IMPLEMENTATION OF THE MANAGEMENT RESPONSE TO THE EXTRACTIVE INDUSTRIES REVIEW

December 9, 2005

Implementation of the Management Response to the Extractive Industries Review

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ABBREVIATIONS AND ACRONYMS

AAA	Analytic and advisory activities
ASM	Artisanal and small-scale mining
CAO	Compliance Advisor/Ombudsman
CAS	Country Assistance Strategy
CO_2	Carbon dioxide
CASM	Communities and small-scale mining
CODE	Committee on Development Effectiveness
DFID	Department for International Development
EE	Energy Efficiency
EI	Extractive industries
EIR	Extractive Industries Review
EITI	Extractive Industries Transparency Initiative
FY	Fiscal year (ending June 30^{th} for the WBG)
GGFR	Global Gas Flaring Reduction partnership
GHG	Greenhouse gas
HGA	Host government agreement
HIPC	Heavily Indebted Poor Country
HIV/AIDS	Human immunodeficiency virus/acquired immune deficiency syndrome
IBRD	International Bank for Reconstruction and Development
ICMM	International Council on Mining and Metals
IDA	International Development Association
IEA	International Energy Agency
IFC	International Finance Corporation
IGA	Inter-government agreement
IMF	International Monetary Fund
IUCN	World Conservation Union
LICUS	Low-income countries under stress
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
MR	Management Response to the Extractive Industries Review
New-RE	Renewable Energy excluding hydro with capacity more than 10MW
NGO	Nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department
OEG	Operations Evaluation Group
OEU	Operational Evaluation Unit
PRSP	Poverty Reduction Strategy Paper
RE	Renewable Energy
SPI	Summary Project Information
SME	Small and medium enterprises
TA	Technical assistance
UJV	Unincorporated joint venture
UN	United Nations
UNEP	United Nations Energy Program
WBG	World Bank Group

EXECUTIVE SUMMARY

The World Bank Group is on track with the Implementation of the Management Response to the Extractive Industries Review and the World Bank Group's own evaluations. Since October, 2004, there has been significant progress in implementing the specific proposals in the Management Response and in deepening our understanding of the approach to sustainable development in extractive industries.

The World Bank Group is now:

- Applying a more considered approach to our assessment of governance risks to EI project benefits;
- Addressing extractive industries issues in Country Assistance Strategies;
- Working to make extractive industries revenues more transparent both through the projects that we support and through broader initiatives such as the EITI;
- Making careful judgments about whether communities broadly support projects that we finance or not;
- Working with investors to broaden the development impacts of projects we support;
- Establishing a facility to help enhance the benefits communities gain from extractive industries projects; and,
- Trialing better ways of tracking the impacts of our projects;

Steps have been taken to increase the capacity of staff to understand and implement the new approach through training and preparation of manuals, and a first meeting of an international Advisory Group, set up to help advise the World Bank Group on extractive industries issues, was held in October, 2005.

IFC's draft new Policy and Performance Standards for Environmental and Social Sustainability address some extractive industries issues and have also taken up the approach of the Extractive Industries Review Management Response in certain areas. IFC's new Policy and Performance Standards are in the final stage of consultation and are on track to come to Board in early in 2006. IBRD/IDA's revised Indigenous Peoples Policy was discussed at Board in May 2005 and builds on the Management Response.

In FY05, the World Bank Group's level of extractive industries related financing at $755m for its account was broadly in line with the ten year average and about 3% of total Group financing. IFC ($334m) and MIGA ($94m) provided the largest part of this financing to support new private investment that was concentrated in the oil and gas sector with a major part of this being to support gas developments. A large part too, was to help support the activities of local companies and smaller international investors. For some potential investors, IFC/MIGA's focus on ensuring that the projects they finance contribute to sustainable development might have seemed too expensive or time consuming, but in other cases, this appears to be the reason investors sought the relationship.

IBRD/IDA EI financing ($327m) was largely focused on a variety of programs intended to help ensure the sustainable impact of extractive industries development, such as, to help close surplus coal mines in a responsible way, and to build government capacity to manage their extractive industries sector more effectively. The only IBRD/IDA financing of new capacity was IDA's

$50m guarantee to support the West Africa Gas Pipeline, aimed at significantly reducing energy costs in several poor countries in that region.

The WBG committed $748 million towards renewable energy and energy efficiency in FY05. It more than met the 20 percent growth target for New-Renewable Energy[1] and Energy Efficiency with $299 million in investments in FY05 in this sub-sector. The WBG is vigorously pursuing renewable energy and energy efficiency investments that make sense for our member countries in a number of other ways.

In addition to its financing activities, the World Bank Group has been active in providing leadership and partnering with others in a range of initiatives intended to help address key extractive industries related issues, including transparency of EI revenues, gas flaring reduction and issues relating to artisanal mining.

In FY05, World Bank Group activities in extractive industries took place against a continued background of high oil and other commodity prices that have increased the interest of and opportunities for countries to develop their extractive industries resources. For the poorest, non-oil producing countries, high oil prices will pose a significant challenge to these countries to manage the potential macro-economic impacts of substantial increases in their energy and import bills. Several studies are underway to analyze the impact of high prices and propose methods to mitigate them.

For producers, high prices have brought immediate benefits in terms of higher revenues for governments but have also made the effective management of these inflows more urgent if they are to generate sustainable benefits. A consequence of higher tax revenues is that IBRD/IDA financing for governments, and potentially its engagement and leverage may be reduced. Against this, the efforts that the Bank has been putting into non-financing work such as the Extractive Industries Transparency Initiative partnership with the Department for International Development of the United Kingdom, seem to be paying off in terms of the engagement of governments in the process and progress on the ground.

Looking forward

There remain challenges for the World Bank Group in the sector. Some of the issues involved in the extractive industries sector, such as governance risks, assessing broad community support, ensuring communities benefit in the long run, and measuring the development impacts of projects effectively, are complex in practice. Projects and countries vary hugely, trade offs are inevitable, judgments are required and we will need to continue to learn and develop our approach as we go.

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[1] The 20 percent scale up commitment applies to New-Renewable Energy, defined as solar, wind, geothermal, biomass and hydropower with capacities of 10 MW or less per facility. However, the World Bank Group supports all forms of renewable energy irrespective of scale.

Implementation of the Management Response to the Extractive Industries Review

I. INTRODUCTION

1. This paper provides a report to the Board on progress in implementing the Management Response (MR) to the reports of the Extractive Industries Review (EIR) and the World Bank Group's (WBG) own evaluations[2]. It follows an interim update to the Board in July 2005[3]. The paper overviews key extractive industries (oil, gas, mining – EI) related developments in the last year, summarizes WBG activities in the sector in the year, and reviews specific progress in implementation of the MR.

II. KEY DEVELOPMENTS IN THE EXTRACTIVE INDUSTRIES SECTOR

2. Two key trends, relevant for the WBG's member countries and for the WBG's activities in the oil, gas and mining sectors, continued to have a major impact on the outlook for the sector.

Continuing Resource Price Boom

3. ***Prices for oil, gas and metals have remained high.*** Prices have risen substantially in the last three years. Oil prices have tripled to around \$60 per barrel, and are more than double the real price average of the last 20 years. Internationally traded coal prices have doubled, and metals prices have increased by more than 80%. Contributing to this increase is strong demand, especially from China and the United States, as well as supply constraints. While experience has shown commodity prices to be cyclical, and high prices to eventually bring about demand and supply responses that lead to softening prices, some commentators believe that strong continued growth in countries such as China and India, and inherent supply response constraints, will lead to prolonged market tightness.

4. ***These high resource prices are expected to have profound, but very different, impacts on developing countries' economies, and potentially the approach to what resources are developed and how*** For resource producers, and potential producers, high prices have increased the perceived attractiveness of their EI resources and also the opportunities to develop them. The increase in prices for existing producers is a windfall that will generate substantial resources compared to existing government revenues. For example, it is estimated that a US\$10 a barrel oil price increase is equivalent to a gain of around 5.2% of GDP on average for low income oil producers and considerably more for some countries[4]. Higher prices will pose a challenge to resource producers to ensure that large and variable revenue inflows do not damage the rest of

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[2] The World Bank Group Management Response to the Reports of: The Extractive Industries Review; The Independent Evaluations by OED/OEG/OEU; The CAO Review. (R2004-0165/1, IFC/R2004-0180/1, MIGA/R2004-0053/1)

[3] Management Response to the Extractive Industries Review – Interim Report on Progress (SecM2005-0389).

[4] See "*The Impact of Higher Oil Prices on Low Income Countries and on the Poor*" (March 2005), United Nations Development Program/World Bank Energy Sector Management Assistance Programme. Available at www.worldbank.org/ogmc. Other studies on these issues currently underway within the WBG include "Harnessing Windfalls for Growth in the Africa Region", intended to learn lessons from past experiences of windfall gains.

the economy; and that these revenues are used in a way that contributes to the sustainable development of their economies.

5. For non-oil producing developing countries on the other hand, sharp oil price rises pose a different challenge, even in the absence of a price-induced global slowdown. Oil accounts for a high share of total imports of many of the poorest countries, and a large sudden rise in prices is a macro-economic shock that, in the short term at least, will likely reduce their growth. Recent analysis for a large number of such countries shows that a sustained US$10 a barrel price increase would deliver a shock equivalent to a loss of GDP of up to 4% for the lowest income countries. Even the highest income group would suffer a loss of GDP of 0.44%. The immediate challenge facing these countries is to address the macro-impact of higher prices which, in some cases, will require painful decisions about adjustments to local markets and pricing policies.

6. ***High oil prices pose questions for longer term future energy market development.*** While oil will play a central role in energy markets for some time, higher prices will make non-oil energy sources, such as coal, hydro power and gas (where it is not oil price related) more attractive. Renewable energy and energy efficiency measures will also be more competitive in some circumstances. The challenge for developing countries is the formulation of achievable energy plans that realistically account for the uncertain but potentially high costs of oil, while allowing their economies to grow.

7. ***High commodity prices may precipitate a scramble for resources.*** For some of the richer and more dynamic developing country economies, a lesson from current high prices may be that access to future oil and other raw materials needs to be pro actively sought. A combination of high prices and fast growth in their home markets appears to be one factor that is prompting resource companies from China and India, for example, to more aggressively seek access to resources outside their home bases.

8. ***High oil and other commodity prices will reduce the need for financing from and leverage of IBRD/IDA, but may increase the need for their advice and assistance in other ways.*** Other forms of engagement under such circumstances, such as policy advice and assistance in building governance capacity, will need to be emphasized. EI can provide an important contribution to development. However, with few exceptions, oil and other commodity producing countries will not earn sufficient revenues only from these resources, even at high prices, to transform their economies or the lives of their citizens. The successful development of the other parts of their economies is also necessary. While there are some signs that resource producers are taking a more cautious approach than in previous booms, there are risks and the need to manage revenues carefully remains important.

Continuing Push for Sustainable Extractive Industries Development

9. ***Local communities continue to assert more strongly their views on EI developments that impact them.*** This may be at a local level -- in connection with particular mine projects in Latin America, for example -- or at a broader regional level such as in Bolivia or in the Niger Delta, when people feel that they are not obtaining a sufficient share of the net benefits of development. Whether driven by unhappiness about the division of project benefits, or by weak governance at the local level that stops benefits that should be available actually being delivered, or by project specific concerns, community unhappiness can be translated into actions which have hindered or even stopped development.

10. ***Industry bodies, business based organizations and civil society groups are continuing to actively promote the sustainability agenda.*** While immediate motives and roles vary, a broad range of stakeholder groups is, more than ever, actively engaged in trying to ensure that EI developments do contribute to sustainable development. Individual companies are giving greater focus to the sustainable impact of their operations and industry associations are working to establish common approaches. Civil society is active across a wide spectrum of activities ranging from advocacy to partnering with others to ensure EI projects promote sustainable development.

11. ***The importance of sustainability in Extractive Industries has been reaffirmed on the international political stage.*** The G8 meeting in July 2005 made climate change, promoting clean energy and achieving sustainable development an area of focus. The Group also endorsed the importance of greater transparency about EI revenues paid to governments and specifically the Extractive Industries Transparency Initiative (EITI).

12. ***Finally, national and local governments remain key players in fostering an enabling environment for sustainable development at the national and community level.*** In addition to providing an appropriate overall legal and fiscal framework that manages the macro economic impacts of EI developments, government remains essential for helping facilitate sustainable development at the community level.

III. IMPLEMENTATION OF SPECIFIC COMMITMENTS OF THE MANAGEMENT RESPONSE

13. Since the completion of the MR, significant progress has been made in the implementation of its commitments. Structured training sessions have been held for staff and detailed working guidelines for implementing key aspects of the MR have been prepared and distributed to investment staff. Annex A summarizes progress for key objectives.

Renewable Energy

14. Work on renewable energy (RE) and energy efficiency (EE) is moving ahead strongly and is on track to meet Bank Group management's target to increase its financial support in those fields by 20 percent annually over the next five years, as well as other commitments. Some key aspects of progress include[5]:

- Total WBG commitments for RE and EE were $748 million in FY05. Of this, $299 million was accounted for by New-RE and EE. The performance in FY05 substantially exceeded the commitment made to increase investment in New-RE and EE by an average of 20% per annum (growth target for FY05 was $251 million). A total of 40 RE and EE projects were supported in 28 countries.
- The Bank Group is supporting new investment through project identification and sector work to integrate RE and EE into Country Assistance Strategies (CAS). During FY04/05, there has been a trend towards increased integration of RE and EE into long term development strategies such as PRSP and CAS. The percentage of CASs and PRSPs that include substantive reference to RE and EE grew from 61 percent in FY04 to 74 percent in FY05 (62 CASs and PRSPs were issued in FY04-05). Prior to FY04 there was hardly any reference to RE and EE. This work received a $500,000 grant from the President's Contingency Fund for FY05 and from other donors, including Germany (€3.5m) and Denmark ($7m) for FY06-09. IFC mobilized a grant that exceeds $400,000 from the Netherlands to help support preparatory efforts to identify and analyze renewable energy investments.
- The WBG has mobilized and now has under management nearly $1 billion in funds for its carbon finance operations.
- The Bank hosted an international Renewable Energy & Energy Efficiency Financing and Policy Network forum. The forum was attended by ministers and other high level public and private sector officials, and led to significant new commitments from various partnerships. The WBG continues to engage internationally through its support for Renewable Energy Network for the 21st Century (REN21), the Global Village Energy Partnership (GVEP) as well as through participation in key international events – The Netherlands Energy for Development Conference (December 2004), the Beijing International Renewable Energy Conference (November 2005) and UNEP-Sustainable Energy Finance Conferences (October and November 2005).
- A Bank-wide Plan of Action for Renewable Energy Scale-up launched in FY04 continues its implementation in FY05.
- Other efforts are being made to increase staff knowledge, capabilities, and effectiveness throughout the WBG. A Renewable Energy Toolkit, a Flagship Product for the Bank Energy Anchor is under development and will be issued later in FY05.
- IFC/MIGA are expanding efforts to finance more private sector renewable energy and energy efficiency investments. IFC's Infrastructure Department has created a new unit focusing on renewable energy investments and approved its first two investments

[5] Full details of WBG progress in renewable energy and energy efficiency during FY05 will be published in "World Bank Group Progress on Renewable Energy and Energy Efficiency: Fiscal Year 2005" forthcoming.

in wind farms: a 50 MW project in Brazil and an 8.5 MW project in the Dominican Republic.

Governance

- A guidance note for the preparation of CASs for countries with substantial resources to help ensure that key EI issues are at least considered in the CAS has been included as part of the overall guidelines for CASs. Since October 2004, 35 country strategy documents (CASs, Interim Strategy Notes etc) have been sent to the Board for discussion. Of these, six have been countries that MR classified as "resource rich", and five as having "significant resources". While most of these documents had been in preparation for some time before September 2004, in the case of all the "resource rich" countries, the documents reviewed EI issues extensively and discussed issues such as governance, transparency, revenue management, and economic management and diversification.
- A reference note for staff working on Low Income Countries Under Stress (LICUS) – a number of whom have significant EI sectors, has been produced and posted on the LICUS intranet site as a ready reference and guide to information and expertise within the WBG on EI issues.
- Governance risks to expected project benefits are being carefully evaluated as a part of the EI project appraisal process. To this end, staff is drawing on a variety of materials and perspectives including available indicators of different aspects of governance. Issues are noted in Investment Decision papers, and in the case of IFC projects, are referenced in the Summary of Project Information (SPI) that is published at least 30 days before Board.
- For a number of large prospective projects, IFC and MIGA investment staff are working closely with IBRD/IDA staff to help identify and work with governments to address particular issues before potential IFC investments are taken to the Board for approval In such cases, pending progress on issues of concern, IFC may engage with investors in limited mandates to help address social and environmental issues, or in early stage/pre-development investments.
- Local government issues are an area of focus because of the growing tendency to mandate flows of revenues back to local governments. In Peru, for example, in the case of an existing IFC portfolio project, IFC has set up a program to help increase the capacity of local government to effectively manage the relatively large tax revenues that are now flowing back to the local government from the center as a result of EI revenue sharing arrangements (see Box 2).

Box 1: Supporting Local Government Management of Mining Royalties in Peru

In connection with IFC's existing investment in the Yanacocha gold mine, IFC's Latin America & Caribbean Technical Assistance Facility and Oil, Gas, Mining, and Chemicals Department are carrying out a technical assistance project to help increase the capacity of local governments in the Cajamarca region to plan for and use revenues from the mine that are transferred to local governments. Under current Peruvian legislation, 50% of government tax revenue from mining is returned to the local region in which the mining takes place. Mining canon flows to the two local governments in the area of Yanacocha's operations during 2005 totaled approximately US$21 million, representing nearly 50% more than the cumulative flows from the previous five-year period to 2004. Local governments must use these funds for infrastructure projects and cannot dedicate them to recurrent operational spending. Transfers from mining activities in recent years have leapt to levels that dwarf local governments' normal budgets (for example, the Municipality of Cajamarca had total revenues of only $2.8 million in 2004, but in 2005 it will receive $16.4 million in mining transfers), and local governments are challenged to use these revenues effectively because they lack the capacity to select, design, and implement investment projects. IFC staff is working with local governments to increase their capacity to budget for the revenues and use of the funds and to better evaluate and manage project proposals. To improve accountability for fund use, IFC is also partnering with a local university to increase transparency concerning the receipt and use of funds. Whereas transferred funds had been accumulating in municipalities' accounts as they concentrated on tasks such as street maintenance, the municipalities are now planning for more comprehensive projects: one is preparing a project to bring drinking water and basic sanitation services to its city center. Along with a similar project being implemented in connection with the Camisea gas development by IBRD/IDA, the Yanacocha project is being used by the government of Peru as a model to help increase local government capacity to design and carry out investment projects.

Transparency

15. The Bank Group has continued to strongly support the EITI in partnership with Department for International Development (DFID) of the UK (see section IV). The MR committed the WBG to require individual project transparency immediately for "significant" projects and within two years of the date of the MR for all projects. This has been codified as a part of IFC's proposed revised Social and Environmental Policy and Performance Standards. In practice, since October 2005, the sponsors of all projects that IFC supports have undertaken to disclose material payments to government.

Benefiting the Poor – Ensuring Communities Benefit

16. *Communities must benefit from EI projects that impact them.* In its EI projects, the WBG is giving increased focus to helping ensure that communities benefit from EI projects that impact them. This encompasses a broad based approach that starts with ensuring that projects supported by the WBG fully meet our environmental and social safeguards and extends to "added value" activities that go beyond compliance and that are intended to ensure that the positive impacts of projects are broadened as much as possible. This includes, for example, working with investors and local financial institutions to develop a greater involvement in businesses supplying the EI development. IFC now has several small and medium enterprise (SME) linkage programs designed to do this in one form or another (see Box 2).

Box 2: SME Development around Minera Yanacocha

At the request of Minera Yanacocha, IFC's SME Department developed a three-year SME Linkage program to build a diversified and sustainable economic base extending beyond Yanacocha's mining operations. Total program costs, which were funded through the IFC Capacity Building Facility and Dutch Trust Funds, were estimated at US$1.5 million. The program, which also received in-kind support from Yanacocha, provided technical assistance/training, capacity building, and market linkages to the following program components:

Supplier Development - Focused on raising safety, environmental and business standards for approximately 35 SMEs, and also included a Total Quality Management Program to improve productivity and optimize company management abilities. Companies included heavy machine repair, catering services, cleaning services, industrial clothing manufacturer, and engineering services. Participating companies collectively increased sales by more than US$4 million over 18-months. **Small-scale Farmers and Agro-enterprises** - Technical assistance and training for approximately 25 local agro-enterprises in areas such as quality assurance, pricing structures, and technological know-how. 40 new jobs were created and participating company sales increased from approximately US$550,000 to more than US$3 million. About 20% of this business is conducted with the catering company for Yanacocha's canteen. **Construction Sector** - Provided training and technical assistance to about 150 enterprises in the construction sector on topics such as electric and sanitary installations, use of topographic equipment, serial production on wood, and blueprint reading. The program also focused on linking these enterprises with larger companies for sub-contracting opportunities, and helped to establish "Expocentro Pyme" - a commercial center that provides an outlet for brick producers and others in the construction sector to sell their materials. During the program, the micro-enterprises generated new sales totaling US$78,000. **Artisan Development** - Support to approximately 50 local ceramists and weavers to upgrade their design skills and production capacity, and access new domestic and international markets. **Access to Finance** - training and one-on-one mentoring for approximately 75 micro-enterprises and SMEs on issues such as bookkeeping, cash flows, and business plan development. The objective was to improve firms' business and financial planning skills, and help them qualify for bank loans. Nearly 50% of the participating companies were successful in obtaining loans.

The program also funded a pilot Administrative Simplification project, which reduced the business license registration period from 100 days to 3 days. Prior to the simplification, 10 companies per month registered for a license compared to 30 companies per month now. Other activities included group marketing events, where local SMEs presented their product and service lines to a wide range of public and private companies. These events generated an additional US$2 million in new sales/contracts for the participating companies. "Best Practice" seminars on accounting and financial issues for small businesses were also held.

17. *Broad Community Support.* An important but complex component of ensuring that communities do benefit from projects that affect them is the quality of the consultation process about these projects. The MR proposal that the WBG will only support EI projects where it judges them to be "broadly supported" by the community following a process of prior informed consultation, is now being applied to EI projects. It should help ensure that communities do benefit from projects and that where there are significant community concerns these are identified and addressed. Further WBG guidance for staff will be developed in this respect based on emerging experience.

18. *Poverty Indicators.* Anticipated development outcomes for EI projects are now being clearly identified and published, in SPIs in the case of IFC. In addition, a trial of a set of indicators of project-specific impacts that will affect poverty in affected communities has begun. The draft set of indicators has been discussed with stakeholders and is being trialed with a view to revising as needed in the last quarter of FY06 (see worldbank.org/ogmc). In this respect, IFC is instituting a more systematic process of identifying and tracking development indicators over time for all projects that it supports, including EI projects (Development Outcome Tracking System - DOTS).

19. *Communities and Sustainable EI facility.* In July, IFC committed $10m from its own resources over 5 years to support a Communities and Sustainable EI Facility. The Facility is a mechanism to deliver technical assistance flexibly and efficiently as an integral part of an EI

project, or otherwise, with a particular focus on ensuring that communities benefit from EI developments. It is intended to enhance and extend the support that the WBG has already been providing alongside some of its technical assistance and investments. Further funds will be sought from other donors as the Facility develops experience.

20. *Support for Artisanal Miners.* In support of the MR commitment to develop more effective approaches to the complex issue of small scale and artisanal mining, the Bank held a series of workshops for more than 80 stakeholders as a part of Community and Small Scale Miners (CASM) in Washington in June 2005. A further conference held in Brazil in October attracted more than 150 participants (see section IV for more information on CASM). A $60m loan to Nigeria for the Sustainable Development of Mineral Resources (P087807), intended to address issues related to artisanal and small scale mining, was approved by the Board in FY05.

Box 3: Marlin Gold Mining Project in Guatemala

IFC approved an investment of $45m to help support the development of a new gold mine in the Department of San Marcos in Guatemala in June 2004, three months prior to the MR to the EIR. The mine's development was the first new development under a new policy by the Government of Guatemala to attract mining investment to Guatemala.

IFC supports the project as it benefits Guatemala and the communities where the mine is located. The invigoration of the local economy in one of the poorest parts of Guatemala has been among the mine's greatest benefits. With the help of the investor, Glamis Gold Ltd., 18 communal banks have been established which have made over $100,000 in micro-credits available to more than 420 local women. During 2004, $33 million were paid to Guatemalan companies for goods and services. Such spending, and that by local employees, significantly increases the number of jobs created by the project. Job creation has virtually stopped the need for residents to migrate to the coast during the harvest season, a practice which was very disruptive, particularly to the schooling of their children. In the aftermath of Hurricane Stan, the company was the first to provide much needed medical aid and food supplies to victims in communities inaccessible to professional rescue to teams.

Despite these accomplishments, there has been unrest and protests against the mine's development in some parts of the surrounding communities. A Guatemala City-based NGO, supported by a number of international groups and the Guatemalan Catholic Church, have protested the development and have asked IFC to withdraw its support. A group of people from the municipality of Sipacapa, in which part of the mine property is located, filed a complaint with the CAO alleging that consultation about the mine's development was inadequate and that the mine would have adverse environmental and social impacts. In an independent assessment, the CAO office found that, with respect to environmental risk, that the people of Sipacapa were not likely to be impacted significantly. The review did, though, question the quality of consultation and disclosure on project risks and some people, particularly in the community of Sipacapa, claim that they were inadequately consulted. The CAO report also contained a number of recommendations for the documentation of IFC's process of project assessment. Both IFC and the Company have now formally responded to the CAO report, and have broadly accepted, and are in the process of implementing, its recommendations. The unhappiness of some parts of the broader community surrounding the mine is a source of concern for both IFC and the investor, and has lessons about the potential benefits of extending consultation processes beyond the immediately affected communities. Glamis recognizes the need for an on-going dialogue and has therefore helped to establish a community environmental monitoring committee with participants selected by local communities, the Catholic and Evangelical Churches and aided by representatives from two universities and a professional facilitator. At a broader level, the Government of Guatemala has established a High Level Commission to review the approach to mining development in Guatemala which has led to a multi stakeholder agreement on the way forward for responsible mining in Guatemala. See Annex F for summary of CAO complaints in year ended in September 2005.

Mitigating Environmental and Social Risk

21. IBRD/IDA's revised Indigenous People's Policy (OP4.10) was discussed by the Board on 10th May 2005. The Policy has built on the approach of the MR to use broad community support as a criterion for IBRD/IDA supported projects involving Indigenous Peoples.

22. The MR deferred a final decision on a number of important issues to IFC's revised safeguard policies that will provide an overall environmental and social framework for all IFC's investment activities including those in EI. The process has made considerable progress. A final draft Policy and Performance Standards on Social and Environmental Sustainability was made available for comment from September 2005. Following consultation, it is expected that final proposed documents will go to the Board in early 2006.

23. The proposed new IFC Policy and Performance Standards now incorporate the MR proposals for disclosure of revenue payments for EI projects. They also:

- Give a new emphasis to social impacts of projects, especially in respect of vulnerable groups;
- Apply the MR requirements for broad community support to all large IFC projects with significant impacts;
- Make provisions concerning the use of security forces applicable to IFC projects generally; and,
- Provide clarity about when IFC will not in invest in particular areas because of concerns about biodiversity and critical habitat.

24. Some specific EI issues are in the process of being addressed through the updating of the WBG draft Precious Minerals and Mining Guidelines. These include river and deep sea tailings disposal, use of cyanide, and mine closure. Annex C, that is accessible on the IFC web site (http://www.ifc.org/policyreview), compares references in the MR to the latest drafts of IFC's proposed new Policy, Performance Standards, Guidance Notes and Guidelines.

Advisory Group

25. An Advisory Group for the WBG on EI has been established with a diverse group of members. Biographies of members have been posted at http://www.worldbank.org/ogmc. The Group will help identify best practice and discuss key issues facing the industry. A productive inaugural meeting of the Group took place October 5th/6th 2005 in Washington. The record of this meeting can be accessed at the web site above.

IV. WORLD BANK GROUP ACTIVITIES IN THE EXTRACTIVE INDUSTRIES FY05

Financing Activities

26. In FY05, WBG financing6 for EI related activities totaled $755 million, about 3% of the Bank Group's total financing. Annex B lists individual financings. A breakdown by institution is as follows:

- $181 million IBRD loans for 4 programs
- $146 million IDA credits for 11 programs

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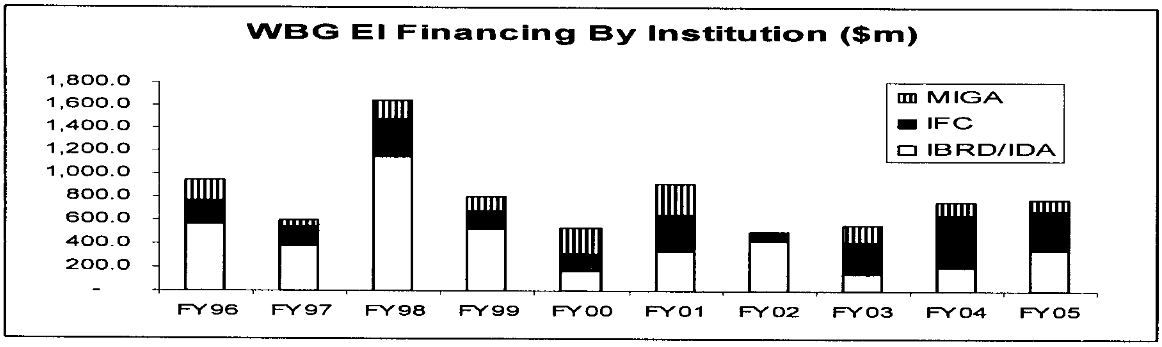
[6] Information about individual IFC, IBRD/IDA and MIGA financings can be obtained from the "Investment Project" information facility at IFC's web site: http://www.ifc.org, the "Project and Operations" facility at the Bank's web site: http://www.worldbank.org and http://www.miga.org

- $334 million IFC financing commitments for 13 investments
- $94 million MIGA insurance guarantees issued for 3 investments

27. The overall volume of financing in FY05 was broadly in line with the average over the last ten years but well below the average of the first half of that period.



The distribution of investment by objective was as follows:

	Private Investments			**Non Investment**		
US$ millions	Mining	Oil	Gas[7]	Coal Mine Closure	Artisinal Mining	Other Policy/Issues
IDA			50		64.2	31.6
IBRD				152.6		28.5
IFC	60.3	149.5	124.5			
MIGA	19		75			
	79.3	**149.5**	**249.5**	**152.6**	**64.2**	**60.1**

28. Mining related projects accounted for no more than 40% of total new financing and of this, the major share went to help finance the closure of coal mines. Of the oil and gas, gas related investments accounted for 62%. Africa (42%) and Europe and Central Asia (34%) were the most important regions, followed by Latin America (7%).

<u>IBRD/IDA</u>

29. In the case of IBRD/IDA, a wide variety of EI related projects was supported. The only substantial financing for new investment to increase EI capacity was through a $50m IDA guarantee for the West Africa Gas Pipeline intended to carry gas from Nigeria to Togo, Benin and Ghana. Notable IBRD/IDA financings in the year not intended to increase EI capacity included its support for the closure of coal mines ($95m Poland and $57.6m Romania) and to help address artisanal mining issues ($60m Nigeria). The remaining 11 IBRD/IDA financings totaling $54m were usually small components of larger programs, and intended to help address various mining and oil and gas issues.

[7] Projects with both oil and gas components are allocated evenly across the two sectors. Oil includes a $60m credit facility for local oil trade.

30. Expected development impacts of IBRD/IDA's activities include:

- ***Building capacity to ensure countries benefit more from EI.*** In the case of the IDA Credit "Support to Economic Expansion and Diversification" (P071407) in Zambia, for example, the mining component was intended to contribute to economic diversification and enhance the net benefits the country and artisinal miners receive from its gemstone mining industry by helping reframe the legislative framework, increasing the managerial and technical capacity of mining bureaus in key mining areas, and providing transparent and fair market access through the promotion of a private sector led gemstone exchange.
- ***Helping improve transparency in the oil sector.*** The oil and gas component of the IDA Economic Recovery Credit financing to the Congo Republic (P083267) was intended to increase the transparency of oil revenues and thereby enhance and accountability for these revenues.
- ***Ensuring that Mines are closed in sustainable way in environmental and social terms.*** The projects supported by IBRD in both Romania (P087807) and Poland (P083093) are intended to help governments close uneconomic coal mines sustainably by providing support to redundant miners, supporting programs to help workers find new skills and jobs, to attract new businesses to the area and ensure environmental risks of closure are addressed.
- ***Addressing EI related environment issues***. The mining component of the IBRD financed Hunan Urban Development project (P075730) will support the construction of coal briquette and coal washing and blending facilities to reduce the sulfur content of coal used and improve air quality in the Changsa-Zhuzhou-Xiangtan region of China.
- ***Addressing the social and environmental issues of artisanal mining***. The "Economic Development and Livelihood Diversification in Artisanal and Small-scale Mining Areas" component of the Nigeria Sustainable Management of Mineral Resources US$120 million Credit from IDA (P086716) is intended to help the government of Nigeria develop its mineral resources in a long term sustainable way, to help promote environmentally and socially sustainable artisinal mining and to improve living conditions for an estimated 500,000 people dependent on it for their livelihood.

IFC/MIGA

31. IFC/MIGA financing was concentrated in the oil and gas sector with 81% of their total financing in this sector. Of this, gas projects accounted for 53%; projects with both oil and gas production 10%; and, oil only projects 37%. Mining investment accounted for 19% of total IFC/MIGA investment financing. Local investors accounted for 34% of total financing, small international companies for 22%, while major international resource companies accounted for 44% by value and only 16% by number of new investment projects.

32. The expected development impacts of the new investment projects supported in FY05 are summarized by project in Annex D. While there is a great deal of variation in the projects supported, principal development impacts anticipated included:

- ***Direct and indirect employment creation.*** EI projects are typically capital intensive and employ highly skilled staff. Never the less, the jobs new investment brings are welcome; are sometimes in remote locations where alternative sources of investment are rare. The existing operations of the Hambro gold mine development in Russia, for example, provide over 1600 local operating jobs in a remote region where alternative opportunities are rare.
- ***Development of local business.*** Seven out of 16 projects are wholly or partially owned by local investors. In the Petrofalcon project in Venezuela and the Mazoon project in Oman, IFC is supporting the development of local small local companies that have developed from an oil services contracting background to acquire the skills and capacity to develop oil fields. Both investors are among the few local private companies in their markets.
- ***Local energy supply***. Seven out of the 16 projects were for gas development. In six cases, the gas is intended for local use and will help promote economic development as a clean, cost effective fuel. In the MIGA and IDA supported West Africa Gas Pipeline project, gas will be supplied from Nigeria to its neighbors, Benin, Togo and Ghana. In addition to delivering immediate benefits to these countries on start up, the project is the first step in a long over due development of regional gas supply infrastructure based on Nigeria's huge reserves.
- ***Revenues to national government.*** In all the projects supported, it is expected that revenue payments to government will be one of the project benefits. In the case of the Vaalco project to expand its offshore oil development, for example, a substantial share of the project's net benefits will accrue to the country. Since 2002, the company had paid over $100m in taxes and is expected to pay more than $300m in addition from the proposed expansion.
- ***Revenues to local governments***. In a number of projects, a share of tax revenues and royalties is to be paid direct to local governments. In the case of the Novatek gas development and the Hambro gold mining project in Russia, for example, a proportion of tax revenues will be paid directly to local government.
- ***Community Programs***. In addition to jobs and spending with local businesses, investors usually have had some form of community programs in place to benefit the local communities affected by their projects. Often these programs have components within them that are focused on social spending such as health and education.

33. Looking forward, high prices will stimulate more investment in the oil and gas sector. However, WBG financing of private oil and gas investments is likely to continue to be selective with a strong focus on gas, local companies, and projects where the combination of country and project factors, leads investors to perceive that WBG engagement brings added value to the table. In the case of the mining sector, high prices are likely to stimulate new base metal investments in Africa and elsewhere, and it is possible the underlying demand for financing will increase in this respect.

34. In the case of both mining and oil and gas investments, the impact of the WBG's approach and requirements for sustainable development are approximately balanced between high transaction costs leading some investors to seek alternative financing and others seeking our WBG financing because of its approach. In both sectors, it is expected that growing interest in international EI investment by developing country investors to mean more WBG engagement in supporting "South-South" investments. In such cases, there may be a particularly strong role for WBG institutions to play in helping develop capacity to ensure sustainable outcomes. Overall,

the level of WBG financing for EI investment is expected to grow somewhat from current levels, although actual outcomes will vary from year to year.

Box 4 Mitigating Governance Risk – The Chad Cameroon Pipeline Project

This oil field development/pipeline project was supported by both the Bank and IFC, and began operations in July 2003. In the first three quarters of 2005, transfers to Chad totaled US$266 million with $27 million going to the fund for future generations. US$191 million have been allocated to the priority sectors compared with US$36 million to general budget and US$12 million to the oil producing region. The unique circumstances of the project meant that it was never seen as a single model that would be followed in the case of all future WBG supported EI projects. However, the agreements made with the Government of Chad about how revenues would be used, and the associated oversight arrangements, were an important attempt to put together a comprehensive framework for the development of a major EI project and the use of that project's revenues. Implementation Completion Reports (ICRs) of the Bank financing related to the project are now being completed that will provide a valuable retrospective.

To date, the arrangements have worked as intended. Revenues have been flowing into the designated escrow account in a transparent way. Government spending from the revenues has been used for development purposes, although there have been important questions about the quality and focus of spending. At the same time, the independent oversight group (Collège de Contrôle et de Surveillance des Ressources Pétrolières) has been fulfilling its role of reviewing spending and reporting publicly on this, including expressing concerns about the quality of spending.

The Government of Chad has now requested to change the terms of its agreement with the WBG on revenue use be changed to allow it more flexibility. It has also asked that more priority be given to spending now and asked that the arrangement whereby 10% of revenues are saved for the future is ended. The Government has proposed that any future modified agreement could be extended to apply to the revenues from all oil fields developed in Chad and not just the three fields now covered. The WBG is in dialogue with the Government of Chad and other donors on these issues and has expressed its willingness to work with the Government to help ensure that the original intention of the revenue management system of ensuring revenues are focused on poverty reduction is maintained.

Non-Financing Activities

35. The WBG's impact in the EI sector in FY05 continued to extend beyond its immediate financing. In the year, the WBG was active in partnering with others in a variety of global initiatives designed to help address key issues in the sector. Its three most significant current global initiatives are:

Extractive Industries Transparency Initiative (EITI) – to encourage and facilitate transparency about revenues from EI.

36. Over the last year, significant progress has been made in partnership with DFID and others in establishing the initiative and in engaging with governments, industry and civil society. Currently, the WBG is working with governments in more than 20 countries which are at different stages in implementing EITI. These countries account for a large proportion of the "resource rich" countries listed in the MR (see Annex E) A multi-donor Trust Fund has been established with contributions from the UK and Norway, to fund technical assistance for EITI implementation. The EITI received strong endorsement at the recent G8 meeting and other international events. Civil society organizations such as the Publish What You Pay coalition, are actively engaged in the initiative.

37. Two countries that have made notable strides in improving transparency by implementing the EITI are Azerbaijan and Nigeria. In Azerbaijan an agreement was signed between the Government, companies and civil society setting out the procedure for implementing the Initiative. An auditing firm was appointed to gather, collate and reconcile revenues and payments data, and an official report under the EITI process has been issued for the year 2004. In Nigeria, a National Stakeholders Working Group for the EITI has been formed consisting of government,

companies and civil society; the Working Group is supported by a full time Secretariat. The Government has tabled an EITI Law before Parliament, and has commissioned a detailed audit of oil and gas payments and revenues, the results of which are expected in early 2006. The Stakeholders' Working Group has held several highly successful national and regional Workshops that have promoted the policy of transparency in EI.

38. A major international Conference on EITI was held in London in March 2005, attended by over 300 representatives from many governments and companies. The Conference agreed that successful implementation of EITI requires countries to meet, or if possible, exceed the criteria set out in Box 5.

Box 5 EITI: Successful Implementation Criteria

- Regular publication of all material oil, gas and mining payments by companies to governments and all material revenues received by governments from oil, gas and mining companies to a wide audience in a publicly accessible, comprehensive and comprehensible manner
- Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
- Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.
- This approach is extended to all companies including state-owned enterprises.
- Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
- A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

39. The London Conference also agreed that an International Advisory Group (IAG) would be established to advise on the future direction of EITI in advance of a further international meeting in late 2006. The IAG, chaired by Peter Eigen, founder of Transparency International, has met twice. Among the key issues to be considered by the IAG are: how to validate the implementation of the EITI by countries, and the future governance of the EITI. For the WBG, the key challenge is to mainstream, EITI related activities as a core component of country programs in relevant countries.

Gas Flaring Reduction Partnership (GGFR) – to help reduce the flaring of gas.

40. The GGFR, which is supported by four donor countries (Canada, Norway, UK, USA) and private sector contributions, has brought together a wide range of stakeholders with an interest in addressing the wastage of gas flaring. The Partnership has around 50% coverage of gas flared internationally through the direct representation of 10 developing countries in GGFR, and 70% coverage including the OPEC secretariat's membership. In addition, 9 of the world's largest oil companies are members. Global awareness on gas flaring issues has increased, with the industry more willing to act and take ownership of the issue. A general shift in perception can now be discerned that gas flaring is becoming unacceptable.

41. Over the last year the Partnership has moved from global deliverables to country specific deliverables and is now involved in the facilitation of demonstration projects for associated gas utilization in three West African countries and Algeria. A number of gas utilization projects have also been selected in Africa and Russia to demonstrate how the economics and financing can be improved through the utilization of carbon credit options.

42. In addition, to measuring the actual quantitative impact of projects on a global scale, a web-based data tool to monitor gas flaring from 2005 is being tested, with 2006 being the first year for data to be published. Furthermore, all partners have been requested to submit flaring data for 2004, 2006 and 2008.Separately, on July 8 the G-8 Communiqué from Gleneagles encouraged the World Bank to expand participation in and supported an extension of the Partnership beyond 2006.

Communities and Small Scale Mining (CASM) - to devise strategies to ensure sustainable small scale/community mining.

43. Artisinal and small scale mining continues to be a major activity globally, that by some estimates, engages in one way or another many millions of people. The sector offers an economic lifeline to some of the poorest, but is also associated with significant environmental, social and health issues. There is, among the Artisinal and Small scale Mining (ASM) community, an overwhelming consensus that CASM, or a similar organization, is essential to improving the status of the ASM sector. Major accomplishments over the year include:

- ***Development of Partnerships.*** The number of CASM partnerships has blossomed. More than 25 organizations are now developing project work together with CASM. The circle of partner organizations is becoming broader and now involves - in addition to traditional, mostly multi-lateral partners - new partners such as NGOs, international initiatives, governments and private sector companies.
- ***Regional networks.*** The emergence of regional CASMs - in Africa, Asia and China - has enabled CASM (Global) to focus more on its role as an advocate for change, working on the strategic areas of influence in the international development agenda.
- ***Crystallization of MDG links with CASM strategy.*** The CASM Strategic Plan relates directly to the MDG and builds on insights and recommendations arising from recent major international and regional initiatives on artisanal and small-scale mining.
- ***CASM as Facilitator.*** A growing number of institutions have approached CASM to facilitate development of processes related to ASM. Examples include the Kimberley Process and the related Diamonds for Development Initiative (DDI), the Peace Diamond Alliance (Sierra Leone), the US Environmental Protection Agency (EPA) and their initiative on Global Partnership for Mercury Management in Artisanal and Small-Scale Gold Mining.
- ***Knowledge and Best Practices Framework.*** Knowledge is shared with the broad ASM community through conferences and workshops, a regularly updated CASM website and a monthly newsletter, and publication of toolkits and guidance notes.

44. Going forward, the challenge will be to maintain CASM as an effective initiative and to work with Bank country teams to ensure that ASM issues are appropriately reflected in CASs and work programs.

45. ***Other partnerships*** have included IBRD/IDA working with the international mining industry (ICMM – International Council on Mining and Metals) to develop and produce a "Community Development Toolkit" as an aid to industry, communities and governments to work more effectively to ensure sustainable community development from EI projects. In December 2004, IFC released its HIV/AIDS toolkit that was developed with the support of the Canadian

development agency (CIDA) to help address the AIDS threat in workers and community in the mining sector in Africa

46. In addition, Bank staff carried out selective policy research work on EI related issues. Some recent published notes (available at www.worldbank.org/ogmc) have included:

- Comparative Study of the Distribution of Oil Rents in Bolivia, Colombia, Ecuador and Colombia.
- The Vulnerability of African Countries to Oil Price Shocks: Major Factors and Policy Options. The Case of Oil Importing Countries.

47. In FY05, the WBG's internal evaluation units continued with their regular program of evaluation of project outcomes. Typically, these evaluations concerned projects that had been taken to Board several years before. Lessons learned are applied to new operations. In the case of IBRD/IDA, individual project reviews are accessible via the IBRD/IDA website (http://www.worldbank.org/oed), and, in the case of IFC, are incorporated into its Annual Review of Evaluation Findings (http://www.ifc.org/oeg).

V. CONCLUSIONS AND CHALLENGES

48. The WBG has moved actively to implement the specific recommendations of the MR to the EIR and its own evaluation reports. There has been substantial progress made across a range of issues, and the focus of our activities and the WBG approach is clearly on helping member countries and communities benefit from the sustainable development of EI. But it is recognized that there are trade offs that need to be made, that issues are complex and that careful judgment is needed. Like others in the sector, the WBG is learning from experience and working in partnerships with others to develop effective best practices that can be developed and implemented broadly.

49. In addition to the areas of focus identified in the MR, there are also other areas that have not received as much attention, and where it is believed that there may be scope for greater focus by the WBG. Examples include the area of health and safety (HSE) where there has been huge progress in recent years in the best run private companies, including those from developing countries, but where, there are still significant areas of under-performance in some and where adoption of best practices is urgently needed. Abandoned mine and oil production sites ("Legacy Issues") is another issue that can pose a threat to the environment and to health. This is a complex problem where the costs of remediation can appear daunting. The Bank already has a number of environmental remediation projects, including some in EI. However, a broader based approach where best practices that can be developed across the industry and countries may be a helpful way forward.

ANNEXES

ANNEX A: Summary of Commitments in EIR MR

Commitment	Process/Actions
***Renewable Energy*:**	
• 20% pa growth in investment for new-RE and EE	• Growth of New-RE and EE commitments in FY05 exceeded the 20% annual growth target with $299 million in commitments.
• Enhance international cooperation in RE and EE	• Completed international stakeholder consultation on financing and policy network in March 2005. Agreement reached on follow-up actions with REN21, GVEP, UNEP/SEFI and other international partnerships. Engaged with Energy for Development Conference (Netherlands) and China International Renewable Energy Conference, among others. Mobilized approximately $10 million in bilateral donor support for RE pipeline development.
• Enhancement of reporting	• WBG RE & EE Progress Report for 1990-2004 issued in March 2005 • A Plan of Action for RE Year implemented in FY04 and continues in FY05. • New RE web site. Web-based RE Toolkit prepared for issue in Nov. 2005.
Governance:	
• Address relevant EI issues in CASs for resource rich countries	• CAS guidance to guide treatment of EI issues in CASs now operational. LICUS resource note posted on intranet
• Review of governance risks in projects & review of use of governance indicators	• Template to guide systematic review of governance issues developed and being trialed with indicators
• Mitigation in significant new projects	• Will be applied as needed
• Disclosure of assessment of governance	• Governance assessment referenced in IFC Summary of Project Information (SPI)
Transparency:	
• Requirement for significant new projects & for all new projects within two years	• For all new investments since Oct. 1st 2004, investors have undertaken to disclose payments to government
• Support country led transparency work	• Strong IBRD/IDA support for and momentum of EITI
Benefiting the Poor:	
• Require projects to benefit local people and have broad community support	• Careful assessments and judgments being applied.
• Work with sponsors to broaden development impact	• Wherever possible being done – several projects in FY05.
• SME programs	• Extensive experience now being gained in a number of projects (e.g. Timan)
• Application of poverty indicators	• IFC template public and being trialed
• Support for capacity building	• Will be applied as appropriate
• Sustainable development facility	• New Community Sustainable EI facility partly funded and being established
• Support for ASM program	• Ongoing support of the CASM initiative. $60m IBRD/IDA program in Nigeria
***Mitigating Social and Environmental Risk*:**	
• Revision of IFC guidelines addressing EI issues (STD, Riverine TD, cyanide etc)	• IFC Safeguard Policies Update and draft new EHS guideline (Precious Minerals and Metals) addressing mitigation
• Review of no-go issues	• Draft Performance Standard 6 addresses issue – no proposal for no-go zones but " no-go circumstances"
• IBRD/IDA guidance on new project categorization	• Guidance note to be issued in December 2005
Disclosure:	
• Disclosure of expected project benefits	• Addressed in revised draft IFC Disclosure policy review – EI project development impact now being disclosed in SPIs
• Annual disclosure of project impacts by investors.	• Investors being encouraged to disclose in appropriate form
Protecting Rights of People:	
• Prior informed consultation	• Requirement now in draft Sustainable Policy & Performance Standard – additional guidance being developed
• Broad community support for projects	• As above
• Requirements about use of security forces	• Requirements now in draft Performance Standard 4
• Review core labor standards	• Requirements now in draft Performance Standard 2
• Broader human rights issues	• Await broader WBG review
Ongoing Learning and Review:	
• Establishment of Advisory Group	• Group established with first meeting October 5-6th - record note published
• Annual review of progress	• This is the first report
• Lessons of review of joint IFC/Bank Department	• Preparation of TOR and selection of reviewers under way

ANNEX B: World Bank Group EI Financing – FY 2005

Institution	Project	Country	Sector	Financing	Description
IFC	Gasryg	Bolivia	Gas	50	Financing of gas pipeline
	Melrose	Regional	Oil/gas	25	Credit facility to support investments in oil and gas development
	Mazoon	Oman	Oil	40	Expansion of locally owned oil recovery project
	Niko	India	Gas	10	Development of gas resource for local use
	Merlon	Egypt	Gas	11	Expansion of gas production
	Afren	Africa	Oil	1	Start up African oil company
	Novatek	Russia	Gas	35	Investment to support development of local gas producer
	Vaalco	Gabon	Oil	30	Facility for off shore oil production project
	Petrofalcon	Venezuela	Oil/gas	12	Financing of local gas/oil production expansion
	Hernic	S. Africa	Mining	0.3	Expansion of Ferric Chrome production (supplementary)
	Timan	Russia	Mining	45	Expansion of bauxite production
	Hambro	Russia	Mining	15	Investment to finance appraisal/feasibility of new gold mine
	BAPTFF	Africa/Middle East	Oil	60	Partial guarantee for financing of petroleum products in Africa/ME
				334.3	
MIGA	Dikulushi	DR Congo	Mining	7	Small copper/silver mine
	WAGP	W. Africa	Gas	75	West Africa gas pipeline (Nigeria to Ghana, Benin, and Togo)
	Kenmare	Mozambique	Mining	12	Heavy mineral sands extraction (titanium)
				94	
IBRD	PO87807	Romania	Mining	57.6	Coal mine closure
	P088923	Peru	Oil/Gas	20	Partial risk guarantee in support of infrastructure, including gas (not yet committed)
	P083093	Poland	Mining	95	Coal mine closure
	P075730	China	Mining	8.6	Promotion of production and sale of low sulfur coal
				181.1	
IDA	P086716	Nigeria	Mining	60	Program to address issues of sustainable artisinal mining
	P083131	Kenya	Gas	9.6	Energy Sector Recovery Project
	P082502	Africa	Gas	50	West Africa Gas Pipeline
	P083711	Chad	Oil	0.5	Complement to petroleum development/revenue mgmt. projects
	P083267	Republic Congo	Oil	4.5	Transparency in the oil sector
	P080935	Mali	Mining	3.9	Infrastructure improvements for mining
	P088865	Kosovo	Mining	0.2	Policy framework & institutional capacity for mineral development
	P071407	Zambia	Mining	4.2	Gemstones production & trade; inclusion in formal economy
	P095206	Kyrgyz R.	Mining	0.5	**GEF** grant to reduce pollution risk from radio active waste
	P083477	Sierra Leone	Mining	3.8	Capacity building/regulatory reform for mining sector
	P089244	Tajikistan	Oil/Gas	8.6	Reduce commercial losses in the gas system
				145.8	
	Total IBRD/IDA			**327.0**	
	Total WBG			**755.3**	

Note:

Dollar amounts for IBRD/IDA projects are the oil, gas and mining component of larger multi sector loans.

MIGA amounts are guarantees for political risk insurance
Typically, WBG finances only a proportion of project costs that will be several times larger than WBG financing

ANNEX C: Comparison of IFC's draft Policy and Performance Standards and draft Disclosure Policy with the Safeguards Issues Identified by the EIR Management Response

I. IFC Sustainability Policy & Performance Standards

Issues Identified for Safeguards Update Follow-up by the EIR Management Response	Relevant Coverage by the IFC Sustainability Policy & Performance Standards
General	
▪ IFC's safeguard policies are in the process of being revised and updated to improve their clarity, accessibility, and implementation . (p. v – Executive Summary) ▪ The clarity and accessibility of our safeguards should be continually improved, and implementation of the Safeguards should also be strengthened. (p. 7 – §23) • The WBG recognizes the need to update its safeguard policies, with involvement of relevant stakeholders, in light of evolving best practice in all sectors. (p. 38 – IV.10)	▪ IFC's safeguard policies update has been underway since 2003. The overall goal of this initiative is to put into place a clear, concise and comprehensive set of sustainability standards for the private sector, relevant for all sectors and regions. The update process included a 8-monthpublic consultation period, involving a wide range of stakeholders from around the world. The extensive public comments have been recently incorporated in the revised draft policy documents, which have just been released for a 60-day public comment period. To explain IFC's thinking on the implementation of the policy, IFC also released a working draft of the Environmental and Social Review Procedure.
▪ Earlier and more extended involvement of environmental and social specialists is needed to ensure better implementation of safeguard policies and increased efforts on project appraisal, consultation, disclosure, and value-added in projects. (p. 14 – §51)	▪ The role of IFC's environmental and social development specialists throughout the project cycle is described in the Review Procedure. By co-locating these specialists in investment departments, IFC seeks to ensure earlier and more extended involvement of the specialists.
▪ 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. (p. 5 – §16)	▪ Performance Standard 1 requires IFC clients to engage affected local communities on an on-going basis in a manner appropriate to the nature of the project and the scope of its impacts, through information disclosure, consultation, and informed participation. Guidance Note 1 refers to participatory monitoring and suggests that this should be considered for large, high-risk projects. This has not been adopted as an overall requirement as the interest and/or capacity of the affected community to participate in monitoring would vary. ▪ IFC will assure itself that the client's process involve free, prior and informed consultation leading to broad community support of the affected communities. This requirement applies to large projects with significant impacts across all sectors.
▪ Insofar as creation of new financial instruments such as performance bonds, etc., are concerned, IFC is reviewing the feasibility of a series of financial instruments as a part of its safeguards revision. (p. 19 – I.7) ▪ The performance bond and resettlement insurance recommendation will be evaluated as part of the IFC safeguard review. IFC is reviewing a series of financial instruments as a part of its best practice guidance. (p. 31 – II.10)	▪ The availability and application of financial instruments will be considered in the relevant Environmental Health and Safety Guidelines.
▪ Usage of indicators to measure improvements in social baseline conditions, although	▪ IFC has begun internal discussion on key performance indicators to track project and

Issues Identified for Safeguards Update Follow-up by the EIR Management Response	Relevant Coverage by the IFC Sustainability Policy & Performance Standards
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. (p. 24 – I.20)	institutional performance.
▪ Issues of "no-go technologies" are being examined in the review of IFC's policies and guidelines (the preliminary draft of the revised Precious Metals Mining Guideline that was available from July 2004). (p. 33 – II.21).	▪ Cyanide, riverine tailings, sub-marine tailings, and mine closure are being addressed in the review of the Environmental, Health & Safety Guidelines currently underway.
▪ Some EI projects, particularly in existing oil producing or mining areas, or expansions of existing developments, do not have significant incremental environmental or social impacts that would justify a Category A rating. Such projects would be classified as Category B according to OP 4.01 since their impacts are site-specific in nature and mitigation measures are readily available. Categorization and the scope of assessment are included in IFC's review of its safeguards. (p. 29/30 – II.3)	▪ IFC's Sustainability Policy specifies that IFC will categorize projects in accordance with the anticipated social and environmental impacts of the project as A, B, or C. Categorization details are also addressed in the Review Procedure. In sum, IFC proposes to review project impacts, and categorize projects based on the result of the social and environmental assessment. ▪ The scope of the social and environmental assessment for projects with different levels of anticipated impacts is outlined in PS1.
PS1: Social & Environmental Assessment	
▪ IFC's current safeguards revision will advance the integrated (holistic and multidimensional) social and environment assessment agenda. (p. 29 – II.1)	▪ Overall the Performance Standards place a new emphasis on social issues. Performance Standard 1 requires Social and environmental issues to be addressed in a more integrated manner.
▪ IFC's review of social and environmental assessment in the safeguard revision is examining ways to ensure ready identification of the vulnerable and ways to address their specific needs. (p. 22/23 – I.16)	▪ Performance Standard 1 requires clients to identify vulnerable or disadvantaged groups that may be disproportionately impacted by the project by virtue of their gender, ethnicity, religion, culture, dependence on a unique natural resource for their livelihoods, or other characteristics. Where these groups are differentially affected by the project, the client will ensure that differentiated measures are proposed and implemented so that adverse impacts do not fall disproportionately on these groups and that they are not disadvantaged when sharing in project benefits.
▪ Gender is a specific consideration in IFC's approach to review and assessment in its review of its safeguards. (p. 37 – III.10	▪ Gender is identified as an issue that should be considered as a part of the Social and Environmental Assessment (PS1). Further, Guidance Note 1 sets out specific guidance regarding differentiated project impacts on men and women.
PS2: Labor & Working Conditions	
▪ IFC's draft Performance Standard addressing this issue, add proposed provisions concerning workers organizations and non-discrimination to existing provisions concerning child labor and forced labor. (p. 37 – III.6)	▪ PS2 outlines the principles of the current Forced Labor & Harmful Child Labor Policy and adds new provisions consistent with the remaining two of the four Core Labor Standards. Specifically, it includes guidance on the workers' right to organize and bargain collectively, and it sets out non-discriminatory practices in employment relationships.

Issues Identified for Safeguards Update Follow-up by the EIR Management Response	Relevant Coverage by the IFC Sustainability Policy & Performance Standards
	▪ PS2 also establishes further provisions on related labor issues: – Requires an appropriate human resources policy & grievance mechanism – Deals with large scale retrenchment and fair treatment of contract labor – Addresses occupational health and safety via principles drawn from the Occupational Health & Safety Guideline – Specifies working conditions and terms of employment, such as wages, benefits, and hours of work to be in line with bargaining agreements, or where these do not exist with national law. – Addresses the client's responsibility to address labor and working conditions in the supply chain
PS4: Community Health & Safety	
▪ IFC is considering public health issues in its review of Safeguard Policies. (p. 21 – I.13)	▪ PS1 requires consideration of all potential social and environmental impacts of a project and cites community health as a consideration in the social and environmental assessment ▪ PS 4 outlines requirements for protecting and promoting the health and safety of the public, and managing and minimizing risks to local communities from project related activities. ▪ Other Performance Standards, including PS 2 (Labor & Working Conditions) and PS3 (Pollution Prevention & Abatement), are also supportive of health issues.
▪ 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. (p. 25 – I.23)	▪ Both adverse and positive health and safety impacts are to be addressed in the Social and Environmental Assessment (PS 1).
▪ Emergency response plan guidelines should involve ways to establish good lines of communication for warning local communities, sufficient recognition of potential impacts, and adequate monitoring and maintenance. Such practice should be required in IFC projects and encouraged in reforms of national legislation and regulation. The ongoing updating of the 1998 *Pollution Prevention and Abatement Handbook* will revisit the guidelines using lessons learned from initial experiences in EI. (p. 34 – II.25)	▪ Clients are required to establish and maintain emergency prevention, preparedness and response arrangements and provide information, communication, and coordination necessary to protect workers. ▪ An emergency preparedness procedure is addressed in PS 4 (Community Health & Safety) to protect the public. IFC clients are required to inform local communities of significant potential hazards in a culturally appropriate manner and to assist with the communities' emergency preparedness.
▪ In response to concerns about the use of security forces by private EI companies, the WBG will require that sponsors follow provisions regarding the use of private and public security forces based on the Voluntary Principles on the Use of Security Forces. The Principles were developed by a group of NGOs, governments, and industry as a guide using security forces in a manner that does not violate human rights. The WBG believes that community consultation is a key part of any approach to security. (p. 36 – III.5)	• In view of the fact that security arrangements are not exclusive to the extractive sector, IFC has added provisions on private and public security personnel, consistent with the Voluntary Principles (Performance Standard 4)

Issues Identified for Safeguards Update Follow-up by the EIR Management Response	Relevant Coverage by the IFC Sustainability Policy & Performance Standards
PS5: Land Acquisition & Involuntary Resettlement	
▪ IFC is reviewing the Involuntary Resettlement Policy as part of its safeguard review. The WBG will ensure that in any EI project it supports, sponsors undertake appropriate consultation with affected communities...Discussions with communities should provide free, prior and informed consultation. From these actions, the WBG should be able to determine whether the communities support the project. The WBG will commit to taking the community's views on the project into account in determining whether to proceed with project processing. (p. 31 – II.8)	▪ Performance Standard 5 requires the client to consult and facilitate the participation of the persons to be displaced in decision making processes. ▪ For large projects with significant impacts, IFC will ascertain whether the project enjoys broad community support, as set out in the Sustainability Policy. ▪ Relocation of indigenous peoples requires good faith negotiation, and IFC will ascertain whether there is broad community support.
PS6: Biodiversity & Sustainable Natural Resource Management	
▪ IFC's Safeguard Policies, IFC is considering how to best protect biodiversity both inside and outside of internationally agreed protected areas. (p. 7 – §24) ▪ IFC's review of the Safeguard Policies is considering the issue of no-go zones. (p. 31 – II.7)	▪ Performance Standard 6 supports the protection and conservation of biodiversity and ecosystems both inside and outside internationally agreed protected areas. ▪ Rather than adopting the more limited geographically-based approach, PS6 outlines specific criteria and requirements that together comprise a set of no-go circumstances, or situations, where a project is not allowed. ▪ PS6 also requires IFC clients to ensure that any project in a protected area recognized by the host country will: 1) result in a net conservation improvement for the protected area as compared to the without-project scenario; and, 2) that protected area sponsors, local communities and key stakeholders are consulted.
PS7: Indigenous Peoples & Other Natural Resource Dependent Communities	
▪ The WBG's proposed revised Indigenous Peoples policy (Draft OP 4.10)...will provide greater clarity in the WBG's approach to Indigenous Peoples, including guidance on free, prior and informed consultation and informed participation by affected Indigenous Peoples communities. It also places greater focus on areas such as the recognition on rights of Indigenous Peoples to land and territories which were traditionally owned, customarily used or otherwise occupied by them and receiving benefits, compensation or rights to due process... (p. 23 – I.17)	▪ For World Bank projects, the new revised Indigenous Peoples policy approved by the Bank Board in May 2005, sets out particular provisions concerning Indigenous Peoples and Bank projects generally. ▪ For IFC projects, Performance Standard 7 requires the client to establish an ongoing relationship with the affected communities throughout the project, and consult with and seek the informed participation of Indigenous Peoples in a culturally appropriate manner in decisions that affect them. ▪ Since private sector projects cannot legally recognize Indigenous Peoples, the Performance Standard requires respect for the rights of Indigenous Peoples. In addition, the Performance Standard further sets out specific requirement for compensation, due process and development opportunities that apply when a project affects Indigenous Peoples' ties to their traditional or customary land under use.

II. Policy on Disclosure of Information

Issues Identified for Disclosure Review Follow-up by the EIR Management Response	Relevant Coverage by the Draft Disclosure Policy (DP)
▪ In the case of significant private projects supported by the WBG, the WBG will work to ensure both mitigation of risks regarding inappropriate use of revenues, and disclosure of payments to governments, as well as the terms of key contracts with governments such as Intergovernmental Agreements (IGAs) and Host Government Agreements (HGAs). For smaller projects, the revenue management risks will be carefully reviewed in appropriate project documents. In IFC's case, it will be reviewed in its Summary of Project Information 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, the WBG will expect disclosure of EI payments to governments in all new private sector EI projects where it is involved."	▪ The Sustainability Policy includes a section on Sector Specific Disclosure Initiatives which incorporate requirements for IFC clients to disclose payments to governments and the terms of key contracts such as IGAs and HGAs. ▪ For Category A projects, the SPI will now be released 60 days prior to Board consideration of the investment as opposed to the previous 30 day requirement.
▪ "The WBG will take account of a wide range of quantitative and qualitative indicators and information about governance and other risks. Project documents that will be public will include a review of this judgment. In the case of IFC 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."	▪ In the case of EI projects, IFC assess the governance risks to the anticipated project benefits and summarizes its assessment in the Summary of Proposed Investment (SPI). See Section II, C, 12b vii of the draft Disclosure Policy.
▪ "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."	▪ Any project monitoring reports that the Performance Standards require a client to prepare and disclose locally to affected communities are also referenced on IFC's website, together with a link to such reports on the client's website, if applicable. See Section III, C, 13b iii of the draft Disclosure Policy.
▪ "The WBG agrees that the evaluation of projects should assess net benefits as described. IFC/MIGA publish these where they are consistent with their respective disclosure policies. At IFC these are currently under review."	▪ The Operations Evaluation Group for IFC is reviewing its own Disclosure Policy. In addition, IFC has created a Development Effectiveness Unit which will lead on IFC's reporting on development impact of IFC activities, as described in IFC's draft Disclosure Policy, Section III, F, 24.
▪ 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."	▪ The Review Procedure provides for details on IFC's approach to financial intermediaries, including IFC's responsibilities for disclosure. Disclosure of information by the FI will be carried out in accordance with national law or the Performance Standards, as applicable.
▪ "In response to the recommendation of the EIR report, for a Information Ombudsman to monitor disclosure policy implementation, the MR replied: "This issue goes well beyond the EI sector. Present structures, such as the CAO (IFC/MIGA) are considered to provide sufficient avenue for complaints concerning WBG adherence to its policies, including those on disclosure, for all its projects, including EI projects."	▪ Section IV of the new draft Disclosure Policy outlines the role of the new Disclosure Policy Advisor who responds to complaints regarding IFC's disclosure responsibilities. Corporate Relations will monitor ongoing implementation of the policy. If local stakeholders believe that the requirements in Performance Standard 1, which detail client level disclosure responsibilities, have not been followed, they may, after following any project specific grievance mechanism, make a complaint to the CAO office.
▪ We will identify expected development impacts of EI projects we support and make these public before we recommend Board approval.	▪ See Section III, C, 12b,vii of the draft Disclosure Policy

ANNEX D: Summary Expected Development Impacts – EI Commitments in Support of Private EI Investment FY 2005

Gasyrg

Private Bolivian company that constructed and operates the Gasyrg pipeline transporting natural gas for further export to Brazil through the Bolivia-Brazil pipeline. IFC funding is for the refinancing of the shareholder's equity injected to finance the company's already completed infrastructure projects. At the peak of construction, the company had 3,500 contractor employees and 140 company employees. Also an important source of revenue to the country through royalties and taxes.

Melrose Facility

A US$25 million investment in corporate loan facilities for Melrose Resources plc, for new investments/refinancing of projects in Egypt and Bulgaria to supply gas for local use in these countries. Melrose is expected to gain significant flexibility by utilizing this facility, which in turn will play a critical role in enabling the company to continue with its active production and exploration projects, notably in Egypt.[8]

Mazoon Petrogas

Mazoon is a small oil and gas exploration and production company in Oman that proposes to double its current crude oil production. It has broadened out from providing services and is one of the few local private companies in the sector. Besides the fiscal benefits accruing to the government of Oman, the project is expected to generate local employment opportunities and skills transfer, reduce greenhouse gas emissions by utilizing gas that would otherwise be flared, and provide new service delivery opportunities for contractors from local communities.

Niko Resources

Expansion of gas production in the State of Gujarat, India. Niko is among a handful of private players, and even fewer foreign companies, in India's upstream sector. The project will generate substantial revenues to the federal and state governments in the form of royalties, corporation and sales taxes and production sharing. It will also promote the development of domestic gas resources in world's sixth largest energy consumer, and encourage the adoption of less expensive and more reliable locally produced gas as fuel for power generation, city gas distribution, and for small industry. A reduction in carbon emissions is also expected, as is a number of secondary service support opportunities for local companies.

Merlon Egypt

Small oil and gas company, engaged in the exploration and development of gas concessions in the onshore Nile Delta in Egypt. Besides generating revenues for the Egyptian government in the form of royalties, taxes and production sharing, the project will promote the exploration and development of domestic gas resources, provide local employment and training, and also create opportunities for local goods and services suppliers[9].

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[8] See Merlon Egypt for Project Description.

[9] Merlon Egypt also subsequently requested IFC to provide it with the ability to undertake U.S. dollar interest rate swaps for the investment package provided to it by IFC. IFC helped Merlon Egypt hedge its interest rate exposure on two outstanding U.S. dollar-denominated loans, as well on the loans that are disbursed subsequently.

Afren

The company, established to pursue the acquisition and development of oil and gas opportunities mainly in Africa, will promote local participation in the development of the continent's oil and gas reserves through employment of staff from Africa or with extensive African experience, targeting a high share of African ownership via secondary listings, placing special emphasis on cooperating with African national oil companies and other local companies, and working closely with local communities in its areas of operation.

Novatek Gas

The first financing for an independent Russian gas producer. Main development impacts include an increase in Russia's gas production, better environment performance, consistent support for local indigenous peoples, and encouragement of new non-Gazprom gas investment.

Vaalco Facility

Multiyear oil exploration, development and production programs in the Etame block, located 45 kilometers offshore southern Gabon, including second phase of development of the existing field, development of new fields, upgrading production facilities, acquiring geological data and drilling new exploration wells. Not only will the project generate substantial government revenues, it will help stem the overall decline in Gabon's Oil Production, as well as provide employment, training and other community benefits.

Petrofalcon

Expansion of oil and gas production in the East Falcon Unit, West Venezuela by Petrofalcon a small local company in a sector dominated by PDVSA, the state oil company and international investors. The project will help alleviate the natural gas shortage in Western Venezuela, and provide direct employment, as well as local contracting opportunities, for Venezuelan nationals. It will also continue to support local communities through the provision of supplies to local schools, distribution of medicines, and the provision of financial aid for local housing repairs.

Hernic Ferrochrome

Expansion of existing operations at (new underground mine, installation of a new furnace and pelletizing plant, incremental working capital, and environmental improvements, and community development activities) at Hernic Ferrochrome (Pty) Ltd. in South Africa. The project is expected to promote responsible environmental and social management, sustain and create direct and indirect employment, and generate substantial taxes and foreign exchange receipts.

Timan

Development and expansion of the Bauxite Timana mine and early works for an associated alumina refinery, located in the Komi republic of Russia. The project is expected to be major engine for development in the Komi republic, and become a source of sustainable employment in a region where skilled labor is plentiful bur employment opportunities are scarce. It will be built and operated to world class standards, provide a strong demonstration effect for the modernizations and increased transparency of the Russian metals industry and help develop value-added manufacturing for Russia's raw materials base.

Peter Hambro Gold

Project will explore and appraise the Company's prospective gold properties (in Amur Oblast, Far Eastern Russia), and will include feasibility studies, detailed engineering and environmental and social impact assessments and other preparatory activities. While not resulting in any immediate incremental gold production, the preparatory work undertaken by the Company will position it to implement a fourfold increase in gold production over two years, a near doubling of employment, a scaling up of the Company's community development plan, and a significant increase in annual tax payments, of which 55% would accrue to the regional government.

BAPTFF

A financing facility targeted at second tier and domestic petroleum companies operating in Africa and the Middle East. It will extend financing to new borrowers and also extend tenors to existing borrowers, mobilize additional resources from commercial banks, and enhance the participation of local and middle tier producers, therefore enhancing employment prospects.

West African Gas Pipeline

Construction and operation of the 681-km West African Gas Pipeline (WAGP) to transport gas from Nigeria for sale to customers in West Africa. The pipeline will run predominantly off-shore from Lagos, Nigeria to Takoradi and Tema in Ghana, with spurs to the shore in Togo (Lome) and Benin (Contonou) as required by the market. Ancillary infrastructure, such as roads to the gas fields and potable water supply will also contribute to infrastructural development. The Project will establish a new level of regional cooperation and economic integration to enhance regional stability. By improving energy security, supply and trade among the four countries, the proposed Project would encourage cross-country cooperation and coordination on energy-related issues.

Dikulushi

Development of the Dikulushi copper and silver deposit located in the Haut-Katanga district, in Katanga province, about 400 kilometers north of the city of Lubumbashi, in south-east Democratic Republic of Congo. In addition to developing the deposit, Anvil has completed the upgrade of an existing 54 kilometer road between the mine and the port of Kilwa and has installed a 4 MW power plant at the site. Apart from improved infrastructure to the region, the project will also provide employment opportunities. The local community will be the beneficiary of a trust arrangement in the project that is entitled to 10% of the dividends distributed. The trust funds will be used to carry out social investments in education, health care and micro-enterprise development.

Moma

Dredge mining project that will extract about 625,000 metric tons of ilmenite, 23,800 metric tons of zircon, and 12,500 metric tons of rutile per annum. The project is expected to use a proven technology. This is one of the world's largest mineral sand mining projects and has the potential to enable Mozambique to become the world's foremost producer of ilmenite. The project will create about 600 jobs and generate substantial export earnings annually and will stimulate the provincial economy through job creation and skills development. There are plans to establish a Community Development Foundation in partnership with village leaders and other stakeholders, including local NGOs. The foundation's main objective will be to maintain regular consultation with the community and to ensure that mining operations benefit the local area. (Initially an FY03 project, MIGA cover expanded in FY05).

ANNEX E: WBG EITI Activities in Resource Rich Countries

Country	*WBG EITI Related Activity*
"Resource Rich Countries"	
Angola	Yes
Algeria	No
Azerbaijan	Yes
Botswana	No
Cameroon	Yes
Chad	Yes
R. Congo	Yes
DR Congo	Yes
Equatorial Guinea	Yes
Gabon	Yes
Guinea	Yes
Iran	No
Iraq	No
Kazakhstan	Yes
Libya	Yes
Nigeria	Yes
Sao Time	Yes
Syria	No
Sudan	No
Turkmenistan	No
Timor Leste	Yes
Venezuela	No
Yemen	No
Countries with Substantial Resources	
Ghana	Yes
Kyrgyz R.	Yes
Mauritania	Yes
Mongolia	Yes
Niger	Yes
Peru	Yes
Sierra Leone	Yes
Note: Resource rich countries are those defined in MR to be those with 50% or more of revenues expected to come from EI. Countries with substantial resources are those with EI revenues or exports accounting for 30-50% of totals.	

ANNEX F: Summary EI Project Related Complaints/Requests for Audit Handled by CAO FY05

1. Marlin gold mine in Guatemala. The CAO's office accepted a complaint from an NGO representing people from the Municipality of Sipacapa in March 2005 regarding an IFC loan for the project. A final CAO report was released on September 8th 2005.

2. Dikilushi copper/silver mine in the Democratic Republic of Congo. The President of the World Bank requested an audit of MIGA's due diligence for this project in July 2005. A draft report was submitted to the President on October 14th 2005.

3. Antamina copper, zinc, silver and molybdenum mine, Peru. The CAO's office accepted a second complaint relating to this project in June 2005. The complainant alleged that adverse environmental impacts on Huarney Bay have persisted since the initial complaint filed in November, 2000. A review of MIGA's involvement is in progress.

4. Karachaganak gas/oil field, Kazakhstan, financed by IFC. In September 2004, the CAO's office accepted a complaint from villagers that they and other residents of Berezovka had experienced adverse health impacts due to pollutants from the sponsors operations was well as declining economic circumstances for village residents. The CAO issued a final assessment in April 2005 finding that without baseline data, it was very difficult to separate the environmental and health effects of the current project from problems caused by the deteriorated physical and social infrastructure in Kazakhstan more generally as well as those caused by environmental practices during the Soviet era.

5. Baku-Tbilisi-Ceyhan (BTC) oil pipeline. As of June 2005, the CAO's office had received 24 complaints: 7 are still being reviewed, 6 were negotiated and closed, 1 was closed by request, and 10 rejected. Many of the complaints related to construction impacts of the project. The CAO's office has worked with the sponsor and IFC staff to develop a strategy to deal with complaints relating to damage alleged from construction activities, for example to an individual's home.

Further information about these complaints can be accessed at http://www.cao-ombudsman.org/.