

EXTRACTIVE INDUSTRIES TECHNICAL ADVISORY FACILITY (EI-TAF)

Background

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

Rationale

With this background in mind, the rationale for establishing the EI-TAF includes:

- The significance of extractive industries in many developing countries (high share of extractive industry revenues in GDP and/or exports), particularly in sub-Saharan Africa;
- The often glaring capacity gap between extractive industry firms and resource-rich, developing country governments;
- The frequent need for rapid-response advisory assistance, particularly when negotiations on a specific extractive

industry development are on the horizon; and

- The current limited availability of instruments through which resource-rich, developing country governments can seek rapid-response advisory assistance in the extractives sector.

Objective

The objective of the EI-TAF—a new multi-donor trust fund administered by the World Bank—is to assist resource-rich, developing countries to correctly structure extractive industry transactions and related sector policies from the outset, thus reducing the risk of costly or politically difficult remediation at a later stage. The EI-TAF facilitates rapid-response advisory services and capacity building for extractive industry resource policy frameworks and transactions. EI-TAF also supports the production and dissemination of global knowledge products on extractive industry sector issues to help address the lack of an integrated body of good practice for sound extractive industry sector governance and management.

The EI-TAF addresses resource-rich, developing country demand in a strategic manner, as part of the World Bank's work on the extractive industries value chain ("EITI++"), in line with relevant World

Bank Country Assistance/Partnership Strategies, and in collaboration with other development partner interventions in this area (e.g., AfDB's African Legal Support Facility, IMF's Topical Trust Fund on Managing Natural Resource Wealth, UNDP's Africa Regional Project for Capacity Development for Negotiating and Regulating Investment Contracts).

Expected Outcome

The outcome expected from EI-TAF assistance is to level the playing field and ensure that resource-rich, developing countries, and ultimately their citizens, benefit from the exploitation of their extractive resources.

A robust, results-based performance framework, including quantitative and qualitative indicators, will be used to evaluate EI-TAF interventions. Independent evaluations of activities will be incorporated into the EI-TAF results framework.

Key Components

The EI-TAF has two key components: (i) to address country demand for rapid-response advisory services in the extractive industries sector; and (ii) to contribute to global knowledge management/good practice in extractive industries sector governance.

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(i) Rapid Response Advisory Services

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

- Contract negotiation for extractive industry transactions, including the cost of logistics of such negotiations;
- Short-term capacity building for the members of the beneficiary country's negotiation teams, including studies in preparation for negotiations;
- Technical assistance proximate to a specific extractive industry transaction under review, to update the policy, institutional, fiscal, legal and regulatory frameworks of the country concerned, including revenue management and benefits sharing across levels of government and community; and
- Technical assistance on structuring extractive industry licensing rounds, public offerings (tender/auction), and competitive and transparent tender packages to help resource-rich countries optimize the value of national extractive industry resources.

In many cases, rapid-response advisory services will be recipient executed. However, given the time-bound nature of the advisory services EI-TAF often provides, in countries where capacity is particularly weak, activities may be Bank executed. It is expected that rapid-response advisory services will be channeled primarily to individual countries, however activities with regional/sub-regional organizations may also be supported.

(ii) Knowledge Management

Knowledge management activities aim to facilitate the gathering and dissemination of good practices in extractive industry sector governance.

The knowledge management component of EI-TAF is principally funded through a three-year US \$1.5 million grant from the World Bank's Development Grant Facility (DGF), and includes the preparation of the *Extractive Industries Source Book*.

A global network of experts, think tanks, universities and other organizations has been leveraged in the preparation of the Source Book. In partnership with the World Bank the Universities of Dundee (Centre for Energy, Petroleum and Mineral Law and Economics) will lead the development of the Source Book, with

strong reinforcement from Witwatersrand (South Africa), Queensland (Australia), the French Institute of Petroleum (IFP), and the Natural Resource Charter (NRC).

EI Source Book

One of the key activities under the Knowledge Management component of EI-TAF is the development of the *EI – Source Book*. The EI-TAF requires a concise body of knowledge that is reflective of the broad guiding principles to good sector development. The EI Source Book aims to fill this gap, drawing on a diversity of sources that includes World Bank, IMF, other donors, industry advocacy groups, institutes and other third-party sources. Further, the effective dissemination of this knowledge requires new solutions. *EI – Source Book*, an on-line, open source document has been designed, under the, to gather together published works, example policy / legal and regulatory instruments, and good practice case studies.

While directed primarily at policy makers in resource-rich developing countries, their advisers, and the consultants who are deployed under EI TAF to provide well informed technical advice drawing on global good practices; the Source Book has strong interest with civil society, industry advocacy groups, academia, international organizations and donors as a dynamic compendium of core EI issues. Additionally, the Source Book is deliberately designed as education tool, to train sector professionals and stakeholders alike, in that the archive of reference papers and summary abstracts enables focused

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Demand-driven Approach

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

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

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

- *Level of political commitment and national ownership.* Degree of commitment of a government and stakeholders to implement sound

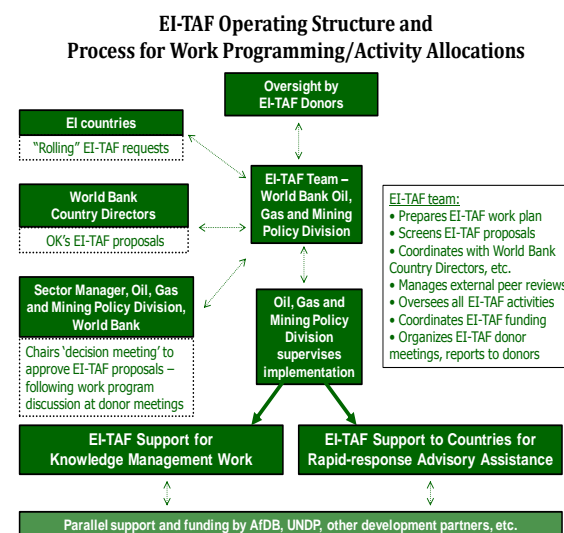
sector governance, including readiness to move on reforms steps needed.

- *Country capacity gaps needs.* The assessed capacity gaps (especially in fragile states, IDA-eligible, and post-conflict countries) in a country in which the EI-TAF interventions could have a high pay-off and impact.
- *Resource dependency and poverty impact.* The size of the extractives sector and revenues to the economy and exports - and the poverty-alleviation potential from rapid-response advisory services.
- *Demonstration potential in sub-region context.* Potential for demonstration effect to "pull" other countries in the sub-region to adopt sound sector governance principles.
- *Potential for sustainable investment.* Impact in terms of facilitating sustainable private sector investment in the country's extractives sector.
- *Value for Money.* Overall cost-efficiency of activities, which should aim to ensure value for money, consistent with appropriate standards of quality.

Operating Structure

EI-TAF donors provide strategic oversight and guidance on the EI-TAF and are involved in EI-TAF work program

discussions via donor meetings. On a day-to-day basis, the World Bank's Oil, Gas and Mining Division is responsible for administering the EI-TAF, including coordination with donors and other relevant stakeholders within and outside the Bank.



Progress to-Date

There are currently five active, country-specific projects in the portfolio, in Liberia (US \$1mil), Rwanda (US \$350k), Kyrgyz Republic (US \$500k), Sierra Leone (US \$750k), Pakistan (US \$500K) and in Mozambique (US \$750k). And, another four projects, in the order of about US \$2.8 million, are set to come on-line in the next

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few months or in the pipeline in Guinea, Mexico, Laos, and Mauritania.

EI-TAF Support to Liberia

Liberia is the first country to receive EI-TAF support, in the form of a US\$1 million grant for immediate assistance with proposed iron ore transactions and related policy framework reforms. In the process of concessioning several large deposits, with a potential cumulative investment value of over US\$10 billion, it is critical that future iron ore investments (25-35 year horizon, including exploration and construction) are configured and negotiated to optimize direct and indirect contributions to Liberia's growth and development. EI-TAF support will be coordinated closely with LIBAM-financed advisers in the Ministry of Lands, Mines and Energy, experts in the Bureau of Concessions, the World Bank project assisting strengthening of the Public Procurement and Concessions Commission, and ISLP lawyers assisting the President's Office.

Funding

To date, for the EI-TAF has received a commitment of US\$5.0 million from the International Finance Corporation, of which US\$1.9 million has been received; US\$1.5 million from the World Bank's Development Grant Facility, of which US\$1.0 million has been received; and \$1.2 from the Government of Switzerland; and NOK 20 million (approx. US\$3.1 million) from Norway's Oil for Development Program.

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