

ANNEX TO CHAPTER VI

TECHNICAL ASSISTANCE IN THE EXTRACTIVE INDUSTRIES: SELECTED EXAMPLES

Throughout chapter VI, reference has been made to the importance of developing the capabilities of governments in host countries. Technical assistance by various donor institutions (bilateral, regional and multilateral) can play a useful role in this context. As highlighted by the non-exhaustive examples of technical assistance provided below, various efforts are already under way. There is, however, a need for additional resources as well as better monitoring of the effectiveness of existing assistance programmes. Key areas include strengthening policy and institutional frameworks, capacities of government agencies to address economic, social and environmental concerns, enhancing transparency, revenue management, and the development of more participatory and inclusive mechanisms in decision-making processes.

1. Multilateral institutions

UNCTAD disseminates information about good practices and experiences through a dedicated website (www.natural-resources.org/minerals). *UNCTAD* has helped put in place a regional network for Latin America and the Caribbean with a focus on mineral resources and related sustainable development issues. The network is operated by the Universidad Nacional Mayor de San Marcos in Lima, Peru (www.redlieds.org). A similar African network is expected to be launched during the course of 2007 in cooperation with Mintek (South Africa) and the Southern and Eastern Africa Mineral Centre. In addition, together with the United Nations Environment Programme (UNEP), the ICMM and the Department for International Development (DFID) of the United Kingdom, *UNCTAD* promotes best practices and policies related to environmental management and social issues related to mining.¹

With respect to energy, *UNCTAD* has developed training manuals on the use of financial instruments and hedging instruments. Activities have focused on Africa, with a view to assisting

member States in developing their oil and gas industries (upstream and downstream). Advice is offered on the financing of oil and gas investment, trade and procurement activities, and management of revenues.² Annually, *UNCTAD* organizes an oil and gas trade and finance conference in Africa that brings together major players from the private and public sectors. In the context of revenue transparency, *UNCTAD*'s Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting has been developing and providing guidance on good practices and capacity-building to countries in a number of relevant areas of activity.³ Tailored programmes can be developed to assist government officials and other stakeholders in developing countries acquire the necessary capabilities to ensure accurate and transparent revenue disclosure relating specifically to the extractive industries.

With respect to non-fuel minerals, *UNCTAD* has also engaged in a cooperative project – the Resource Endowment Initiative – with the International Council on Mining and Metals (ICMM) to analyse how some countries and companies have successfully dealt with the “resource curse.”⁴ At the country level, a project concluded in 2007 in Peru sought to establish and apply a framework for multi-stakeholder assessments of development strategies and growth paths, and to identify viable employment opportunities for redundant mine workers, initiate actions to establish new economic activities and promote sustainable commodity production.⁵

The overarching objective of the *World Bank Group* (WBG) in extractive industries is to help ensure that oil, gas and mining contribute to the sustainable development of countries and communities. The Bank (through the International Bank for Reconstruction and Development and the International Development Association) focuses mainly on working with governments in the areas of policy advice, capacity-building and governance issues, including helping to ensure that revenues from extractive industries are used well

(occasionally supporting physical investment such as gas infrastructure). In recent years, the Bank has joined a number of global initiatives intended to address common extractive-industry issues. For example, it is helping more than 20 countries with the practical implementation of the Extractive Industries Transparency Initiative (EITI). Other initiatives include the Gas Flaring Reduction Partnership, which is intended to help overcome barriers to the reduction of gas flaring, and the Community and Small Scale Mining initiative, which addresses issues concerning small-scale mining.

The *International Finance Corporation* (IFC) and the *Multilateral Insurance Guarantee Agency* (MIGA), also part of the World Bank Group, selectively support private sector investment projects through a range of financial products such as loans and equity investments and political risk insurance. Both institutions aim to help investors enhance the sustainable impact of the projects they support by encouraging greater transparency about project activities, including requiring the publication of all payments made to governments. They also work with investors to broaden the development impacts of projects, for example through linkage programmes intended to extend the range and development of local suppliers to mines and oil developments.

The *Commonwealth Secretariat's* Special Advisory Services Division has assisted many Commonwealth Governments to reform and modernize the regulation of their oil, gas and mineral industries. The goal of this assistance is to help governments develop regulatory and fiscal regimes that are investor-friendly, but which nonetheless secure them a fair share of the financial benefits that can arise from oil, gas and mining activity while respecting the need for robust environmental and social safeguards. In the oil and gas industry, assistance has been provided to the Governments of Ghana (to implement reforms of upstream petroleum regulations, Namibia (on reforms of regulatory and institutional arrangements), the United Republic of Tanzania (on petroleum and energy agreements) and Belize (on establishing a transparent system for managing petroleum revenues through a dedicated fund). In the mining industry, assistance in the development and drafting of major legislative reforms in the mining sector have contributed to the Mines and Minerals Act of Botswana and the Minerals and Quarries Act 2005 of the Gambia. The Minerals Commission of Ghana has been assisted in the development of mining regulations, and the Governments of Kenya and Swaziland have received technical support for the reforming of sector policies and legislation.

2. Regional institutions

The *African Development Bank* (AfDB) has been active in the extractive industries for nearly three decades, through its lending and non-lending operations. It has provided various forms of related technical assistance to 11 African countries (amounting to \$680 million), mainly focused on the restructuring and capacity-building operations of State-owned enterprises or the extractive industry as a whole.⁶ Recent reform programmes have stressed pro-poor public expenditures and job creation for vulnerable groups, particularly in the zones where the extraction activities take place. Increased attention is being given to the promotion of better governance, transparency and accountability. Some projects have addressed the social and environmental aspects of extractive-industry development. Consistent with its commitment to transparency, accountability and good governance, the African Development Bank has endorsed the EITI principles and criteria and holds an observer seat on the new EITI Board. In January 2007, it organized the Big Table 2007 jointly with the United Nations Economic Commission for Africa (box VI.7).

The AfDB is in the process of establishing an African Legal Support Facility which will be able to provide technical support in preparing appropriate laws and regulations for extractive industries; review existing legislation to ensure that budget, revenue, taxation and related laws provide for proper public disclosures; offer training workshops for legal and financial advisers to strengthen their negotiating capacities; and give technical legal support in contract negotiations. The AfDB, the World Bank and the Norwegian Agency for Development Co-operation have agreed to increase collaboration in the areas of EITI implementation and small-scale mining, and to support the creation of a geological data base.

Over the past decade the *Asian Development Bank* has undertaken 16 technical assistance projects (worth \$9.8 million) related to reform of extractive industries in six countries: Bangladesh, China, India, Indonesia, Papua New Guinea and Sri Lanka. The Bank has also provided regional technical assistance to study gas transmission and natural gas pipelines in the Central Asian region. During the past decade the *Inter-American Development Bank* has provided six grants worth \$1.8 million for two countries (Ecuador, Uruguay) and for four regional operations to strengthen regulatory frameworks and harmonize markets in the oil and gas sectors. Most of the activities were in connection with loans for gas transportation.

3. Bilateral donor support

Canada has extensive expertise in natural resource development and management, and has supported programmes that have contributed to sustainable mining, oil and gas development, especially in Latin America. During the period 1996–2006, the Canadian International Development Agency (CIDA) provided mineral resources and mining-related assistance amounting to about \$137 million, distributed equally between the oil and gas industry and metal mining. Almost two thirds of this assistance was provided to Bolivia, Pakistan, Peru and South Africa. These investments have included a number of programmes geared towards institutional capacity-building and cooperation, technology transfer, training and consultancy services.⁷ CIDA supports the EITI.

The Government of *France* promotes capacity-building in the extractive industries mainly through training and technical assistance notably to Francophone countries. Under the supervision of the Centre d'Etudes Supérieures Des Matières Premières (CESMAT), training is provided by Ecole Des Mines de Paris and the College of Geology in Nancy to mining-company executives and to public officials in mineral-producing countries. Technical assistance is provided by the Bureau de Recherches Géologiques et Minières (BRGM) in areas such as the development of knowledge of mineral resources and production techniques. Countries that have benefited from French support in these areas include

Burundi, the Central African Republic, Gabon, Guinea, Malawi, Senegal and Thailand.

Norway offers various forms of short- and long-term assistance to petroleum-rich developing countries through its Oil for Development Initiative.⁸ During the period 1994–2004, Norway provided petroleum-related assistance amounting to approximately \$70 million to more than 30 developing countries, 85% of which went to 10 countries: Angola, Bangladesh, Eritrea, Mozambique, Namibia, Nigeria, the Philippines, the United Republic of Tanzania, Timor-Leste and Viet Nam. The assistance focused on competence- and capacity-building on petroleum resources, financial administration and the environment, but did not involve transfers of funds. It provided seminars and exchange programmes aimed at sharing Norwegian experiences, as well as comprehensive and long-term tailored support to selected countries in the form of extensive training and institutional cooperation.⁹ In the next few years, the Oil for Development Initiative is set to expand.¹⁰

South Africa offers various forms of assistance related to extractive industries in several African countries. The Department of Minerals and Energy provides pro bono technical assistance; PetroSA also offers technical assistance within the framework of various joint ventures with domestic oil companies for the exploration or development of the oil and gas sectors in their countries. The Diamond Board helps developing countries to upgrade their systems in order to become compliant with the Kimberley Process Certification Scheme.

Notes

¹ See www.goodpracticemining.com.

² Outside Africa, in-depth advice and training has been provided to GAIL (India) Ltd., one of Asia's leading natural gas companies, on how to improve its financial management by incorporating risk analysis and management in its strategy.

³ These areas include qualification requirements for professional accountants, corporate governance disclosure, accounting and financial reporting of environmental costs and liabilities, as well as accounting and financial reporting by small and medium-sized enterprises.

⁴ Four country case studies, on Chile, Ghana, Peru and the United Republic of Tanzania, form the basis of the project and have been summarized in a separate report (ICMM et al., 2006).

⁵ The project was carried out in cooperation with the Government of the province of Espinar, the local mining company BHP Billiton Tintaya (since July 2006 Xstrata Tintaya) and the Universidad San Agustín in Arequipa.

⁶ For example, the Bank has assisted in the restructuring of large State mining industries in Guinea, Mauritania, Tunisia and Zambia. It has also provided technical assistance in the form of capacity-building programmes and the funding of feasibility studies to countries such as the Democratic Republic of the Congo, Ethiopia, Mauritania, Mozambique, Rwanda, Senegal and Uganda.

⁷ In Bolivia and Peru, CIDA has contributed to the development of effective regulatory frameworks to ensure that investments in

mining, oil and gas contribute to poverty reduction, in addition to promoting stakeholder consultations, better environmental, health and safety management, and responsible enterprise practices.

⁸ A number of Norwegian public and private institutions are involved in the implementation of the programme, including the Norwegian Petroleum Directorate, the Norwegian Pollution Control Authority, the Petroleum Safety Authority, Norway, and the International Programme for Petroleum Management and Administration. Personnel from ministries and from consultancy firms also participate. The content of each programme is tailored to the specific requests of each country.

⁹ An evaluation of Norwegian petroleum-related assistance from the early 1980s until July 2006 was recently carried out using case studies of four countries: Mozambique, Bangladesh, Timor-Leste and Angola (NORAD, 2007). It concluded that support had been successful on petroleum-related technical capacity-building issues but that less emphasis had been put on downstream issues, petroleum economics, health, safety and the environment. The assistance had been more successful in "new" petroleum-producing countries than in the more mature ones.

¹⁰ Its current long-term assistance is focused on the following countries: Angola, Bolivia, Iraq, Madagascar, Mozambique, Nigeria, Sudan, Timor-Leste, Uganda and Viet Nam. Short-term activities will be offered to a number of other countries.