“Our objective is to facilitate the extractive industries’ contribution to poverty alleviation and economic growth through the promotion of good governance and sustainable development.”

Paulo de Sa, Manager, Oil, Gas and Mining Policy Division
The World Bank
Annual emissions from both gas flaring and venting (1.4 billion tones) are equivalent to more than twice the potential yearly emission reductions from projects currently submitted under the Kyoto Protocol’s clean development mechanisms.

Credit: Global Gas Flaring Reduction Partnership
At least 20 million people engage in artisanal and small-scale mining and a further 100 million people depend on it for their livelihood. As many as 650,000 women in 12 of the world’s poorest countries are engaged in artisanal mining, and some 1.5 million children are also involved in small-scale mining.

Credit: International Labor Organization.
EXTRACTIVE INDUSTRIES FOR POVERTY REDUCTION

Oil, gas, and solid mineral resources—the non-renewable extractive industries—are major contributors to many developing countries’ economies. Proper stewardship of extractive industries and the revenues they generate has tremendous potential to lift people out of poverty and contribute to sustainable development. These industries create jobs directly and indirectly, transfer technologies and knowledge, and generate significant income. The fiscal benefits provide governments with a financial base for infrastructure development and social service delivery.

THE WORLD BANK’S ROLE

Extractive industry revenue tends to be uncertain, volatile, and exhaustible—all characteristics that pose enormous challenges to policymakers. Many resource-rich, developing countries have fallen prey to the “resource curse,” under which poor policy choices and corruption have exacerbated cycles of poverty and conflict.

The World Bank’s Oil, Gas and Mining Policy Division supports governments in the transparent and sustainable management of oil, gas, and solid mineral resources to maximize development gains and poverty reduction. To this end, the Policy Division:

- Advises governments on policy, legal/regulatory, and fiscal frameworks that promote transparent and equitable growth of the extractives sector through foreign and domestic private sector investment and public-private partnerships.
- Provides technical advice to governments regarding good governance practices and the organization and strengthening of public mining and petroleum institutions.
- Assists governments to ensure that extractive industry operations are developed in an environmentally and socially sustainable manner.
- Hosts global programs on crucial issues, including revenue transparency in the extractives sector, gas flaring reduction, petroleum sector governance, and artisanal and small-scale mining.
Oil is responsible for 6% of the world’s electricity generation, and gas for 20%.

Credit: World Energy Outlook 2008
WORKING ACROSS THE VALUE CHAIN

The World Bank’s Oil, Gas and Mining Policy Division engages with countries at the request of governments. The division’s work is in line with each government’s policy objectives and the supporting World Bank Country Assistance Strategy.

The Policy Division supports governments of resource-rich developing countries in the responsible stewardship of the country’s hydrocarbon and solid mineral resources through policy advice, technical assistance, and financing. The Policy Division’s key areas of focus can be understood through the extractive industries “value chain,” which illustrates key links of focus for translating non-renewable resources into sustainable development and long-term growth. These links include:

- Transparent, non-discretionary award of oil, gas, and mineral contracts and licenses.
- Good practices in legal, contractual, regulatory, and institutional frameworks, including continuous capacity building for monitoring and regulatory compliance.
- Sound and fair fiscal practices for the collection of taxes and royalties, including adequate administrative and audit capacity, internationally accepted accounting and reporting standards, and regular public reporting.
- Fair and transparent allocation of revenue generated by oil, gas, and mining industries, including a macro/fiscal framework adapted to volatile and finite resources and a transparent savings mechanism.
- Sustainable policies to safeguard the environment and maintain social priorities in the development of oil, gas, and other mineral resources.
WHAT WE DO

The Oil, Gas and Mining Policy Division delivers support to countries through lending operations (in the form of loans, credits, and/or grants), advisory services, research and publications, and global programs and partnerships.

Lending Operations

Lending operations in the oil, gas, and mining sector are frequently delivered through technical assistance projects. Such projects assist countries with the legal/fiscal and regulatory frameworks for the sector, systems for the transparent award of mining and/or petroleum licenses and contracts, institutional and human resource capacity building, health, safety, environmental, and social responsibility policies and practices, and good practices in the management of extractive industry revenue.

Some examples of recent lending activities include:

- Projects in Afghanistan, Madagascar, and Mauritania to improve the legal/regulatory mining and hydrocarbons sector frameworks, and ensure that large-scale mining is sustainable and addresses community development issues in areas where mining is taking place.
- Projects in Mongolia, Mozambique, Nigeria, Papua New Guinea, Uganda, and Tanzania to assist in the development of the mining sector, including addressing the issue of artisanal and small-scale mining.
- Projects in Romania addressing environmentally and socially sustainable mine closure.
- Projects in Timor-Leste to help the country build capacity to develop and manage the petroleum sector; work with the Government of Iraq to design an integrated energy sector strategy, including oil and gas; and work with the Government of Bangladesh on oil and gas sector projects.

Advisory Services

The Oil, Gas, and Mining Policy Division advises client countries on the full range of issues along the extractive industries value chain. Some examples of advisory assistance include:

- Assistance to Nigeria to take the Extractive Industries Transparency Initiative (EITI) beyond disclosure of receipts/payments in the petroleum sector.
- Assistance to post-conflict countries such as Central African Republic, Guinea, Liberia, and Sierra Leone to ensure that the management of natural resources is incorporated into national development strategies.
- Advice to Saudi Arabia on how to increase revenues from the mining sector, and mining sector reviews in Malawi and Yemen to help the Governments identify sector reforms.
• Support to Bangladesh in the preparation and development of a Gas Sector Master Plan and Strategy.
• Advice to the Government of the Democratic Republic of Congo (DRC) and the Government of South Sudan on management of the oil sector and oil revenue, and advice to the Government of Palau on a legal, regulatory, and fiscal framework for the petroleum sector.
• Assistance to the DRC to set up an independent, voluntary recourse mechanism for review of mining contracts.
• Assistance to Gabon, Kazakhstan, Nigeria, and Qatar to meet identified dates for minimum flaring, through increased collaboration between international operators, the national oil company and the regulator.

Research and Publications
The Policy Division undertakes research on selected topics in the oil, gas, and mining sectors, ranging from the design of fiscal regimes for the petroleum and mining sectors, to national oil companies, to the interface between large and small-scale mining, to local economic and community development around extractive industries, and environmental and social sustainability. The full range of publications is available at www.worldbank.org/ogmc.

In addition, the “Extractive Industries for Development” publication series features several titles on key sector issues, including:
• Vulnerability to Oil Price Increases: A Decomposition Analysis of 161 Countries.
• Changes in End-user Petroleum Product Prices: A Comparison of 48 Countries.
• Extractive Industries Value Chain: A Comprehensive Integrated Approach to Developing Extractive Industries.
• Emerging Players in Global Mining.
• Guidance Note for Task Team Leaders: Mainstreaming Gender into Extractive Industries Projects.
• Mining for Equity: Gender Dimensions of the Extractive Industries.
GLOBAL PROGRAMS AND PARTNERSHIPS

Global Programs and Partnerships represent collective action by public and private sector partners to achieve common development objectives more efficiently by working together, particularly on critical issues like good governance, revenue transparency, energy efficiency and climate change mitigation, and artisanal mining.

Our key programs are described below, and our two largest programs—the Extractive Industries Transparency Initiative (EITI) and the Global Gas Flaring Reduction Partnership (GGFR)—are featured in the subsequent pages.

**Communities and Artisanal and Small-scale Mining Partnership (CASM).** Launched in 2001, CASM is a global networking and coordination facility with a stated mission, “to reduce poverty by improving the environmental, social and economic performance of artisanal and small-scale mining in developing countries.” One estimate is that more than 100 million people globally depend either directly or indirectly on artisanal and small-scale mining for their livelihoods. CASM is chaired by DFID with a secretariat and multi-donor trust fund housed at the World Bank. More information is available at: www.artisanalmining.org

**Gender in Extractive Industries:** Evidence increasingly shows that while Extractive Industries (EI) can bring many economic, social, and environmental benefits to communities as a whole, men typically have greater access to the benefits while women are more vulnerable to the associated risks. Launched in 2007, the Gender and EI program works to mitigate women’s vulnerability to risks and increase their access to benefits by supporting the integration of a gender-sensitive approach into World Bank EI projects.

The program provides support to World Bank task teams and external partners on how to better mainstream gender aspects into projects and policy, and serves as the internal and external focal point for consolidating and contributing to research and expertise on gender and EI. For more information, please visit: www.worldbank.org/eigender

**Extractive Industries Technical Advisory Facility (EITAF).** Established in 2009, EI-TAF facilitates “rapid-response” advisory services (by third parties), on a demand-driven basis, for capacity building for extractive industry resource policy frameworks and transactions. The objective is to assist resource-rich 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. EI-TAF also supports production and dissemination of good practices for sound extractive industry sector governance and management. More information is available at: www.worldbank.org/ogmc

**Petroleum Governance Initiative (PGI).** Established in 2006 in the context of the Norwegian Oil for Development agenda, PGI is a bilateral collaboration of the Government of Norway and the World Bank Group designed to achieve structured cooperation on petroleum sector governance issues and in particular on support to developing countries in the implementation of appropriate petroleum governance frameworks including resource and revenue management and linkages to environmental and community issues. More information is available at: www.worldbank.org/ogmc
EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)

Increasing Transparency in Extractive Industries

Approximately 3.5 billion people live in countries rich in oil, gas, and minerals, but many of them suffer from poverty, corruption, and conflict stemming from weak governance. The global Extractive Industries Transparency Initiative (EITI), launched in 2003, promotes and supports improved governance and transparency in resource-rich countries through the full publication and verification of company payments and government revenues from oil, gas, and mining. As a voluntary association of stakeholders with shared goals, the global EITI structure comprises resource-rich developing countries, donors, international and national resource companies, and civil society.

The World Bank’s Oil, Gas, and Mining Policy Division manages a multi-donor trust fund (MDTF) that provides countries with grant resources to implement the EITI principles of revenue transparency. Countries work closely with Bank country teams and other development partners.

As of July 2009, 30 countries are implementing EITI, 20 of which are in Africa. Eight African countries have produced EITI reports. These countries are now approaching validation—the test of whether they have met all of the indicators in the EITI standard.

The World Bank MDTF grants help support technical assistance and global knowledge sharing activities in EITI implementing countries.

As of September 2009, donors include: Australia, Belgium, Canada, the European Commission, Finland, France, Germany, the Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States.

Membership in the EITI:

- Sends a clear signal to all stakeholders on national commitment to transparency
- Sets a global standard perceived to tangibly reduce investor risks
- Provides a systematic framework for collaboration among government, companies, and civil society on EI sector issues
- Assembles revenue information and extractive industry financial flows in one place (10 EITI reports issued so far; one country validated)
- Offers a platform for moving to sector governance reforms and better public financial management—beyond the EITI itself

For more information, please visit:

www.eiti.org
www.worldbank.org/eititf
Unlocking the Value of Wasted Gas

The Oil, Gas and Mining Policy Division supports important initiatives that contribute toward reducing greenhouse gas emissions and improving energy efficiency.

One of these initiatives is the World Bank-led Global Gas Flaring Reduction partnership (GGFR). Through this public-private partnership, the World Bank works with oil producing countries and companies to reduce the waste of natural gas by bringing down the barriers that prevent a higher rate of associated gas utilization.

The estimated 150 billion cubic meters (bcm) of natural gas that are being flared and vented annually is equivalent to 25 per cent of the United States’ gas consumption or 30 per cent of the European Union’s gas consumption per year. And the annual 35 bcm of gas flared in Sub-Saharan Africa alone could generate half of that continent’s power consumption. Gas flaring also has a global impact on climate change by adding some 400 million tons of CO2 in annual emissions.

Countries and companies, however, often face significant barriers to reduce gas flaring and venting, including: limited access to international gas markets as well as incipient local markets to commercialize the gas; lack of funding to put in place the necessary infrastructure to use the associated gas that comes with oil production; and an ineffective regulatory framework for using the associated gas.

The goal of GGFR is to help overcome these barriers so partners can unlock the value of currently wasted natural gas to improve energy efficiency, expand access to energy, and contribute to climate change mitigation hence promoting sustainable development.

GGFR partners have established a collaborative Global Standard for gas flaring reduction. This Global Standard provides a framework for governments, companies, and other key stakeholders to consult with each other, take collaborative actions, expand project boundaries, and reduce barriers to associated gas utilization. GGFR partners that have endorsed the Global Standard are committed to no flaring in new projects, and to eliminate continuous production flaring by 2010, unless there are no feasible alternatives.

Results on the Ground

In just six years since its creation at the Summit of Sustainable Development in Johannesburg, the GGFR partnership has already achieved some significant results on the ground, including:

- Seventeen major oil companies, the OPEC Secretariat and 15 countries that contribute a significant share of the world’s flaring (about 50 percent) have already joined GGFR.
- The majority of partners have endorsed the Global Standard for gas flaring reduction
- GGFR has implemented demonstration projects for associated gas utilization in eight countries.
- GGFR is assisting Indonesia, Kazakhstan, Mexico, Nigeria, Qatar, Russia and other countries to reduce flaring to minimum levels, through increased collaboration between operators, the national oil company and the regulator.

For more information, please visit:
www.worldbank.org/ggfr
“In today’s harsh economic conditions, it’s more important than ever that we ensure that extractive industries benefit the poor by promoting low-carbon and sustainable economic growth.”

Katherine Sierra, Vice President, Sustainable Development
The World Bank

“If well managed, minerals and oil and gas resources offer a real opportunity for countries to achieve sustainable economic growth and poverty reduction. This is why it is critical for the World Bank Group to work with resource-rich developing countries and the private sector on governance, investment, revenue management, and social programs.”

Somit Varma, Director of Oil, Gas, Mining and Chemicals Department
The World Bank & IFC