

World Bank Group Presentation

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Development

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Update on the Extractive Industries Review

Peter van der Veen

Mining Policy Division, WBG

Main Messages...

- ◆ Update on the WBG presentation of 2003
- ◆ Overall messages from EIR consultation and evaluations
- ◆ Current status of EIR process
- ◆ WBG is already responding positively to key EIR recommendations

Internal and External Reviews

<i>External</i>	Extractive Industries Review (EIR)	<u>Launched late -2001</u> Consultations with Stakeholders, led by Eminent Person (Dr. Emil Salim) 6 stakeholder workshops, project visits, research, ad hoc consultations. Final Report delivered January 15, 2004
<i>Internal</i>	OED/OEG/OEU Evaluations	Reports sent to WBG Board July 2003 and published on the web - will be fully considered in parallel with the EIR report
	CAO Appraisals Review	Review of recent appraisals of IFC/MIGA projects. CAO IFC Safeguard Review published in April 2003

Key Issues

- ◆ Governance
- ◆ Transparency
- ◆ Human Rights
- ◆ Indigenous Peoples
- ◆ Climate Change
- ◆ Disclosure
- ◆ Updating Safeguards

The Overall Messages from Consultation and Evaluations

- ◆ EI can contribute to development.
- ◆ Evaluations found WBG projects added value
- ◆ But risks that EI will not contribute to development
 - At the local level – communities excluded, carry unfair economic, environmental and social risks and costs
 - At the national level – poor governance can mean the depletion of resources for no sustainable benefit
 - At the global level – concerns about climate change and environmental losses
- ◆ Broad agreement about nature of issues, but less about solutions and reasonable risk sharing
- ◆ WBG should stay engaged but change

The WBG Welcomes the EIR and Evaluation Reports

- ◆ They will provide a valuable guide for WBG activities in extractive industries.
- ◆ The WBG is already responding positively to the majority of recommendations.
- ◆ Final responses for some will depend on other processes, but others we will implement quickly.
- ◆ For other recommendations we will need to continue to work with stakeholders to make progress – the WBG needs to bring others along

Next Steps

Management Response (MR)

- ◆ Finalize review within WBG and consultations with stakeholders
- ◆ CODE (Board Committee) will review draft MR on June 21st
- ◆ Release for comment after Committee on Development Effectiveness (CODE)
- ◆ Presentation to full WBG Board (Fall 04)
- ◆ Propose progress review after sufficient experience

In the Meantime... WBG Is Already Responding Positively to Key Recommendations

Two examples

◆ At the national level

- Governance and Transparency: a step to better governance and use of revenues for sustainable development

◆ At the local level

- Artisanal and Small-Scale Mining (ASM): helping governments legalize, regulate and integrate ASM into the formal economy

Governance and Transparency

- ◆ Poor governance leads to the potential benefits of EI being wasted
- ◆ EI revenue transparency generally agreed as essential for good governance
 - Two dimensions: (a) Total government revenues and (b) Specific project revenues
 - Basic EI transparency standards being dealt with via EITI

What is EITI?

- ◆ Establishes transparency in government revenues from oil, gas and mining
 - Addresses governance issues, reduces corruption
- ◆ Objective is to record and disclose revenues flows
- ◆ Benefits to companies: trust, stability, fairness, reputation
- ◆ Benefits to countries: accountability, fairness, integrity, reputation

Extractive Industries Transparency Initiative

- ◆ Initiative has several sponsors – UK DfID, World Bank, IMF, EBRD etc.
 - Support from many governments, companies and NGOs
- ◆ Initiative launched Sep.02. First implementation phase: Jan.04 – Jun.06
- ◆ Initial implementation in several volunteer countries
 - Azerbaijan, Nigeria, Chad, Trinidad, Kyrgyz Republic, ++
 - Multi-donor Trust Fund established in World Bank
 - Technical assistance available, financed by donors

Bank Suggested Client Government Consider EITI in Gold Mine Restructuring

- ◆ Government has agreed to
 - Issue resolution to endorse EITI and make specific provisions to implement it (action plan, benchmarks, etc.)
 - Adopt interim template for reporting of gold mine restructuring revenues
 - Conduct audit of Government Agency involved in gold mine

Good Start

But the Real Work Has Just Begun

- ◆ Resolution will be issued in June
- ◆ Sets in motion a 6 – 12 month process
- ◆ Set up steering and advisory committees
- ◆ Initial workshop in June, 2004
- ◆ Interim template published September 2004
- ◆ Audit completed in September 2004

Responding Positively to Key Recommendations

- ◆ At the local level

- Artisanal and Small-Scale Mining (ASM): helping Governments legalize, regulate and integrate ASM into the formal economy

WBG Holistic Approach to ASM

- ◆ Moving from ASM as a marginal illegal activity toward ASM as a part of integrated sustainable rural communities
 - Cooperation with mining ministries
 - Assistance typically provided to incorporate ASM in legal framework, develop appropriate regulations, strengthen Government capacity to work with mining communities
 - Government resources T.A. funds
 - WBG Technical Assistance
 - CASM

Communities and Small-Scale Mining (CASM)

- ◆ CASM as a Capacity Developer
 - Organizing Learning Events and Meetings
 - Participating and assisting with other ASM events
- ◆ CASM as a Knowledge Sharer:
 - Collecting and sharing ASM related contacts, documents, and projects through CASM's web-based Knowledge Center
- ◆ CASM as a Research Supporter
 - Funding small grants for ASM communities
 - Funding ASM research

Strengthening CASM

In addition to current role

- ◆ Facilitating the development of sustainable communities
 - Assisting in the design of pathways to sustainable communities
 - Working with small-scale miners, NGOs, various levels of government, industry, and multilateral organizations
 - Peer review of and technical support to external assistance projects

Conclusion

- ◆ The WBG welcomes the EIR and Evaluation reports
- ◆ EI can contribute to development
- ◆ WBG should stay involved but change
- ◆ WBG is already responding positively to key EIR recommendations and will implement quickly

THANK YOU

Merci