level	NA	■	U	U	■
◆9. Ex-ante core diagnostics informed project design	NA	■	U	U	■
◆10. Implementation - revenues & expenditures are reported	NA	NA	U	■	NA
11. CSO participation in monitoring and implementation	NA	NA	U	■	■
<u>V. Revenue/Benefit Sharing</u>					
◆1. Benefits clearly established for all affected groups	NA	NA	U	■	■
◆2. Type of benefits appropriate	NA	NA	U	■	■
◆3. Full compensation	NA	NA	U	■	■
4. Comm. benefits vs. revenues	NA	NA	U	■	NA
5. Sustainability of benefits	NA	NA	U	■	U
◆6. Equitable distribution of benefits planned	NA	NA	U	■	■
7. Transparent distribution mech.	NA	NA	U	■	U
◆8. Implementation– real benefits	NA	NA	U	U	U
◆9. Equitably distributed	NA	NA	U	U	U
10. Distribution mechanism’s effectiveness verified or corrected	NA	NA	U	U	U
<u>VI. Governance</u>					
1. Alternatives assessment	NA	NA	■	■	■
2. Local system for complaints	■ / ■	■	■	■	NA
3. Experience with complaints	U	NA	NA	■	NA
◆4. Governance in project docs	■ / ■	■	U	■	■

EIR Indicator	POLAND: mine closure / social	ROMANIA: mine closure	RUSSIA: gold mine	RUSSIA: oil/gas terminal	AZERBAIJAN: PRSC
<u>VII. Environmental & Social Impact Assessment</u>					
◆1. Appropriate categorization	■ / ■	■	U	■	NA
◆2. Integrated social & health impacts	■ / NA	■	■	■	NA
3. Policy lending – upstream social & env. assessment	NA	NA	NA	NA	■
<u>VIII. No-Go Zones</u>					
1. World Heritage/protected areas	NA	NA	■	■	NA
2. Biological hot spots	NA	NA	■	■	NA
3. Armed conflict	NA	NA	■	■	NA
<u>IX. Emergency Response Plan</u>					
◆1. Emergency Response Plan	■ / NA	NA	U	■	NA
◆2. Public consultation	■ / NA	NA	■	■	NA
3. Best practice technology	NA / NA	NA	U	■	NA
4. Accident disclosure	■ / NA	NA	U	U	NA
5. Timely public alert mech.	NA / NA	NA	U	U	NA
<u>X. Transport of Oil and Hazardous Substances</u>					
1. Ship quality	NA	NA	U	■	NA
2. Safety and age criteria	NA	NA	U	U	NA
<u>XI. Mining and toxic materials</u>					
1. Riverine tailings disposal	NA	NA	U	NA	NA
◆2. Insurance system for region	■ / NA	NA	U	NA	NA
3. Closure plan	■ / NA	NA	U	NA	NA
4. Independent labouratory	NA	■	■	NA	NA
5. Cyanide test requirement	NA	■	■	NA	NA
6. Monitoring nearby waters	NA	■	U	NA	NA
◆7. Hazardous Material Management Guidelines	■ / NA	■	U	NA	NA
<u>XII. Indigenous Peoples' Rights</u>					
1. Legislation on IP in country	NA	NA	■	NA	NA
2. Legislation in force	NA	NA	■	NA	NA
3. Good practice examples	NA	NA	■	NA	NA
<u>XIII. Poverty Impacts</u>					
◆1. Benefits to all affected groups	■ / ■	■	U	■	■
2. Local & regional poverty reduction addressed in proj. docs	NA	■	U	■	■
3. Adequate baseline data	■ / ■	U	U	■	U
4. Positive & negative impacts	NA	U	■	■	■
◆5. Strong economic case	■ / ■	NA	U	■	■
◆6. Long-term employment	■ / ■	NA	U	■	U
◆7. Forward & backward linkages	NA	NA	U	■	U
8. Energy/electricity to the poor	NA	NA	U	■	U
9. Technology and skills transfer	NA	NA	■	■	NA

EIR Indicator	POLAND: mine closure / social	ROMANIA: mine closure	RUSSIA: gold mine	RUSSIA: oil/gas terminal	AZERBAIJAN: PRSC
10. Clean air, water, & food	NA	NA	■	■	NA
11. Local ownership, profit-sharing	NA	NA	U	■	U
◆12. Effect on livelihoods	■ / ■	■	U	■	U
◆13. Project monitoring	■ / ■	U	U	■	U
◆14. Implementation - ensure actual positive impacts	■ / ■	U	U	■	U
15. Contracts to local businesses	■ / NA	U	U	■	NA
<u>XIV. Human Rights</u>					
1. Assessment of country obligations to international human rights law	NA	■	U	■	■
2. History of HR violations	NA	U	U	■	NA
3. Consistency with international HR law	NA	■	■	■	NA
4. Third party verification	NA	NA	U	U	NA
5. Co. adoption of HR principles	NA	NA	U	U	NA
◆6. Voluntary Principles on Security and HR	NA	U	U	U	NA
<u>XV. Resettlement</u>					
1. Consultation before resettlement	NA	NA	NA	NA	NA
◆2. Value of informal activities	NA	NA	NA	NA	NA
3. Sufficient funding	NA	NA	NA	NA	NA
◆4. Improvement in livelihoods	NA	NA	NA	NA	NA
5. Access to complaint and dispute resolution	NA	NA	NA	NA	NA
◆6. Disclosure of Resettlement Action Plan and Resettlement Framework	NA	NA	NA	NA	NA
◆7. Share of benefits	NA	NA	NA	NA	NA
8. Implementation of RAP	NA	NA	NA	NA	NA
9. Fair/timely dispute resolution	NA	NA	NA	NA	NA
<u>XVI. Core Labour Standards</u>					
◆1. Four core labour standards	■ / ■	■	■	■	NA
2. Standard Bidding Document	NA	■	■	■	NA
◆3. No discrimination	NA	NA	U	■	■
◆4. Forced labour	NA	NA	U	U	U
◆5. Child labour	NA	NA	U	U	U
◆6. Freedom of association	NA	NA	U	U	■
◆7. Collective bargaining	NA	NA	U	U	■
<u>XVII. Adherence to CAS/PRSP Objectives and Priorities</u>					
◆1. CAS consistency	■ / ■	■	■	■	■
2. PRSP consistency	NA	NA	NA	NA	■
◆3. Addresses CAS EI issues	■ / ■	■	NA	NA	■

Overall Project Lending Performance

	violation	unsatisfactory	some progress	full compliance	violation	unsatisfactory	some progress	full compliance
Public Participation	4	17	11	5	11%	46%	30%	14%
MR Commitments	3	7	10	2	14%	32%	45%	9%
Information Disclosure	4	22	8	4	11%	58%	21%	11%
MR Commitments	4	13	7	4	14%	46%	25%	14%
Contract Transparency	1	12	0	0	8%	92%	0%	0%
MR Commitments	0	8	0	0	0%	100%	0%	0%
Revenue Transparency	0	18	2	0	0%	90%	10%	0%
MR Commitments	0	12	2	0	0%	86%	14%	0%
Rev/Benefit Sharing	1	7	3	0	9%	64%	27%	0%
MR Commitments	1	4	3	0	13%	50%	38%	0%
Governance	0	7	2	5	0%	50%	14%	36%
MR Commitments	0	1	1	3	0%	20%	20%	60%
Env. & Social Impacts	1	4	1	3	11%	44%	11%	33%
MR Commitments	0	3	1	3	0%	43%	14%	43%
No-Go Zones	1	2	1	2	17%	33%	17%	33%
MR Commitments	0	0	0	0	NA	NA	NA	NA
Emergency Response	0	4	1	2	0%	57%	14%	29%
MR Commitments	0	2	1	1	0%	50%	25%	25%
Oil & Haz Mat Transport	0	1	0	0	0%	100%	0%	0%
MR Commitments	0	0	0	0	NA	NA	NA	NA
Mining & toxics	0	6	2	1	0%	67%	22%	11%
MR Commitments	0	2	0	1	0%	67%	0%	33%
Indigenous Peoples	0	1	2	0	0%	33%	67%	0%
MR Commitments	0	0	0	0	NA	NA	NA	NA
Poverty Impacts	1	19	7	13	3%	48%	18%	33%
MR Commitments	0	7	3	11	0%	33%	14%	52%
Human Rights	0	4	2	1	0%	57%	29%	14%
MR Commitments	0	0	0	0	NA	NA	NA	NA
Core Labour Standards	0	6	2	4	0%	50%	17%	33%
MR Commitments	0	5	1	3	0%	56%	11%	33%
Adherence to CAS/PRSP	0	0	5	6	0%	0%	45%	55%
MR Commitments	0	0	5	6	0%	0%	45%	55%
EIR Totals	13	130	49	46	5%	55%	21%	19%
MR Totals	8	64	34	34	6%	46%	24%	24%

Poland: Hard Coal Mine Closure Project (IBRD)

Anna Roggenbuck, Polish Green Network

Project name: Hard Coal Mine Closure Project

Location: Poland, Silesia Region

Amount: USD 100 milion Total: USD 185 milion

Institution: International Bank for Reconstruction and Development

Sponsor: Ministry of Finance, Ministry of Economy and Labour

Implementing agencies: Ministry of Economy and Labour, Spolka Restrukturyzacji Kopaln, Bytomska Spolka Restrukturyzacji Kopaln, Kompania Weglowa, Katowicki Holding Weglowy, Jastrzebska Spolka Weglowa.



Summary

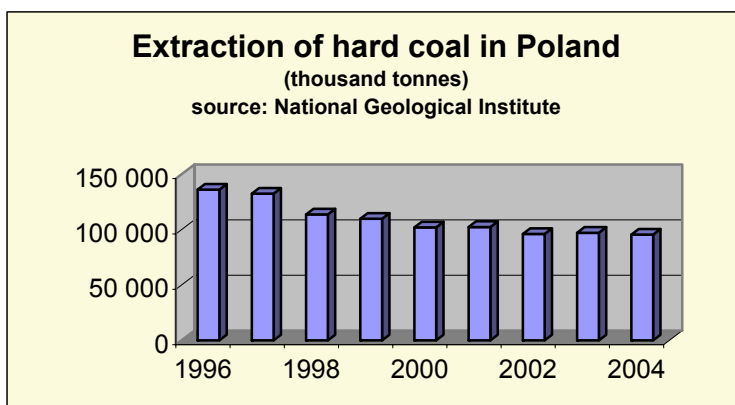
Background - the Polish mining sector

Relying heavily on public subsidies, the Polish mining sector has been undergoing rolling restructuring since 1990. The restructuring of the hard coal sector was based on the assumption that employment and coal extraction would drop with simultaneous gains to be made in terms of efficiency and profitability. Polish mining reform is considered to be fast and socially oriented. Each governmental reform program was based on social dialogue with mining sector trade unions, thus allowing the avoidance of unrest even in a period of high unemployment. After fifteen years of reforms, over 300 000 people have left the sector and more than 20 mines were closed down. Currently it seems that the sector is in a good economic state and is slowly looking to be privatised in the coming years

The World Bank project

The International Bank for Reconstruction and Development (IBRD) loan aims to support the Polish government program called “Restructuring of the hard coal mining sector during the period 2003-2006”. The 2003-2006 program is the second phase of the reform of the coal sector in Poland. The program aims to reform the hard coal industry to become a profitable sector ready for privatisation in 2006. The specific

objective of the project is to improve the efficiency of the coal industry by supporting mine closure and liquidation and environmental improvements.



The project consist of five components: a) liquidation of underground workings and shafts including the removal of equipment and securing uderground areas; b) demolishing and clearing surface structure, buildings, plant and equipment; c) the preparation of a dewatering master plan; mine closure plans and engineering design studies and documentations; d) the

reclamation of land; e) post mine closure moitoring and maintenance.

Analysis of compliance with the EIR commitments

Initially within the project’s remit there were two hard coal mines selected for closure: Bytom II and Katowice - Kleofas, both situated in the Silesia region, a highly industrialised part of south Poland.

In terms of EIR commitments, in a number of areas the project complies or there has been some progress towards compliance:

1. **Information disclosure.** The World Bank ensured that monitoring reports and financial audits are publicly disclosed. They are posted on the website of the Ministry of Economy and Labour as well as of the mine companies.
2. **Governance issues.** The World Bank analysed the institutional capacity of the implementing agencies and the monitoring institution to manage the World Bank project and listed institutions able to handle local complaints fairly in the relevant project documents.
3. The Project fully **adheres to Country Assistance Strategy** objectives.
4. **Seeking consent from local communities.** There is some progress towards including public participation into the project design. Environmental assessment has been conducted as Environmental Management Plans, which were subject to the consultations that took place in the mine companies. Due to the late announcement of consultations, only those living very close to the mines could attend meetings. The mine companies directly informed local cooperatives and entrepreneurs about the consultation meeting.

On the other hand the implementation of the project has major flaws, including a violation of the Operational Policy, regarding:

1. **Public participation.** The consultations were announced too late: on the very same day for the Katowice-Kleofas mine and three days before the meeting in the Bytom II mine. It is a violation of the World Bank Operational Policy Environmental Assessment, art 15 (OP 4.01). Moreover the consultations were not conducted by the borrower or even by the project's implementing authority – Spolka Restrukturyzacji Kopalni. The consultations were conducted by the mines without independent facilitators.
2. **Information disclosure.** Project relevant documents were disclosed too late, in violation of OP Environmental Assessment art 15. Documents were disclosed later than 120 days before the project approval. There is also a Sectoral Environmental Assessment listed as a relevant Project document. This assessment was not disclosed to local communities and the World Bank possesses only a summary of the document. The World Bank did not ensure that local groups were informed about the Inspection Panel and Compliance Advisor Ombudsman. The World Bank did not ensure that information about the contract awarded under the project is publicly available, although according to the Environmental Management Framework for the project it was a condition of the IBRD loan.
3. **Independent monitoring.** The World Bank did not ensure independent monitoring of the project's implementation. Implementation monitoring is the duty of each mine's environmental inspector. There is also the Agency for Industry Development that compiles data and reports it to the Ministry of Economy and Labour. The Agency is dependent on the project sponsor and does not appear as an author of the reports.
4. **Mining and the use of toxic materials.** The World Bank did not ensure that the project operator's procedures for transporting, storing, using, and disposing of toxic materials are in line with the Hazardous Materials Management Guidelines. The World Bank relies on Polish legal procedures and regards them as being compliant with IBRD procedures. However, the World Bank could not provide the compliance analysis.

Conclusions

The World Bank project seems to have a positive impact on the environmental performance of hard coal sector in Poland. The World Bank requires that Environment Protection Programs 2004-2006, Mine Closure Plans, Engineering Design Studies and Dewatering Master Plan are prepared for the mine companies. Under those Environment Protection Programs activities were undertaken aiming at environmental improvements of each mine company. On the other hand the World Bank failed to ensure meaningful public participation. Only strong sectoral trade unions were able to influence the Governmental Program design; however only in terms of the number of mines to be closed. The consultations also failed as a result of not providing local groups with understandable information. Abstract data on the amount of pollution or noise means nothing to the local community.

Evaluation Matrix

Note:

- ◆ WBG Management Response commitment to EIR recommendation
- * indicates that the entire section did not apply to the project. For list of questions see matrix provided in methodology description
- TBD indicates that it is still early in the project cycle to determine the answer. This is equivalent to rating 'U' from the Score Card.

Rating: -1: Violation of WB/IFC policy 0: Unsatisfactory 1: Some progress 2: Full compliance

Indicators	Rating	Written Explanation
1. Public Participation		
1. ◆ Did the project sponsor seek consent from local communities?	1	<p>Consent from local communities was sought through the consultations on Environmental Management Plans for Kleofas and Bytom II mines. Consultations were limited only to nearby mine neighbours, other interested parties were not directly invited, however press announcements were addressed to all interested parties. Consultations were announced shortly prior to consultations, and this was done only once in two newspapers. EMP says that announcement appeared in nationwide newspaper Gazeta Wyborcza, but this is not true. Such announcements did not appear in that newspaper on mentioned days. Announcement appeared in local supplement of this newspaper. Consultations were not prepared by the Sponsor or by implementing agency (that proceeds with mine closure) but by the individual mine. There was no wide consultation with environmentally interested parties – self-governments, scientists, NGOs. For example consultation on EMP for Bytom II mine took place from 9 to 14 o'clock (only during the working hours). Consultations did not concern Sectoral Environmental Assessment or Environmental Framework. In the project documents. Bank recalls consultations held in 2003 and 2004, but they concern more social issue related to general coal sector reform and social mitigation program. This consultation in 2003 should not be considered as consultation on Mine Closure Project, because relevant documents were not ready at that time.</p> <p>Social consultation on regional and local level will also be held before issuing some of the permits needed for mine liquidation and land reclamation. These consultations will be after the loan approval. For each activity that needs Environmental Impact Assessment, social consultations are obligatory. ⁱ</p>
2. ◆ Did the project have the broad support of affected communities? How was this support expressed?	1	<p>There was no protest concerning the technical way of conducting liquidation. Any protest or comments were submitted during the consultation. All liquidation plans and environmental protection programs had to be approved by the Ministry of Environment and discussed with Higher Mining Office.</p>
3. Did the project sponsor sign an agreement with local communities and/or indigenous people?	0	<p>No. Agreement with the trade unions was established regarding Governmental Program of hard coal sector reform.</p>

4. Were there independent, experienced, objective and trusted facilitators involved?	0	No. The consultation was done by the mine companies, in their offices. ⁱⁱ
5. ♦Were all relevant project documents translated into local languages and disseminated in a culturally appropriate and timely manner?	-1	No. Environmental Management Plans were available in Polish language but they were disclosed shortly before the consultation. This is a violation of the World Bank Environmental Policy (art 15 of OP 4.01). Local community could not read the Plans before the consultation had started. Environmental Framework was disclosed only in April 2004. SEA mentioned in the IBRD documents was not stated in Polish language documents and the World Bank could only provide a summary of this assessment.
6. ♦Did the WBG establish a monitoring mechanism for the project? Were the affected public involved in the development and operation of such a mechanism?	1	Environmental Management Plans will be subject to the ongoing monitoring and assessment by the environment protection services of the liquidated mine. There is no independent ongoing monitoring of the project. There is also Environment Protection Inspectorate and separate Higher Mining Office – that supervise mines and environment. WB also required independent auditor (on financial matters) – Supreme Chamber of Control. Audits are available on the Ministry of Economy and Labour web site.
7. Did the input from local communities affect the project design?	0	No. In terms of the design of physical mine closure local community did not affect the design of Environmental Management Plans before the loan approval during consultations conducted in March 2004 in the mines’ offices. However there is a possibility of influencing the project design during project implementation through the social consultation process that precedes each administrative decision/permit for activity that may affect environment. The project is still ongoing, in fact it has just started and will be finished in 2007.
2. Information Disclosure		
Loan requirements		
1. ♦ Did the WBG ensure public disclosure of all relevant project information, including <i>inter alia</i> : economic and financial assessments, environmental and social assessments, monitoring and evaluation results, accident prevention and emergency response information?	1	Relevant information publicly disclosed: economic and financial assessments, accident prevention and emergency response plans (are required by law for each mine). Sectoral Environmental Assessment has been done for SECAL I and II, but the World Bank possesses only its summary. It was not consulted before this loan approval. For this project, Environmental Management Plans are considered as EA (according to OP 4.01 Annex C, article 1), however SEA is mentioned in the PAD, therefore should also be disclosed.
2. ♦ Did the WBG ensure that all relevant project documents were translated into local languages and disseminated in a culturally appropriate and timely manner?	-1	No, EMP should be disclosed before the project approval and well in advance to the consultation. Article 15 of OP 4.01 says that “for meaningful consultations between the borrower and project-affected groups and local NGOs on all Category A and B projects proposed for IBRD or IDA financing, the borrower provides relevant material in a timely manner prior to consultation”. EMPs were not available prior to consultations. This is a violation of the Bank’s policy.

Grounded in Washington: EIR Implementation in ECA Region

<p>3. ♦ Did the WBG ensure public disclosure, especially to the local community, of all environmental and social assessments (e.g., Resettlement Action Plan, Indigenous Peoples Development Plan) at least 120 days prior to project approval? [Note: Management Response only states 30 days for IFC and 60 days for IBRD/IDA].</p>	<p>-1</p>	<p>EMPs treated as EA for Category B project were disclosed to the public but not 120 days prior to project approval. EMPs were disclosed on March 8th (Bytom II) and on March 1st (Kleofas) 2004. Environmental Framework was also disclosed later than 120 days before the loan approval.</p>
<p>4. ♦ Did the WBG ensure that local/affected communities were appropriately informed about all developments that affect them, including all human and environmental health risks, and economic, social, and environmental impacts?</p>	<p>1</p>	<p>Local communities were informed about environmental impacts, but not about health and environmental risks. The information given to the local community through EMP and press announcements can not be considered as appropriate, because it did not contain assessment of impacts on environment and health. Giving only quantity data on dust, noise, saline water emission is not enough for local community. Data should be interpreted, so local community knows what it means.ⁱⁱⁱ</p>
<p>5. Did the WBG ensure that local groups were fully informed about the Inspection Panel and Compliance Advisor Ombudsman?</p>	<p>0</p>	<p>No they were not informed at all. Even the Project Sponsor (borrower) did not know about such institutions.^{iv}</p>
<p>6. Did the WBG require independent monitoring?</p>	<p>0</p>	<p>Financial monitoring is done by the state company the Agency for Industry Development (ARP). Agency is independent from mine companies but it is not independent from the Project Sponsor. ARP representative said that all data completed by ARP belongs to the Project Sponsor. ARP does not occur as an author of monitoring reports available to community.</p> <p>Environmental monitoring is being conducted by the mine's internal environmental staff. Environment Protection Inspector monitors realization of EMP, implementation of mitigation, protection, and compensation measures. Environmental monitoring results (including environmental impacts) are included in the Ministry of Economy and Labour's report on hard coal sector restructuring and are publicly available. Direct ongoing environmental monitoring is not independent but it must be taken into account that there are other environmental inspectorates (including mining office that does independent supervision on all mines in Poland) that are in place in Poland and are efficient and independent from the mines. Each report by these institutions is publicly available.^v</p>
<p>7. ♦ Have relevant monitoring reports been publicly disclosed?</p>	<p>2</p>	<p>Yes. Monitoring reports prepared by the Ministry of Economy and Labour as well as audits made by Supreme Chamber of Control are publicly available on the web pages.</p>
<p>Project implementation</p>		
<p>8. ♦ Did the WBG ensure that project sponsors are making information on the project's environmental, social, and economic impacts available each year to communities? Is the information reported in a clear and meaningful manner (e.g., translated, disaggregated)? Does it include both regional and local impacts? Are the baseline data available and is there an interpretation of positive and negative impact of the project clearly expressed?</p>	<p>1</p>	<p>Yes. Environmental and economic impacts of the project are available each quarter to the community and are easily accessible through the internet page of the Ministry of Economy and Labour or in hard-copy form. Information includes local impact on environment. There is no interpretation however of environmental data (noise, dust, saline water emission), which makes it difficult for individuals to assess the meaning of the impact.^{vi}</p>

3. Contract Transparency *		
4. Revenue Transparency *		
5. Revenue/Benefit Sharing *		
6. Governance		
1. Was a comprehensive options assessment developed for the project? Is there a government plan on how to use associated infrastructure development (road, ports, power plan) for the benefit of the public?		NA
2. Is there in place an effective local system for the handling of complaints and disputes? Is it independent from the company and guarantees that all complains will be fairly treated?	2	Yes. Poland has an effective system for handling of local complaints. This is Environmental Protection Inspectorate, Higher Mining Office, Construction Inspectorate, Safety and Hygiene Inspectorate. All institutions have several levels, that guarantee that all complaints will be fairly treated.
3. What is the experience with the complaints handling so far?		There is no information so far on complaints. However all damages made by mines to be closed under the World Bank Project are registered and reported. Information about damages is included into monitoring report and is publicly disclosed.
4. ♦ Did the project documents include a review of relevant governance issues?	2	Yes. WB document assessed Polish Government commitment to the Project, institutional capacities and experience of all implementation institutions and arrangements. ^{vii}
7. Environmental, Social and Health Impact Assessment		
Project lending		
1. ♦ Was the Extractive Industry project classified as category A? What were the reasons for the different category? Were those reasons legitimate?	2	Category B. The project has no large scale, significant and irreversible major negative impacts. On the contrary the project will support clean-up of past environmental liabilities. Environmental impacts are well known and modest. Project is not located in the region that has any unusual or unique environmental features. The coal mines are not located near protected areas or sites, critical natural habitats or other culturally or socially sensitive areas. The environmental risks are considered to be well known, modest and manageable. ^{viii}
2. ♦ Is there an impact assessment that integrates environmental, social and health components?	1	Impact Assessment is done for category B as Environmental Management Plan. It does not include social components – this component is covered by the other loan. EMP does not include health components. Moreover EMPs do not include assessment of the impacts, therefore they are not understandable to the community. It must be underlined that providing only abstract data on noise and dust pollution or saline water discharge does not mean anything to individuals in the affected community. Those numbers were not interpreted. EMPs did not compare expected impacts during project implementation to the numbers that are regarded as normal and acceptable by law, eg emission of dust during project implementation comparing to normal or a highest emission level acceptable by law.)

7. No-Go Zones *		
8. Emergency Response planning		
1. ♦ Is there an Emergency response plan in place for the project?	2	Yes. Emergency response plan is required by country's law. ^{ix}
2. ♦ Was there a public consultation of the emergency response plan? Were the public's comments incorporated into the emergency response plan? If not, what reasons were given?	0	No. ERP in Poland is not a subject of social consultations.
3. Does the IFC/MIGA require best practice and technologies to be used in the emergency response plan?		NA
4. Does the emergency response plan require the immediate disclosure of information about accidents to authorities as well as general as well as response reports when they are prepared?	2	Yes. It is required by country's law.
5. Is the mechanism for public information about accidents fast and adequate so that it guarantees that information reaches all relevant actors in society?		Not enough information.
9. Transport of oil and hazardous substances *		
10. Mining and use toxic materials		
1. Did the project involve reverine tailing disposal?		NA
2. ♦Is there an insurance system, bond or other mechanism for the region established for dealing with mine closure? Did the WBG encourage the establishment of such a system?	2	Yes. There is a mine liquidation fund which is obligatory for each mine company.
3. Is the closure plan prepared and available to the public? Did the company organise any consultation on the closure plan? Does the closure plan deal with both environmental, social as well as safety issues?	1	Yes. Closure plan is required by the law. Closure plan is not publicly consulted on. Liquidation schedule was included into Environmmnetal Management Plan which was consulted. Closure plan deals with safety and environmmnetal issues. It does not deal with social issues.
4. Is there a local (regional) independent labouratory that is able to test cyanide and other relevant toxic compounds in the region where the EI project is located?		NA
5. Did the WBG require a regional labouratory with the capacity to test cyanide and other relevant toxic compounds before the start of the project?		NA
6. In the case of cyanide use, is there a requirement that the company monitor the nearby waters for all breakdown products of cyanide?		NA
7. ♦ Do the project operator's procedures for transporting, storing, using, and disposing of toxic materials ensure that they are in line with the Hazardous Materials Management Guidelines?	0	No. Transporting, storing, using, and disposing of toxic materials will be done by external companies after a tendering procedures. All selected contractors must possess certificates accordingly to Polish Waste law. IBRD relies on the country law. IBRD considers Polish law as relevant to the Bank's regulations, however no proof of relevance could be provided.

12. Indigenous Peoples' Rights *

13. Poverty Impacts

Loan Requirements

1. ♦ Has the WBG ensured that direct project benefits have been clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women? What is the nature of the benefits (development, education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)? Are individuals fully and appropriately compensated for the negative effects?

See Hard Coal Social Mitigation Project

2. Do project documents clearly address how the project will contribute to local and regional poverty reduction goals? If so, how?

3. Does the project establish accurate and location-appropriate baseline data on local poverty and social indicators? (e.g., # of individuals below the poverty line, # of individuals in extreme poverty, Gini coefficient, employment rate (formal and non-formal sectors), access to health care, education level, land ownership, factors of production ownership, access to clean water, air, and food supply)

4. Has the project completed a poverty impact assessment? Including both positive and negative impacts? If so, were the results of the assessment adequately considered and addressed by the project design/Action Plan?

5. ♦ Do project documents demonstrate a “strong economic case” that is balanced with all environmental and social considerations? Will it provide more value-added benefits to the local economy over other sector/investment alternatives? Will it help to diversify the economy?

6. ♦ Will it provide significant long-term employment opportunities for local individuals, including women?

7. ♦ Will it create forward and backward linkages to other sectors of the economy? To the local economy, e.g., contracts with local companies/entrepreneurs?

8. Will it provide energy/electricity services to local communities?

9. Will it transfer technology and skills?

10. Will the local communities have access to clean supplies of air, drinking water, and food?

11. Is there local ownership? Is there local profit sharing?

12. ♦ Will (or is) the livelihoods of local people be positively or negatively affected? Are individuals fully and appropriately compensated for the negative effects?		
Project Implementation		
13. ♦ Is the WBG monitoring the project's impact on the baseline poverty and social indicators?		
14. ♦ Is the WBG ensuring that the project is actually having positive impacts on the poverty and social indicators, including inter alia those listed above (list and rate each indicator separately)		
15. How many contracts have been issued to local businesses?	-1	The Project implementing agency Mine Restructuring Company (SRK) refused to disclose information on contracts awarded. This is a violation of Polish Public Procurement Law and the Bank's Guidelines.
14. Human Rights		
1. Did the WBG assess the country obligations under international human rights laws?		There is no need to do such assessment as there are no major problems related to human rights in Poland ^x
2. Does the company(ies) have a history of human rights violations?		NA
3. Is the project consistent with the country's obligations under international human rights laws?	2	Yes.
4. Where the project was questioned because of the human rights situation, was there any third party involved in the verification of human rights?		NA
5. Did the company(ies) involved in the project adopt human rights principles and inform the local public about their rights?		NA
6. ♦ Has the company endorsed, or at least does it operate according to, US/UK Voluntary Principles on Security and Human Rights? Are all of the principles respected in the project? http://www.state.gov/g/drl/rls/2931.htm		NA
15. Resettlement *		
16. Core Labour Standards		
Loan Requirements		
1. ♦ Does the WBG project loan agreement and/or other project documents incorporate all (four) core labour standards ?	2	All four labour standards have already been incorporated into Polish Labour Code.
2. Does the WBG's Standard Bidding Document incorporate all (four) core labour standards ?		

Project Implementation		
3. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no discrimination? If not, how is the WBG addressing this issue?		NA . Since the Polish Labour Code already incorporated all labour standards the WBG was not obliged to ensure the project fully abides by these standards. The same explanation holds for the following 4 questions.
4. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no forced labour? If not, how is the WBG addressing this issue?		NA
5. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no child labour? If not, how is the WBG addressing this issue?		NA
6. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to freedom of association? If not, how is the WBG addressing this issue?		NA
7. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to engage in collective bargaining? If not, how is the WBG addressing this issue?		NA
17. Adherence to CAS Objectives and Priorities		
1. ♦ Does the WBG ensure that the project is consistent with the main objectives and development priorities contained in the Country Assistance Strategy (CAS)? How well does the project address the objectives and priorities of the CAS?	2	Yes. The hard coal sector reform was a priority in CAS. Therefore this Project fully adheres to CAS objectives. The CAS objectives are following: ^{xi} <ol style="list-style-type: none"> 1. Rebalancing macroeconomic policies through fiscal reform – it includes coal sector long term reform that will help to minimise burdens from state coal enterprises. 2. Strengthening the effectiveness of public expenditures and programs – the WBG focused here on education and health reform. The IBRD project adhere to this objective through providing the opportunities for coal sector employees to be reskilled. 3. Enhancing private sector–led growth and employment creation – IBRD Project aims to create new jobs in other sectors and enhance creations of new businesses.
2. Does the WBG ensure that the project is consistent with the main objectives and priorities contained in the Poverty Reduction Strategy Paper (PRSP) [Note: Not all countries will have a PRSP]? How well does the project address the objectives and priorities of the PRSP?		NA
3. ♦ Does the WBG ensure that the project adequately addresses all extractive industry issues identified in the CAS?	2	Yes. The CAS puts focus on coal sector reform social mitigation measures. Signing Hard Coal Social Mitigation Project was a condition of the WBG support through Hard Coal Mine Closure Project.

ⁱ *Environmental Management Plan in the Process of Katowice –Kleofas Liquidation*, April 2004, p.12-14; *Environmental Management Plan in the Process of Bytom II Liquidation*, April 2004, p.34-35; *Zycie Bytomskie*, March 8 2004 p. 10; *Gazeta Wyborcza Katowice*, March 1 2004, p.17.

ⁱⁱ *Environmental Management Plan in the Process of Katowice –Kleofas Liquidation*, April 2004, p.12-14; *Environmental Management Plan in the Process of Bytom II Liquidation*, April 2004, p.34-35;

ⁱⁱⁱ See: above documents

^{iv} Minutes from researcher meeting in Ministry of Economy and Labour, September 23 2005

^v *Informacja dla Rady Ministrów o przebiegu restrukturyzacji górnictwa węgla kamiennego za 2004 rok*, April 2005, p. 80

^{vi} See: above document;

^{vii} *Project Appraisal Document*, May 24 2004, p. 11;

^{viii} *Project Appraisal Document*, May 24 2004, p. 19-20 and 73;

^{ix} *Rozporządzenie Ministra Gospodarki z 12 czerwca 2002 w sprawie ratownictwa górniczego*, June 2002

^x Amnesty International report on human rights.

^{xi} *Poland-Country Assistance Strategy Document*, November 2002

Poland: Hard Coal Social Mitigation Project (IBRD)

Anna Roggenbuck, Polish Green Network

Project name: Hard Coal Social Mitigation Project

Location: Poland, Silesia region

Amount: USD 200 milion/ Total cost USD 450 milion

Institution: International Bank for Reconstruction and Development

Sponsor: Ministry of Finance, Ministry of Economy and Labour

Implementing agencies: Ministry of Economy and Labour, Spolka Restrukturyzacji Kopalni, Kompania Weglowa, Katowicki Holding Weglowy, Jastrzebska Spolka Weglowa

Summary

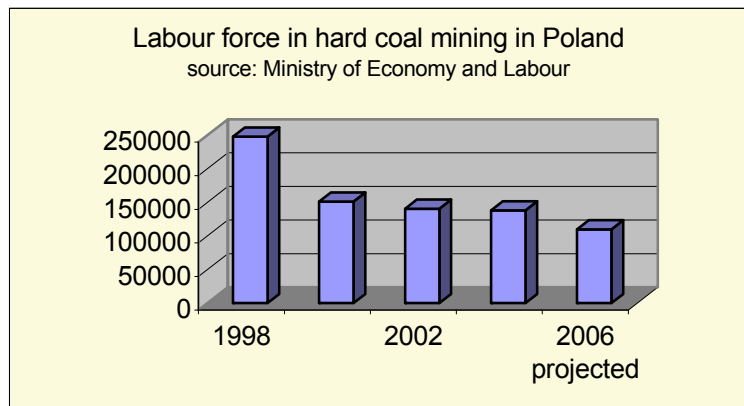
Background – Polish Mining Sector

Relying heavily on public subsidies, the Polish mining sector has been undergoing rolling restructuring since 1990. The restructuring of the hard coal sector was based on the assumption that employment and coal extraction would drop with simultaneous gains to be made in terms of efficiency and profitability. Polish mining reform is considered to be fast and socially oriented. Each governmental reform program was based on social dialogue with mining sector trade unions, thus allowing the avoidance of unrest even in a period of high unemployment. After fifteen years of reforms, over 300 000 people have left the sector and more than 20 mines were closed down. Currently it seems that the sector is in a good economic state and is slowly looking to be privatised in the coming years

The World Bank project

The International Bank for Reconstruction and Development (IBRD) loan aims to support the Polish government program called “Restructuring of the hard coal mining sector during the period 2003-2006”. The 2003-2006 program is the second phase of the reform of the coal sector in Poland. The program aims to reform the hard coal industry to become a profitable sector ready for privatisation in

2006. The specific objective of the project is to improve the efficiency of the coal industry by supporting employment restructuring in 2004 and mitigating the social consequences of the program’s implementation.



The project consists of three components: a) severance payments for underground workers; b) severance payments, reskilling and reemployment for surface workers; c) severance payment commitments from previously implemented Miners’ Social Packages under the 1998-2002 Program. This is the third World Bank project in the Polish mining sector after SECAL 1 and SECAL 2, in 1999 and 2001 respectively.

The governmental program was originally approved in 2002 but, after the strong intervention of trade unions, the Program was changed in five areas: 1) redundancy became voluntary rather than obligatory; 2) the number of mine closures was reduced to four from seven; 3) labour force reduction was limited to 27 200 instead of 30 000; 4) income support measures were introduced for 14 100 underground workers; 5) job creation incentives should create 8600 jobs outside the coal industry for surface workers.

The program is being implemented against the difficult backdrop of a high unemployment rate which has reached almost 18 percent; however the project has a neutral impact on the unemployment rate. In 2004, the reduction of the labour force in the coal sector rose to almost 9300 people, yet only 41 surface workers used

the proposed social package that year. The government assumed that from 2004-2006 between 4 000 and 7 500 surface workers would leave the sector. Therefore there is a risk that the program will not be fully implemented, although this risk was known to the World Bank and mitigation measures were proposed.

Analysis of compliance with the EIR commitments

Generally, in most areas, the project complies with the EIR commitments or there has been some progress towards compliance:

- 1. Public participation.** The World Bank itself organised a public consultation and invited many civil society groups including Polish Government representatives. The project sponsor consulted only trade unions and reached an agreement with them. The World Bank organised several meetings that resulted in the introduction of a complementary program “Women in Mining”. In fact, the consultation organised by the World Bank was nothing more than a “formality”; participants could not affect the project design because the governmental program which the World Bank aimed to support had already been adopted. Only the trade unions were able to influence the program design significantly.
- 2. Information disclosure.** All relevant governmental program documents are available on the website of the Ministry of Economy and Labour. Those documents were subjected to public consultation organised by the World Bank. Economic and financial analysis were included into the Project Appraisal Document; however it was not translated into Polish.
- 3. Governance.** Two previous World Bank projects built a legal and technical basis for the Hard Coal Social Mitigation Project. The World Bank again analysed the institutional capacity of the implementing agencies and the monitoring institution to manage the World Bank project.
- 4. The Project is consistent with the Country Assistance Strategy.**

The implementation of the project has several flaws regarding:

- 1. Information disclosure.** Neither the World Bank nor the project sponsor prepared a social assessment for the project. The one listed in the Project Appraisal Document is an assessment conducted for the previous World Bank projects, SECAL I and SECAL II. This social assessment has not been disclosed, although the researcher requested it from the World Bank.
- 2. Information about the Inspection Panel.** The World Bank did not ensure that local groups were informed about the Inspection Panel. The project sponsor was not aware of this mechanism.
- 3. Project monitoring.** The World Bank appointed the Agency for Industry Development as the monitoring mechanism for the project. The Agency is a public company, entirely dependent on the project sponsor. The Agency monitors hard coal sector performance and prepares reports for the Ministry of Economy and Labour. The Agency never appears as an author of the reports on the project’s implementation. The Head of the Agency in Katowice refused to disclose any information about project monitoring procedures, including information on social indicators. The Agency claims that all data belongs to the project sponsor and the Agency is not eligible to discuss the project monitoring with anyone except the project sponsor.

Conclusions

The governmental program supported by the World Bank through the Hard Coal Social Mitigation Project was designed to avoid social unrest. The project should have a neutral impact on poverty and the rate of unemployment. During the project’s implementation employment in the sector decreased by over 9000 people, half of them left the sector due to the governmental program implementation. Most of the employees left on the pre-retirement basis and only 41 people accepted the social package included in component b of the project. The project has failed with component b as it was expected that 8600 surface workers would accept the social package during the 2003-2006 implementation of the program.

Evaluation Matrix

Note:

- ◆ WBG Management Response commitment to EIR recommendation
- * indicates that the entire section did not apply to the project. For list of questions see matrix provided in methodology description
- TBD indicates that it is still early in the project cycle to determine the answer. This is equivalent to rating 'U' from the Score Card.

Rating: -1: Violation of WB/IFC policy 0: Unsatisfactory 1: Some progress 2: Full compliance

Indicators	Rating	Written Explanation
1. Public Participation		
1. ◆ Did the project sponsor seek consent from local communities?	1	<p>The project sponsor sought consent mostly from miners and their representatives – trade unions. In the Reform Program preparation, however, self-government of Silesian Region took part. Project sponsor is only focused on miners, not general public that may be influenced by the governmental Program, this was expressed during the meeting of Polish Green Network with the Ministry of Economy and Labour on September 23.</p> <p>“Program of Alleviating Hard Coal Mining Employment Restructuring Effects in the Region of Silesia” was prepared by regional self-government and was consulted with local self-governments, national government, social organisations and business representatives.</p> <p>Wide social consultation on the project design and governmental Program were conducted only by the World Bank. The Consultations were held in June 2003.</p> <p>There was no consultation on Social Assessment. In 2004 the World Bank conducted another series of consultations with women organisations on the additional program addressed to women in mining sector and region. On the basis of the experience of previous WB projects in mining sector in Poland, the World Bank recognised women as a vulnerable group affected by the coal Program. Additional project “Women in Mining” was coordinated by the Head of Region’s representative for gender policy. ⁱ</p>
2. ◆ Did the project have the broad support of affected communities? How was this support expressed?	2	Trade unions supported the project - this came after the trade unions opposed the original program in 2002. (Originally the program was obligatory for mine workers now it is voluntary). The program was designed with support of self-government of silesia Region. The program was not redesigned after the consultation conducted by the World Bank in June. Generally, public thinks there is an urgent need of reforming coal sector in Poland.
3. Did the project sponsor sign an agreement with local communities and/or indigenous people?	2	There is an agreement with the trade unions. It is only on labour issues related to the coal sector employment restructuring.
4. Were there independent, experienced, objective and trusted facilitators involved?	2	In Consultations conducted by the World Bank independent, experienced, objective and trusted facilitators were involved. Consultations with the trade union are being conducted

		through Trilateral Committee for Miners Social Security, that consists of government, mine companies, entrepreneurs and trade unions representatives. ⁱⁱ
5. ♦ Were all relevant project documents translated into local languages and disseminated in a culturally appropriate and timely manner?	1	Documents translated into Polish language or available in Polish: 2003 – 2006 Hard Coal Reform Program; “Program of Alleviating Hard Coal Mining Employment Restructuring Effects in the Region of Silesia”, Project Operational Manual Above documents were disseminated before December 2003, so in timely manner. Documents still not available: Social Assessment. Although this is not an assessment relevant to this Project, it was mentioned and should be disclosed. Project promoter (Ministry of Economy and Labour) did not mention this document as relevant to the Project during the meeting on 23 September 2005. Polish Green Network requested this document from the WBG on 22 nd September.
6. ♦ Did the WBG establish a monitoring mechanism for the project? Were the affected public involved in the development and operation of such a mechanism?	1	The Agency for Industrial Development (ARP) is compiling data regarding employment, production and industry financial performance. ARP does quarterly reports and provides them to the Ministry and the WB. ARP assesses Program and Project implementation. There is also Inter Ministerial Coal Monitoring Committee which reviews ARP reports every two months. Public was not involved in the development of this mechanism. Mechanism was established between the WB and Government of Poland. ⁱⁱⁱ
7. Did the input from local communities affect the project design?	1	Trade unions affected the governmental Program design. However the WB consultation could not affect the design of the Program, because the Program had already been adopted. ^{iv}
2. Information Disclosure		
Loan requirements		
1. ♦ Did the WBG ensure public disclosure of all relevant project information, including <i>inter alia</i> : economic and financial assessments, environmental and social assessments, monitoring and evaluation results, accident prevention and emergency response information?	1	Information disclosed: <ul style="list-style-type: none"> ○ economic and financial analysis ○ monitoring and evaluation results – available on the Ministry of Economy and Labour web site ○ accident prevention and emergency response plans – are available in mines ○ company annual financial reports/ audits ○ Project Operational Manual – available on request as public information Information related to the Project but still not available: <ul style="list-style-type: none"> ○ Social Assessment – this assessment is listed in the WB documents. This is an Assessment conducted for previous WB extractive industry projects in Poland.
2. ♦ Did the WBG ensure that all relevant project documents were translated into local languages and disseminated in a culturally appropriate and timely manner?	1	PAD, PID and ISDS were not translated into Polish language. Other Project related documents, except Social Assessment, were available in Polish language in timely manner, before December 2003.
3. ♦ Did the WBG ensure public disclosure, especially to the local community, of all environmental and social assessments (e.g.,	0	The WB did not ensure public disclosure of Social Assessment. Social Assessment is listed in Project Appraisal Document, but is not available. Researcher requested the

<p>Resettlement Action Plan, Indigenous Peoples Development Plan) at least 120 days prior to project approval? [Note: Management Response only states 30 days for IFC and 60 days for IBRD/IDA].</p>		<p>Assessment from the WB on September 23, but did not receive the document. This assessment was done for previous WB project in Poland, it is unknown whether the document can still be regarded as valid. The MoEL representatives did not point this assessment as relevant to the project, during the meeting with researcher on September 23.</p>
<p>4. ♦ Did the WBG ensure that local/affected communities were appropriately informed about all developments that affect them, including all human and environmental health risks, and economic, social, and environmental impacts?</p>	<p>2</p>	<p>Local communities were consulted through the process of preparation of the WB Project, preparation of regional self-government Program of Alleviating Hard Coal Mining Employment Restructuring Effects in the Region of Silesia, WB Project “Women in Mining”. Miners were consulted during preparation of governmental Program “2003 – 2006 Hard Coal Reform Program”. Ministry of Economy and Labour conducted an information campaign about the Program and proposals for mines’s employees.</p>
<p>5. Did the WBG ensure that local groups were fully informed about the Inspection Panel and Compliance Advisor Ombudsman?</p>	<p>0</p>	<p>No. No information was given at all. Project Sponsor was not aware of such mechanisms.^v</p>
<p>6. Did the WBG require independent monitoring?</p>	<p>0</p>	<p>Monitoring is done by the state company the Agency for Industry Development (ARP). Agency is independent from mine companies but it is not independent from the Project Sponsor. ARP refused to provide the researcher with information on how social indicators were assessed. ARP representative said that all data compiled by ARP belong to the Project Sponsor. ARP does not occur as an author on monitoring reports available to community.^{vi}</p>
<p>7. ♦ Have relevant monitoring reports been publicly disclosed?</p>	<p>2</p>	<p>Monitoring reports are available to the public on the Ministry’s web site</p>
<p>Project implementation</p> <p>8. ♦ Did the WBG ensure that project sponsors are making information on the project’s environmental, social, and economic impacts available each year to communities? Is the information reported in a clear and meaningful manner (e.g., translated, disaggregated)? Does it include both regional and local impacts? Are the baseline data available and is there an interpretation of positive and negative impact of the project clearly expressed?</p>	<p>1</p>	<p>Social monitoring described in Project Appraisal Document would “track the social impact of the coal restructuring program. The social monitoring process will include ongoing analysis of the labour market, income levels and poverty measures, short term projection of economic and labour market conditions, highlights the implications of the projected changes in economic and labour market conditions for employment and unemployment (...). This information will be publicly available”. Publicly available reports fail to provide all of the above information. Reports provide information about local and regional unemployment, employment structure in the coal sector, uptake of social package in the sector, income level and sector efficiency. Reports do not include projection on the project impact on poverty and economic and labour market conditions.^{vii}</p>
<p>3. Contract Transparency *</p>		
<p>4. Revenue Transparency*</p>		
<p>5. Revenue/Benefit Sharing *</p>		
<p>6. Governance</p>		
<p>1. Was a comprehensive options assessment developed for the project? Is there a government plan on how to use associated infrastructure development (road, ports, power plan) for the benefit of the public?</p>		<p>NA</p>

2. Is there in place an effective local system for the handling of complaints and disputes? Is it independent from the company and guarantees that all complains will be fairly treated?	2	Yes. Poland has an effective system for handling local complains. This is Environmental Protection Inspectorate, Higher Mining Office, Construction Inspectorate, Safety and Higiene Inspectorate. All institutions have several levels, that guarantee that all complains will be fairly treated.
3. What is the experience with the complaints handling so far?		TBD. There is no information on compalints regarding this Project.
4. ♦ Did the project documents include a review of relevant governance issues?	2	Yes. WB document assessed Polish Government commitment to the Project, institutional capacities and experience of all implementation institutions and arrangements. ^{viii}
7. Environmental, Social, and Health Impact Assessment		
Project lending		
1. ♦ Was the Extractive Industry project classified as category A? What were the reasons for the different category? Were those reasons legitimate?	2	This is a Category C Project. It does not trigger any safeguards.
2. ♦ Is there an impact assessment that integrates environmental, social and health components?		No. There is additional, complementary Project that deals with environmnetal issues related to mine closure. Social Mitigation Project deals only with soacial issues.
8. No-Go Zones *		
9. Emergency Response Planning *		
10. Transport of oil and hazardous substances *		
11. Mining and use of toxic materials *		
12. Indigenous Peoples' Rights *		
13. Poverty Impacts		
Loan Requirements		
1. ♦ Has the WBG ensured that direct project benefits have been clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women? What is the nature of the benefits (development, education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)? Are individuals fully and appropriately compensated for the negative effects?	1	The project benefits were clearly established for mine workers. The governmental Program 2003 – 2006 Hard Coal Reform Program only mention miners as a group affected by the Program implementation. Due to lack of Social Assessment researcher was not able to check what other groups were identified as affected. On the other hand the WB itself recognised that other groups were affected by the Project. This is reflected in the design of consultation process conducted by the Bank. The Bank provides additional financial and technical support for women project in Silesia Region, as the Bank recognised this group as affected by the Program/Project. Also Regional Program of Alleviating Hard Coal Mining Employment Restructuring Effects in the Region of Silesia from January 28 2003 refers to the reform's impact on Silesian economy in general. This program is not focused only on mine workers but also on other sectors and their development in the period of coal sector restructuring, including infrastructure and social services. The Program aims to boost all mentioned sectors development in order to mitigate negative effects of coal sector reform. Individuals identified in Governmental Program are fully and appropriately compensated.

2. Do project documents clearly address how the project will contribute to local and regional poverty reduction goals? If so, how?	NA	Project has neutral impact on poverty on local and regional level.
3. Does the project establish accurate and location-appropriate baseline data on local poverty and social indicators? (e.g., # of individuals below the poverty line, # of individuals in extreme poverty, Gini coefficient, employment rate (formal and non-formal sectors), access to health care, education level, land ownership, factors of production ownership, access to clean water, air, and food supply)	2	Indicators established for monitoring of sector performance related to social issues: regional unemployment rate (and number of unemployed) and relation to previous months, local unemployment rate (numbers of unemployed) and relation to previous months, number of jobs created by the Project, level of employment and its structure in mine sector, numbers related to leaving the sector, uptake of social package by the mine workers. ix
4. Has the project completed a poverty impact assessment? Including both positive and negative impacts? If so, were the results of the assessment adequately considered and addressed by the project design/Action Plan?		NA. The project has neutral impact on poverty.
5. ♦ Do project documents demonstrate a “strong economic case” that is balanced with all environmental and social considerations? Will it provide more value-added benefits to the local economy over other sector/investment alternatives? Will it help to diversify the economy?	2	Yes, the Project demonstrates strong economic case which is balanced with social consideration. The project helps to setup new businesses and diversify employment possibilities. The Project aims to create new jobs in other sectors outside mines. x
6. ♦ Will it provide significant long-term employment opportunities for local individuals, including women?	2	The Project aims to provide long term employment for employees leaving the sector.
7. ♦ Will it create forward and backward linkages to other sectors of the economy? To the local economy, e.g., contracts with local companies/entrepreneurs?		NA
8. Will it provide energy/electricity services to local communities?		NA
9. Will it transfer technology and skills?		NA
10. Will the local communities have access to clean supplies of air, drinking water, and food?		NA
11. Is there local ownership? Is there local profit sharing?		NA
12. ♦ Will (or is) the livelihoods of local people be positively or negatively affected? Are individuals fully and appropriately compensated for the negative effects?	2	The Project should not affect negatively affected groups. Miners and mine employees will not loose their jobs.
Project Implementation		
13. ♦ Is the WBG monitoring the project’s impact on the baseline poverty and social indicators?	2	The Agency for Industry Development is collecting data about selected indicators: level of local and regional unemployment, level of employment in the industry, the structure of employment in industry, uptake of social package. The AID is compiling data and preparing report every three months. This report is presented to Interministerial Monitoring Committee that approves the report and supervises the project implementation. The report is also sent to the World Bank

14. ♦ Is the WBG ensuring that the project is actually having positive impacts on the poverty and social indicators, including inter alia those listed above (list and rate each indicator separately)	2	Project should have neutral impact on poverty. The World Bank requires that all monitoring results are provided to the Bank.
15. How many contracts have been issued to local businesses?		NA
14. Human Rights		
1. Did the WBG assess the country obligations under international human rights laws?		There is no need to do such assessment as there are no major problems related to human rights in Poland ^{xi}
2. Does the company(ies) have a history of human rights violations?		NA
3. Is the project consistent with the country's obligations under international human rights laws?		NA
4. Where the project was questioned because of the human rights situation, was there any third party involved in the verification of human rights?		NA
5. Did the company(ies) involved in the project adopt human rights principles and inform the local public about their rights?		NA
6. ♦ Has the company endorsed, or at least does it operate according to, US/UK Voluntary Principles on Security and Human Rights? Are all of the principles respected in the project? http://www.state.gov/g/drl/rls/2931.htm		NA
15. Resettlement *		
16. Core Labour Standards		
Loan Requirements		
1. ♦ Does the WBG project loan agreement and/or other project documents incorporate all (four) core labour standards ?	2	All four labour standards have already been incorporated into Polish Labour Code.
2. ♦ Does the WBG's Standard Bidding Document incorporate all (four) core labour standards ?		NA
Project Implementation		
3. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no discrimination? If not, how is the WBG addressing this issue?		NA . Since the Polish Labour Code already incorporated all labour standards the WBG was not obliged to ensure the project fully abides by these standards. Next 4 questions are also NA.
4. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no forced labour? If not, how is the WBG addressing this issue?		NA
5. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no child labour? If not, how is the WBG addressing this issue?		NA
6. ♦ Does the WBG ensure that the project fully		NA

abides by the core labour standard on the right to freedom of association? If not, how is the WBG addressing this issue?		
7. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to engage in collective bargaining? If not, how is the WBG addressing this issue?		NA
17. Adherence to CAS Objectives and Priorities		
1. ♦ Does the WBG ensure that the project is consistent with the main objectives and development priorities contained in the Country Assistance Strategy (CAS)? How well does the project address the objectives and priorities of the CAS?	2	Yes. The hard coal sector reform was a priority in CAS. Therefore this Project fully adheres to CAS objectives. The CAS objectives are following: ^{xii} <ul style="list-style-type: none"> ▪ Rebalancing macroeconomic policies through fiscal reform – it includes coal sector long term reform that will help to minimise burdens from state coal enterprises. ▪ Strengthening the effectiveness of public expenditures and programs – the WBG focused here on education and health reform. The IBRD project adheres to this objective through providing the opportunities for coal sector employees to be reskilled. ▪ Enhancing private sector–led growth and employment creation – IBRD Project aims to create new jobs in other sectors and enhance creations of new businesses.
2. Does the WBG ensure that the project is consistent with the main objectives and priorities contained in the Poverty Reduction Strategy Paper (PRSP) [Note: Not all countries will have a PRSP]? How well does the project address the objectives and priorities of the PRSP?		NA
3. ♦ Does the WBG ensure that the project adequately addresses all extractive industry issues identified in the CAS?	2	Yes. The CAS put focus on coal sector reform social mitigation measures due to high unemployment in the region and overemployment in the sector.

ⁱ *Project Appraisal Document*, March 10 2004, p. 6 and 18; *Program of Alleviating Hard Coal Mining Employment Restructuring Effects in Region of Silesia*, September 2003; Minute from researchers meeting on September 23;

ⁱⁱ the World Bank invitation for consultation;

ⁱⁱⁱ *Project Appraisal Document*, March 10 2004, p. 11;

^{iv} *Ustawa z dnia 28 listopada 2003 o restrukturyzacji górnictwa węgla kamiennego w latach 2003-2006 (Act on Hard Coal Mining Sector Restructuring in 2003-2006)*, November 28, 2003 (Dz.U. nr 2003.150.1250);

^v Minute from researchers meeting on September 23;

^{vi} Researcher conducted a phone interview with the Head of ARP Katowice Mr Pawel Podsiadlo, on October 26, 2005.

^{vii} *Informacja dla Rady Ministrów o przebiegu restrukturyzacji górnictwa węgla kamiennego za 2004 rok*, April 2005, p. 31-50;

^{viii} *Project Appraisal Document*, March 10 2004, p 11.

^{ix} *Project Appraisal Document*, March 10 2004, p 17;

^x *Project Appraisal Document*, March 10 2004, p 9;

^{xi} Amnesty International report on human rights.

^{xii} *Poland-Country Assistance Strategy Document*, November 2002

Romania: Mine Closure, Environment & Socio-Economic Regeneration Projectⁱ (IBRD)

Daniel Dincă, Fundatia TR-Media, Romania

Project name: “Mine Closure, Environment & Socio-Economic Regeneration Project”

Loan amount/project cost: USD 120 million/ USD 149.5 million

IFI Institution: IBRD/IDA

Sponsor/implementing agencies: Government of Romania/Ministry of Economy and Commerce through the National Agency for the Development of Mining Areas

Status of project/ Approval date: Active/ 16 December 2004.

Summary

Background – the Romanian mining sector

The development strategy for the mining sector before 1989 was based on the concept of self-sufficiency regarding the supply of mineral resources to the economy, which led to the unsustainable expansion of the sector. Despite the fact that many exploitations were economically unfeasible, the sector had over 220 000 people directly employed in 1990. In the period 1990-2002, the state spent USD 6 519 million to support the sector – subsidies, capital allocations, losses in exploitation. The situation is worse as most of the employees in the sector are middle-aged, with difficulties to find another job when the mines close. In 2004 there were 120 mines still open, employing approximately 65 000 people.

In 2003, the Ministry of Economy and Commerce elaborated a mining sector restructuring strategy to comply with accession requirements. It included the closure of unprofitable mines (35), a reduction in subsidies for coal mines by 2010 and the elimination of subsidies for all other types of exploitations by 2007. The implementation costs for this strategy are USD 2.2 billion. It seems simple if you forget about the problems faced by the 135 000 miners who left the sector voluntarily (lured by compensation salaries), their families, the 150000 people unemployed in associated sectors, and the severe problems present in 316 mining settlements.

The restructuring process started in 1990 with the gradual reduction in subsidies per products, the reduction and elimination of funds for geological surveys and the opening of new mines, the reduction of state investments in refurbishments and environmental protection. Starting in 1997, the focus was on cost reduction through massive lay-offs, a reduction in costs for maintenance and repairs and externalisation of associated services. Hundreds of mining sites are waiting for definitive closure and regeneration works, generating serious environmental problems; to this add the social impacts of mine closures – settlements are left without infrastructure and services as they depend directly on mining activities. Other socio-economic issues include the alarming unemployment rate, the lack of economic alternatives in some cases, the decrease in revenues for the population and local administration, the degradation of services, cultural life and social cohesion. Businesses in Romania’s mining areas are under-developed; they have low performance, bad management generally, and require strong support from the state to boost the local human and natural potential.

The socio-economic regeneration of Romania’s mining areas is a long-term process where state institutions need to get involved in tandem with local communities, the ones most capable of setting - together with local and regional authorities - the coordinates, objectives and actions needed. This process requires transparency, the participation of all stakeholders, continuous evaluation, and the sustainability of the activities.

The World Bank project

Within this context, the Romania Mine Closure, Environmental and Socio-Economic Regeneration Project aims to strengthen the government's ability to undertake mining sector reform by: (1) building the capacity of the Ministry of Economy and Commerce for closing uneconomic mining enterprises through support for closing complex mines and ancillary enterprises in an environmentally sustainable manner; and (2) providing support to the National Agency for Development and Implementation Reconstruction Programs for the

Mining Regions, local communities, and other agencies for community-based planning and socio-economic regeneration of the mining regions. The project consists of two components: Component A, Mine Closure and Environment Improvements, and Component B, Socio-Economic Regeneration of Mining Communities.

The World Bank mine closure project envisages 20 sites; production was stopped at many of these mines and the sites were never closed and properly restored. Mine buildings, equipment and environmental liabilities are to be addressed in the closure process and the land would be reclaimed to allow its use for new purposes. Nine of the 20 sites are located in the Jiu Valley, one of the most problematic mining areas in the country in terms of the social issues that need to be addressed. The sites include coal, lignite, copper, polymetallic (copper, gold, lead), and sulphur mines, as well as mine processing facilities.

The Socio-Economic Regeneration (SER) Component of the project is intended to:

- (i) Scale up the job creation measures implemented under a previous, similar loan.
- (ii) Support local development activities through community capacity building and the financing of economic infrastructure and social services; establishing SMEs
- (iii) Strengthen the borrower's capacity to implement the socio-economic regeneration programme.

Analysis of compliance with the EIR commitments

Two sites in the World Bank project were analysed for compliance with the EIR commitments.

Buturoasa Baia de Aries - Mine, Alba County

The main activity of the Buturoasa - Baia de Aries mine was the extraction of gold, silver and copper ore by underground methods. The activity ceased in 2003. The site presents a series of environmental issues, as cyanide was used during the processing and the sludge is still being transported to a tailing pond.

Racos Put Mine & Briqueting Plant, Covasna County,

The main activity of the Racos Put Mine & Briqueting Plant was the extraction of lignite by underground methods and a lignite briqueting plant. The activity ceased in 1999. This component will be referred to as the "Baraolt" component, as the affected community is the town of Baraolt.

On a number of points in the EIR commitments, the project and these two components under analysis comply or there has been some progress towards compliance:

1. **Project monitoring.** The World Bank is planning to hire independent consultants in order to monitor the implementation for two of the project components, Calimani and Baia de Aries, as they are considered special cases from an environmental point of view (Baia de Aries had a cyanide plant, and Calimani is an open-pit sulphur mine that has become an environmental disaster). The governing board of the mining agency includes trade union representatives but no other civil society organisations, while the public was not involved in the monitoring mechanisms.
2. **Review of relevant governance issues.** The first Mine Closure and Social Mitigation Project built a legal and technical basis for mine closure in Romania that will be utilised in the new project. The government's closure procedures have been modified in line with the procedures used in the World Bank project and are considered in line with good international practice. Technical assistance, through technical audits to ensure international best practice on physical closure and environmental works, will be continued under the project.
3. **Clear project benefits.** Clear project benefits were established in the socio-economic regeneration component; they target the entire community affected by mine closures.
4. **Positive impact on livelihood of local people.** Benefits for the local communities were established in the socio-economic regeneration component.
5. **Consistence with the objectives of the Country Assistance Strategy.**

On the other hand, the implementation of the project has major flaws regarding:

1. Public participation

a) In the case of the Baia de Aries site, only one person, from the National Resources Agency, has heard about the World Bank project, while the mayor's office, the director of the mine, and people in the mine area had no information or documents related to the project.

The environmental assessments for the two sites state that “So far the local community is pleased regarding the project elaboration, saying that there is well definite and open exposed, fact for which they would be participate and supervise the works”, but this is clearly not case for the Baia de Aries project, where the local community has not been consulted. The public consultation that took place in Baia de Aries in May 2004 was nothing more than a meeting of public authorities to release some information to them. A second such meeting, also summoned through the telephone, took place in September 2005, again not involving the local community.

b) The most relevant project documents are available in Romanian on the website of the Ministry of Economy and Trade, the Management Unit for World Bank – funded projects in the extractive sector: project summaries, environmental management plans, various documents offering information for all components of the project, tender announcements (one announcement, for the Valea de Brazi component, deadline September 28, 2005). It can be said that the information has not been disseminated in a timely manner, nor in a culturally appropriate manner, as still few people have internet access, not to mention pensioners, old miners and people in rural areas or small towns.

In the case of the second site, at the public consultation the local community in Baraolt did not have access to the documents presented on the ministry’s page; moreover, no one knows that the World Bank project exists, and that certain documents are publicly available.

2. Information disclosure

a) The World Bank Group has not ensured the disclosure of economic and financial assessments. The social impact assessment is stipulated in Romanian legislation, but no such assessment was conducted for this project; no one knows about social assessments in either location.

b) All relevant project documents that are available on the bank’s website were translated into Romanian but they weren’t disseminated in a culturally appropriate and timely manner as they were only posted on the website of the Ministry of Economy and Trade.

c) The World Bank did not ensure that local groups were informed about the Inspection Panel and Compliance Advisor Ombudsman; the local communities don’t know about these mechanisms.

3. Environmental, Social and Health Impact Assessment

The project was classified as category B. It was classified as such because it is said that the main environmental issues associated with the project are related to the physical closure of the mines. However, this does not answer concerns about the social impacts as well as the environmental impacts, particularly when dealing with tailing dams and toxic materials disposal.

The environmental assessments took into account the possible health impacts (noise, dust, mud, smoke, vibrations, soil and water pollution, damage to public roads, and traffic management), yet the social impact justifies a complete EIA procedure.

4. Use of toxic materials

a) The mine closure project, Baia de Aries component, does not include the use of cyanide, but it includes the collection of cyanide-contaminated materials still contained in the flotation building and disposal at the tailing dam. Water pollution is included in the monitoring plan, but it covers fuel and lubricants, contaminated water from waste tips, mine water (heavy metals, pH, flow) and suspensions carried by rain fall. According to mine staff, the area is rich in limestone, so there should not be a problem with acid water. There has been no verification of the present conditions related to cyanide and cyanide breakdown products and they are not included in the monitoring plan.

b) The conditions for the management of hazardous materials are properly handled by Romanian legislation, but they are not stated in the bank’s project documents. According to a bank representative, the “Hazard Risk Mitigation & Emergency Preparedness” project involved an analysis of Romanian legislation and procedures conformity with IBRD’s essential requirements regarding environmental protection, international waters, dam

safety and cultural property. Regarding environmental protection, the IBRD is said to have found the Romanian legislation satisfactory regarding the content of EIAs, public consultations, and monitoring the environmental conditions established in the design stage. No analysis of the compliance of Romanian legislation with the IFC’s guidelines has been made.

Conclusions

The World Bank project seems a good initiative, as the Romanian mining sector has many environmental and social problems, as well as being unprofitable. On the other hand, the World Bank does not get involved in very important, albeit labourious, parts, i.e. monitoring that the project is actually being implemented as designed, and public participation (even more concerning as this is a social regeneration project). The public and the authorities have no real culture of public participation. The public administration has a long way to go regarding transparency, information disclosure and public participation in decision-making. One would expect the World Bank to follow its own policies and enforce its standards in its countries of operations; otherwise money is being wasted , even if it is for an apparently good cause.

Evaluation Matrix

Note:

- ◆ WBG Management Response commitment to EIR recommendation
- * indicates that the entire section did not apply to the project. For list of questions see matrix provided in methodology description
- TBD indicates that it is still early in the project cycle to determine the answer. This is equivalent to rating ‘U’ from the Score Card.

Rating: -1: Violation of WB/IFC policy 0: Unsatisfactory 1: Some progress 2: Full compliance

Indicators	Rating	Written Explanation
1. Public Participation		
1. ◆ Did the project sponsor seek consent from local communities?	0	<p>No.</p> <p>According to the environmental assessment for the two components under analysis, there were community consultations on May 25th 2004 at the Environmental Protection Agency Alba for the Buturoasa Baia de Aries mine project, and on August 2nd 2004 at the Baraolt town hall, for the Racos Put project. Representatives of various stakeholder groups are said to have been invited and to have participated in the consultations.</p> <p>The researcher visited Baia de Aries and found that only one person, from the National Resources Agency, heard about the World Bank project, while the mayor’s office, director of the mine, and people encountered in the mine area had no information or documents related to the project.</p> <p>Both environmental assessments state that “So far the local community is pleased regarding de project elaboration, saying that there is well definite and open exposed, fact for which they would be participate and supervise the works”, but this clearly is not case for the Baia de Aries project, where the local community has not been consulted.</p> <p>The public consultation that took place in Baia de Aries in May 2004 was nothing more than a meeting of public authorities to release some information to them. A second</p>

		<p>such meeting, also summoned through the telephone, took place in September 2005, again not involving the local community. It seems that even if the relevant authorities intended to organise a public consultation regarding the mine closure and regeneration project, it would be difficult to involve all affected parties, as there isn't information on land ownership in the regeneration area.</p> <p>The mayor's office organised a proper public consultation in Baraolt, as it was announced in the local newspaper, it placed announcement, and informed the affected land owners about the meeting. The project was described, and the main issues under discussion were related to the land affected by the project, while no one knew about the socio-economic regeneration component. The participants were shown maps to help discussions, but there was no information on World Bank involvement in this closure project, and no documents were available at the public consultation.</p> <p>In both cases, the local authorities/community were not told that the mine closure projects are World Bank projects.</p>
<p>2. ♦Did the project have the broad support of affected communities? How was this support expressed?</p>	<p>0</p>	<p>In the case of the Baia de Aries project, the public was not consulted in any manner regarding this project, so it didn't have the broad support of the affected communities. In the case of the Baraolt project, some information was given to the affected community, but no documents to support an effective consultation.</p>
<p>3. Did the project sponsor sign an agreement with local communities and/or indigenous people?</p>	<p>0</p>	<p>The project sponsor hasn't signed any agreements with the local communities.</p>
<p>4. Were there independent, experienced, objective and trusted facilitators involved?</p>	<p>0</p>	<p>No, there were not.</p>
<p>5. ♦Were all relevant project documents translated into local languages and disseminated in a culturally appropriate and timely manner?</p>	<p>0</p>	<p>The most relevant project documents are available in Romanian on the website of the Ministry of Economy and Trade (www.minind.ro), the Management Unit for World Bank – funded projects in the extractive sector: project summaries, environmental management plans, various documents offering information for all components of the project, tender announcements (1 announcement, for the Valea de Brazi component, deadline September 28, 2005). According to the project officer from the local World Bank office, the project is under implementation, it became effective sometime in May this year (July 1st, according to the PID), contracts and tenders are being prepared. With this in mind, we may say that the information has not been disseminated in a timely manner, or in a culturally appropriate manner, as still only a few people have internet access, not to mention pensioners, old miners and people in rural areas or small towns.</p> <p>At the public consultation, the local community in Baraolt didn't have access to the documents presented on the ministry's page; moreover, no one knows that the World Bank project exists, and that certain documents are publicly available.</p> <p>There were no local community representatives at the</p>

		meetings organised in Baia de Aries, as the public wasn't invited for consultation.
6. ♦ Did the WBG establish a monitoring mechanism for the project? Were the affected public involved in the development and operation of such a mechanism?	1	The World Bank is planning to hire independent consultants in order to monitor implementation for two of the project components, Calimani and Baia de Aries, as they are considered special cases from an environmental point of view (Baia de Aries had a cyanide plant, and Calimani is an open-pit sulphur mine that has become an environmental disaster). The governing board of the mining agency includes trade union representatives but no other CSOs. The public was not involved in monitoring mechanisms. According to the project officer in the local office of the Bank, the consultants selection process was initiated, but it is not clear whether the monitoring reports will be made public.
7. Did the input from local communities affect the project design?	-1	There weren't any proper public consultations in the case of the Baia de Aries project, so the local community could not have any input in the project. In the case of the Baraolt project, the affected land owners expressed their agreement that parts of the land regenerated within the project should be used for fishing lakes, and the investor took note of the accepted alternative.

2. Information Disclosure

Loan requirements		
1. ♦ Did the WBG ensure public disclosure of all relevant project information, including <i>inter alia</i> : economic and financial assessments, environmental and social assessments, monitoring and evaluation results, accident prevention and emergency response information?	0	<p>The WBG has not ensured the disclosure of economic and financial assessments; the environmental assessments are available in English on the bank's website and in Romanian on the website of the Ministry of Economy and Trade; there is a framework resettlement plan, as the mine closing aspect will not involve land acquisition or resettlement, nor will the Social Development Schemes for Mining Communities (SDSMC) sub-component. The social impact assessment is stipulated in the Romanian legislation (Law 85/2003, article 20), but no such assessment was conducted for this project; no one knows about social assessments in either location. Sub-component 6 of the SER involving funding for mining municipalities to conduct necessary studies to access funds from the European Union for infrastructure schemes and providing matching funds for EU Phare programme may involve either land acquisition or resettlement as the sites for these municipal infrastructure schemes have not been identified at project appraisal. As there are no specifics concerning the possible acquisition or resettlement, a policy framework contains information on the legal basis for land acquisition, project affected people, responsibility and funding, the land acquisition and expropriation process, and compliance with Bank regulations concerning involuntary resettlement.</p> <p>There has been no practical implementation of the project, so there aren't any monitoring and evaluation results or company annual monitoring reports.</p> <p>The accident prevention and emergency response plans are provided for in the Romanian legislation, but the World Bank did not ensure the public disclosure of accident prevention and emergency response information. The mining</p>

Grounded in Washington: EIR Implementation in ECA Region

		companies have these plans in place, and, in the case of Baia de Aries, the company also has a special monitoring programme for the tailing pond.
2. ♦ Did the WBG ensure that all relevant project documents were translated into local languages and disseminated in a culturally appropriate and timely manner?	0	All relevant project documents that are available on the bank's website were translated into Romanian but they weren't disseminated in a culturally appropriate and timely manner as they were only posted on the website of the Ministry of Economy and Trade.
3. ♦ Did the WBG ensure public disclosure, especially to the local community, of all environmental and social assessments (e.g., Resettlement Action Plan, Indigenous Peoples Development Plan) at least 120 days prior to project approval? [Note: Management Response only states 30 days for IFC and 60 days for IBRD/IDA].	0	No, the World Bank did not ensure public disclosure to the local communities of the environmental assessments. The mine directors don't even have these documents.
4. ♦ Did the WBG ensure that local/affected communities were appropriately informed about all developments that affect them, including all human and environmental health risks, and economic, social, and environmental impacts?	0	No, the World bank did not ensure a proper consultation of the local communities, they haven't heard of the project. In the case of Baraolt, the local communities were only consulted on land issues and were given general information on the activities in the project.
5. Did the WBG ensure that local groups were fully informed about the Inspection Panel and Compliance Advisor Ombudsman?	0	No, the World Bank did not ensure that local groups are informed at all about the Inspection Panel and Compliance Advisor Ombudsman, the local communities don't know about these mechanisms.
6. Did the WBG require independent monitoring?	1	Yes, the WBG required the independent monitoring for project implementation at two of the sites, but not for all components.
7. ♦ Have relevant monitoring reports been publicly disclosed?		TBD, as the project is not really under implementation now.
Project implementation		
8. ♦ Did the WBG ensure that project sponsors are making information on the project's environmental, social, and economic impacts available each year to communities? Is the information reported in a clear and meaningful manner (e.g., translated, disaggregated)? Does it include both regional and local impacts? Are the baseline data available and is there an interpretation of positive and negative impact of the project clearly expressed?		TBD, as the project is not really under implementation now.
3. Contract Transparency *		
4. Revenue Transparency		
Loan requirements		
1. ♦ Does the WBG require public disclosure of <u>all fiscal contributions</u> made by <u>all companies</u> involved in the project, including royalties, taxes, commodity based payments (e.g., production volumes), and any other payments (such as signature bonuses & one-time contractual agreements) made to the host government?		Not applicable.

2. ♦ Does the WBG require public disclosure by individual companies?		Not applicable.
3. Does the WBG require that government expenditures stemming from revenue generated by the EI project/sector be publicly disclosed? Will expenditures be reported in enough detail to be able to understand direct contributions to specific government activities, including social, environmental, and poverty related services?		Not applicable.
4. Are expenditures stemming from revenue generated by the EI project/sector reported in a format that is accessible and understandable to host country local communities?		Not applicable.
5. Does the WBG require project-related revenues to be reported in a format that is accessible and understandable to host country local communities, including translation when necessary?		Not applicable.
6. ♦ Does the WBG require an independent audit of revenue/expenditure reporting?		Not applicable.
7. ♦ Are all revenue and expenditure transparency requirements, issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans?		Not applicable.
8. ♦ Given that the WBG is investing in the EI sector of the country, is the WBG adequately promoting transparency of public finances at the country level? For example, assisting/requiring appropriate regulatory frameworks and public consultation?	0	The representative of the local WB office is unaware of any Bank involvement in the participation of the Romanian government in the EITI. Revenue management is not mentioned anywhere in the PID and PAD.
9. ♦ Has the WBG carried out adequate ex-ante core diagnostic and analytic work to be able to fully understand and address the challenges of EI related revenue management in the host country? If so, are the results of such analytic work adequately addressed in the project design?	0	According to a Bank representative, the implementation of the mining sector restructuring strategy is being monitored in a programmatic adjustment loan, but mainly regarding the reduction in subsidies, thus rather regarding costs, not revenues.
Project implementation		
10. ♦ Are project related revenues and government expenditures being reported according to the parameters described in numbers 1 – 4 above?		Not applicable.
11. Is civil society allowed to participate in the monitoring and implementation of the revenue transparency procedures?		Not applicable.
5. Revenue/Benefit Sharing *		
6. Governance		
1. Was a comprehensive options assessment developed for the project? Is there a government plan on how to use associated infrastructure development (road, ports, power plan) for the		Not applicable – the alternative is not closing the mines and not implementing the environmental and socio-economic regeneration measures. Not applicable. The Borrower has requested financing to

benefit of the public?		enable mining municipalities to finance municipal infrastructure schemes to be identified through a process of community consultation and local development planning in mining localities that will be severely affected by sector restructuring; there is not concrete infrastructure development plan. There has been an analysis of alternatives for lending instruments. “The main lending instrument alternative would have been to replace the project with a SECAL. The SECAL was considered to be unsuitable since the primary assistance is for environmental and socio-economic regeneration, both of which involve long-term processes for which an investment project was felt to be more appropriate. The policy reforms toward subsidy elimination are being addressed by the PAL and the IMF dialogue. Another lending alternative was to consider some type of programmatic lending approach. The programmatic lending approach was considered unnecessary because the mining sector strategy is time bound by EU accession requirements and the key actions are already fully identified.” ⁱⁱ
2. Is there in place an effective local system for the handling of complaints and disputes? Is it independent from the company and guarantees that all complains will be fairly treated?	0	There is a special register at the Baraolt city hall, where citizens can notify, make suggestions, communicate their concerns or submit complaints related to the project. Citizens can also address the mayor’s office, consumer protection agency, social protection office and other local institutions for various complaints, but a special mechanism is needed to ensure proper management of complaints and disputes, as Romanian citizens have no culture and background, after 50 years of oppression regime, for public participation and demanding their rights (including through complaints). Corruption is widely spread in the country, so there is no way to say that the existing mechanisms are really independent from the contractor for the works in the project.
3. What is the experience with the complaints handling so far?		Not applicable – the project is not under real implementation yet.
4. ♦ Did the project documents include a review of relevant governance issues?	2	<p>1. Yes.</p> <p>“The first Mine Closure and Social Mitigation Project (MCSMP) built a legal and technical base for mine closure in Romania that will be utilized in the new project. The Government’s closure procedures have been modified in line with the procedures used in the Bank project and are considered in line with good international practice. Technical assistance, through technical audits to ensure international best practice on physical closure and environmental works, will be continued under the Project. As in the first project, training will be provided to transfer knowledge on closure practices from the Project to the broader Government closure program implemented by the Consolidated Group for Mine Closure (CGMC). The project will also assist in the preparation of technical mine closure manuals for salt and uranium mines. An application for donor trust funds has been made to fund preparation of these manuals.”ⁱⁱⁱ</p> <p>“The Government is committed to implementing the mining strategy as part of its EU accession actions. Successful implementation of the mining strategy will help ensure sustainability of both project components. The project will provide important input for the Government to reduce its</p>

		<p>mining subsidies which is a commitment to the IMF and the World Bank as part of the Government's overall structural reform and improved fiscal management initiative. The implementing agencies have a proven track record of capability which provides confidence that they will be able to complete the mine closures and environmental rehabilitation in a manner that ensures sustainability. The sustainability of the increased employment and local economic recovery for the social component will be reinforced by the broader national economic recovery that is taking place with support from the Bank and the IMF through structural assistance. Finally, Government has had extensive engagement with the mining industry trade union over several years and the unions have come to accept the need for the closure and downsizing to take place. In this context, there is strong support from both mine workers and affected communities for the social initiative included under the project.</p> <p>The Borrower's capacity is considered adequate to implement safeguard policy recommendations. Closure of mines is expected to be carried out by CGMC which was responsible for mine closure under MCSMP and has a demonstrated, reliable capability in this regard. The Socio-economic regeneration activities are carried out by AZM who have also demonstrated reliable capacity in this regard in implementing the social mitigation activities under the MCSMP.^{iv}</p>
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7. Environmental, Social and Health Impact Assessment

Project lending		
<p>1. ♦ Was the Extractive Industry project classified as category A? What were the reasons for the different category? Were those reasons legitimate?</p>	0	<p>No, it was classified as category B. It was classified category B because it is said that the main environmental issues associated with the project are related to the physical closure of the mines. This explanation does not answer concerns about the social impacts as well as the environmental impacts, particularly dealing with tailing dams and toxic materials disposal.</p>
<p>2. ♦ Is there an impact assessment that integrates environmental, social and health components?</p>	0	<p>There was no EIA, and the environmental assessments took into account possible health impacts (noise, dust, mud, smoke, vibrations, soil and water pollution, damage to public roads, and traffic management). Yet, the social impacts justify undertaking complete EIA procedure.</p>

8. No-Go Zones *

9. Emergency Response Planning *

10. Transport of oil and hazardous substances *

11. Mining and use of toxic materials

<p>1. Did the project involve reverine tailing disposal?</p>		<p>Not applicable.</p>
<p>2. ♦ Is there an insurance system, bond or other mechanism for the region established for dealing with mine closure? Did the WBG encourage the establishment of such a system?</p>		<p>Not applicable.</p>
<p>3. Is the closure plan prepared and available to the public? Did the company organise any</p>		<p>Not applicable.</p>

consultation on the closure plan? Does the closure plan deal with both environmental, social as well as safety issues?		
4. Is there a local (regional) independent labouratory that is able to test cyanide and other relevant toxic compounds in the region where the EI project is located?	0	There is a state-owned labouratory in Alba-Iulia; however as the mines are state-owned, the independency of the labouratory is questionable.
5. Did the WBG require a regional labouratory with the capacity to test cyanide and other relevant toxic compounds before the start of the project?	0	WBG did not require a regional labouratory.
6. In the case of cyanide use, is there a requirement that the company monitor the nearby waters for all breakdown products of cyanide?	0	The mine closure project doesn't include use of cyanide, but it includes the collection of cyanide-contaminated materials still contained in the flotation building and disposal at the tailing dam. Water pollution is included in the monitoring plan, but it covers fuel and lubricants, contaminated water from waste tips, mine water (heavy metals, pH, flow) and suspensions carried by rain fall. According to the mine staff, the area is rich in limestone, so there should not be any problems with acid water. There has been no verification of present condition related to cyanide and cyanide breakdown products and this is not included in the monitoring plan.
7. ♦ Do the project operator's procedures for transporting, storing, using, and disposing of toxic materials ensure that they are in line with the Hazardous Materials Management Guidelines?	0	The conditions for management of hazardous materials are properly handled by Romanian legislation, but they are not stated in the bank's project documents. According to a bank representative, the "Hazard Risk Mitigation & Emergency Preparedness" project involved an analysis of Romanian legislation and procedures conformity with IBRD's essential requirements regarding environmental protection, international waters, dam safety and cultural property. Regarding environmental protection, the IBRD is said to have found the Romanian legislation satisfactory regarding the content of EIAs, public consultations, and monitoring the environmental conditions established in the design stage. No analysis for the compliance of Romanian legislation with the IFC guidelines has been made.

12. Indigenous Peoples' Rights

13. Poverty Impacts

Loan Requirements		
1. ♦ Has the WBG ensured that direct project benefits have been clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women? What is the nature of the benefits (development, education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)? Are individuals fully and appropriately compensated for the negative effects?	2	Yes, clear project benefits were established in the socio-economic regeneration component, they target the entire community affected by mine closures. The project does not include ethnic minorities specifically, but they are not excluded either. These benefits come from the following activities: (i) Scale up the job creation measures implemented under the first loan. (ii) Support local development activities through community capacity building and financing of economic infrastructure and social services; establishing SMEs (iii) Strengthen the Borrower's capacity to implement the socio-economic regeneration programme. As part of the preparation for the project, a "Women in Mining" Workshop was held to get the views of women and

		one of the sub-components, the Small Grants Scheme, is specifically focused on women and youth.
2. Do project documents clearly address how the project will contribute to local and regional poverty reduction goals? If so, how?	0	The project documents contain no data on poverty reduction goals. The project is said to respond to poverty-related impacts by providing considerable support for job creation and economic recovery in economically depressed mining communities through the various sub-components of the Socio-economic Regeneration Component. The project is also being implemented in partnership with the Romania Social Development Fund (RSDF) and in close coordination with the Ministry of Labour, Social Solidarity and Family (MMSSF), the Anti-Poverty Commission (CASPI), and the National Agency for Employment (ANOFM). According to the local Bank office, the evaluation indicators for this project do not include poverty reduction, and that a Poverty and Social Impact Assessment was done, which would be presented in November 2005. Apparently, the results of the poverty and social impact assessment couldn't have been taken into consideration in project design.
3. Does the project establish accurate and location-appropriate baseline data on local poverty and social indicators? (e.g., # of individuals below the poverty line, # of individuals in extreme poverty, Gini coefficient, employment rate (formal and non-formal sectors), access to health care, education level, land ownership, factors of production ownership, access to clean water, air, and food supply)		It could be in Poverty and Social Impact Assessment, see above. TBD
4. Has the project completed a poverty impact assessment? Including both positive and negative impacts? If so, were the results of the assessment adequately considered and addressed by the project design/Action Plan?		According to the local Bank office, the evaluation indicators for this project do not include poverty reduction, and Poverty and Social Impact Assessment was done, which will be presented in November 2005. So for now rating is TBD
5. ♦ Do project documents demonstrate a “strong economic case” that is balanced with all environmental and social considerations? Will it provide more value-added benefits to the local economy over other sector/investment alternatives? Will it help to diversify the economy?		Not applicable.
6. ♦ Will it provide significant long-term employment opportunities for local individuals, including women?		Not applicable.
7. ♦ Will it create forward and backward linkages to other sectors of the economy? To the local economy, e.g., contracts with local companies/entrepreneurs?		Not applicable.
8. Will it provide energy/electricity services to local communities?		Not applicable.
9. Will it transfer technology and skills?		Not applicable.
10. Will the local communities have access to clean supplies of air, drinking water, and food?		Not applicable.
11. Is there local ownership? Is there local profit sharing?		Not applicable.

12. ♦ Will (or is) the livelihoods of local people be positively or negatively affected? Are individuals fully and appropriately compensated for the negative effects?	1	Benefits for the local communities were established in the socio-economic regeneration component. It is early to say what the negative impacts of the works would be and whether the population will be appropriately compensated, as for example issues related to the management of hazardous materials and post-closure monitoring of cyanide by-products in the water system are not properly addressed in the project.
Project Implementation		
13. ♦ Is the WBG monitoring the project's impact on the baseline poverty and social indicators?		TBD since the project is not in the implementation stage yet.
14. ♦ Is the WBG ensuring that the project is actually having positive impacts on the poverty and social indicators, including inter alia those listed above (list and rate each indicator separately)		TBD
15. How many contracts have been issued to local businesses?		TBD
14. Human Rights		
1. Did the WBG assess the country obligations under international human rights laws?	0	No.
2. Does the company(ies) have a history of human rights violations?		TBD – the contractors in the project have not been chosen yet.
3. Is the project consistent with the country's obligations under international human rights laws?	2	There is not evidence to indicate potential violation of international human rights laws.
4. Where the project was questioned because of the human rights situation, was there any third party involved in the verification of human rights?		Not applicable.
5. Did the company(ies) involved in the project adopt human rights principles and inform the local public about their rights?		Not applicable.
6. ♦ Has the company endorsed, or at least does it operate according to, US/UK Voluntary Principles on Security and Human Rights? Are all of the principles respected in the project? http://www.state.gov/g/drl/rls/2931.htm		TBD as the selection of contractors didn't take place.
15. Resettlement		
Loan requirements		
1. Did the WBG ensure an adequate consultation process that lead to free prior and informed consent before any resettlement took place? Please explain.		The section is not applicable. There is a framework resettlement plan, as the mine closing aspect will not involve land acquisition or resettlement, nor will the Social Development Schemes for Mining Communities (SDSMC) sub-component. Sub-component 6 of the Socio-Economic Regeneration involving funding for mining municipalities to conduct necessary studies to access funds from the European Union for infrastructure schemes and providing matching funds for EU Phare programme may involve either land acquisition or resettlement as the sites for these municipal infrastructure schemes have not been identified at project appraisal. As there are no specifics

		<p>concerning the possible acquisition or resettlement, a policy framework contains information on the legal basis for land acquisition, project affected people, responsibility and funding, the land acquisition and expropriation process, and compliance with Bank regulations concerning involuntary resettlement.</p> <p>The PAD states that “The Borrower has communicated their intention to exclude any subprojects from the municipal infrastructure sub-component that require acquisition of private property from the loan. Nonetheless, it has been considered prudent to prepare a policy framework that describes the procedures to be followed in the event that during implementation involuntary resettlement is found to be necessary for any subproject.</p> <p>Land acquisition is currently governed by Law 33 (1994), and MEC has a good track record of implementing involuntary resettlement in the past. Preparation of this policy framework serves to ensure that the procedures to be followed for resettlement, should it ever be necessary, will also be consistent with Bank policy on involuntary resettlement, OP/BP 4.12.”</p>
<p>2. ♦ Did the WBG ensure that the value of informal activities and resources not captured by property rights were included in resettlement negotiations/compensation packages? Please elaborate.</p>		
<p>3. Did the WBG ensure at the outset that sufficient funding for resettlement was available? Are alternative forms of financing available, such as performance bonds and/or resettlement insurance?</p>		
<p>4. ♦ Did the WBG ensure that the resettlement negotiations/packages provide for resettled individuals to be at least as well off as before resettlement or have been provided with improved livelihoods following resettlement?</p>		
<p>5. Did the WBG ensure that all resettled people have access to an independent, effective, and trusted complaint and dispute resolution mechanisms at the local level? Did the WBD ensure that the alternative livelihoods are sustainable?</p>		
<p>6. ♦ Did the WBG ensure public disclosure of the Resettlement Action Plan and the Resettlement Framework at least 120 days prior to project approval? [Note: Management Response only states 30 days for IFC and 60 days for IBRD/IDA].</p>		
<p>7. ♦ Did the WBG ensure that resettled groups count as part of the groups affected by the project and thus are receiving clear benefits from the project, such as a share of project revenues allocated to local communities?</p>		
<p>Project implementation</p>		
<p>8. Is the WBG monitoring and publicly reporting on</p>		

the implementation of the Resettlement Action Plans and Resettlement Framework, including the resolution of disputes and the overall satisfaction of resettled peoples?		
9. Is the WBG ensuring that resettlement disputes are being resolved in a fair and timely manner?		
16. Core Labour Standards		
Loan Requirements		
1. ♦ Does the WBG project loan agreement and/or other project documents incorporate all (four) core labour standards ?	0	No there is no mention of the Core Labour standards in any project document, or in the loan agreement. On the other hand, the Romanian Labour Code fully complies with the four core labour standards.
2. Does the WBG's Standard Bidding Document incorporate all (four) core labour standards ?	0	The loan agreement establishes that all procurement will be done in conformity with the Bank's regulations. The PAD states that procurement will be done using the Bank's Standard Bidding Documents.
Project Implementation		
3. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no discrimination? If not, how is the WBG addressing this issue?		NA
4. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no forced labour? If not, how is the WBG addressing this issue?		NA
5. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no child labour? If not, how is the WBG addressing this issue?		NA
6. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to freedom of association? If not, how is the WBG addressing this issue?		NA
7. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to engage in collective bargaining? If not, how is the WBG addressing this issue?		NA
17. Adherence to CAS Objectives and Priorities		
1. ♦ Does the WBG ensure that the project is consistent with the main objectives and development priorities contained in the Country Assistance Strategy (CAS)? How well does the project address the objectives and priorities of the CAS?	2	Yes. The Country Assistance Strategy development objectives of (i) revitalization of economy in rural areas and (ii) macroeconomic stabilization are key themes embodied in the Government's approach to addressing the problems of the mining sector. The June 2004 Country Economic Memorandum noted Romania is pursuing a broad reform program which includes institutional governance and economic restructuring reforms that are anchored in its process toward accession to European Union. The mining sector sits squarely in this reform agenda. The project contributes to the Bank's CAS objective of supporting the Government's program:

	<p><i>The Government's program lays the basis for a pragmatic approach to reforming the economy and raising living standards by improving the quality of Government services and creating an attractive business environment. ... Bank Group assistance will support a broad set of structural and sectoral reforms to accelerate growth and pave the way for Romania's eventual accession to the EU.</i></p> <p>Government 2004-2010 Mining Sector Strategy This project will support the Government to achieve the key objectives of the mining sector strategy including, in particular, closing uneconomic mines in a socially and environmentally responsible manner and generating economic recovery in mining communities and regions. In particular, the project will help the Government tackle critical bottlenecks to implementing the Mining Sector Strategy by supporting measures that improve social and economic opportunities for the poor (i.e. those impoverished by sector restructuring) that will enable the Government to move forward on critical and irreversible steps to reduce mining subsidies as part of the actions required for EU accession. This approach was identified as one of the key recommendations of the CDF process.</p> <p>Broader Structural Reform The project also contributes to the structural agenda by helping to create conditions that will enable the Government to close uneconomic mines and phase out quasi-fiscal deficits that undermine the sustainability of the energy sector. Loss-making mining companies remain a major source of arrears to the utility companies, especially electricity. However, subsidies to mining companies and arrears have continued, ostensibly to protect jobs in the mining regions. By shifting focus from social mitigation to socio-economic regeneration in mining regions, the project creates the basis for accelerating the reform program.</p> <p>According to the CAS, the World Bank's assistance would have the following major objectives:</p> <ul style="list-style-type: none"> ○ poverty reduction ○ structural and sectoral reforms in order to accelerate growth by developing the private sector and increasing institutional capacity of the public sector ○ paving the way for EU accession <p>The development priorities in the CAS are the following:</p> <ul style="list-style-type: none"> ○ poverty reduction and economic administration (poverty reduction, economic policy, the public sector, gender) ○ social development (education, health, nutrition, social protection) ○ socially and environmentally sustainable development (rural development, environment, social development) <p>finances, the private sector and infrastructure (financial sector, private sector, energy and mines, infrastructure)</p>
<p>2. Does the WBG ensure that the project is consistent with the main objectives and priorities</p>	<p>Not applicable since Romania does not have PRSP.</p>

<p>contained in the Poverty Reduction Strategy Paper (PRSP) [Note: Not all countries will have a PRSP]? How well does the project address the objectives and priorities of the PRSP?</p>		
<p>3. ♦ Does the WBG ensure that the project adequately addresses all extractive industry issues identified in the CAS?</p>	<p>2</p>	<p>Yes. The Romanian Government and the World Bank worked together on identifying the priorities in the mining sector and in the elaboration of the mining sector strategy. Moreover, one of the problematic mining areas identified is the Jiu Valley and the current project addresses directly most of the mines in the valley. “Government 2004-2010 Mining Sector Strategy. This project will support the Government to achieve the key objectives of the mining sector strategy including, in particular, closing uneconomic mines in a socially and environmentally responsible manner and generating economic recovery in mining communities and regions. In particular, the project will help the Government tackle critical bottlenecks to implementing the Mining Sector Strategy by supporting measures that improve social and economic opportunities for the poor (i.e. those impoverished by sector restructuring) that will enable the Government to move forward on critical and irreversible steps to reduce mining subsidies as part of the actions required for EU accession. This approach was identified as one of the key recommendations of the CDF process.”^v</p>

ⁱ Assessment was done for two mines (out of total of 21) planned for closure by this project.

ⁱⁱ Report No. 30517-RO, Project Appraisal Document on a proposed loan in the amount of \$120 million equivalent to Romania for a Mine Closure and Socio-Economic Regeneration Project, November 18, 2004

ⁱⁱⁱ Report No. 30517-RO, Project Appraisal Document on a proposed loan in the amount of \$120 million equivalent to Romania for a Mine Closure and Socio-Economic Regeneration Project, November 18, 2004.

^{iv} Report No. 30517-RO, Project Appraisal Document on a proposed loan in the amount of \$120 million equivalent to Romania for a Mine Closure and Socio-Economic Regeneration Project, November 18, 2004.

^v Report No. 30517-RO, Project Appraisal Document on a proposed loan in the amount of \$120 million equivalent to Romania for a Mine Closure and Socio-Economic Regeneration Project, November 18, 2004.

Russia: Russkiy Mir II (IFC)

Yevgen Groza, National Ecological Centre of Ukraine, Andrey Rudomakha, Environmental Watch on the North Caucasus, Russia

Project name: Russkiy Mir II

Country: Russian Federation, oil terminal at Taman Peninsula

Amount: USD 100 million. The total project cost is USD 264 million.

Institution: International Finance Corporation

Sponsor: Russkiy Mir Group (100 percent owned by Malmros Continental Property Company B.V., and Railvat B.V., both incorporated in the Netherlands)

Project status: Active project, approved: April 29, 2005, signed: June 8, 2005, previous project Russkiy Mir [I] approved April 7, 2004 and signed in April 29, 2004

Summary

Background

'Russkiy mir 2' is an oil and liquid gas terminal with projected annual export capacity of nine million tons of oil and one million tons of gas. It is located on the Taman peninsula (Krasnodar oblast, Russia), in the vicinity of the unfinished Togliattiazot ammonia terminal. Taman is populated by a variety of different ethnic groups, the largest of which are Ukrainians, Greeks and Crimean Tartars. The economy of the region relies heavily on tourism, agriculture (wine production especially) and fishing. The oil and gas terminal will pose serious threats to the region's environment as well as to the traditional economy of the region, thus causing serious social problems for the local population.

Russkiy Mir's main business activity is the leasing of rail tank cars to major oil companies to transport petroleum products. Beside the oil terminal the project also includes purchasing and expanding rail maintenance facilities, locomotives and railcars and other rail-related infrastructure.

Analysis of compliance with the EIR commitments

There is very little progress towards the compliance of this project with the EIR recommendations. The only area where we can say the project complies with the EIR recommendations are **Labour Issues**, as the Russian Federation ratified all eight Labour Conventions.

In a number of other areas there has been no progress or even violations of existing IFC policies and procedures.

- **Public participation** - although the projects was categorised as category B, a public consultation on the EIA was organised (based on Russian legislation). Nevertheless the local public's submissions were largely ignored. Furthermore a majority of the participants at the hearings voted against the oil and gas terminal construction. However, this fact has been omitted from the official minutes.
What is particularly alarming is the harassment of the local critiques. During the research for this report, when representatives of Bankwatch and NCEW came to the Volna office of Tamanneftegaz asking for the EIA documentation, the company's staff called the police. After a check of documents, the Tamanneftegaz staff agreed to have a short meeting but did not provide the EIA text, stating that it is subject to copyright.
- **Information disclosure** - there is very limited information available to the local public (see above). The information disclosure also does not reflect the fact that there are ethnic minorities in the affected region. Also the IFC documents are only available in English, which is insufficient for consultation with the local public.
- **Contract transparency** - no information regarding the contracts was disclosed to the public.
- **Revenue transparency and revenue/benefit sharing** - there is no information regarding revenue flow to the state or local budget. Civil society groups are not allowed to participate in the revenue monitoring procedures; there is no evidence that such procedures had been established; or that there are at least plans

to establish any monitoring procedures. Furthermore the local population expressed several concerns over the negative impacts of the project that should have been compensated. These include a decrease in the fish stock, the migration of workers from other regions, an impact on the tourist industry in Taman and damage to roads.

- **Governance** - the complaints handling solely depends on the Russian legislation system that is not sufficient. When the construction works started without a construction license, Tamaneftgaz was found guilty and was fined approximately USD 1,800, an amount which (taking account the size of the project) is insufficient to affect the project sponsor's behaviour.
- **Environmental, Social and Health Impact Assessment** - the project was categorised as category B, despite the fact that another similar project (ammonia terminal) at Taman was previously classified by the IFC as well as the EBRD as category A. The construction proves that there are both social and environmental negative impacts. Miscategorisation of the project prevents proper assessment of the project and the preparation of adequate mitigation measures.
- **No-go zones** - the project affects Cape Panagia, a protected piece of landscape, as well as an archaeological site.
- **Emergency response planning** – the emergency response plan was neither consulted with nor disclosed to the local public.
- **Transport of oil and hazardous substances** - there were no additional conditions for the quality of the oil and gas tankers
- **Poverty impacts** - it is evident that the project design was concentrating on "alleviating Russia's RTC [rail tank cars] shortage" rather than alleviating poverty. Benefits from the project to the local community are limited to low-paid jobs during the construction phase.
- **Labour standards** - local people raised the issue of discrimination in salaries towards local workers compared to workers coming from outside the region.

Conclusions

Russkiy Mir project shows that the IFC staff has not only ignored most of the EIR recommendations, but has also allowed the project sponsor to violate several IFC policies. Part of the problem can be traced back to the IFC's wrong categorisation of the project.

Evaluation Matrix

Note:

- ◆ WBG Management Response commitment to EIR recommendation
- * indicates that the entire section did not apply to the project. For list of questions see matrix provided in methodology description
- TBD indicates that it is still early in the project cycle to determine the answer. This is equivalent to rating 'U' from the Score Card.

Rating: -1: Violation of WB/IFC policy 0: Unsatisfactory 1: Some progress 2: Full compliance

Indicators	Rating	Written Explanation
1. Public Participation		
1. ◆ Did the project sponsor seek consent from local communities?	0	Theoretically the project sponsor had fulfilled the formalities by organizing public hearings. The hearings process was unsatisfactory. The project sponsor (Tamanneftegaz company) was inviting only selected representatives of public, ignoring local NGOs and communities representatives (including those who previously raised questions about the projects). However, local activists of political parties and civil society organizations were present at the hearings as they found out about public hearing informally. Date of hearings: 17 December 2004
2. ◆ Did the project have the broad support of affected communities? How was this support expressed?	0	The project was strongly criticised by representatives of the local community. Participants of the public hearings raised serious doubts regarding environmental and social impact of the project; those concerns were not adequately answered by the project sponsor. Despite the resistance from organizers, participants of public hearings decided to have a vote in order to see whether there is support for the project. The majority of the people present voted against the Russkiy Mir2 project. However, the results of the hearings were misinterpreted if not falsified by the organizers. The official minutes of public hearings do not mention at all the fact that there was a vote regarding the project. The minutes are also formulated in a way that creates an impression that there was total support for the project from the local population. An official complaint was submitted to prosecutors on these issues.
3. Did the project sponsor sign an agreement with local communities and/or indigenous people?	0	No agreement was signed neither with the local community in general, nor with ethnic minorities represented in the region. Krasnodarsky oblast and Temriuk district (where the project is located) in particular are very ethnically diverse. The largest ethnic groups are: Ukrainians, Crimean Tartars, and Greeks. The information on the project was not available in the languages of those ethnic minority groups. Leaders of the organizations who represent ethnic minorities were not informed about the project, they were not invited to the public hearings.
4. Were there independent, experienced, objective and trusted facilitators involved?	0	The hearings were facilitated by the Governor of Temriuk district I. Vasilevskiy who represented the local administration. The main speakers at public hearings were employees of the project sponsor (Tamanneftegaz). At the preparation stage the organisers invited only those people that were loyal to the project; during the public hearings

		facilitator showed clear interest in the project and was trying to silence criticism from the local people. Bearing in mind that the results of public hearings were falsified in favour of the project's sponsor, there is no evidence of the facilitator or organisers being objective and independent.
5. ♦ Were all relevant project documents translated into local languages and disseminated in a culturally appropriate and timely manner?	-1	The project summary on the IFC website is available only in English; no translated version in Russian or languages of ethnic minorities is available. Moreover, as of August 2005 it was mentioned in the project's summary on the IFC website that the EIA documentation is available from Tamanneftegaz office in Temriuk. Representatives of CEE Bankwatch and North Caucasus Environmental Watch approached the Temriuk office of Tamanneftegaz on August 30th, 2005, and the EIA documentation was not available there. NGO representatives also tried to obtain EIA from Volna office of Tamanneftegaz on August 31st, 2005. However, the staff of Tamanneftegaz refused to provide EIA materials (which are supposed to be public not only by the IFC regulations, but also according to the Russian law), instead they called the police and tried to accuse NGO representatives of trespassing on the company's territory.
6. ♦ Did the WBG establish a monitoring mechanism for the project? Were the affected public involved in the development and operation of such a mechanism?	0	There is no evidence of the monitoring mechanism being established. Civil society on the local level is not aware of such a mechanism; it is impossible to obtain information either from the sponsors of the project or from the IFC office in Moscow.
7. Did the input from local communities affect the project design?	0	There were a number of complains about the project both from the local civil society during the public hearings process; national and international NGOs expressed their concerns over the project directly to sponsors and the IFC Moscow office. There was no evidence that any of these concerns were addressed or taken into account. Letters from NGOs were ignored; the project documentation (such as the EIA) is not available for the public; so there is no chance to check whether public concerns were taken into account.
2. Information Disclosure		
Loan requirements		
1. ♦ Did the WBG ensure public disclosure of all relevant project information, including <i>inter alia</i> : economic and financial assessments, environmental and social assessments, monitoring and evaluation results, accident prevention and emergency response information?	-1	The World Bank group did not ensure that all the necessary documents are available to the public. While it is mentioned in the basic project description on the IFC website that EIA is available from the office of Tamanneftegaz in Temriuk, it is clearly not true. Tamanneftegaz is refusing to provide any documentation, including EIA, which should be accessible to public both according to the WBG policy and according to Russian law.
2. ♦ Did the WBG ensure that all relevant project documents were translated into local languages and disseminated in a culturally appropriate and timely manner?	0	The basic project information on the IFC website is available only in English. Other documents on the project are not available, therefore it is not possible to understand whether those documents are available in Russian (not speaking about the languages of the ethnic minorities) or not.
3. ♦ Did the WBG ensure public disclosure, especially to the local community, of all environmental and social assessments (e.g., Resettlement Action Plan, Indigenous Peoples Development Plan) at least 120 days prior to	-1	Local communities did not receive all relevant information on the project; neither before, nor after the project approval. Furthermore IFC classified this project as category B and did not provide a reasonable justification. Therefore 120 days disclosure and consultations were not made obligatory for

project approval? [Note: Management Response only states 30 days for IFC and 60 days for IBRD/IDA].		the project sponsor.
4. ♦ Did the WBG ensure that local/affected communities were appropriately informed about all developments that affect them, including all human and environmental health risks, and economic, social, and environmental impacts?	0	Representatives of the IFC were present during the public hearings in Taman village. However, both according to the evidences of the participants of the hearings and according to the official minutes, there was no information provided regarding the risks of the project, including environmental, health, social and other risks. The whole procedure of public hearings was aimed at creating a positive image of the Russkiy Mir2 project without discussing its negative aspects.
5. Did the WBG ensure that local groups were fully informed about the Inspection Panel and Compliance Advisor Ombudsman?	0	There is no evidence that the IFC representatives provided any information on the Compliance Advisor Ombudsman during the public hearings. The information regarding Ombudsman is also not mentioned in the description of the project on the IFC website.
6. Did the WBG require independent monitoring?	0	No independent monitoring was required.
7. ♦ Have relevant monitoring reports been publicly disclosed?	0	Monitoring reports (if any) were not publicly disclosed.
Project implementation	0	
8. ♦ Did the WBG ensure that project sponsors are making information on the project's environmental, social, and economic impacts available each year to communities? Is the information reported in a clear and meaningful manner (e.g., translated, disaggregated)? Does it include both regional and local impacts? Are the baseline data available and is there an interpretation of positive and negative impact of the project clearly expressed?	0	The Russkiy Mir2 project is in early implementation stage; the construction works began in the summer of 2005. However, no information regarding the adverse effects of the project has been made available to public so far. Since the company ignored and refused in an aggressive way public requests for information in the past, it is hard to expect that relevant project information would be available in future.
3. Contract Transparency		
Loan requirements		
1. ♦ Does the WBG require public disclosure of all key contracts/agreements, including Host Government Agreements (HGAs), Production Sharing Agreements (PSAs), Inter-governmental Agreements (IGAs), and Stability Agreements/Contracts (on such issues as taxes, and social and environmental requirements)?	0	No information regarding the contracts was disclosed to the public.
2. Does the WBG require project contracts to be easily accessible to the local population?	0	No project contracts are available for the local population.
3. ♦ Does the WBG require disclosed contracts, when necessary, to be translated into local languages?	0	No project contracts are available for the local population.
4. In cases where information is redacted, does the WBG require that an adequate explanation is provided such as the information poses significant financial or competitive harm to the project sponsor that is greater than the benefit to the public of disclosure?		Both the project sponsor and the IFC did not provide sufficient details on the project during the public hearing and upon follow-up requests. Some of the letters were left unanswered.
5. ♦ Are all contract transparency requirements,	0	Contract transparency requirements are not mentioned in the

Grounded in Washington: EIR Implementation in ECA Region

issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans?		Summary of Project Information document.
6. Did the WBG provide adequate assistance to the government for contract negotiations between the host government and EI Company /es? Were there expert advisors with local knowledge and expertise in making sure the government could negotiate a fair contract, one that provided adequate benefits to the host country and local citizens?		No information is available
Project implementation		
7. ♦ Have all key project contracts/agreements, including Host Government Agreements (HGAs), Production Sharing Agreements (PSAs), Inter-governmental Agreements (IGAs), and Stability Agreements been publicly disclosed?	0	No information regarding the contracts was disclosed to the public, even though it has been officially requested both from IFC and project sponsor.
8. Have disclosed contracts been easily accessible to the local population?	0	No project contracts are available for the local population.
9. ♦ Have contracts, when necessary, been translated into local languages?	0	No project contracts are available for the local population
10. In cases where Information has been redacted, has there been an adequate and appropriate explanation?		Not applicable as both the project sponsor and the IFC did provide any documents to local NGOs with sufficient project details.
4. Revenue Transparency		
Loan requirements		
1. ♦ Does the WBG require public disclosure of <u>all fiscal contributions</u> made by <u>all companies</u> involved in the project, including royalties, taxes, commodity based payments (e.g., production volumes), and any other payments (such as signature bonuses & one-time contractual agreements) made to the host government?	0	The project sponsor has a complicated system of subcontractors which are involved in the construction stage of the project. The list of the subcontractors was accidentally obtained by the NGO representatives; the Tamanneftegaz company has never disclosed any information on the subcontractors; numerous requests for the information were ignored.
2. ♦ Does the WBG require public disclosure by individual companies?	0	Individual subcontractor companies have never publicly disclosed any information regarding their activities. There is no evidence that the World Bank Group set any requirements for the project subcontractors.
3. Does the WBG require that government expenditures stemming from revenue generated by the EI project/sector be publicly disclosed? Will expenditures be reported in enough detail to be able to understand direct contributions to specific government activities, including social, environmental, and poverty related services?	0	There is no evidence of this
4. Are expenditures stemming from revenue generated by the EI project/sector reported in a format that is accessible and understandable to host country local communities?	0	There is no evidence of this
5. Does the WBG require project-related revenues to	0	There is no evidence of this

be reported in a format that is accessible and understandable to host country local communities, including translation when necessary?		
6. ♦ Does the WBG require an independent audit of revenue/expenditure reporting?	0	There is no evidence of this
7. ♦ Are all revenue and expenditure transparency requirements, issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans?	0	There is no description of any requirements to the transparency of revenue in the Summary of Project Information.
8. ♦ Given that the WBG is investing in the EI sector of the country, is the WBG adequately promoting transparency of public finances at the country level? For example, assisting/requiring appropriate regulatory frameworks and public consultation?		No data
9. ♦ Has the WBG carried out adequate ex-ante core diagnostic and analytic work to be able to fully understand and address the challenges of EI related revenue management in the host country? If so, are the results of such analytic work adequately addressed in the project design?		No data
Project implementation		
10. ♦ Are project related revenues and government expenditures being reported according to the parameters described in numbers 1 – 4 above?	0	The project revenues and expenditures are not reported in a transparent manner.
11. Is civil society allowed to participate in the monitoring and implementation of the revenue transparency procedures?	0	Civil society groups are not allowed to participate in the revenue monitoring procedures; there is no evidence that such procedures have been established; or that there are at least plans to establish any monitoring procedures.
5. Revenue/Benefit Sharing		
Loan Requirements		
1. ♦ To what extent are direct project benefits clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women?	0	The project documentation mentioned employment opportunities.
2. ♦ In what form are the project benefits to local groups (e.g., community development program, direct employment (permanent/short-term), education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)?	0	According to the interviews with locals conducted in August 2005, the main available benefit for the local population is possibility to be employed at the construction site. However, this opportunity is very limited. Tamanneftegaz, the project sponsor, uses a complicated system of subcontractors responsible for the construction. Those subcontractors are registered outside of Temriuk administrative district (rayon), and bring their own workers outside of the region. The only employment opportunity for the locals is to work as security guards at the construction site. According to local people that were interviewed but wish to stay anonymous local employees usually receive 80% lower salaries than the employees of subcontractors.

<p>3. ♦ In the case of economic, social, and environmental costs to the local communities as a result of the project, are local citizens receiving full compensation for these costs? (Describe nature of costs and compensation received)</p>	<p>-1</p>	<p>During the series of interviews conducted in August 2005 there were several concerns expressed over the negative impacts of the project that should have been compensated:</p> <p>a) Decrease of the fish stock Fishery, along with the grape growing and tourism, is one of the main sources of revenue to the local economy. There were concerns raised during the public hearings that the fish stock can significantly decrease – first as a result of construction works, and then due to the existence of the terminal. The project sponsors ignored these concerns. After the beginning of construction works there was evidence that fish stock had already decreased by 50%. There is no evidence that Tamanneftegaz is offering (or planning to offer) any compensation to the local fishermen.</p> <p>b) Social damage Subcontractors of Tamanneftegaz had brought a significant number of construction workers from outside of the region; there is some evidence that many of the workers are not citizens of Russia. The population of Volna village has suffered from social problems related to conflicts between the locals and construction workers. As a result the village had to hire two additional policemen. Apart from having to cover additional expenses for the policemen salary, the municipality also had to provide them with a satisfactory apartments, which are currently not available.</p> <p>c) Number of tourists is decreasing Tourism is one of the main sources of revenue to the local population As a result of beginning of construction works, the number of tourists had already decreased this year. Local people expect the number of tourists to decrease more when the project enters the operation stage.</p> <p>d) Road damage Due to the construction works a large number of trucks are passing through the Volna village. There are complaints that the condition of the road has significantly worsened since the beginning of construction.</p> <p>Sponsors of the project have ignored requests from the local community to provide compensation for the damage to the local economy and infrastructure. No compensation scheme had been developed by the company.</p>
<p>4. In the case of clearly established benefits, are the benefits offered on a scale comparable to the revenues generated by the project? What is the ratio of benefits to project revenues?</p>	<p>0</p>	<p>At present the benefits to the local population are only available in the form of the low-paid employment opportunities at the construction. The scale of salaries (the reported amount of salary of a local employee is equal to USD 200) and number of local workers is incomparable to the benefits from the terminal with the expected annual capacity of 1 million tons of oil and 9 million tons of liquefied gas.</p>
<p>5. Will the “benefits” to local groups be sustained throughout the life of the project? Or only during the construction phase? Does the project create sustainable benefits beyond the life of the project?</p>	<p>0</p>	<p>Taking into account current employment opportunities available to the local population from the project sponsor, it is highly probable that during the operation stage the situation will be similar – local people will only be able to receive a limited number of low-paid jobs.</p>

6. ♦ Will benefits (i.e., royalties, taxes,) be equitably distributed among different levels of government (i.e., national, regional and municipal/local)?	0	At present the project sponsor has a complicated system of subcontractors responsible for the construction works. All of the subcontractors are officially registered outside of the administrative district (Temriuk rayon); therefore, according to the Russian legislation, the taxes from these companies will not be paid to the local budget. There is no evidence of existence of any other benefit sharing scheme except the taxation.
7. Has the Bank required a transparent mechanism that will ensure that project revenues and benefits are distributed equitably (e.g., to locally affected communities and among national, regional and municipal/local governments)?	0	There is no compensation mechanism available at the moment; there is no evidence that such mechanism will be established to provide compensation for the damage already done, as well as for the future negative impact.
Project Implementation		
8. ♦ Has the WBG ensured that the promised project benefits are being delivered to local groups and the designated government agencies?	0	Presently, at the construction stage, direct project benefits are very limited to the local community. The only clear available benefit is the employment opportunity at the construction site. These employment opportunities are very limited (see point 2). At the same time the company did not make any other promises.
9. ♦ Are the extractive sector benefits equitably distributed among the local, regional and national governments?		No information
10. Has the WBG verified the operation and effectiveness of a transparent benefit distribution mechanism? In the case where a mechanism has not been set up or is not effective, has the WBG required corrective measures?		No information
6. Governance		
1. Was a comprehensive options assessment developed for the project? Is there a government plan on how to use associated infrastructure development (road, ports, power plan) for the benefit of the public?	0	There was no comprehensive options assessment prepared. Furthermore, the EIA was not prepared according the IFC standards (project was categorised as category B) However there was a EIA documentation prepared according to Russian legislation which is not available to public.
2. Is there in place an effective local system for the handling of complaints and disputes? Is it independent from the company and guarantees that all complains will be fairly treated?	0	The only option for resolving disputes and complains is the existing legal system of the Russian Federation .
3. What is the experience with the complaints handling so far?	0	There is only one example of the complaint that has been addressed so far. NGO representatives submitted a complaint to the prosecutor's office. The main reason for filing the legal complaint was that the construction works started without a construction license. As a result of investigation conducted, Tamanneftegaz was found guilty and was fined 50,000 roubles (approximately USD 1,800) without prohibiting continuation of the construction works. Thus, the formal mechanism for resolving public complains is in place. However, the efficiency of the mechanism is questionable.
4. ♦ Did the project documents include a review of relevant governance issues?	0	No
7. Environmental, Social, and Health Impact Assessment		
Project lending		

<p>1. ♦ Was the Extractive Industry project classified as category A? What were the reasons for the different category? Were those reasons legitimate?</p>	<p>0</p>	<p>Russkiy Mir 2 was given category 'B' status , thus stating that there are no significant environmental or social effects from the project. The main reason for such categorization given by the IFC is that the substances that will be transported through the Russkiy Mir 2 are not dangerous. This argument cannot be legitimate, as it is clear that oil and liquid gas are both toxic and highly dangerous materials. Besides, the construction of the terminal itself will pose serious adverse effects both to the local environment and to the local community.</p> <p>IFC provided the following set of arguments for classifying the project as category B: “IFC’s Environmental and Social Review Procedures indicate that project classification depends on many factors. According to such procedures, a "proposed project is classified as category A if it is likely to have adverse environmental (and/or social impacts) that are sensitive, diverse, or unprecedented. A project impact is considered sensitive if it may be irreversible, affect vulnerable groups, involve resettlement, or affect significant cultural heritage sites." Because of IFC's earlier review of the ToAz ammonia terminal project, much was already known about the impacts of terminal construction and operation for the Iron Horn Port area. IFC learned that the environmental and social impacts identified were largely reversible and could be readily addressed through mitigation measures, provided these measures were properly implemented. Further, IFC is familiar with Russian Federation environmental impact assessment requirements and permitting processes for projects of this type. We reviewed the extensive environmental studies undertaken for the Taman Project and concluded that these thoroughly and systematically examined the project's potential environmental and social impacts and risks, and appropriately recommended mitigation measures. Finally, having previously invested in the Russkiy Mir Group, we had found the Russkiy Mir Group's management to be actively committed to ensuring sound environmental and social performance in all aspects of their business. For all of these reasons, we classified the project as a category B.”(Richard L. Eckrich, Investment Officer, International Finance Corporation to Andrey Rudomakha, Co-chairman of Socio ecological Union of West Caucasus)</p> <p>The construction proves that there are both negative social and environmental impacts. Miscategorisation of the project prevented proper assessment of the project and preparation of adequate mitigation measures.</p>
<p>2. ♦ Is there an impact assessment that integrates environmental, social and health components?</p>	<p>0</p>	<p>Since IFC classified the project as category ‘B’, the EIA procedure was not required from the project sponsor by the WB group. However, full EIA is required according to the Russian legislation. Nevertheless, the EIA documentation is not available to the public, which is a serious breach of Russian legislation. Thus, it is not possible to judge whether environmental, social and health components are addressed in the EIA.</p>

8. No-Go Zones

<p>1. Did the project affect the World Heritage properties, current officially protected areas, or critical natural habitat or areas planned in the future to be designated by national or local officials as protected?</p>	<p>-1</p>	<p>a) Cape Panagia Cape Panagia, a protected piece of landscape, is located in the close vicinity of the project site. According to the Terms of Reference of the project, the construction works should not affect Panagia, as all the activity will take place at a distance of 5 kilometres from the protected area. However, during a fact finding mission representatives of the North Caucasus Environmental Watch and CEE Bankwatch discovered that the construction (installation of the containers for oil and liquid gas) took place directly at Cape Panagia. This will not only cause irreversible impact on this protected landscape, but will also create barriers for the tourists who would wish to visit this place, as there will be equipment of Russkiy Mir 2 installed directly on the Cape Panagia.</p> <p>b) Archaeological site There are remains of an ancient Greek village (5th century) in the direct vicinity of the construction site of the 'Russkiy Mir 2' project, though there was no direct impact on the archaeological site expected from the construction. During an interview conducted in August 2005, local archaeologist who asked to remain anonymous, showed the damage caused by construction of the road to 'Russkiy Mir 2'. There can be no guarantee that further damage will not be done in the future.</p>
<p>2. Did (or will) the project affect any "biological hot spots"? If yes, did it undergo an alternative development study?</p>	<p>0</p>	<p>The project has an impact on very valuable natural steppe, seashore and seabed ecosystems. Some territories of natural steppe ecosystems are destroyed.</p>
<p>3. Was the project constructed in the area that involved armed conflict?</p>	<p>0</p>	<p>There is no area of armed conflict in the area of construction. However, the project is located just a few kilometres away from the island of Tuzla that can raise an international dispute. During the Soviet Union the Tuzla island was an administrative part of Crimea, and after the split of USSR it went under the jurisdiction of Ukraine. In 2003 Russia for the first time questioned the legal status of Tuzla. Though no official territorial claims were raised at that time, there is no formal agreement on the sea border between Ukraine and Russia; thus the area remains under the threat of territorial conflict.</p>

9. Emergency Response Planning

<p>1. ♦ Is there an Emergency response plan in place for the project?</p>	<p>0</p>	<p>The emergency response plan is supposed to be the part of the EIA documentation, which is not available for the public.</p>
<p>2. ♦ Was there a public consultation of the emergency response plan? Were the public's comments incorporated into the emergency response plan? If not, what reasons were given?</p>	<p>0</p>	<p>Emergency response plan was not consulted on with the local public. There is no evidence that the concerns regarding the safety of the projects, raised during the public hearings, were taken into account.</p>
<p>3. Does the IFC/MIGA require best practice and technologies to be used in the emergency response plan?</p>	<p>0</p>	<p>According the ERS and as stated by the IFC in response to public requests, there is a requirement of emergency response plans, but it is not clear whether IFC requires best practice and technologies.</p>
<p>4. Does the emergency response plan require the immediate disclosure of information about</p>		<p>No information is available</p>

accidents to authorities as well as general as well as response reports when they are prepared?		
5. Is the mechanism for public information about accidents fast and adequate so that it guarantees that information reaches all relevant actors in society?		No information is available on this issue
10. Transport of oil and hazardous substances		
1. In case the project involved the transport of oil or hazardous substances, were there special conditions on the quality of ships set up for the project?	0	There were no conditions above the usual requirements for ships operating in Black Sea or Turkish Straits in some cases. The IFC and project sponsors ignored requests for additional information on this issue.
2. Did those conditions also include safety and age criteria, stringent inspections and labour standards?		No information is available on this issue
11. Mining and use of toxic materials *		
12. Indigenous Peoples' Rights *		
13. Poverty Impacts		
Loan Requirements		
1. ♦ Has the WBG ensured that direct project benefits have been clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women? What is the nature of the benefits (development, education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)? Are individuals fully and appropriately compensated for the negative effects?	0	Benefits from the project to the local community are limited with the low-paid jobs during the construction phase (see section 5). There is no evidence that the World Bank Group had established any monitoring procedure for benefit sharing.
2. Do project documents clearly address how the project will contribute to local and regional poverty reduction goals? If so, how?	0	The only poverty impact described in the Summary of Project Information, is the fact of the investment itself. It is not shown how the investment into the oil and gas export terminal should contribute to poverty reduction at either the local or regional level.
3. Does the project establish accurate and location-appropriate baseline data on local poverty and social indicators? (e.g., # of individuals below the poverty line, # of individuals in extreme poverty, Gini coefficient, employment rate (formal and non-formal sectors), access to health care, education level, land ownership, factors of production ownership, access to clean water, air, and food supply)	0	No poverty indicators are addressed in the Summary of Project Information, which is the only publicly available document regarding the project.
4. Has the project completed a poverty impact assessment? Including both positive and negative impacts? If so, were the results of the assessment adequately considered and addressed by the project design/Action Plan?	0	No poverty impact assessment had been conducted.
5. ♦ Do project documents demonstrate a “strong economic case” that is balanced with all environmental and social considerations? Will it provide more value-added benefits to the local economy over other sector/investment	0	No value added benefits are shown in the project documentation.

Grounded in Washington: EIR Implementation in ECA Region

alternatives? Will it help to diversify the economy?		
6. ♦ Will it provide significant long-term employment opportunities for local individuals, including women?	0	There are promises of 200 people getting permanent jobs and all of them will be men.
7. ♦ Will it create forward and backward linkages to other sectors of the economy? To the local economy, e.g., contracts with local companies/entrepreneurs?	0	At present Tamanneftegaz has a number of subcontractors working during the construction stage; however, all of these companies are registered outside of the Temriuk rayon. Thus, it is unlikely that the local businesses that are currently oriented on tourism, the wine industry and fishing will have the opportunity to receive contracts in the future.
8. Will it provide energy/electricity services to local communities?	0	There are complaints from the local community that Tamanneftegaz is currently using the existing municipal electricity lines at Volna village, and construction of new electricity lines for the village is not planned.
9. Will it transfer technology and skills?	1	It will, to a certain extent.
10. Will the local communities have access to clean supplies of air, drinking water, and food?	0	There is a high possibility that the quality of air and drinking water will be degraded as a result of oil and gas transportation. These issues should be addressed in the EIA documentation which is not publicly available.
11. Is there local ownership? Is there local profit sharing?	0	100% of shares of Tamanneftegaz, the sponsor and owner of the 'Russkiy Mir 2', belong to the 'BELLEGGINSMAATSCHAPPIJ NES B.V.' company, which is based in the Netherlands. During the construction stage of the project Tamanneftegaz used the services of several subcontractors. It is hard to assess the share of these subcontractors in the whole range of construction works. However, a number of interviews with local population in villages of Taman and Volna showed that it is highly probable that in fact all the construction is being done by subcontractors. Subcontractors are formally registered either in Krasnodar (administrative center of the oblast) or outside the region. According to the Russian legislation, all the taxes and other payments from those subcontractors are going directly to the budget of the oblast (or outside of the region); thus there is no profit sharing on the local level.
12. ♦ Will (or is) the livelihoods of local people be positively or negatively affected? Are individuals fully and appropriately compensated for the negative effects?	0	One of the main sources of income for the local population is renting their houses for tourists in summertime. Taman peninsula is a well-known tourist destination in Russia, mainly because of its location on the shore of the Black Sea and the Sea of Azov. The construction of an oil and gas terminal will definitely have a negative impact on the livelihoods of the local population and on the region's potential for tourism. At present there is no evidence of any compensation from the project sponsors for financial damage – both from the decrease in the real cost of people's property, and from the decrease in profits from renting the houses to the tourists.
Project Implementation		
13. ♦ Is the WBG monitoring the project's impact on the baseline poverty and social indicators?	0	There is no evidence that such a monitoring scheme exists.
14. ♦ Is the WBG ensuring that the project is actually having positive impacts on the poverty and social indicators, including inter alia those listed above	0	There is no evidence that indicators exists.

(list and rate each indicator separately)		
15. How many contracts have been issued to local businesses?	0	Evidence exists that all subcontractors hired during the construction stage are registered outside the administrative district (Temriuk rayon), thus no local businesses are involved in the construction stage of the project.
14. Human Rights		
1. Did the WBG assess the country obligations under international human rights laws?	0	No information on this in the project documentation
2. Does the company(ies) have a history of human rights violations?	0	During the CEE Bankwatch Researcher visit the company used local police to intimidate the researcher as well as local activists.
3. Is the project consistent with the country's obligations under international human rights laws?	1	Yes
4. Where the project was questioned because of the human rights situation, was there any third party involved in the verification of human rights?		No information
5. Did the company(ies) involved in the project adopt human rights principles and inform the local public about their rights?		No information
6. ♦ Has the company endorsed, or at least does it operate according to, US/UK Voluntary Principles on Security and Human Rights? Are all of the principles respected in the project? http://www.state.gov/g/drl/rls/2931.htm		No information
15. Resettlement *		
16. Core Labour Standards		
Loan Requirements		
1. ♦ Does the WBG project loan agreement and/or other project documents incorporate all (four) core labour standards?	1	No labour standards are incorporated into the documents that are publicly available (Summary of the Project Information). Nevertheless the Russian Federation ratified all eight ILO conventions.
2. Does the WBG's Standard Bidding Document incorporate all (four) core labour standards?	1	No, but the Russian Federation ratified all eight ILO conventions.
Project Implementation		
3. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no discrimination? If not, how is the WBG addressing this issue?	0	There is evidence of discrimination of the local workers against the workers from outside the region. Local employees can only get low-paid jobs (e.g. security guards), but even in such cases they receive 80% lower salaries compared to the outside workers.
4. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no forced labour? If not, how is the WBG addressing this issue?		No information
5. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no child labour? If not, how is the WBG addressing this issue?		No information

6. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to freedom of association? If not, how is the WBG addressing this issue?		Not enough information, although at the moment there is no independent trade union at Tamanneftegaz.
7. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to engage in collective bargaining? If not, how is the WBG addressing this issue?		No information
17. Adherence to CAS Objectives and Priorities		
1. ♦ Does the WBG ensure that the project is consistent with the main objectives and development priorities contained in the Country Assistance Strategy (CAS)? How well does the project address the objectives and priorities of the CAS?	-1	<p>The Country Assistance Strategy (CAS) for Russia sets three main objectives:</p> <ol style="list-style-type: none"> 1. Improving the general climate for business and strengthening competition in the private sector (elimination of the administrative barriers, restructuring the monopolies, protection of the rights of private owners, increase Russia's role in technology and knowledge development on the global level). 2. Improve the efficiency of the state-owned sector 3. Minimizing social and environmental risks. <p>It is obvious that Russkiy Mir 2 project is not consistent with any of these objectives, and contradicts the priority of social and environmental risks minimization. There is no evidence that the project in any way will assist with eliminating administrative barriers, protect private ownership or help with restructuring the monopolies (objective 1). Since the loan is provided for the private sector, it does not contribute to the objective 2 of the CAS. Finally, the project significantly increases environmental and social risks in the region without any clear sign of setting up mitigation measures; therefore the third priority of the CAS is violated.</p>
2. Does the WBG ensure that the project is consistent with the main objectives and priorities contained in the Poverty Reduction Strategy Paper (PRSP) [Note: Not all countries will have a PRSP]? How well does the project address the objectives and priorities of the PRSP?	N	N/A
3. ♦ Does the WBG ensure that the project adequately addresses all extractive industry issues identified in the CAS?		No information

Russia: Mayskoye Gold Mine

Vladimir Belogolovov, Buryat Regional Department on Lake Baikal, Russia

Project name: “Highland Gold Mayskoye”

Loan amount/project cost: USD 90 million

IFI institution: IFC

Sponsor/ Implementing agencies: Highland Gold Mining Limited/Highland Gold Mining Limited

Status of project/ Approval date: Pre-appraisal stage

Summary

Background – Gold Deposit Mayskoye

The Mayskoye gold deposit is in the far northeast of the Russian Federation, Chaunski District of the Chukotka Autonomous Territory. The deposit is situated 187 kilometres southeast of the town of Pevek (Chaun-Chukotka) and 50 km south of the shore of the East Siberian Sea (173^o 46’ east longitude and 68^o 59’ north latitude).

The Mayskoye deposit was first identified in 1972 in the course of regional geological mapping. Preliminary exploration of the deposit commenced in 1974, followed by an intensive programme of geological exploration and resource definition by geophysical survey, drilling and underground development, which was completed in 1986. According to recent estimations, approximately 280 tons of gold from the Mayskoye deposit could be extracted; based on recent gold prices this could be valued at roughly USD 3 billion. However, technical difficulties and the wintry Arctic conditions make the gold excavation very expensive. According to calculations, the cost of gold extraction in Mayskoye could be as high as USD 400 per ounce; however the calculated profitable self-cost is USD 300 per ounce. For the last 30 years such economic preconditions have been the main obstacle for gold extraction at Mayskoye.

In 2003 the Highland Gold Mining Limited obtained a license for exploring the Mayskoye deposit. In 2004 the company started to prepare project documents for the construction of excavation facilities at Mayskoye. The company applied for a loan to the International Finance Corporation, however not all the documents (including a business plan) have yet been finally completed according to the requirements of the IFC. The company has tried to complete an Environmental Impact Assessment (according to the Russian Legislation) of the project and to prepare a business plan in line with the requirements of the IFC by the end of 2005. However, during an investigation of the project the questions about the size of the deposit have been raised by IFC. Recently Highland Gold Mining Limited carried out a deeper investigation of the deposit and looked to come with new data to prove the profitability of the project.

Analysis of compliance with the EIR commitments

During the investigation of the “Highland Gold Mayskoye” project’s compliance with the EIR commitments, the researchers faced the following problems:

1. A lack of information concerning the project. Even though the project is under appraisal by IFC, there is still no project summary on the IFC website and, due to local circumstances, no possibility to locate information on the project elsewhere.
2. As the project is at an early stage, most of the points related with compliance to the EIR commitments are not yet completed; this created difficulties to perform a proper evaluation.
3. Our research was also limited due to difficulties to visit the project site (remote place, transportation dependent on seasons, wintry Arctic conditions, special permissions to enter the region, etc.).

According to the available data at this stage of the project, only a few areas are in some way progressing towards compliance with the EIR commitments:

Public participation: The project sponsor Highland Gold Mining Limited organised two consultations with local community in Pevek. Also Highland Gold Mining Limited hired two intermediaries – the Russian and Canadian public relations companies “Ecoline” and “Knight Piésold and Co.” – to develop a Plan of Public Discussions and Public Information and to facilitate consultations with the public. Some information on the project was presented in Russian on the Highland Gold Mining Limited website.

Access to information was identified as a problematic area. The information on the project that was provided to the public before the first consultations was weak, outdated and not comprehensive. But more information has been made available during the course of the consultation.

A number of other points in the evaluation matrix largely depend on the content of the Local Communities Development Plan. When this document is finalised and available we will be able to assess the project’s compliance with a number of other indicators.

Evaluation Matrix

Note:

- ◆ WBG Management Response commitment to EIR recommendation
- * indicates that the entire section did not apply to the project. For list of questions see matrix provided in methodology description
- TBD indicates that it is still early in the project cycle to determine the answer. This is equivalent to rating ‘U’ from the Score Card.

Rating: -1: Violation of WB/IFC policy 0: Unsatisfactory 1: Some progress 2: Full compliance

Indicators	Rating	Written Explanation
1. Public Participation		
1. ◆ Did the project sponsor seek consent from local communities?	2	The project has been under discussion for a long time. The information about the project periodically appears in the newspapers when the gold prices increase. There are three main interest groups among the population. The total population of Chukotka is estimated at 30 thousand people. 9 thousand people live in the area, where the project is realized. The indigenous population (the Chukchees, the Eskimos) exceeds 800. The primary occupation of the population is deer breeding and fishery in the area outside of future project impact. (Note: More detailed description of groups is presented in the Plan of Public Discussions, developed by facilitators.)
2. ◆ Did the project have the broad support of affected communities? How was this support expressed?	1	Two-thirds of the population works in the port (2 months a year only). Others work in tin extraction, but since the tin prices have fallen miners and port workers will become unemployed, if no other minerals are extracted. The indigenous population is interested in meat and deerskins sale to workers. Workers represent the main and the only market for deer-breeders/fishermen. The majority of affected communities supported the project during the public hearings. The information about the public hearings was provided by independent organizations. The project sponsor (‘Mayskoe’ Gold Company) hired two companies – Russian and Canadian – to develop a Plan of Public Discussions and Public Information. According to conclusions of Russian consultant, the local communities’

		<p>consent is not required. The project information is available on the company's web site. The main subject of criticism was the lack of information. Moreover, the information was out of date. The additional field studies and EIA were required. Based on their findings, the public hearings were conducted on September 14, 2005 in Pevek.</p> <p>We also have to note that lack of travel funding is the main problem for local NGOs in Chukotka that limits their participation. According to Russian legislation, the public hearings should be organized by administration and held by a company.</p>
3. Did the project sponsor sign an agreement with local communities and/or indigenous people?	TBD	There is no such agreement signed but it since the project hasn't been approved yet it is too early in project cycle to determine the rating. The Local Communities Development Plan (LCDP) is being developed presently. In case the project is profitable and gets IFC's approval, the LCDP with the description of obligations of the parties concerned will be available.
4. Were there independent, experienced, objective and trusted facilitators involved?	2	Yes. Russian 'Ecoline' (office@eac-ecoline.ru) – one of the leading NGOs in Russia - and Canadian 'Knight Piesold and Co' (www.nightpiesold.com) were involved in the process.
5. ♦ Were all relevant project documents translated into local languages and disseminated in a culturally appropriate and timely manner?	1	The documents were translated into Russian. This issue was discussed during the public hearings. It was agreed not to translate the documents into local languages (the Chukchees, the Eskimos). According to Russian legislation, non-technical summary (basic information; profits and losses for local communities) should be available in Russian. Non-technical summary is not prepared, because the Feasibility Study (FS) is not ready.
6. ♦ Did the WBG establish a monitoring mechanism for the project? Were the affected public involved in the development and operation of such a mechanism?	TBD	TBD, it is too early in project cycle to determine.
7. Did the input from local communities affect the project design?	TBD	TBD, it is too early in project cycle to determine.

2. Information Disclosure

Loan requirements		
1. ♦ Did the WBG ensure public disclosure of all relevant project information, including <i>inter alia</i> : economic and financial assessments, environmental and social assessments, monitoring and evaluation results, accident prevention and emergency response information?	2	So far yes. All documents were disclosed at given project stage.
2. ♦ Did the WBG ensure that all relevant project documents were translated into local languages and disseminated in a culturally appropriate and timely manner?	1	The documents were translated into Russian.
3. ♦ Did the WBG ensure public disclosure, especially to the local community, of all environmental and social assessments (e.g.,		TBD, it is too early in project cycle to determine.

<p>Resettlement Action Plan, Indigenous Peoples Development Plan) at least 120 days prior to project approval? [Note: Management Response only states 30 days for IFC and 60 days for IBRD/IDA].</p>		
<p>4. ♦ Did the WBG ensure that local/affected communities were appropriately informed about all developments that affect them, including all human and environmental health risks, and economic, social, and environmental impacts?</p>		<p>TBD, it is too early in project cycle to determine.</p>
<p>5. Did the WBG ensure that local groups were fully informed about the Inspection Panel and Compliance Advisor Ombudsman?</p>		<p>TBD, it is too early in project cycle to determine.</p>
<p>6. Did the WBG require independent monitoring?</p>		<p>TBD, it is too early in project cycle to determine.</p>
<p>7. ♦ Have relevant monitoring reports been publicly disclosed?</p>		<p>TBD, it is too early in project cycle to determine.</p>
<p>Project implementation</p>		
<p>8. ♦ Did the WBG ensure that project sponsors are making information on the project's environmental, social, and economic impacts available each year to communities? Is the information reported in a clear and meaningful manner (e.g., translated, disaggregated)? Does it include both regional and local impacts? Are the baseline data available and is there an interpretation of positive and negative impact of the project clearly expressed?</p>		<p>Project is not in implementation stage.</p>
<p>3. Contract Transparency</p>		
<p>Loan requirements</p>		
<p>1. ♦ Does the WBG require public disclosure of all key contracts/agreements, including Host Government Agreements (HGAs), Production Sharing Agreements (PSAs), Inter-governmental Agreements (IGAs), and Stability Agreements/Contracts (on such issues as taxes, and social and environmental requirements)?</p>	<p>TBD</p>	<p>It is a matter of loan agreement (which will be available after Feasibility Study completion).</p>
<p>2. Does the WBG require project contracts to be easily accessible to the local population?</p>	<p>TBD</p>	<p>It has been recommended to include this issue in the draft Agreement with Association of Indigenous Peoples of the North (RAIPON) of the Chukotka Autonomous District (CAD) on mutual cooperation under the gold exploring and extraction at Mayskoe field.</p>
<p>3. ♦ Does the WBG require disclosed contracts, when necessary, to be translated into local languages?</p>		<p>TBD, it is too early in project cycle to determine.</p>
<p>4. In cases where information is redacted, does the WBG require that an adequate explanation is provided such as the information poses significant financial or competitive harm to the</p>		<p>TBD, it is too early in project cycle to determine.</p>

<p>project sponsor that is greater than the benefit to the public of disclosure?</p>		
<p>5. ♦ Are all contract transparency requirements, issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans?</p>		<p>TBD, it is too early in project cycle to determine.</p>
<p>6. Did the WBG provide adequate assistance to the government for contract negotiations between the host government and EI Company /es? Were there expert advisors with local knowledge and expertise in making sure the government could negotiate a fair contract, one that provided adequate benefits to the host country and local citizens?</p>	<p>TBD</p>	<p>CAD administration has repeatedly raised the question about Mayskoe field development on the basis of PSA. The decision was not made because of the lack of successful experience in field development on the basis of PSA in Russia. In Russia PSA should be used only for the projects of state importance. The local administration is interested in PSA, because otherwise all money will go to federal budget. It is a matter of License Agreement.</p>
<p>Project implementation</p>		
<p>7. ♦ Have all key project contracts/agreements, including Host Government Agreements (HGAs), Production Sharing Agreements (PSAs), Inter-governmental Agreements (IGAs), and Stability Agreements been publicly disclosed?</p>		
<p>8. Have disclosed contracts been easily accessible to the local population?</p>		
<p>9. ♦ Have contracts, when necessary, been translated into local languages?</p>		
<p>10. In cases where Information has been redacted, has there been an adequate and appropriate explanation?</p>		
<p>4. Revenue Transparency</p>		
<p>Loan requirements</p>		
<p>1. ♦ Does the WBG require public disclosure of <u>all fiscal contributions made by all companies</u> involved in the project, including royalties, taxes, commodity based payments (e.g., production volumes), and any other payments (such as signature bonuses & one-time contractual agreements) made to the host government?</p>		<p>TBD, it is too early in project cycle to determine.</p>
<p>2. ♦ Does the WBG require public disclosure by individual companies?</p>		<p>TBD, it is too early in project cycle to determine.</p>
<p>3. Does the WBG require that government expenditures stemming from revenue generated by the EI project/sector be publicly disclosed? Will expenditures be reported in enough detail to be able to understand direct contributions to specific government activities, including social, environmental, and poverty related services?</p>		<p>Note: Administrational reform that is being implemented presently will change the possibilities of local communities for getting the benefits.</p> <p>The main sources of local budget should be: land tax, real estate tax and salary schedule tax. If the new administration could be able to ensure tax revenue for local budget, then it will control funds and implement social projects by itself.</p>

4. Are expenditures stemming from revenue generated by the EI project/sector reported in a format that is accessible and understandable to host country local communities?		TBD, it is too early in project cycle to determine.
5. Does the WBG require project-related revenues to be reported in a format that is accessible and understandable to host country local communities, including translation when necessary?		TBD, it is too early in project cycle to determine.
6. ♦ Does the WBG require an independent audit of revenue/expenditure reporting?		TBD, it is too early in project cycle to determine.
7. ♦ Are all revenue and expenditure transparency requirements, issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans?		TBD, it is too early in project cycle to determine.
8. ♦ Given that the WBG is investing in the EI sector of the country, is the WBG adequately promoting transparency of public finances at the country level? For example, assisting/requiring appropriate regulatory frameworks and public consultation?		Not enough information
9. ♦ Has the WBG carried out adequate ex-ante core diagnostic and analytic work to be able to fully understand and address the challenges of EI related revenue management in the host country? If so, are the results of such analytic work adequately addressed in the project design?		Not enough information
Project implementation		
10. ♦ Are project related revenues and government expenditures being reported according to the parameters described in numbers 1 – 4 above?		
11. Is civil society allowed to participate in the monitoring and implementation of the revenue transparency procedures?		
5. Revenue/Benefit Sharing		
Loan Requirements		
1. ♦ To what extent are direct project benefits clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women?	TBD	Not yet. These issues will be addressed in Local Communities Development Plan (LCDP). For example, there are many Canadian workers at the neighbouring Kupol field. It is believed there will be more local workers in Mayskoe field.
2. ♦ In what form are the project benefits to local groups (e.g., community development program, direct employment (permanent/short-	TBD	Not yet. These issues will be addressed in Local Communities Development Plan (LCDP). TBD, it is too early in project cycle to determine.

term), education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)?		
3. ♦ In the case of economic, social, and environmental costs to the local communities as a result of the project, are local citizens receiving full compensation for these costs? (Describe nature of costs and compensation received)		TBD, it is too early in project cycle to determine.
4. In the case of clearly established benefits, are the benefits offered on a scale comparable to the revenues generated by the project? What is the ratio of benefits to project revenues?		Not yet. These issues will be addressed in Local Communities Development Plan (LCDP).
5. Will the “benefits” to local groups be sustained throughout the life of the project? Or only during the construction phase? Does the project create sustainable benefits beyond the life of the project?		Not yet, but this is required in draft LCDP.
6. ♦ Will benefits (i.e., royalties, taxes,) be equitably distributed among different levels of government (i.e., national, regional and municipal/local)?	TBD	This issue is of exceptional importance. Due to the administrative reform of local government, which should be completed in 2006, now there is an obvious risk/benefit imbalance over the budget levels in Russian Federation. The issue could be solved by additional bilateral agreements between company and administration and indigenous peoples’ representatives.
7. Has the Bank required a transparent mechanism that will ensure that project revenues and benefits are distributed equitably (e.g., to locally affected communities and among national, regional and municipal/local governments)?	TBD	Not yet, this issue will be addressed in LCDP.
Project Implementation		
8. ♦ Has the WBG ensured that the promised project benefits are being delivered to local groups and the designated government agencies?		
9. ♦ Are the extractive sector benefits equitably distributed among the local, regional and national governments?		
10. Has the WBG verified the operation and effectiveness of a transparent benefit distribution mechanism? In the case where a mechanism has not been set up or is not effective, has the WBG required corrective measures?		
6. Governance		
1. Was a comprehensive options assessment developed for the project? Is there a government plan on how to use associated infrastructure development (road, ports, power plan) for the benefit of the public?	0	According to EIA materials, the comprehensive options assessment was not developed for the project. Particularly, there are no materials on ‘zero option’. Moreover, the requirements of international standards on resource assessment were not considered. This resulted in the delay in

		<p>preparation of documents essential for the decision-making on financing and conducting of state environmental appraisal for Mayskoe project.</p> <p>There is a socio-economic development plan for the specific territory. As a rule, this plan is not implemented. The question ‘whether to use the existing infrastructure or to construct the new one’ remains unsolved. For example, the existing Bilibinskaya nuclear power plant (200 km) is very old and unsafe. One of the options is to transport the diesel fuel through 6000 km, but it is too expensive and could be realized twice a year only.</p>
2. Is there in place an effective local system for the handling of complaints and disputes? Is it independent from the company and guarantees that all complains will be fairly treated?	1	Yes, the public consultation office and the administration keep records of public appeals on the given project.
3. What is the experience with the complaints handling so far?	NA	The project has not yet been approved. There were no complaints yet.
4. ♦Did the project documents include a review of relevant governance issues?		TBD, it is too early in project cycle to determine.
7. Environmental, Social and Health Impact Assessment		
Project lending		
1. ♦ Was the Extractive Industry project classified as category A? What were the reasons for the different category? Were those reasons legitimate?	TBD	Yes, the project was classified as category A by Russian legislation but the classification of project by the IFC is to be determined.
2. ♦ Is there an impact assessment that integrates environmental, social and health components?	2	Yes the project EIA follows the Russian legislation.
8. No-Go Zones		
1. Did the project affect the World Heritage properties, current officially protected areas, or critical natural habitat or areas planned in the future to be designated by national or local officials as protected?	1	<p>According to the documents on environmental research, conducted in summer 2005 by All-Russian Institute for Scientific Research – I (Magadan), the project did not affect such areas.</p> <p><i>A legislative act on natural conservation areas representing the sacred places for local communities was recently adopted in Russia. However, there was no research on this issue.</i></p>
2. Did (or will) the project affect any "biological hot spots"? If yes, did it undergo an alternative development study?	2	No
3. Was the project constructed in the area that involved armed conflict?	2	No
9. Emergency Response planning		
1. ♦ Is there an Emergency response plan in place for the project?		TBD, it is too early in project cycle to determine.
2. ♦ Was there a public consultation of the emergency response plan? Were the public’s comments incorporated into the emergency response plan? If not, what reasons were given?	1	The plan was preliminarily discussed in 2004 and 2005 during the public hearings..

3. Does the IFC/MIGA require best practice and technologies to be used in the emergency response plan?		TBD, it is too early in project cycle to determine.
4. Does the emergency response plan require the immediate disclosure of information about accidents to authorities as well as general as well as response reports when they are prepared?		TBD, it is too early in project cycle to determine.
5. Is the mechanism for public information about accidents fast and adequate so that it guarantees that information reaches all relevant actors in society?		TBD, it is too early in project cycle to determine.
10. Transport of oil and hazardous substances		
1. In case the project involved the transport of oil or hazardous substances, were there special conditions on the quality of ships set up for the project?		TBD, it is too early in project cycle to determine.
2. Did those conditions also include safety and age criteria, stringent inspections and labour standards?		TBD, it is too early in project cycle to determine.
11. Mining and use toxic materials		
1. Did the project involve reverine tailing disposal?	TBD	The tailing dam would be placed in river valley, as there is no other possibility.
2. ♦Is there an insurance system, bond or other mechanism for the region established for dealing with mine closure? Did the WBG encourage the establishment of such a system?	TBD	The financial mechanism for mine was not provided but it still might be developed. There is understanding that after the gold extraction waste products will be placed in excavation area (thus, there will be no empty mines). For the surface impacts FS will provide for recultivation.
3. Is the closure plan prepared and available to the public? Did the company organise any consultation on the closure plan? Does the closure plan deal with both environmental, social as well as safety issues?		TBD, it is too early in project cycle to determine.
4. Is there a local (regional) independent labouratory that is able to test cyanide and other relevant toxic compounds in the region where the EI project is located?	1	There is no such labouratory in Chukotka. In scientific institutions of Magadanskaya Oblast and Khabarovsk Territory there are several labouratories, qualified for such a work.
5. Did the WBG require a regional labouratory with the capacity to test cyanide and other relevant toxic compounds before the start of the project?	0	No.
6. In the case of cyanide use, is there a requirement that the company monitor the nearby waters for all breakdown products of cyanide?		TBD, it is too early in project cycle to determine.
7. ♦ Do the project operator's procedures for transporting, storing, using, and disposing of toxic materials ensure that they are in line with the Hazardous Materials Management Guidelines?		TBD, it is too early in project cycle to determine.

12. Indigenous Peoples' Rights		
1. Is there legislation on indigenous peoples' rights in the country where the project is realized?	1	Yes, but its performance is poor (for example, Federal Act on Territories of Traditional Nature Management does not work in practice).
2. Provided with relative subordinate regulations, is this legislation in force?	0	Yes.
3. Are there any respective examples of good practice in the region, where the project is realized?	1	Yes. There was a positive experience of cooperation with indigenous peoples ('Omolon' Fund). Neighbouring region has an experience in developing of General Agreement on Cooperation and Joint Activity between CJSC 'Koryakgeoldobycha' and Kamchat Regional Association of Public Unions of Indigenous Peoples of the North (Petropavlovsk-Kamchatski, October 2005).
13. Poverty Impacts		
Loan Requirements		
1. ♦ Has the WBG ensured that direct project benefits have been clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women? What is the nature of the benefits (development, education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)? Are individuals fully and appropriately compensated for the negative effects?	TBD	The company ('Russdragmet') already assists the local budget in solving of social problems. Moreover, there is a mechanism for coordination of interests. However, in the opinion of local government profit distribution over budget levels is unfair and requires mechanisms of additional bilateral agreements (this issue will be addressed in LCDP).
2. Do project documents clearly address how the project will contribute to local and regional poverty reduction goals? If so, how?	TBD	This issue will be addressed in LCDP.
3. Does the project establish accurate and location-appropriate baseline data on local poverty and social indicators? (e.g., # of individuals below the poverty line, # of individuals in extreme poverty, Gini coefficient, employment rate (formal and non-formal sectors), access to health care, education level, land ownership, factors of production ownership, access to clean water, air, and food supply)	TBD	TBD, it is too early in project cycle to determine.
4. Has the project completed a poverty impact assessment? Including both positive and negative impacts? If so, were the results of the assessment adequately considered and addressed by the project design/Action Plan?	0	Such poverty issues were included into part of Environmental and Social Assessment.
5. ♦ Do project documents demonstrate a "strong economic case" that is balanced with all environmental and social considerations? Will it provide more value-added benefits to the local economy over other sector/investment alternatives? Will it help to diversify the economy?	TBD	TBD, it is too early in project cycle to determine.

Grounded in Washington: EIR Implementation in ECA Region

6. ♦ Will it provide significant long-term employment opportunities for local individuals, including women?	TBD	Depends also on Local Communities Development Plan.
7. ♦ Will it create forward and backward linkages to other sectors of the economy? To the local economy, e.g., contracts with local companies/entrepreneurs?	TBD	TBD, it is too early in project cycle to determine.
8. Will it provide energy/electricity services to local communities?		Not enough information
9. Will it transfer technology and skills?	1	The project provides for training of local personnel, since it requires experience in tin extraction. This presents an economic benefit for the company.
10. Will the local communities have access to clean supplies of air, drinking water, and food?	1	Yes it is very likely.
11. Is there local ownership? Is there local profit sharing?		Not enough information
12. ♦ Will (or is) the livelihoods of local people be positively or negatively affected? Are individuals fully and appropriately compensated for the negative effects?	TBD	TBD, it is too early in project cycle to determine.
Project Implementation		
13. Is the WBG monitoring the project's impact on the baseline poverty and social indicators?		
14. ♦ Is the WBG ensuring that the project is actually having positive impacts on the poverty and social indicators, including inter alia those listed above (list and rate each indicator separately)		
15. How many contracts have been issued to local businesses?		
14. Human Rights		
1. Did the WBG assess the country obligations under international human rights laws?	TBD	Too early in project cycle for estimation
2. Does the company(ies) have a history of human rights violations?		Not enough information
3. Is the project consistent with the country's obligations under international human rights laws?	1	Yes
4. Where the project was questioned because of the human rights situation, was there any third party involved in the verification of human rights?		No
5. Did the company(ies) involved in the project adopt human rights principles and inform the local public about their rights?		Not enough information
6. ♦ Has the company endorsed, or at least does it operate according to, US/UK Voluntary Principles on Security and Human Rights? Are all of the principles respected in the project?		Not enough information

http://www.state.gov/g/drl/rls/2931.htm		
15. Resettlement *		
16. Core Labour Standards		
Loan Requirements		
8. ♦ Does the WBG project loan agreement and/or other project documents incorporate all (four) core labour standards ?	2	All four labour standards have been ratified by Russian Law.
9. Does the WBG's Standard Bidding Document incorporate all (four) core labour standards ?		
Project Implementation		
10. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no discrimination? If not, how is the WBG addressing this issue?		NA . Since the Russian Law incorporates all labour standards. (Same explanation follows in next 4 questions).
11. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no forced labour? If not, how is the WBG addressing this issue?		NA
12. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no child labour? If not, how is the WBG addressing this issue?		NA
13. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to freedom of association? If not, how is the WBG addressing this issue?		NA
14. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to engage in collective bargaining? If not, how is the WBG addressing this issue?		NA
17. Adherence to CAS Objectives and Priorities		
1. ♦ Does the WBG ensure that the project is consistent with the main objectives and development priorities contained in the Country Assistance Strategy (CAS)? How well does the project address the objectives and priorities of the CAS?	0	<p>The Country Assistance Strategy (CAS) for Russia has three main objectives:</p> <ol style="list-style-type: none"> 1. Improving the general climate for business and strengthening the competition in private sector (elimination of the administrative barriers, restructuring the monopolies, protection of the rights of private owners, increase Russia's role in technology and knowledge development on the global level). 2. Improve the efficiency of state-owned sector 3. Minimizing social and environmental risks. <p>This project is not consistent with the main objectives of the CAS and there is no evidence that the project could assist with the above three objectives.</p>
2. Does the WBG ensure that the project is consistent with the main objectives and priorities contained in the Poverty Reduction Strategy Paper (PRSP) [Note: Not all countries		NA, Russia does not have a PRSP.

will have a PRSP? How well does the project address the objectives and priorities of the PRSP?		
3. ♦ Does the WBG ensure that the project adequately addresses all extractive industry issues identified in the CAS?		

Poverty Reduction Support Credit, Azerbaijan

Mayis Gulaliyev, Center for Civic Initiatives, Azerbaijan

Project name: Poverty Reduction Support Credit (PRSC)

Location: Azerbaijan

Amount: USD 20 million

Institution: International Development Agency (IDA)

Sponsor: Government of Azerbaijan Republic

Implementing agencies: Ministry of Economic Development, Baku

Project status: Active project, approved May 17, 2005

Summary

Background

The World Bank's Poverty Reduction Support Credit (PRSC) to the government of Azerbaijan is intended to develop and implement policies and structural reforms in support of the priorities and goals of Azerbaijan's State Program for Poverty Reduction and Economic Development (SPPRED) or as the Bank calls it, the Poverty Reduction Support Paper (PRSP). The two main priorities of the Azeri PRSP include: 1) economic diversity through growth in the non-oil sector; and 2) more equal distribution across the population of economic benefits.

Azerbaijan has a current poverty rate of more than 40%. Creating economic diversity is very important as Azerbaijan is critically over dependent on the oil sector. In 2003, petroleum exports made up over 86 percent of Azerbaijan's total exports, and accounted for nearly 50 percent of budget revenues. In 2004, over 97 percent of a total of \$4.4 billion in foreign direct investment occurred in the country's hydrocarbon sector.

PRSC documentation states that it will 1) create non-oil sector economic opportunities and jobs mainly through improving the investment climate in various ways; 2) increase accountability and improve governance, such as by ensuring prudent management of oil revenues; and 3) promote social inclusion and improve service delivery – while providing several measures on service delivery, none seem to specifically address social inclusion. Overall, available PRSC documents do not provide clear or concrete terms/policies/reforms for how the Bank intends to attain the stated objectives.

Analysis of compliance with the EIR commitments

A majority of the EIR final report's recommendations were aimed at project lending. However, the EIR also provided several Development Policy Lending (DPL) recommendations and, more generally, the EIR advocated that in countries where the extractive industries played a significant role or in countries where the extractive sector was expected to grow significantly, the WBG should take an active role in promoting good governance at the country level, e.g., revenue and contract transparency, participation, strategic social and environmental assessments, etc.

Given Azerbaijan's over dependence on the oil sector and the substantial role World Bank Group lending has played in the growth of the hydrocarbon sector in the country (representing over 37% of all WBG lending), it is important to assess policy lending, such as the PRSC, in Azerbaijan for compliance with EIR recommendations and Management commitments.

Overall, the Azeri PRSC made some progress on six out of eleven EIR recommendation categories, including making progress on nine specific indicators of WBG Management commitments. Although some progress was made, the PRSC was not considered to be in full compliance on any individual indicator and was assessed as being unsatisfactory on eighteen individual indicators of Management commitments.

A few significant highlights include:

Participation and Information Disclosure – Civil society participation in the preparation of the PRSP, which feeds into the PRSC, was considered successful by both the Azeri SPPRED Secretariat and the World Bank. It was the first time poverty was openly on the agenda of the President. However, at least one participating NGO disagreed and found that many of the participants were government “consultants”. Furthermore, NGOs complained that there were not adequate information, assessments, or Azeri translation for the PRSC. Moreover, there were no consultations on the PRSC itself.

Revenue and Contract Transparency – At the country level, the World Bank has been supportive of the Extractive Industries Transparency Initiative (EITI). However, the PRSC itself did not contain any specific follow-up measures to improve revenue and contract transparency. The local World Bank office responded that the World Bank was already satisfied with Azerbaijan’s progress on revenue transparency regarding EITI and the establishment of the Oil Fund. Even so, the Bank is well aware of the limited usefulness of the government’s EITI commitment of only providing highly aggregated reporting and the fact that the Oil Fund does not cover SOCAR’s tax payments or PSA income taxes. So overall for the PRSC’s part, the transparency rating was unsatisfactory.

Strategic Environmental and Social Impact Assessment – The EIR made a very direct recommendation for policy lending (e.g., PRSCs) – to require an upstream environmental and social impact assessment for countries where the extractive industries played a significant role or in countries where the extractive sector was expected to grow significantly. This recommendation should definitely have been applied to overly oil dependent Azerbaijan. There were a few social issues assessed related to revenue management, electricity tariff hikes, and the health sector reforms. However, environmental concerns were ignored as well as additional important social issues such as human rights and labour rights abuses associated with support for policies that will continue growth in the oil and gas sectors.

Conclusion

Although some progress took place on a few EIR recommendations, it appears that such progress was due more to the fact that the PRSC stems from the PRSP process, which focuses on participation and poverty reduction, and not from the fact that EIR recommendations and Management commitments should have been taken into consideration. The PRSC’s effectiveness in reducing poverty in a heavily oil dependent country could have potentially been enhanced by requiring a strategic social and environmental assessment and by strengthening revenue and contract transparency measures.

Evaluation Matrix

Note:

- ◆ WBG Management Response commitment to EIR recommendation
- * indicates that the entire section did not apply to the project. For list of questions see matrix provided in methodology description
- TBD indicates that it is still early in the project cycle to determine the answer. This is equivalent to rating ‘U’ from the Score Card.

Rating: -1: Violation of WB/IFC policy 0: Unsatisfactory 1: Some progress 2: Full compliance

Indicators	Rating	Written Explanation
1. Public Participation		
1. ◆ Did the project sponsor seek consent from local communities?	NA	Not applicable.
2. ◆ Did the project have the broad support of affected communities? How was this support expressed?	1	Local communities and local civil society were not consulted directly on the development of the PRSC itself. Instead local participation/consultations took place indirectly through the Poverty Reduction Support Paper (PRSP or Azeri SPPRED),

		<p>which is meant to inform the design of PRSCs.</p> <p>When the local WB office was questioned, the Bank stated that they were very pleased with the Azeri government's efforts in getting stakeholder input. Townhall meetings were held over the period of one year, involving 40 – 60 people. The World Bank further expresses satisfaction in the Joint Staff Assessment – stating it was an extensive consultation. According to information from SPPRED Secretariat (part of Ministry for Economic Development), several NGOs were involved to PRSP preparation process.</p> <p>However, at least one local NGO involved in the PRSP consultations did not agree with the WB's assessment on participation. The NGO stated that there was very little direct participation by CSOs, and that the consultations consisted mainly of government "consultants". The NGO claimed that the Government has stated that there was and still is no mechanism for public participation for any stakeholders.</p> <p>Furthermore, we went to several districts and according to collected information local/affected communities were not appropriately consulted and informed about PRSP and PRSC projects.</p>
3. Did the project sponsor sign an agreement with local communities and/or indigenous people?	NA	Not applicable.
4. Were there independent, experienced, objective and trusted facilitators involved?	0	According to answers from the SPPRED Secretariat (Ministry for Economic Development) and the WB, it is clear that there was not any independent, experienced, objective or trusted facilitators involved.
5. ♦ Were all relevant project documents translated into local languages and disseminated in a culturally appropriate and timely manner?	1	The PRSC PID and other relevant documents (e.g., diagnostics) are not available in Azeri.
6. ♦ Did the WBG establish a monitoring mechanism for the project? Were the affected public involved in the development and operation of such a mechanism?	0	<p>A "Monitoring Unit" has been established for the PRSP (SPPRED), but, according to our investigation, there is not a monitoring system specifically to track the outcomes of the PRSC</p> <p>We were unable to obtain any information regarding monitoring reports from the Secretariat and WB. Furthermore, there is no NGO involvement in monitoring - except with regards to revenue transparency (see below). According to information from Secretariat several NGO were involved to PRSP preparation process. But in the implementation process there is no NGO involvement. There are some NGOs which have small projects on PRSP issues, but none that are formally involved in monitoring progress of or implementation of the full strategy or the PRSC.</p>
7. Did the input from local communities affect the project design?	0	As stated in number 2 above, civil society was not consulted directly on the PRSC. Even though the PRSC is supposed to develop/implement policies that are consistent with the PRSP, local civil society may have been able to provide input on the specific design of the policies intended to support PRSP goals. Thus, it is important to consult on the actual PRSC measures and not just the PRSP.

2. Information Disclosure		
Loan requirements		
1. ♦ Did the WBG ensure public disclosure of all relevant project information, including <i>inter alia</i> : economic and financial assessments, environmental and social assessments, monitoring and evaluation results, accident prevention and emergency response information?	0	<p>Overall, available information on the PRSC is unclear and very vague. There is no information that explains what the concrete activities/reforms are that are supported by the PRSC.</p> <p>According to information from the SPPRED Secretariat and WB, there are no concrete mechanisms for public disclosure of said relevant project information. There are no economic or financial assessments, environmental and social assessments, monitoring and evaluation results specifically for the PRSC. Furthermore, the Secretariat and WB officials did not want give us any information about PRSC. There is not available any action programs for implementing PRSC.</p> <p>However, there are a few diagnostic/assessments (i.e., PSIAs) available on the World Bank’s webpage that most likely informed the PRSC design – Issues and Options Associated with Energy Sector Reform (March 2005) and Raising Rates: Short-term Implications of Residential Electricity Tariff Rebalancing. The PID also mentions a PSIA on workers displacement due to enterprise restructuring. These reports are only in English.</p>
2. ♦ Did the WBG ensure that all relevant project documents were translated into local languages and disseminated in a culturally appropriate and timely manner?	0	<p>All documents related to PRSP are available in Russian and Azeri. But there are not PRSC documentation and relevant project documents in Azeri. And this information was not disseminated by Mass Media.</p>
3. ♦ Did the WBG ensure public disclosure, especially to the local community, of all environmental and social assessments (e.g., Resettlement Action Plan, Indigenous Peoples Development Plan) at least 120 days prior to project approval? [Note: Management Response only states 30 days for IFC and 60 days for IBRD/IDA].	0	<p>The WB had two related social studies on their website, one on implications of raising energy tariffs and one on health sector reform. However, these are only in English and were not disseminated to local communities. Furthermore, there was no social impact assessment of the measures contained in the full PRSC.</p> <p>Even though Azerbaijan is heavily dependent on the oil/gas sector, there was no Strategic Environmental Assessment of the PRSC.</p> <p>According to information from Secretariat and WB environmental documents had not been public disclosed in 120 days and after. Unfortunately, Azerbaijan Environmental Law does not demand from sponsors to ensure such public disclosure.</p>
4. ♦ Did the WBG ensure that local/affected communities were appropriately informed about all developments that affect them, including all human and environmental health risks, and economic, social, and environmental impacts?	0	<p>No. We went to several districts and according to collected information local/affected communities were not appropriately consulted and informed about PRSP and PRSC projects, including all human and environmental health risks, and economic, social, and environmental impacts. We were unable to obtain any concrete information about it from WB officials.</p>
5. Did the WBG ensure that local groups were fully informed about the Inspection Panel and Compliance Advisor Ombudsman?	0	<p>No. According to our meetings with communities, local groups were not informed about the Inspection Panel and Compliance Advisor Ombudsman. WB did not make any mechanisms for informing local groups about IP and CAO.</p>

6. Did the WBG require independent monitoring?	0	There are no independent monitoring mechanisms.
7. ♦ Have relevant monitoring reports been publicly disclosed?	U	According to our investigation, the SPPRED Secretariat (Ministry for Economic Development) does not have interim reports on the PRSC yet.
Project implementation		
8. ♦ Did the WBG ensure that project sponsors are making information on the project's environmental, social, and economic impacts available each year to communities? Is the information reported in a clear and meaningful manner (e.g., translated, disaggregated)? Does it include both regional and local impacts? Are the baseline data available and is there an interpretation of positive and negative impact of the project clearly expressed?	U	To be determined
3. Contract Transparency		
Loan requirements		
1. ♦ Does the WBG require public disclosure of all key contracts/agreements, including Host Government Agreements (HGAs), Production Sharing Agreements (PSAs), Inter-governmental Agreements (IGAs), and Stability Agreements/Contracts (on such issues as taxes, and social and environmental requirements)?	0	<p>According to the SPPRED Secretariat's opinion, the PRSC is not connected with these contracts.</p> <p>Given Azerbaijan's heavy dependence on the oil/gas sector and the fact that WBG project lending further increased this dependency (37% of all WBG lending was to EI sector for the past decade 1994-2004 and more than 65% of all MDB lending), it seems contract transparency in the EI sector should be advocated by the Bank at the country level.</p> <p>Except for the BTC case, the WBG is not actively supporting contract disclosure.</p>
2. Does the WBG require project contracts to be easily accessible to the local population?	0	WBG is not promoting contract transparency in the PRSC or at the country level in general. See answer above.
3. ♦ Does the WBG require disclosed contracts, when necessary, to be translated into local languages?	0	No. See answer above.
4. In cases where information is redacted, does the WBG require that an adequate explanation is provided such as the information poses significant financial or competitive harm to the project sponsor that is greater than the benefit to the public of disclosure?	0	No. See answer above.
5. ♦ Are all contract transparency requirements, issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PID) for World Bank (IBRD/IDA) loans?	0	The PID does not discuss issues related to contract transparency.
6. Did the WBG provide adequate assistance to the government for contract negotiations between the host government and EI Company /es? Were there expert advisors with local knowledge and expertise in making sure the government could negotiate a fair contract, one that provided	NA	There have not been any significant EI projects since the Management's response to the EIR.

adequate benefits to the host country and local citizens?		
Project implementation		
7. ♦ Have all key project contracts/agreements, including Host Government Agreements (HGAs), Production Sharing Agreements (PSAs), Intergovernmental Agreements (IGAs), and Stability Agreements been publicly disclosed?	NA	Not applicable.
8. Have disclosed contracts been easily accessible to the local population?	NA	Not applicable.
9. ♦ Have contracts, when necessary, been translated into local languages?	NA	Not applicable.
10. In cases where Information has been redacted, has there been an adequate and appropriate explanation?	NA	Not applicable.
4. Revenue Transparency		
Loan requirements		
1. ♦ Does the WBG require public disclosure of <u>all fiscal contributions</u> made by <u>all companies</u> involved in the project, including royalties, taxes, commodity based payments (e.g., production volumes), and any other payments (such as signature bonuses & one-time contractual agreements) made to the host government?	NA	Not Applicable
2. ♦ Does the WBG require public disclosure by individual companies?	0	<p>The WB local office stated that there is nothing specific in PRSC I or II on revenue or contract transparency (i.e., EITI). Furthermore, that the Bank is already comfortable with the Azeri government's commitments.</p> <p>WBG supports only aggregated reporting as opposed to individual company disclosure that local CSO have stated is necessary to track revenue flows. The WBG is fully supporting the EITI process and is providing some financing for NGO activity to support current situation on EITI using only aggregated figures. However, again, there are no additional measures in the PRSC to improve the situation. The PRSC is a missed opportunity to improve on transparency across the sector.</p>
3. Does the WBG require that government expenditures stemming from revenue generated by the EI project/sector be publicly disclosed? Will expenditures be reported in enough detail to be able to understand direct contributions to specific government activities, including social, environmental, and poverty related services?	0	<p>The WBG is more strongly pushing the government and companies to require this. In this moment they require expenditures coming from the Oil Fund to be published on the www site.</p> <p>The state budget is a public document, but it is not very transparent. WBG does not require that government expenditures stemming from revenue generated by the EI project/sector be publicly disclosed in concrete cases. Theoretically WBG supports public disclosure, but in reality there is not any clear result. President of World Bank Mr. James Wolfensohn stated that "Transparency is fundamental to good governance and an essential starting point but it does not do the trick alone. It reduces the</p>

		<p>potential for waste, mismanagement, and corruption; fosters democratic debate on the use of revenues; and enhances macroeconomic management. He also argued that World Bank is not going to make investments in countries where EITI is not part of the process". But in fact government expenditures were not reported in enough detail to be able to understand direct contributions to specific government activities, including social, environmental, and poverty related services.</p> <p>Thus, in the end the PRSC itself does not contain specific measures to make government expenditures disclosed in a meaningful, trackable manner. Specifically, it is not possible to trace where funding has been applied to specific poverty reduction initiatives on the ground. Again the PRSC is a missed opportunity to further improve the transparency of government expenditure even towards the poverty reduction measures the PRSC is meant to support.</p>
4. Are expenditures stemming from revenue generated by the EI project/sector reported in a format that is accessible and understandable to host country local communities?	0	<p>The expenditures stemming from revenue generated by EI project/sector using for PRSP implementation is not accessible and understandable to host country local communities.</p> <p>According to EITI coalition meeting notes, local community representatives do not have any correct information about the expenditures. They cannot find any information in internet also. Reporting requirements are not very specific. The PRSC does not attempt to improve the process.</p>
5. Does the WBG require project-related revenues to be reported in a format that is accessible and understandable to host country local communities, including translation when necessary?	0	<p>No. There is not detailed, correct information about government expenditure on the internet. There is some information on the web site of State Oil Fund. But this information does not have enough validity or specificity.</p> <p>WB's relevant documentation on PRSP does not require project-related revenues/ to be reported in a format that is accessible and understandable to host country local communities, including translation when necessary. There is not detailed and translated report of expenditure for implementation of the PRSP.</p>
6. ♦ Does the WBG require an independent audit of revenue/expenditure reporting?	1	<p>Documentation on the PRSC does not state any requirement on this. As stated, the WBG is already happy with Azerbaijan's activities on transparency. Broadly speaking, the WBG does not require it, but promotes it and it is being done on an aggregated level for BTC and Shah Deniz.</p>
7. ♦ Are all revenue and expenditure transparency requirements, issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans?	0	<p>About all revenue and expenditure transparency requirements, issues, and concerns there are not enough information in the Summary of Project Information (SPI) document for IFC/MIGA loans and in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans.</p>
8. ♦ Given that the WBG is investing in the EI sector of the country, is the WBG adequately promoting transparency of public finances at the country level? For example, assisting/requiring appropriate regulatory frameworks and public consultation?	0	<p>As stated, the WBG supports the EITI initiative in Azerbaijan, however, the PRSC did not specifically address the issue. Given the importance of revenue transparency to potentially improving the management of EI resources and to potentially improve EI's contribution to poverty reduction, the PRSC should have included concrete measures.</p>

		Thus far, it has been impossible for local NGOs to trace the budget spending on Azerbaijan PRSP projects, since the structure of the State Budget is too vague and does not specify PRSP-specific expenditures.
9. ♦ Has the WBG carried out adequate ex-ante core diagnostic and analytic work to be able to fully understand and address the challenges of EI related revenue management in the host country? If so, are the results of such analytic work adequately addressed in the project design?	1	The WBG has produce one study - Issues and Options Associated with Energy Sector Reform (March 2005), which has a section on Oil Revenue Management. This section has informed the PRSC. However, the supporting documentation for the PRSC does not demonstrate that the project/program design is necessarily adequately incorporating the findings/recommendations of the analytic work.
Project implementation		
10. ♦ Are project related revenues and government expenditures being reported according to the parameters described in numbers 1 – 4 above?		To be determined.
11. Is civil society allowed to participate in the monitoring and implementation of the revenue transparency procedures?	0	The PRSC does not specifically support NGOs involvement in revenue transparency? Civil society groups, including NGO and CBOs are not allowed to participate in the actual monitoring and implementation of the revenue transparency procedures in fact, including the revenues from oil which will be uses for implementation of PRSP.
5. Revenue/Benefit Sharing		
Loan Requirements		
1. ♦ To what extent are direct project benefits clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women?	1	The most specific benefits are those stemming form the social services that the PRSC is supporting. The PRSC should clarify other areas of support and what the clear benefits will be to the poor and other vulnerable groups.
2. ♦ In what form are the project benefits to local groups (e.g., community development program, direct employment (permanent/short-term), education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)?	1	<p>The most direct benefits are mainly social service delivery - The PID states: Increasing access to basic education and health cares services, working to improve the effectiveness of social protection programs, addressing environmental concerns (although the PID does not specify what specifically the PRSC will do), and improving poverty and performance monitoring.</p> <p>There will also be benefits stemming from activities to support the improvement of government accountability – but it’s difficult to determine because the PID does not give any specific activities that are being supported through the PRSC and local WBG office was unwilling to disclose any further details.</p>
3. ♦ In the case of economic, social, and environmental costs to the local communities as a result of the project, are local citizens receiving full compensation for these costs? (Describe nature of costs and compensation received)	0	<p>The PRSC does not address potential costs associated with PRSC supported activities surrounding “Improving the overall environment for private sector development and investment; consolidating reforms in the oil sector and infrastructure; tariff policy for the utility sector.” Although the social protection program may address some of this..however te PRSC documentation does not explicitly determine it will cover any negative impacts associated with the measures.</p> <p>The PID states that there are two key areas where Poverty</p>

		and Social Impact Analysis (PSIA) is contributing to PRSC preparation – energy sector reform and workers displacement due to the enterprise restructuring. It is not clear that full compensation will take place.
4. In the case of clearly established benefits, are the benefits offered on a scale comparable to the revenues generated by the project? What is the ratio of benefits to project revenues?	NA	Not applicable.
5. Will the “benefits” to local groups be sustained throughout the life of the project? Or only during the construction phase? Does the project create sustainable benefits beyond the life of the project?	U	Not enough information to be able to determine,
6. ♦ Will benefits (i.e., royalties, taxes,) be equitably distributed among different levels of government (i.e., national, regional and municipal/local)?	1	<p>Azerbaijan’s Constitution and other relevant laws do not give possibilities to share powers and benefits among different levels. According to Azerbaijan legislature there is not reality fiscal equalization mechanisms in Azerbaijan. So current governance structure do not give possibility to equitable distribute among different levels of government (i.e., national, regional and municipal/local) benefits (i.e., royalties, taxes,).</p> <p>The PRSC is setting up a framework for the distribution of gov revenues - but it is still difficult to determine whether the distribution is equitable. But at least the PRSC is trying to address the issue.</p>
7. Has the Bank required a transparent mechanism that will ensure that project revenues and benefits are distributed equitably (e.g., to locally affected communities and among national, regional and municipal/local governments)?	U	<p>More equitable distribution of economic benefits across citizens is a main objective of the PRSP.</p> <p>We need to find out more information whether the mechanism is transparent.</p> <p>The WB and current legislature don’t require the transparent reality mechanisms that will provide the use of oil revenues and benefits (e.g., to locally affected communities and among national, regional and municipal/local governments) for implementation PRSP and PRSC.</p> <p>Thus far, it has been impossible for local NGOs to trace the budget spending on Azerbaijan PRSP projects, since the structure of the State Budget is too vague and does not specify PRSP-specific expenditures.</p>
Project Implementation		
8. ♦ Has the WBG ensured that the promised project benefits are being delivered to local groups and the designated government agencies?		Not applicable.
9. ♦ Are the extractive sector benefits equitably distributed among the local, regional and national governments?		To be determined.
10. Has the WBG verified the operation and effectiveness of a transparent benefit distribution mechanism? In the case where a mechanism has not been set up or is not effective, has the WBG required corrective measures?		To be determined.

6. Governance		
1. Was a comprehensive options assessment developed for the project? Is there a government plan on how to use associated infrastructure development (road, ports, power plan) for the benefit of the public?	0	No. PRSC documentation does not address or appear to consider alternatives to the policy/structural reforms it supports.
2. Is there in place an effective local system for the handling of complaints and disputes? Is it independent from the company and guarantees that all complaints will be fairly treated?	NA	Not applicable. The question is directed at the project level.
3. What is the experience with the complaints handling so far?	NA	NA
4. ♦Did the project documents include a review of relevant governance issues?	1	Yes, the PID and diagnostic work addresses some governance issues, but more issues could have been considered, e.g. oil workers complaints, human rights abuses, restrictions on media, etc. Governance issues seemed to be mainly concentrated on improving governance for the private sector and not for citizens' rights.
7. Environmental, Social and Health Impact Assessment		
Project lending		
1. ♦ Was the Extractive Industry project classified as category A? What were the reasons for the different category? Were those reasons legitimate?	NA	Not Applicable
2. ♦ Is there an impact assessment that integrates environmental, social and health components?	NA	Not Applicable
Policy lending		
3. For countries where EI development is likely or intended to occur as a result of WB-supported structural reforms, did the WB require upstream social and environmental analyses for SALs, SECALs, technical assistance and analytic/advisory activities (i.e., now often referred to as Development Policy Lending or DPL, note: PRSPs fall into this category)? Have these analyses been developed in transparent and participatory processes with full public access to the drafts and final documents?	0	<p>With regards to the environment, No. The PID simply states that the PRSC has been rate a structural adjustment credit governed under Operational Directive 8.60 and does not require an environmental rating. It may not require a rating, but that does not mean environmental impacts are not supposed to be considered. According to 8.60, Bank staff are supposed to determine likely significant poverty, social, and environmental consequences, and where there are significant gaps in existing analysis or shortcomings in the borrower's systems, the Bank will disclose how this will be addressed. Environment impacts do not appear to have been considered at all.</p> <p>With regards to social impacts, the PID states that there are two key areas where Poverty and Social Impact Analysis (PSIA) is contributing to PRSC preparation – energy sector reform and workers displacement due to the enterprise restructuring.</p>

8. No- Go Zones *		
9. Emergency Response planning *		
10. Transport of oil and hazardous substances *		
11. Mining and use toxic materials *		
12. Indigenous Peoples' Rights *		
13. Poverty Impacts		
Loan Requirements		
1. ♦ Has the WBG ensured that direct project benefits have been clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women? What is the nature of the benefits (development, education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)? Are individuals fully and appropriately compensated for the negative effects?	0	<p>PRSC is supposedly designed to support PRSP and improve living standards in Azerbaijan, mainly through social service delivery. However, according to information from the SPPERD Secretariat and from WBG, the PRSC does not have <u>direct</u> impacts on local groups, including ethnic minorities, vulnerable groups, and women.</p> <p>But if we take into account the PRSC as support to PRSP implementation and given the current problems with PRSP implementation, then any bad expenditure from the oil revenues will have <u>negative</u> impacts to local groups.</p> <p>So, it is not clear that the PRSC will result in overall direct project benefits to the poor and vulnerable groups.</p>
2. Do project documents clearly address how the project will contribute to local and regional poverty reduction goals? If so, how?	0	<p>Although the PRSC is supposed designed to support the PRSP (SPPRED) for Azerbaijan, we cannot find any evidence that project documents clearly address how the project will contribute to local and regional poverty reduction goals. There is not concrete state program that describe detailed action program for poverty reduction. So local communities are not involved in the PRSP and PRSC implementation</p>
3. Does the project establish accurate and location-appropriate baseline data on local poverty and social indicators? (e.g., # of individuals below the poverty line, # of individuals in extreme poverty, Gini coefficient, employment rate (formal and non-formal sectors), access to health care, education level, land ownership, factors of production ownership, access to clean water, air, and food supply)	U	<p>According to information from Secretariat there is special location-appropriate baseline data on local poverty and social indicators, but we can not have such baseline data. There is not any information about this baseline data in web sites. WB also do not have any the Ministry's baseline data.</p> <p>Unable to determine because we were not given access to data and information.</p>
4. Has the project completed a poverty impact assessment? Including both positive and negative impacts? If so, were the results of the assessment adequately considered and addressed by the project design/Action Plan?	1	<p>There is some diagnostics through PSIA, on energy sector reform and displaced workers due to enterprise restructuring. However, the PRSC does not adequately address potential negative impacts from Private sector development, infrastructure regulatory frameworks, etc...</p>
5. ♦ Do project documents demonstrate a “strong economic case” that is balanced with all environmental and social considerations? Will it provide more value-added benefits to the local economy over other sector/investment alternatives? Will it help to diversify the economy?	0	<p>The PRSC Project documents do not demonstrate a “strong economic case” that is balanced with all environmental and social considerations. This project is not A, B, C environmental project. So does not require any EIA and other environmental permission according to Azerbaijan Law. But this project has economical sense so can provide value-added benefits to the local economy over other sector/investment alternatives. Unfortunately, there is not</p>

Grounded in Washington: EIR Implementation in ECA Region

		<p>concrete action plan for this and will not help to diversify the economy if WBG and Azerbaijan Government will not keep under control implementation of the project.</p> <p>There is not strong case that demonstrates the PRSC measures will lead to economic diversity or will necessarily result in more value added economic activity or create more employment, etc.</p>
6. ♦ Will it provide significant long-term employment opportunities for local individuals, including women?	U	Unable to determine. It is possible that the PRSC could provide indirect long-term employment opportunities for local individuals, including women if it did indeed foster implementation of the goals of the PRSP in reality.
7. ♦ Will it create forward and backward linkages to other sectors of the economy? To the local economy, e.g., contracts with local companies/entrepreneurs?	U	Theoretically, this credit could create forward and backward linkages to other sectors of the economy, especially non-oil sector, including agriculture. And it is possible that it could foster the develop local economy, including local SME. But, it is to difficult to determine if this will actually happen and the PRSC does not describe in concrete terms and measures how it would achieve this.
8. Will it provide energy/electricity services to local communities?	U	PRSC is supporting implementation PRSP which has goals to increase access to energy/electricity services. According to our monitoring process in districts we can note there is not positive changing to increase access to energy, especially in rural area. Local population who work in rural cultures need to energy with obtainable price. Many people do not have any possibility to use energy for develop their SME or agricultures.
9. Will it transfer technology and skills?	U	There is not concrete action plan to implement PRSP, so PRSC cannot have successful results. This projects have not concrete mechanisms to transfer technology and skills.
10. Will the local communities have access to clean supplies of air, drinking water, and food?	NA	Not applicable.
11. Is there local ownership? Is there local profit sharing?	NA	Not applicable.
12. ♦ Will (or is) the livelihoods of local people be positively or negatively affected? Are individuals fully and appropriately compensated for the negative effects?	U	To be determined.
Project Implementation	U	To be determined.
13. Is the WBG monitoring the project's impact on the baseline poverty and social indicators?	U	To be determined.
14. ♦ Is the WBG ensuring that the project is actually having positive impacts on the poverty and social indicators, including inter alia those listed above (list and rate each indicator separately)	U	To be determined.
15. How many contracts have been issued to local businesses?	NA	Not applicable.
14. Human Rights		
1. Did the WBG assess the country obligations under international human rights laws?	0	No. There are not any disclosed reports where the WBG gives detailed assessments on the country's obligations

		<p>under international human rights laws.</p> <p>Azerbaijan has a long track record of violation of human rights, including related to the implementation of the PRSP. The PRSC does not take this into account and there is no third party involved in the verification of human rights, e.g. NGOs.</p> <p>Yes this project in theory could promote social human rightst and the aim of the PRSC is consistent with human rights obligations. But in reality, the concrete implementation of the PRSP and PRSC show that there are not concrete changes in human rights in the field . By the contrary, during PRSP implementation period there is upgrade trends in human rights violations.</p> <p>Azerbaijan sign the US/UK Voluntary Principles for the BTC projects. But these principles do not take into account as priority protection of local population rights quite the contrary, it protects instead the property and employees of companies. So PRSP and PRSC implementation will not give possibility to protect human rights in the area near to BTC pipeline.</p>
2. Does the company(ies) hve a history of human rights violations?	NA	Not applicable
3. Is the project consistent with the country's obligations under international human rights laws?	NA	Not applicable.
4. Where the project was questioned because of the human rights situation, was there any third party involved in the verification of human rights?	NA	Not applicable.
5. Did the company(ies) involved in the project adopt human rights principles and inform the local public about their rights?	NA	Not applicable.
6. ♦ Has the company endorsed, or at least does it operate according to, US/UK Voluntary Principles on Security and Human Rights? Are all of the principles respected in the project? http://www.state.gov/g/drl/rls/2931.htm	NA	<p>Not applicable.</p> <p>Azerbaijan sign the US/UK Voluntary Principles for the BTC projects. But these principles do not take into account as priority protection of local population rights quite the contrary, it protects instead the property and employees of companies. So PRSP and PRSC implementation will not give possibility to protect human rights in the area near to BTC pipeline.</p>
15. Resettlement *		
16. Core Labour Standards		
Loan Requirements		
1. ♦ Does the WBG project loan agreement and/or other project documents incorporate all (four) core labour standards?	NA	Azerbaijan ratified of all 4 ILOs CLS
2. Does the WBG’s Standard Bidding Document incorporate all (four) core labour standards?	NA	Not applicable.

Project Implementation		
3. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no discrimination? If not, how is the WBG addressing this issue?	0	We need to write letter to the WB Office asking them how to address issues of no discrimination, freedom of association - where we know there are violations. According to WB Office and PRSP Secretariat information there is no discrimination in this field and there is freedom of association. But in reality there is difficulties to carry out freedom of association, especially to create trade union organizations in Azerbaijan.
4. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no forced labour? If not, how is the WBG addressing this issue?	U	Unable to determine.
5. ♦ Does the WBG ensure that the project fully abides by the core labour standard on no child labour? If not, how is the WBG addressing this issue?	U	Unable to determine.
6. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to freedom of association? If not, how is the WBG addressing this issue?	0	We need to write letter to the WB Office asking them how to address issues of no discrimination, freedom of association - where we know there are violations. According to WB Office and PRSP Secretariat information there is no discrimination in this field and there is freedom of association. But in reality there is difficulties to carry out freedom of association, especially to create trade union organizations in Azerbaijan.
7. ♦ Does the WBG ensure that the project fully abides by the core labour standard on the right to engage in collective bargaining? If not, how is the WBG addressing this issue?	0	See above.
17. Adherence to CAS Objectives and Priorities		
1. ♦ Does the WBG ensure that the project is consistent with the main objectives and development priorities contained in the Country Assistance Strategy (CAS)? How well does the project address the objectives and priorities of the CAS?	1	It is consistent per se, but the PRSC does not clearly provide concrete actions to obtain objectives and priorities, such as diversification – how will the PRSC supported measures translate to really develop non-oil growth and diversify the economy?
2. Does the WBG ensure that the project is consistent with the main objectives and priorities contained in the Poverty Reduction Strategy Paper (PRSP) [Note: Not all countries will have a PRSP]? How well does the project address the objectives and priorities of the PRSP?	1	See above answer to 1.
3. ♦ Does the WBG ensure that the project adequately addresses all extractive industry issues identified in the CAS?	1	See above answer to 1.

Overview of EIR Recommendations and Indicators

Public participation

A. EIR Recommendations:

- WBG should ensure that borrowers and clients engage in consent processes with indigenous peoples and local communities affected by EI projects (50).
- Covenants should be included in project agreements that provide for multiparty negotiated and enforceable agreements, should indigenous peoples and local communities consent to the project. (50)
- WBG should require independent, experienced, objective and trusted facilitators in participatory processes.
- All relevant project documents need to be translated into local languages and disseminated in a culturally appropriate and timely manner. Specifically, environmental and social monitoring reports need to be disclosed during project implementation. IFC and MIGA should require disclosure of environmental and social assessments prior to appraisal for all Category A and B projects and at least 120 days prior to project approval, in order to allow meaningful consultation and participation of the public. The WBG should enhance disclosure after project completion, especially evaluations of private-sector project operations.
- The WBG will establish independent monitoring mechanisms in our largest projects, and encourage the development of capacity in communities to monitor projects that affect them. However, such mechanisms will usually not be practical for smaller projects. We will help ensure that communities are well informed by requiring that investors, as part of ongoing consultation processes, make available meaningful information about the social, economic and environmental impacts of their projects.

B. Bank Management EIR Commitments:

- Revised safeguards will include guidelines on community participation in monitoring of projects and mediation. In addition, the WBG will work with investors and communities to ensure that the EI projects that it supports are broadly supported by affected communities.(5)
- The Bank Group will support only those extractive industry projects that have the broad support of affected communities. [...] [I]t does mean that the Bank Group requires a process of free, prior and informed consultation with affected communities that leads to broad support for the project by the affected community. (21)
- The WBG agrees that that relevant project documents be made available in local languages and in a culturally appropriate manner; this is current WBG policy. In the EI sector specifically, IFC intends to require investors to make information about project environmental, social and economic impacts available to the public on a regular basis, and it will provide regular reports on the impacts of new EI projects after Board.

C. Assessment Indicators

1. Did the project sponsor seek consent from local communities?
2. Did the project have the broad support of affected communities? How was this support expressed?
3. Did the project sponsor sign an agreement with local communities and/or indigenous people?
4. Were there independent, experienced, objective and trusted facilitators involved?
5. Were all relevant project documents translated into local languages and disseminated in a culturally appropriate and timely manner?
6. Did the WBG establish a monitoring mechanism for the project? Were the affected public involved in the development and operation of such a mechanism?
7. Did the input from local communities affect the project design?

Information Disclosure

A. EIR Recommendations¹

- WBG should require disclosure of production-sharing agreements, host-country agreements, power purchase agreements, economic and financial assessments, environmental and social assessments, monitoring and evaluation results, and accident prevention and emergency response information, and company annual monitoring reports (55-56).
- All relevant project documents need to be translated into local languages and disseminated in a culturally appropriate and timely manner (56).
- IFC and MIGA should require disclosure of environmental and social assessments at least 120 days prior to project approval (56).
- WBG should establish an Information Ombudsman to appeal information disclosure decisions. A member of the Inspection Panel or the CAO might take on this function (56).
- IFC/MIGA should require clear reporting ... of regional and local impacts and ongoing assessments made available to the public (51)
- Affected communities should be informed of all human and environmental health risks (52)
- WBG should ensure that local groups are fully informed about the Inspection Panel and CAO (55).
- WBG should promote outside, independent monitoring of EI projects, with public disclosure (62).
- WBG should disclose CAS evaluations, economic and sector work, a draft CAS for consultation, responses to the consultation, and the final CAS for both IBRD/IDA countries 30 days before decision (63).

B. Bank Management EIR Commitments

- The WBG will ensure that local communities are appropriately consulted and informed about developments that affect them. It will require investors to release information to local communities in a meaningful way about the economic, social, and environmental impacts of projects.
- IFC is currently reviewing its disclosure policy; for EI projects it is intended to ask sponsors to make information on a project's environmental, social, and economic impacts available each year to communities. MIGA will review its disclosure policies following IFC.
- The WBG recognizes the vital importance of effective disclosure, and will continue to increase the transparency of its projects and operations. The WBG aims to provide reasonable and effective disclosure to impacted communities, including about its activities. IFC has helped secure the approval of sponsors and government for the full public disclosure of key agreements in certain major EI projects. Recognizing the issues raised by the EIR, disclosure of the terms of agreements (such as IGAs and HGAs) will be made standard WBG policy for significant new private EI projects. Within two years, allowing time for implementation, the WBG will expect all EI payments to governments to be disclosed. In some areas that are not essential for the public interest, companies may need to maintain confidentiality to protect their legitimate commercial interests, and IFC will work with them to ensure this. The WBG has three disclosure policies that reflect the activities of IBRD/IDA, IFC, and MIGA, respectively. IFC has embarked on a review of its Disclosure Policy for all projects, and MIGA will do so following the IFC review.
- The WBG agrees that that relevant project documents be made available in local languages and in a culturally appropriate manner; this is current WBG policy. In the EI sector specifically, IFC intends to require investors to make information about project environmental, social and economic impacts available to the public on a regular basis, and it will provide regular reports on the impacts of new EI projects after Board approval. The WBG requires investors to consult with local communities and disclose a draft of the environmental assessment as part of this consultation.
- IBRD/IDA appraisal for Category A and B projects cannot begin until an environmental assessment, Resettlement Action Plan, and/or Indigenous Peoples Development Plan (as required) have been prepared, consulted upon, and disclosed. In the case of IFC, an approved draft of the environmental and social assessment or environmental assessment and relevant social safeguard documents are disclosed in-country, including to the local community, for at least 30 days before Board presentation. A 60-day

¹ Please note measures regarding disclosure of contracts (e.g., PSAs and HGAs) are addressed under contract transparency.

disclosure period for safeguard documents is used for IBRD/IDA guarantee operations. The issue of the disclosure of evaluations of private sector operations will be addressed as part of the revision of the IFC Disclosure Policy.

- The WBG will take measures to ensure that its disclosure policies are made available to affected peoples early in the project cycle. The WBG will examine its policies concerning disclosure of information by financial intermediaries. This issue affects all WBG operations with financial intermediaries, not just those in the EI sector.
- Present structures, such as the Inspection Panel (IBRD/IDA) and the Compliance Advisor Ombudsman (IFC/MIGA), are considered to provide a sufficient avenue for complaints concerning WBG adherence to its policies, including those on disclosure, for all of its projects, including EI projects.

C. Assessment Indicators

Loan requirements

1. Did the WBG ensure public disclosure of all relevant project information, including inter alia: economic and financial assessments, environmental and social assessments, monitoring and evaluation results, accident prevention and emergency response information?
2. Did the WBG ensure that all relevant project documents were translated into local languages and disseminated in a culturally appropriate and timely manner?
3. Did the WBG ensure public disclosure, especially to the local community, of all environmental and social assessments (e.g., Resettlement Action Plan, Indigenous Peoples Development Plan) at least 120 days prior to project approval?
4. Did the WBG ensure that local/affected communities were appropriately informed about all developments that affect them, including all human and environmental health risks, and economic, social, and environmental impacts?
5. Did the WBG ensure that local groups were fully informed about the Inspection Panel and Compliance Advisor Ombudsman?
6. Did the WBG require independent monitoring?
7. Have relevant monitoring reports been publicly disclosed?

Project implementation

8. Did the WBG ensure that project sponsors are making information on the project's environmental, social, and economic impacts available each year to communities? Is the information reported in a clear and meaningful manner (e.g., translated, disaggregated)? Does it include both regional and local impacts? Are the baseline data available and is there an interpretation of positive and negative impact of the project clearly expressed?

Contract Transparency

A. EIR Recommendations

- WBG should promote disclosure of key documents, including production-sharing agreements, host-country agreements, power purchase agreements, economic and financial assessments, environmental and social assessments, monitoring and evaluation results, and accident prevention and emergency response information, and company annual monitoring reports (47)
- All relevant project documents need to be translated into local languages and disseminated in a culturally appropriate and timely manner (56).
- WBG should provide assistance to governments negotiating host government agreements to maximize the benefits retained in the country (49)
- WBG should establish an Information Ombudsman to appeal information disclosure decisions. A member of the Inspection Panel.

B. Bank Management EIR Commitments

- Company-level – Required/Expected
- Required or expected immediately for new significant projects:
 - Relevant terms of key agreements are publicly available whenever these are of public concern, e.g., Host Government Agreements (HGAs) and Inter-governmental Agreements (IGAs)
- The WBG provides assistance for governments in negotiations with EI companies, usually in the form of policy advice, technical assistance (TA) for capacity building, and assistance in engaging qualified expert

advisors. The WBG does not take part in negotiations directly, and provides assistance in response to appropriate requests from governments.

- In the case of significant private projects supported by the WBG (including through IFC/MIGA finance/insurance, IBRD/IDA loans/credits and guarantees, as well as technical assistance to facilitate new investment), the WBG will work to ensure both mitigation of risks regarding inappropriate use of revenues, ..., as well as the terms of key contracts with governments such as Intergovernmental Agreements (IGAs) and Host Government Agreements (HGAs).
- ... The WBG and IMF provide assistance to governments with EI revenue management, macroeconomic policy, EI policy and regulatory frameworks, and improving public consultation.

C. Assessment Indicators

Loan requirements

1. Does the WBG require public disclosure of all key contracts/agreements, including Host Government Agreements (HGAs), Production Sharing Agreements (PSAs), Inter-governmental Agreements (IGAs), and Stability Agreements/Contracts (on such issues as taxes, and social and environmental requirements)?
2. Does the WBG require project contracts to be easily accessible to the local population?
3. Does the WBG require disclosed contracts, when necessary, to be translated into local languages?
4. In cases where information is redacted, does the WBG require that an adequate explanation is provided such as the information poses significant financial or competitive harm to the project sponsor that is greater than the benefit to the public of disclosure?
5. Are all contract transparency requirements, issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans?
6. Did the WBG provide adequate assistance to the government for contract negotiations between the host government and EI Company /es? Were there expert advisors with local knowledge and expertise in making sure the government could negotiate a fair contract, one that provided adequate benefits to the host country and local citizens?

Project implementation

7. Have all key project contracts/agreements, including Host Government Agreements (HGAs), Production Sharing Agreements (PSAs), Inter-governmental Agreements (IGAs), and Stability Agreements been publicly disclosed?
8. Have disclosed contracts been easily accessible to the local population?
9. Have contracts, when necessary, been translated into local languages?
10. In cases where Information has been redacted, has there been an adequate and appropriate explanation?

Revenue Transparency

A. EIR Recommendations

- Promote transparency in extractive industry revenue flows (47)
- Revenue and expenditure information should be made publicly available during project implementation.
- Vigorously fight corruption systematically and consistently by requiring revenue and expenditure transparency at the country level.

B. Bank Management EIR Commitments

- Company-level – Required/Expected
- Required or expected immediately for new significant projects:
- World Bank Group will require revenue transparency with respect to project payments to governments as a condition for new investments in the extractive industries
- Required or expected within two years for all new projects:
 - Transparency about material EI-related payments to governments for all new EI projects
 - In the case of significant private projects supported by the WBG (including through IFC/MIGA finance/insurance, IBRD/IDA loans/credits and guarantees, as well as technical assistance to facilitate new investment), the WBG will work to ensure both mitigation of risks regarding inappropriate use of revenues, and disclosure of payments to governments, ... For smaller projects, the revenue management risks will be carefully reviewed in appropriate project documents.

- In IFC's case, for example, it will be reviewed in its Summary of Project Information (SPI) that is disclosed at least 30 days before projects are taken to Board for approval. Within two years of the date of this Management Response (allowing time for transition), the WBG will expect disclosure of EI payments to governments in all new private sector EI projects where it is involved.
- More generally, the WBG is strengthening its support for transparency through the Extractive Industries Transparency Initiative (EITI), in its core diagnostic and analytic work, and through country-level policy dialogue on public finances. The WBG and IMF provide assistance to governments with EI revenue management, macroeconomic policy, EI policy and regulatory frameworks, and improving public consultation.

C. Assessment Indicators

Loan requirements

1. Does the WBG require public disclosure of all fiscal contributions made by all companies involved in the project, including royalties, taxes, commodity based payments (e.g., production volumes), and any other payments (such as signature bonuses & one-time contractual agreements) made to the host government?
2. Does the WBG require public disclosure by individual companies?
3. Does the WBG require that government expenditures stemming from revenue generated by the EI project/sector be publicly disclosed? Will expenditures be reported in enough detail to be able to understand direct contributions to specific government activities, including social, environmental, and poverty related services?
4. Are expenditures stemming from revenue generated by the EI project/sector reported in a format that is accessible and understandable to host country local communities?
5. Does the WBG require project-related revenues to be reported in a format that is accessible and understandable to host country local communities, including translation when necessary?
6. Does the WBG require an independent audit of revenue/expenditure reporting?
7. Are all revenue and expenditure transparency requirements, issues, and concerns adequately addressed/described in the Summary of Project Information (SPI) document for IFC/MIGA loans? Or in the Project Information Document (PID) for World Bank (IBRD/IDA) loans?
8. Given that the WBG is investing in the EI sector of the country, is the WBG adequately promoting transparency of public finances at the country level? For example, assisting/requiring appropriate regulatory frameworks and public consultation?
9. Has the WBG carried out adequate ex-ante core diagnostic and analytic work to be able to fully understand and address the challenges of EI related revenue management in the host country? If so, are the results of such analytic work adequately addressed in the project design?

Project implementation

10. Are project related revenues and government expenditures being reported according to the parameters described in numbers 1 – 4 above?
11. Is civil society allowed to participate in the monitoring and implementation of the revenue transparency procedures?

Revenue/Benefit Sharing

A. EIR Recommendations

- IFC/MIGA should ensure an open, public planning process to distribute benefits to communities in any proposed EI project, and that the local community will have equal access to information necessary for meaningful participation.
- Revenues should be shared equitably among local, regional and national levels.

B. Bank Management EIR Commitments

- Executive Summary: We will work with governments, sponsors, and communities to ensure that affected communities benefit from projects as broadly as possible, including continuing to encourage and assist SME (small and medium enterprises) linkages programs.
- The WBG advises governments to ensure that revenue goes to the regions in which EI projects are located thereby compensating the regions for negative impacts and giving a sense of local benefit. It also advises governments to establish revenue-sharing mechanisms that are transparent and are robust enough to deliver benefits in practice. And when involved in projects, the WBG will aim to ensure that local

government provisions for revenue distribution are met and will work with investors to ensure that communities benefit in some way from projects that affect them. When it comes to the specifics of the sharing of tax revenues and royalties, this is often set by national law and government policy, and varies widely between countries.

- However, fiscal revenue allocation is only rarely set by governments by negotiation on a project-specific basis. Whenever requested, or otherwise required, the WBG advises governments about EI taxation, revenue collection, and sharing, and can inform them of best practices.
- Although the sharing of EI revenues among different levels of government and communities is a complex issue, the WBG agrees that where EI developments impose costs on communities, these should be fully compensated for, as a minimum response.

C. Assessment Indicators

Loan Requirements

1. To what extent are direct project benefits clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women?
2. In what form are the project benefits to local groups (e.g., community development program, direct employment (permanent/short-term), education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)?
3. In the case of economic, social, and environmental costs to the local communities as a result of the project, are local citizens receiving full compensation for these costs? (Describe nature of costs and compensation received)
4. In the case of clearly established benefits, are the benefits offered on a scale comparable to the revenues generated by the project? What is the ratio of benefits to project revenues?
5. Will the “benefits” to local groups be sustained throughout the life of the project? Or only during the construction phase? Does the project create sustainable benefits beyond the life of the project?
6. Will benefits (i.e., royalties, taxes,) be equitably distributed among different levels of government (i.e., national, regional and municipal/local)?
7. Has the Bank required a transparent mechanism that will ensure that project revenues and benefits are distributed equitably (e.g., to locally affected communities and among national, regional and municipal/local governments)?

Project Implementation

8. Has the WBG ensured that the promised project benefits are being delivered to local groups and the designated government agencies?
9. Are the extractive sector benefits equitably distributed among the local, regional and national governments?
10. Has the WBG verified the operation and effectiveness of a transparent benefit distribution mechanism? In the case where a mechanism has not been set up or is not effective, has the WBG required corrective measures?

Governance

A. EIR Recommendations:

- Build capacity for meeting adequate governance conditions through technical assistance (49)
- Specifically assess governance adequacy before investing in EI projects (46)
- Explicit core and sectoral governance requirements should be met before a project qualifies for funding (i.e. sequencing) (46)
- IFC/MIGA should ensure that there is an effective local complaints and dispute resolution system in place for communities affected by EI projects.

B. Bank Management EIR Commitments:

- [WBG] will take account of a wide range of quantitative and qualitative indicators and information about governance and other risks (including use of indicators of governance, such as its own CPIA analysis). Project documents that will be public will include a review of this judgment. In the case of IFC, for example, it will provide a review of relevant EI governance related issues in its SPI or equivalent document, that is released to the public at least 30 days before investments are considered by its Board. (18)

- In the case of significant private projects supported by the WBG (including through IFC/MIGA finance/insurance, IBRD/IDA loans/credits and guarantees, as well as technical assistance to facilitate new investment), the WBG will work to ensure [...] and disclosure [...] the terms of key contracts with governments such as Intergovernmental Agreements (IGAs) and Host Government Agreements (HGAs). (17/18)
- For all the EI projects that we support we will carefully evaluate governance capacity and risks at the national, sector, and local levels and use the results in decisions on sequencing our activities in EI. (2)

C. Assessment Indicators

1. Was a comprehensive options assessment developed for the project? Is there a government plan on how to use associated infrastructure development (road, ports, power plan) for the benefit of the public?
2. Is there in place an effective local system for the handling of complaints and disputes? Is it independent from the company and guarantees that all complains will be fairly treated?
3. What is the experience with the complaints handling so far?
4. Did the project documents include a review of relevant governance issues?

Environmental, Social and Health Impact Assessment

A. EIR Recommendations:

- EI projects should be classified as Category A projects. IFC/MIGA should prepare lists of illustrative Category A projects in EI sector. (54)
- All WBG-supported projects should mandate a health impact assessment along the lines of the WHO's health impact assessment. (52)
- WBG should require integrated environmental and social impact assessments (54)

B. Bank Management EIR Commitments:

- November 2004. WBG social and environmental assessments require potential health issues to be evaluated and taken into account in project design. The ongoing IFC review of safeguard policies will evaluate the utility of including comprehensive health assessments in the relevant section of environmental and social assessments. (25)
- The IFC's December 2003 Good Practice Note, Addressing the Social Dimensions of Private Sector Projects, indicates how to better address social impacts and suggests innovative mitigation actions. IFC's current safeguards revision will advance the integrated (holistic and multidimensional) social and environment assessment agenda. (29)

C. Assessment Indicators

Project lending

1. Was the Extractive Industry project classified as category A? What were the reasons for the different category? Were those reasons legitimate?
2. Is there an impact assessment that integrates environmental, social and health components?

Policy lending

3. For countries where EI development is likely or intended to occur as a result of WB-supported structural reforms, did the WB require upstream social and environmental analyses for SALs, SECALs, technical assistance and analytic/advisory activities (i.e., now often referred to as Development Policy Lending or DPL, note: PRSPs fall into this category)? Have these analyses been developed in transparent and participatory processes with full public access to the drafts and final documents?

No-Go Zones

A. EIR Recommendations:

- The WBG should not finance any oil, gas, or mining projects or activities (including through policy lending and technical assistance) that might affect existing World Heritage properties, current official protected areas, or critical natural habitat (as described in its current Natural Habitat Policy²) or areas planned in the future to be designated by national or local officials as protected. (54)

² (i) existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of the World Conservation Union [IUCN] classifications - see note on IUCN Categories), areas initially

- Any extractive industry projects financed within a known “biological hot spot” must undergo additional alternative development studies. (54).
- Under no circumstances should the IFC and MIGA support EI projects in areas involved in, or at high risk of, armed conflict (46-47)

B. Bank Management EIR Commitments:

- None

C. Assessment Indicators

1. Did the project affect the World Heritage properties, current officially protected areas, or critical natural habitat or areas planned in the future to be designated by national or local officials as protected?
2. Did (or will) the project affect any "biological hot spots"? If yes, did it undergo an alternative development study?
3. Was the project constructed in the area that involved armed conflict?

Emergency Response planning

A. EIR Recommendations:

- WBG should require emergency response plans as a precondition of funding. IFC/MIGA should require best practices and available technologies (58).
- IFC/MIGA should require full and early disclosure of emergency response plans and accident and response reports to the extent feasible (58).

B. Bank Management EIR Commitments:

- The December 2001 Hazardous Materials Management Guideline requires preparation of emergency response plans. These are included in the environmental and social impact assessment that is disclosed for all Category A projects. (34)
- In particular, community involvement is a key part of the guidelines. (34)

C. Assessment Indicators

1. Is there an Emergency response plan in place for the project?
2. Was there a public consultation of the emergency response plan? Were the public’s comments incorporated into the emergency response plan? If not, what reasons were given?
3. Does the IFC/MIGA require best practice and technologies to be used in the emergency response plan?
4. Does the emergency response plan require the immediate disclosure of information about accidents to authorities as well as general as well as response reports when they are prepared?
5. Is the mechanism for public information about accidents fast and adequate so that it guarantees that information reaches all relevant actors in society?

recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the environmental assessment process; or

(ii) sites identified on supplementary lists prepared by the Bank or an authoritative source determined by the Regional Environment Division. Such sites may include areas recognized by traditional local communities (e.g., sacred groves); areas with known high suitability for biodiversity conservation; and sites that are critical for rare, vulnerable, migratory, or endangered species. (Rare, vulnerable, endangered, or similarly threatened, as indicated in the IUCN Red List of Threatened Animals, BirdLife World List of Threatened Birds, IUCN Red List of Threatened Plants, or other credible international or national lists accepted by the RESUs.) Listings are based on systematic evaluations of such factors as species richness; the degree of endemism, rarity, and vulnerability of component species; representativeness; and integrity of ecosystem processes.

IUCN categories are as follows: I—Strict Nature Reserve/Wilderness Area: protected area managed for science or wilderness protection; II—National Park: protected area managed mainly for ecosystem protection and recreation; III—Natural Monument: protected area managed mainly for conservation of specific natural features; IV—Habitat/Species Management Area: protected area managed mainly for conservation through management intervention; V—Protected Landscape/Seascape: protected area managed mainly for landscape/seascape conservation and recreation; and VI—Managed Resource Protected Area: protected area managed mainly for the sustainable use of natural ecosystems.

Transport of oil and hazardous substances

A. EIR Recommendations:

- WBG should require only safe, modern and well-run vessels to carry oil or hazardous cargoes, with clear criteria set (58).

B. Bank Management EIR Commitments:

- In supporting projects, the WBG will carefully review the operator's procedures for transporting, storing, using, and disposing of toxic materials to ensure they are in line with the Hazardous Materials Management Guidelines. (34)

C. Assessment Indicators

1. In case the project involved the transport of oil or hazardous substances, were there special conditions on the quality of ships set up for the project?
2. Did those conditions also include safety and age criteria, stringent inspections and labour standards?

Mining and use of toxic materials

A. EIR Recommendations:

- WBG should not support any project where there is riverine tailings disposal (56).
- WBG should explore the options of establishing an insurance system or performance bonds for regions affected by mine closure or other legacy issues.(57)
- Closure plans should be independently verified and monitored and made available to the public (57).
- WBG should require and support regional laboratory capacity to test for cyanide and other relevant toxics before supporting an EI project using those compounds (57).
- Where cyanide is used, WBG should require monitoring of nearby waters for all breakdown products (57).

B. Bank Management EIR Commitments:

- In supporting projects, the WBG will carefully review the operator's procedures for transporting, storing, using, and disposing of toxic materials to ensure they are in line with the Hazardous Materials Management Guidelines. (33)

C. Assessment Indicators

1. Did the project involve riverine tailing disposal?
2. Is there an insurance system, bond or other mechanism for the region established for dealing with mine closure? Did the WBG encourage the establishment of such a system?
3. Is the closure plan prepared and available to the public? Did the company organise any consultation on the closure plan? Does the closure plan deal with both environmental, social as well as safety issues?
4. Is there a local (regional) independent laboratory that is able to test cyanide and other relevant toxic compounds in the region where the EI project is located?
5. Did the WBG require a regional laboratory with the capacity to test cyanide and other relevant toxic compounds before the start of the project?
6. In the case of cyanide use, is there a requirement that the company monitor the nearby waters for all breakdown products of cyanide?
7. Do the project operator's procedures for transporting, storing, using, and disposing of toxic materials ensure that they are in line with the Hazardous Materials Management Guidelines?
[http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_hazmatgmt/\\$FILE/hazmatgmt.pdf](http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_hazmatgmt/$FILE/hazmatgmt.pdf)

Indigenous Peoples' Rights

A. EIR Recommendations:

- The WBG should ensure that borrowers and clients engage in consent processes with indigenous peoples and local communities directly affected by oil, gas, and mining projects, to obtain their free prior and informed consent. (50).
- WBG should ensure that indigenous peoples' right to give their free prior and informed consent is incorporated and respected in its Safeguard Policies and project-related instruments (50)

- Covenants should be included in project agreements that provide for multiparty negotiated and enforceable agreements, should indigenous peoples and local communities consent to the project. [i.e., In the Community Benefits Policy, the WBG should require all EI project agreements to allow for third-party rights (i.e. affected communities) to enforce those environmental and social conditions meant to provide community benefits.]

B. Bank Management EIR Commitments:

- The Bank Group will only support EI projects that have the broad support of affected communities (including Indigenous Peoples communities). This does not mean a veto power for individuals or any group, but it does mean that the Bank Group requires a process of free, prior, and informed consultation with affected communities that leads to broad support by them of the project. (7)

C. Assessment Indicators

1. Is there legislation on indigenous peoples' rights in the country where the project is realized?
2. Provided with relative subordinate regulations, is this legislation in force?
3. Are there any respective examples of good practice in the region, where the project is realized?

Poverty Impacts

A. EIR Recommendations

- WBG should only support projects that benefit all affected local groups, including vulnerable ethnic minorities, women and the poorest. (49)
- WBG should require “direct” or “local and regional” poverty alleviation goals and IFC should require projects to identify “sustainability dimensions”.
- WBG needs to gather baseline data on poverty and social indicators, which should be monitored throughout the lifetime of the project. (51)
- WBG should require poverty impact assessments. (51)
- WBG should institute a monitoring mechanism of macro-level poverty, social and environmental management indicators to complement the IMF’s macroeconomic monitoring (62).
- Require Integrated Environmental and Social Impact Assessments: The WBG should take a holistic, multidimensional approach to assessments, identifying cumulative impacts of projects and socioeconomic linkages to environmental issues. Social impacts should be fully identified, including health impacts and projects’ effects on vulnerable groups. And a strategy for impact prevention, minimization, and mitigation is needed.

B. Bank Management EIR Commitments

- Executive Summary: We agree with the recommendations of the Review to work with stakeholders to develop consistent indicators of the benefits of extractive industry projects on poverty reduction and use these to help identify and track project outcomes... We will identify expected development impacts of EI projects we support and make these public before we recommend Board approval.
- Executive Summary: ...more than 1.6 billion people do not have electricity; and 2.3 billion people depend on traditional biomass fuels, which are leading causes of both deforestation and pollution. Reducing these levels of “energy poverty” in the next two decades is a huge challenge no just for the Bank Group, but for the entire international community. Local development of energy resources, particularly when international prices are high, can help both directly and indirectly reduce “energy poverty.”
- The WBG will work with investors and governments to help minimize the risks and to help ensure that local communities, especially the most vulnerable, are properly compensated for unavoidable risks, and benefit from opportunities that are developed in the course of projects.
- EI developments are only supported when, in WBG judgment, the economic case is strong when balanced with all environmental and social considerations. WBG policies are designed to help ensure that affected groups are not harmed by developments and, where possible, are better off.
- The IBRD/IDA assists governments to create forward and backward linkages between EI investments, regional economies, and local communities as part of its ongoing TA in many EI projects. The IFC has a special Small and Medium Enterprise (SME) Linkages Team that works to encourage such linkages. The IBRD/IDA supports public-private partnerships and cost-sharing arrangements to create linkages from projects to local communities and businesses early in the project planning cycle.

- The WBG screens social aspects of all projects, including EI projects. This includes a review of poverty. At the project level, baseline data collection is often a part of the social assessment. The December 2003 IFC Good Practice Note, Addressing the Social Dimensions of Private Sector Projects, addresses the issue of identifying indicators to measure improvements in social baseline conditions, although these need to be tailored to a project's size and potential impacts. As part of the ongoing IFC revision of its safeguards, the use of indicators will be evaluated further. IBRD/IDA is currently working with a wide range of stakeholders through the Global Reporting Initiative (GRI) on EI sustainability indicators that can be used consistently across projects and countries to report on outcomes. To be effective, such indicators need to be relevant and meaningful to communities.
- The general direction in WBG operations has been toward a holistic approach, as exemplified in support for countries' Comprehensive Development Framework, PSRPs, and similar processes. The preparation of strategic environmental and social assessments, in which cumulative impacts assessment is a key deliverable, has become more common. The 1998 IFC Environment and Social Review Procedure introduced the requirement for a cumulative impacts assessment. Lessons learned, in part in EI, are being used to refine the strategic environment and social assessment and IFC's cumulative impacts assessment requirement. The IFC's December 2003 Good Practice Note, Addressing the Social Dimensions of Private Sector Projects, indicates how to better address social impacts and suggests innovative mitigation actions. IFC's current safeguards revision will advance the integrated (holistic and multidimensional) social and environment assessment agenda.
- The WBG should establish a targeted program aimed at restoring degraded lands, improving the life of the poor who are affected by previous project closures, and generating employment and skills training.
- [Poverty Indicators Monitoring for IMF] - The WBG cooperates closely with the IMF on all areas involving country economic and financial management, performance, and basic lending policies. Improvements in this cooperation are continually being sought. IBRD/IDA undertake regular monitoring of each country's poverty, social, and environmental management indicators, and these are essential inputs into the CASs that are prepared regularly for all active borrowers. Poverty, social, and environmental policies are evaluated annually in the Country Policy and Institutional Assessment (CPIA).

C. Assessment Indicators

Loan Requirements

1. Has the WBG ensured that direct project benefits have been clearly established for all affected local groups, including ethnic minorities, vulnerable groups, and women? What is the nature of the benefits (development, education, health, employment, direct revenue sharing / one-time, short-term, long-term, etc.)? Are individuals fully and appropriately compensated for the negative effects?
2. Do project documents clearly address how the project will contribute to local and regional poverty reduction goals? If so, how?
3. Does the project establish accurate and location-appropriate baseline data on local poverty and social indicators? (e.g., # of individuals below the poverty line, # of individuals in extreme poverty, Gini coefficient, employment rate (formal and non-formal sectors), access to health care, education level, land ownership, factors of production ownership, access to clean water, air, and food supply)
4. Has the project completed a poverty impact assessment? Including both positive and negative impacts? If so, were the results of the assessment adequately considered and addressed by the project design/Action Plan?
5. Do project documents demonstrate a "strong economic case" that is balanced with all environmental and social considerations? Will it provide more value-added benefits to the local economy over other sector/investment alternatives? Will it help to diversify the economy?
6. Will it provide significant long-term employment opportunities for local individuals, including women?
7. Will it create forward and backward linkages to other sectors of the economy? To the local economy, e.g., contracts with local companies/entrepreneurs?
8. Will it provide energy/electricity services to local communities?
9. Will it transfer technology and skills?
10. Will the local communities have access to clean supplies of air, drinking water, and food?
11. Is there local ownership? Is there local profit sharing?
12. Will (or is) the livelihoods of local people be positively or negatively affected? Are individuals fully and appropriately compensated for the negative effects?

Project Implementation

13. Is the WBG monitoring the project's impact on the baseline poverty and social indicators?
14. Is the WBG ensuring that the project is actually having positive impacts on the poverty and social indicators, including inter alia those listed above (list and rate each indicator separately)
15. How many contracts have been issued to local businesses?

Human Rights

A. EIR Recommendations:

- WBG should not support projects that undermine or are inconsistent with a country's obligations under international human rights law (59).
- WBG should systematically engage experienced, independent, and reputable third parties to verify the status of human rights in all relevant projects (59)
- Adoption of and demonstrated compliance with human rights principles should be a prerequisite for companies seeking WBG support for extractive industries.(59)

B. Bank Management EIR Commitments:

- In addition, for new projects we will implement the specific recommendation in the Review on the use of security forces to protect extractive industry project sites— in line with the US/UK Voluntary Principles on Security and Human Rights.

C. Assessment Indicators

1. Did the WBG assess the country obligations under international human rights laws?
2. Does the company(ies) have a history of human rights violations?
3. Is the project consistent with the country's obligations under international human rights laws?
4. Where the project was questioned because of the human rights situation, was there any third party involved in the verification of human rights?
5. Did the company(ies) involved in the project adopt human rights principles and inform the local public about their rights?
6. Has the company endorsed, or at least does it operate according to, US/UK Voluntary Principles on Security and Human Rights? Are all of the principles respected in the project?
<http://www.state.gov/g/drl/rls/2931.htm>

Resettlement

A. EIR Recommendations:

- WBG should require consent processes leading to free prior and informed consent before any resettlement takes place (55).
- WBG should ensure that the value of informal activities and resources not captured by property rights are included in resettlement efforts (55).
- WBG should ensure at the outset that sufficient funding for resettlement is available. Further financing, such as performance bonds and resettlement insurance, should be available in case initial efforts to achieve better livelihoods are not effective. (55)
- Resettled groups should furthermore count as part of the groups affected by the project and should receive clear benefits from it, such as receiving a share of project revenues allocated to Indigenous peoples and local communities.
- WBG should ensure that all resettled people have access to independent effective complaint and dispute resolution mechanisms at the local level (55).
- IBRD and IDA should provide technical assistance to governments to help them incorporate all these principles as a basis for national resettlement legislation.

B. Bank Management EIR Commitments:

- Discussions with communities should provide meaningful consultation and result in informed participation the Bank Group will support only those projects that have the broad support of affected communities.
- Grievance mechanisms that are trusted by local communities can serve as early indicators of problems and as forums for their solution.

- Current WBG resettlement policies are aimed at ensuring that people are at least as well off, and preferable have improved livelihoods, following resettlement and that alternative livelihoods are sustainable.
- The instruments required by OP 4.12, Involuntary Resettlement, including the Resettlement Action Plan and Resettlement Framework, include a budget to achieve their objectives. As part of the project preparation and appraisal process, WBG staff ensure that the budget for the proposed resettlement entitlement is adequate and that proper monitoring mechanisms are included to allow for regular assessment of implementation. The performance bond and resettlement insurance recommendation will be evaluated as part of the IFC Safeguard review.
- The Community Development Action Plan (CDAP) required for high-risk EI projects in practice include the resettled communities, as well as Indigenous Peoples. Project benefits are distributed to all parties through the CDAP.
- IBRD/IDA will continue to provide technical assistance to governments for national resettlement legislation. This is undertaken when requested by the government, and deemed appropriate in the country context. Good and fair legislation in this area contributes to the quality of governance and the effectiveness of poverty alleviation policies.
- IBRD/IDA appraisal for Category A and B projects cannot begin until an environmental assessment, Resettlement Action Plan, and/or Indigenous Peoples Development Plan (as required) have been prepared, consulted upon, and disclosed. In the case of IFC, an approved draft of the environmental and social assessment or environmental assessment and relevant social safeguard documents are disclosed in-country, including to the local community, for at least 30 days before Board presentation. A 60-day disclosure period for safeguard documents is used for IBRD/IDA guarantee operations. The issue of the disclosure of evaluations of private sector operations will be addressed as part of the revision of the IFC Disclosure Policy (see II.12 above).

C. Assessment Indicators

Loan requirements

1. Did the WBG ensure an adequate consultation process that lead to free prior and informed consent before any resettlement took place? Please explain.
2. Did the WBG ensure that the value of informal activities and resources not captured by property rights were included in resettlement negotiations/compensation packages? Please elaborate.
3. Did the WBG ensure at the outset that sufficient funding for resettlement was available? Are alternative forms of financing available, such as performance bonds and/or resettlement insurance?
4. Did the WBG ensure that the resettlement negotiations/packages provide for resettled individuals to be at least as well off as before resettlement or have been provided with improved livelihoods following resettlement?
5. Did the WBG ensure that all resettled people have access to an independent, effective, and trusted complaint and dispute resolution mechanisms at the local level? Did the WBD ensure that the alternative livelihoods are sustainable?
6. Did the WBG ensure public disclosure of the Resettlement Action Plan and the Resettlement Framework at least 120 days prior to project approval? [Note: Management Response only states 30 days for IFC and 60 days for IBRD/IDA].
7. Did the WBG ensure that resettled groups count as part of the groups affected by the project and thus are receiving clear benefits from the project, such as a share of project revenues allocated to local communities?

Project implementation

8. Is the WBG monitoring and publicly reporting on the implementation of the Resettlement Action Plans and Resettlement Framework, including the resolution of disputes and the overall satisfaction of resettled peoples?
9. Is the WBG ensuring that resettlement disputes are being resolved in a fair and timely manner?

Core Labour Standards

A. EIR Recommendations:

- [...] IBRD and IDA should adopt the CLS as contractual requirements for project financing by including them as mandatory elements of the WBG's Standard Bidding Document. (59).

- IFC and MIGA should adopt all four of the Core Labour Standards³ as part of their Safeguard Policies, and not just two, as is currently the case. Furthermore, IFC and MIGA should improve the monitoring and reporting mechanisms for these policies so as to ensure that they are complied with in the projects in which they invest, and should ensure that project sponsors subject themselves to independent and impartial third-party verification. (59).
- The WBG should work with governments, trade unions, industry groups, and other organizations, as well as the ILO, to promote the implementation and enforcement of the standards.

B. Bank Management EIR Commitments:

- The WBG supports the use of appropriate policies and the strengthening of institutions to stimulate value-added and labour-intensive economic activity on a case-by-case basis, as warranted by the economic conditions in individual countries.
- The WBG supports good practice related to all core labour standards (CLS). IFC and MIGA have specific policies relating to child labour and forced labour. This recommendation goes beyond the WBG's activities in the EI sector, and the broadening of WBG adoption of the CLS will be considered under the reviews of the approach to human rights in IFC and IBRD/IDA (see III.1 above). The WBG works closely with all stakeholders on labour issues. In the context of IDA12, a toolkit on CLS was developed by IBRD/IDA for use in the PRSP process, with a greater focus on CLS in IDA's work in general.
- WBG cooperation with unions is improving, with programs of secondments of union staff to the WBG and regular consultations globally (with the ICFTU) and at country level. IFC's draft Performance Standard addressing this issue, add proposed provisions concerning workers organizations and non-discrimination to existing provisions concerning child labour and forced labour. These proposals were made public for comment from August 16th 2004.

C. Assessment Indicators

Loan Requirements

1. Does the WBG project loan agreement and/or other project documents incorporate all core labour standards?
2. Does the WBG's Standard Bidding Document incorporate all core labour standards?

Project Implementation

3. Does the WBG ensure that the project fully abides by the core labour standards on no discrimination? If not, how is the WBG addressing this issue?
4. Does the WBG ensure that the project fully abides by the core labour standards on no forced labour? If not, how is the WBG addressing this issue?
5. Does the WBG ensure that the project fully abides by the core labour standards on no child labour? If not, how is the WBG addressing this issue?

³ Conventions that cover four labour standards

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Minimum Age Convention, 1973 (No. 138)
- Worst Forms of Child Labour Convention, 1999 (No. 182)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

The core labour standards of the International Labour Organization (ILO) include:

- 1) No labour market discrimination including discrimination by race, religion, ethnicity, gender, or political opinion.
- 2) No forced or compulsory labour, with limited exceptions for military service and national emergencies.
- 3) No exploitive child labour – the baseline minimum working age is set at fifteen, although if a country is insufficiently developed or only light work is involved, the age can be lower. For hazardous occupations the minimum working age is raised to eighteen [many extractive industry related jobs would be in this category].
- 4) The right to freedom of association, which gives workers the right to form and join organizations of their own choosing, including unions. Governments may not dictate the form, affiliations, or internal operations of these organizations.
- 5) The right of workers to engage in collective bargaining with employers who cannot discriminate against workers who join trade unions. Governments must encourage voluntary collective bargaining.

6. Does the WBG ensure that the project fully abides by the core labour standards on the right to freedom of association? If not, how is the WBG addressing this issue?
7. Does the WBG ensure that the project fully abides by the core labour standards on the right to engage in collective bargaining? If not, how is the WBG addressing this issue?

Adherence to CAS Objectives and Priorities

A. EIR Recommendations:

- Improve coordination across the different arms of the WBG: The activities of the IBRD/IDA, the IFC, and MIGA need to be much better coordinated. Coordination might best be provided through the Country Assistance Strategy (CAS) process. (Vol I page xiii)
- Systematically address challenges of extractive industry sectors in CASs: CASs of countries with significant or planned extractive industries need to address the challenges posed by these sectors regardless of whether the WBG is involved directly in them in a given country. The CAS should outline clearly what governments need to do to assure that the conditions are in place for extractive industries to contribute to poverty alleviation and sustainable development. (Vol I page xiii)

B. Bank Management EIR Commitments:

- The IFC and MIGA ensure that their support for any project is consistent with WBG CAS for the host country.
- All future Country Assistance Strategies (CAS) for resource-rich countries will systematically address relevant extractive industry issues (page iv).

C. Assessment Indicators

1. Does the WBG ensure that the project is consistent with the main objectives and development priorities contained in the Country Assistance Strategy (CAS)? How well does the project address the objectives and priorities of the CAS?
2. Does the WBG ensure that the project is consistent with the main objectives and priorities contained in the Poverty Reduction Strategy Paper (PRSP) [Note: Not all countries will have a PRSP]? How well does the project address the objectives and priorities of the PRSP?
3. Does the WBG ensure that the project adequately addresses all extractive industry issues identified in the CAS?

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Heike Mainhardt-Gibbs is the Manager of the Europe and Central Asia Program at the Bank Information Center (BIC). She has worked for more than thirteen years in the environment and development fields for both the private and nonprofit sectors and has consulted to a wide range of organizations, including NGOs, the US government, the United Nations, the World Bank, and the IPCC. Heike received her M.A. in Development Economics and International Environmental Policy from the Fletcher School of Law and Diplomacy at Tufts University and holds a B.S. from the University of Michigan in Environmental Science. Jelena Kmezcic is a Bank Information Center consultant. She works on World Bank, ADB, and EBRD projects and policies in the ECA region. In addition to her consulting at BIC, Jelena was working with the G17 research institute in Belgrade (Serbia), several International Associations of Economists, and the University of Minnesota. Jelena received her M.A. in Economics at the George Washington University where she currently continues pursuing a Ph.D. in Economics. She holds a B.A. with a triple major in Economics, Management, and Statistics from the University of Minnesota, Morris.

Petr Hlobil, CEE Bankwatch Network



After graduating from Technical University, Petr started working as a project designer in the energy industry. Since 1991 he has worked for NGOs (Children of the Earth, Greenpeace) on energy and nuclear issues. In 1995 he founded the Centre for Transport and Energy in Prague. Since 1996 he has worked in CEE Bankwatch Network and is currently the network's Campaigns' Coordinator. Petr focuses on energy and extractive industries issues. He has co-authored and edited a number of publications on these issues.

Vladimir Belogolovov, Buryat Regional Department on Lake Baikal



Vladimir Belogolovov is the project manager of the "Buryat Regional Department on Lake Baikal" and since 1997 has been the leader of the "East- Siberian Centre for Supporting of US Project AMP". Vladimir graduated as an engineer-geologist and has a doctors' degree in mineralogical science. Between 1986 and 1990 he worked as chief of ecological and geo-chemical scientific research in the Lake Baikal catchment area, preparing several scientific studies. He subsequently became director of a joint Russian-Mongolian company and the coordinator of several projects on land-use planning in the Lake Baikal region.

Mayis Gulaliyev, Center for Civic Initiatives, Azerbaijan



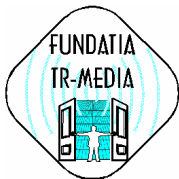
Mayis Gulaliyev is one of the co-founders of the Center for Civic Initiatives Azerbaijan, that works on strengthening NGOs working on social, human rights and environmental issues and building democracy in Azerbaijan. Mayis is the editor of the journal "Problems of local self-government" and he is the co-author of a number of publications focusing on governance issues and revenue transparency.

Andrey Rudomakha, Environmental Watch on the North Caucasus, Russia



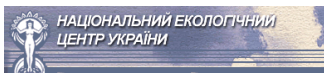
Andrey Rudomakha has been active in ecological movements since the late 80s. He led the campaign against Krasnodar nuclear power plant, as well as campaigns to preserve the North Caucasus Nature Reserve. He was one of the founders of "Environmental Watch on the North Caucasus", an environmental protection organisation that opposes harmful projects in the region, and which also coordinates and develops the ecological movement and civil society. Andrey is the deputy chairman of the North Caucasus branch of Social Ecological Union and a board member of Black Sea International Network.

Daniel Dincă, Fundatia TR-Media, Romania



Daniel Dincă has a background in polytechnics. He worked in this sector for a short period and then became involved in civil society organisations. He has developed projects related to civic education and journalism, public participation, and has run training courses for local administration, training courses on advocacy, conflict resolution and democracy issues. He has also been involved in activities related to rural development, anti-corruption, and monitoring the election process in Romania, Azerbaijan and Bulgaria.

Yevgen Groza, National Ecological Centre of Ukraine (NECU)



Yevgen Groza studied Radiation Physics at Kyiv Shevchenko University and holds a Master of Science degree from the Central European University in the field of Environmental Science and Policy. Yevgen Groza joined CEE Bankwatch Network in January 2002 as the network's National Coordinator for Ukraine.

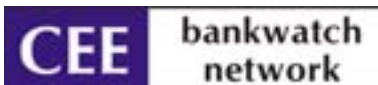
Anna Roggenbuck, Polish Green Network



Ania Roggenbuck has been working as a National Coordinator for CEE Bankwatch Network since 2003. She focuses on a range of international financial institution backed projects in Poland. She is also a member of the Board of Green Federation Gaja. Anna has an MA degree in sociology.



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