IMPLEMENTATION COMPLETION MEMORANDUM

Extractive Industries Technical Advisory Facility (EI-TAF) Multi-Donor Trust Fund

DECEMBER 15, 2016

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A. BASIC TRUST FUND INFORMATION

TF Name: Extractive Industries Technical Advisory Facility (EI-TAF)[1]

TF Number: TF071265

Task Team Leader Name/TF Managing Unit: Paulo de Sa /GEEDR (as of Dec 31, 2016)

TF Amount: USD23,773,149

Recipient of TF funds: Hybrid

Type of TF: Programmatic

Single/Multi Donor: Programmatic Multi Donor

Donors Names: Australia, Belgium, Canada, Norway, Switzerland, and IFC.

TF Program Source Code: ETAF

Purpose of TF: Advisory Activities-Bank; Advisory Activities-Recipient

TF Approval/IBTF Clearance Date: August 28, 2009

TF Effectiveness Date: November 17, 2009

TF Closing Date(s): December 31, 2015

Date of ICM Submission to TFO: December 15, 2016

Cost and Financing Table: Table 1 overleaf

[1] Data provided by World Bank Secretariat. This EI-TAF ICM was prepared in parallel with the ICM for the Extractive Industries Transparency Initiative (EI TI) MDTF. The EI-TAF MDTF and the EITI MDTF each had their own Program Manager but in 2012 the two Program Manager positions were eliminated by World Bank management and the two MDTFs were subsequently overseen by the (then) SEGOM Sector Manager and were managed by the same World Bank Secretariat. The two MDTFs have been succeeded by the Extractives Global Programmatic Support (EGPS) program.

Table 1: EI-TAF MDTF Cost and Financing Table
(USD)

	Total Received	Percent of Total Net Contributions
Australia	5,024,654	20%
Belgium	1,291,700	5%
Canada	10,079,375	40%
International Finance Corporation (IFC)	2,750,000	11%
Norway	4,777,419	19%
Switzerland	1,200,000	5%
Total	**25,123,149**	
Development Grant Facility	1,500,000	
Admin fee, net of investments	(2,261,524)	
Disbursements	(14,813,000)	
Net Contribution	**9,548,625**	

Note: Disbursements data is rounded

B. TRUST FUND DEVELOPMENT OBJECTIVES AND DESIGN

According to the Trust Fund Proposal (TFP), the objectives of the Extractive Industries Technical Advisory Facility (EI-TAF) are to: (i) assist Resource Rich Countries (RRCs) 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; and (ii) support production and dissemination of global knowledge products on extractive industry sector issues to address the current lack of an integrated body of good practice for sound extractive industry sector governance and management.

No revision has been made to the original development objective of this Trust Fund.

1. Original (and Revised) Trust Fund Activities/Components

The EI-TAF has two key components: (i) rapid-response advisory services; and (ii) global knowledge management/good practice in extractive industries sector governance in support of grant implementation.

a) 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 (or where legally feasible, mutually-agreed dispute mediation), 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 in support of a specific extractive industry transaction under review, to update the policy, institutional, fiscal, legal and regulatory frameworks (including mining and hydrocarbon codes and licensing registers) 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 RRCs optimize the value of national extractive industry resources, including the cost of logistics of such negotiations.

b) Knowledge Management

Knowledge management activities aim to facilitate the gathering and dissemination of good practices in extractive industry sector governance. The focus is on:

- 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;

- Preparing studies, reports, policy notes and other documents related to EI-TAF activities.

2. Outcome Indicators

The TFP listed the following three key performance indicators:

a. Number of requests completed/responded to for rapid-response advisory assistance, including outcome of services provided (e.g., negotiations completed successfully, licensing round successfully held).
b. Enhanced capacity of country staff to carry out negotiations, manage the sector, etc. While a long-term outcome, advisers would work with counterparts to transfer knowledge; this would be tracked.
c. Establishment of good practice reference framework for EI sector advisory assistance and dissemination of knowledge products via workshops, etc. to build client country capacity over the long term.

2. Other Significant Changes in Trust Fund Design

The original design anticipated that the majority of advisory services would be directed to rapid-response support for negotiating transactions, related short-term capacity building, regulatory improvements and undertaking licensing bidding rounds. While Bank staff and consultants hired by the Bank can provide capacity building support, support for negotiating transactions has to be provided through recipient-executed (RE) grants because the Bank staff and/or Bank-hired consultants cannot directly participate in any sovereign decisions, such as extractives transactions negotiations or drafting laws, agreements or regulations.

In the first two years of EI-TAF implementation, the majority of EI-TAF support was RE (out of six approved projects, four were REs). There were no other EI-TAF RE grants after these four early grants. While, because of country circumstances and grant size, it would not have been expected that all grants would have been RE, it certainly would have been expected that more than four grants would have been able to move along the original RE design requirements. With this background, as best can be judged, there are a combination of factors as outlined below that resulted in all the grants from 2012 onwards being Bank-executed (BE).

Many of the countries seeking EI-TAF support were countries that did not have strong administrative capacity. While the lack of administrative capacity made these countries strong candidates for EI-TAF support, the implementing ministries (usually mining or petroleum ministries) did not usually have the experience needed to meet the World Bank's fiduciary requirements for RE grants in terms of being able to undertake procurement and financial management tasks in a timely manner. The work needed to design and put in place the four RE grants in large part reflected the strong role of the EI-TAF Program Manager at that time in shepherding the grants so that they could be made.

But the experience of the four RE grants resulted in concerns as to the feasibility of the RE arrangements. In particular, the grant to Liberia was made possible by making use of the Project Implementation Unit (PIU) of the Ministry of Finance and the grant to Mozambique was made

possible by making use of the existing EITI Secretariat to handle procurement, disbursements and financial management. But in both cases, there were lengthy implementation delays due to EI-TAF being not a priority for the implementing entities (we note, however, that it cannot be verified if the delays would have been less if the implementing arrangements were different – the delays in early project implementation periods for TAs are very common for all project). Furthermore, it became evident that the cost and time required to set up a project's own RE arrangements were a high overhead for the relatively small EI-TAF grants which created a bottleneck to provide the needed rapid support.

The potential need for BE (as compared with RE) grants was recognized by the donors in 2011 when they agreed to relax the initial limit on coverage of Bank staff costs. The cap on staff costs which was set at 10% of total was lifted at that time to allow more Bank execution of activities under the MDTF. While RE was the preferred "design" option, after the relaxation of BE ratio, the BE started to be used as an easier and faster option. As this experience was being absorbed in 2011, a number of other factors came into play.

There were two internal factors that contributed to the shift away from recipient grants in 2012. First, the elimination of the dedicated EI-TAF Program Manager position in 2012 (the Extractives Practice Manager acted as EI TAF Program Manager from 2012 onwards) seems to have resulted in weakening the push to ensuring that the original design and intention of the EI-TAF to use RE grants was accomplished. Second, the need to respond to "rapid-response" requests grants led to countries seeking BE grants since it was difficult for them to obtain RE grants in a rapid manner because of the length of time needed to meet the Bank fiduciary requirements and to put in place the necessary capacity to undertake procurement and administer the grants in compliance with the Bank's requirements.

In parallel, a third factor was starting to occur that subsequently became much more important. A substantial downturn in worldwide mineral commodity prices started in 2012 (the third year of EI-TAF MDTF lifetime) and has continued until the present time for non-fuel minerals (as shown in Table 2) and from 2014 onwards for oil and gas.

Table 2 – Selected World Hydrocarbon and Minerals Prices – 2002, 2012 and 2016

	Annual Average 2002	Annual Average 2012	July 2016
Crude Oil Average Spot (USD/bbl)	28.2	105	44.1
Natural Gas European (USD/mmbtu)	3.9	11.5	4.5
Australian Export Coal (USD/mt)	26.3	96.4	63.1
Gold (USD/toz)	279	1670	1337
Copper (USD/mt)	1813	7962	4865
Iron Ore (USD/dmt)	29	128	57

Data Source: World Bank Commodities Price Data
2002 and 2012: http://www.worldbank.org/prospects/commodities
2016: http://www.worldbank.org/prospects/commodities - World Bank Pink-Sheet-August-2016.pdf

The continuous climb in worldwide mineral commodity prices from 2002-2012 was a major driver in the growth of extractives transactions during that period and hence the demand for the EI-TAF-type rapid-response assistance for negotiating these transactions. Correspondingly, the downturn in world commodity prices from 2012, as minerals supply overshot demand, subsequently resulted in extractives companies, faced by declining profits and cash flow, cutting back sharply investments in the greenfield and riskier projects - which would be the bulk of EI-TAF clients. This caused a significant decline in projects moving towards negotiations and, in fact, even postponement of some of the earlier negotiated projects (such as, for example, some of the iron ore projects in Liberia and Sierra Leone).

Consequently, from 2012 onwards governments started to re-focus their EI-TAF requests on more basic capacity building and legal and regulatory improvements that would modernize and improve the investment climate for all future investments, rather than requiring support for specific transactions. The regulatory framework improvements offered a very substantial benefit in that updating general laws and regulations is a more sustainable and transparent way towards fair contracts as compared with case by case negotiations and regulation by contract (which would often apply to transaction negotiations where general laws and regulations are not adequate or are superseded by contract terms).

But, equally it must also be recognized that legal and regulatory support provided through RE grants can have a greater overall impact since the RE support can help directly draft laws, regulations, agreements and fiscal terms as well as finance related consultations and support their roll out into implementation. By comparison, as already noted, the Bank's direct support has to be restricted to good practice advice and capacity building.

The trend towards BE grants was also influenced by a fourth factor – namely countries trusting that the Bank would ensure quality of advice and promptness of response in executing grant-funded work - as compared to REs which would have to follow internal government processes and rely on project management staff in the ministries themselves, often with capacity constraints and high costs.

The shift from recipient-execution to Bank-execution of the program become apparent in 2013-14. The MDTF could have been amended at that time, but instead the decision had been taken with the donors that the EI TAF would be closed as scheduled in December 2015 and would be replaced by the follow-on Extractives Global Programmatic Support (EGPS) program, so no attempt was made to revise the original MDTF Development Objective or design. Following the closure of the EI TAF accounts in August 2016, a part of the EI TAF undisbursed funds were transferred to the EGPS so that they could be used for EGPS Grants.

It is noted (for lessons learnt) that for the EGPS Pillar 2, the Pillar that essentially took over support provided under EI-TAF in its expanded form, the EGPS Program Secretariat is specifically encouraging task teams to assist recipient countries to achieve the broader scope of activities through RE grants, instead of being limited to what can be done under BE grants.

C. OUTCOME

1. Relevance of Trust Fund Objectives, Design and Implementation

Minerals, that is fuel minerals (such as oil, gas and coal) and non-fuel minerals (such as ores, concentrates and metals), and gemstones have the potential to reshape economies and generate substantial economic growth and wealth. The World Bank Group's strategy towards the extractives sector is to support well-designed responsible mineral sector development. The World Bank's (IDA and IBRD) role is primarily in providing advice and support to governments to help design and implement sound sector development strategies and regulatory frameworks and help develop the capacity to implement them effectively. The main lending instrument is the IBRD/IDA Technical Assistance Loan/Grant which generally provides several years support for regulatory reform and modernization and associated training and capacity building. In exceptional circumstances, the WB may also help fund government investments. The IFC and MIGA provide funding and guarantees to support responsible and efficient private sector extractives investments.

It is within this context that governments sometimes seek immediate "just in time" support for negotiations with private investors, when government officials may lack the depth and experience of the private sector parties with whom they are negotiating. Governments may also need rapid support to strengthen legal frameworks or address gaps in regulatory requirements and build necessary capacity if exploration or investment picks up in their country—especially if there is a worldwide minerals boom as happened from around 2002-2012. But such support may be much more urgent than a typical TA operation can provide and may also not need a full TA operation.

As stated in the TFP: "*The EI-TAF is expected to support countries to correctly structure EI transactions and related sector policies from the outset, thus reducing the risk of costly or politically damaging remediation at a later stage. The Bank's existing instruments are inadequate to provide this type of rapid-response, technical advisory assistance that is increasingly being sought by countries and which is key to ensuring that countries correctly structure EI sector policies and transactions from the outset to avoid environmentally, socially, or politically costly remediation later. The EI-TAF will fill this gap. The benefit to sustainable development of 'getting it right' from the outset, and to* RRCs *overall (in terms of financial benefits, etc.), is likely to far outweigh the amount of investment in the EI-TAF."*

Thus, at the time it was introduced the EI-TAF was very relevant to the Bank's strategy for extractives countries since it was designed to address this "just in time", demand-based need. However, as discussed previously, as the demand for transactions assistance declined, it was replaced by a demand for advice and building capacity to prepare modern extractives legislation, related fiscal legislation/terms and sector development policies. Requested TA support activities were not large enough to warrant a fully-fledged Technical Assistance task, but were substantive enough to warrant an EI TAF Grant which in some cases was a step towards broader engagement of the Bank on the extractives in these countries. As noted below in Section D.1 Follow on Results and/or Investment Activities, the EI-TAF Grants provided the basis for a number of countries to seek and receive additional extractives support from donors, including, in some cases, subsequent World Bank/IDA Technical Assistance projects.

Requests for assistance were generated via:

- Direct requests from resource-rich, client governments;
- Sector dialogue between Energy and Extractives Global Practice (GEEDR) specialists 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; or
- Dialogue between other stakeholders (e.g., donor partners) and resource-rich client countries.

Requests for support for rapid-response advisory services were 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 reform 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.

2. Achievement of Trust Fund Development Objective

a) Introduction

Put in the simplest of terms, successful sector development – for any sector - requires two things. First, it requires sound rules i.e. a sound policy, legal, regulatory and fiscal framework. Second, it requires strong institutional capacity to ensure that development takes place in compliance with the rules. But this begs the question – what is "successful" extractives sector development – these days often referred to as "sustainable" extractives development. It is proposed that "successful/sustainable' extractives development can be considered to be development that is well-governed, non-corrupt, environmentally and socially responsible and acceptable, with a fair sharing of financial income between the state (as owner of mineral resources) and the investor (as developer of mineral resources) and a fair distribution of employment and other benefits between the local, regional and national levels.

As such, "successful/sustainable" extractives sector development, requires sound legislation, regulations and procedures for extractives licensing, land access, environmental protection, social risk mitigation, benefit sharing and fiscal assessment, collection and auditing together with sound mining development and hydrocarbon production sharing or similar agreements where used. It

also requires competent and well-experienced extractives sector specialists, environmental and social specialists and fiscal specialists and auditors employed by ministries, departments and government agencies with clear (and to the extent possible) non-overlapping mandates, responsibilities and authorities with effective collaboration and cooperation principle, protocols and procedures.

In this context, what could reasonably have been expected of EI-TAF Grants, which were mostly in the range of USD200,000 to USD1,000,000 for two to three years, was that the Grants would clearly support countries to move forward on their pathways towards "successful/sustainable" extractives development.

Regardless of the maturity of the country or its extractives sector, Grants would have been expected to provide:

(a) knowledge of good international practice regarding sound mineral sector development policy, legal, regulatory and fiscal frameworks; and

(b) related mineral sector capacity building for government staff and – but the capacity building is unlikely to be across the board and will likely be focused in certain areas such as licensing, environmental, social or fiscal.

In addition to these over-arching objectives,

- for more mature countries where one or more specific transaction(s) are being negotiated, Grants would have been expected to help build the capacity of the government negotiating team and to support completion of the negotiations – though very likely a Grant would not be the only source of support to the government negotiating team. It may also have been expected to bring about some strengthening of the legal or fiscal regime along with the transaction.
- for other more mature countries or countries with an established extractives sector where a transaction is not being negotiated, Grants would have been expected to result in certain government actions – such as amendments to the mining or hydrocarbon laws and/or regulations or to the fiscal terms. Grants may also have been expected to be used to address specific issues such as improvements to tendering procedures. However, it must be recognized that enactment of a new law or amendments to a law is a multi-stage task involving policy making, stakeholder consultation, legal drafting, ministerial approval, submission to Parliament, Parliamentary and sometimes also Presidential approvals. More often than not a Grant can be expected to move draft legislation along this pathway through the executive branch but within the time available for the Grant the legislation may not reach the point of enactment by Parliament.
- for less mature countries and/or countries with less developed extractives sectors, Grants have been expected to provide a sector assessment and development or reform agenda for a government to implement in anticipation of future extractives contracts and revenues.

b) The Country-specific Grants and their Results[2]

There were 31 country-specific Grant requests which were processed and approved for 28 countries[3] for a total commitment of USD14.8 million (Table 3). There were also ten Global/Regional projects for USD2.1 million. (Table 4).

For the purpose of the ICM, to allow an easier analysis, the EI-TAF Grants were organized into four Groups which reflect the type of assistance provided. **GROUP 1** consists of seven countries where the Grants supported specific contract negotiations which were successfully completed in six of the countries. **GROUP 2** consists of four countries where the Grants focused on accomplishing one or two specific tasks i.e. support was limited to just very targeted advice. **GROUP 3** consists of twelve countries where the Grant focused on building capacity to prepare draft mining and/or hydrocarbon legislation (including mining agreement and hydrocarbon production sharing agreements) and/or related fiscal legislation/terms. **GROUP 4** consists of five countries where support was given to help design extractives sector development policies or strategies and/or start the process of building extractives sector institutional capacity.

Table 3: Country-Specific Activities – Disbursements and Delivery

Country	Project Name	Disbursement USD000	Approval-Delivery
Group 1 – 7 Grants to 7 countries supporting specific contract negotiations			
Mining			**FY**
Liberia	Extractive Industries Technical Advisory Facility Project	1,055	2009-12
Sierra Leone	Extractive Industries Technical Advisory Facility Project	797	2011-14
Guinea	Extractive Industries Technical Advisory Facility Project	803	2011-15
Hydrocarbons			
Rwanda	Petroleum Exploration Capacity Building Project	377	2010-12
Mozambique	Extractive Industries Technical Advisory Facility Grant	813	2011-14
Mauritania	Gas-to-Power Negotiations TA	363	2012-14
Seychelles	Extractive Industries Technical Advisory Facility Grant	556	2012-15
Group 2 – 7 Grants to 4 countries that accomplished specific tasks			
Mining			
Mexico	Royalties Reform for the Mineral Sector	228	2011-12
Colombia	Strategic Mineral Reserve Areas	624	2012-15
Peru	Policy Options to Enhance Mining Environmental Sustainability	249	2014-15
Peru	Grant for Local Employment in Mining (Apurimac region)	366	2014-16
Hydrocarbons			
Chile	Improving Natural Gas Distribution	367	2014-15
Peru	Developing a New Natural Gas Development and Use Policy	852	2014-15
Mexico	Environmental Support to Hydrocarbon Agency	50	2015

[2] The country by country results are taken from summaries of EI-TAF project completion reports included in the 2015 EI-TAF Final Progress Report to donors.

[3] In addition, Yemen applied for a Grant to develop a coherent development strategy for its substantial oil and gas resources. Preparatory work was undertaken but the proposed as never approved or executed, due to hostilities in Yemen in 2011 and the suspension of IBRD disbursements

Group 3 – 12 Grants to 12 countries that built capacity for improved legislation and agreements			
Mining and Hydrocarbons			
Madagascar	Extractive Industries Technical Assistance	445	2014-15
Ethiopia	Improving Extractive Industries Development TA Grant	779	2014-16
Honduras	Building Regulatory Capacity for Improved Governance of EI	609	2014-16
Mining			
Kyrgyz Republic	Mining Sector TA Project	334	2011-13
Côte d'Ivoire	Support Mining Code Revision & Mining Cadastre Modernization	328	2013-15
Togo	Legal and Mineral Rights Cadastre Reform	227	2013-15
Haiti	Mining Dialogue TA	504	2013-16
Congo, Republic of	Mining TA Dialogue	754	2013-16
Mongolia	Mining Law / Model Mining Agreements	150	2014-16
Hydrocarbons			
Kenya	Oil and Gas Legal and Contractual Framework Review	648	2012-15
Uruguay	Capacity Building for Oil & Gas Sector	391	2014-15
Somalia	Technical Assistance & Capacity Building	600	2015-16
Group 4 – 5 Grants to 5 countries that supported mining policy development and early capacity building			
Pakistan	Balochistan Extractive Industries Technical Advisory Facility	515	2011-13
Uganda	Mining Sector Development Support	206	2014-16
Armenia	Mining Sector Support	324	2015-16
Dominican Republic	Support for Sound Mining Development	406	2015-16
Guatemala	Sustainable Mineral Resource Management	40	2015-16
Grant that was prepared but not approved due to deteriorating country circumstances			
Yemen, Republic of	Oil & Gas Strategy TA supervision	53	2010-12
Total Country-Specific Activities		**14,813**	

Table 4: Global/Regional Knowledge

Global/Regional Projects	**Amount (USD)**
Global	
Mining Governance Assessment	699,913
Training Program Mining Negotiation	592,639
Massive Open Online Course (MOOC) on Extractives	100,000
EI Source Book	99,998
IBA Civil Society Forum	25,000
Contract Monitoring & Compliance in Extractive Industries	24,919
Integrating DFGG Approaches into EI Projects	7,500
Regional	
Africa – Africa Mining Legislation Atlas (AMLA)	349,684
Africa – African Mining Vision: Geo-science for Africa's Transformation	99,603
Africa – Regional Petroleum Sector Technical Assistance	86,111
Subtotal Global/Regional Projects	***2,077,553***
Program Management and Administration (PMA)	2,684,411
Total with PMA	**4,761,963**

GROUP 1 consists of seven countries where the Grants supported specific contract negotiations which were successfully completed in six of the countries. The seven countries are: Guinea, Liberia and Sierra Leone for mining negotiations; and Mauritania, Mozambique, Rwanda and the Seychelles for hydrocarbon negotiations. The Grant to Guinea is a good example of what has been accomplished by these seven grants in GROUP 1 that supported specific contract negotiations or renegotiations.

Guinea - Mining Development: Guinea has rich iron ore deposits but they are located in inland areas hundreds of miles from the coast. The project helped the Government of Guinea to study various options for developing the world class Simandou iron ore deposit. It helped to identify and pursue the Government's strategic interests in terms of equity participation both in the mine and the related port and 650 km rail infrastructure development. The Bank team supported the government by helping coordinate activities between key institutions (President's office, Ministry of Mines, Ministry of Finance, Ministry of Transport) to advance the dialogue and policy development. The engagement of the Bank team complemented support from Bank country management and the Regional Vice President's Office and synergies were developed through the collaboration with IFC and the transport teams from the WB. The work under the grant was closely coordinated with a World Bank 2012 USD20 million Guinea Mining Technical Assistance (TA) operation.

The project helped strengthen the capacity of the Government team so that it was able to successfully complete the Simandou Investment Framework which was signed and ratified together with a new mining law which was prepared and adopted. The project helped the Guinean Government to define its core strategic interests and to gradually build its negotiation capacity through training but also through direct learning as the Government's advisers supported the Government team in their exchanges with the private sponsors of the Simandou project. The Government has now some practical experience with dealing with complex negotiations of deals involving mining and transport infrastructure and it was also able to review some other major proposed extractives investments.

Through the Simandou dialogue, it became evident that the largest immediate challenge facing the Government and potential mining investors for the realization of mega projects related to the absence of port and rail infrastructure to evacuate the ore from world class deposits that are such long distances from possible sea ports. Therefore, the Government sought a grant from the Public-Private Infrastructure Advisory Facility (PPIAF) and developed the Mining Transport Masterplan. A follow-up second PPIAF grant was then obtained which is implementing the recommendations of the masterplan. In addition, a second phase of EI-TAF funding was granted to provide the Government with additional advisory services aimed at strengthening its technical and financial negotiation skills on mining ancillary infrastructure to enable meaningful progress toward infrastructure licensing and development.

Following is a brief summary of the other six grants in GROUP 1.

(a) <u>Mining</u>

- **Liberia:** Liberia has substantial iron ore and other mineral reserves. The Grant

substantially improved government's ability to analyze mining investment proposals and negotiate concessions and helped develop a repository of information on all aspects of mining concessions; it helped develop an iron ore cash flow model to be used in negotiations and recommendations for follow up reforms. Government has since embarked on some of the recommended reforms. It also helped attract new resources to support mining sector development including additional Bank financing for Economic Governance and Institutional Reform Project - EGIRP (USD1.6 million); a USAID GEM project (about USD8 million allocation to capacity building on concessions); GIZ support for mineral governance and participation in EITI.[4]

- **Sierra Leone:** Sierra Leone has substantial iron ore and other mineral reserves. The grant helped build the capacity of the National Minerals Agency, the Ministry of Mines and Mineral Resources and the Policy Unit who were negotiating new mining agreements and reviewing mining investments to ensure that they complied with applicable laws and provided fair fiscal terms; a model mining agreement was developed and submitted to Parliament and the contract repository was placed online which provides greater transparency by providing access to contract terms which means that the government can be held more accountable for negotiated agreements; preparation of a new mining policy. Following completion of the grant, the Government is preparing, with Bank support, a new mining policy which includes lessons learned under the grant.

(b) Hydrocarbons

- **Mauritania:** While Mauritania has a very large iron ore industry it has also discovered offshore gas deposits which it is seeking to develop. The grant helped build government capacity to complete negotiations for the USD1.46 billion Banda Gas-to-Power project (for electricity supply to Mauritania, Senegal and Mali) including Gas Supply and Purchase Agreements and the contractual arrangements related to the construction and operation of the power plant. The grant funded advisory activities focused on the legal and contractual aspects of the Gas-to-Power Project, and proved critical to fast-tracking the Negotiation Team's learning curve in a cost-efficient and effective manner making a key contribution to a larger process which included support from an on-going World Bank Mining Sector TA Project and MIGA guarantees and several other sources of technical assistance which were mobilized to cover the technical, environmental, social, and legal aspects of the Gas-to-Power Project.

- **Mozambique:** Mozambique has the potential to become one of the world's largest gas producers from offshore gas reserves which have been discovered in the past six years. The grant helped provide initial support to negotiations, for two highly complex LNG mega projects (at about USD20 billion value each) as part of a programmatic extractives sector reform approach which included a USD50 million Mining and Gas Technical Assistance Project (co-financed by DFID), the Extractive Industries Transparency Initiative (EITI) and EFOs (funded by the UK, Canada and Australia). Negotiations for LNG were continued under MAGTAP and are still on-going. The grant also helped improve the

[4] Liberia also received assistance under the Africa Regional Petroleum Sector Technical Assistance – see Regional Knowledge Section 2 c, page 18

Government build more alliances with development partners. An update of the mining cadastre was also completed with support from the grant.

- **Rwanda:** Rwanda sought assistance as it prepared for the negotiation and finalization of a Special Hydrocarbon Exploration License (SHEL) with Vangold Resources Plc, a Canadian mining and petroleum company. An eight month grant supported the preparation of a Model Production Sharing Contract (PSC) which was used in negotiations for an oil and gas investment and development of an economic/fiscal model to assess the fiscal and financial impact of proposed contract terms under a variety of economic conditions. The grant also supported a review of the legal and policy framework for the petroleum sector and training on valuation methods to be better prepared for negotiations.

- **Seychelles:** The Seychelles has significant offshore oil and gas potential and is seeking to attract exploration and development investments. The grant helped strengthen government capacity, which with support from other stakeholders, led to enactment of amendments to the Model Petroleum Agreement which put in place a new Petroleum Licensing approach with competitive tendering (as compared to the previous open door policy). The grant also supported capacity building that led to modernization of the Petroleum Taxation Act including introduction of progressive taxation through a modern two-tier special petroleum tax. The modernization of the legal and fiscal regime led to renewed petroleum exploration interest in the Exclusive Economic Zone and resulted in about USD80 million investment in data acquisition and processing, six blocks under contract, and two blocks under negotiation.

GROUP 2 consists of the following seven Grants to four countries—Colombia, Chile, Mexico (hydrocarbons environmental and safety), Mexico (mineral royalties), Peru (natural gas), Peru (mining environmental sustainability), and Peru (mining-related local employment)—where the Grant focused on accomplishing one or two specific tasks. The Grant to Colombia is a good example of what has been accomplished by the Grants in GROUP 2.

Colombia - Strategic Mineral Reserve Areas: Colombia has set aside almost all of its mineral resources in Strategic Mineral Reserve Areas (SMRAs) but did not develop a transparent and non-discretionary tendering methodology to lease out those areas for exploration and development. The grant provided support for developing a transparent and non-discretionary methodology for the allocation of mineral rights and tendering of SMRAs including preparation of draft regulations based on an analysis of the improvements needed in the legal and regulatory framework and inputs for the tendering template documents based on good international tendering practices. It also supported related capacity building for two of Colombia's main mining institutions: the Colombian Geological Survey (SGC) and the recently created National Minerals Agency (ANM). With support from the grant, the SGC prepared and approved its ten-year Strategic Plan with a revised focus on generating geodata to support the development of strategic minerals and increase knowledge for strategic mineral areas. The ANM is a new institution with little experience in mineral sector development, and grant activities helped to develop in-house technical capacity. Both institutions have been operating more efficiently and strategically after implementation of grant activities. The grant also supported a visit of the Brazilian Geological Survey (CPRM) to

build SGC's capacity on the analysis of airborne geophysical data and its use for geological mapping, and resulted in an agreement between the two geological surveys for further cooperation.

Following is a brief summary of the other six grants in GROUP 2:

- **Chile:** While Chile is best known as one of the world's leading mining countries, it is seeking to modernize and improve its natural gas distribution system. The grant supported preparation of a "Short Law" with rather modest changes to improve Natural Gas Distribution which has been submitted to Congress. It also supported preparation of recommendations for substantial reforms in gas distribution which would be the basis for a subsequent "Long Law" including the creation of an independent regulator of the gas infrastructure; vertical and horizontal unbundling of the different activities in the gas value chain; and more open commercialization of natural gas.

- **Mexico (Hydrocarbons ASEA):** Mexico only established the Agency for Safety, Energy and the Environment (ASEA) in 2014 and is seeking to build the capabilities and strengthen the capacity of the Agency. The grant supported preparation of a Roadmap for ASEA to address the gaps in environmental management and safety of hydrocarbons; it also provided good international practice on regulation of health, safety and environmental aspects of oil and gas hydraulic fracturing, advice on insurance (liability) for hydrocarbon operations and technical support to prepare an "institutional memory" as part of the capacity building and institutional strengthening for ASEA.

- **Mexico (Mineral Royalties):** Mexico has a long established mining sector, but unlike almost all other countries does not have a mineral royalty. The grant provided a review of the mining fiscal regime and helped the government to select a preferred mineral royalty and prepare a detailed roadmap to carry out the necessary legal reforms to put in place the mineral royalty; it also helped the government to develop an approach that supports direct investment by miners in mining community development and to identify the need for updates to the current mining law and regulations so that the sector is in line with best international practices.

- **Peru (Mining Environmental Sustainability):** Peru has seen considerable unrest and conflict in mining communities due to poor environmental performance and inadequate titling for land ownership. The grant supported the preparation of a regional level Strategic Environmental Assessment (SEA) of the mining development activities in the one of the poorest regions - the Apurimac region - and a national level analysis on the prevention and management of environmental conflicts in mining in Peru; it resulted in recommendations to the Government to : (i) strengthen regional government capacity to identify, monitor and address environmental and natural resource priorities, (ii) enhance transparency of environmental information and foster demand for good environmental governance of public entities and mining operations; and (iii) establish a framework for land ownership, land transactions and natural resource development decision making that protects the right of self-determination of the peasant communities affected by mining development.

- **Peru (Mining-related Local Employment):** Mining has not resulted in expected employment and other benefits for many mining communities in Peru. The grant supported preparation and adoption of new procedures to gather/process/analyze information provided by mining companies and reduce information gaps regarding social investments and promote greater local benefits, in particular, by using multipurpose infrastructure to improve watershed management and leverage mining investment to promote improved access to water for human and agricultural use; it also helped set up decentralized training programs and networks for local leaders in mining and identified ways to improve ASM mining title management.

- **Peru (Natural Gas):** Peru has considerable gas potential but lacks adequate reserve data and a Master Plan to guide gas development and transmission. The grant supported preparation of gas reserves studies and Master Plans for the Southern and Northern Peruvian Gas Pipelines to guide both public sector and private sector investment decisions in the oil and gas sector and help achieve sustainable, reliable and cost-effective supply of natural gas with higher levels of social inclusion and shared prosperity; preparation of a capacity building plan and strategy to strengthen the Hydrocarbons Unit in gas matters capacity.

GROUP 3 consists of Grants to the following twelve countries (a) Cote D'Ivoire, Haiti, Kyrgyz Republic, Mongolia, Congo Rep and Togo for mining; (b) Somalia and Uruguay for hydrocarbons; and (c) Ethiopia, Honduras and Madagascar for both mining and hydrocarbons — draft mining and/or hydrocarbon legislation (including mining agreement and hydrocarbon production sharing agreements) and/or related fiscal legislation/terms were prepared. The Grant to Kenya is a good example of what has been accomplished by Grants in GROUP 3.

Kenya - Oil and Gas Legal and Contractual Framework Review: Kenya has offshore gas deposits for which a number of exploration licenses have been issued. There is an expectation that these blocks will be mostly gas-prone and a number of international oil and gas companies have asked the Ministry of Energy to propose gas terms for the contracts prior to signing exploration contracts. However, the Ministry of Energy asked for more time due to its lack of experience in negotiating gas terms. The grant provided three key deliverables to the Government, namely: 1) a report focusing on providing guidance on how best to update Kenya's petroleum sector legal and regulatory framework; 2**)** recommendations relating to Kenya's fiscal framework and guidance on contractual and fiscal terms; and 3) a financial model that will aid the Government in sector planning and contract negotiations, together with training sessions on the model. An Inter-Ministerial Technical Committee, in consultation with the State Law Office of Kenya, is preparing a Petroleum Bill that will incorporate recommendations from the activities supported by the grant. Stakeholder engagement and consultations were built into the design of the work from the start and contributed to the wide acceptance of the recommendations by government, civil society, and private sector and development partners. The Bank approved the Kenya Petroleum Technical Assistance Project (KEPTAP) in FY16, a USD50 million IDA credit. The project development objective to strengthen the capacity of the Government of Kenya to manage its petroleum sector and wealth for sustainable development impacts.

Following is a brief summary of the other eleven Grants in GROUP 3:

(a) Both Mining and Hydrocarbons

- **Ethiopia:** Ethiopia is seeking to develop both its minerals and hydrocarbon sectors. The grant supported preparation of an Agenda of suggested reforms which informed the government's draft Mineral Policy and short, medium and long term options for legal and policy reform for the oil and gas sectors; and preparation of proposed measures to harmonize the oil, gas and mining fiscal terms (which are currently separate) within income tax code of the country. Follow-up FY18 IDA support has been requested by the Ministry of Mines, Petroleum and Natural Gas.

- **Honduras:** Honduras has both mining and hydrocarbons potential and was seeking support to modernize its mining law and improve its oversight of both sectors. For mining, the grant, first, strengthened government capacity to prepare new revised mining regulations for implementing the 2013 Mining Law which have been presented to the cabinet for approval and, second, supported reorganization of the Honduran Institute of Geology and Mines with concrete measures for cleaning mining titles and setting up a more effective mining cadastre unit. For hydrocarbons, the grant supported capacity strengthening for oversight of production sharing agreements including development of a contract audit manual and guidance note and a first ever contract audit.

- **Madagascar:** Madagascar is seeking to attract new mining and petroleum investment by modernizing its mining legislation and mining and petroleum fiscal regimes. The grant supported the preparation of comments on draft laws and fiscal regimes and recommendations to improve extractives legal and institutional frameworks; it also provided inputs for institutional reforms and improvements and an assessment of mining and petroleum fiscal terms supported by the development of a mining and petroleum fiscal model. Substantial follow up needs were identified, and additional technical assistance activities are now being funded by the Africa Sustainable Extractive Industries (ASEI) Trust Fund.

(b) Mining

- **Côte d'Ivoire:** The mining sector has the potential to be an engine of growth for Cote D'Ivoire but the institutional and legal framework need to be modernized if the country is to become a much more attractive and sizeable mining investment destination. The grant helped strengthen government capacity to prepare a new Mining Act which was enacted in 2014 and also prepare draft implementing regulations together with the design for a modern Mining cadastre; it also supported stakeholder engagement and establishment of a national association of Women in Mining. In addition, it supported organization of a June 2014 four-day Regional Workshop on best-practices in international mining law and local procurement with over 250 participants from 20 countries including senior officials (Mining Ministers, Mining Company Managing Directors, Heads of Chambers of Mines and regional institutions such as WAMU and ECOWAS).

- **Congo, Republic:** The Republic of Congo is an oil producing country that also has

significant mineral resources and has now explicitly identified the mining sector as a priority for its economic diversification strategy, to move away from oil dependency. The grant supported strengthened the government's capacity to prepare a near-final draft of a Modern Mining code, as well as the first drafts of the associated regulations and establishment of a manual cadastre system, which can be used as a basis for the development of a modern cadastre system; preparation of negotiation-related training plans.

- **Haiti:** The Government of Haiti sees mining as a potentially important sector but there is opposition to sector development partly because a lack of transparency around some of the negotiation of agreements that have previously been signed with mining companies. The grant provided expert advice to government officials in preparing new draft mining legislation[5] and supported an assessment of the institutional framework for mining; a full evaluation of mining title and cadastre management; a comprehensive inventory of past and present mining titles; advice on environmental protection and social mitigation provisions; and a large multi stakeholder Mining Forum with additional events and workshops with private sector and civil society.

- **Kyrgyz Republic:** The Kyrgyz Republic has a number of generally small, identified mineral deposits and was seeking assistance to improve its tendering of those deposits and, specifically, to prepare the Togolok gold deposit for tendering. The grant helped support improvements to the mining (subsoil) law and an improved tendering process based on a review of good practice international mineral licensing, legal, regulatory and institutional arrangements including tendering procedures. The grant supported preparation for tendering the Togolok gold deposit through due diligence work and valuation of the mineral deposit and work on community engagement/social aspects around the Togolok deposit.

- **Mongolia*:*** Mongolia has rich mineral resources and a rapidly developing large mining industry and was seeking assistance to improve the consistency and quality of mining agreements for large scale mine investors and improve procedures for community agreements to be put in place. The grant supported an intense period of debate and consultation leading to increased knowledge among stakeholders on mineral sector development and management, and provided recommendations to the Ministry of Mining on best practices regarding mining investment agreements for large scale mine developments and the preparation and negotiation of community agreements between mine investors and affected communities.

- **Togo:** Togo was seeking assistance to establish two modern operating instruments—a mining cadastre and mining legislation—to make its mining sector internationally competitive The grant provided assistance to the Ministry of Mines who were able to draft the main terms for new Mining Legislation. It also funded a study on the establishment of a transparent title registry and inventory to be installed at the Mines Department including

[5] Advisory services on the preparation of the draft mining law were subject to a complaint to the Bank's Inspection Panel from a group of Haitian NGOs in regards to the application of the Bank's safeguards requirements. The case was dismissed by the Inspection Panel.

funding requirements; and supported a multi-stakeholder dialogue around the new African Mining Vision (Lomé, June 2014) and the need to revise several regional legal texts such as the ECOWAS Directives on Mineral Development

(c) Hydrocarbons

- **Somalia:** Somalia presently lacks a clear petroleum legal framework that defines ownership and control over resources in order for its hydrocarbon resources to be developed. An eight month grant strengthened Government capacity to prepare proposed changes to the hydrocarbon legislation and related fiscal terms so that they took into account the main concerns of both Government and investors and recognized both the principles of federation and decentralization to meet the legitimate expectations of all Somali stakeholders; in addition the grant supported substantial training to strengthen the technical and commercial capacity for Government officials regarding petroleum and gas contracts

- **Uruguay:** Uruguay is seeking assistance for its oil and gas sector reform agenda including strengthening the legal and regulatory framework and building up the institutional capacity in the sector. The grant supported preparation of a draft decree for the establishment of an Inter-ministerial Commission for Hydrocarbons and preparation of a first draft sector overview as an input to the petroleum sector reform agenda as a key input to strengthen the legal and institutional framework for the oil and gas sector in Uruguay and develop a sustainable development policy and strategy for the oil and gas sector and its contribution to social and economic growth.

GROUP 4 consists of Grants to five countries where support was given to help design mining sector development policies and/or start the process of building extractives sector institutional capacity. The countries are Armenia, Dominican Republic, Pakistan, Uganda and Guatemala – but in the case of Guatemala Grant-related mining work was halted by the 2015 political crisis. The Grant to Armenia is a good example of what has been accomplished by the by Grants in GROUP 4.

Armenia - Mining Sector Assistance: The Armenian mining sector is an important contributor to the national economy as a source for export incomes, foreign direct investments, and for creating relatively high paid work opportunities outside of urban centers. But, none of the existing metal mining operations is environmentally sustainable and there is significant air and water pollution from existing mines and processing activities. There are also major environmental problems at some of the waste dumps of abandoned mines, plus an overall lack of adequate plans and funds to enable reclamation and rehabilitation of old mine sites and associated waste facilities. The grant strengthened government capacity and supported preparation of a "Strategic Mineral Assessment for Armenia", which assessed the state of the mining sector in Armenia, and its development potential, as well as the key social and environmental challenges the sector is facing; in particular with regards to the rehabilitation of old tailings.

The work showed that whereas mining is important to the Armenian economy, notwithstanding a range of past and ongoing initiatives taken by the regulators to reform the sector, individual

operations are not generally contributing sufficiently to Armenia's longer term sustainable development. The work was undertaken in close collaboration with the government officials and provided a concrete series of recommendations, which are supported and 'owned' by the relevant government agencies, and are being used to develop a National Mining Policy, based on a vision of what the mining sector should look like, as the basis for addressing the key challenges. Such a policy will help ensure that development and regulation of the sector holds together, and contributes to the achievement of an overall vision for national development. The work also feeds directly into the development of a national EITI work plan, as Armenia prepares to submit their candidacy application for the EITI Process, and also feeds into the dialogue (in mid 2016) on a Development Policy Loan, for which the effective management of mine waste is one of the triggers.

Following is a brief summary of the other four grants in GROUP 4:

- **Dominican Republic:** The Ministry of Energy and Mines (MEM) was only established in 2013 and is in need of capacity building and institutional strengthening to so that it can effectively meet its responsibilities. The grant supported capacity development for MEM by providing training and technical advice that contribute to the improvement of mining title and cadastre management. In addition, inputs and training regarding the modernization of the existing mining legal and regulatory framework and the promotion of more sustainable artisanal and small-scale mining practices contributed to improved understanding of these complex issues and greater capacity to better manage them and address the existing gaps

- **Guatemala:** Guatemala was seeking assistance to improve its mineral record keeping and improve early stage mining exploration consultations between companies and mining communities. The grant supported preparation of a roadmap for capacity building and the development of a modern and fully transparent, non-discretionary mining cadastre including an inter-agency, multi-stakeholder approach for generating and storing geological information and making it more accessible to the public. However, progress was foreshortened by the resignation of Ministers and staff at the Ministry of Energy and Mining due to due to political circumstances surrounding a national corruption scandal and government crisis in Guatemala in 2015.

- **Pakistan (Balochistan):** Balochistan is a mineral-rich province which is one of Pakistan's impoverished regions where mineral development could have a significant economic impact – but the government has limited mineral experience and knowledge. The grant supported establishment of a Minerals Working Group which aims to provide a consultative forum that can effectively address mineral sector development issues; it also provided two workshops that introduced global norms of large-scale mineral development to a broad range of stakeholders and a round table discussion, targeted towards provincial secretaries (mining) from around the country and relevant federal government representatives; the grant was expanded to provide some initial capacity building for Government of Punjab which led to a request for further Bank support.

- **Uganda:** Uganda was planning for a new round of mineral licensing for highly prospective mining exploration areas across the country identified from recently-acquired airborne and geophysical data. The grant supported formation of an Inter-ministerial Committee and Task Force and development of a Mineral Policy Green Paper as a basis for wider stakeholder discussion to improve and harmonize mining policy, laws and taxation and support the planning of the new round of mineral licensing.

c. Regional Knowledge

In addition, there were three Africa Regional Grants. First, the Africa Regional Petroleum Sector Technical Assistance which focused on Liberia and supported preparation of the draft of a new petroleum law, new NOCAL law, and new model PSC that were presented in a series of public consultations and enactment of a modified Petroleum Law (but the legislation has not gone into effect because the bill passed by Congress was not accepted by the President's office). Second, the African Mining Vision: Geo-science for Africa's Transformation which is supporting preparatory work which should lead to development of a "Billion Dollar Map" of Africa's geological resources. Third, the African Minerals Legislation Atlas has collected, processed and stored and made available the mining laws and regulations of Africa's 53 existing mining codes in searchable and downloadable format and provided training to more than 50 legal professionals.

d. Global Knowledge

The Global Knowledge program (see Table 4) consisted of two relatively large activities.

The first was a USD700,000 Grant with USD1 million in co-funding for the Mining Governance Assessment (MGA – renamed MinGov) which has produced country reviews for Zambia (published), Mozambique, Ghana, Botswana, Peru (Latin America pilot), Kenya, and the DR Congo using a comprehensive questionnaire to gather information from primary and secondary data sources as well as from in-country interviews.

The second was a Global Capacity Building and Training Program for Mining Negotiation USD592,000 which developed course materials and provided three international training workshops on the negotiation of mineral development agreements and provided training to 90 professionals on mining contract negotiations.

The other two somewhat large activities at USD100,000 each were support for the Extractive Industries (EI) Source Book and development of a Massive Open Online Course (MOOC) on Good Governance of Oil, Gas and Minerals for Sustainable Development. The support for the EI Source Book included preparation of customized knowledge products that were included in the EI Source Book for global dissemination. The EI Source Book is available through an online platform and draws 6,000-7,000 unique users monthly. The MOOC included video presentations by leading international extractives experts and reached 5,560 participants. The MOOC benefitted from and made use of material from the EI Source Book. The MOOC may be replicated under EGPS funding later.

e) Achievement of Objectives

With regard to the objective to assist resource-rich countries to correctly structure extractive industry transactions and related sector policies from the outset, the development objective is considered to be partially met.

At the time it was established in 2009 in response to demand from resource-rich countries, the EI-TAF was highly innovative since the Bank had not previously attempted to provide such a rapid-response facility to assist countries to correctly structure extractive industry transactions.[6] However, as noted in the earlier sections the need for assistance with negotiations considerably declined with the decline in world commodity prices (as shown previously in Table 2). Since negotiations support was at core of the MDTF's PDO, while the MDTF provided only 7 out of 31 grants directly targeting extractives transactions, the development objective is considered to be partially met.

While the program continued to provide extractives support to governments, the 22 grants that were approved from 2012-2015 focused more targeted advice and building capacity to prepare modern extractives legislation, related fiscal legislation/terms and sector development policies which were assessed as among key bottlenecks to client governments being able to structure future oil, gas and mining transactions.

It is noted for the purposes of lessons learnt, that design of the successor EGPS MDTF has specifically taken into account these lessons learned from EI-TAF in that the EGPS has a more broadly designed Development Objective.

The grant by grant analysis indicates that most of the individual grants made contributed to potentially important capacity building and investment environment improvements for the countries concerned – even though only six of the 31 Grants directly supported successfully completed project negotiations.

The Grants that supported negotiations for the countries in GROUP 1 resulted in important outcomes in terms of completed negotiations (but, again, it should be noted that due to the downturn of the commodity prices not all of them resulted in development – for example in Liberia and Sierra Leone all projects were delayed first because of low iron ore prices but then also due to Ebola epidemic in 2015). Two other grants supported the preparation of financial/fiscal models that could be used in negotiations but were "a step removed" and thus not included in Group 1. As summarized in the project-by-project descriptions, the other 24 Grants made some potentially important contributions in terms of moving countries in the direction of "correctly structuring sector policies and improving the investment environment for extractives".

With regard to the objective to support production and dissemination of global knowledge products on extractive industry sector issues to address the current lack of an integrated body

[6] There was a facility for contract negotiations under UNDP jointly with International Senior Lawyers Program but it was very different in nature and in financing structure, and its scope was considerably narrower and reliant on pro-bono legal support.

of good practice for sound extractive industry sector governance and management, the development objective is considered to be met.

EI-TAF supported major global work on extractives knowledge with some products being truly innovative and unique. The Mineral Governance Assessment (later renamed into MINGov), and the other two larger products (the EI Source Book and the MOOC) – are products that each produce and disseminate global knowledge on extractive industry sector issues that help address the current lack of an integrated body of good practice for sound extractive industry sector governance and management.

The MinGov has now been applied to nine countries with the results being written up and published. Based on the first round of activities. MinGov is advancing towards becoming a globally accepted mining sector assessment tool and substantial additional donor support has been received. MinGov is working closely with the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF MMSD) for MinGov to become an assessment tool for the IGF MMSD Mining Policy Framework.

As noted previously, the EI Source Book and the MOOC have both made substantial contributions to global extractives knowledge with the EI Source Book reaching 6,000-7,000 unique users monthly and the MOOC having reached 5,560 participants so far.

The Global Capacity Building and Training Program for Mining Negotiation was ran in several regions and contributed to assisting resource-rich countries to correctly structure extractive industry transactions.

f) Efficiency

Through the respective child trust funds established for all activities, the disbursements made under this Trust Fund were efficiently managed and implementation progress for individual activities was timely monitored by the World Bank Secretariat. Some of the Grants have been extraordinarily efficient – a leading example is the USD363,000 Grant to Mauritania which made a key contribution to a larger programmatic approach by providing funding for advisory activities focused on the legal and contractual aspects of the negotiations for the USD1.46 bn Banda Gas-to-Power project which was successfully completed. Another example is a very modest USD50,000 Grant to Mexico which supported preparation of the Roadmap for the ASEA to address the gaps in environmental management and safety of hydrocarbons.

3. Development Impacts, including those that are Unintended/Unrelated to TF Objectives

A March 2015 Evaluation Report by Orbicon concludes that "The relevance of the EI-TAF Rapid Response Advisory Services has been high. Recipient governments have requested concrete and timely support to extractive industry governance in view of national strategic priorities….. The Evaluation Team found that the approach and modality of the EI-TAF Rapid Response Advisory Services is unique and an innovative concept in all the regions covered by the interventions ……There are good examples and anecdotal evidence that the EI-TAF projects have contributed to improved relevant capacities within its target groups both organizationally and individually."

In the SWOT analysis, the Orbicon report also comments "The EI-TAF support modality is unique compared to other donor-supported interventions in the extractive industries sector as it provides an opportunity for qualified, targeted, rapid-response support. The EI-TAF support is therefore seen as providing comparative strengths which opens for potential synergies with other donor interventions in the sector" and references the Grants to Kenya, Mozambique and Colombia as good examples.

From the standpoint of overall development impacts, the Summary details of the 31 Grants provided above demonstrate many substantial accomplishments which support the positive conclusions of the Orbicon Team. As noted previously, the combination of direct interventions and capacity-building for the four recipient-executed grants and capacity-building and related support for the other 27 grants resulted in the successful completion of contract negotiations along with legal improvements in six countries; and preparation of draft mining and/or hydrocarbon legislation (including mining agreement and hydrocarbon production sharing agreements) and/or related fiscal legislation/terms in another twelve countries. Mining cadastre work was undertaken in six countries; financial/fiscal models to support negotiations prepared for four countries; and tendering improved in three countries. There were reports issued on seven specific development issues in four countries and mining sector policies developed and/or early capacity-building provided for another five countries.

4. Conclusion: Overall Trust Fund Outcome

As noted previously in terms of achieving stated objectives of the program, the MDTF is rated only **Moderately Satisfactory (MS).** However,

- ***from the standpoint of overall development outcomes the MDTF is rated Satisfactory based on the capacity building and substantial project by project accomplishments as outlined previously and the very positive evaluation of the Orbicon Team***.

D. RISK TO DEVELOPMENT OUTCOME

1. Follow-On Results and/or Investment Activities.

The Orbicon Evaluation commented that "In a number of cases, the [EI-TAF] projects have served as highly relevant linkages to other operations carried out by the respective World Bank Country Offices" and also that "there are examples of linkages and synergies to other regional/country-level development interventions funded by other development partners (e.g. Kenya and Mozambique)." Grants have led to follow-up World Bank Technical Assistance projects in seven countries—Guinea, Kenya, Liberia, Madagascar, Mozambique, Sierra Leone, Togo; proposed Reimbursable Assistance Services (RAS) in Colombia and Mexico; and a proposed Global Environment Facility (GEF) project in Colombia. It is of note that four of the seven countries with follow-up World Bank TA projects are GROUP 1 countries (i.e. countries where the Grants supported specific contract negotiations). With regard to other Groups, two of the four countries in GROUP 2 had follow-on RAS and GEF Projects but only 3 of the 12 countries in GROUP 3

and none of the 5 countries in GROUP 4 had follow on projects. This indicates that follow-ons tended to take place for the Grants targeted to negotiations and specific tasks rather than to the more general advisory services.

2. Replicability

While the shift to Bank-executed grants moved away from the original objective of recipient-executed grants, one important outcome worth noting is that it resulted in many of the Bank's Task Team Leaders (TTLs) gaining more hands-on and up-to-date experience in core extractives reforms management in a wide range of countries. The TTLs had to work as closely as they could to support the countries and this was an overall win-win situation which brought benefit not only to the countries in terms of advice received and capacity building accomplished but also to the TTLs in terms of new knowledge which was brought back to improve the capabilities and to be applied in other countries. There were many lessons learnt and shared experiences coming out of this work.

The progress reports for five of the Grants - Kenya, Liberia, Chile, Colombia, Mexico Hydrocarbons TA - comment that the grants have resulted in outputs that could be usefully applied in other countries, and some examples are even mentioned, but there is little information on any application taking place. Certainly, one would expect that a suite of products should be emerging from the 31 grants that could be suitably packaged and countries informed of their availability. Government's would need to be approached for permission to share the final reports, but this should be feasible and any material considered overly sensitive could always be modified if needed for a report to be released.

But there is a major challenge in terms of dissemination of EI-TAF Reports and knowledge to other resource-rich countries. For the most part broad based dissemination has not taken place – partly because some of the reports were classified as "for official use only" or "confidential" which does not allow the Bank to share them unless the country agrees for them to be released more widely, and partly because there are no mechanisms in place to release the reports for wider dissemination to other countries. This is in fact, a sub-set of a somewhat bigger issue. GEEDR staff have produced many first-rate products which are readily available in their Washington DC Office, but there is little evidence of these products being widely distributed to Bank clients in resource rich countries and other interested civil society and industry stakeholders.

3. Overall Risk to Development Outcome.

The risk to development outcomes is considered negligible to low since the various products identified previously have been produced and capacity building has taken place. However, it is possible that the sustained use of the knowledge generated could be interrupted by a change of government or even a change of minister.

E. PERFORMANCE

1. Bank Performance

Overall Bank performance is considered Satisfactory. The rating is a composite of the rating of performance of the World Bank secretariat (***Moderately Satisfactory - MS***) and the Task Team Leaders (TTLs) (***Satisfactory - S to Highly Satisfactory - HS)*** as shown below.

(a) World Bank Secretariat

The performance of the World Bank Secretariat is considered moderately satisfactory. The moderately satisfactory assessment is primarily based on the March 2015 Evaluation by Orbicon which identified several areas where performance was viewed as needing improvement, namely the need to:

- Develop of an operational framework for results-based management and monitoring (which is needed to better evaluate and measure the results of the country by country capacity development achieved by the Grants)
- Focus more on developing partnerships with co-funding agencies at regional and national levels
- Base project selection on more strategic selection criteria to reflect the potential wider impact and sustainability from the project activities
- More systematically share experiences / learning across the EI-TAF
- Improve the interaction between the World Bank Secretariat and the EI-TAF donors for mutual benefits and accountability including more frequent and better quality status/progress reports

These are observations which the World Bank Secretariat accepted and responded to in a proactive manner.[7]

The moderately satisfactory assessment also based on a lack of aggregation of results, dissemination, and cross-project and cross-country collaboration - which is seen as deficient. This reflects in part the Bank management decision to eliminate the EI-TAF Program Manager position and place oversight of the EI-TAF (as well as the EITI[8]) work with the (then only) SEGOM Sector Manager who already was responsible for the entire load for the group. The EI-TAF work involved oversight of nineteen TTLs working on the 31 projects which was not sustainable considering all other projects and programs managed by the same Sector Manager. This situation has been corrected under the EGPS which will have a designated Program Manager.

(b) World Bank-executed Work/ Task Team Leaders

The Bank executed about 79% of the work under the Trust Fund (Table 6) as a result of 27 of the 31 grants being Bank-executed

[7] Further information is provided in the 2015 Final Progress Report, Annex 1 and will not be repeated here

[8] As noted previously, oversight of the Extractive Industries Transparency Initiative (EITI) MDTF was also placed with the SEGOM Sector Manager at that time, further reducing time for oversight of the two MDTFs

Table 6: Disbursement of MDTF Funds
(USD)

Programs and Activities	USD	%
Country-executed	3,042,000	21%
World Bank-executed	11,771,000	79%
Grand Total Disbursements	14,813,000	100%

The role of GEEDR Task Team Leaders is considered Satisfactory to Highly Satisfactory.
The satisfactory to highly satisfactory assessment is based on evaluation and beneficiaries' feedback including the Orbicon Report which commented that a benefit of hosting the EI-TAF within GEEDR has been engagement of the Bank's "highly experienced" extractives staff. The GEEDR staff have both supported the four recipient-executed Grants and managed the 27 "Bank-managed" Grants. Each country level project was properly processed within the World Bank's ADM (Administrative Decision Making) framework, had measurable indicators, and outputs. Based on evaluation and beneficiaries' feedback, overall the quality and responsiveness of the EI-TAF teams (and also the companion EITI MDTF) was timely and of high technical quality.

2. Recipient (for Recipient-executed Trust Funds only) Performance

The Grants to Liberia; Sierra Leone; Mozambique and Rwanda were recipient-executed but these grants but the format of the GRM was not conducive to properly reflect on how well the different tasks that were expected from the Recipient under this Trust Fund were carried out. Looking forward, the new World Bank small grants procedures now require annual Implementation Status Report (ISRs) – the same as for IDA/IBRD financed operations. This will greatly improve reporting under recipient-executed grants that will be implemented under EGPS.

F. LESSONS LEARNED / RECOMMENDATIONS

There are a number of major lessons learned from the Grant activities.

The 2015 EI-TAF Annual Report provides the following important conclusions and lessons learned—each of which is being incorporated into EGPS projects:

- Robust results framework and regular reporting structure is essential.
- Capacity building and advice on contract negotiation (output) is costly and does not always end in intended result (outcome) of a closed deal.
- Robust and inclusive stakeholder consultation is a key component to the process in cases of legal and regulatory reforms.[9]

This ICM supports each of the above conclusions. The ICM also supports the recommendations from the Orbicon report in particular regarding the theory of change and need for results-based

[9] The 2015 EI-TAF Final Progress Report also concludes that "The recipient-executed nature of legal and regulatory frameworks is key" but it must also be recognized that that for reasons explained previously only four of the 29 EI-TAF grants were recipient-executed.

management and monitoring (noted previously in Section E.1 Bank Performance) which are being taken into account in the management of EGPS MDTF.

That said, this ICM would add three other recommendations.

First Recommendation: The first recommendation relates to the Progress Reports, Completion Summary and summaries thereof. The Grant Progress reports and Completion reports and summaries follow a wide variety of styles and have no consistent coverage of exactly what outputs and outcomes were accomplished. For some it is very clear. But for others it can be somewhat blurred, at least at first reading, as to what was intended and what was accomplished. For example, the statement that "The objective of strengthening government capacity was achieved" is far too vague – there need to be specifics of what type of capacity was improved and what evidence if any is available that it has improved

- **It is recommended** that the instructions/templates for EGPS Grant Progress Reports and Completion Reports include specific requirements regarding referencing actual outputs e.g. reports produced or workshops/trainings held etc; and outcome e.g. Government actions in response to the Grants such as legislation or standardized agreements/contacts drafted; regulations prepared; legislation enacted; agreements modified; fiscal terms adopted; regulations issued; negotiations undertaken; negotiations completed etc.

Second Recommendation: This recommendation is considered to be the most important.

EI-TAF Grants are not "original"-type scientific research that creates new knowledge and insights that were previously unavailable anywhere in the world. Rather, EI-TAF Grants mobilize the best presently available information and make it available in a focused manner to the direct benefit of the country that is the recipient of the Grant. A potentially very important implication is that in this way, each Grant generates substantial information that can be of use to many other resource-rich countries facing similar challenges.

While the findings of the 31 grants could potentially be very valuable to other resource-rich countries, the overriding lesson learned for this ICM is that there are no established mechanisms for ensuring that other countries are certain to be informed about the findings of the activities supported by the 31 grants. This is an issue which is so far unrecognized or addressed in the EGPS. It can be addressed in the EGPS by using an allocation of Global Knowledge funds to proactively and intentionally make the findings of work undertaken using EGPS Grants available to other countries. With this in mind, the EGPS Grant conditions could state that, subject to the Government removing any material that is considered country-confidential, all EGPS reports produced would be public documents once a Grant is completed.

But beyond the EI-TAF, in the past decade the Word Bank's oil, gas and mining experts have produced and published many important reports, but it is far from clear how many have left the shelves of the World Bank offices in Washington DC and actually reached government officials, company representatives and civil society stakeholders in resource-rich countries. The EGPS could be of great service by proactively and intentionally also making these publications widely available.

- **It is recommended that** the EGPS consider an activity to (a) prepare a one day "road show" on the results of all the EI-TAF Grants plus all the publications of the GEEDR staff, over say the past decade, and (b) take the "road show" and offer it to all resource-rich countries and potential resource-rich countries in stakeholder forums with interested government institutions, investors and civil society organizations, including most importantly representatives of communities impacted by oil, gas and mining operations. This could be done on a trial basis to ascertain its usefulness and then more widely if there is a positive response.

While the initial presentation might be a one-day event in resource-rich and potential resource-rich countries, depending on the response and interest it may also be desirable to make a number of follow-up Road Show presentations in each interested country to so that the different stakeholder groups have time to ask their questions and get in depth response on all key issues. The Road Shows would make available on the spot both hard copies and soft copies of all relevant EI-TAF reports and other key reports produced by GEEDR staff plus the EI Source Book. The Road Show could also be presented to any interested donor countries.

The over-riding objective would be to give interested resource-rich countries and potential resource-rich countries access to knowledge resources that would enable each of them to make progress from their present situation, to modernize their policy/regulatory frameworks as needed in line with good international practice and strengthen their institutional capabilities, as needed, learning from the experience of experts with well-developed and internationally recognized strong institutional capabilities regarding the extractive industries.

G. ICM PROCESSING AND COMMENTS

1. Preparation
TTL at Approval: Michael Stanley
TTL at Closing: Paulo de Sa
Comment of Practice Manager: Christopher Sheldon
Prepared by (if other than TTL): John Strongman
Date Submitted to Approving Manager: December 15, 2016

2. Approval
Practice Manager: Christopher Sheldon
Date Approved by Practice Manager:
Practice Manager's Comment:

3. DFI Evaluation of ICM Quality
DFI Reviewer: Eka Zarmen Putra
DFI Rating on the Quality of ICM (Satisfactory or Unsatisfactory):
Comment and Justification for Rating Given by DFI: