

The World Bank Group in Extractive Industries

2010 ANNUAL REVIEW



THE WORLD BANK



**International
Finance Corporation**
World Bank Group

**THE WORLD BANK GROUP
IN
EXTRACTIVE INDUSTRIES**

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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
CASM	Communities and Small-Scale Mining
CODE	Committee on Development Effectiveness
CommDev	Oil, Gas and Mining Sustainable Community Development Fund
DFID	Department for International Development (UK)
EE	Energy Efficiency
EI	Extractive Industries
EIR	Extractive Industries Review
EITI	Extractive Industries Transparency Initiative
EITAF	Extractive Industries Technical Assistance Facility
EITAG	Extractive Industries Technical Advisory Group
FY	Fiscal Year (ending June 30 th for the WBG)
GGFR	Global Gas Flaring Reduction Partnership
GHG	Greenhouse Gas
GRICS	World Bank Institute Governance Indicators
HGA	Host Government Agreement
HIPC	Heavily Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IBRD	International Bank for Reconstruction and Development
ICMM	International Council on Mining and Metals
IDA	International Development Association
IEA	International Energy Agency
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	Organization for Economic Co-operation and Development
OED	Operations Evaluation Department
OEG	Operations Evaluation Group
OEU	Operational Evaluation Unit
PRSP	Poverty Reduction Strategy Paper
RE	Renewable Energy
SPI	Summary of 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

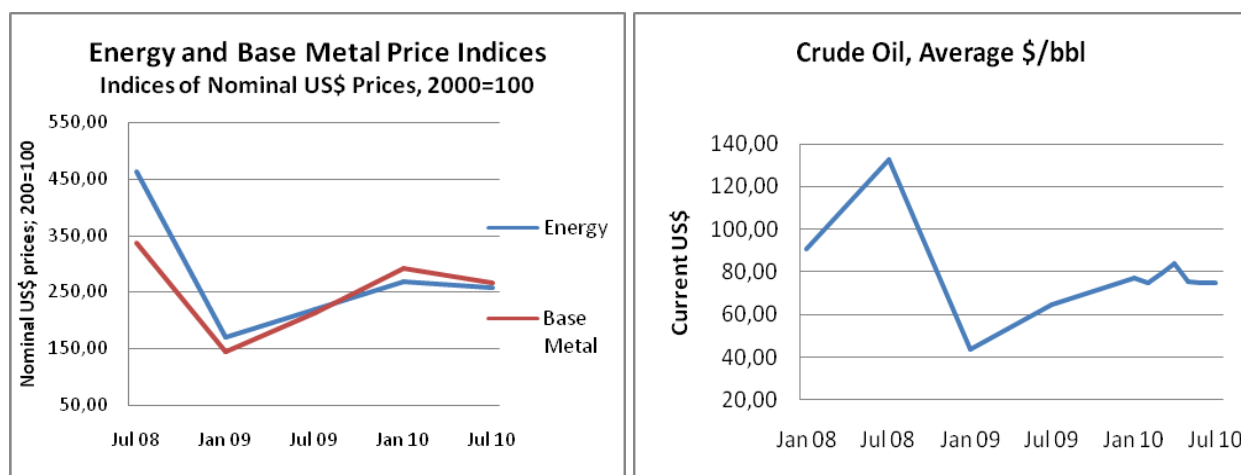
I. Executive Summary

1.1 This is the first Annual Review of World Bank Group (WBG) activities in the Extractive Sector, replacing the previous report on the Implementation of the Management Response to the Extractive Industries Review (EIR)¹. The objective of this new, refocused report is to provide an overview of the WBG's activities over the previous fiscal year as well as outline the Bank's overall directions and its purpose in the sector.

1.2 The extractive sector holds significant potential for developing countries' economic development, and the World Bank Group strives to assure that host nations and their citizens benefit from their natural resources. This report's objective is to inform WBG stakeholders, such as governments, civil society, private sector institutions and other development institutions about how the WBG is engaging in the sector and what it is doing to support sustainable resource development.

Markets and other Sector Developments

1.3 Commodity markets have had a notable turn-around following the financial crisis and economic contraction, mainly on the back of countries pursuing resource-intensive growth paths such as China. The prospect of continued robust demand growth for commodities well into the next decade and tight supply may herald a fundamental shift in the relative scarcity of resources and a new normal of higher commodity prices.



Source: World Bank

1.4 Resource producing countries, whose revenues were negatively impacted by the collapse of commodity prices only two years ago, have been able to restore some fiscal space. Given buoyant prices, country governments have again re-focused on maximizing benefits and receiving an adequate share of returns for their natural resources, as exemplified by upward adjustments (proposed or adopted) to royalty and tax rates and other regulatory changes.

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

1.5 The private sector has also bounced back. Resource company equity values have largely recovered and investment financing has become available again as demonstrated by significant equity raising for resource companies in 2009. Private companies, however, continue to face challenges on other fronts, as countries are tightening their control over reserves and the private sector is being pushed into more difficult projects and environments.

1.6 Private sector companies are also being held to higher standards both with respect to the management of environmental and social concerns, as well as in regards to transparency in their interactions with host governments. The move towards greater transparency in the extractives sector over the last years was bolstered further in July 2010 when the Dodd-Frank financial reform act² was signed into law, requiring US-listed resource companies to disclose material payments made to governments.

WBG Extractive Industries Financing

1.7 The overall volume of FY2010 WBG financing in the extractives industries (EI) sector was US\$1,002 million, an increase over FY2009 of about 9 percent. IFC investments accounted for roughly 75 percent of the total financing volume, followed by MIGA with 16 and IBRD/IDA with 9 percent. WBG EI commitment volume has averaged \$960 million per annum, over the last five fiscal years and has been between 1 and 3 percent of total WBG investment volume over the same period.

1.8 The World Bank Group's objective for its engagement in the extractive sector is to ensure the positive contribution of natural resources to countries' economic development. The WBG, through its rules of engagement, will balance its support for public and private investments vis-à-vis risks and the potential for sustainable development and poverty reduction. It engages with both governments and private companies along the extractive industries value chain to consider all of the issues from access to resources to transparency and revenue management to sustainable development. While IBRD/IDA focus on supporting host governments, IFC and MIGA engage with the private sector. They support investments in new or expanded physical capacity and aim to engender best practices with respect to environmental and social standards and transparency of payments to host governments. Through its advisory work IFC also aims to ensure that projects benefit local communities.

1.9 Since 2006, IFC tracks systematically the benefits generated by its EI portfolio through its Development Outcome Tracking System (DOTS), which allows the corporation to aggregate and report on development results. IFC's investments in the extractive sector have consistently scored high and outperformed the IFC average since reporting on development results began. Moreover, through DOTS, IFC is also able to capture real results on the ground: during the last reporting period FY2010, IFC's oil, gas and mining client companies contributed approximately US\$6.9 billion to government revenues, created or sustained about 85,500 direct jobs and supported local communities with US\$252 million through dedicated community related spending. Total spending by these companies on goods and services from local and national

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

suppliers approached US\$5.7 billion, demonstrating both significant linkages to local businesses and making a major contribution to local economies³.

Partnerships and Initiatives

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

1.11 *Extractive Industries Transparency Initiative (EITI)*. With WBG support, the Extractive Industries Transparency Initiative (EITI) continues to have a positive impact in the area of transparency about oil, gas and mining sector payments to governments. To date, thirty three countries are EITI-implementing countries (including Norway) of which five (Azerbaijan, Liberia, Timor Leste, Ghana, Mongolia) have completed validation and have been declared EITI-compliant. The World Bank supports the initiative through: (a) administration of the EITI Multi-Donor Trust Fund that provides support to governments to implement EITI; (b) support to civil society to enable them to participate effectively in the multi-stakeholder process; and, (c) assisting the EITI Secretariat in its coordination function and by serving as an observer on the EITI Board.

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

1.13 *Global Gas Flaring Reduction Partnership (GGFR)*. The GGFR brings together industry, government and other stakeholders with the objective of reducing gas flaring globally. The GGFR partnership welcomed Mexico and Pemex as official partners as well as Finland's Wärtsilä as the first Associated Partner. Earlier this year, GGFR partners officially launched the third phase of the World Bank-led initiative covering the period 2010-2012. The work program for this third phase focuses on implementing concrete gas flaring reduction projects in high-impact countries across the Middle East and North Africa, Europe and Central Asia, Africa, the Americas, and East Asia.

1.14 *Extractive Industries Technical Assistance Facility (EI-TAF)*. The Extractive Industries Technical Advisory Facility (EI-TAF) has been established to facilitate advisory services to country governments needing rapid assistance in prospective EI developments. The EI-TAF became operational in FY10 and focuses primarily on third-party advisory assistance for contract negotiation of extractive industry transactions; short-term capacity building for the beneficiary country's negotiation teams; supporting technical assistance to update the relevant policy, institutional, fiscal, legal and regulatory frameworks of the country concerned; and structuring licensing rounds, public offerings (tender/auction), and competitive and transparent tender packages. Additionally, a second pillar of the EI-TAF relates to the preparation of a Source Book of good global practices across the EI Value Chain.

³ For further information see IFC's Annual Report for the year ended June 30th 2010 (FY2010). Data can also be accessed on the external website of the IFC: www.ifc.org/ifcext/coc.nsf/content/Disclosure

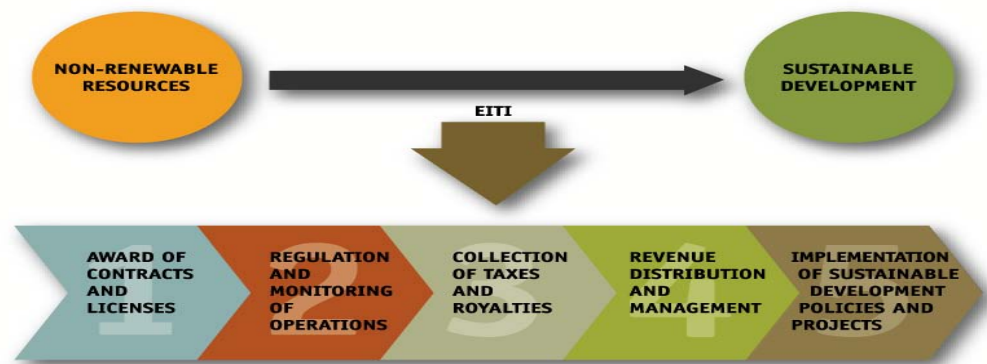
1.15 *World Bank Institute – Governance for Extractive Industries (GEI)*. The GEI program, housed in the World Bank Institute and supported by the World Bank Africa Region and the African Development Bank, was launched in 2009. The GEI program promotes accountable and transparent use of extractive industries resources in African countries by connecting and empowering key extractives industries stakeholders (government, civil society, private sector, parliament, and media) to jointly identify, prioritize and implement actions that lead to a more accountable extractives sector. The program approach emphasizes WBI’s core competence in bringing together and developing the capacities of multiple stakeholders to address the “how to” of designing, implementing and managing change. The initial focus is on petroleum and mining contracting.

II. Introduction – The World Bank Group in Extractive Industries

2.1 The World Bank Group has been active in the extractives sector for over 60 years. While a consistent presence, the World Bank Group’s focus on the sector and that of its individual institutions has changed over time.

2.2 Today, IBRD/IDA is largely focused on supporting governments manage the sector to ensure that the sector can attract competitive private investment and that the sector makes a positive contribution to sustainable development. Financing by IBRD/IDA (henceforth World Bank or WB) for new physical investment is relatively rare with this role largely confined to IFC and MIGA’s support for private sector investment. Over the last decade, the WB has focused more and more on the extractive sectors in the context of sustainable development.

Figure 1: The EI Value Chain



2.3 Increasingly, the WB has structured its activities along the extractive industries value chain. This framework classifies the process by which countries transform their natural resources into sustainable development. The WB provides a variety of support across each stage, starting with technical advice, for example, on how to structure the award process for contracts and licenses, to supporting EITI and the transparent collection of taxes and royalties and helping governments managing fiscal revenues efficiently and implementing sustainable development policies. While the focus of any given WB project depends on the level of maturity of the recipient country’s EI sector, it will normally encompass elements of most or all of the stages of the value chain.

2.4 In addition, the WB plays a distinct role in supporting international partnerships and other initiatives that are intended to help the EI sector address key common issues. Examples include the Extractive Industries Transparency Initiative (EITI), the Petroleum Governance Initiative (PGI) and others.

2.5 IFC has focused on supporting private sector projects that generate development impact and contribute to poverty reduction. IFC does this through setting standards and approaches to environmental and social performance that are recognized as best practice and helps companies implement these. It partners with investors to broaden the positive impact of the EI projects it supports through advisory services. In addition, IFC has set standards in areas such as public disclosure about payments to governments that can help contribute to better accountability and governance outside project boundaries. In 2007, IFC pioneered revenue disclosure and transparency by requiring its clients to make public material payments made to governments. With private sectors increasingly expanding into riskier and more costly projects -given lower resource quality, geographic challenges, political unstable environments, and higher E&S requirements - IFC has continued to have a strong role providing finance to private investors.

2.6 In recent years, MIGA's financing support in the form of providing political risk coverage to private investors has been relatively small but it continues to selectively support good EI investments.

2.7 This paper is intended to provide a summary of WBG financing and other activities in EI during the WBG fiscal year 2010 (i.e. the year ended June 30th 2010). It gives an overview of the WBG's involvement in the extractives sector that is believed will be of interest to stakeholders.

III. Key Developments in the Extractives Sector

Recent History...

3.1 Most commodity prices reached historical highs in mid-2008, an outcome of the longest and broadest commodity boom in the 20th century. Average commodity prices (US\$) had more than doubled from the start of the decade. This upward movement in prices was the result of various drivers, among them the acceleration of commodity-intensive growth of the large emerging market economies in Asia and a supply squeeze following under-investment in the previous decades when low commodity prices reigned.

3.2 In the case of China from the late 1990s onwards, the manufacturing sector has expanded rapidly alongside the development of infrastructure partly driven by both increasing urbanization and per capita GDP. At half of US energy demand a decade ago, China surpassed the US for the first time in 2010. Demand growth for industrial metals was equally dramatic. China is now the largest consumer of a number of commodities, including copper, aluminum, nickel, steel, and coal. The prospect of continuing tight supply in the face of robust demand growth for commodities has driven a number of commentators to suggest that there has been a fundamental shift in the relative scarcity of resources and a 'new normal' of higher commodity prices.

3.3 The financial crisis and subsequent economic contraction that took hold across the globe in 2008 temporarily interrupted this view, as the contraction led to an unprecedented decline in commodity demand, particularly for industrial commodities such as metals and energy. World crude oil demand declined nearly 3% by late 2008 due to the fall in economic activity as well as possibly lagged substitution towards other energy sources and greater efficiency in use. While oil prices fell by two thirds between mid 2008 and early 2009, metals prices also dropped by more than half.

3.4 The private sector was severely affected as equity values plummeted dramatically. When profitability continued falling alongside commodity prices, companies started to cut costs, cancel or delay exploration and capital expenditure in order to restore balance sheets. The smaller junior players were the most vulnerable given their tendency to concentrate on the more risky exploration projects with limited cash flows. These companies suffered especially from the virtual closing down of capital markets for new equity.

3.5 However, the drop-off in economic activity and demand was not uniform. Global economic growth continued in the world's new growth center, Asia, as well as in the Middle East and North Africa and Sub Saharan Africa. While industrialized economies still account for a very large share of energy and other minerals use, continued strong growth in developing country demand was able to offset the declining demand in the OECD countries.

3.6 Commodity prices started to recover early in 2009, supported by the return to growth that has been backed by a variety of stimulus packages. Thanks to recovering demand and rising commodity prices, resource company equity values have also largely rebounded. Investment financing has become more available. As a case in point, equity raising for listed

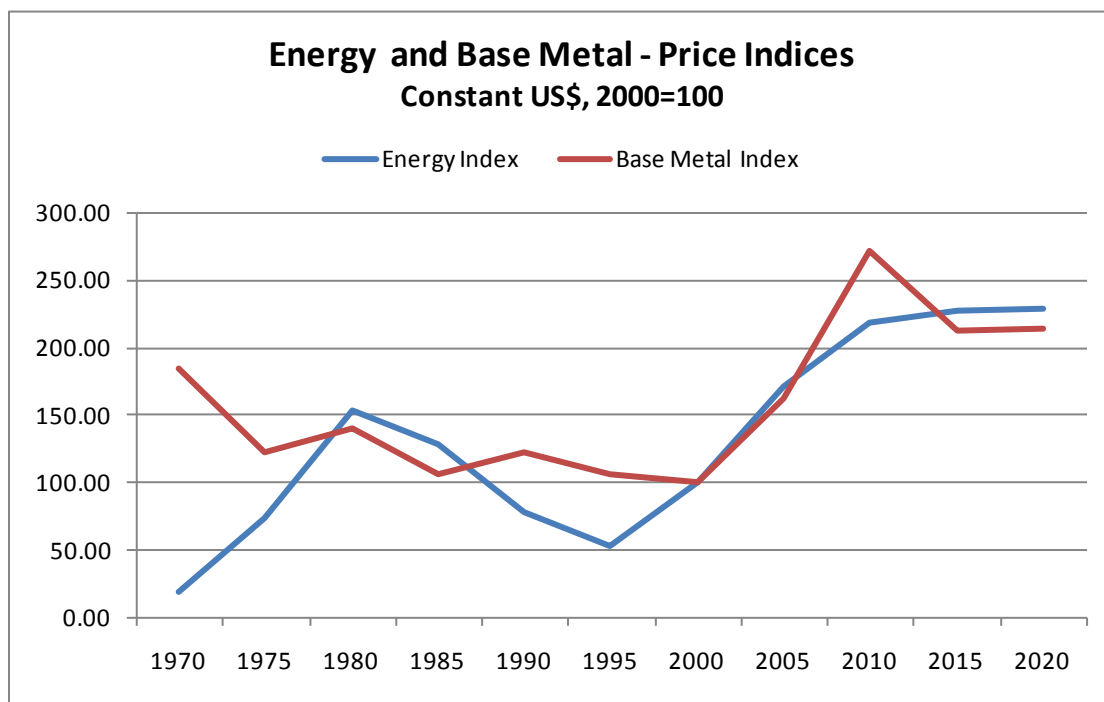
resource companies on the major stock exchanges in 2009 was significant, filling a financing gap left by difficult debt markets.

... in the Long Run

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

3.8 The World Bank currently forecasts that global metals demand will grow more than global GDP through 2015, and energy demand is likely to rise by 55% until 2030. 80% of this increase will be in fast-growing developing countries like China and India. According to the US EIA International Energy Outlook 2010, total energy demand in non-OECD countries will increase 84 percent, compared with 14 percent in OECD countries by 2035. The dominant drivers of energy demand, the industrial and (personal) transport sectors are expected to grow significantly in emerging economies over the coming decades.

Long-term Price Movements of Energy and Base Metals



Source: World Bank

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

high. Many of the resources that can be accessed by private investors are offshore and increasingly in deep waters. The disaster in the Gulf of Mexico highlighted the risks involved in such deep off-shore drilling, and the lessons learned are going to take time to implement, slowing development.

3.10 On the positive side, new oil and mineral discoveries continue to be made. The apparent breakthrough in shale gas in the USA illustrates how there can be surprise or new developments in even the most mature markets. New international investors from developing countries such as Brazil, China and India can provide more capital and in some cases new approaches to development.

Other Developments

3.11 As commodity prices rebound, governments are again questioning whether their countries are maximizing their benefits and receiving an adequate share of returns for their natural resources. Mining contract reviews have been launched in several African countries (DRC, Tanzania, Guinea, Zimbabwe, Sierra Leone and Madagascar) and changes in regulations and adjustments to royalty and tax rates have been either proposed or adopted in many others (South Africa, Chile, Australia, Ghana, Quebec, India). In addition, governments seem to be more conscious of social and environmental safeguards, and are more focused on ensuring economic benefits in the form of broad infrastructure development, as well as employment opportunities and skills training for local communities.

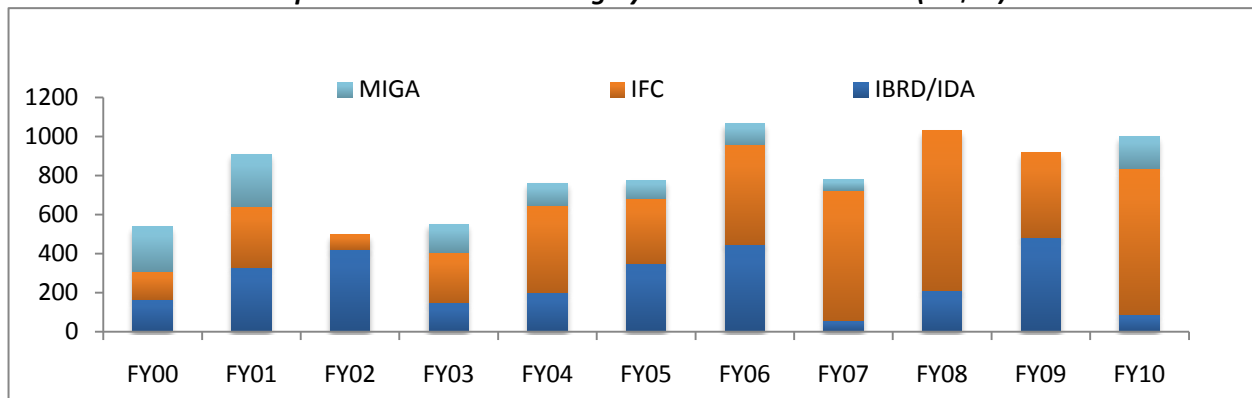
3.12 Private sector companies are being held to higher standards both with respect to the management of environmental and social concerns, as well as transparency in their interaction with host governments. For example, new transparency requirements were introduced through the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010. Oil, gas and mining companies listed with the Securities and Exchange Commission (SEC) will be required to disclose material payments made to governments. The Act also requires any US-listed company to provide annually an independently audited report that establishes whether their products contain minerals sourced from the DRC or adjoining countries.

3.13 While all these are set to increase costs for the private sector, provided they do not make prospective investments unattractive, they may enhance the stability and long term security of resource investments.

IV. WBG – EI Financings in FY10

4.1 The overall volume of WBG EI financing in FY2010 was US\$1,002 million, an increase over FY2009 of 9 percent⁴. This compares to an overall increase of WBG lending between FY2009 and FY2010 of about 22 percent. IFC investments accounted for 75 percent of the total financing volume, followed by MIGA with 16 and IBRD/IDA with 9 percent. While WBG commitment volume, on average US\$960 million annually, has been fairly stable over the last five fiscal years, contributions of the individual WBG institutions have oscillated, with IBRD/IDA commitment volume being relatively volatile. Over the period, IBRD/IDA financing support for EI has been increasingly to support policy advice and technical assistance within the context of larger policy loans rather than investment in new EI capacity. WBG financing in EI has averaged 1 to 3 percent of total WBG investment volume over the same period.

Graph 4.1: WBG EI Financing By Institution FY2000-10 (US\$M)



Source: World Bank Group

4.2 In FY2010, new capacity investments were heavily concentrated in the oil and gas sector with US\$ 731.5 million and US\$180.8 million in mining. IFC financed the majority of new capacity oil and gas projects and all of the mining investments. There were three dominant oil and gas investments: (i) one equity investment in Brazil to support the oil services industry develop off-shore oil and gas; (ii) a financing of an existing client in India active in oil and gas production; and (iii) a financing in Ghana to develop the Jubilee oil and gas field. Mining investments were on average much smaller and more geographically dispersed. The biggest mining commitment was the rehabilitation and restart of an existing gold mine in Solomon Islands, where mining is seen as a source of diversification from the logging sector whose continued decline will have negative impacts on both economic growth, and the current account

4.3 All of IBRD/IDA EI financing in FY2010, was in the form of policy advice and technical assistance to governments to bolster their capacity to manage environmental and social issues as well as improve regulatory systems and broader sector governance. However, IBRD's support for EI extends beyond its relatively small lending volume of US\$89.3 million and

⁴ Details provided in Annex C.

encompasses a much broader engagement, including its leadership/management of global programs.

Table 4.1: WBG FY2010 Financing by Sub-Sector

New Capacity Investments (US\$ Millions)			Other
<i>Institution</i>	<i>Mining</i>	<i>Oil & Gas</i>	<i>E&S and Policy Capacity Bldg⁵</i>
IDA ⁶	--	--	44.2
IBRD	--	--	45.1
IFC	180.8	566.5	--
MIGA	--	165.0	--
Total	180.8	731.5	89.3

4.4 By region, investment volume was highest in Sub Saharan Africa with 31% of total WBG EI financing, followed closely by Latin America and South Asia with 29% and 25% respectively. While a small number of sizeable, new capacity investments in a few countries account for the bulk of the volume, total WBG new commitments were spread out across more than 20 plus countries.

IBRD & IDA

4.5 IBRD/IDA financed 11 programs in FY2010, reaching US\$89.3 million, a notable decline from the previous year with US\$483.5 million of new financings in the EI sector but not out of line with the fluctuating nature of IBRD/IDA commitments year on year in this sector. The vast majority of programs were part of larger projects (such as development policy loans) with multiple objectives including the building of government capacity and the support of policy design, particularly with respect to sector governance, public financial management, environmental remediation and social standards and energy distribution.

4.6 None of the investments were to increase new extractive capacity although a pro-rata share of US\$12 million in IBRD loan and roughly US\$22 million of a partial credit guarantee are intended to support the expansion of a coal-fired power plant in Botswana in order to address future power deficits and associated adverse effects on economic development. The majority of investments were in the mining sector in African countries.

4.7 Grant-financed activities amounted to US\$17 million in FY2010, and the World Bank provided technical assistance and advice in 14 projects mostly in Sub Saharan Africa but also in the Middle East and North Africa. The majority of projects to assist countries' implementation of the Extractive Industries Transparency Initiative for which the World Bank manages a multi-donor trust fund. Technical assistance by the World Bank in the context of EITI runs the gamut, from supporting the implementation cycle to a country becoming EITI-compliant, as well as post-validation support and outreach to new countries. Other grant-financed projects included

⁵ Also includes limited amount of environmental remediation work.

⁶ Includes Blend countries – See Annex C

technical assistance to Rwanda and Iraq regarding petroleum exploration and the development of a comprehensive energy strategy, respectively. In mining, technical assistance in Liberia focused on improving sector governance, public expenditure management, and enhancing transparency. In Yemen, a project focused on capacity building of local community organizations to ultimately help impoverished and disadvantaged communities to benefit from the development of stone quarrying and processing.

IFC

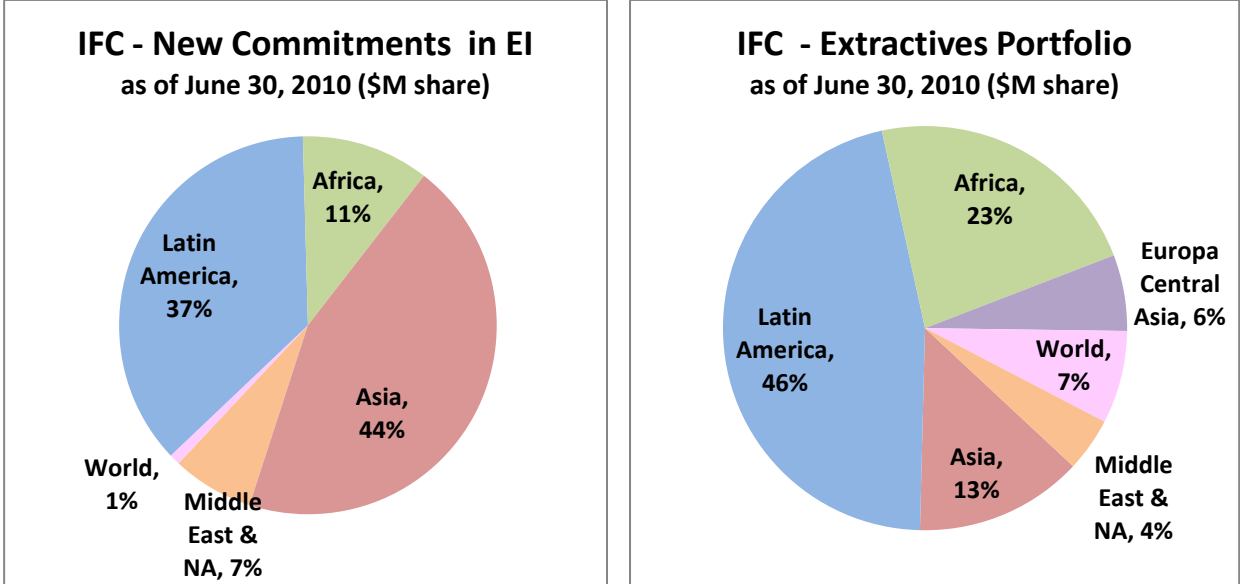
IFC - Investment Program in Extractive Industries

New Financing Commitments

4.8 In FY2010, IFC committed 31 EI financings for a total of US\$747.4 million for its own account, of which the majority was in oil & gas with US\$566.6 million (76 percent) and the remainder, US\$180.8 million (24 percent), in mining (See Annex C). By project count, the mining sector was dominant with 20 of the 31 investments but with a relatively small average investment size of US\$9 million compared to \$50 million for oil and gas. Smaller project size in mining is driven by IFC’s early equity strategy where it invests in companies at the early stage of project appraisal/planning with a focus on Africa and IDA countries. Overall, 30 percent of extractive commitments were equity investments – with mining being more equity focused with 63 percent of committed volume versus oil and gas where 20 percent of new financings were equity investments.

4.9 New financings were committed in about 20 countries with the majority of investments in Latin America (42 per cent) and Sub Saharan Africa (29 percent), where historically IFC has focused its extractives investments. By commitment volume, the regional dispersion of new investments is weighted towards Latin America and Asia, with 37 and 44 percent, respectively.

Graph 4.2: Regional distribution of IFC’s EI Investments: New Business and Portfolio



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

Portfolio

4.10 Overall, IFC has a total committed EI portfolio with a book value of US\$2.5 billion of which 82 percent is in oil and gas versus 18 percent in mining. IFC has investments in about 40 developing countries of which the top five comprise US\$1.6 billion: Argentina (US\$M431.5), Peru (US\$M421.5); Ghana (US\$M276.8), Brazil (US\$M220.3) and India (US\$M205.3). Investments in oil and gas production versus exploration or services dominate commitments in these countries.

4.11 By asset class, debt is predominant with 74 percent of total portfolio commitments versus 26 percent in equity⁷. As is the case for new commitments in FY2010, equity is more common in mining than oil and gas with 55 and 20 percent of their total portfolios, respectively. In terms of clients, equity investments on the mining side have been focused on the exploration phase of the project cycle in contrast to oil and gas where the majority of projects were oil and gas development and production.

IFC Strategy in the Extractives Sector

4.12 IFC's engagement in the extractives sector is fundamentally about generating greater development impact, for countries at large and the affected communities, as well as promoting best operational practices and transparency standards. IFC screens every investment for its expected development impact, its environmental and social risks and the host country's quality of governance in order to determine whether and how IFC can add value and achieve its mission.

4.13 IFC looks to support client partners that understand the value of their contribution to local communities and are eager to adopt best operational and transparency practices. Private sector players are increasingly required to demonstrate that they can deliver positive results for communities and promulgate high environmental and social standards through their operations.

4.14 The impact of EI on local communities is a particular focus of IFC's approach and it will only support EI projects that are expected to benefit local communities impacted by EI developments. To help ensure this, IFC works with sponsors and others through its Advisory Service programs and its own community development facility, CommDev to help enhance the benefits that EI projects can bring to especially to remote, poor communities.

4.15 Transparency and revenue disclosure are important requirements of IFC's clients and integral to its strategy to support sustainable development. In the beginning of 2007, IFC pioneered revenue disclosure and transparency by requiring its clients to make public material payments made to governments⁸. This requirement was further enhanced by stipulating a

⁷ Equity commitments are quoted at book value and are as of June 30, 2010.

⁸ See (link to IFC revenue web site)

standard template to ensure consistency in reporting. In recent years, other institutions, such as AFDB, EBRD, OPIC and DEG have followed IFC's lead, and in some cases with advice from IFC.

Mining Investments

4.16 In FY10, new commitments in the mining sector, US\$180.8 million, almost tripled compared to FY09. Equity investments have been consistently around 75 percent of new business over the last few years, as IFC has focused increasingly on supporting early equity investments – investments usually with smaller (junior) companies for projects at the exploration and appraisal/planning stage of mine development. This year, junior companies accounted for 62 percent of the total with the majority carrying out exploration in Sub Saharan Africa.

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

4.18 In addition to its focus on early equity, IFC also continues to provide loan finance for major projects that can have a strong country development impact. In FY2010, for example, it committed an investment in the Solomon Islands to restart and develop the first gold mine in the country. The mining sector is seen by government as one of the future growth poles in the country where unsustainable logging has been the main economic growth driver in the recent past. In conjunction with the mining project, IFC started a technical assistance project that will support the local community to manage royalty payments once production begins, and IFC is now basing a specialist in developing linkages between mines and local businesses in the Solomon Islands to help broaden the mine development's impact.

4.19 Overall, both the mining portfolio and new investments in FY10 are heavily weighted in Africa with 58 percent and 45 percent of volume in this region, respectively. Latin America and the Caribbean follow in second place. The top countries for new investments were the Solomon Islands, Peru, Argentina, Zambia and Tanzania with US\$108 million of the total. In the portfolio, Ghana, Peru, Russia, South Africa and Mozambique dominate with US\$ 869 million.

Oil & Gas Investments

4.20 IFC's financing in FY2010 reached US\$566.5 million in the oil and gas sector, representing an increase by about US\$197 million, and equity commitments represented roughly 20 percent of the total. In line with IFC's strategy in the EI sector, more and more business has been done with local clients – in FY2010, almost 70 percent of IFC's new investments were with local companies compared to about 35 percent in FY2007.

4.21 In FY2010, South Asia accounted for 33 per cent of total commitment volume with one large investment in India, Cairn India. In aggregate, India, Argentina and Brazil dominated FY2010 new business commitments. Regionally, the IFC oil and gas portfolio is concentrated in Latin America and the Caribbean Region with roughly US\$1.1 billion, or 52 percent, followed by Sub Saharan Africa with US\$312 million, or 15 percent of the total.

4.22 By sub sector, investments cover the range from oil and gas production, pipelines, gas storage facilities, LNG plants and oil and gas processing. However, IFC committed in 2004 to increasingly support investments in gas. This is being gradually reflected in the portfolio although the gas to oil ratio can vary considerably from year to year.

4.23 While IFC also supports large companies and major projects when the development case and its role are compelling, it is prioritizing the support of smaller, local or regional players in the development of natural resources, in order to help develop the local industry generally. IFC also invests in small to medium international independents that are often at the frontier of newly opening oil provinces in developing countries, particularly in Africa.

4.24 As is the case with mining, IFC's expertise in environmental and social practices and its focus on community development, can help small companies increase their capacity in these areas. Increasingly, companies are keen to differentiate themselves and ensure sustainable positive impacts from their projects at the community and country level and are keen to partner with IFC in enhancing community impacts as well as in implementing IFC requirements for disclosure of payments made to governments.

Development Results of IFC Investments in the Extractives Sector

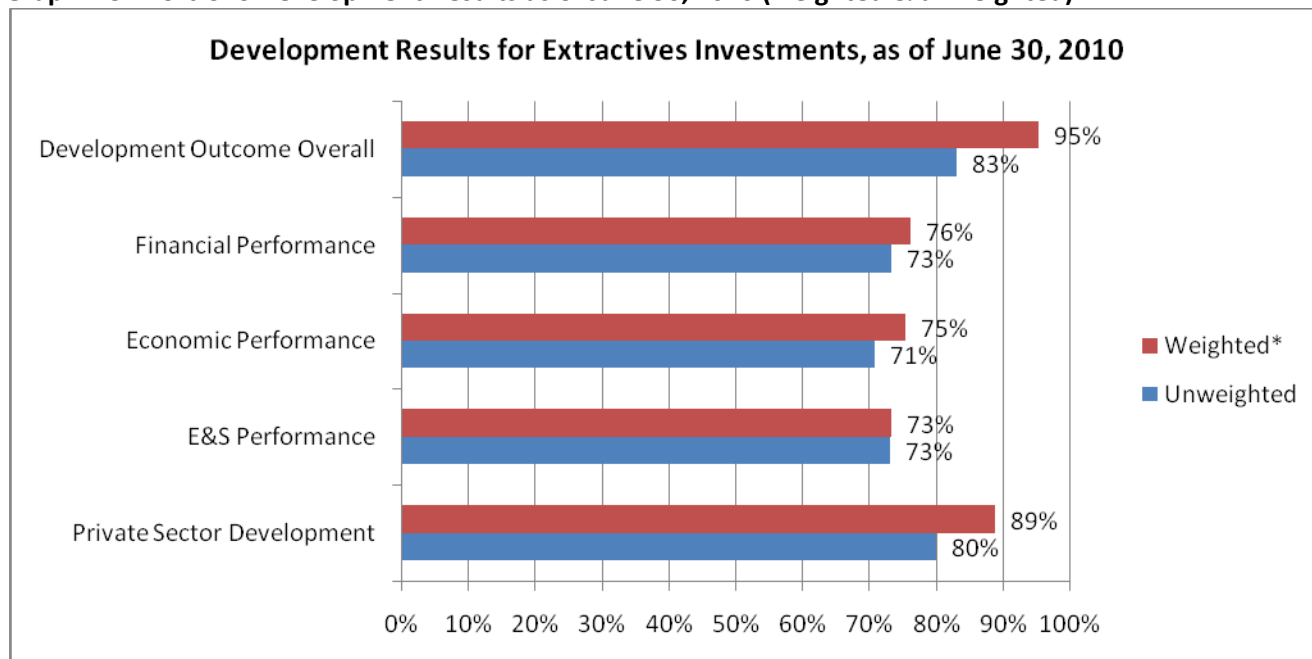
4.25 IFC systematically tracks the benefits generated by its EI portfolio through IFC's Development Outcome Tracking System (DOTS), which allows the corporation to aggregate and report on development results. During the last reporting period FY2010, IFC's oil, gas and mining client companies contributed approximately US\$6.9 billion to government revenues that can be used by these governments to fund essential services and meet key development needs. These companies also created or sustained about 85,500 direct jobs. The vast majority of IFC's client companies were active in supporting the development of local communities, spending about US\$252 million on activities in this area in the same time period. Total spending by these companies on goods and services from local and national suppliers approached US\$5.7 billion, demonstrating both significant linkages to local businesses and having a major contribution to local economies⁹.

4.26 The vast majority of IFC investments in EI have had notable positive development impacts. By number, 83 percent of the extractives portfolio has demonstrated positive results on the ground. If results are weighted by project size, the proportion of successfully developmental projects rises to 95 percent, accounting for the fact that big investments generally generate a broader impact. More recently approved projects (those approved between 2001 and 2006) largely mirror the results of the entire EI portfolio though the financial

⁹ For further information see IFC's Annual Report for the year ended June 30th 2010 (FY2010). Data can also be accessed on the external website of the IFC: www.ifc.org/ifcext/coc.nsf/content/Disclosure

performance of more recent investments has been somewhat worse (63 percent of investments posted a good financial performance), as a result of the current economic crisis.

Graph 4.3: Portfolio Development Results as of June 30, 2010 (weighted & unweighted)



*Note: Development results are weighted by cumulative IFC disbursements

4.27 Extractives investments have had the greatest developmental success in Latin America and the Caribbean where all projects have shown positive results, followed by the Africa region - where still 80 percent of IFC’s investments have outperformed set benchmarks. 60 percent of the Middle East and North Africa portfolio generated positive development results.

4.28 The expected development impact for new commitments in FY2010, include the generation of US\$6 billion in taxes and other payments to government, national and local purchase of goods and services of US\$4.8 billion as well as creation or maintenance of 11,500 jobs and contribution of US\$36 million of community development outlays. Expected development impacts of FY10 projects are summarized in Annex D.

MIGA

4.29 In FY2010, MIGA issued one guarantee of \$165 million to Jubilee Ghana MV 21 B.V. of the Netherlands for its investment in FPSO Kwame Nkrumah MV 21. The guarantee is covering up to \$250 million in equity in the form of ownership interest in the FPSO for a period of up to 20 years against the risks of expropriation and war and civil disturbance. The investor also applied for financing to the IFC, and in April 2010 IFC obtained approval from its Board¹⁰.

¹⁰ MIGA suspended its engagement in the project to conduct due diligence into the conditions of a service contract between Modec, the project sponsor, and a company retained as an adviser. IFC is also in the due diligence phase of its potential financing.

V. Partnerships and Initiatives

Global Programs

Extractive Industries Transparency Initiative

5.1 Since its inception in 2003, the *Extractive Industries Transparency Initiative (EITI)*¹¹ and its principles have become a well-established and recognized standard for resource revenue transparency. The WBG continues to strongly support the implementation of EITI, which is an integral part of the WBG strategy for oil, gas and mining as well as its governance and anti-corruption (GAC) strategy. World Bank support spans across the following activities: (i) administration and management of the EITI Multi-Donor Trust Fund, comprising 13 donors and contributions of US\$37 million; (ii) technical assistance to 50+ countries throughout the EITI implementation cycle up to validation and beyond. The work program also includes direct support to civil society on EITI issues; (iii) assistance and policy inputs where needed to the International EITI Secretariat in its coordination function. The WBG also serves as an observer on the International EITI Board.

5.2 When the Multi-Donor Trust Fund (MDTF) work program began in 2005, the initial focus of the EITI team and the MDTF was on outreach to help the initial set of countries to implement EITI as national processes. As the take-up of EITI grew, the EITI portfolio of countries expanded substantially. The global EITI architecture has solidified (EITI Board) and so has the focus of the EITI team, and MDTF work evolved accordingly. The current emphasis of the World Bank / MDTF is on validation to help ensure countries meet deadlines but the work program also includes: (i) active support to EITI implementing countries; (ii) outreach to new countries; and (iii) a continued, proactive effort to expand global knowledge and learning. In addition, other emerging focus areas for countries which have completed validation, include support to ensure EITI is sustainable and is embedded in national systems and direct support for civil society in EITI countries.

5.3 Currently, there are 33 EITI-implementing countries (including Norway) of which five (Azerbaijan, Liberia, Timor Leste, Ghana and Mongolia) have completed validation and have been declared EITI-compliant (see Annex A for a list of EITI countries by geographic region and implementation progress to date). Several other countries are at advanced stages of completing validation.

5.4 At the meeting of the EITI Board in April 2010, a number of EITI-implementing countries received extensions to the original deadline of March 2010 to complete validation, and these are now broadly on track. However two countries, Equatorial Guinea and Sao Tome Principe were removed from the EITI fold at that time for not making adequate progress against the deadline, with the invitation to return to EITI when implementation obstacles had been removed. Afghanistan, Chad and Iraq became EITI candidates during the fiscal year (with Indonesia and Togo becoming more recent EITI candidates after the fiscal year). In addition, a number of countries have announced their intent to adopt EITI (Ethiopia and Colombia) and

¹¹ For more information on the EITI see www.eiti.org

have sought assistance from the WBG to help them reach consensus on EITI and take the next steps to become EITI candidates. The WBG is now working with these EITI candidate and pre-candidate countries and is also in dialogue with others interested in knowing more about adopting EITI (such as Ukraine, Guatemala and Guyana), working together with the EITI Secretariat Oslo and other donors.

5.5 The key challenges the EITI team expects to address in the short term relate to the ongoing validation of several EITI countries in 2010 and beyond. These challenges include: (i) urgent technical assistance to ready the countries for the validation process within the two-year deadline, and as noted, (ii) for validated countries, ongoing work to help embed EITI. In this respect, the World Bank Group is working actively with the EITI Secretariat Oslo and other international institutions such as Africa Development Bank and Asia Development Bank to ensure effective EITI implementation in their regions.

5.6 Importantly, EITI in countries is showing early signs of positive impact, especially in (i) financial data on oil, gas and mining being widely released in the public domain for the first time, and (ii) the creation of effective multi-stakeholder structures – for the first time in some countries - which is helping to build trust and collaboration. It is also agreed that longer-term results from EITI are still a work in progress, for instance progress on accountability or good sector governance, or of tangible impact on or specific linkages with anti-corruption regimes in EITI countries.

Global Gas Flaring Reduction Partnership (GGFR)

5.7 GGFR's work in different regions, from Russia to Azerbaijan and from Nigeria to Qatar, illustrates a common effort of preparing for potential opportunities to reduce waste of a valuable resource, expand access to energy, and contribute to climate change mitigation - hence promoting sustainable development.

5.8 In this context, the GGFR partnership recently kicked off a new phase of work and is rapidly gaining momentum with the recent inclusion of Mexico and Pemex as official partners, the successful organization this year of two major regional conferences in Oman and Kazakhstan, and the recent welcoming of Finland's Wärtsilä as the first Associated Partner. GGFR is also aiming to increase its presence in the Middle East, with Oman and Kuwait expected to join the GGFR in the near future.

5.9 At a Steering Committee meeting in Paris at the end of March, GGFR partners officially launched the third phase of the World Bank-led initiative covering the period 2010-2012. The work program for this third phase focuses on implementing concrete gas flaring reduction projects in high-impact countries across the Middle East and North Africa, Europe and Central Asia, Africa, the Americas, and East Asia.

5.10 GGFR's main work will focus on key anchor countries –Indonesia, Mexico, Nigeria, Qatar and Russia- and on activities in other countries of those regions, such as Central Asia, that may directly lead to larger flare reduction projects or programs.

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

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

5.13 Satellite data on global gas flaring, which is a joint effort between GGFR and the US National Oceanic and Atmospheric Administration (NOAA), show that overall efforts to reduce gas flaring are paying off. Since 2005, the global estimate for gas flaring has continued to decrease and was estimated at 138 billion cubic meters (bcm) in 2008. For comparison, global gas flaring in 2005 was estimated at 171 bcm per year, one of the highest estimates in the last ten years. That's a reduction of 33 bcm since 2005.

5.14 Satellite data for 2009, however, shows that there is no room for complacency. According to latest figures global gas flaring levels are at 146 bcm, an increase of eight bcm from the previous year. The increase in 2009 comes mainly from two countries, Russia and Iraq, where an increase in oil production could partially explain the increased flaring. (Please also see Annex B.)

5.15 The ranking of top flaring countries includes Russia leading the list, followed by Nigeria, Iran and Iraq. The other six countries that make up the top 10 flaring countries for 2009 include: Kazakhstan, Algeria, Angola, Libya, Saudi Arabia, and Qatar. Countries which are members of GGFR have been relatively more effective in reducing their gas flaring intensity than non-members.

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

Petroleum Governance Initiative (PGI)

5.17 A Memorandum of Understanding (MOU) between the World Bank and the Government of Norway, initiating the Petroleum Governance Initiative (PGI), was first agreed to

in October 2006. As envisioned by the MOU, PGI is a bilateral collaboration between the Government of Norway and the World Bank designed to achieve structured cooperation on petroleum sector governance issues. This collaboration is important as Norway and the World Bank are both significant contributors to petroleum-related cooperation with developing countries, actively assisting them with petroleum resource and revenue management and related environmental and community issues. There are thus potential synergies to be realized from closer cooperation.

5.18 The PGI is based upon the thematic pillars of Governance, Environment, and Community Development, and works at both the global and country-specific levels. The total level of support from Norway is around US \$6 million equivalent (in NOK)¹². As agreed in the MOU, the PGI should be a medium- to long-term commitment, in the range of a minimum of 3-5 years.

5.19 Activities being supported under the **Governance pillar** aim to foster the conditions necessary for robust petroleum sector governance, particularly in the areas of petroleum licensing and negotiations, institutional structures and capacity, fiscal regimes, and management of exploration and production operations. Projects are both global and country-specific in scope, providing support to a diversity of countries such as Cambodia, Ghana, Rwanda, Vietnam, and Uganda. In FY10, PGI financed a two-day conference on *Oil and Gas in Federal Systems* at World Bank headquarters in Washington, DC, dedicated to exploring the particular political, economic, and social challenges arising from the exploitation of petroleum resources in federal systems. In addition, two new global studies were initiated under the Governance pillar, including one on the *Gender Dimensions of Oil and Gas Production* and the other on the *Role of Liquefied Petroleum Gas in Reducing Energy Poverty*.

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

5.21 Managed through the Oil, Gas and Mining Sustainable Community Development Fund (CommDev), the aim of the **Community Development Pillar** is to “raise the bar” on how investors in the petroleum sector embark on community development, by providing funding and expertise to support innovative projects designed to ensure that communities in the vicinity of oil and gas operations derive sustainable benefits from them.

Extractive Industries – Technical Advisory Facility

5.22 To address developing countries’ demands for real-time advisory assistance around extractive industry developments, the WBG’s Oil, Gas, and Mining Policy and Operations Unit has established the Extractive Industries Technical Advisory Facility (EI-TAF). The EI-TAF

¹² As a result of exchange rate movements, the original agreed to allocation – an estimated US \$6 million equivalent in Norwegian Kroner – is now slightly higher in US \$ terms at \$6.7million.

facilitates advisory services to country governments to address urgent needs for assistance in connection with prospective EI developments and for short term capacity building related to extractive industry transactions and associated policy reforms and frameworks. The ultimate objective of the EI-TAF is to assist countries in the sustainable development of the extractives sector, to facilitate private investment that is positive for country development including to help as needed level the playing field between resource-rich, developing countries and resource companies and ensure that the countries—and ultimately their citizens—benefit from the exploitation of their extractive resources.

5.23 The EI-TAF supports the World Bank’s work on the extractive industries value chain and is in line with relevant World Bank Country Assistance/Partnership Strategies, and in collaboration with other development partner interventions in this area (e.g., AfDB’s African Legal Support Facility, IMF’s Topical Trust Fund on Managing Natural Resource Wealth, UNDP’s Africa Regional Project for Capacity Development for Negotiating and Regulating Investment Contracts).

5.24 The EI-TAF has funding to operate for an initial period from July 1, 2009 through June 30, 2012 (i.e., WBG fiscal years 2010-2012). To date, EI-TAF has received contributions from the IFC, Norway’s Oil for Development Program, the Government of Switzerland, and the World Bank.

5.25 Rapid-response advisory service activities under the EI-TAF primarily focus on: (i) third party advisory assistance for contract negotiation for extractive industry transactions; (ii) short-term capacity building for the members of the beneficiary country’s negotiation teams; (iii) technical assistance proximate to a specific extractive industry transaction under review, including assistance to update the relevant policy, institutional, fiscal, legal and regulatory frameworks of the country concerned; and (iv) technical assistance on structuring extractive industry licensing rounds, public offerings (tender/auction), and competitive and transparent tender packages to help resource-rich countries optimize the value of national extractive industry resources. A roster of international, regional, and national experts (in mining and petroleum economics, law, policy, taxation, mineral or petroleum rights administration, contracts, negotiations, engineering, geology, environmental and social, and health and safety) has been assembled to facilitate advisory services by third parties under the EI-TAF. Country-specific projects are being prepared and implemented in a variety of resource rich settings, such as Liberia, Rwanda, Pakistan and Sierra Leone.

5.26 The EI-TAF also supports the production and dissemination of global knowledge products on extractive industry sector issues to help address the lack of an integrated body of good practice for sound extractive industry sector governance and management. In the first instance, EI-TAF is supporting the production of a good practice Extractive Industries Source Book, which will inform advisory assistance provided under EI-TAF and will serve as a resource for resource-rich countries and other stakeholders. The Source Book will be guided by the value chain framework and draw on existing information. The Source Book is primarily financed by the World Bank Development Grant Facility (DGF) (US\$0.5 million in the first instance). DGF funding is being channeled to the University of Dundee’s Centre for Energy, Petroleum and Mineral Law and Policy, which will work in collaboration with the University of Witwatersrand’s Centre for Sustainability in Mining and Industry (South Africa) and the University of

Queensland's Sustainable Minerals Institute (Australia), to develop Phase I of the Source Book (Phase I is expected to last through CY2010).

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

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

5.28 To date, CommDev has raised over US\$13 million principally from IFC and the Government of Norway's Oil for Development Program. As of September 2010, CommDev has disbursed over US\$5 million for 25 technical assistance projects, leveraging about US\$12.6 million from private sector companies and international donors. There are 16 projects in the pipeline valued at \$2.5 million.

5.29 CommDev has built awareness of the importance in developing a strategic approach to community investment, as opposed to one-off interventions. Community investment strategies need to align business strategy and the development priorities of local stakeholders. The *Good Practice Handbook on Strategic Community Investment* is now publicly available (<http://commdev.org/content/document/detail/2581>). The book compiles global practices of IFC clients, leading companies and expert practitioners across industries and regions.

5.30 CommDev has also supported important local revenue management and social accountability programs in Peru and Colombia, training 68 institutions to track extractive industry royalty flows to local governments. Through direct technical assistance and through its on-line platform CommDev.org, IFC has in one form or another helped increase capacity in over 840 municipalities to improve the investment of royalties in basic services and to deliver tangible benefits for nearby communities. In addition, it has increased the use of both quantitative and qualitative indicators by companies in measuring the impact of their community investment.

5.31 Innovative knowledge products are being developed with the objective to share international good practice around community development issues. The *Handbook for Addressing Project-Induced In-Migration* presents first-of-its-kind guidance on in-migration risk assessment and management. This publication has been developed to fill an identified gap in assessing the risk of project-induced in-migration and promoting its management. Another publication includes "Women in Mining Guide for Integrating Women in the Workforce", which is a step-by-step guide to integrating women into the mining sector as well as other extractive and heavy industries. CommDev continues to build CommDev.org - an information clearing house about community development in EI industries that has been in operation for two years.

Box 1: Planning and Financial Valuation Tool for Sustainability Investments (FV Tool)

There is a growing expectation that large-scale investments by oil, gas and mining industries will bring broad-based benefits to local communities through sustainability investments in areas such as health, education and biodiversity. More specifically, business managers within the extractive industries have known that investments in sustainability are key to protecting a company's license to operate. Moreover, specific interventions, whether in health care, skills training, or some other area bring direct value to companies that make them.

Quantifying the value of these investments and planning accordingly, however, has long posed a challenge for extractive industries and community development practitioners. Existing cost-benefit analyses were unsatisfactory as they did not have the same rigor as other, more traditional, investments considered by the industry. Establishing the value of mitigating risk through sustainability investments was essentially a shot in the dark. This inability to articulate its true value has kept sustainability investments outside the core of the project planning process.

To address this gap, a multilateral partnership, including IFC CommDev, Rio Tinto Alcan, Deloitte, MIGA, the Government of Norway and Independent Project Analysis (IPA) has come together. For the past two years, they have worked to develop an innovative financial tool that makes use of the collective experience of the extractive industries. This model calculates a range for the net present value of a portfolio of sustainability investments, helping to highlight the relative value of specific sustainability investments. This *Financial Valuation (FV) Tool* will help to align the company's core business objectives with the sustainability investments it makes.

The FV Tool is currently being piloted by Newmont and Cairn India and current refinements include the development of a generic version of the tool, on-line tutorial and user guide and completion of the sustainability program quality framework as a key input to the overall methodology and related calculations. IFC will be launching the public version of the FV Tool in May 2011.

Gender Program

5.32 The World Bank's Oil, Gas and Mining Policy Division (SEGOM) has developed a program on Extractive Industries and Gender, which is progressing well. The majority of recent mining projects now have a gender sensitive approach, where a gender analysis informs actions and activities - including mainstreaming gender issues into Sustainable Management of Mineral Projects, into artisanal and small-scale mining analysis and interventions, convening conferences to better understand the gender dimensions of mining, and taking efforts to promote equitable attention to men's and women's engagement in and impact by the extractive industries (Tanzania, Uganda, PNG). In addition, a framework to address gender issues in Artisanal and Small Scale Mining (ASM) was developed and piloted in two regions: Africa (Mozambique, Tanzania) and East Asia Pacific (Lao). These pilots provided a good overview of the gender dimensions of the sector and recommendations for specific

interventions, examples of which might include including gender issues in all baselines and indicators, offering gender-sensitive extension services, working to improve men's and women's access to capital and improvements of policy. A study on gender dimensions of the oil and gas sector is also underway.

5.33 Several new publications in the past year include case studies that highlight both the development impact and business case for greater involvement of women in the extractives sector, such as equitably including women in baseline studies, consultations and policy dialogue, and participatory planning processes, and supporting ancillary productive opportunities for women around extractives operations. With regard to improving development impacts for women the focus is on communities near extractive industries operations. In addition, they provide clear practical suggestions about what companies can do to improve their practices and mainstream gender in their operations. For example, a publication "Gender Dimensions of the Extractive Industries" demonstrates the benefits of mainstreaming gender. An associated "Guidance Note for TTLs" provides step-by-step technical guidance for TTLs on how to incorporate gender into the structuring of EI projects. A report and guide providing an in-depth look at the extractive industries in Peru is also currently being published, and will be disseminated in the private sector in Peru to support implementation of key recommendations.

5.34 The EI and Gender program also sponsored a number of learning activities. A two-day 'International Workshop on Developing a Roadmap for Gender Equity in Mining in Tanzania' was held jointly with the Government of Tanzania (Ministry of Mines and Energy) and the Geological Survey of Germany (BGR). The main objectives of the workshop were to identify and understand critical gender issues and different constraints and opportunities for women and men in artisanal, small and large scale mining; share international experiences related to gender and mining with the intent of identifying viable strategies to mainstream gender and promote gender equality in communities, companies and government; and develop a Roadmap and national platform for action founded on viable strategies to address gender inequalities through policy, partnerships and interventions. In addition, the event created an invaluable opportunity for women and men miners, mining companies, civil society, government, development partners and other stakeholders to develop essential partnerships and collaborations to jointly promote gender equity. Workshops on gender and ASM were also incorporated in the annual Community and Small Scale Mining (CASM) conference. A gender and EI training session on the use of the Gender Guidance Note for World Bank Task Team Leaders was organized in January 2010. A re-vamped website (www.worldbank.org/eigender) on 'Gender and the Extractive Industries' seeks to make information and activities related to the topic more readily accessible.

World Bank Institute: Governance for the Extractive Industries

5.35 The Governance for Extractive Industries (GEI) program, housed in the World Bank Institute and supported by the World Bank Africa Region and the African Development Bank, was launched in 2009. The GEI program promotes accountable and transparent use of extractive industries resources in African countries. It does so by connecting and empowering key extractives industries stakeholders (government, civil society, private sector, parliament,

and media) to jointly identify, prioritize and implement actions that lead to a more accountable extractives sector. This seeks to meet a need identified in an extensive consultation process and is part of the broader commitment articulated by President Zoellick that the World Bank "... *will work with our developing country clients and other partners to expand the transparency and good governance concepts of the EITI both upstream and downstream... We can advance inclusive and sustainable globalization by broadening the beneficiaries of resource development.*"

5.36 The program approach emphasizes WBI's core competence in bringing together and developing the capacities of multiple stakeholders to address the 'how to' of designing, implementing and managing change. Issues from along the value chain are prioritized in terms of governance vulnerabilities and the potential to address identified weaknesses. Key decisions range from whether and how best to develop resources, to monitoring the environmental and social impact of operations, to collecting taxes, to spending resources for sustainable growth and poverty reduction. The GEI program team actively seeks to work with relevant World Bank Group departments and external knowledge and capacity building organizations.

5.37 The initial focus is on petroleum and mining contracting. The aim of the Contract Monitoring Project is to improve the transparency and accountability of extractive industries contracts in priority countries (likely pilots include Liberia, Ghana and Sierra Leone). The project will do so by building the capacity of country groups to more effectively monitor contracting processes and outcomes and by working with global organization on developing contract monitoring tools and methodologies.

5.38 In fiscal years 2009 and 2010, the GEI Program comprised various activities, including:

- A series of consultations to better understand the accountability agenda in extractive industries and to get input into the scope and design of the GEI program. African stakeholders, regional and global experts, existing extractive industries-related networks and World Bank staff were consulted over an eight month process.
- A new, multi-stakeholder platform called 'Governance of Extractive Industries' (GOXI) together with the African Development Bank. GOXI is a forum for practitioners to share, learn and connect for action towards greater accountability in extractive industries in Africa. It includes an active online community of individuals working on emerging governance of extractive industries issues (www.goxi.org) and multi-stakeholder dialogues (see below).
- The Big Conversation, "Getting a Good Deal for Africa: Fostering Accountability in Petroleum and Mining Agreements". This multi-stakeholder dialogue brought together 40 African stakeholders from Ghana, Liberia, Sierra Leone, Uganda and Mozambique to assess current trends in extractive industries agreements, looking particularly at transparency and participation dimensions. During this dialogue participants determined contract monitoring as a key priority and committed to in-country follow up actions and projects.

VI. Other Developments

CAO & Inspection Panel

6.1 During FY2010, the CAO's office received one new complaint about IFC EI investments and closed all outstanding complaints. The new complaint concerned Maple Energy, an independent, privately-held, integrated energy company with operations in Peru. The company engages in numerous aspects of the energy business, including exploration and production of crude oil and natural gas; refining and marketing of hydrocarbon products; gas-fired power generation and transmission as well as the development of an ethanol project. IFC approved an investment in July 2007 to help finance the company's short-to-medium-term capital expenditure program. In April 2010, a complaint was filed with the CAO from members of local indigenous communities Nuevo Sucre and Canaán in Loreto, Peru, located in proximity to the company's two mature crude oil producing properties. The complaint cites several social and environmental concerns, among them negative impacts to the communities' health and to the environment. The complaint was found eligible for Ombudsman assessment, which is ongoing.

6.2 In FY2010, the Inspection Panel received no new request for review in relation to World Bank projects in the extractive sector. There are no outstanding cases.

Review and Update of IFC Sustainability Framework

6.3 In 2006, IFC adopted a Policy and Performance Standards on Social and Environmental Sustainability and Policy of Information Disclosure. The Performance Standards have already been adopted by more than 70 "Equator Banks" (including institutions such as export credit agencies) as the basis for their financing activities including activities in the extractive industries. IFC committed to a formal review three years after the adoption of the Performance Standards and the Policy on Disclosure of Information. The objective of this review and subsequent revision of the framework is to improve its coverage, enhance its implementation and clarify its language. An updated framework is expected to be released in early 2011.

6.4 The revision process has been planned in three phases, with stakeholder consultations beginning each one. Face-to-face meetings as well as online consultations have been carried out throughout, and the second version of draft text changes to the policy will be released in December. The third phase of consultations will then begin with the updated framework to be finalized and made public early 2011. IFC has held a series of regional- and community-level consultations in Latin America, Europe, Africa, Asia, and Washington since 2009 and has met stakeholders from a wide range of backgrounds, including multilateral banks, bilateral banks, commercial financial institutions including the Steering Committee of Equator Principles Financial Institutions (EPFIs), trade unions, select UN agencies, Indigenous Peoples, conservation organizations, business associations, individual companies, the NGO and CSO community, World Bank Group colleagues and the External Advisory Group.¹³

¹³ IFC has established an external Advisory Group to provide an independent view and nonbinding advice throughout the PS review-and-update process. The Advisory Group is intended to be one of many forums through which IFC can better understand and seek expert guidance on existing and emerging issues related to the Performance Standards. The group is comprised of individuals that have diverse and relevant backgrounds in some of the focus areas where IFC is interested in seeking additional views. They are providing their individual views and not those of their affiliations, therefore stakeholder consultation should be

Independent Evaluation Group – Safeguards and Sustainability Policies in a Changing World

6.5 In FY 2010, IEG completed its first comprehensive evaluation of all the safeguard policies and performance standards in use/implementation of the World Bank Group, covering the fiscal years 1999–2008. The World Bank safeguards consist of 10 separate policies, covering environmental, social and legal areas of concern while the IFC and MIGA operate under a single policy on social and environmental sustainability and eight Performance Standards, divided equally among social and environmental issues. The IEG review was conducted contemporaneously with and informed the ongoing review by the IFC of its Performance Standards and the Policy on Disclosure of Information.

6.6 IEG's conclusions were largely positive with respect to the WBG's safeguards and sustainability policies, which were found to have helped avoid or mitigate large-scale social and environmental risks in the projects financed between 1999 and 2008. However, there are five areas in which IEG makes recommendations for improvement: (1) policy frameworks to harmonize thematic coverage across the WBG and enhance their relevance to client needs; (2) client capacity, responsibility, and ownership; (3) guidelines, instruments, and incentives to strengthen supervision; (4) monitoring, evaluation, completion reporting, verification, and disclosure; and (5) systems and instruments for accountability and grievance redress.

6.7 Management has welcomed the IEG findings and has committed to undertaking a comprehensive updating and consolidation of the safeguard policies. In this context, the World Bank will engage in a learning and consultative process over the next 24 months with a diversity of stakeholders on global good practice, which will inform the dialogue on and the creation of a draft umbrella safeguard policy that will comprise an updated and consolidated approach. The draft policy paper will be submitted to the Board for review and comment.

Publications

6.8 In FY 2010, Bank staff produced various types of policy research on EI related issues. Some select, recent publications available at www.worldbank.org/ogmc include:

- *Rockets and Feathers: Asymmetric Petroleum Product Pricing in Developing Countries* (Extractive Industries and Development Series #18)
- *Environmental Governance in Oil-Producing Developing Countries: Findings from a Survey of 32 Countries* (Extractive Industries and Development Series #17)
- *Petroleum Markets in Sub-Saharan Africa: Analysis and Assessment of 12 Countries* (Extractive Industries and Development Series #15)

via the channels described on the website and not through Advisory Group members. The individuals and their affiliations are as follows: Salil Tripathi (Institute for Human Rights and Business); Jane Nelson (Kennedy School of Government Harvard); Kit Armstrong (Independent Environmental Consultant); David McLaughlin (World Wildlife Fund); John Laidlaw (HSBC); and Linda Broekhuizen (FMO).

- The Future of Natural Gas in Southeast Europe (World Bank General Papers)
- The Aluminum Industry in West and Central Africa: Lessons learned and Prospects for the Future (Extractive Industries and Development Series #13)
- Gender Dimensions of the Extractive Industries: Mining for Equity

6.9 Select publications funded by CommDev (available on www.commdev.org) include:

- Strategic Community Investment: A Good Practice Handbook for Companies Doing Business in Emerging Markets
- Projects and People: A Handbook for Addressing Project-Induced In-Migration

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

- Problem-driven Governance and Political Economy Analysis
- Natural resources in Latin America and the Caribbean: beyond booms and busts

VII. ANNEXES

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

MDTF FY11-12 work program including MDTF grants to countries. EITI implementation stage and validation status shown in shaded columns^{1/}

As of October 31, 2010

Countries which have adopted EITI (or have committed to EITI publicly) of which:					In dialogue
EITI-compliant ^{1/}	EITI candidate ^{1/}				
Implementing EITI (Validated as compliant - and issued EITI Reports) (5 countries)	Implementing EITI (to the stage of having published one or more EITI Reports – and validation process done or underway) (18 countries)		EITI implementation in progress (working towards their first EITI Report) (10 countries)	Endorsed EITI (with some making progress towards candidate status) (8 countries)	Pipeline countries that WBG / other agencies are in contact with (14 countries)
<i>Azerbaijan</i>	Cameroon *	Mali *	Candidacy gained 2009:	<i>Botswana</i>	Angola
Liberia *	<i>Gabon</i>	Niger *	Tanzania *	Ethiopia +	Rwanda
Timor Leste *	Guinea 2/ *	Cote d'Ivoire *	Albania *		Senegal
Mongolia *	Kazakhstan *	DR Congo *	Burkina Faso *	Papua New Guinea +	<i>Zimbabwe</i>
Ghana *	Kyrgyz Republic *	Sierra Leone *	Mozambique *		
	Mauritania *		Zambia *	Ukraine	Cambodia
	Nigeria *	Madagascar (pilot) *		Colombia	Solomon Islands
	Central African Rep *	Yemen *			
	<i>Rep of Congo</i>		Recent candidacy (2010):	<i>Trinidad and Tobago</i>	Tajikistan
	<i>Norway</i>		Afghanistan	Guatemala +	<i>Bulgaria</i>
	Peru *		Iraq *	Guyana	
			Chad		Sudan
			Indonesia **		Uganda
			Togo **		
					Lao PDR
					Philippines
					Vietnam
					Egypt
By WBG Region:					
AFR - 2 countries	AFR - 13 countries	AFR - 6 countries	AFR - 2 countries	AFR - 4+2 countries	
EAP - 2	EAP -	EAP - 1	EAP - 1	EAP - 2+3	
ECA - 1	ECA - 2	ECA - 1	ECA - 1	ECA - 1+1	
LAC -	LAC - 1	LAC -	LAC - 4	LAC -	
MNA -	MNA - 1	MNA - 1	MNA -	MNA - 1	
SAR -	SAR -	SAR - 1	SAR -	SAR -	
	OECD - 1				

1/ = by decision of EITI Board, as reflected on International EITI web site. Candidate countries expected to complete validation process (for EITI-compliant status) within two years. Sao Tome e Principe and Equatorial Guinea, previously EITI candidate countries, were delisted from EITI effective April 16, 2010 (at that date, latter country had issued its EITI Report and a validator had issued draft validation report).

2/ = Guinea has undertaken voluntary suspension from EITI candidacy until 12/18/2010, under EITI Board rules (status "EITI candidate country – suspended").

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

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

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

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

Attachment for information: Extractive resource-rich countries ^{1/} not yet part of EITI (October 31, 2010)

	GNI / capita \$US	IBRD/IDA	HIPC	Hydrocarbon- Rich country ^{1/}	Mineral- Rich country ^{1/}
High income countries					
Bahrain	19,350			X	
Brunei Darussalam	26,930			X	
Kuwait	31,640			X	
Qatar				X	
Saudi Arabia	15,440			X	
United Arab Emirates	26,210			X	
Upper Middle income					
Chile	8,350	IBRD			X
Libya	9,010	IBRD		X	
Mexico	8,340	IBRD		X	
Oman	11,120	non-OECD		X	
Russia	7,560	IBRD		X	
South Africa	5,760	IBRD			X
Venezuela	7,320	IBRD		X	
Lower Middle income countries					
Algeria	3,620	IBRD		X	
Ecuador	3,080	IBRD		X	
Iran	2,680	IBRD		X	
Syria	1,760	IBRD		X	
Bolivia	1,260	Blend	X	X	
Jordan	2,850	IBRD			X
Namibia	3,360	IBRD			X
Low-income countries					
Turkmenistan	650	IBRD		X	
Uzbekistan	730	Blend		X	X

Income classification:

High Income countries, per capita income between US\$11,456 and more

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

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

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

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

Annex B: Estimated flared volumes from satellite data

Estimated flared volumes from satellite data

Volumes in bcm	2005	2006	2007	2008	2009	Change from 2008 to 2009
Russia	55.2	48.8	50.0	40.2	46.1	5.9
Nigeria	21.3	19.3	16.8	14.9	14.8	(0.1)
Iran	11.3	12.1	10.6	10.3	10.9	0.6
Iraq	7.1	7.4	7.0	7.0	8.3	1.3
Kazakhstan	5.8	6.0	5.3	5.2	5.0	(0.2)
Algeria	5.2	6.2	5.2	5.5	4.9	(0.6)
Angola	4.6	4.0	3.5	3.1	3.6	0.5
Libya	4.4	4.3	3.7	3.7	3.6	(0.1)
Saudi Arabia	3.0	3.3	3.4	3.5	3.5	0.0
Qatar	2.7	2.8	2.9	3.0	2.9	(0.1)
Venezuela	2.1	2.0	2.1	2.6	2.8	0.2
Indonesia	2.7	3.0	2.4	2.3	2.7	0.4
China	2.8	2.8	2.5	2.3	2.4	0.1
USA	2.0	1.9	1.9	2.3	2.0	(0.3)
Mexico	0.9	1.2	1.7	2.6	2.0	(0.6)
Oman	2.5	2.2	1.9	1.9	1.9	0.0
Kuwait	2.5	2.5	2.1	1.8	1.8	0.0
Canada	1.2	1.6	1.8	1.8	1.8	0.0
Uzbekistan	2.5	2.8	2.0	2.7	1.7	(1.0)
Egypt	1.7	1.7	1.5	1.5	1.7	0.2
Total top 20	142	136	128	118	124	6.1
Rest of the world	29	24	25	20	21	1.4
Global flaring level	171	160	153	138	146	7.5

Annex C: World Bank Group Extractive Industries Financing, FY2010

IFC EXTRACTIVE INDUSTRIES FINANCING

TABLE 1: IFC OIL & GAS FINANCING, FY2010

Company	PROJECT	COUNTRY/REGION	US\$M	DESCRIPTION
BPZ Resources Inc	BPZ Convertible	Peru	10.0	Purchase of convertible notes to finance ongoing offshore oil exploration and development
BPZ Resources Inc	BPZ RI III	Peru	7.6	Rights issue to finance ongoing offshore oil exploration and development
Cairn India Ltd	Cairn India II	India	250.0	Construction of oil processing facility and of oil pipeline
CIPEF Constellation Co-Investment Fund LP	Constellation	Brazil	103.0	Construction/acquisition of drilling rigs, drill ships, floating production, storage & offloading facilities (FPSOs)
Compañias Asociadas Petroleras S.A.	Diadema III	Argentina	30.0	Exploration, exploitation, development, and production of oil and gas fields
Energy International Corp	Termo Rubiales	Colombia	16.5	Construction of a crude-oil fired thermal plant which will supply energy necessary for Rubiales oilfield development
GeoPark Holdings Ltd	Geopark RI III	Latin America	2.0	Subscription by IFC to a secondary offering by GeoPark to finance the purchase of additional assets and/or fund its capital investment program in Chile
Kuwait Energy Company KSCC	Kuwait Energy	Middle East/North Africa	50.0	Exploration, development and production of oil/gas assets in Egypt and Yemen
Pan American Energy LLC	PAE G San Jorge	Argentina	50.0	Further development of PAE's most prolific assets in the Golfo San Jorge Basin (GSJ). Part of the investment program will go towards increasing gas production.
PT Trada Maritime TBK	Trada Maritime	Indonesia	35.0	Financing of floating storage and offloading vessel (FSO)
Salamander Energy Plc	Salamander Junior	East Asia & Pacific	12.5	Exploration, appraisal, production, and development of oil and gas fields in Southeast Asia.
TOTAL IFC OIL & GAS FINANCING			566.6	

TABLE 2: IFC MINING FINANCING, FY2010

	PROJECT	COUNTRY/REGION	US\$M	DESCRIPTION
Absa Bank Ltd.	SABIF-Absa	Africa Region	30.0	Credit line to Absa Bank Ltd for dedicated infrastructure project financing, including in segments such as telecom, oil, gas, and mining. This project is part of IFC's South African Bank Infrastructure Facility.
Aluar Aluminio Argentino S.A.I.C.	Aluar	Argentina	12.5	Capital expenditure financing the expansion of primary aluminum production capacity
Anglo American Quellaveco S.A.	AAQSA/MQSA RI	Peru	30.0	Equity finance to support the completion of a revised feasibility study (RFS), fund remaining land acquisitions and a water supply project and other pre-development expenditures.
Antares Minerals Inc.	Antares Minerals	Peru	6.8	Funding for pre-feasibility study and continued exploration work of the Haqira copper mineralization in Peru
Eurasian Minerals Inc.	Eurasian/Eurasian II	World Region/Haiti	5.9	Early stage precious and base metal exploration
Gold Ridge Mining Ltd.	Gold Ridge	Solomon Islands	35.0	Investment to restart operations of the mine following closure and civil unrest
Greystar Resources Ltd.	Greystar	Colombia	4.9	Funding exploration and pre-mine development work, specifically, completion of the BFS, ESIA, and other needed ground works to prepare for the project development stage
Gryphon Minerals Ltd.	Gryphon RI-1	Burkina Faso	1.0	Exercise of subscription rights in an original equity investment to finance the on-going exploration and future feasibility study work in Banfora
Helio Resource Corp.	SMP Gold	Tanzania, United Republic of	7.6	Funding of exploration activities of the SMP Gold project
Hernic Ferrochrome Pty Ltd.	Hernic WCF	South Africa	2.5	Expansion of the existing operations of Hernic Ferrochrome to increase total ferrochrome production
Kasbah Resources Ltd.	Achmmach Tin	Morocco	2.2	Funding for exploration activities, feasibility as well as environmental and social impact studies
Kiwara Plc	Kiwara Plc	Zambia	9.0	Financing of continued exploration activities
Lydian International Ltd.	Lydian Options 1/ Lydian Intl PFS	World Region/Armenia	1.9	Exercise of subscription rights in an equity investment which will support ongoing exploration and feasibility study
New Africa Mining Fund II	NAMF II	Africa Region	15.0	A fund interested in equity and equity-like investments in small-to-mid-tier companies ("juniors") that are focused on early-to-later stage exploration, mining and beneficiation activities in Africa
Nyota Minerals Ltd.	Tulu Kapi Gold	Ethiopia	5.3	Equity investment to support further exploration drilling; completion of a scoping/prefeasibility study; and preparation of environmental and social impact assessment reports.
Tsodilo Resources Ltd.	Tsodilo	Botswana	4.8	Equity investment to support continued exploration work
Volta Resources	Kiaka Gold	Burkina Faso	6.4	Equity investment to help finance a bankable feasibility study and transitions from an exploration company into a developer.
TOTAL IFC MINING FINANCING			180.8	

IBRD/IDA EXTRACTIVE INDUSTRIES FINANCING
TABLE 3: IBRD/IDA EXTRACTIVE INDUSTRIES FINANCING – FY2010

	PROJECT	COUNTRY	SUB-SECTOR	US\$M	DESCRIPTION
IBRD	Botswana - Morupule B Generation and Transmission Project	Botswana	Mining	12.3	The projects are to support Botswana in developing reliable and affordable supply of electricity for energy security, promoting alternative energy resources for low-carbon growth, and building its institutional capacity in the energy sector.
	Morupule B Generation and Transmission Project	Botswana	Mining	21.8	
	Second Programmatic Environmental Development Policy Loan	Peru	Mining	11	To strengthen environmental governance and institutions of key sectors (mining, fisheries, urban transportation and energy)
IDA	Armenia DPO-1	Armenia	Mining	9	As part of a larger Government program to strengthen its competitiveness, this project supports reforms to reduce corruption and to modernize the regulatory framework in mining and energy sectors
	Economic Governance & Recovery Grant III	Cote d'Ivoire	Mining	9.9	To support government owned reforms to improve governance, transparency and efficiency in public expenditure management
	Ghana Natural Resource and Environmental Governance – Development Policy Operation Program	Ghana	Mining	4.0	Supporting the Government of Ghana to improve revenue management, financial flows and livelihood in, among others, mining sub-sectors
			Oil & Gas	2.0	
	TA for Capacity Development in Hydropower and Mining Sector	Lao People's Democratic Republic	Mining	4.1	To increase human capacity and improve the performance of Government institutions for the hydropower and mining sectors
	ML-Fourth Poverty Reduction Support Credit	Mali	Mining	9.2	To support the government's efforts to improve the business environment and enhance governance and efficiency in the energy and mining sectors
	Public and Natural Resource Management Development Policy Supplemental Grant	Sao Tome and Principe	Oil & Gas	0.4	As part of a larger Government economic reform program, this project supports policy measures aimed at strengthening governance in the oil sector
	Mineral Sector Technical Assistance	Sierra Leone	Mining	4.0	To build the Recipient's capacity to improve the management and regulation of the mining sector
	Economic Recovery and Gov. Grant 3	Togo	Mining	1.6	To continue policy reforms to improve public financial management and governance of key sectors, including energy sector.
TOTAL IBRD/IDA EI FINANCING				89.3	

* Including Blend countries

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

MIGA EXTRACTIVE INDUSTRIES FINANCING

TABLE 4: MIGA EXTRACTIVE INDUSTRIES FINANCING, FY2010

PROJECT	COUNTRY	SECTOR	US\$M	DESCRIPTION
Jubilee Ghana MV21	Ghana	Oil & Gas	165.0	Investment guarantee against risks of expropriation, war, and civil disturbance
TOTAL MIGA EI FINANCING			165.0	

Annex D: Summary of Expected Development Impact of IFC Projects, FY2010

OIL AND GAS SECTOR PROJECTS

BPZ RESOURCES INC. (PERU) –BPZ RI III/ BPZ Convertible Project

BPZ Resources, Inc., headquartered in Houston, Texas, is an independent oil and gas company with operations primarily concentrated in northwest Peru. The investments comprise a take-up by IFC of a rights issue and the purchase of convertible notes for additional financing for ongoing offshore oil exploration and development. The project is supporting the monetization of natural gas and the creation of gas markets, contributing to Peruvian government revenues and helping substitute the import of diesel and fuel oil widely used in Peru.

CAIRN INDIA LIMITED (India) –Cairn India II Project

Cairn is a rapidly growing independent Indian oil and gas company.. It is listed and publicly traded on the Indian stock exchanges. The company has two producing assets in shallow offshore Eastern and Western India and a number of other exploration assets across the country. IFC provided a debt facility of up to \$250 million, which is part of a larger funding package financing the development of Cairn’s discoveries in the Rajasthan Block, including the construction of both an oil processing facility and an approximately 600km crude oil pipeline to transport oil from the Rajasthan Block to Gujarat’s western coast. The project is solidifying the role of the private sector in the upstream hydrocarbon sector in India, supporting fuel transportation infrastructure and enhancing local availability of higher quality fuels, substituting for coal and naphtha.

CIPEF CONSTELLATION COINVESTMENT FUND LP (BRAZIL) –Constellation Project

Constellation Overseas, Ltd., the oil services subsidiary of the Queiroz Galvão Group and an existing IFC client, is expanding its oilfield services business to participate in Petrobras’ drilling program and development of significant oil reserves that were discovered offshore Brazil. Constellation is raising US\$300-500 million in equity, and IFC was invited to contribute up to US\$100 million in the private placement. Constellation will use the proceeds to construction and/or acquire drilling rigs, drill ships and/or floating production, storage and offloading facilities (FPSOs). The project will help the development of Brazil’s critical energy sector, promote domestic private sector participation, provide local employment, training and development of local skills, generate local linkage benefits, and promote competition.

COMPANIAS ASOCIADAS PETROLERAS S.A. (ARGENTINA) –Diadema III Project

CAPSA, incorporated in 1977, is a privately owned company, mainly engaged in the exploration, exploitation, development and production of oil and gas fields in southern Argentina. It is a small Argentine oil producer, which operates 7 fields in the Comodoro Rivadavia region (part of the San Jorge basin). IFC was requested by CAPSA to provide a corporate loan of up to \$60 million to finance the Company’s capital expenditure program. IFC’s support of the project is helping the continued development of marginal fields and providing benefits to the

government and local economies through revenue and royalty payments as well as local purchases of goods and services.

ENERGY INTERNATIONAL CORPORATION (COLOMBIA) – Termo Rubiales Project

The project sponsor, Energy International, specializes in the power sector in Latin America. Energy International was created in 1998 as a sales division selling power module, but also focuses on operations, maintenance, engineering and construction of thermal plants. IFC invested in Termo Rubiales to support the development of Meta Petroleum, a promising player of the oil industry in Colombia that has embarked in an ambitious plan to increase the production of the Rubiales field. The project consists of the construction of a crude-oil fired thermal plant with gross capacity greater than 57 MW, to supply energy to the Rubiales oil field located in Los Llanos Orientales in Eastern Colombia. The investment in Termo Rubiales will support Colombia's policies to increase local production and private investment in the oil sector.

GEOPARK HOLDINGS LIMITED (Latin America Region - Argentina/Chile) – GeoPark III Project

GeoPark is a small, independent exploration and production company focused on Latin America with producing assets in Argentina and Chile, and listed on the London Stock Exchange's Alternative Investment Market. IFC subscribed to a secondary offering by GeoPark to finance the purchase of additional assets and/or fund its capital investment program in Chile. The project is expected to further support the continuing development and growth of a small E&P company focused on Latin America and help meet domestic oil and gas demand.

KUWAIT ENERGY COMPANY KSCC (Egypt/Yemen) – Kuwait Energy Project

Kuwait Energy Company KSCC, is one of the few local, privately-owned oil and gas exploration and production companies in the Middle East and North Africa. It was founded in 2005 by former employees of Kuwait Oil Company, Kuwait's state-owned oil company. The project will finance the development of KEC's producing and development assets in Egypt and Yemen and accelerate exploration activity in both countries. IFC is helping the company develop robust environmental and social policies and procedures as well as providing advice on corporate governance.

PAN AMERICAN ENERGY LLC (ARGENTINA) – PAE G San Jorge Project

Pan American Energy, PAE, is the second largest oil and gas producer in Argentina and is engaged mainly in exploration, development and production of oil and gas in the four major hydrocarbon basins – Golfo San Jorge, Austral, Neuquina and Northwest. IFC was requested by PAE to mobilize a corporate loan facility of up to \$250 million, including up to \$50 million for IFC's own account. The loan proceeds will partially fund capital expenditures for further development of PAE's most prolific assets, Cerro Dragon, Piedra Clavada and Koluel Kaike in the Golfo San Jorge Basin (GSJ). Part of the investment program will go towards increasing gas production. The project is expected to help in the alleviation of domestic oil and gas shortage, creation and preservation of local employment, strong community development and creating of linkages program, and contribution to government revenues.

PT TRADA MARITIME TBK (INDONESIA) – Trada Maritime Project

Trada Maritime is a specialized Indonesian shipping company focused on oil & gas support services. Trada requested IFC support to finance an Indonesian-flagged Floating Storage & Offloading (FSO) vessel with a capacity to hold up to 700,000 barrels of oil. IFC's assistance will support Indonesia's objectives to build up a domestic shipping industry and better integrate its oil and gas supply chain. In addition, the project is expected to contribute in the development of local skills and job creation.

SALAMANDER ENERGY PLC. (EAST ASIA & PACIFIC REGION) – Salamander Junior Project

Salamander Energy plc, founded in 2005, is a young, independent oil and gas company exclusively focused on exploration, appraisal, production and development in Southeast Asia. IFC was first requested by Salamander to support the company's investment program in 2008 and has provided additional financing, including equity. Salamander sought additional funding for the company's incremental development costs for the Kambuna field and exploration and appraisal costs for the company's other assets in the region. The Project will support the development of oil and gas in a region that is a net importer of these resources, help with job creation, promote best environmental and social practices and generate broader development impacts through government revenue generation.

MINING SECTOR PROJECTS

ABSA BANK LTD (AFRICA REGION) –SABIF-Absa Project

IFC is to provide a credit line dedicated to infrastructure financing of up to \$250 million to Absa Bank Limited (“Absa”), a member of Absa Group Limited, headquartered in South Africa. This project is part of IFC’s South African Bank Infrastructure Facility (“SABIF”), supports infrastructure projects (defined as industry segments including oil, gas and mining as well as telecom beyond traditional infrastructure development) that may not otherwise achieve financial close. IFC expects to provide co-investment in some of the same infrastructure projects that Absa is expected to use the IFC credit line for. In doing so, IFC will also play a direct role in helping close the financing gap for infrastructure projects in Sub-Saharan Africa.

ALUAR ALUMINIO ARGENTINO S.A.I.C. (ARGENTINA) –Aluar Project

Founded in 1970, Aluar Aluminio Argentino S.A.I.C is the only primary aluminum producer and the main semi-manufactured aluminum producer in Argentina. The Company is publicly listed in the Buenos Aires Stock Exchange. Aluar is undertaking a corporate capital expenditure plan for the expansion of its primary aluminum production capacity by 45,000 tpy to 455,000 tpy. IFC’s equity investment provided necessary funding and helped to improve the company’s financial standing. The development outcomes of the project include job preservation, export revenues and a demonstration effect, as the company is adopting energy efficiency measures to reduce GHG emissions.

ANGLO AMERICAN QUELLAVECO S.A. (PERU) –AAQSA Rights Issue & MQSA Rights Issue Projects

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

ANTARES MINERALS INC. (PERU) –Antares Project

Antares Minerals Inc. is a TSX-listed, Canadian junior mining exploration company focused on the Haquira copper exploration project in Peru. IFC will assist the company in funding the pre-feasibility study and continued exploration of the Haquira mineralization and to provide environmental and social technical advice. At this early stage in the project cycle, the company is already trying to implement a program to improve local livelihoods through training and provision of materials for fish farming, greenhouse cultivation of vegetables, farming of fodder, sowing and occupational training. During the construction and development phase, significant economic development impacts are expected, in the form of tax and other payments to government, foreign exchange earnings and the development of vital transportation and energy infrastructure.

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

Eurasian Minerals Inc., EMX, is a TSX Venture Exchange listed junior mining company focused on early stage precious and base metal exploration in northern Haiti and Turkey. EMX also has equity or royalty interests in early stage projects in Eastern Europe and Kyrgyz Republic. The exploratory stage of the company's work in Haiti means that current development impact is limited but with potential for a large impact should move into development. Currently the project is providing local employment in an extremely poor part of Haiti.. Indirectly, the advancement of exploration projects in Haiti could also have a positive impact of attracting additional foreign investments to an underdeveloped but promising sector of the Haiti economy.

GOLD RIDGE MINING LIMITED (SOLOMON ISLANDS) –Gold Ridge Project

The project is a \$134 million investment to restart operations of Gold Ridge mine, owned and operated by Gold Ridge Mining Limited, an indirect wholly owned subsidiary of Australian Solomons Gold Limited. The Gold Ridge mine is an open pit gold mine on Guadalcanal Island (the largest of the Solomon Islands) which operated from August 1998 before closing due to civil unrest in June 2000. Following an international tender, the mine assets were purchased in December 2004 by ASG, which was established to acquire and redevelop the Gold Ridge mine. The project is expected to bring significant contributions to the Solomon Islands GDP and encourage investment in other mining developments. In addition, it is expected to bring benefits to local communities, job creation and contribute to revenues of the Government of Solomon Islands and provincial government.

GREYSTAR RESOURCES LTD (COLOMBIA) –Greystar Project

Greystar Resources Ltd. is a junior mining company that owns 100% of the Angostura gold and silver exploration project near Bucaramanga, in the Santander region of Colombia. Greystar has acquired concessions covering approximately 30,000 hectares over a 15-year timeline. IFC's investment would be used to fund completion of the BFS, ESIA, and other needed ground works to prepare for the project development stage. Although the immediate development impacts from this investment will be limited, a successful project of this size would likely spur significant additional global mining interest in Colombia, and would have substantial impact on local community through direct employment and services and from government royalties and taxes.

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

Gryphon is an Australian-listed, publicly traded company with a focus in Burkina Faso where it has been engaged in minerals exploration since 2005. After an initial equity investment by IFC to support minerals exploration, pre-feasibility study, and initial Environmental and Social Impact Assessment studies, IFC exercised its subscription rights in early FY2010. IFC's involvement in Burkina Faso's growing mining sector will have an important demonstration effect in terms of setting environmental and social standards. In addition, IFC involvement in the sector could assist in establishing some benchmarks on sustainable resource development.

HELIO RESOURCES CORPORATION (UNITED REPUBLIC OF TANZANIA) – SMP GOLD Project

Helio Resource Corp is a Vancouver-based mineral exploration company focused on exploring and developing gold and base metal deposits. SMP Gold is Helio's main project. Since June 2006, the Company has drill-tested thirteen targets. All thirteen targets have intersected bedrock-hosted gold mineralization. Helio sought IFC's engagement to help finance the Company's exploration activities in line with industry best practice in environmental and social sustainability. A successful exploration could have considerable demonstration effects and help the development of a new gold district in Tanzania with the potential of spurring economic growth in the south through infrastructure development and employment generation.

HERNIC FERROCHROME PTY LIMITED (SOUTH AFRICA) – HERNIC WCF Project

IFC provided HERNIC Ferrochrome (Pty) Ltd a shareholder loan in 2010. The company has been supplying ferrochrome to the stainless steel industry since 1996. It had grown to become the world's 4th largest producer of Ferrochrome, with competitive production costs. HERNIC has been a long term client of IFC with the first investment approved in 2003.

KASBAH RESOURCES LIMITED (MOROCCO) - ACHMMACH TIN Project

Kasbah Resources Limited objective is to build a successful Moroccan focused exploration and mining company. The Company's prime exploration target is the hard rock Achmmach Tin prospect, located on the western edge of the El Hajeb province in Morocco. IFC's investment will support underground drilling and exploration, feasibility studies and environmental and social impact assessments; and general exploration and working capital purposes. The Project is in an early exploration phase so its developmental impacts are limited in scope at this stage. However, the project is located in an under-developed part of the country and outside of key centers of commercial activity and will likely contribute significantly to the area's development should it transition into a full operating mine.

KIWARA PLC (ZAMBIA) – Kiwara Plc Project

Kiwara Plc is a London-based, junior exploration company focused on exploring and developing mineral deposits in Zambia. IFC will help finance the company's exploration activities and associated feasibility studies in line with industry best practice in environmental and social sustainability and also provide more general corporate advice to this junior company, as it progresses towards mine development. Should the company's prospects be developed, the project would have notable economic impact through generation of employment, tax revenues and foreign exchange and supply chain development.

LYDIAN INTERNATIONAL LTD (WORLD/ARMENIA) – Lydian Options 1 & Lydian Intl PFS Projects

Lydian is a junior exploration mining company focused on finding, acquiring and developing prospective assets in countries in Eastern Europe and Central Asia. IFC is exercising its subscription rights to finance continued exploration and feasibility study work with respect to mineral resource properties in Armenia. In the event of mine development, the expected development benefits of the project would include setting an example for other foreign mining companies to follow Lydian's lead, thereby expanding the country's mining potential.

Specifically, the Armulsar project would produce notable taxes and royalties and generate positive foreign currency flows for Armenia. It would also help to revitalize an economically depressed area, formerly a center of mining and industry, bringing skilled jobs to workers trained in the sector.

NEW AFRICA MINING FUND II (AFRICA REGION) – NAMF II Project

The New Africa Mining Fund II is a private equity style mining sector fund, seeking to raise \$100 million to \$300 million for investment in equity and equity-like investments in small-to-mid-tier companies (“juniors”) that are focused on early-to-later stage exploration, mining and beneficiation activities in Africa. NAMF II will focus on junior mining companies in Africa, which are typically unable to attract institutional investment for their early exploration and pre-development work. Providing capital at this end of the extractives resources value chain fills an important gap in an important sector, whose development holds significant potential economic impact and developmental benefits for the host countries in the long term. More immediately, the fund is expected to help junior mining companies advance their projects up the value chain, through the provision of equity capital and close support from the Fund Manager, while applying environmental and social best practices and establishing long-term partnerships across the region.

NYOTA MINERALS LIMITED (ETHIOPIA) – TULU KAPI GOLD PROJECT

Nyota Minerals Ltd is a mineral exploration company with exploration properties in Ethiopia and Burundi. Nyota’s most advanced exploration target is the Tulu Kapi gold project, located in western Ethiopia. It is the Company’s intent to increase this resource and progress Tulu Kapi to the mine development phase. Nyota sought IFC’s engagement as a strategic partner to help develop Tulu Kapi in line with industry best-practice in environmental and social sustainability. IFC’s equity investment is supporting continued exploration activities; scoping studies and environmental and social impact assessments and working capital needs. The Project is in an early exploration phase so its developmental impacts are limited in scope at this stage. Should the project move to a fully operating mine, it promises to generate notable, additional developmental benefits both for the country as a whole and particularly for the area around the mine, which is located in an underdeveloped part of the country.

TSODILO RESOURCES LIMITED (BOTSWANA) – Tsodilo Project

Tsodilo Resources Limited is a Toronto based exploration company that is currently exploring for diamonds, base and precious metals in the northwestern part of Botswana. Tsodilo is seeking IFC’s engagement to assist in funding the continued exploration of the Project to reach a scoping study stage within the next two years; and to provide environmental and social technical assistance to help develop the Project in line with industry best practices. The development impact at the exploration stage will be limited to the provision of local employment opportunities and support for community development activities. Should the project advance to a mine, development impacts will include direct employment in a region with very limited employment opportunities other than cattle farming; generation of revenues for government in the form of royalties and corporate taxes.

VOLTA RESOURCES (BURKINA FASO) - KIAKA GOLD

Volta Resources is an advanced mineral exploration company with exploration properties in Burkina Faso, Ghana and Mali. Its key focus is its recently-acquired advanced exploration Kiaka gold project, located in southern central Burkina Faso. Kiaka is located on the highly prospective Birimian greenstone belt, which hosts numerous large gold deposits. Volta sought an equity investment from IFC to help the Company develop a bankable feasibility study, as it transitions from an exploration company into a developer. IFC's engagement will help Volta develop in line with industry best practices in environmental and social sustainability. The IFC investment will fund exploration and further studies and will not fund the development of a mine or result in any immediate incremental production. Development impacts from exploration activities are typically limited and at this stage mainly confined to local employment.

Annex E: Summary of Objectives of IBRD/IDA EI Projects, FY2010

IBRD FINANCING

MINING PROJECTS

Botswana

The objectives of the *Morupule B Generation and Transmission Project* are to support Botswana in developing reliable and affordable supply of electricity for energy security, promoting alternative energy resources for low-carbon growth, and building its institutional capacity in the energy sector. There are three components to the project. The first component of the project is Morupule generation expansion to be implemented by Botswana Power Corporation. The second component of the project is alternative energy development. This component will support diversification of Botswana's economy through a low-carbon growth strategy. Given Botswana's energy endowment, its cleaner fuel options are to develop coal-bed methane and to explore solar thermal, while examining prospects for carbon capture and storage as a means to mitigate climate change impacts. The third component of the project is institution and capacity building. This component covers project implementation assistance, institutional and capacity building for BPC and the Ministry of Minerals, Energy, and Water Resources (MMEWR).

Peru

The *Second Programmatic Environmental Development Policy Loan (ENVDP 2) Program* continues to support the government's efforts to strengthen environmental governance and institutions in Peru, and mainstream environmental sustainability in the development agenda of key sectors (mining, fisheries, urban transport and energy). The ENVDP program will contribute to making growth environmentally sustainable by supporting the environmental legal and institutional framework, biodiversity conservation, enhancing control over air and water pollution, improving the sustainability of the mining sector, and the sustainable management of fisheries resources. In addition, by supporting the policy instruments of the newly created Ministry of Environment, the ENVDP program would contribute to the modernization of the state institutions.

IDA FINANCING

Oil, GAS & MINING PROJECTS

Armenia

The principal purpose of the *First Development Policy Operation (DPO-1) Program (2009-2011)* is to provide support to the Government of the Republic of Armenia to address vulnerabilities, particularly in the context of the global economic crisis, while strengthening competitiveness for more rapid growth in the post-crisis period. Priority reforms need to span both the public and private sectors and focus on the following to unlock growth potential, alleviate the human capital constraint, and reduce corruption: strengthening the business environment through lower business registration and inspection costs; improving corporate governance; modernizing the regulatory framework in telecommunications, mining, and energy; reducing compliance

costs through tax and customs reform; and improving efficiency and accountability in public financial management through system reform and strengthening incentives in the civil service.

Cote d'Ivoire

The objective of the *Third Economic Governance and Recovery Grant Program (EGRG III)* for Cote d'Ivoire is to support government-owned reforms to improve governance, transparency and efficiency in public expenditure management as well as deepen structural reforms aimed at strengthening governance and transparency in key sectors. It will focus on supporting the Government's efforts to strengthen budget preparation, execution, controls and accountability, and help enhance governance, transparency and efficiency in the energy, cocoa, and financial sectors. The operation will provide financial support to the government in the context of the unfavorable global economic environment and the fact that Cote d'Ivoire's annual debt service to the World Bank will remain considerable until attainment of the Heavily Indebted Poor Countries Initiative (HIPC) completion point expected for the first half of 2011.

Ghana

The objectives of the *Natural Resources and Environmental Governance Third Development Policy Operation (DPO) Program* for Ghana are, among others, to improve mining sector revenue collection, management, and transparency, address social issues in mining communities; and mainstream environment into economic growth through Strategic Environmental Assessment (SEA), Environmental Impact Assessment (EIA), and development of a climate change strategy. The expected outcomes at the end of the DPO series include: improved management of government revenues and finances in the forestry and mining sectors, reduced illegal logging, reduced social conflict in forestry and mining communities; and integration of environmental considerations into policy formulation and implementation across government, including risks associated with climate change.

Lao People's Democratic Republic

The objective of the *Technical Assistance for Capacity Development in Hydropower and Mining Sectors Project* for Lao People's Democratic Republic (PDR) is to increase human capacity and improve the performance of Government oversight institutions for the hydropower and mining sectors. There are four components to the project. The first component of the project is joint hydropower and mining learning program, which aims at building critically needed capacity and generating public awareness across the hydropower and mining sectors. The second component of the project is hydropower sector development, which aims at capacity building in support of sustainable hydropower development in Lao PDR. The third component of the project is mining sector development, which includes improvement of sector governance and the enabling environment; strengthening of government oversight capacity; and program to promote minerals development. The fourth component of the project is project administration and management through support consultancy services for the project Secretariat established within Ministry of Energy and Mines (MEM).

Mali

The key objective of the proposed *Fourth Poverty Reduction Support Credit (PRSC-4)* is to support governments owned reforms to improve the regulatory and institutional framework for infrastructure and private investment, strengthen public financial management and improve

basic service delivery. Specifically, the PRSC-4 focuses on supporting the government's efforts to improve the business environment and enhance governance and efficiency in the agriculture, energy and mining sectors, strengthen and modernize budget reporting, controls and accountability, and improve education and health outcomes through improved management of health and education human resources, fiscal decentralization and co-financing the contributions of the poor in the mutual insurance schemes.

Sao Tome and Principe

The supplemental financing grant will assist the authorities in pursuing the original objectives of the *Public and Natural Resource Management Development Policy Grant Project* (PNRMD) for Sao Tome and Principe is to help implement the Government's economic reform program during 2008-2009 that is based on the country's poverty reduction strategic paper (PRSP) by supporting policy measures aimed at improving accountability, effectiveness and the level of public resources; and strengthening governance in the oil sector. In addition, the PNRMD will support the government's plan to initiate preparation of a new PRSP.

Sierra Leone

The development objective of the *Mining Technical Assistance Project* for Sierra Leone is to build Government's capacity to improve management and regulation of the mining sector. There are three components to the project. The first component of the project is overarching regulatory frameworks for the mining sector, which is intends to improve the regulation of the mining sector. The second component of the project is institutional strengthening. The objective of this component is to ensure good sector governance guided by the principles of transparent, non-discretionary, and efficient mining sector administration. The third component of the project is project management, which will provide support to Ministry of Mineral Resources and Political Affairs to implement the project activities, in accordance with the Bank's fiduciary and other guidelines.

Togo

The *Third Economic Recovery and Governance Grant (ERGG-3)* to the Republic of Togo, is a development policy grant which supports the Government's efforts to pursue the implementation of governance reforms initiated under the ERGG and ERGG-2 approved in 2008 and 2009, respectively. Specifically, the ERGG-3 focuses on continuing and deepening policy reforms to improve public financial management (PFM) and governance of key sectors of the economy (phosphates, cotton, and energy). These reforms will achieve strengthened fiscal sustainability, improved economic governance and enhanced transparency of State institutions and processes critical elements for the country's economic and social recovery.

Annex F: Summary of Objectives of MIGA EI Projects, FY2010

JUBILEE – FPSO KWAME KNRMAH (Ghana)

Jubilee Ghana MV21 B.V. is a special purpose company incorporated in the Netherlands, which will own a Floating Production Storage and Offloading (FPSO) facility, the FPSO Kwame Nkrumah MV 21, for the Phase One development of the Jubilee Field, located 60 kilometers offshore from Ghana. The investor has applied for MIGA guarantees which will cover up to \$250 million in equity in the form of ownership interest in the FPSO for a period of up to 20 years against the risks of expropriation and war and civil disturbance.

The FPSO is one of the essential, central elements of the Phase One development of the Jubilee Field. The construction, installation, and operation of the FPSO will be critical to achieve successful and timely implementation of the Jubilee project in accordance with the Jubilee Field's Plan of Development, which was approved by the government of Ghana in July 2009. As such, the project will support the development of Ghana's nascent oil and gas sector and help to secure the significant economic and developmental benefits.