



PROGRESS REPORT

Covering the period July 1, 2009 -September 1, 2010

**EI-TAF Donors Teleconference
October 5, 2010**

The World Bank

I. INTRODUCTION

The Extractive Industries Technical Advisory Facility (EI-TAF) was formally launched by the Oil, Gas, and Mining Policy Division (COCPO, now SEGOM ¹) of the World Bank in July 2009. Since then, the Facility has mobilized commitments of US\$10.8 million from a variety of donors, including from Norway’s Oil for Development Program, Switzerland’s State Secretariat for Economic Affairs, the International Finance Corporation’s (IFC) Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS), and the World Bank’s Development Grant Facility (DGF).

This report has been prepared with a view to providing EI-TAF’s donors with an update on progress made since the program’s inception. The report is divided into three sections: Section One provides an introduction to and background on EI-TAF; Section Two provides an update on the current status of the Facility and its activities; and Section Three discusses emerging lessons. Annexes provide the financial report, including sources and uses of funds.

Background

Extractive industries are key components of many developing countries’ economies. When well-managed, solid mineral and hydrocarbon resources offer a real opportunity for such countries to achieve sustainable economic growth and reduce poverty. However, all too often, resource-rich, developing countries have suffered from weak institutions, poor legal frameworks, and insufficient local capacity, resulting in extractive industry resources not being managed with a view to long term, positive impacts.

In this context, the Extractive Industries Technical Advisory Facility (EI-TAF)—a multi-donor trust fund managed by the World Bank’s Sustainable Energy, Oil, Gas and Mining Unit (SEGOM)—was designed to facilitate advisory services to resource-rich, developing country governments for capacity building related to extractive industry contract negotiations and associated policy reforms/frameworks. 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.

Objective and Expected Outcomes

The objective of EI-TAF is to assist resource-rich, developing countries to correctly structure extractive industry transactions and related sector policies from the outset, thus reducing the risk of costly or politically difficult remediation at a later stage. The EI-TAF facilitates rapid-response advisory services and capacity building for extractive industry resource policy frameworks and transactions. 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.

¹ Effective September 12, 2010, the former COCPO was reorganized as “SEGOM”—the Oil Gas and Mining unit under the new Sustainable Energy Department (SEG), within the SDN Anchor vice presidency. The SEGOM unit is no longer a formal joint WB/IFC unit, although “dotted-line” links remain with IFC oil and mining group.

The expected outcome from EI-TAF assistance is to level the playing field and ensure that resource-rich, developing countries, and ultimately their citizens, benefit from the exploitation of their extractive resources. A robust, results-based performance framework, including quantitative and qualitative indicators, will be used to evaluate EI-TAF interventions. Independent evaluations of activities will be incorporated into the EI-TAF results framework.

Key Components

The EI-TAF facilitates real-time, advisory services, and capacity building for extractive industry resource policy frameworks and contract negotiations. 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. The Facility has two key components: (i) rapid-response advisory services; and (ii) global knowledge management/good practice in extractive industries sector governance.

(i) Rapid Response Advisory Services

Rapid-response advisory service activities by their nature cannot always be predicted, but are likely to focus on eligible countries with capacity needs in the following areas:

- Contract negotiation for extractive industry transactions, including the cost of logistics of such negotiations;
- Short-term capacity building for members of the beneficiary country's negotiation teams, including studies to prepare for negotiations;
- Technical assistance proximate to a specific extractive industry transaction under review, to update the policy, institutional, fiscal, legal and regulatory frameworks of the country concerned, including revenue management and benefits sharing across levels of government and community; and
- 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.

In most cases, rapid-response advisory services are recipient executed as such services are channeled primarily to individual countries. Though none have yet been proposed, activities with regional/sub-regional organizations will also be considered under EI-TAF.

(ii) Knowledge Management

Knowledge management activities aim to facilitate the gathering and dissemination of good practices in extractive industry sector governance. A limited amount of funding from the EI-TAF is allocated to:

- Providing a framework of good practices and discussion of issues that may be relevant for governments facing the task of making extractive industry resources available to private investors;

- Gathering and disseminating lessons of experience based on advisory services provided, including through publications, workshops, conferences, and the like; and
- Commissioning work urgently needed to address EI-TAF objectives.

Demand-driven Approach

Provision of support for rapid-response advisory services will be demand-driven. Requests for assistance are being and are likely to be generated inter alia via:

- Direct requests from resource-rich, developing country governments;
- Sector dialogue between SEGOM and resource-rich client countries;
- Dialogue between other World Bank staff and resource-rich client countries;
- Commitments in World Bank Country Assistance/Partnership Strategies, linkages to World Bank lending operations, analytic work, technical assistance, and so on;
- Dialogue between other stakeholders (e.g., other donor partners) and resource-rich client countries.

In the first instance, requests for support for rapid-response advisory services are assessed along the following lines:

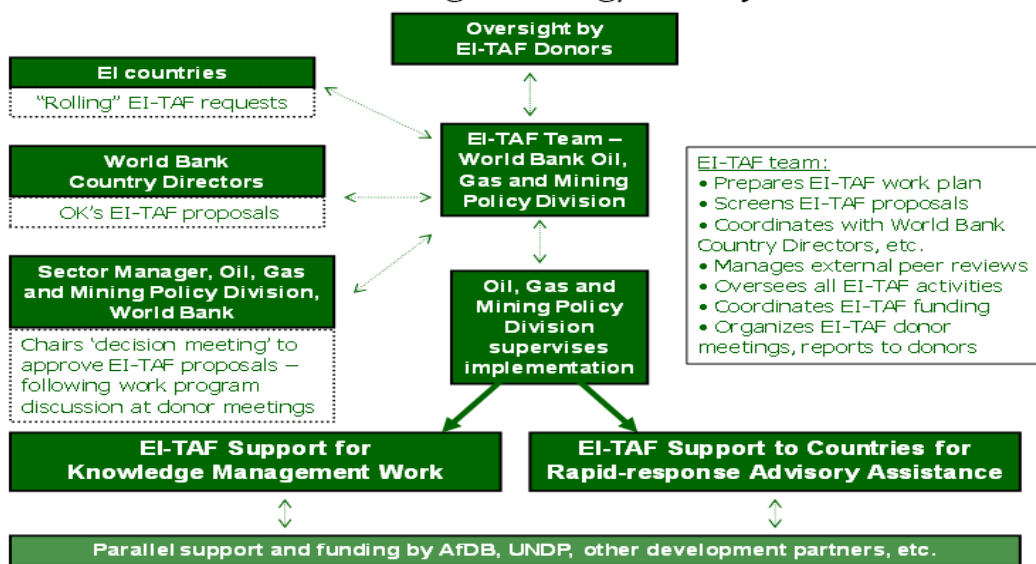
- Level of political commitment and national ownership. Degree of commitment of a government and stakeholders to implement sound sector governance, including readiness to move on reforms steps needed.
- Country capacity gaps/needs. The assessed capacity gaps (especially in fragile states, IDA-eligible, and post-conflict countries) in a country in which the EI-TAF interventions could have a high pay-off and impact.
- Resource dependency and poverty impact. The size of the extractives sector and revenues to the economy and exports—and the poverty-alleviation potential from rapid-response advisory services.
- Demonstration potential in sub-region context. Potential for demonstration effect to “pull” other countries in the sub-region to adopt sound sector governance principles.
- Potential for sustainable investment. Impact in terms of facilitating sustainable private sector investment in the country’s extractives sector.
- Value for Money. Overall cost-efficiency of activities, which should aim to ensure value for money, consistent with appropriate standards of quality.

Operating Structure

The World Bank’s Sustainable Energy, Oil, Gas and Mining Unit (SEGOM) is responsible for administering the EI-TAF (including fiduciary and M&E responsibilities), preparing the EI-TAF work plan, supervising activities, organizing donor meetings and reporting to donors.

The EI-TAF donors meet annually to (a) review and approve the EI-TAF work plan, which includes proposed activities and estimated budgets; (b) review EI-TAF progress and financial reports; (c) review the lessons and experiences of the implementation of the EI-TAF activities, including results achieved; and (d) provide strategic guidance to the EI-TAF Team on the implementation of the activities. Any changes in activities included in agreed work plans over US\$250,000 will be sent to the Donors for approval, unless otherwise agreed. Given EI-TAF’s rapid-response, demand-driven nature, it is possible that requests for assistance not included in this work plan will come up over the course of the coming year that may require donor approval. This document constitutes the first progress report, work program, and financial report for donor consideration. Given that the EI-TAF is still relatively new, it is early days in terms of results and lessons learned, but there are some issues emerging even from the first ten months of EI-TAF implementation for consideration (more Section III).

EI-TAF Operating Structure and Process for Work Programming/Activity Allocations



II. CURRENT STATUS OF ACTIVITIES

Rapid-response Advisory Services

There are currently two active, country-specific projects in the portfolio: (i) the Liberia Extractive Industries Technical Advisory Facility Project and (ii) the Rwanda Petroleum Exploration Capacity Building Project. A summary of these projects and their current status is provided in Table 1.

Table 1. EI-TAF: Rapid-response Advisory Services – Status of Active Projects

Country	Project Description	Status	Cost (USD '000)
Liberia	<p>The aim of the Liberia Extractive Industries Technical Advisory Facility Project is to provide technical support to Ministry of Lands, Mines and Energy (MLME), the Inter-Ministerial Concessions Committee, the Mineral Technical Committee (IMCC and IMMTC, respectively), and National Investment Committee (NIC) in evaluating concession/investment proposals.</p> <p>The Grant is assisting the Government to (i) build capacity for contract negotiations and management of the concession process, including project evaluation and development of standard methodologies and concession processes; and (ii) move identified extractive industries transactions towards contractual close.</p>	<p>EI-TAF support was granted to Liberia in September 2009. The implementation period is expected to be about a year after consultants are in place. A total of seven advisers have been procured for this project, which include: project coordinator, mining adviser, infrastructure specialist (ports), infrastructure specialist (roads/rail), social adviser, environmental adviser, and transactional financial advisor.</p> <p><i>Status of consultant selection:</i> The implementation of the grant was delayed due to slow procurement processes by the Government. As of September 2010, however, all selections were completed—three contracts have been signed and three to be signed by first week of October. Project coordinator position was dropped due to higher than expected costs for other consultants, and MLME agreed to continue project management themselves (Assistant Minister for Mines acting as Project Coordinator). All grant funds are now fully committed and implementation started in September 2010. So far, \$300,000 has been disbursed to the Designated Account. The Government requested an extension of closing date of this grant until October 31, 2011 (1 year extension) which is being processed by the Bank. Since all consultants are now in place and work started no additional extensions are expected.</p>	1,000
Rwanda	<p>The Rwanda Petroleum Exploration Capacity Building Project supports the Government of Rwanda in the preparation, negotiation, and finalization of the Special Hydrocarbon Exploration License (SHEL) with Vangold LTD. The Project consists of the following activities (a) provision of technical advice on drafting and negotiating the SHEL; (b) designing of an economic/fiscal model to assess the fiscal and financial impact of proposed contract terms under a variety of economic conditions; and (c) preparation of a</p>	<p>The PGI phase of support recently concluded. Significant achievements included (a) a training seminar on petroleum exploration and petroleum governance for approximately 13 representatives from various ministries; (b) capacity building and training to the Ministry of Infrastructure on the development of fiscal terms for petroleum exploration and production; and (c) legal advice to the Ministry in the development of a model Streamlined Petroleum Agreement (SPA).</p> <p>The grant agreement for the second phase of this project has been signed. Procurement of consultants is being finalized.</p>	325

	medium-term and final report on the final outcomes of SHEL. This project builds on technical support and advisory services provided to the Government through the Petroleum Governance Initiative (PGI).		
Sierra Leone	Desk review of the African Minerals Ltd (Tonkolili) Mining Agreement.	Completed. The assignment included a review of the African Minerals Ltd Agreement for Tonkolili iron ore project for internal use by the World Bank. The use of the information will be decided by the World Bank management team based on the results and recommendations; and will be discussed with the Government of Sierra Leone. Report completed.	10
Total			1,335

Table 2 shows the forward-looking pipeline activities that are currently being processed, and Table 3 shows forward-looking potential pipeline activities.

Table 2. Pipeline (Being Processed) Recipients of Rapid-response Advisory Services			
Region/Country	Project Type	Status	Est. Cost (USD '000)
Cambodia	Support for Technical Review of Chevron Feasibility Study	Government has provided a request for capacity building around the feasibility study, but the time available is short and EI-TAF will consider support for reviewing the ESIA.	100
Cote d'Ivoire	Support for gas sector negotiations (pricing)	Requests under preparation/advanced discussion. Concept note has been prepared, however the Government has indicated that they would prefer Bank execution.	250
Kyrgyz Republic	Support for mining sector (gold mine) negotiations and licensing	Request from Government under review.	250
Pakistan	Support for negotiation of Reko Diq Mineral Development Agreement and review of Feasibility Study	The concept note has been drafted and is scheduled to be reviewed in early October; awaiting new letter from Government.	450
Solomon Islands	Support for tendering of Santa Isabela gold concession	Requests under Preparation/Advanced Discussion. A draft PCN is being prepared.	250

Tajikistan	Support for mining sector negotiations, licensing, and capacity building	Request from the Government is under revision.	250
Yemen	Support for improvements to petroleum sector policy, institutional, legal, and regulatory frameworks	A concept review meeting has taken place, and a mission with a new hydrocarbons specialist is scheduled for early October.	350
Zambia	Support for improvements to policy, institutional, legal, and regulatory frameworks	Request of assistance was received and is currently under review by the Bank.	200
Total			2,100

Table 3. Pipeline of Potential Recipients of Rapid-response Advisory Services

Region/Country	Project Type	Status	Est. Cost (USD '000)
Africa Region			
Malawi	Support for negotiation and capacity building in relation to Kanyika coltan project	At the initial stages of discussion with the Government—no formal request to date.	250
Mali	Support for tax administration mining sector negotiations	Requests under preparation/advanced discussion. Request from Government is to be provided by TTL; meeting will be held with IMF on collaboration	300
Mozambique	Three separate Activities 1) Technical advisory assistance on Corridor Sands – US \$100K 2) Upgrade of Licensing System – US \$250K 3) Advisory assistance-Moatize, Benga – US 200K	Verbal request for assistance was received in March 2010 and is currently under review by the Bank.	650
Tanzania	Support for Neg-Kabanga nickel project	At the initial stages of discussion with the Government, On hold at the moment due to the fall in the Nickel price.	250
Zimbabwe	Specific activities to be determined	At the initial stages of discussion with the Government—no formal request to date.	250
Subtotal			1,700
East Asia and Pacific Region			
Lao PDR	Support for negotiations bauxite-alumina-aluminum	At the initial stages of discussion with the Government,	200
Latin America Region			
Haiti	Support for mining sector negotiations	At initial stages of negotiations with the government at the time of earthquake in early 2010 – Government has expressed strong interest in the project at the time. As a result this project is currently on hold until the situation in the country stabilizes	300
Total			2,200

EI-TAF Consultant Pool for Advisory Assistance

In an effort to expedite the deployment of advisers, the World Bank has put together a consultant roster on which EI-TAF recipient countries can draw. To this end, EI-TAF can provide governments with vetted long or shortlists of consultants that fit the profile of the type of assistance sought. General terms of reference for such advisory assistance have also been developed for those areas of expertise most relevant to EI-TAF projects, including in the areas of mining and petroleum licensing/cadastres, contracts, engineering, economics, geology, law, policy, taxation, health and safety, environment, and social. A request for expressions of interest from consultants (individuals and firms) was published in October 2009. Nearly 175 expressions of interest from individuals and firms were received, of which nearly 130 have been added to the consultant roster. Each consultant profile was evaluated for skills relevant to the program based on a pre-determined set of criteria. Summary statistics of the EI-TAF Consultant Pool is provided in Table 3 below:

Table 4: EI-TAF Consultant Pool – Summary Statistics

MINING													
Selection Status	Cadastre	Contracts	Economist	Engineer	Environ.	Geologist	H&S	Legal	Policy	Social	Tax	Infra.	Total
*	3	3	6	10	18	14	4	10	9	9	2	4	92
**	2	1	3	4	6	4	4	5	5	8	3	3	48
Total	5	4	9	14	24	18	8	15	14	17	5	7	140
PETROLEUM													
Selection Status	Cadastre	Contracts	Economist	Engineer	Environ.	Geologist	H&S	Legal	Policy	Social	Tax	Infra.	Total
*	0	1	4	5	6	5	1	9	6	4	5	3	41
**	2	2	4	4	4	3	3	12	10	6	6	3	48
Total	2	3	8	9	10	8	4	21	16	10	11	6	89

Note: * correspond to those consultants who received between 75 - 50 points based on the evaluation criteria; ** correspond to those consultants who received, 75 points +, Applicants who scored below 49 have been eliminated. Consultants (firms or individuals) may have more than one area of expertise - totals therefore do not represent the number of consultants on the short-list.

Knowledge Management

Knowledge management work under the EI-TAF is limited, but is currently focused on the development of an Extractive Industries Source Book, which will provide a good practice reference framework for EI-TAF extractive industry advisory assistance. The Source Book, which will be a public document, can also be used by other stakeholders looking for good practice reference material.

The Source Book is primarily financed by the World Bank DGF funding (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). Working closely with the World Bank, Dundee will be responsible for providing the conceptual framework (guiding principles) for the Source Book; drafting a short narrative overview/introduction for the Source Book; developing the logistical foundation (open source data platform, web based) for the Source Book (which will be robust enough to provide for work planned in subsequent phases); gathering relevant data by identifying, reviewing, and distilling good practices from existing literature (with a focus in Phase 1 on World Bank and IMF documents—the effort is being closely coordinated with the IMF); identifying any knowledge gaps that will need to be filled (likely by third parties in subsequent phases, which may or may not be funded by EI-TAF); and leading the consultation process on the Source Book.

Phase I Principal Activities



Sources of Funding

As shown in Table 5, EI-TAF has so far received contributions and commitments of US\$10.8 million over FY10-12 (July 1, 2010-June 30, 2012). Anticipated contributions from future donors include an additional US \$3.8 million.

**Table 5. EI-TAF: Sources of Funds
(Based on Current Contributions, as of September 1, 2010)**

Source of Funding	Total Commitment (US\$m)	Received (US\$m)	Expected Commitments FY11 (US\$m)
IFC – FMTAAS	2.4	1.4	1.0*
World Bank – Development Grant Facility	1.5	0.5	0.5
Norway – Oil for Development	3.1	3.1	0.0
Switzerland – State Secretariat for Economic Affairs	1.2	1.0	0.2
Total	8.1	6.0	1.7

*The IFC has committed to second tranche of US\$0.5 million in FY11 if spending is at level to justify additional commitments in that year.

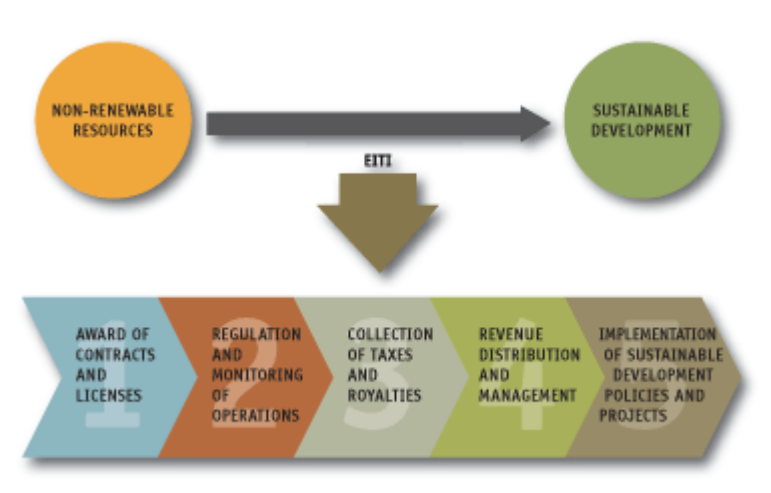
III. Emerging Lessons/Issues

While it is too early to discuss results of EI-TAF activities, already there are some emerging lessons/observations from EI-TAF implementation to date. These include:

- EI-TAF is able to respond to country needs for advisory assistance on a much faster basis than traditional World Bank lending/technical assistance instruments and thus EI-TAF is filling this gap as expected. The need for capacity building around extractive industry transactions is confirmed. However, given the limited capacity of our client countries to execute Bank-financed projects and the time-bound nature of many of the transactions EI-TAF seeks to address, there is the need to expand the scope for Bank-executed projects under EI-TAF's operating procedures, while also complying with broader Bank trust fund and operating procedure, and thereby limiting any conflicts of interest or legal liabilities the Bank may incur.
- Strong interest in the Extractive Industries Source Book was expressed by the stakeholders (government officials, industry representatives, and civil society groups) who participated in the first introduction of the concept at consultations in March 2010 and on further consultations on the Gap Analysis in September 2010. This resource has the potential to serve a broad range of stakeholders and underpin not only EI-TAF assistance, but other efforts in the sector globally (e.g., Natural Resource Charter, etc.). In an effort to build on the collaborative process, EI-TAF has begun to work extensively and in close cooperation with both internal Bank departments such as the World Bank Institute (WBI) and PREM and with external partners such as Natural Resource Charter and the International Bar Association.

IV. Issues for Discussion/Decision by the Donors

- Going forward, the EI-TAF team is considering expanding the scope of the trust fund to provide support under all the chevrons of the value chain (see the figure below), while continuing to work in close collaboration with various organizations working in extractive industries—including the International Monetary Fund (Managing Natural Resource Wealth Topical Trust Fund—MNRW), UNDP, and others—to ensure complementarity between initiatives, consistency of advice, and limited programmatic over-lap. More specifically, EI-TAF and MNRW are exploring opportunities for joint pilot implementation given the two funds’ emphasis on different parts of the value-chain and the differing length of engagement (short-term for EI-TAF; medium-term for MNRW). In addition, those EI-TAF projects that may fall under the 4th chevron will be discussed with colleagues from the IMF to ensure there will be no over-lap. On this particular issue, the team seeks guidance from the Donors on the considerations that need to be taken into account given the proposed expanded scope.



- The program is requesting agreement from the Donors to allow *Extended Term Consultants (ETC)* as an eligible expenditure category.

Annex 1

EXTRACTIVE INDUSTRIES - TECHNICAL ADVISORY FACILITY (EI-TAF)

SOURCES AND USES OF FUNDS

(in USD '000; expenditure actuals as of September 29, 2010)

SOURCES OF FUNDS			
<u>Contributions</u>	<u>Received to Date</u>	<u>Pledged-Not Yet Received</u> (approx. US\$ equiv.)	<u>Total</u>
IFC	1,400	1,000	2,400
Norway	3,060		3,060
Switzerland	1,000	200	1,200
World Bank - Development Grant Facility (DGF)	500	1,000	1,500
Total Contributions	5,960	2,200	8,160
Investment Income	42		42
Confirmed Funds as of October 17, 2010	6,001	2,200	8,201

USES OF FUNDS			
	<u>Inception to Date Actual Expenses</u>	<u>Planned Expenses FY11-13</u>	<u>Actual & Projected Total Uses</u>
Work Program			
TF Grants in process ¹	—	2,100	2,100
Allocated under Grant Agreements	1,325	—	1,325
Supervision of activities/ Business Development ²	71	1,579	1,650
Monitoring and Evaluation	0	250	250
Global Knowledge and Learning (EI Source Book - DGF Funding)	0	0	0
Source Book - DGF Funding)	29	1,471	1,500
Fiduciary and program management	164	696	860
Administration fee	109	24	133
Total Uses of Funds (actuals and projected)	1,698	6,120	7,818

EXPECTED AVAILABLE FUNDS

383

WORK PLAN

Active Projects

Liberia Grant	1,000
Liberia (grant supervision)	100
Rwanda Grant	325
Rwanda(grant supervision)	0
Sierra Leone (supervision activity)	10
Yemen (Under 'grants in process' ³)	0
Yemen (grant supervision)	56
Grants Total	1,325
Supervision Total	166
Total	1,491

Grants in process¹:

Cote d'Ivoire	250
Kyrgyz Republic	250
Pakistan	450
Solomon Islands	250
Yemen ³	350
Zambia	200
Cambodia	100
Tajikistan	250
Total	2,100

Other potential requests (not included in above Uses of Funds):

Haiti	300
Lao PDR	200
Malawi	250
Mali	300
Mozambique	650
Tanzania	250
Zimbabwe	250
Total	2,200

Note: ²The amount allocated under supervision activities are in line with the Trust Fund proposal under EI-TAF, and include expenses such as staff time and travel, workshops, consultant time and travel, and new business development.