

Support to Extractive Industry Contracts and Licenses: *Design Summary and Implementation Document*

Summary

- The fundamental purpose of the Australian aid program is to reduce poverty. Australia's Mining for Development program supports this by assisting developing countries to translate their resource wealth into significant and sustainable development.
- Engaging with high impact technical assistance meets the immediate needs of partner countries, while capacity development more slowly takes shape.
- Appropriate and effective licensing and contract negotiation is essential for securing the greatest returns for developing countries from mining. Technical assistance at this stage in the mining value chain can facilitate a significantly better deal for developing countries and their citizens from mining.
- This document proposes an initial AUD \$4.8 million contribution over two years (2011-12 and 2012-13) to the World Bank's Extractive Industries Technical Advisory Facility which provides technical assistance to developing country governments in extractive industry licensing and contracting.

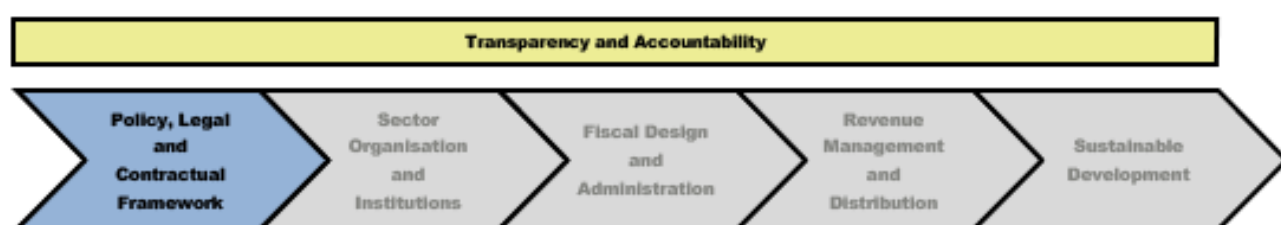
Rationale

1. The Australian Government's aid policy—*Effective Aid*—states sustainable economic development as one of the five strategic goals of the aid program. *Effective Aid* also focusses on mining as an opportunity to improve economic opportunities as one of ten development objectives:

*Improving incomes, employment and enterprise opportunities for poor people in both rural and urban areas, including the development of **sustainable mining industries** to boost overall economic development.*

2. Mining is a priority area for AusAID as the Australian aid program increases in size, expands geographically to Africa and Latin America, develops approaches to engaging effectively with the private sector, and as several of Australia's partner developing countries face pivotal moments in their development paths as a result of mining.
3. Mining generates economic opportunities in developing countries. Taxes, resource rents and royalties paid by mining companies can provide much-needed capital for developing countries to invest in public works and delivery of services, such as health and education. Mining investments further provide significant infrastructure including transport, energy, and utilities, as well as employment and local economic stimulus. Well targeted public and private investments can create the foundations for long-term growth and development.

4. Maximising the positive benefits from mining for developing countries expands the means available for governments and other actors to invest in development outcomes.
5. This proposed activity is narrowly focused on a very particular aspect of the mining value chain. It is supported by and is complementary with other components of Australia's assistance in Mining for Development.
6. Each stage of the extractive industries value chain is connected to others; each influences the effectiveness of interventions in other areas. Effective management of mining requires a holistic approach to regulating the sector.
7. The diagram below provides an overview of the stages of the value chain.¹ The first four can be considered sequentially, and a country must move through each of them to effectively manage the sector. Transparency and accountability affect the effectiveness of all chevrons.



8. The Australian aid program has activities under each chevron. In addition to the chevron specific support identified in the table below, the Mining for Development initiative provides medium to long term capacity building at all stages of the mining value chain through short course training through the International Mining for Development Centre (2011 to 2015, \$31 million), Australian Mining Award Scholarships for long or short term study at Australian universities (2011 to 2015, \$29 million), and through support to the International Monetary Fund's Topical Trust Fund for Managing Natural Resource Wealth (2011-15, \$5 million).

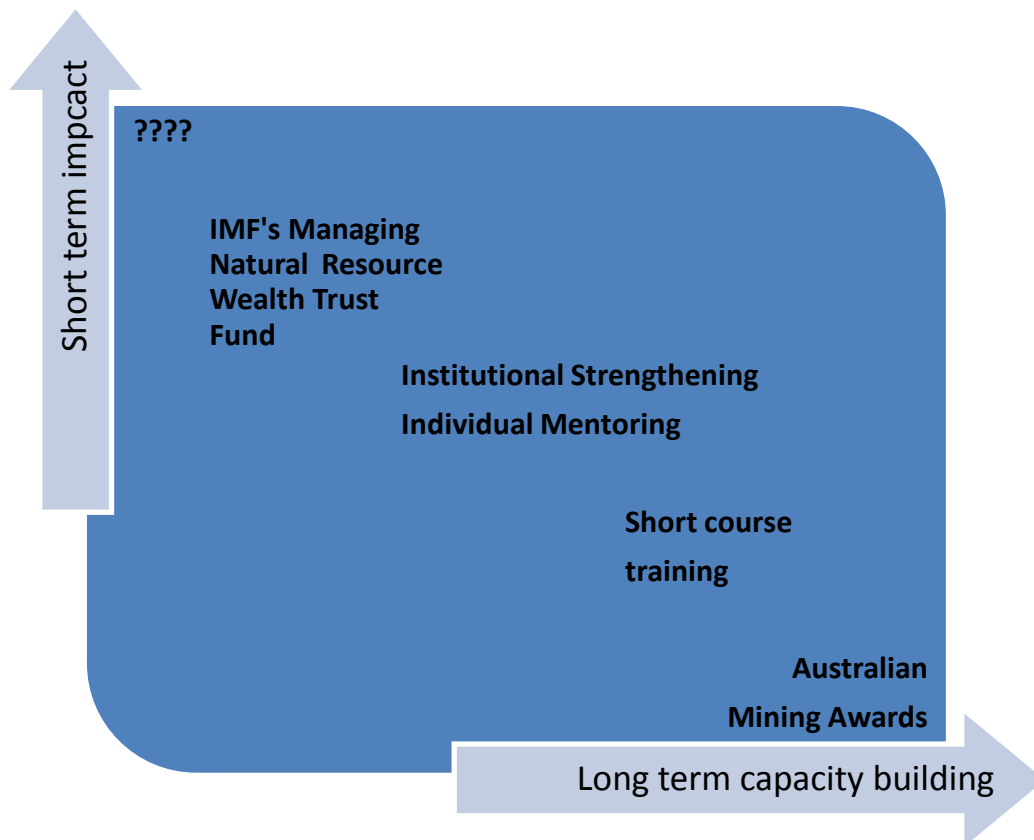
Policy, legal and contractual framework	<ul style="list-style-type: none"> • Australia Indonesia Partnership for Economic Governance (\$35.6m, 2009–2012) • World Bank Governance Partnership Facility (\$10m, 2011–13) • Papua New Guinea Sovereign Wealth Fund projects (\$9.5m, 2011–13) • World Bank Extractive Industries Transparency Initiative Trust Fund (\$17.45 million, 2007-15)
Sector organisation and	<ul style="list-style-type: none"> • Assistance to develop strategies for improved planning standards for a sustainable minerals industry in Uruguay (\$250,000) • Handbook on Social Responsibility in Mining (\$80,000)

¹ As represented in the EI Sourcebook, which was created by the university of Dundee in partnership with the WB, available at <http://www.eisourcebook.org/>

institutions	<ul style="list-style-type: none"> • GIS training for resource management professionals in Ghana and Malawi (\$175,000) <p>AusAID will also target this chevron through the Government linkages component of the M4D initiative and the Public Sector Linkages Program.</p>
Fiscal design and administration	<ul style="list-style-type: none"> • Support to the IMF Topical Trust Fund on Managing Natural Resource Wealth (\$5m) • Indonesia Government Partnership Fund (\$50m, 2010–2015) <p>AusAID will also target this chevron through the Government linkages component of the M4D initiative and the Public Sector Linkages Program.</p>
Revenue management and distribution	<ul style="list-style-type: none"> • World Bank Extractive Industries Transparency Initiative Trust Fund (\$17.45 million, 2007–15) • Natural Resource Charter (\$0.5m, 2011–2013) <p>Public financial management activities, including:</p> <ul style="list-style-type: none"> • Australia Indonesia Partnership for Economic Governance (\$35.6m, 2009–2012) • World Bank Governance Partnership Facility (\$10m, 2011–13) • Papua New Guinea Sovereign Wealth Fund projects (\$9.5m, 2011–13)
Sustainable development	<ul style="list-style-type: none"> • Community and Social Development Program² (\$22 million, 2012–15) • Research into the gendered aspects of land use agreements (\$30,000, 2011) <p>Environment and climate change programs, such as:</p> <ul style="list-style-type: none"> • Laos hydropower and mining technical assistance (\$3m, 2010–2012) • Strengthening Mongolian capacity to manage ground water resources in the Southern Gobi Region (\$5m, 2011–2015) •

9. The profile of assistance offered through the Mining for Development program is heavily weighted toward building long term capacity in partner countries. Resource rich developing countries face challenges now that will affect their mining sectors, and resource revenues, over the next decades.
10. The Mining for Development program is therefore balancing longer term capacity building with the immediate needs of developing country partners through a range of mechanisms for delivering support.

² This program is in design, with the market likely to be approached in mid 2012. The name of the program will likely change.



11. This proposed activity aims 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, or renegotiation at a later stage.³
12. The focus is on rapid-response advisory services and capacity building for extractive industry resource policy frameworks and transactions, in response to high levels of demand expressed by partner countries. This includes:
 - Contract negotiation for extractive industry transactions (and mutually-agreed dispute mediation, where feasible).
 - 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.

³ Frankel, J. (2010) *The Natural Resource Curse: A Survey*, Discussion Paper 10-21, Harvard Environmental Economics Program.

- Technical assistance on structuring extractive industry licensing rounds, public offerings (tender/auction), and competitive and transparent tender packages to help resource-rich countries optimise the value of national extractive industry resources.
13. The provision of advice in negotiating contracts and structuring license auctions is instrumental in helping resource-rich developing countries to generate optimal returns to their extractive resources. A strong negotiation team is better able to secure a good deal in the negotiating contract terms, in turn leading to a better deal for the host country. This may include greater revenues from royalties and license fees, stronger corporate social responsibility and environmental requirements of companies, and more private investment in infrastructure with provisions for third party or public access.⁴
 14. The types of work this proposed activity would support include: evaluating land concession proposals, drafting exploration license conditions, supporting fee negotiations, reviewing existing agreements before granting extensions, and guiding tender processes.
 15. The outcome expected from this proposed activity is extractive industry contracts and licenses that better ensure that resource-rich, developing countries, and ultimately their citizens, benefit from the development of their mineral resources.

Design options

(a) Do nothing

16. A typical exploration license period is 10–12 years⁵ and an extraction licence is around 30 years. Providing assistance only for long term capacity building in issues such as contract negotiation and licensing, neglects contracts being negotiated today and over the next decade or more. Even if capacity is being built incrementally, and legislation and regulation improved, there will be long term ramifications for the development prospects of resource rich developing countries if contracts and licenses are not negotiated more equitably for the development prospects of the country.
17. The implication therefore of not providing immediate technical assistance is the neglect of contracts currently being negotiated. These arrangements will not benefit from TA that could deliver better terms such as higher royalties, less volatile revenue, greater infrastructure investment and higher standards of CSR.
18. Doing nothing is not a sensible investment option for the Australian aid program.

(b) Deliver bilaterally

⁴ Tordo, S., D. Johnston, and D. Johnston, *Petroleum Exploration and Production Rights: Allocation Strategies and Design Issues*, Washington World Bank, no. 179.

⁵ Comprised of an initial period of 2–4 years with subsequent extensions of 2–4 years for a total period of 10–12 years (the time it takes to prove the economic viability of a deposit). See EI Sourcebook http://www.eisourcebook.org/649_54ContractsandLicenses.html

19. Australia is a world leader in mining regulation and contract negotiation. Australia could directly fund the provision of advisors to provide rapid technical assistance.
20. However, Australia would face a perceived conflict of interest. While the aid program does not seek to promote the interests of Australian (or other national) mining companies, it could be perceived to be the case because some of the world's largest mining companies have Australian affiliations.
21. AusAID support for improved governance in mining benefits the citizens of the partner country above all, however the private sector (both national and multinational) may also benefit from the intended results though a more stable and rigorous investment environment. Where governance and capacity building programs are targeted at an industry dominated by multinational corporations, many with Australian roots, it may be perceived that Australia's aid support is designed to support the needs of business rather than the needs of developing countries and its citizens.
22. This is not the intention of Australia's assistance in mining for development.

(c) Deliver through an existing third party

23. Delivering through a third party avoids the perceived conflict of interest, and avoids duplication. It also increases donor harmonisation if such a mechanism already exists. A multilateral development bank or international non-profit organisation is in a good position to provide this type of technical assistance because they are not associated (optically or otherwise) with particular mining companies or countries.
24. The World Bank and the Revenue Watch Institute have been identified as having suitable skills to deliver the type of assistance required. The World Bank has a long history of working with developing countries to improve their management of natural resources, including mining and other extractive industries. The World Bank is recognised by developing country governments and other stakeholders as a leader in providing rapid assistance to improve governance.
25. The World Bank has strong networks and good relationships with many resource rich developing countries, including those that will be the focus of Australia's assistance in mining. The World Bank has also been rated as 'top performer' in Australia's recent assessment of the performance of multilateral development agencies.
26. However, the World Bank's capacity to engage in the Pacific is weaker as their network is thinner. If AusAID funds the World Bank to deliver this activity, we would support their efforts in reaching the Pacific, which they have identified as a priority region for future support (along with Latin America).
27. Revenue Watch Institute is an international not for profit organisation that focusses exclusively on addressing the problems of countries that are resource rich through technical assistance, research and advocacy. Revenue Watch also works with civil society

and is spearheading a campaign to develop global standards for transparency and accountability in the minerals sector.

28. Revenue Watch's strengths lie in its relationships and standing with the not-for-profit sector, and advocacy; whereas the World Bank has greater ability to deliver and manage technical assistance. Despite the perceived shortcomings of the World Bank's networks in the Pacific, they have more staff than Revenue Watch in the field and in more locations.
29. The Extractive Industries Technical Advisory Facility (EI TAF) is a multi-donor trust fund managed by the World Bank. It facilitates rapid-response advisory services to resource-rich, developing country governments. EI TAF is exclusively for extractive industry contract negotiations and associated policy reforms/frameworks. EI TAF also supports the production and dissemination of global knowledge products on extractive industry sector issues. The objective of EI TAF is to assist resource-rich, developing countries—on a demand-driven basis—to appropriately structure extractive industry development projects and related policies, thereby reducing the risk of costly or politically difficult remediation at later stages.
30. The outcome expected from EI TAF assistance is technical capacity on core mineral development issues that will level the playing field and ensure that resource-rich, developing countries, and ultimately their citizens, benefit from the development of their mineral resources.
31. EI TAF targets the outcome by addressing 'front line' demand for advice and capacity, which is allocated based on demand. EI ATF's activities are:
 - Contract negotiation for extractive industry transactions (or where legally feasible, mutually agreed dispute mediation), including the cost of logistics;
 - Short term capacity building for the members of the beneficiary country's negotiation teams, including studies in preparation for negotiations;
 - Technical assistance for a specific extractive industry transaction under review, to update the policy, fiscal, legal and regulatory frameworks of the country concerned, including revenue management and benefits sharing across levels of government and the community; and
 - Technical assistance on structuring extractive industry licensing rounds, public offerings (tenders and auctions), and competitive and transparent tender packages.
32. Provision of support for rapid-response advisory services is demand driven. Requests for assistance are being and are generated through direct requests from governments, dialogue between World Bank staff (or donors) and countries eligible for assistance,⁶ and linkages with other relevant development assistance.

⁶ Eligible countries include all countries that are eligible of WB and donor assistance.

33. Where requests are competing for available funding, they are assessed against the following criteria:

- Level of political commitment and national ownership—degree of commitment of a government and stakeholders to implement advice and sound sector governance.
- Country capacity needs—the assessed capacity gaps in a country in which the EI-TAF interventions could have a high 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 a demonstration effect to “pull” other countries in the sub-region to adopt sound governance principles.
- Potential for sustainable investment—impact in terms of facilitating sustainable private sector investment.
- Value for Money—overall cost-efficiency of activities, which should aim to ensure value for money, consistent with appropriate standards of quality.

The proposed program

34. Providing assistance through EI TAF is the preferred options for the following reasons:

- The World Bank is the preferred provider because of the relative strength of networks and relationships as well as the longer history of providing technical assistance.
- The World Bank has access to some of the best quality advisors in the world.
- The World Bank and AusAID have a long history of partnership and the World Bank was recently assessed as one of the top performing multilateral agencies that AusAID works with.
- The EI TAF is an existing mechanism that delivers targeted technical assistance in alignment with AusAID priorities
- Administrative burden is low and no new overhead expenses would be incurred.

Country program issues

35. Australia’s Mining for Development program will initially focus the majority of its resources on a small number of countries to avoid fragmentation across activities.⁷ These countries were determined by the levels of need, the significance of mining to the national economy, Australia’s capacity to assist including current relationships and track record, assistance

⁷ The likely initial countries are Afghanistan, Ghana, Mali, Mongolia, Mozambique, Peru and Zambia.

being provided by other donors, and the assessed government capacity and willingness to accept and adopt the assistance delivered. Through donor meetings, AusAID will encourage EI TAF to prioritise these countries.

36. AusAID is providing some mining related assistance to other developing countries. AusAID's representative at EI TAF donor meetings will be mindful of this and encourage support to those countries, which include the Philippines, Indonesia, Papua New Guinea, East Timor, and the Solomon Islands.

Proposed AusAID funding amounts

37. AusAID is proposing to make an initial contribution to EI TAF of AUD \$4.8 million. This would be made up of an AUD \$3.8 million payment in 2011-12 and a further AUD \$1 million in 2012-13. The majority of funds would come from the Mining for Development budget measure and the remainder from the Australia-Africa Partnerships Facility. If EI TAF continues to service AusAID's needs further contributions in future years would be likely.

	2011/12	2012/13
MNR program fund	\$2.8m	-
Australia-Africa Partnerships Facility	\$1.0m	\$1.0m

38. This contribution would make Australia one of the larger donors to EI TAF. The table below shows the commitments made by other donors (as at 9 November 2011).

Donor	Total commitment (\$US million)	Expected Commitment (\$US million)
International Finance Corporation	5.0	2.7
World Bank	1.5	0.5
Norway	3.1	0.0
Switzerland	1.2	0.0

39. EI TAF is currently due to end operations in 2016 and all existing commitments have been allocated to pipeline activities. An AusAID contribution would allow new activities to be added to the pipeline through to 2016.

Implementation arrangements

40. AusAID intends to be an active partner in EI TAF with an ongoing oversight and reporting role provided by AusAID's Mining for Development section. The section will consult with relevant Australian Government and AusAID stakeholders including AusAID posts, country and regional programs, and relevant thematic programs; and whole of government partners.

41. AusAID would participate in the annual EI TAF donor meetings to:

- Review and approve the EI-TAF work plan, which includes proposed activities and estimated budgets;

- Review EI-TAF progress and financial reports;
 - Review the lessons and experiences of the implementation of EI-TAF activities, including results achieved; and
 - Provide strategic guidance to the EI-TAF team on the implementation of activities.
42. The Mining for Development section will assist the World Bank in identifying and engaging demand for EI TAF assistance, particularly for example in the Pacific. In addition, AusAID would review all new EI TAF activity proposals before they are funded.

Monitoring Arrangements

43. On a routine basis, there are three existing mechanisms for donors to monitor the achievements of the EI TAF:
- An annual progress report on EI TAF is provided to donors prior to the annual donor meeting. The report includes: financial details; status of existing activities, completions and pipeline activities; status of existing dialogue with potential partners; emerging lessons and issues; and issues going forward;
 - AusAID can monitor the consistency of individual activities with the agreed strategic direction of EI TAF by reviewing all new activity proposals; and
 - Details of the outputs of each activity are provided to donors at activity completion.
44. AusAID's Mining for Development Section will monitor all outputs and financial arrangements through these mechanisms, at a minimum, and will coordinate with the Africa section and Australia Africa Partnerships Facility managing contractor. If, at any stage, AusAID is unhappy with the performance of EI TAF on a particular project, AusAID can commission an independent review in consultation with the World Bank.
45. EI TAF does not currently have a formal monitoring and evaluation framework. While it is disappointing that the World Bank has not yet established a monitoring and evaluation framework, it is in preparation. The World Bank team who manage EI TAF also implement the World Bank's Extractive Industries Transparency Initiative (EITI) Trust Fund to which Australia will contribute \$17.45 million from 2007 to 2015. The World Bank team are currently developing a monitoring and evaluation framework for this trust fund, and AusAID's Mining for Development Section is a member of the multi donor working group developing the theory of change. The lessons and experiences from the EITI monitoring and evaluation framework will then feed into the EI TAF monitoring and evaluation framework, which faces similar difficulties, including how to appropriately measure and attribute improvements (or reduced declines) to technical assistance outputs.

Risk management

46. Risks will be managed through ongoing oversight, and engagement with partner country governments and the World Bank.

Risk	Likelihood	Impact	Strategy
Monitoring and evaluation framework (MEF) does not come to fruition	Low–moderate	Moderate	AusAID is supporting the development of the EITI MEF through our position as co-chair of the theory of change working group. The Mining for Development section is managing this input, so can push its progress through that channel. AusAID, through its participation in donor meetings will encourage its progress and request frequent updates. Where possible we may consider helping its development.
Outputs do not translate to outcomes	Moderate	Substantial	The World Bank prioritises projects that have political buy in and where they assess a high likelihood of uptake. Despite initial screening, the selected projects may not actually translate into good outcomes if the political climate changes or if the recipient doesn't like the advice. Where projects take place in AusAID bilateral partner countries, AusAID can use its networks to demonstrate support for EI TAF projects and encourage implementation.
Lack of demand	Unlikely	Moderate	The EI TAF is currently fully subscribed and the World Bank reports interest in excess of what they are able to fund. AusAID can stimulate demand by engaging posts to approach ministries of mines in country if there appears to be a lack of demand at any stage.
Geographical spread of EI TAF activities is not aligned to AusAID priorities	High	Low–moderate	It is near inevitable that a multi-donor trust fund will engage with countries that match the priorities of other donors as well as our own. AusAID will not seek to prevent this from occurring, as long as AusAID's target countries are also serviced. AusAID will use its seat in donor meetings to encourage focus on Australia's priority countries and encourage our partners to request support from the EI TAF where needed.
Criticism that support is being delivered through a third party, rather than bilaterally	Moderate	Low	As outlined above (see design options) there are benefits to delivery through a third party in avoiding any perceived conflict of interest, and in avoiding duplication of activity and resources. The risks faced by delivering through an independent third party are considerably smaller than the risk of delivering bilaterally.

Risk	Likelihood	Impact	Strategy
Duplication of other AusAID bilateral and multilateral support	Moderate	Moderate	The more probable areas of duplication are through possible AusAID bilateral activities. The Mining for Development section will endeavour to make all posts aware of EI TAF so that requests for such assistance can be targeted through the EI TAF and avoid being duplicated by other mechanisms, such as Indonesia's Government Partnerships Facility.
Poor value for money	Low	Moderate	The rates paid to EI TAF advisors are typically at the premium or above salary range in AusAID's Advisor Remuneration Framework. However, advisors are procured directly by partner governments, not the World Bank nor AusAID. Given the highly specialised nature of the work and sector involved where multi-billion interests are at play, the rates are considered value for money. AusAID will further encourage EI TAF to pay advisors a competitive market rate.

Annex A: EI TAF description and provisions

Description of Activities and Expenditures under the Multi-Donor Trust Fund for the Extractive Industries Technical Advisory Facility (EI-TAF)

This Annex shall be applicable to and form an integral part of all agreements entered into between the Bank and entities (collectively, the "Donors") that provide contributions (the aggregate of all contributions from the Donors, the "Contributions") to be administered by the Bank for the Trust Fund.

A. DESCRIPTION OF ACTIVITIES

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

(i) Rapid Response Advisory Services

2. Rapid-response advisory service activities will focus on eligible countries with capacity needs in areas such as the following:

- 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 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 EI country concerned, including revenue management and benefits sharing across levels of government and community.
- 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, including the cost of logistics of such negotiations.

3. In general, countries will receive grants under the EI-TAF for rapid-response advisory services. However, where applicable and beneficial, EI-TAF will also provide support to regional and/or sub-regional entities (e.g., ECOWAS, SADC) to address extractive industry policy issues and impacts of oil, gas, and mining developments at the regional and/or sub-regional level.

(ii) Knowledge Management

4. Knowledge management activities will facilitate the gathering and dissemination of good practices in extractive industry sector governance. The focus will be 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 service activities, through publications, workshops and conferences.
- Preparing studies, reports, policy notes and other documents related to EI-TAF activities.

B. IMPLEMENTATION MODALITIES

1. EI-TAF-financed activities will be executed in one of two ways:
 - ***Recipient-execution.*** Countries may receive funds from the EI-TAF for rapid-response advisory service activities.
 - ***Bank-execution.*** This will be primarily for selected knowledge management activities as outlined above.
 - In exceptional circumstances and consistent with Bank policies and procedures, the Bank may execute rapid-response advisory service activities.

C. COORDINATION AND GOVERNANCE

1. The Bank will establish a team in the Oil, Gas and Mining Policy Division that will be responsible for administering the EI-TAF (the "EI-TAF Team"). In connection with this responsibility, the EI-TAF Team will also be responsible for coordination with Bank country teams, other Bank staff, donors, partners, and other stakeholders.
2. The Donors to EI-TAF (the "Donors") will be invited by the Bank to meet at least annually to: (a) review and approve the EI-TAF work plan, which includes proposed activities and estimated budgets; (b) review EI-TAF progress and financial reports; (c) review the lessons and experiences of the implementation of the EI-TAF activities, including results achieved; and (d) provide strategic guidance to the EI-TAF Team on the implementation of the activities. Any changes in activities included in agreed work plans over \$250,000 will be sent to the Donors for approval, unless otherwise agreed.
3. All Donors attending the EI-TAF meetings will be represented by a senior representative. The Bank will also be represented by a senior representative who will also be the chair. Other Bank staff may also attend the meeting. Decision making will be made by consensus of the representatives of the Bank and Donors participating in a physical meeting, or by email correspondence with Donors (within a reasonable period) on a no-objection basis between physical meetings. The EI-TAF Team will manage the no-objection process. The Bank will, within a reasonable time, record the decisions made in the meeting in minutes which will be submitted to the Donors for concurrence.

D. CATEGORIES OF ELIGIBLE EXPENDITURES

1. The Contribution funds may be used to finance the following categories of expenditures for Recipient-executed activities: operating costs, consultant services and training. The Contribution funds may be used to finance the following categories of expenditures for Bank-executed activities: consultant fees; staff costs; media and workshop costs; travel expenses; associated overheads; and contractual services. Staff costs (including staff time and travel) up to twenty percent (20%) of the total amount of the Contributions will be charged to the Trust Fund.

Standard Provisions Applicable to the Multi-Donor Trust Fund for the Extractive Industries Technical Advisory Facility (EI-TAF)

This Annex shall be applicable to and form an integral part of all agreements entered into between the Bank and the Donors that provide Contributions to be administered by the Bank for the Trust Fund.

1. Administration of the Contributions

1.1. The Bank shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2. The Contribution shall be administered in accordance with the Bank's applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank's obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Donor, nor shall it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

2. Commingling, Exchange and Investment of the Contributions

2.1. The Contribution funds shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The Contributions may be commingled with other trust fund assets maintained by the Bank.

2.2. The Contribution funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3 The Bank shall invest and reinvest the Contributions pending their disbursement in accordance with the Bank's policies and procedures for the investment of trust funds administered by the Bank. The Bank shall credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.

3. Administrative Cost Recovery

3.1 In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may deduct and retain for its own account an amount equal to two percent (2%) of each Contribution. In addition, costs for program management and coordination up to a maximum of US\$ 860,000 will be charged to the Trust Fund on an actual basis. If the contributions increase beyond what was originally expected at the time of counter-signature of the first Administration Agreement, and the administrative costs increase as a result, the Donors acknowledge that an additional administrative fee may be applied to such new contributions.

4. Grants to Recipients

4.1 The Bank shall, as administrator of the Trust Fund on behalf of the Donors, enter into grant agreements (the "Grant Agreements") with eligible recipients (the "Recipients") consistent with the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Contributions that all Donors have agreed to make available under the Administration Agreements between the Bank and the Donors. Upon request by a Donor, the Bank shall furnish a copy of the Grant Agreements to the Donors.

4.2 The Bank shall be solely' responsible for the supervision of the activities financed under the Grant Agreements. Subject to the consent of the Recipients, representatives of the Donors may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.

4.3 The Bank shall promptly inform the Donors of any significant modification to the terms of any Grant Agreements and of any contractual remedies that are exercised by the Bank under any Grant Agreements. To the extent practicable, the Bank shall afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

5. Employment of Consultants and Procurement of Goods

5.1 For Recipient-executed activities, the Grant Agreements shall provide that the Contributions shall be used by the Recipients to finance expenditures for goods and services, as the case may be, in accordance with the Bank's Guidelines on "Procurement under IBRD Loans and IDA Credits" and the Bank's Guidelines on the "Selection and Employment of Consultants by World Bank Borrowers," as in effect at the date of entry into the respective Grant Agreements.

5.2. For Bank-executed activities, the employment and supervision of any consultants and the procurement of any goods financed by the Contributions shall be the responsibility of the Bank and shall be carried out in accordance with its applicable policies and procedures.

6. Accounting and Financial Reporting

6.1. The Bank shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

6.2. The Bank shall furnish to the Donor current financial information relating to receipts, disbursements and fund balance in *the holding currency* of the Trust Fund with respect to the Contributions via the World Bank's Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in *the holding currency* with respect to the Contributions will be made available to the Donor via the World Bank's Trust Funds Donor Center secure website.

6.3. The Bank shall provide to the Donors, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising: (1) a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the Bank's external auditors' opinion thereon. The cost of the single audit shall be borne by the Bank.

6.4 If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the Trust Fund established under this Agreement, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the Donor.

6.5 The Bank shall provide the Donor with copies of all financial statements and auditors' reports received by the Bank from the Recipients pursuant to the Grant Agreements.

7. Progress Reporting

7.1. The Bank shall provide the Donors with an annual report on the progress of activities financed by the Contributions. Within six (6) months of the final disbursement date specified in paragraph 8.1, the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

7.2. Any Donor may review or evaluate activities financed by the Trust Fund. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of its policies and procedures. All associated costs shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

8. Disbursement Deadline; Cancellation; Refund

8.1 It is expected that the Contributions will be fully disbursed by the Bank by June 30, 2016. The Bank shall only disburse the Contributions for the purposes of this Agreement after such date with the written approval of the Donors.

8.2. Any Donor or the Bank may, upon three (3) months' prior written notice, cancel all or part of the Donor's pro rata share of any remaining balance of the Contributions that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice, including the Grant Agreements.

8.3. Following the final disbursement date specified in paragraph 8.1, the Bank shall return any remaining balance of the Contributions to the Donors on a pro rata basis based on the Donors' paid Contributions. In the event of a cancellation the Bank shall promptly return to the relevant Donor or Donors, the Donor's pro rata share of uncommitted Contributions in accordance with paragraph 8.2.

9. Disclosure

9.1. The Bank may disclose this Agreement and information on this Trust Fund in accordance with the Bank's policy on disclosure of information, in effect at the time of such disclosure. By entering into this Agreement, Donors consent to disclosure of this Agreement and information on this Trust Fund.

Annex B: EI TAF activities

Table 1: Current Projects

Project Title	Brief Description	Countries/Regions	US\$ 000'
Mozambique: Extractive Industries-Technical Advisory Facility	Aimed at addressing immediate regulatory and capacity bottlenecks towards successful negotiations of new mineral development agreements, the activities under this project include: (a) supporting government's negotiations and technical teams on Chibuto Mineral Sands Project tender; (b) updating mining cadastre to enable issuance of large-scale mining licenses in accordance with regulations; and (c) updating the current legal and regulatory framework for the management of the mining sector.	Mozambique	750
Guinea: Extractive Industries Technical Advisory Facility	Aimed at supporting the government to address key constraints to the realization of proposed large mining investments, specific activities as follows: (a) facilitate consensus and shared vision amongst stakeholders in the development of the mining and hydrocarbon sectors in Guinea; (b) build the capacity of the GoG to review mineral development agreements; and (c) support updating of the legal, regulatory, and fiscal framework in the mining and hydrocarbon sectors.	Guinea	500
Bank executed review of Tonkolili iron ore agreement	Sierra Leone - review of Tonkolili iron ore agreement of September 2010. Now completed.	Sierra Leone	20
Kyrgyz Republic: Mining Sector TA	In the Kyrgyz Republic, EI-TAF financed a full review of the mining investment climate , including a review of licensing, legal, regulatory and institutional arrangements. Based on the review, which was shared with the authorities, a three-day seminar was organized to build capacity around mining legislation, regulations, fiscal arrangements, and on mining tender procedures.	Kyrgyz Republic	500
Pakistan (Balochistan) Technical Advisory Facility	Launched in August 2011, the EI-TAF assistance to the mineral rich province of Balochistan focuses on providing building capacity to one of the country's most impoverished and perhaps unstable regions, where if structured properly, the mining sector could have a significant impact on the economic development of the province and the communities around a mine. As the provincial government embarks on awarding one of the country's first contracts for large-scale mining, capacity building will center on: (a) global norms to establish governance and support policy formulation, leading to strong mineral development agreements and (b) the evaluation of technical reports, including feasibility studies associated with the award of mining concessions.	Pakistan (Balochistan)	500
Rwanda - Support from Extractive Industries Technical Advisory Facility	Aimed at supporting the Government of Rwanda in the preparation, negotiation, and finalization of a Special Hydrocarbon Exploration License (SHEL), this project consists of the following activities: (a) technical advice on drafting and negotiating SHEL; (b) designing an economic/fiscal model to assess the fiscal and financial impact of proposed contract terms under a variety of economic conditions of the Recipient; and (c) preparation	Rwanda	350

	of a medium-term and final report on the final outcomes of SHEL.		
Liberia - Support from Extractive Industries - Technical Advisory Facility	The objective of this project is to assist the Government of Liberia to (a) build capacity with contract negotiations and management of mining concession process, and (b) move identified extractive industries transactions towards contractual close. The Grant will provide technical advice on due diligence and evaluation of mining proposals, make recommendations on selection of proposals and on the required regulatory adjustments to provide level playing field for future investors. It will also provide capacity building to improve sector governance.	Liberia	1,000
Sierra Leone Technical Advisory Facility	The Grant will finance the services of a multi-disciplinary team of five specialists to build capacity of Government of Sierra Leone (GoSL) to review existing mining development agreements and negotiate new ones. The objective of the project is to assist GoSL to build the capacity of the Strategy and Policy Unit to fulfill its function of Secretariat to the Government's negotiating team in the Office of the President.	Sierra Leone	750
Mexico Royalties Reform in Support of New Mining	Building capacity for the implementation of an appropriate and modern royalties system for the mining sector, as the government faces an increased level of in-bound investment to which a future decision on royalty would apply.	Mexico	500

Table 2: Potential Pipeline

[illegible]