The effects of what began as a serious U.S. financial crisis, have rapidly expanded into a historic global economic, social and political event which has yet to run its course. Current economic climate and dramatic decline in commodity prices, will lead to major reductions in public spending in resource-rich states, while under-investment in extractive sectors could result in a resource crunch in the medium term.

The World Bank Group is working closely with global partners, country governments, the private sector, and civil society on a number of global programs to address key issues of transparency, governance, and energy efficiency. A vast resource wealth has likely been obscured by under-exploration in regions such as Africa. Relative to the economic importance of extractive industries, the staff and research devoted to these sectors in developing-world governments, academia, and IFIs is miniscule.

Directly negotiated deals are unlikely to lead to best result for resource-rich countries, and the solution to this is competitive, open licensing systems. It is vital that resource-rich countries “invest in investing”, thereby building a domestic investment capacity that is capable of dealing with volatile revenue inflows.
The Natural Resource Charter is an effort to address the issue of why democratic politics tend to malfunction in resource-rich states.

The World Bank Group has a unique opportunity to help resource rich countries survive the current crisis and emerge stronger than before.

“EITI++”: An Integrated Approach to Extractive Industries Resources Management

SPEAKERS
Obiageli Ezekwesili – Vice President, Africa Region, World Bank
James Bond – Chief Operating Officer, Multilateral Investment Guarantee Agency
Paul Anciaux – Policy Officer, EU Non-Energy Extractive Industries, EU Directorate
Petter Nore – Director, Oil for Development, Norwegian Agency for Development Cooperation

MODERATOR
Somit Varma – Director, Oil, Gas, Mining, and Chemicals Department, World Bank/IFC

Small, elite clusters of power with absolute control over resources have tended to repeat mistakes of the past—helping to break this cycle is a key area where World Bank experts, with a clear ownership of the challenges they face, can make a difference to the citizens and governments of these resource-rich nations.

The dual political risk issues of huge stresses on the economies of developing countries, and social unrest as a result unemployment and general economic malaise, are both on the immediate horizon.

Maintenance of key social programs in many resource-rich states is going to be very difficult (the links 4 and 5 of “EITI++”).

However, a crisis period such as the moment is also a significant opportunity for states to consider these problems and address them, while they are no longer distracted by surging wealth.

The EITI++ is not an initiative as such, and doesn’t have programmatic authority, but rather compels the World Bank and others must take a complete view of the whole EI value chain and build this into future programs and country strategies.

PETTER NORE—TEN KEY LESSONS LEARNED BY NORAD

1. There is heavy demand for Norad’s expertise
2. Success requires concentration on fewer countries/regional initiatives
3. Long run perspective (5+ year) is necessary
4. Short run capacity to react
5. Transparency/good governance necessary, but not sufficient, to succeed
6. Securing an active role in contract negotiations is challenging
7. Anchoring/ownership of programs for foreign experts is vital, as is encouraging greater South-South cooperation
8. Involvement of civil society is crucial
9. Necessary to make a link with global warming
10. Better coordination between donors is a must
The European Union Raw Materials Initiative adopted by the European Commission in November 2008 to (i) reduce the risks of EU dependency on minerals imports by diplomacy; development policy and investment climate initiatives; (ii) foster increased mineral supplies from Europe; and (iii) improve efficiency of materials use and recycling.


Keynote Address: Financial Crisis and Oil Sector Impact

SPEAKER
Christof Ruehl – Chief Economist, BP

The developing world was one major driver for strength of oil markets from 2001 - 2008, particularly as large-scale labor transitions took place from agricultural to industrial sectors. In BP’s view, there is no structural reason for the recent demand decline (such as new replacement technologies, or end-use regulations), and as such the current period of market weakness will be transitory.

The view of oil consumption decline implies that while recession is much worse than 1990/1991 and 2001/2002, it is actually on par with 1974/1975. The U.S. was hit particularly hard by high oil prices, partly because of an inability to increase exports to producer countries to offset soaring import costs.

Non-OPEC producers have little remaining spare capacity, which will provide OPEC with significant market strength in coming years. OPEC compliance rates during recent cuts have been in the range of 70-75%, which is very high historically. Many major OPEC producers can live with oil prices in the ~$50 /barrel range, but countries such as Angola, Nigeria, Iran and Venezuela have budgeted for significantly higher and will suffer while oil prices remain at current levels.

EITI: Experience to Date, the Way Forward, and Donor Perspective

SPEAKERS
Peter Eigen – Chair, Extractive Industries Transparency Initiative (EITI)
William Kingsmill – Senior Advisor, Africa Region, World Bank
Nilmini Rubin – Professional Staff Member, Senate Foreign Relations Committee

MODERATOR
Anwar Ravat – Program Manager, EITI, World Bank

The EITI program can claim many successes, as it has:
• Demonstrated the value of the multi-stakeholder approach, while highlighting the importance of collaboration between non-state actors and governments in development

For more information, please visit www.worldbank.org/ogmc
• Maintained a narrow focus and voluntary nature, which have been key factors in the program’s success
• Just as donors have learned the value of the multi-stakeholder process, NGOs/civil society have also learned the value of working with industry and governments
• Provided positive signals to the private sector regarding the stability and viability of increased investment in participating developing states

The EITI program faces numerous challenges however, including:
• Clearly demonstrating the cause and effect of EITI successes through quantifiable means
• Narrow approach is problematic in that it can only be viewed as a first step, and not a final success
• Bringing some of the major non-participating countries and companies into the EITI to help spur universal acceptance
• Risk of the EITI being “for the people, but is not always by the people”, and as such the involvement of media, think tanks/academia, and a larger public should be a priority

Other issues:
• While there is significant value in embedding the values of the EITI across the extractive industries value chain, great care must be taken to keep a clear distinction between the core EITI program and wider work on natural resource management issues
• Although the EITI remains a voluntary program, the forward momentum in implementing countries has created pressure for key companies and stakeholder groups to join the effort

Negotiation of Mining and Oil Legal Agreements

SPEAKERS
Silvana Tordo – Lead Energy Economist, World Bank
Matthew Genasci – Legal Adviser, Revenue Watch Institute
Cesar Polo – Former Vice Minister of Mines, Peru

MODERATOR
Peter van der Veen – Consultant, World Bank

Key principles for government teams negotiating EI contracts include:
• Clear guidelines and internal consensus
• Avoiding stabilization terms that lock in overly broad terms for long periods
• Transparency, monitoring and recording systems
• Allowing for civil society input
• Protecting hard won gains in mineral cycle downturns
• Requiring parliamentary ratification, which helps ensures transparency and enlarges the support base
• Including contract review mechanisms

Other issues:
• One proposed contract system would include low royalty rates of less than 3% and embedded IRR triggers controlling profit sharing, which would
allow for reasonable private sector profits while ensuring fair government take in any price environment

- While profits were at record highs during the period of soaring commodity prices, profitability rates of projects were falling as access to resources became more difficult and operating/capital costs rose rapidly
- Profit-based taxes can lead to contracts which are predictable and equitable, but these are also much more complex to administer
- Contract changes in recent years, aimed at addressing unacceptably low government take, have created new imbalances, and as such a new round of contract changes may be on horizon
- Early signs of this are already appearing in policy reversals by states such as Kazakhstan, and current discussions in Russia

COCPO Publication Series Launch: Presentation on Oil Price Vulnerability

SPEAKERS
Masami Kojima – Lead Energy Specialist, Oil, Gas, and Mining Policy Division, World Bank
Robert Bacon – Consultant, Oil, Gas, and Mining Policy Division, World Bank

The study highlights changes in vulnerability to oil price changes in 161 countries between 1996 and 2006, while identifying the factors which led to these increased or decreased vulnerabilities.

Extractive Industries for Development Series #1: Vulnerability to Price Increases: A Decomposition Analysis of 161 Countries

Curse of the Black Gold Photo Exhibit

INTRODUCTORY REMARKS

Paulo De Sá – Sector Manager, Oil, Gas, and Mining Policy Division, World Bank

SPEAKERS
Ed Kashi – Photographer

MODERATOR
Bent Svensson – Program Manager, Global Gas Flaring Reduction Partnership, World Bank

Exhibit focused on how oil has affected the population in the Niger Delta

Curse of the Black Gold: 50 Years of Oil in the Niger Delta by Ed Kashi

For more information, please visit www.worldbank.org/ogmc
DAY 2: WEDNESDAY, MARCH 4

Emerging Players in the Oil, Gas, and Mining Sectors

SPEAKERS
Fabio Barbosa – Chief Financial Officer, Vale
David Humphreys – Former Chief Economist, Norilsk Nickel
MODERATOR
William Bulmer – Associate Director, Mining Group, IFC

Despite the dramatic impact on the mining sector caused by recent economic events, emerging market trends of population growth, industrialization, and urbanization will continue; meaning impact on long-term growth trends will be transitory—for example, equivalent of the entire U.S. population will move into Chinese urban centers between now and 2030.

Limitations such as declining exploration, lower ore grades, environmental permitting, resource nationalism, and status of credit markets will all result in the supply response lagging once demand starts to recover.

Global mining exploration is likely undergo a major decline in coming months and years, along with a $200 billion shortfall in mining investment expected in the next five years. Yet there is still significant opportunity for smart, strong companies to make decisions that will leave them well-positioned for the inevitable recovery.

Emerging market players in the mining sector now make up a large percentage of the world’s top mining companies. Many of these companies have been aggressive in growing through acquisition. Growth in these rising players has been driven by:

- State disengagement allowing for operational streamlining and strategic growth
- Many of these companies were based in resource-rich countries, where resources were previously underdeveloped
- Strategic requirement for many of the developing economies to have direct access to minerals
- Better access to capital as management and transparency have improved

However governance for some of these companies becomes more problematic when times are hard, particularly when the large state and private shareholders involved have differing views on short-term cash flow versus long-term stability.

Overarching Macroeconomic and Political Economy Issues in Extractive Industries

SPEAKERS
Alan Gelb – Director, Development Policy, World Bank
Tony Venables – BP Professor of Economics, Oxford University
Sweder van Wijnbergen – Professor, University of Amsterdam
MODERATOR
Carlos Braga – Director, Poverty Reduction and Economic Management, World Bank

Mineral rich governments have generally responded poorly to the volatility and uncertainty in world financial markets by ratcheting up consumption and...
investment expenditures (both of which can be highly inflexible) during the commodity boom and in many cases now suffer from a large debt overhang.

International financial markets have worsened the situation by increasing capital availability in the upswing and cutting back in the downturn. The solution involves a multi-pronged approach of debt relief (to ease the debt overhang), efficiency improvements through a well-designed investment program, exchange rate adjustment and banking sector restructuring and supervision reform.

The permanent income (PI) approach (which is the flat annuity of the resource value) alone is not likely to be sufficient and may also require some type of insurance to provide funds when oil prices are low. For a growth-oriented economy, a time profile slightly skewed toward the present generation will raise the speed at which the nation moves up the consumption curve.

In situations where it can be proved that domestic investment is efficient, can be absorbed, bottlenecks can be addressed and the supply curve flattened; investment in the domestic economy which raises domestic employment is preferable to investing funds offshore through a sovereign wealth fund.

The preferred spending channel is private rather than public investment, so an effective banking/credit system is needed to make funds available for private investment.

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Keynote Address – The Financial Crisis Implications for the Metals Market

SPEAKER
Jeffrey Christian – Managing Director, CPM Group

The mining industry, aside from projects near completion, has essentially been frozen by the credit crisis, and tremendous destruction of fabrication/industrial demand has occurred since the middle of 2008.

The 2001-2008 minerals boom was the result of strong “real demand” due to GDP growth, strong “investment demand” seeking profits from owning minerals and an inelastic supply due to twenty years of under investment.

Gold may be fundamentally changing as a commodity, taking back some of its status as a reserve asset, which makes this current gold bull market unique and potentially more lasting.

China is likely to emphasize secure supply sources including domestic market development in order to better insulate itself from any future global crises.

In five years, or perhaps as early as 2011, commodity prices will have recovered, but supply will recover more slowly than demand because financing will be scarce as a result of more stringent due diligence and risk assessment of host country stability and investment climate.
Taxing EI Revenues in Turbulent Times

SPEAKERS
Robert Conrad – Associate Professor of Public Policy and Economics, Duke University
Richard Schodde – Managing Director, MinEx Consulting Pty Ltd.
James Otto – Independent Natural Resources Attorney and Economist
John Strongman – Consultant, Oil, Gas, and Mining Policy Division, World Bank

MODERATOR
Bryan Land – Senior Mining and Petroleum Specialist, Oil, Gas, and Mining Policy Division, World Bank

Mineral tax systems need to respond better to changes in economic circumstances and more robust approaches are needed to make mineral tax systems clear and stable.

While mining company profits increased by 2000% from 2002-2006, mining tax payments only increased by 700%, indicating that many mineral tax regimes are not flexible or progressive.

Total tax receipts depend on many different types of taxes paid by companies, and the ability of governments to administer and audit these potentially complicated regimes is a key concern.

Uncertainty in the government behavior is one of the most harmful factors in deterring companies from investing, and they will pay high taxes in return for low country risk.

Government policy determines whether the objective is to maximize short-term take or growth the long-term tax base, but too often this linkage is not properly examined when different tax instruments are being modeled

- Seventy percent of mine revenues over the life of a typical mine will be used to cover costs, while the remaining 30% is shared between companies and governments.
- The development impact of these significant capital and operating expenditures should not be overlooked.

Managing Volatile Extractive Industries Revenues and their Macro/Fiscal Impacts

SPEAKERS
Mark Horton – Division Chief, Fiscal Affairs Department, International Monetary Fund
Jorge Gallardo – Former Finance Minister of Ecuador, Inter-American Development Bank
Sweder van Wijnbergen – Professor, University of Amsterdam
Bernadita Piedrabuena – Former Adviser in the Ministry of Finance of Chile

MODERATOR
Nina Budina – Senior Economist, Poverty Reduction and Economic Management, World Bank

Many countries, particularly oil producing countries (OPCs), have established special financial institutions (SFIs) to help overcome the fiscal policy challenges of absorbing and managing volatile commodity-based revenues.

For more information, please visit www.worldbank.org/ogmc
However according to the IMF study, Managing the Oil Revenue Boom: The Role of Financial Institutions (LINK), SFIs have a limited impact on the non-oil balance or expenditure dynamics, particularly where broad political consensus on their role and fiscal objectives does not exist.

Spending in OPCs in recent years clearly grew as on average these countries “used” roughly 50% of the recent windfall oil revenues.

The adjustments in spending made by OPCs in light of recent falls in oil price has varied widely, with reactions ranging from major cuts across capital and social spending, to limited reductions in capital spending, to those countries which have chosen to continue spending and draw down on reserves while waiting to see how the situation progresses.

As observed in the case of Ecuador, there are many challenges to implementing and sustaining a resource revenue investment fund. Four key requirements for success, drawn from this experience, include:

1. Policymakers must clearly articulate the benefits of these funds, in order to create broad political support
2. The public must have a vested interest in the fund, and be confident in its management, accountability, and adherence to the relevant laws
3. All spending and transfers should be integrated into the budget process to improve transparency
4. Periodic audited financial reports should be available

Public Expenditure/Investment Management in Resource-Rich Settings

SPEAKER
William Ascher, Ph.D. – Donald McKenna Professor of Government and Economics Claremont McKenna College

MODERATOR
Kai Kaiser – Senior Economist, Poverty Reduction and Economic Management, World Bank

The political economy and mandates of state-owned resource companies varies significantly, and must be considered when analyzing or collaborating with them. These include:

- Commercial drivers
- Financing, or related or unrelated, development projects
- Expanding government’s debt ceiling
- Redistributing income/wealth
- “Sneaky” taxation
- National security
- Energy security

National fiscal systems must recognize the role of these resource companies in how funds are used and carefully consider institutional mandates. Bureaucratic battles over access to funds can lead to poor allocation, which lessens investment impact and may threaten the health of the resource companies themselves. In light of these tensions over resource wealth distribution though, the World Bank will inevitably be able to find allies to work with within the government.
International Council for Minerals and Metals (ICMM)
Tax Publication launch

SPEAKERS
James Otto – Independent Natural Resources Attorney and Economist
Daniel Dumas – Head of Economic and Legal Section, Commonwealth Secretariat
John Groom – Chair, Resource Endowment Initiative Work Group
Evelyn Dietsche – Lecturer, University of Dundee, Report Author

MODERATOR
Clive Armstrong – Lead Economist, Oil, Gas, Mining, and Chemicals Department, IFC

The primary goals of the ICMM Mineral Tax Regime review include identifying:
• The longer term development needs of host countries
• The prevailing, but changing, consensus about the ‘right’ type of system
• The recent experiences of companies
Flowing from this study have been five key observations:
• Taxation levels aim to maximize revenue over the long run, but need to achieve and maintain consent about appropriate levels of taxation
• Over time the reliance on taxes that target profits and improve administrative capacity has increased, but less complex fiscal systems (although not necessarily easier to administer) for low income countries are standard
• Special tax regimes for extractive sectors should be avoided, rather utilizing general tax system while addressing sector specific characteristics
• In terms of benefits to local communities, there is no clear-cut arguments for or against fiscal decentralization and revenue sharing
• Availability of information on taxation and spending should counter industry criticism and should encourage constructive engagements to improve fiscal policies

Minerals Taxation Regimes: A review of issues and challenges in their design and application

DAY 3: THURSDAY, MARCH 5
MORNING PARALLEL SESSION 1

National Oil Companies and Value Creation: State-Owned Equity in Mining

SPEAKERS
Silvana Tordo – Lead Energy Economist, Oil, Gas, and Mining Policy Division, World Bank
Michelle Foss – Chief Energy Economist, University of Texas
Magnus Ericsson – President, Raw Materials Group

MODERATOR
Jonathan Walters – Sector Manager, Middle East and North Africa Region, World Bank

The key question is what impact do the non-commercial operations of national oil companies (NOCs) have on their performance, and how does this affect their ability to create value for their home states. This valuation creation is split between any combination of; maximizing national hydrocarbon

For more information, please visit www.worldbank.org/ogmc
wealth, promoting economic/social development programs, and promoting state interests abroad.

Analysis of NOCs is highly problematic, as reliable and complete data is difficult to acquire, or may not exist. The joint World Bank / Center for Energy Economics research project into NOC value creation and oversight will seek to address questions such as:

- Are certain institutional and regulatory arrangements more suited than others for maximizing the social net present value of economic rent?
- Are NOCs effective in achieving the objective of the state’s hydrocarbon and macro-fiscal policy?
- What can the state do to promote NOCs effectiveness and sustainability? Is there a role for IFIs?
- Can good quality reporting improve NOCs’ performance?
- National mining companies have also expanded outside of their borders, but have tended to privatize in later periods. Chinese state mining companies lead strongly in this group, including spending $15 billion in 2008 to acquire equity stakes in international mining companies.

Gas Flaring Reduction, Gas Utilization, and Climate Change

SPEAKERS
Paul Zakkour – Consultant, World Bank
Roger Fernandez – U.S. EPA Natural Gas STAR Program, Methane to Markets Program
Guillermo Camacho Uriarte – Deputy Director of Operational Discipline, Safety, Health and Environmental Protection, PEMEX
Michael Levitsky – Lead Energy Economist, Oil, Gas, and Mining Policy Division, World Bank

MODERATOR
Bent Svensson – Program Manager, Global Gas Flaring Reduction Partnership, World Bank

The Global Gas Flaring Reduction partnership is a collaborative effort among governments/NOCs, IOCs, donors and multilateral organizations to find solutions to gas flaring. Seventy-two percent of global gas flaring and venting occurs in fewer than 10 countries. Between 1996 and 2007, GGFR partner countries have reduced their flaring and venting by an average of 35%, as opposed to the 15% global average.

The success of the gas story has not been highlighted as often as it should have been, such as:

- Before becoming a market of its own, gas pricing, utilization, transport were all deeply problematic (“gas was in its medieval phase”)
- Gas markets in the U.S. and EU grew out of domestic/regional supplies, which were then developed enough to justify larger global transport systems
- Development of a global gas trade is vital, as Brazil, China, and India will be unable to further expand their gas usage if the trade in gas does not expand further
- Partly as a result, coal has been expanding its share of energy supply in developing countries

For more information, please visit www.worldbank.org/ogmc
In terms of climate change concerns, this is a serious concern, as CO2 emissions from natural gas are between 1/2 and 2/3 those of coal.

In the 1990s, energy development policy was driven by those who believed that major energy infrastructure should be left to the private sector, which led to a failure to develop energy resources in much of the developing world.

The Methane to Markets partnership is an international initiative that advances cost-effective, near-term methane recovery as a clean energy source drawn from oil and gas systems, coal mines, landfills, and agricultural waste. As methane is 21 times more potent as a greenhouse gas (GHG) than CO2, this is a vital climate change-related program, as well as a potential commercial opportunity. Of the estimated 100 billion cubic meters vented or lost through fugitive emissions in the oil and gas sector each year, it is estimated that over 30% could be captured and commercialized, resulting in billions of dollars in added revenues.

PEMEX has taken significant steps to reduce its gas flaring levels since prior to 2000, with particular focus on its largest asset, the Cantarell field. While significant investment led to gas utilization of 97% at Cantarell by 2004, unexpected field complexities and nitrogen contamination led to sharp rises in flaring, with flaring in 2008 reaching levels roughly ten-fold those of previous lows. However an on-going EOR program is expected to return gas utilization levels to ~97% by the end of 2009.

The GGFR program and related efforts are vital to larger World Bank Energy and Climate Change goals, particularly as natural gas production in the top 15 gas-holding developing countries is forecast to rise by ~50% by 2020.

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**MORNING PARALLEL SESSION 2**

**Extractive Industries and Corporate Social Responsibility**

**SPEAKERS**

Bridgette Radebe – President, South African Mining Development Association (SAMDA)
Dafna Tapiero – Program Coordinator, CommDev, World Bank/IFC
Mamadou Diarra – Minister, Energy, Mines, and Water, Mali

**MODERATOR**

Gotthard Walser – Lead Mining Specialist, Program Manager, Communities and Small-scale Mining, World Bank

While no sector is more important to development than mining, extractive industry projects are often seen as “controversial” because of:

- Increased pressure by governments and communities for a larger share of profits
- Social benefits often underestimated
- Environmental degradation often more feared than real
- Unrelenting civil society attention
- Amplified brand and reputational risk

CommDev is a US$12 million fund focused on helping communities receive sustainable benefits from Extractive Industry (EI) projects, which;
Offers capacity building, technical assistance, tool development and information sharing through on-line Clearinghouse

Supports IFC/World Bank clients who want to collaborate to go above and beyond IFC Performance Standards

The Financial Valuation of Sustainability tool offered by CommDev helps companies make strategic decisions about which sustainability investments to make, and when

In South Africa, the mining industry has undertaken a number of initiatives and community partnerships whose goal is to help uplift rural communities through producer forums—for example, the Royal Bafoking Nation is a well established company with a market cap of about 35 billion rand (roughly US$ 3.5 billion) which uses mining activities as a catalyst for rural development and has invested dividend payments of over 2 billion rand in clinics, education and public services.

In Mali, gold mines have played a role in job creation, revenue generation, and poverty alleviation in some of the poorest parts of the country, with an estimated 9,000 jobs created in 2008 alone. In efforts to carry this success forward, Mali plans to:

- Establish a community development fund in the mining regions
- Enforce environmental and social best practices, including adhering to the Human Rights principles
- Encouraging dialogue between stakeholders, for example at the Sadiola, Yatela, and Morila mines
- Continued expansion of job markets in mining locations

Human Rights Impact Assessment and Mining

SPEAKER
Mark Wielga – Consultant, NewFields Human Rights Assessment Group
Yann Wyss – Projects Officer, Social Responsibility, IFC

MODERATOR
Christopher Sheldon – Senior Mining Specialist, Oil, Gas, and Mining Policy Division, World Bank

While the human rights impacts of extractive sector projects are now a consideration for all sector participants, the standards adhered to within the industry still vary widely. Corporations which violate human rights, or are complicit or benefit by violations undertaken by third-parties, face a wide range of reputational, legal or operational risks. Operations in particular geographic and political environments are often subject to particularly severe pressures, such as:

- Conflict zones
- Significant relocation/resettlement of populations
- Historically polluted sites
- Artisanal mining operations (particularly in relation to child labor)

The IFC Human Rights Guidance Notes provide a multi-level approach on how to address these issues in a project. The IFC Guide to Human Rights Impact Assessment and Management is a risk management, stakeholder engagement and management decision making tool. This 8-step process is renewable at each stage of mine life, and now is ready for road testing.
Extractive Industries and Gender Issues

SPEAKERS
Lesley Bennett – Project Manager, Papua New Guinea
Bolormaa Purevjav – Community Development Officer, Small Scale Mining Project, Mongolia
Joshua Tuhumwire – Commissioner for Minerals, Uganda

MODERATOR
Adriana Eftimie – Mining Specialist, Oil, Gas, and Mining Policy Division, World Bank

Capacity building and support for women’s groups in communities affected by extractive industries has proven highly effective.

Artisanal Small Scale Mining (ASM) in Mongolia faces challenges of severe health risks, poor living conditions, lack of social safety nets, and crime, prostitution and violence. Addressing these issues requires greater political empowerment, improved education opportunities, access to social services, and broader economic participation and activities. The situation is much the same in Uganda, where women make up ~45% of the ASM workforce, as opposed to less than 10% in large-scale mining.

The Sustainable Management of Mineral Resources Project (SMMRP) is a focused effort to improve the lives of Uganda’s roughly 150,000 un-mechanized, unlicensed, and largely disorganized ASM miners.

LESLEY BENNETT—KEY LESSONS FOR WORLD BANK GROUP GENDER OPERATIONS

World Bank gender programs in Papua New Guinea have yielded lessons applicable to the entire organization:

- Projects must be tailored to address specific needs
- Location-specific considerations such as language, tribe/ethnicity, and education levels greatly impact project design
- Logistical challenges of operations can not be overlooked
- Difficulty of coordinating local, regional and national governments, as well as NGOs and the private sector
- A critical lack of a coordinated approach to data collection and sharing
- Strength of women’s organizations are often low, and require continuous support
- Where government services are weak, and private sector takes on local responsibilities, the closure/completion of operations can create critical sustainability concerns

For more information, please visit www.worldbank.org/ogmc
Corporate Social Responsibility and Sustainable Development

SPEAKER
Rosalind Kainyah – President, De Beers Inc, USA

De Beers has gleaned eight key insights from its long operation experience:
1. Build partnerships with governments, which widens viewpoints and improves benefit sharing
2. Support international efforts to eliminate corruption and promote good governance
3. Commit to building local management capacity
4. Support local education, to benefit local communities while also strengthening available workforce
5. Show vigorous leadership in the fight against HIV/AIDS
6. Create value-added jobs in Africa by moving skilled/semi-skilled operations closer to mine operations
7. Support local enterprises, both inside and outside of De Beers’ direct supply chain
8. Address environmental issues, including water; which is De Beers’ most significant concern

Access to Extractive Industries Resources: Win-Win Strategies

SPEAKERS
Daniel Johnston – Founder, Daniel Johnston & Co.
Enrique Ortega – Mining Institutional Advisor, I2C

MODERATORS
Silvana Tordo – Lead Energy Economist, Oil, Gas, and Mining Policy Division, World Bank
Gotthard Walser – Lead Mining Specialist, Oil, Gas, and Mining Policy Division, World Bank

Key principles required to maximize “security of tenure” in mining projects, include:
- Clear and simple licensing rules—Avoiding unnecessary and unlimited waiting periods
- Transparency—Public office, open for consultation of maps and registries
- No discretionality—Application of the same rules and criteria for all
- Objectivity—No subjective evaluation criteria for approval

While auctioning is generally the accepted standard in licensing of oil & gas acreage, the lower risk/lower return nature of mining means the “first come, first served” licensing is typically employed in this sector. The prospectivity of acreage is determined by factors including geology, country risk, project risk, market risk, and fiscal systems/terms. Choosing between “first come, first served”, discretionary allocation systems, and auctions in awarding licenses

For more information, please visit www.worldbank.org/ogmc
must take into account the territory prospectivity, government capacity, and economic and political priorities.

Please see upcoming World Bank publications for detailed coverage of these topics:

- “Countries’ Experience with the Allocation of Petroleum Exploration and Production Rights: Strategies and Design Issues”

**AFTERNOON PARALLEL SESSION 2**

Sub-national Royalty Management

**SPEAKER**
Javier Aguilar – Program Manager, IFC

**MODERATOR**
Eleodoro Mayorga Alba – Coordinator, Oil and Gas, Oil, Gas, and Mining Policy Division, World Bank
Kai Kaiser – Senior Economist, Poverty Reduction and Economic Management, World Bank
Joshua Tuhumwire – Commissioner for Minerals, Uganda

A solid commitment, from inception to project closure and beyond, must be made to understand the interests of the local communities and to work with them toward the improvement of their living conditions.

The IFC’s Enhancing Local Benefits (ELB) Framework is designed to ensure that local communities affected by extractive sector projects capture the benefits of:

- Royalties, revenues and taxes paid to local, regional and federal governments
- Suppliers and spin-off businesses
- Employment
- Direct Community Investment

Through the IFC ELB advisory programs focusing on revenue management and social accountability, in the LAC region for example, benefits to local communities have been improved. However, there are numerous challenges in applying developed country models for World Bank clients, as:

- Natural resources fail to translate into demonstrable and sustainable development in places of extraction
- Weak institutions, capacity and poor governance contribute to “resource curse” at various levels of government
- Recent price increases and new discoveries in range of countries with pressures for decentralization
- Claims to mining and oil revenues highly contested within diverse states
- Commodity slump may aggravate these issues

For more information, please visit [www.worldbank.org/ogmc](http://www.worldbank.org/ogmc)
Good Practice in Environmental Governance in the Petroleum Sector and Romania's Experience in Revitalization of Former Mining Areas

SPEAKERS
Eleodoro Mayorga Alba – Coordinator, Oil and Gas, Oil, Gas, and Mining Policy Division, World Bank
Christopher Sheldon – Senior Mining Specialist, Oil, Gas, and Mining Policy Division, World Bank

MODERATOR
Agnieszka Rawa – Consultant and Partner, Environmental Resource Management

The Petroleum Governance Initiative (PGI) is a bilateral collaboration between the Government of Norway and the World Bank Group (WBG) to achieve structured cooperation on petroleum sector governance issues. It is designed to provide support to petroleum producing countries in the implementation of appropriate governance frameworks. Three pillars:

- Transparency and revenue management,
- Environment
- Community development

An Environmental Governance Survey of 5 benchmark countries and roughly 30 other oil and gas producers is a significant component of the environmental pillar of the PGI. Environmental governance ranges widely across the countries surveyed, however, most countries do include some form of environmental impact assessments within their regulatory frameworks. The major divergence occurs in whether countries will adopt a full life-cycle approach to environmental regulations, and in the ability to effectively monitor and enforce agreements. Public consultation and information dissemination efforts were also found to be lacking in many instances. Many governments also take a limited view of project decommissioning requirements and long-term liabilities.

Romania provides an example of the World Bank's efforts to address this decommissioning and rehabilitation phase in extractive sector project life-cycles. In 1997, roughly 178,000 people were employed in 278 mines in Romania, which absorbed some US$385 million in government subsidies. Sector restructuring beginning in 1998 would lead to dramatic economic, environmental, social, regulatory upheaval in the affecting communities and regions.

Two World Bank projects, of US$44.5 and US$120 million respectively, were employed to support this process and help overcome the significant hurdles facing a stable transition program.
Closing Remarks

SPEAKERS
Jamal Saghir – Director, Energy and Mining
Sector Board, Energy, Water, Transport
Department, World Bank
Carlos Braga – Director, Poverty Reduction
and Economic Management, World Bank
Somit Varma – Director, Oil, Gas, Mining and
Chemicals Department, World Bank/IFC

MODERATOR
Paulo De Sá – Sector Manager, Oil, Gas, and
Mining Policy Division, World Bank

Twenty-one oil producing countries will face an average revenue shock of 8.5% of GDP in 2009 which will lead to a fiscal deficit of more than 10% for some countries. This will create enormous internal competition for available resources, which will make the sustainability of infrastructure investments vital. However the consensus among our speakers has been that while the short-term outlook is uncertain and undeniably grim, this moment will pass, and our collective efforts to support sustainable and stable development and planning in resource-rich states in the coming months will have lasting repercussions.

The World Bank is active at the global level through established programs, such as the:

- Extractive Industries Transparency Initiative (EITI)
- Global Gas Flaring Reduction partnership (GGFR)
- Communities and Small-Scale Mining Initiative (CASM)
- Petroleum Governance Initiative (PGI)

At the national level, the World Bank, through COCPO, supports a wide range of extractive sector regulation/reform, fiscal management, governance, capacity building, environmental and social projects. Project-specific support and investment is provided by COCPO, the IFC and MIGA, and directly to communities through CommDev.

For more information, please visit www.worldbank.org/ogmc