Extractive Industries Review

Consultation on the future role of the World Bank Group in the Extractive Industries

DRAFT

The Extractive Industries Review (EIR)

Regional Consultation Workshop
for Africa

Maputo, Mozambique
January 13-17, 2003

Testimonials and Consultation Report

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Notes

The Extractive Industries Review Regional Consultation Workshop for Africa was held in Maputo, Mozambique, 13-17 January, 2003. This report was prepared by the EIR Secretariat to summarize the views of workshop participants, but neither endorsing nor contradicting them.

As in common usage, unless otherwise indicated, use of the terms 'World Bank' or 'the Bank' refers to the International Bank for Reconstruction and Development (IBRD) and International Development Agency (IDA). International Finance Corporation and the Multilateral Investment Guarantee Agency are referred to as IFC and MIGA, respectively. The term 'World Bank Group' (WBG) is used as a collective term for all the above institutions.

Abbreviations

ASM	Artisanal and small-scale mining
CAO	Compliance Adviser/Ombudsman
CAS	Country Assistance Strategy
CASM	Communities and Small Miners Initiative
EI	Extractive Industries
EIA	Environmental Impact Assessment
EIR	Extractive Industries Review
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
FEX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Countries Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Agency
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
IPO	Indigenous Peoples' Organization
OED	Operations Evaluation Department
OEG	Operations Evaluation Group
OEU	Operations Evaluation Unit
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
NEPAD	New Partnership for Africa's Development
NGO	Non-Government Organization
PRSP	Poverty Reduction Strategy Paper
SADC	South African Development Committee
SME	Small and Medium-Sized Enterprise
UN	United Nations

WBG	World Bank Group

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Further information on the EIR website (www.eireview.org)

1. Introduction

The Extractive Industries Review (EIR) Regional Consultation Workshop for Africa took place in Maputo, Mozambique, January 13-17, 2003. This was the third in a series of five multi-stakeholder consultations convened to discuss the role of the World Bank Group (WBG) in the extractive industries (EI). The workshop was to analyze the involvement of the WBG in the oil, gas and mining sectors of the region and whether these activities were compatible with their overall mission of poverty reduction and sustainable development. Over one hundred participants attended the workshop, representing civil society (non-governmental organizations, community-based organizations and labor unions), government, industry, academia, and the WBG itself.

The formal three-day consultation was preceded by a two-day open forum for civil society testimonials, voluntary information exchange with WBG staff, and presentations on global energy by industry. The subsequent workshop sessions were only open to participants who had been invited or 'self-selected'[1]. These sessions featured presentations from the WBG on its policy and strategy for the extractive industries (EI) in Africa, and discussions on specific cases and lessons learned from Bank-sponsored oil, gas and mining projects in the region. Drawing on discussions, participants identified a set of action-oriented recommendations on key issues of concern if the WBG were to continue actively supporting the extractive sector in Africa.

The process was guided by the EIR's Eminent Person, Prof. Dr. Emil Salim. Conclusions from the Africa Consultation will be used as inputs for the final EIR report, to be presented to WBG President, James D. Wolfensohn, in December 2003. In line with the EIR's mandate, note was taken throughout the workshop of dissenting views, which will be taken into account in the final report.

Additional material from the Africa Consultation, including participant's testimonials, case studies and presentations, is available on the EIR website: www.eireview.org

[1] 'Self-Selection': the self-selection process allows civil society to nominate twenty-five participants from a variety of non-governmental organizations to represent their interests at the formal 3-day sessions of the consultation workshop. For the Africa workshop, this process was coordinated by Abdulai Darimani, of Third World Network-Africa (TWN-Af).

Part One: Open Forum

2. Welcome from Eminent Person, Prof. Dr. Emil Salim

Dr. Salim welcomed participants to the open forum of the consultation by outlining the purpose of the workshop. He said it was, first, important to actively involve the three main stakeholders - government, business, and civil society – on equal terms if development objectives were to be realized. Second, the common focus for all stakeholders was to promote sustainable development and achieve poverty reduction by 2015, as set out in the Millennium Development Goals (MDGs). Understanding this in terms of EI, the task at hand was to analyze the role of the WBG (WBG), and whether its involvement in the sector was consistent with these goals. Stakeholders would identify possible areas of consensus, while significant alternative or dissenting views would be recognized. On the basis of a better understanding, it would be possible for the EIR to improve WBG projects, policies, and procedures to ensure its future role in the extractive sector, be different from the past.

3. Civil Society Testimonials

Testimonials were designed for civil society to share their experiences of extractive industry projects in the region, in a frank and open environment. Topics presented included: the social and environmental impacts of a geothermal plant on local communities in Kenya; disputed human rights violations surrounding the development of a gold mine in an area of small-scale mining (SSM) in Tanzania; the work of the churches in Africa on oil and poverty alleviation; the impact of oil developments in the Niger Delta in Nigeria; and economic, social and environmental concerns relating to the Chad-Cameroon pipeline project.

Olkaria Geothermal Project, Kenya

Testimony from the Centre for Minority Development, in Kenya, outlined the impacts of the Olkaria Geothermal Plant, in Eburu Naivasha, Kenya on surrounding communities[2]. Key findings from research conducted by the organization highlighted environmental, social and legal concerns affecting the Maasai population living in the vicinity of the plant. The World Bank was blamed for indirectly funding the project with no follow-up; initial financing extended by the Kenyan government to the Olkaria plant was sourced from World Bank funds.

Background

The speaker commented that extractive industry developments worldwide have been attributed to economic and social progress, and, particularly for Africa, are seen as a means to achieve poverty alleviation. The development of safe and clean methods of electricity

[2] 'Kenya's Time Bomb - Development Against People: The Case of Eburu Maasai', Adam Hussein Adam, Centre for Minority Rights Development, Kenya

generation, such as geothermal, has been encouraged for many developing countries. In that context, the largest and longes running geothermal plant in Africa today is the Olkaria I plant, which along with Olkaria II (under construction) and the Olkaria III pilot plant, is located in Eburu Naivasha, Kenya.

Environmental Impacts

The main environmental impacts documented by the organization were said to result from the toxic emissions and effluent produced by the plant that was discharged into the surrounding area. Poor maintenance of pipelines had led to frequent noxious gas emissions from burst wells. The community had complained of chronic skin diseases, and reported the mysterious death of livestock, understood to be caused by the seepage of unknown contaminants into feeding grounds. It was concluded that the methods of surface waste disposal employed by the operating company, KenGen (Kenya Generating Company), were to blame for discharging a large quantity of toxic waste into the environment from evaporation and seepage.

Social Impacts

Other major concerns related to inadequate social provisions for the local community. According to members of the community living at Olkaria, the company had promised to employ local workers. But with each expansion of the project, this had failed to happen and, out of a KenGen workforce of 428, only 2 are Maasai. While the community has access to water, the area is without roads, schools, health clinics, or electricity, despite being situated in an enclosed area within the plant.

Legal Concerns

The third issue highlighted by the organization related to contention over land rights. The land leased to the Longolot company in 1906, and later used for the development of the Olkaria plant, had long been occupied by the Maasai community. The community was never consulted on the expropriation of their land and, in recent years, the demand for additional land, to accommodate expansion of the plant, had come at their further expense. It was argued that this had resulted in the marginalization and widespread unemployment of the Massai, as a loss of pastureland had forced many to abandon their traditional livelihoods. When the land leasehold expires in 2005, and it is unclear who will become custodian of the area. The Maasai community is demanding inclusion in the land ownership based on ancestral land rights, but it was claimed this had caused the company some anxiety, hence constant threats were made to evict the community.

The community lives under constant threat and the organization would like the situation fully investigated. The speaker complained of the difficulties they have encountered accessing information relating to the project, as much of it is undisclosed. Their aim is to engage the new Kenyan government in tackling the issue to ensure it is resolved. The organization concluded that the project was a classic case of ‘development against people’.

Bulyanhulu Gold Mine, Tanzania

Testimony by a representative of the Lawyer’s Environmental Action Team (LEAT), from Dar Es Salaam, Tanzania, described the organization’s campaign on behalf of a small-scale mining community displaced by the development of the Bulyanhulu Gold Mine, in northern Tanzania[3]. The speaker challenged the rationale of the World Bank Group's support for corporate mining investments in Africa, and elsewhere in the World. Bulyanhulu Gold mine was cited as a premier example of where the involvement of multinational corporations in natural resource development had led to the further impoverishment, marginalization and violation of rural communities living in mineral rich areas.

Background

The speaker testified that in August 1996, security forces of the Government of Tanzania, in cooperation with the Canadian mining company, Barrick Gold (who acquired Sutton Resources, former owners of the mine, in 1999), forcibly removed artisanal miners, farmers, and their families from the area of Bulyanhulu in less than a week. This was the culmination of a two-year struggle between the community, the governments of Tanzania and Canada, and the company, and many artisanal miners were alleged to have been killed.

The Role of the World Bank Group

Since the early 1990s, the WBG have been involved in the mineral policy sector in Tanzania. In 1990, Chilean consultants were hired to work on opening up the country's mineral sector leading to the 1993 Mineral Sector Development Project, which proposed fiscal reforms (e.g. tax and duty exemptions) and mining law reform (e.g. 3% tax on mineral royalties) to facilitate investment in Tanzania's mining sector. Barrick Gold acquired the Bulyanhulu Gold Mine through the acquisition of Sutton Resources and its subsidiary, the Kahama Mining Corporation (the company who ran the Bulyanhulu Gold Mine) in 1999. MIGA extended a political risk insurance guarantee to the company in August 2000, amounting to $172 million, the largest guarantee they had ever made.

Contested Mining Rights in the Bulyanhulu Area

Since 1980, the government had legally set aside the Bulyanhulu region as an area for the sole use of artisanal miners, said the speaker. Artisanal mining at Bulyanhulu had been very productive; from 1990-1994, figures suggested that $7 million had been generated in export earnings from gold sold by artisanal miners to the government. The legal status of Bulyanhulu as a preserve for artisanal miners remained intact until 1998, when the old law was replaced by the new Mining Act. Therefore, argued the speaker, the operating license extended to Sutton Resources by the government in 1994, was contrary to the law in force at the time, and therefore illegal. The license did not specifically mention the Bulyanhulu area; rather, the region was described as the Butobela Area in Geita District (Geita District is in Mwanza region while Kahama District, of which Bulyanhulu is a part, is in Shinyanga region). The speaker implied that the government had used this as a way of circumventing the previous legislation to allow the Canadian company to go ahead with the development of the gold mine. Barrick Gold's license was renewed in 1997, despite the events of August 1996.

[3] 'Robbing the Poor to Give to the Rich: Human Rights Abuses and Impoverishment at the MIGA-backed Bulyanhulu Gold Mine, Tanzania', Lawyer's Environmental Action Team (LEAT), Tanzania

Eviction of Local Community

In June 1995, the Canadian company took the miners to court and the government was asked to issue eviction orders to the people living in the area. The High Court of Tanzania did not agree, and issued an injunction stating that the evictions could not go ahead until a special constitutional court was convened to hear the case (September 1995). LEAT contested that official economic assistance to Tanzania was withheld by Canada in December 1995, pending the Tanzanian government's removal of artisanal miners from the site, in favor of the Canadian company. In July 1996, the Minister for Minerals issued an order for community to move from the area within thirty days. Miners were then immediately evicted. In August 1996, a court injunction, broadcast on national radio, ordered the government and the company to cease the evictions. Despite this, the regional police commander followed the government's instructions to move the community, and from August 7, 1996, the mine shafts were filled by bulldozers to prevent the miners from returning. The Tanzanian press published a report a few days later stating that dozens of miners had been killed during the mine fill, but despite the existence of photographs of the dead, the government claimed that there had been no casualties for five years. When the government admitted there had indeed been a few deaths, the deceased miners were described as bandits who had been beaten to death by their own community, said the speaker.

Lack of Compensation for Displaced Miners

In the Tanzanian mining law, compensation is required for communities displaced by mining activities. The speaker asserted, however, that there was no evidence to suggest compensation had been forthcoming from the company. The Chairman of Sutton Resources had outlined the development of a $3 million program to assist the displaced miners find new mining grounds, but this program was shut down by the Board of the company, testified the speaker. Barrick Gold will meanwhile enjoy profits of $3 billion from the mine, and the government of Tanzania will receive $5 million a year, for next 15 years, in revenues.

Complaint to the Office of the CAO

In August 2001, LEAT approached the office of the CAO to lodge a complaint. The CAO said it did not have a mandate to investigate the killings themselves, and no reference could therefore be made to them in evidence submitted to their office if they were to investigate. Accordingly, a complaint was submitted, in January 2002, with references to the killings omitted[4]. In March 2002, the CAO sent a two person team to Tanzania to investigate the complaint. For four days, they held meetings with hundreds of villagers. After the visit, no word was received from the CAO for six months and the office did not reply to letters sent by the speaker. In October 2002, the CAO's report[5] was released, stating that the allegations could not be proved and that licentious accusations had been

[4] Complaint by LEAT, on their own behalf and on the behalf of their clients, communities of former small-scale miners and landholders of the Bulyanhulu area organized under the Bulyanhulu Small-Scale Miners' Committee, Lawyers' Environmental Action Team (LEAT), January 14, 2002

[5] Assessment Report Summary: Complaint Regarding MIGA's Guarantee of the Bulyanhulu Gold Mine, Tanzania, October 29, 2002

made against a reputable company. The CAO said it had asked for a list of names of the dead miners, but that LEAT had not been forthcoming. The speaker claimed they were blindsided, as they had been prevented from submitting evidence associated with the killings from the outset, and then told they had failed to prove their case. To their knowledge, fifty-four miners had died and they did have a complete list of their names[6].

Economics of Bulyanhulu

Up to 1994, most Tanzanian gold exports originated from the Bulyanhulu area, and the local economy had boomed as a result of small-scale mining activities. Indeed, by the mid 1990s, artisanal mining in Tanzania employed between 500,000-900,000 people, with an estimated three additional jobs for each worker engaged in artisanal mining. According to Barrick Gold, between 30,000 and 400,000 people were moved from the area. The figure shows a huge discrepancy as, in reality, asserted the speaker, 200,000 were driven out of the area, and 300,000-350,000 faced eviction. Settlements were destroyed and livelihoods terminated with no compensation going to affected communities.

The company employs 900 people, of which 300 are South Africans, Canadians, and Australians; very few workers are employed from the local community. In company reports, and reports to MIGA, the company says income rates have soured since the establishment of the gold mine. However, no independent commission has been set up to investigate the allegations of human rights violations, and the Bulyanhulu area is now far poorer than it was before, argued the speaker. While the company say they have built a pipeline from Lake Victoria serving 30,000 villagers, the town closest to the mine has 12,000 resident, yet they have never seen a drop of water. Another community of 5000-7000, near the mine, draw water from the river. The company have built a hospital, but it is within the mine complex, and villagers have to negotiate security checkpoints and pay 300 shillings if they need to see a doctor.

Conclusions

The conclude, the speaker argued that the World Bank Group’s strategy for creating a climate for foreign investment through reform of a country’s mining sector, while helping foreign investors profit, undermined any possibilities for poverty alleviation by developing internal capacities within a country. Activities, such as artisanal mining, could perhaps make a greater contribution to the social and economic development of local communities and the nation. Through their involvement in reform of Tanzania’s mining sector, the WBG shared responsibility for the egregious example of abuse demonstrated at Bulyanhulu, where violations needed to be investigated in a transparent and thorough manner. As they argued in their complaint to the CAO, it was imperative that the WBG not send the message that possible improprieties during project preparation were acceptable, provided they occurred prior to the Bank’s involvement, or the ownership of the final project sponsor.

Continued with Testaments from Local Communities:

[6] ‘Names of Persons Alleged to have been killed in the Bulyanhulu Evictions, August 1996’, submitted by LEAT

Zephania Luzama was born in Tanzania in 1926, and later moved to a village in the Shinyanga region to dig for gold. From 1986-1996, he was the owner of eight mine shafts which were very profitable and enabled him to construct four large houses in the Bulyanhulu area. He was Vice-Chair of the Shinyanga Regional Miners Association and a member of the Bulyanhulu Small-Scale Miners' Committee. In 1996, the Regional Commissioner made a public announcement that all the mine shafts were to be closed, and people had to vacate the area. To his knowledge, his operations were legal as his mining license had been authorized by the previous government, and the local small-scale mining committee facilitated the sale of his gold to the Central Bank of Tanzania. Allegations that this committee was run by crooks exploiting small-scale miners was not true – the committee paid taxes to the government and the sale of gold to the Central Bank was supervised efficiently. He personally witnessed the events of 1996, where he lost two adopted sons, who were buried in mine shafts filled in by the bulldozers. At the time, a journalist was shown around the scene by the villagers, and they counted eleven dead bodies in different localities. His properties were also destroyed by the bulldozers and his mine shafts were filled, leaving him with no income. He has received no compensation and Tundu Lissu is the only person who has ever interviewed him on the events of 1996.

Melania Baesi was born in the Bukoba District of Tanzania, in 1948, moving to the Bulyanhulu area, in 1994, with her husband, who was a gold dealer. In 1996, she opened a mine shaft, which started producing gold in April of the same year. In July 1996, they heard that the Regional Commissioner had issued an order for people to stop their mining operations at Bulyanhulu with immediate effect. A few days later, a radio broadcast stated that the High Court had issued an order against the evictions of the miners, and her two sons returned to the mine shafts to continue mining operations. In August, when the mine areas were bulldozed, she heard that her two sons were among those buried alive in her mine shafts in the Kakola village. Her sons were 20 and 16. The police beat people who tried to prevent the bulldozing of the mine shafts, and after what happened they were too scared to report the incident to the police. They had since received no compensation for the houses they lost and the mine shafts that were destroyed. She wants to give her sons a decent burial, but they have not been able to return to the place where her mine shaft was situated as the area has been fenced off by Kahama Mining. The company claim they have built people houses, provided HIV/AIDs assistance, and provided water and health facilities. But there is no water; they use water from the river or buy cans of water for 100 shillings. There is no electricity in the town; the people who have electricity have their own generators. And, for HIV testing, locals have to pay 1000 shillings - it's not free.

Maalim Kadau, from Zanzibar, migrated to the Bulyanhulu area, in 1979, to mine gold. Being a costly exercise, many people sold livestock to raise the necessary capital to commence mining operations. They had the official permission of the government to mine, and a committee of small-scale miners was founded, which he was elected to lead, and it was supervised by the Area Commissioner of the Kahama district. The committee organized revenue payments from the mining activities, to the local government, as well as the national government. In 1995, the company tried to sue them, and the case went to court in 1996 (Maalim Kadau, and sixteen others, v. the Kahama Mining Corporation Ltd). A High Court order held that the miners should not be removed, but the mining corporation, backed up by the police, went ahead, evicting miners from the area, bulldozing their houses and sealing up the mine shafts. Even houses located outside the mine area were demolished. The speaker was not in the village when the events took place in August 1996, but when he returned, people told him what had happened. The original number of people believed to be buried in the mine shafts was 52, but this number has increased as more people have come forward to report missing relatives. He commented that there was another shaft where there were 17 bodies buried; this was known because the miners had left behind their clothes before they went into the mine. He argued against claims that the deaths were caused by unsafe mine shafts; prior to this incident, there were only ten recorded deaths from mining accidents. The speaker maintained that the poverty of the community had increased, despite the company's claims that the region had benefited from the gold mine. Many people, formerly engaged in artisanal mining, had lost everything; it took 10-15 million Tanzanian shillings to open and operate a mine shaft, and people sank substantial funds into gold mining before they received any returns from their investments. The community are now under the impression that they have no rights to areas of mineral resources. Since the concession area owned by Barrick Gold is so large, local residents would like to be granted access to the land to use for farming and small-scale mining activities.

Oil Developments in Congo-Brazzaville

A priest, and member of the LOEMBE Peace and Justice Commission, gave testimony on the position of the church with regard to oil developments and poverty alleviation in Central Africa.

The Peace and Justice Commission is an Episcopal commission of the bishops and pastors of Congo. The Bishops issued a declaration last year, entitled 'Le Petrole et La Mission de l'Eglise'[7], and also wrote a personal letter to the President of the Republic, Denis Sassou Nguesso. They were looking to the future, not the past. Why was Congo-Brazzaville so poor, when it is a small country, of three million people, with abundant riches in the form of oil reserves? The World Bank allows people to dream that, by 2015, poverty reduction and sustainable development will be achieved. It is by entering into this logic that Congo-Brazzaville can be humanized, and it is in that context the position of the Church can also be understood. They commend the World Bank for organizing meetings such as these as it is clear they, too, are looking to the future and have good intentions. But these good intentions must correspond to the realities of putting them into practice in the field.

Oil Development and Poverty

When the WBG financed the N'Kossa oil field in the Congo, it raised high hopes for the development of the country. The speaker emphasized, however, that the main problem was the political environment in which such support was given. The Congolese people do not know much about what the country receives in oil revenues, and know even less about revenue management. What they do know, is that the price of oil is measured, not in barrels or dollars, but in suffering, misery, successive wars, displacement, exile,

[7] Declaration des Eveques du Congo sur « Le Petrole et la Mission de l'Eglise au Congo », Conference Episcopale du Congo, Brazzaville, June 10, 2002

unemployment, delay of salaries and non-payment of pensions. There are no roads connecting the 500 km distance between the two largest towns in the Congo, Pointe-Noir and Brazzaville. Schools are derelict; the Commission for Justice and Peace just completed a study at Pointe Noir on the numbers of public schools where children have to sit on the floor. Yet, it is well known, said the speaker, that since 2000, the Congo has become the third largest oil producer in the Gulf of Guinea, after Nigeria and Angola. The Church has little power to take a position with regard to oil in Congo Brazzaville, yet they have seen, and experienced, the situation on the ground, and have themselves been victims. Between the oil companies and the government, is the National Petroleum Society of Congo (SNCP). No one understands exactly what they do, which only adds to the ambiguity of the situation. SNCP has four people in charge of managing oil affairs, and is headed by new President of Congo Brazzaville, Denis Sassou Nguesso. When the Board of the SNCP published their fourth report, it was an accounts statement for 2001, not for 2002. It, therefore, revealed nothing; neither the real figures, the share of oil, nor how much the country receives in revenues.

Participation of Civil Society

The speaker underlined the mission of the World Bank. Its work is not like that of a commercial bank. The World Bank has a global mission for an economy shared by all, consistent with universal rights to the land, social justice and the dignity of man, as in the preamble to the Universal Declaration of Human Rights. The World Bank has a heavy weight to bear and must take note that the Congolese people are dying from hunger. In this context, and partly after looking at the situation in Chad, the Bishops of Congo propose the establishment of a revenue management committee, and law, and would like to see the church involved in this. The bishops of Central Africa also published a declaration, where they highlighted the contrast between the wealth of natural resources in Central Africa, and the extreme poverty of its countries. The church wants the WBG and African governments to work more closely with civil society, to open up a dialogue and ensure its participation in their contracts. Africa states and oil companies must also operate with an ethic that is currently lacking. There is also the question of Congo’s debt burden: the church does not propose annulling the debt, but rather that it be reconverted to allow the government to increase social spending, to develop roads, schools, and hospitals.

Social Impacts and Instability

The speaker went on to outline the negative effects experienced in Congo from oil development. Experts maintain that the exploitation is offshore, with minimal impacts to the mainland. In reality, this is not the case. The large, offshore developments are operated by major oil companies, but inland, various indigenous companies carry out oil exploitations and it is not known whether they comply within acceptable operating norms and regulations. Meanwhile, near Pointe Noir, the air quality has deteriorated; fishing has been affected; and turtles have disappeared from the sea. Local people see fire at sea (from gas flaring) but do not understand what is happening. Congo Brazzaville is extremely unstable: the railway that transports gasoline between Pointe Noir and Brazzaville, has become a center of tension, where bandits reek havoc. There is a feeling that violence in Brazzaville could explode at any time. People disappear – all this in a climate of impunity. This was the reality of Congo Brazzaville, asserted the speaker.

Looking to the Future

The joint declaration, issued by the bishops, was the first of its kind. It accorded with the World Bank's mission for poverty eradication and sustainable development by 2015, but there is little confidence that this will happen. Regarding the management of Congo's oil revenues, the SNCP was viewed with great suspicion, and they would like to see it independently audited. It would be difficult to achieve transparency given the lack of public information disclosure, and the World Bank had little leverage over the Congolese State, Parliament, laws and the Board of SNCP, which continued to be an obstacle to transparency and good governance. The church would like to see change: the President judged his predecessors on the mismanagement of Congo's oil, and they would like to hold the new administration accountable to improving the situation.

Niger Delta Revolving Credit Facility, Nigeria

Giving testimony on the World Bank Group's involvement in the Niger Delta, a representative from Environmental Rights Action, began with a reference to a conference convened by the World Bank, in 1995, to discuss environmental impacts on the region. Extensive studies had been undertaken by the World Bank, and at the conference, their representatives argued that neither oil spills, nor gas flaring, were a major environmental problem for Nigeria. It was said that the tropical location of the Delta meant that any crude oil spills evaporated quickly, and seasonal flood waters washed away any excess oil that did not evaporate. Bank representatives also argued that the chemicals released from gas flaring in the region, were not toxic to health. The World Bank's main worry was global warming, but they maintained emissions in Sub-Saharan Africa were low enough not to be of immediate concern. The speaker commented that, fortunately, Nigeria's own world-class environmental experts contradicted the World Bank's position, and were able to set the record straight.

Background

During the military regime in Nigeria, the World Bank withdrew its support; but, with the new democratic government in place, there was space for the World Bank to re-engage. With the population of Nigeria totaling over one hundred and twenty million people, a large proportion of whom are estimated to live in extreme poverty, this was seen as an opportunity for the World Bank to fulfill its commitment to poverty eradication and develop programs in Nigeria to achieve this. One of the major projects developed by the World Bank was in partnership with Shell - the Niger Delta Contractor Revolving Credit Facility. This project, for which the IFC invested $30 million, was set up to provide capital financing to small and medium-sized Nigerian contractors, to work with the oil industry.

Oil without development

Firstly, discussing Nigeria's oil sector, the speaker raised questions regarding the real impacts of the oil industry on Nigeria's development. The country is the sixth largest exporter of crude oil in the World, producing at least two million barrels every day. They find this to be a conservative estimate, as the companies controlling the export terminals are believed to export above this figure. Billions of dollars in revenues accrue to the Nigerian government, yet the country remains one of the poorest in Africa; developmental indicators are low and demonstrate that Nigeria has made little progress on health, education, access to water or infrastructure development, despite huge investments in the oil and gas industry. Competition over access to oil, and the rents that accrue from it, are the root cause of Nigeria's problems, argued the speaker. Indeed, in their view, the whole country has become a victim of the poor management of the oil sector.

Collapse of agriculture
Nigeria once had a booming agricultural sector, exporting large quantities of cash crops, such as cocoa, ground nuts and palm oil, as well as fruit. Today, the Nigerian agricultural sector has collapsed, as successive governments, whether military or civilian, have had no incentive to develop it; they do not depend on taxes from farmers, or benefit from large revenues from the sector. The government have, therefore, allowed the economy to become dependent on the oil industry, to the detriment of the Nigerian people, argued the speaker.

In the past, people in his community, in the Niger Delta, were poor, but never hungry, as the fertile wetlands supported many farmers and fishermen, and their families. Children went to school, and many went on to universities in Nigeria, and abroad, in Europe and North America, as their families made enough income from farming and fishing to pay the fees. Today, said the speaker, not one person in his village of four thousand people, relies on fishing for their survival, as the industry has totally collapsed. For the past thirty years, oil spills have contaminated the waters; water channels built by the oil companies have linked freshwater systems to saltwater from the Atlantic, destroying ecosystems on which fishermen depended; and atmospheric toxins from gas flaring have corroded corrugated iron roofs on people's houses, as well as their vehicles. Despite the apparent plenty, there is still mass poverty in Nigeria. For this reason, people are concerned when the World Bank returns to Nigeria to eradicate poverty in partnership with oil companies, like Shell.

Questioning the involvement of the IFC
Referring to the IFC's investment in the Niger Delta Contractor Revolving Credit Facility, with Shell, the speaker commented that the IFC exists under the mandate of the WBG to relieve poverty. As such, their concern was to see the IFC in partnership with Shell, without addressing the legacy of Shell's involvement in Nigeria, said the speaker referring to claims of human rights violations and lack of compliance with minimal environmental standards. Nigerian contractors had not benefited, as promised, from the credit facility, and local conflicts were rife, as impoverished communities, whose livelihoods have been destroyed, scrambled for contracts for jobs, he maintained.

Complaint to the CAO
They made a formal complaint to the office of the CAO, and took the assessment team on a tour of problem areas in July 2001. They visited Ogbudu to witness a fresh oil spill from Shell, that had contaminated the community's water supply; they visited Ogoniland to see the impacts of Shell's activities on the area; and to Nembe to see the destruction caused by

community conflicts. At the time, the CAO, Meg Taylor, told them she was very concerned. But, the report then issued by her office told them how Shell had improved its image; how the company was highly regarded globally; how Shell were a victim of the Nigerian crisis; and the company was just doing business. The organization were not satisfied and asked for a delay, or moratorium, on projects. The CAO, instead, suggested opening up a dialogue process, but have since been inactive on the issue, said the speaker. Considering the difficulties his organization experienced communicating with the office of the CAO, and the CAO's delay in accessing relevant project information from the IFC, the speaker questioned the general effectiveness of the office. In their view, it implied that the IFC, and WBG in general, were not interested in addressing civil society concerns, but, rather, were more interested in profit-making. According to the speaker, the IFC had acknowledged the reputational risk of partnering in the project with Shell, and had ignored standing social and environmental concerns in extending financing. In conclusion, the speaker contested the validity of the credit facility as a project in the interests of relieving poverty, given the level of suffering experienced by communities from oil developments in the region.

Church Advocacy on Oil in Africa

Testimony from the Africa policy adviser for Catholic Relief Services (CRS), based in Washington DC, gave an overview of the campaigns being led by the transnational network of churches in Africa, on the impacts of EI in the region, specifically relating to the environment, human rights, and poverty.

Background

CRS is the overseas relief and development agency for the US Catholic Church, with offices in 80 countries around the world, including 30 countries in Africa, and with an annual budget of $800 million. The organization supports the work of local partners in various countries in Africa, including: Sierra Leone, on the management of diamond revenues in a post-conflict climate; Nigeria, with the Centre for Environmental and Social Responsibility, on oil issues; Congo Brazzaville, on advocacy and research; Sudan, on oil and conflict; and Angola, on transparency and corruption issues. This work is an example of the growing transnational church network, working in consultation with organizations in the North.

The role of the African churches

The speaker referred to the statement, discussed in previous testimony, released by the bishops in Central Africa[8] on oil developments in the region. It was, he said, an act of bravery given it was issued in Equatorial Guinea, where almost all CRS's partners are now in prison. He continued that this new awareness was driven by the religious, moral, and social mandate of the churches, and that the concepts of just stewardship of resources, integrity of creation, and preference for the poor played a large part in the churches' involvement. Their work was explicitly an anti-poverty activity and, therefore, very much

[8] 'The Church and Poverty in Central Africa: The Case of Oil', The Association of Episcopal Conferences of the Central African Region (ACERAC). French version: 'L'eglise et la Pauverte en Afrique Centrale: Le Cas du Petrole', Association des Conferences Episcopales de la Region de l'Afrique Centrale (ACERAC)

in line with the current discussion on the mandate of the World Bank towards poverty reduction.

Extractive industries and the poor

Most statements by the churches in Africa do not state that natural resources should be left in the ground, but rather that they should be developed in a socially and environmentally responsible way. Despite World Bank and IMF proclamations to the contrary, there is increasing evidence that the poor are often worse off in oil and mineral dependent states. The speaker referred to the recent Oxfam study that identifies the link between poverty and natural resource development[9]. This made the advocacy being done by the churches, on EI and poverty, all the more important.

Examples of church advocacy

One example of the churches' advocacy in Africa was the Chad-Cameroon pipeline project. In 1999, the Catholic and Protestant bishops in Cameroon, issued a joint declaration on the project voicing their concerns over environmental sustainability, community compensation, revenue management, and the meaningful participation of civil society in project planning. The bishops felt the Christian churches could not be indifferent to a project that would impact on the lives of so many, and that promised to generate huge revenues to help relieve poverty. The speaker added that the churches' objectives echoed those of the World Bank, but it was clear certain requirements had to be fulfilled to ensure poverty reduction was a reality, not an ideal.

The churches called on all major parties involved in the Chad-Cameroon pipeline project, to be guided by the principle of social justice. In 1999, they recommended that an independent commission be created to examine the ethical-legal implications of the project, prior to its approval in 2000. Since the project was approved, CRS has continued to work with local church partners and environmental organizations. In Cameroon, they fund an independent pipeline monitoring project, that works with local communities, their priests and leaders to monitor the effects of the pipeline development and disseminates information on its progress.

The second example given described the issue of oil in the war in Sudan. The message from the churches in Sudan had been very clear; that oil exploitation should cease until there was an end to the war. The same message has been communicated to various members of the international community; most notably the Canadian company, Talisman Energy, who have been a major target of advocacy due to their oil investments in Sudan. The bishops there maintain that oil developments in the country have only increased the suffering of the people, and have led to massive displacement and violence. The speaker commented that private companies, like any other organs of society, are obliged to abide by, and promote respect for the universal declaration of human rights. Church campaigns have been influential on the Sudan issue: in Kenya, they convinced the government to drop plans to import Sudanese oil; and in South Africa, they lobbied the government to question

[9] 'Extractive Sectors and the Poor', Oxfam America, 2001

planned oil and mining investments in Sudan. In short, there is solidarity both within, and outside, Africa to ensure the responsible development of natural resources.

Conclusions

Concluding with a summary of recommendations put forward in the statement issued by the bishops in Central Africa, the speaker said that due to secrecy in the signing of contracts, revenues drawn from oil exploitation only strengthened state authority to the detriment of their people. Therefore, to contribute to the fight against corruption, oil companies should publish the oil revenues they pay to national governments, and the World Bank needed to develop mechanisms to increase the transparency of oil revenues in the region. If they do not reform their behavior and practices, the World Bank would be complicit in the secrecy and lack of transparency that pervades the oil sector, said the speaker. The Bank has a key and catalytic role in EI in Africa, and the transnational network of churches are watching to see if, and how, its behavior changes and whether the Extractive Industries Review is a sincere effort to contributing to this change.

The Chad-Cameroon Petroleum Development and Pipeline Project

A session dedicated to testimonies on the Chad-Cameroon pipeline project was presented, and facilitated, by the Director of the Chadian Association for the Promotion of Human Rights (ATPDH), and the Director of the Centre for Environment and Development (CED), in Cameroon. Testimonies were given by representatives of communities living near the oil fields in Chad, local NGOs from Chad and Cameroon, and Washington-based NGOs.

Background

In a background brief of the project, the Director of the Chadian Association for the Promotion of Human Rights, said the development would exploit the oil fields of the Doba basin in Southern Chad, with the construction of a pipeline from Doba, passing through villages, fields, and forests, before arriving at the Atlantic coast, near Kribi, in Cameroon. The pipeline would be 1070km in length, with three hundred oil wells planned in Chad; although at times, the number quoted had been between 600 and 2000 - just one example of the confusion surrounding the project, said the speaker. The development was intended to help Chad relieve poverty, in line with the mission of the World Bank Group. Through their testimonies, however, they wanted to demonstrate that this was not the case, and how, rather than alleviating poverty, the project would only succeed in destroying Chad.

Early Concerns

In an overview of some main concerns relating to the project, the Director of the Centre for Environment and Development, Cameroon, highlighted the difficulties that had been experienced accessing project information from the initial planning stages. From early 1997, it was clear the WBG would be financing the project and, consequently, their operational policies and rules relating to information disclosure would apply. Nevertheless, it was not until March 1997, that they gained access to relevant project documentation and financing details from the World Bank. Despite the huge scale of the project, and its proximity to many sensitive social and ecological areas, the first Environmental Impact Assessment (EIA) was only one hundred pages long. Since then, they have raised further concerns relating to the project, with the World Bank and the governments.

First, there was skepticism that the pipeline project would lead to development and poverty alleviation in Chad and Cameroon. Looking at the history of other oil producing states in Africa, there were no convincing examples of oil successfully leading to development. Cameroon produced oil for many years, yet oil revenues had not alleviated poverty. Therefore, they did not see how royalties generated by the Chad-Cameroon pipeline would produce different results. Corruption was a serious problem in both countries; indeed, while the project was still under discussion, Cameroon was listed by Transparency International as the most corrupt country in the World for two years running. In that context, the World Bank's assumption that boosting a country's treasury reserves with oil revenues would lead to increased investment for poverty reduction, was misplaced.

Second, there was pessimism that either the Chad or Cameroon governments had the capacity to effectively monitor the project and ensure the realization of the anticipated benefits. While the Bank is engaged in capacity building programs with both governments, the necessary capacity will be lacking in the short-term, asserted the speaker. There is also doubt that the political will exists in either country to ensure the proper mitigation of social and environmental impacts. For example, in Cameroon, the pipeline crosses a savanna forest that fosters many endangered species, and in another place crosses the land of the Bakola Pygmies. While the World Bank and the government have given assurances that the necessary controls are in place to mitigate damage, it is difficult for people to see how this can be achieved.

Socio-Political Environment in Chad

Chad achieved independence in 1960, and has been in a cycle of conflict and war ever since. It was in this environment that the WBG approved the petroleum development. Their organizations have repeatedly argued that no project could lead to poverty reduction in a conflict situation; proof of this is the fact that revenue bonuses given to Chad by the oil consortium were used to buy weapons to fight conflicts in the North of the country. Pockets of rebels exist everywhere, and civil society has been campaigning strongly for peace. Chad is undemocratic, elections are rigged, fraud is rife, and the regime violently represses dissenting voices. There is a total absence of governance, and the country ranks as one of the most corrupt in Africa. The World Bank was implicated in the bad management of the country, having financed other projects, for health, education and infrastructure developments, where funds have vanished. The oil project would only aggravate this situation, in their opinion.

Community Consultations

The first problem outlined by the group was the nature of the World Bank's community consultation process prior to the approval of the project. Testimony from a local woman, representing communities living in the oil producing area at Komi, in Chad, maintained that local people had been unable to openly express their concerns at consultations convened by the World Bank. In the example cited, the circumstances of the consultation had not been conducive to building trust: villagers were surrounded by government forces and rebels, the village chief had been imprisoned, and an oil company representative arrived accompanied by military police. Most people were too intimidated to speak out against the project, and those who did express their opinions later found themselves alienated by the village chief. The speaker traveled on foot to hear World Bank representatives speak at nearby consultations, where she too was pressured by the authorities. One young member of the community in the oil producing area had previously spoken out against the project, and was imprisoned by authorities on the day the consultations were held. They were thankful when World Bank representatives sent out the authorities from the consultation in order to talk directly with civil society members present. It was soon after this meeting, however, that the decision to approve the project was taken, indicating, in their view, that the Bank had not taken their concerns seriously.

Compensation Payments

Compensation offered to affected communities was another major problem identified by the group. They held that compensation payments were inadequate, due to poor assessments of the true value of people's property. A representative from FOCARFE[10], Cameroon, described a survey, undertaken by his organization, that interviewed over two hundred beneficiaries of compensation payments in Cameroon, revealing a number of interesting facts.

Of the beneficiaries surveyed, 75% were men, and only 25% were women, which was unusual considering the number of women involved in cultivation. This was explained by the fact that their husbands filed the compensation claims, meaning the women had not received the money themselves. Education levels were extremely low, with 72% of beneficiaries lacking formal education beyond primary level. This revealed the difficulty most people had completing the reimbursement documentation distributed by the consortium.

The speaker highlighted the lack of transparency surrounding the consortium's land valuations, where communities were inadequately informed of the decision-making process. Once the route of the pipeline was decided, land was evaluated by the consortium according to two counts: in some areas, the amount of land lying within a three meter band of the pipeline was assessed, while in other areas, a thirty meter band was considered. The consortium then unilaterally decided how much compensation would be paid to individuals. Due to concerns that compensation payments were inadequate, NGOs insisted on discussions with the consortium, after which the value of land was reconsidered, but it remained unclear how the amount of land to be compensated had been calculated. Many people felt they had been tricked by the consortium given the inconsistency of the land valuations, and believed they had not been adequately reimbursed.

When it came to the actual payments distributed, people chose between receiving cash or payment-in-kind: 60% chose cash compensation, while 30% opted for cash and payment-in-kind. Most peasants viewed cash funds as a positive opportunity giving them the

[10] Fondation Camerounaise pour une Action Rationalisee des Femmes sur l'Environnement (FOCARFE)

possibility to afford basic social provisions, such as health care and education. 97% of those interviewed said they had used the funds to improve family life, with 60% using the money to renovate houses, or build new ones. Despite compensation being paid to replace lost agricultural land, most of the funds did not go into agricultural production or reinvestment to make provision for the future. Communities were expected to face long-term impacts: funds had no impact in terms of generating new livelihoods for villagers; prices increased due to the shortage of agricultural goods on the market; mobility increased as people used funds to buy cars and motorbikes and moved away from their villages; and there was an increase in family disputes, and conflicts between locals and migrants attracted by the communities' new found wealth.

In conclusion, the speaker commented that around 70% of people interviewed felt their standard of living had not improved. The money received from compensation was used unproductively as communities received no guidance on spending for income generation. It was suggested the process could have been improved by engaging NGOs to prepare and advise local communities on putting compensation to good use. The speaker argued that World Bank policies relating to compensation had been violated, as they clearly stated that the quality of life of impacted communities should be improved. This was not the case with the Chad-Cameroon pipeline development, as people felt they were worse off now than before the project was implemented.

Flawed Expectations: Economic and Social Impacts

Following the preparation stage, the Bank introduced a number of mitigation measures to improve the design of the project prior to approval by the World Bank Board. First, the environmental impact assessment was expanded to nineteen volumes from the original 150-page document. Second, the Bank set up a number of institutional mechanisms, such as seven layers of monitoring. Third, recognizing the lack of capacity in the Chad and Cameroon governments to manage the project, the Bank set up capacity building programs for both governments, as well as a revenue management plan and law for Chad. Bank staff emphasized the economic benefits that would flow to both countries as soon as project construction commenced: impacted communities would receive generous compensation; up to 10,000 local workers would be employed along the pipeline route; and sub-contractors would be employed by the consortium from national companies. In short, the project promised many financial benefits, in addition to the anticipated oil revenues and royalties for Chad and Cameroon, respectively.

How did initial expectations compare to the current situation on the ground? Firstly considering economic impacts experienced, the compensation program, as earlier described, was not as effective as hoped, leading to many disputes over the funds paid. On the issue of local workers employed for the construction of the pipeline, the level of salaries paid by the consortium was lower than the wage level defined by law for the oil sector. Agreements between trade unions and the company had not been honored: workers were recruited without being registered for social security, which was illegal in Chad and Cameroon. Following work accidents, some workers had been sacked as the company did not want to pay their costs, and the families of workers killed during construction had been paid minimal sums of money by the company to cover up for the lack of insurance provision. Sub-contractors working on the project were all foreign companies. Operating on contracts that were signed abroad, they enjoyed a tax-free status with revenues earned flowing to foreign bank accounts at the economic expense of Chad and Cameroon. In brief, the economic expectations had fallen short.

Referring to social impacts on the ground, the speaker described a proliferation of prostitution, particularly involving underage women, along the pipeline route. The International Advisory Group (IAG) had also highlighted this problem, although nothing had yet been done to tackle it. There had also been a notable increase in the number of HIV/Aids cases in villages along the pipeline due to the influx of thousands of workers. It was hoped that appropriate control and monitoring programs would be set up to address this problem, but nothing had been done by the Bank, governments or companies involved. They wanted to know what percentage of people had been infected with HIV since the project was implemented to better assess its impacts; in one location along the pipeline route, doctors had informed them that the incidence of HIV was now over 50%. Despite the fact that the World Bank has a separate HIV project underway in Cameroon, there have been no linkages forged between these two projects. An industry participant commented on the usefulness of establishing an HIV/Aids baseline, but questioned whether there were legal or cultural impediments to gathering such information. Testaments responded that there were such legal-cultural obstacles, but that this was not the main problem. Studies should be undertaken in the context of the project's impacts to control HIV/Aids and to better monitor the spread of the disease, and other diseases, during and after the project's implementation.

Human Rights Concerns

Testimony from local, whose village lies along the pipeline route in Chad, described how the project had brought fear, exclusion, expropriation and intimidation to the region. In 1998, when NGOs first became aware of the project, they organized seminars to inform local people. Soon after, local representatives decided to form an organization (EPOZOP), to campaign for the rights of the local population. When representatives of the organization sought legal advice, they were put in jail on the pretext that they were rebelling against the project. People had reported cases of intimidation by sub-contractors, who on occasion had asked villagers to guard their equipment, but then refused to pay. The sub-contractors, added the speaker, were always backed up by the military. In another example, villagers were told their water supply would be affected by the pipeline routing and that new wells would be built. However, the contractors went ahead with the pipeline construction without warning the community. When some locals protested, they were arrested, along with the village chief, and fined. As a result, people were reluctant to voice their concerns, fearing the power of the authorities. Many now felt that oil had brought more problems to the region, and did not trust that the project had the development of the people in mind.

Environmental Issues

Testaments went on to outline cases of non-compliance with the environmental management plan (EMP). The plan specified three levels of non-compliance: the first level relating to situations that were not consistent with the EMP, but did not pose an immediate threat to the environment; level 2 identified cases of non-compliance that should be addressed; and the third, critical, level identified cases where environmental destruction was evident. Reports issued by the consortium in 2001 and 2002, as well as external monitoring reports, claimed there had been no examples of level 3 non-compliance. This was not their opinion, claimed the speaker, referring to evidence of non-compliance: rivers had been polluted, village wells degradated, roads badly maintained, existing infrastructure destroyed and bore pits poorly reclaimed, among other examples. More detailed examples included the disappearance of parts of the Congolo river, in eastern Cameroon, which was cut off by the pipeline in a number of locations. In villages, such as Obukwe, which lies sixty kilometers from Yaoude, wells became totally polluted by soil as the pipeline construction neared. The speaker confirmed they had documented over fifty examples of non-compliance from the limited surveys they had conducted. With such evidence, they were astonished the consortium and the IAG had not reported any examples of level 3 non-compliance.

There were other risks that had not been taken into account in Chad. Lake Chad was at the crossroads of four countries – Chad, Cameroon, Niger and Nigeria. At the South lay the Basin, and the rivers of Lake Chad, the Chari and Logone. The Logone was fed by tributaries now used by the consortium, e.g. for watering the roads to limit dust. The waste and mud from the drilling was spilling into the river and into Lake Chad. No upstream or downstream studies have been done to assess the impacts of the developments.

The construction of the pipeline had led to other impacts on the local environment: fields sequested for the construction of the pipeline had not been rehabilitated; some quarries had been reclaimed, others had not; mud run-offs from the rains had had a detrimental affect on agriculture in the area; and dust was a great problem – traditional open-air methods of drying flour could no longer be used. The speaker mentioned the secrecy surrounding oil prospecting in the Chad basin. They were monitoring the situation closely, and there was no evidence that local people had been informed of the consortium's plans. He appealed to the World Bank to be more involved to ensure the consortium disclosed information to local communities on their aims in the Chad basin.

Concluding, the speaker argued that the World Bank Group's solution to mitigating the impacts of the pipeline development was to implement a regional development plan. However, based on the Bank's brief missions to the region, its strict guidelines, and the experiences felt on the ground, civil society were not convinced that regional development plans worked. A more flexible, holistic and cross-sectoral approach was needed, starting from the grassroots level.

Monitoring and Accountability
A representative from Environmental Defense, USA, drew attention to official reports issued by the World Bank Group's evaluation and monitoring bodies, documenting the project's serious failings in putting the necessary conditions for poverty alleviation in place. She specifically referred to reports issued by the World Bank Inspection Panel, its evaluation units, and the International Advisory Group (IAG).

The speaker argued that, just as NGOs had been highlighting in their testimonies, report confirmed that the project was two-speed; construction was almost a year ahead of schedule, while its 'softer' components, such as capacity building, environmental protection and regional development, were falling seriously behind. These measures should have been in place prior to, or in conjunction with project construction, yet construction would be complete by July 2003, with the first oil arriving by November 2003.

The speaker outlined observations documented in reports by the World Bank Inspection Panel. The Inspection Panel had investigated claims by Chadian citizens that the consultation process was inadequate, and agreed stating that effective consultations were impossible if those consulted believed they would be penalized for expressing their opinions. This problem persisted today, and the IAG, too, have consistently remarked on the lack of structured dialogue between government, civil society and the consortium in the two countries concerned. Regarding the environmental studies (environmental impact assessment and environmental management plan), undertaken for the project, the Inspection Panel argued that they should have included assessments of the regional cumulative and sectoral impacts of the pipeline development, given its widespread effects on all people living in the region, and in anticipation of further oil developments in the future. They found that the Bank had not complied with its operational directives for environmental assessment. The Bank's management response said that any environmental issues would be addressed through the regional development plan, which was outlined in the appraisal document on which the Bank's executive directors approved the project in June 2000. That document claimed that a participatory regional development plan was underway. Yet, on its most recent mission to Chad and Cameroon, the IAG found that the regional development plan had not even commenced, more than two years after approval, and less than one year before oil revenues arrived. The World Bank were employing external consultants to bring the plan up to speed, but this ignored the participatory element of the development plan.

This was typical of the lack of foresight that had gone into project planning, argued the speaker. Another example was the problem of inflation, which had been mentioned in a number of reports; the IAG had specifically questioned the price of grain, as local government officials feared that the entire oil producing region would be plunged into famine if prices rose. Indeed, the IAG found that the price of grain had doubled between January 2000 and January 2002, and there was growing concern among government officials in Mondu that the grain shortage and inflation would result in famine in Chad if drastic action was not taken soon.

The most recent IAG report identified what they saw as the core problem in Chad; that impunity and insecurity were the Achilles heel of good governance. This brought the question of human rights to the center of the debate for projects of this type and was an issue the EIR should consider. The article in the EIR newsletter, on the project visit to the Chad-Cameroon pipeline project, seemed to point to one recommendation: "…it is clear that the WBG needs to treat projects such as these with special attention from the outset and throughout the lifecycle of the project". Non-governmental organizations, industry and the WBG would all agree that the project has received enormous attention and scrutiny. The problem, however, lay in the lack of real accountability mechanisms to ensure promises were put into practice. Some major changes were needed in the culture of how the World Bank manages such projects, concluded the speaker.

Revenue Management

A representative from Catholic Relief Services, Washington DC, raised a number of issues relating to revenue management. One of the biggest questions, he said, was how the oil revenues would be used when they started accruing late in 2003. Under pressure from the World Bank, the Chadian government passed a petroleum management law in 1998. It contained several significant provisions and has since been looked at by others as a model for revenue management[11]. The law stipulated the following division of royalties and dividends: ten percent would be invested in the 'Future Generations' Fund', for long-term internal investments to prepare Chad for a post-oil future. The remaining ninety percent would pass through an offshore petroleum revenue account. Eighty percent of this would go to five priority sectors: education, health, rural development, infrastructure, and environmental and water resources. The World Bank said that this level of expenditure would be over and above pre-oil revenue spending on these sectors, possibly using the baseline spending level from 2000 or 2001. Five percent would go to the Doba oil producing region, and during an initial period of five years, the remaining five percent would be used by the Chadian government to tackle pressing operational needs. The law also established a 'college' to monitor the revenues, which comprises a management committee involving individuals from the private sector, civil society, and government. Preparations to get the 'college' up and running had been slow. They lacked basic office facilities and it was questionable whether they had the capacity, at this stage, to effectively oversee revenue spending, said the speaker.

Other weaknesses in the revenue management law included its lack of regional specificity for revenue allocation, bar the five percent of funds allocated to the Doba region. Regarding sectoral spending, for example in health, the law also did not define whether funds should be allocated to hospitals in the capital, or rural village clinics. The Inspection Panel noted that the five percent allocation to the Doba region was perhaps inadequate. This was of great concern considering the problems experienced by other oil producing states, such as Nigeria; even in Nigeria, thirteen percent of revenues were allocated to the Delta states. Another important aspect was that the allocations contained within the law could be changed by government decree after five years. This meant that just as the first oil revenues flowed into Chad in 2004, the government could reallocate spending priorities.

The law also failed to embrace significant other revenues from oil that were likely to accrue to the Chadian government. While direct revenues generated by royalties and dividends lay within the law, indirect revenues, such as taxes, customs, and duties fell outside the law and flowed to the treasury. According to official analysis, these levies

[11] More in depth analysis of the law has been undertaken by the Harvard University Human Rights Law Program

could account for forty-five percent of total oil revenues over the lifetime of the project. The law also only covered three oil fields in the Doba region; any oil found outside those three fields would not be covered by the law. Three new fields had already been discovered outside the Bessai basin and there was good evidence that significant commercial reserves would be found that could be channeled through the pipeline too.

Concluding, the speaker commented that no provision had been made for a stabilization fund to protect the country against price shocks, referring to the vulnerability of oil exporters to market fluctuations. Oil prices had fluctuated quite significantly since 2002, rising from $15 a barrel to around $30. Bank documents used a baseline figure of $15 a barrel, but no provision had been made to sterilize potential windfall oil profits in Chad.

Government Perspective from Cameroon

A representative from the Government of Cameroon acknowledged there were negative aspects to the pipeline development, as civil society testimonies had shown. However, the project also had many positive aspects, particularly for Cameroon, he argued. It would have a huge impact on the government budget, bringing 140 billion francs (CFA), just under $1 billion, in direct revenues to Cameroon over thirty years.

In terms of infrastructure, the project had led to the construction of many primary and secondary roads. This would have a crucial developmental impact in terms of opening up markets and communications. The speaker regretted that a road had not been built from Kribi to Doba, paralleling the pipeline. Due to the actions of environmentalists and civil society, the pipeline had been buried rather than cutting through parkland. In his opinion, civil society had been mistaken, as the construction of such a road would have had a greater impact on poverty reduction in the long run.

Beyond infrastructure developments, the project had directly generated 3,500 jobs. The environmental plan was underway, and national parks were being created. With regard to the development of the minerals sector, this project is likely to be linked to other projects, and precipitate further petroleum developments in Chad. The project could have longer term impacts in terms of increasing regional cooperation and integration, through improving Chad’s access to energy using the capacity and infrastructure of Cameroon. This could not be evaluated yet, but had implications for the Central Africa region in general.

Referring to governance problems, the speaker acknowledged that Cameroon was once one of the most corrupt countries in the World. Efforts had since been made to reduce corruption in Cameroon. But, many still feared the government would be unable to manage the significant revenues flowing into the state budget from the oil development. Good governance was obviously crucial; the WBG had great power in this respect in terms of the conditionalities that had been placed on the governments. The speaker suggested the Bank set a conditionality on good governance and use it as a pillar on which everything was based. In doing this, many of the problems experienced would perhaps be resolved.

In conclusion, the speaker commented that, beyond difficulties experienced, the Chad-Cameroon pipeline development was intended to help fight poverty and improve people's standard of living. The WBG clearly had a role in helping reinforce the authority of the state. However, the government impression was that the Bank played a double game, assisting to assist governments on one hand, while helping civil society to become almost as a government of its own, in conditions of disorder. In such disruptive conditions, he continued, business was not as effective as it could be. He appealed to the World Bank to focus on good governance and building state capacity, and for civil society to not only criticize, but to suggest alternatives to prevent environmental concerns becoming a hindrance to development.

Questions and Answers
One question raised the relationship between the amount of revenues coming into Chad, estimated to be $2.5 billion a year, and Chad's gross national product (GNP). A civil society participant responded saying that, according to estimations, the Doba oil basin would bring $8 billion in revenues, from which Chad would receive $2 billion a year, over twenty-five to thirty years. Chad's traditional economy, based on the agro-pastoral sector, generated 120 billion CFA a year. In terms of impacts, the oil project would have a devastating effect on the agro-pastoral sector. A large part of Chad was desert, but oil reserves were being exploited from a basin that constituted some of the only fertile land in the country. This would have a catastrophic effect, not only for agriculture, but also in terms of environmental sensitivity. While civil society were not necessarily against the petroleum development, they felt minimum consideration had been given for environmental protection and it was unclear to what amount ordinary people would benefit, considering 80% of the population currently lived on less than a dollar a day.

Responding to a question regarding Chad and Cameroon's financial contributions to the total cost of the project, participants clarified their contribution was 5% paid by a loan from the World Bank to the two governments. The loan was not considered as a financial contribution to the project's cost; a one-thousand kilometer long stretch of land, given by the Chad and Cameroon governments to the project, was not taken into account.

Resource Revenue Transparency for Economic and Social Justice
A representative from Global Witness, an NGO based in London, outlined details of the organization's work on the role of natural resources in financing conflicts and facilitating corruption. Global Witness has pioneered a campaign on oil and revenue transparency, which led to the 'Publish What You Pay' initiative, a coalition of over 70 NGOs calling for mandatory disclosure of net taxes, fees, royalties and other payments made to national governments by international oil, gas and mining companies. Publish What You Pay (PWYP) aims for natural resource revenues to be used more effectively and transparently as a basis for growth and poverty reduction. Companies have a responsibility to disclose the payments they make in order for citizens to hold their governments accountable; by failing to do so, they are complicit in the disempowerment of those citizens, said the speaker. She emphasized the importance of the WBG's role in prioritizing revenue transparency.

The PWYP coalition is looking at various avenues to implement this idea. One preferred option is to amend the requirements for listings on the securities markets, whereby companies would be required to provide prospectuses revealing financial information. This would override confidentiality agreements seen to be a main inhibitor to revenue transparency. The coalition is also looking at changing company reporting laws and international accounting standards.

The British government has been active in taking these issues onboard, said the speaker, by establishing the 'Extractive Industries Transparency Initiative' (EITI), launched by Prime Minister, Tony Blair, at the World Summit for Sustainable Development in Johannesburg, 2002. The initiative encourages governments, extractive industry companies, international agencies and NGOs to commit to working together to develop a framework promoting revenue transparency in the extractive industries. The initiative is grounded in a shared belief that the exploitation of natural resources and prudent use of generated wealth should provide a basis for sustainable growth and development.

The speaker urged the WBG to meaningfully contribute to the two initiatives and consider all recommendations being formulated from various workshops associated with the campaign. The coalition is also promoting 'Publish What You Earn', which is focused on governments publicly disclosing all earnings from extractive industry projects. Crucial to the campaign is the effective participation of civil society, said the speaker, and she encouraged civil society organizations to sign up to the initiative and participate in dialogue with the steering committees.

In conclusion, the speaker emphasized that the mission of the WBG for poverty reduction and sustainable economic development was inextricably linked to the objectives of the PWYP campaign. Further, the role of civil society is crucial to the effectiveness and credibility of the Bank's work. The intention of the coalition is to promote democratic processes whereby civil society can hold their governments accountable; however, they do not want this to be added as an extra layer of conditionality for WBG lending to developing countries. Finally, the speaker pointed to the broad applicability of the transparency issue to developed countries in the West, as well as the Bank working to improve the transparency of its own processes.

4. WBG Voluntary Information Exchange

In a voluntary information exchange with WBG representatives, staff reported on the Group's global and regional outlays and the changing focus of its projects. Environmental and social standards were now more important, but the Bank wanted to go beyond this to a more holistic approach for sustainable development and poverty reduction. The Bank espoused the MDGs, championed globally important development issues and coordinated the efforts of bilateral and multilateral development institutions and agencies.

Introduction

Introducing an overview of the World Bank Group's work, the Director of the Oil, Gas, Mining and Chemicals department set the Bank's involvement in EI in the context of its broader commitment to the MDGs: the eradication of extreme poverty and hunger;

universal primary education; gender equality and the empowerment of women; reducing child mortality; improving maternal health; combating HIV/Aids, malaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development.

Why support EI?
The WBG supports EI as oil, gas and coal provides affordable energy that is essential for local development; while in Africa these resources are mainly extracted for export markets, in some cases energy is provided for local consumption. The extractive sector is a huge source of direct and indirect employment and trigger for entrepreneurial activity, as well as providing essential infrastructure and services that are often lacking in developing countries. Lastly, resource industries generate huge fiscal revenues, raising government income to enable them to better support the poor.

Minimizing heavy footprints
The Bank's assistance was also valuable in helping lift the heavy footprint of extractive industry developments. Environmental degradation endangered the livelihoods of the poor; dangerous accidents and toxic spills endangered the health of communities living in the vicinity of projects; land rights had to be protected to guarantee people's futures; large scale developments caused massive social disruption and cultural changes; large revenue flows were often disruptive to economic development, created corruption and stripped the poor of access to decision-making. Ensuring project revenues alleviated poverty was one of the biggest challenges the Bank faced. In some countries, this had been managed quite successfully - Botswana, Mozambique, Malaysia and Chile being examples - but staff recognized that some countries had performed very badly.

Working with stakeholders
To reduce poverty, resource wealth had to be used wisely and the risks - to which the poor were most exposed - be mitigated. The Bank works closely with governments, civil society and the private sector to achieve this: for instance, equipping governments to effectively manage natural resources, focusing on revenue management and governance issues; and advising governments how they should work with local communities and deal with past legacies. The Bank believes EI are predominantly best operated by the private sector, so try to help governments provide the best framework for companies to operate. In addition, through its lending instruments and guarantees, the Bank provides support for the private sector in high-risk and frontier countries.

Evolving priorities
Over the last ten years, the work of the WBG in EI has evolved greatly. Environmental impact assessments were now a requirement for all projects; the Bank was implementing community development programs, and working hard to combat HIV/Aids. It was also starting to seriously address revenue management and governance issues.

Working with Governments

World Bank (IBRD/IDA) operations with governments make up more than three quarters of its total financing activities. These activities are three-fold: first, the Bank extends selective financing to governments for hard investments on the ground and programs related to social issues and reform. The Bank also provides ‘technical assistance’ that finances advisory and technical services to governments, commonly involving sector and institutional reform; the development of legal and regulatory frameworks to facilitate competitive markets and private investment; and building government capacity. The Bank also helps governments mobilize finance and private investment through partial risk guarantees.

Financing options
Regarding forms of finance available to governments, there is a major distinction between IBRD and IDA funds. From the IBRD perspective, the Bank is self-financing, borrowing from financial markets so it does not have to rely on raising new capital from shareholders. IDA funds are long-term at negligible interest rates so have to be topped up with additional grants from governments every few years; these funds are valuable and in short supply. A number of governments and institutions also make financing available to the Bank to enable it to carry out specific advisory programs in countries; these are general country trust funds. Global programs, such as the Global Environment Fund (GEF) provide specific funds for environmental programs, and there are focused trust funds such as the ESMAP energy program that helps governments with energy research and policy.

Championing global issues
The WBG has a special role in championing global development issues and building partnerships with governments and other actors; an example is the recent Gas Flaring Reduction Initiative in partnership with NGOs, governments and industry. The Bank also had a role in guiding governments and other actors through the standards and safeguards it sets for its own operations, particularly relating to the environment, and in the research and dissemination of best practice on development issues, e.g. the ESMAP energy program.

The World Bank project cycle
The Country Assistance Strategy (CAS) is at the heart of the Bank’s work in any given country. The Bank works in cooperation with the government of a particular country to determine a framework defining the its program of involvement over several years, taking into account a country’s capacity and needs. The CAS often includes special components, such as a plan for promoting private sector development and the Poverty Reduction Strategy Paper, a targeted process for reducing poverty in the poorest countries of the world. After approval by the Board of the World Bank Group, the CAS defines country priorities for all Bank activities, whether IBRD/IDA, IFC or MIGA.

Working with governments in EI
The Bank’s assistance to governments in EI is firstly driven by the belief that natural resource projects can contribute to development when the conditions are right. Second, the management, operation and investment in resource industries is best left to the private sector in competitive markets; but governments are best focused to serve the public interest

by setting the right policy framework for development, managing access to resources, the regulation and oversight of operations and the fiscal management of revenues.

Levels of IBRD/IDA financing in EI
Oil, gas, and mining investments are a small percentage of WBG activities in a country. While the extractive sector may be very important for particular countries, it remains a small share of the Bank's overall operations. Given the Bank's emphasis that investment in resource projects should be in the domain of the private sector, the scale of World Bank (IBRD/IDA) investments in EI has steadily fallen over the last decade.

Working with the Private Sector
The World Bank's work with the private sector is governed by the belief that economic growth is a necessity for poverty reduction and that the private sector is a key ingredient in achieving this. In the context of EI, oil, gas and mining developments were generally most productive with private sector investment, provided there was good governance and appropriate environmental and social safeguards.

Creating an Enabling Environment
The key to facilitating private sector development in a particular country is the creation of the right enabling environment. The Bank works with governments to create a good framework for competitive private sector development by reinforcing legal and regulatory frameworks, by strengthening government capacity to oversee and manage projects and through sector reform and privatization. Given the importance of EI for many countries, the WBG tries to play a catalytic role, providing financing services to mobilize private investment and ensuring necessary standards are met, e.g. by working on mining sector reform.

Areas of focus in EI
There was a role for the Bank in EI in countries where the investment risk is highest, e.g. where companies envisage operating risks due to high levels of corruption. The Bank also has a role where it can add comfort to sponsors and financial creditors engaged in complex projects, e.g. cross-border projects. In addition, the Bank can add development value, promoting small and medium-sized enterprise development, building local skills and working with project sponsors to maximize local benefits by improving the sourcing of local goods and services. There were barriers to achieving this, and the Bank could be instrumental in breaking down the bureaucratic and administrative problems companies often confront when obtaining licenses to work.

Commenting on the need to involve local companies in large scale developments, a participant asked for statistics comparing the level of investment enjoyed by local companies compared to the financial benefits accruing to foreign enterprises. Staff admitted that it was difficult to encourage companies to invest more at the local level, and that companies could not be forced to disclose financial information. Nevertheless, disclosure was a subject of serious internal debate within the Bank, and it was trying to promote voluntary disclosure amongst companies.

Types of private sector financing

The common criteria applied by the WBG to determine whether to extend financing to the private sector was that projects be commercially viable, contribute to sustainable economic development, and meet all environmental safeguards and other Bank criteria. In addition, its involvement was subject to approval by the WBG Board and the relevant governments involved. Given the industry downturn in recent years, the private sector often turned to the WBG for assistance with difficult projects. But, sometimes companies went ahead without Bank involvement to avoid scrutiny, and this was when projects were sometimes badly implemented, commented staff.

The World Bank (IBRD/IDA) provides guarantees to support private investors whose projects depend on government performance. This includes partial risk guarantees (enclave guarantees for IDA countries), and governments must counter-guarantee the Bank. IFC provide a variety of financing including long-term loans, which are issued in US dollars and other currencies, syndicated loans (B loans) raised by commercial banks, and equity investments to assist with capital market development. IFC does not displace private sector involvement, standing aside if private investment is available for a project, and does not manage projects, nor provide more than 25-30% of total financing. In response to a question regarding the level of IFC financing for the Niger Delta loan facility, staff confirmed that funding is limited to 25% of project costs for large projects, but can amount to 35% for small projects. However, a huge amount of IFC investments go to financial intermediaries to fund small and medium-sized enterprises (SMEs). This accounts for 30-40% of all IFC financing, particularly in Nigeria, where the IFC work through local financial institutions, who then should directly fund SMEs. Financial intermediaries lend to local borrowers at the rate of their choosing; IFC lending rates are set near market rates, and on slightly longer terms than the private sector. MIGA coverage was extended for non-commercial risk, i.e. political risk, insuring losses caused by war and civil disturbance, expropriation, transfer risk, and breach of contract. MIGA have been fairly active in the oil, gas and mining sector in recent years, commented staff.

A government participant asked whether the Bank extended financing to groups for empowerment purposes as one way of alleviating poverty. A staff member confirmed that empowerment was an issue in which the World Bank was interested, and confirmed it was participating as an investor in the new Africa Mining Fund, which was specifically created to help provide funding for such opportunities.

Project Environmental and Social Review

In a review of WBG environmental and social procedures, policies and tools, an IFC environmental specialist stated that they had developed significantly since 1992 and varied between different arms of the World Bank Group; for example, IFC policies are designed for the private sector, whereas IBRD policies, while similar, targeted the public sector. Bank staff must follow a set of procedures that dictates the tools that should be used for environmental and social assessment. The scope of these tools had become more sophisticated in response to difficulties the Bank had faced, and not dealt with well, in the past. For example, the environmental impact assessment (EIA) for the Chad-Cameroon pipeline project was originally one hundred pages long, and the IFC version now stood at nineteen volumes. It had been criticized for being bigger and not better, but implementing such extensive safeguards was a much harder task for the Bank.

Environmental assessment umbrella

The Bank's objective is for all projects to be environmentally sound. Safeguard policies come under the umbrella 'Environmental Assessment Policy' that sets the boundaries for the Bank's day-to-day work; its objective is to ensure that projects proposed for Bank financing are environmentally sound and sustainable, that decision makers are identified and informed of the nature of environmental risks, and provisions are made to ensure compliance, and prevent likely non-compliance. Another set of tools employed are the Bank's guidelines that set numerical values on a project's performance, e.g. setting limits for liquid effluent discharges from a mine.

Projects are evaluated according to their potential impacts, depending on type, location, sensitivity and scale. 'Category A' projects are likely to have significant adverse environmental impacts, that are sensitive, diverse or unprecedented. 'Category B' projects have potentially adverse environmental impacts that are site-specific and mostly reversible; mitigation measures either already exist, or can be designed with greater ease than for 'Category A' projects. 'Catagory C' projects are likely to have minimal, or no, adverse environmental impacts. Financial Intermediary (FI) projects involve the investment of funds through financial intermediaries in sub-projects that may result in adverse environmental impacts. Environmental safeguards also apply to FI projects; the Bank expects the parties involved to undertake the necessary due diligence.

Safeguard Policies

The Bank's objective is to 'do no harm' and its safeguard policies to ensure this. Safeguards are applicable to natural habitats, forestry, international waterways, involuntary resettlement, indigenous peoples, and child labor, among others. In the context of the Chad-Cameroon pipeline project, the policy on international waterways was followed to limit impacts on tributaries running into Lake Chad. Likewise, referring to prior comments by a Cameroon government representative that they would have liked a road built from Kribi to Doba paralleling the Chad-Cameroon pipeline, the Bank advised against its construction, in line with its natural habitats policy, to prevent opening up environmentally sensitive areas to illegal logging trucks.

Guidelines

WBG guidelines are not the same as policies, and are governed by different values. They have evolved over the years and are found in publications such as the Pollution Prevention and Abatement Handbook, produced by the Bank in 1998. This handbook includes project guidelines on coal mining and production, onshore oil and gas development, and lead and zinc smelting. In parallel, IFC Interim Guidelines have been produced since 1995 and it continues to produce guidelines to meet new sector requirements; a recent example are new guidelines for offshore oil and gas development that will be used in the Caspian, and guidelines on underground and opencast mining. There are also occupational health and safety guidelines. In addition, an 'Exclusion List' has expanded from five to fifteen guidelines over the last ten years; pertinent to the Extractive Industries Review is a ban on Bank Group involvement in the production and trade in radioactive materials.

In response to questions regarding the Bank's policy on mine rehabilitation and closure, staff said that the Bank is also in the process of drafting specific guidelines pertaining to this. The first mining guidelines with closure requirements date from 1995, and the Pollution and Abatement Handbook also has requirements relating to mine closure that are stronger those drafted in 1995. They are now in the process of drafting precious metals mining guidelines, wherein closure and its financing will be a major consideration. These guidelines will not be finalized until the EIR has reported to Management, both from the perspective of what the requirements are in terms of physical closure and in financial terms also. However, it should not be concluded that staff currently take a minimalist approach to closure, even if the 1998 guideline is not fully comprehensive. Staff are working with clients to develop and apply closure plans that exceed the guideline and go further than just mitigating impacts.

Who is responsible for implementation?
For IBRD/IDA projects, borrowers, i.e. governments, are responsible for implementation. Taking the Chad-Cameroon pipeline as an example, 50% of the environmental requirements and environmental management plan are the responsibility of the governments of Chad and Cameroon. Project monitoring is undertaken by the Quality Assurance Group and Inspection Panel. For IFC projects, there are a number of instruments for monitoring performance; project sponsors are responsible for implementation, in coordination with IFC's environmental and social development department, with overview monitoring provided by the office of the CAO. Within MIGA, the applicant is responsible for implementation, in coordination with MIGA's environment staff.

Changes in IFC procedures
Referring to the Environmental Review procedures, the speaker commented that the performance of the IFC on the environment side has improved in last ten years. He added that it would perhaps be preferable for the environmental and social objectives of the Bank and IFC to be mainstreamed by having procedures integrated into operations (i.e. not just for use by environmental and social departments), so that all staff are cognizant of the environmental and social implications of investments and outcomes.

Managing risks and looking to opportunities
In the context of the EIR exercise, the speaker concluded that much has been said about negative impacts and risks. What must be asked is whether the Bank Group has identified the risks and whether it is maximizing opportunities in the investments it is making? Recommendations need to be drawn for the EIR secretariat in terms of how to manage risks and opportunities.

Independent Evaluation Process
In an overview of the Bank's independent evaluation of their activities in EI, the Principal Evaluations Officer for the Operations Evaluation Group (OEG) highlighted the need for

accountability and learning from experience in order for the Bank to achieve better results in EI and other operations.

The World Bank Group's independent evaluation units consist of the Operations Evaluation Department (OED) for IBRD/IDA; the Operations Evaluation Group (OEG) for the IFC; and the Operations Evaluation Unit (OEU) for MIGA. These units report directly to the President and Board of the WBG through the Director General of Operations Evaluations.

In response to comments regarding the composition of the Bank Group's Board and whether developing countries, particularly African states, have a democratic voice, staff clarified that all member governments of the World Bank are represented (181). The voting weight is 20% for US, and 45% for Japan, France, Germany and the UK combined, with the remaining 35% allotted to other countries. There is a West African chair, and the East and South African board representative.

Evaluation elements and report

The evaluation units have almost completed their review of all extractive industry projects in the portfolio for IFC and the World Bank, and a large number in MIGA's portfolio. Project evaluations focused on specific projects and, in many cases, site visits were undertaken. Project evaluations then feed into country studies where they look at the overall contribution of the sector, i.e. has it helped or hurt? Surveys are also being conducted; at the EIR Planning Workshop in Brussels, participants identified the distribution of revenues and environmental and social impacts of projects as the most critical issues. This subsequently guided their evaluations and thematic reviews. Questionnaires have been distributed at all EIR Regional Workshops asking stakeholders how well they think the Bank is doing and what it can do better.

The evaluation work is being guided by NGOs, think tanks and an advisory panel and all elements of the evaluation will be presented to the Board of the WBG in a final report. They do not expect the report to be publicly released; but the Board will ultimately make this decision.

Evaluation of IFC investments

Across the board, IFC's development results for EI are no better, or worse, than other sectors. Africa, however, has performed substantially worse in EI. Typical positive impacts from projects include sufficient returns for investors; the success rate of 55% is slightly higher than for other projects; but for other projects, a 44% success rate is not that high. In addition, EI are substantially riskier than other projects so potential financial losses are higher. In general, the sector generates large revenue flows for host governments and for local communities, projects provided benefits in terms of direct and indirect employment and improved infrastructure. But, it is clear that poor governance and negative environmental and social impacts remain a problem. Clarifying on the measurement of economic costs, staff confirmed that the economic rate of return is calculated taking into account all costs and benefits. Regarding environment and social impacts, the Bank Group requires compliance with its guidelines; when projects are not in compliance, staff compute the cost of bringing operations into compliance. Nevertheless, some costs and benefits are difficult to quantify.

Environment and Social Standards

Staff commented that ten years ago projects would have been done very differently to how they are done today. IFC and the World Bank set standards through their policies, guidelines, and 'good practice' notes; companies, even if not IFC investors, are known to follow Bank Group guidelines, for example, on community development. However, some guidelines out of date, incomplete, or inconsistent as they were last reviewed in 1998. The revision of guidelines is therefore important as the Bank Group sets the industry standard.

Environmental and social impacts are large, and can be positive and negative. 40% of extractive industry projects are rated 'Category A', while the sector itself remains just a small share of IFC's portfolio, which is an indication of the large impact such developments have. IFC's expertise is valued by industry and action is taken when problems are discovered; this does not mean projects are perfectly implemented and there are clear information gaps. However, IFC environmental experts spend more time on EI than any other sector and work hard to make improvements.

IFC's effectiveness

IFC's effectiveness for extractive industry projects is significantly better than for other projects; this is evaluated at the front end of projects, in terms of IFC's supervision, role and contribution across the board. Overall, IFC's investment results were strong and cross-subsidized other activities. However, best performers were generally countries with reasonable governance, and results in Africa remain poor. Criticism that foreign investors are profiting from Africa's resources is not true for IFC, who have undergone substantial losses. Projects in Africa need to be improved to ensure good development results and good investment results for IFC. In response to queries, staff confirmed that this was true not only for extractive industry investments, but for projects in other sectors in IFC's portfolio. The reason for failings was manifold: when the sector risk was high and governance poor, projects were more likely to fail. In addition, inadequate environmental regulation hindered the effectiveness of Bank environment specialists to ensure project compliance.

IBRD/IDA extractive industry projects

On the IBRD/IDA side, most extractive industry projects had satisfactory outcomes and produced positive economic benefits, with a success rate of 80%. However, there are three main areas of concern for which three thematic reviews are being conduced: fiscal revenue management; governance challenges; and environmental and social impacts. Regarding governance, the Bank's involvement on the issue appears absent or incomplete in extractive industry interventions, although they are looking at whether poverty reduction strategies, country assistance strategies and other Bank operations address governance sufficiently. On environmental and social impacts, an OED review is underway to assess the extent of safeguards compliance; they hope to identify what elements are and are not in compliance and draw lessons from the experience.

Evaluation of MIGA projects
The independent evaluation of MIGA projects commenced in July 2002, with the establishment of MIGA's independent evaluation unit, OEU. Their evaluation methodology is similar to IFC's, and evaluation activities are underway. They are reviewing six extractive industry projects and are looking at safeguards compliance of ten projects. The evaluation started late and MIGA is a smaller institution, therefore the scale of the evaluation is smaller.

Independent Evaluation Final Report
Project portfolio reviews are almost complete, and country case studies and thematic reviews are currently being drafted. Surveys are still being conducted. Participants were encouraged to refer to the evaluation page on OEG's website, where comments are welcome.

The Office of the Compliance Adviser/Ombudsman (CAO)
A principal specialist from the World Bank Group's Office of the CAO presented an overview of its main role and functions. The CAO is a part of the Bank Group's accountability framework and is an independent office reporting directly, and exclusively, to the President of the World Bank Group. The CAO has jurisdiction over IFC and MIGA, i.e. their responsibility falls over the private sector elements of the Bank Group's work. The office was established in 1999 by the President in response to external pressure for an appropriate mechanism for processing direct complaints relating to IFC and MIGA activities. The office became fully operational in May 2000 and has three main functions; a compliance role, an advisory role, and an ombudsman role.

Compliance Role
The compliance role is an independent auditing function which means the CAO review project compliance with IFC and MIGA policies and objectives. CAO differ from OEG as they look at compliance in a contemporaneous way. An audit can be triggered in two ways: the President or Senior Manager of the Ombudsman may ask the CAO to audit a project, or the CAO may initiate an investigation in response to a complaint. They assess what is taking place on the ground, identify the issues and look at how IFC and MIGA performed. Civil society cannot demand an audit for a project, but through lodging an official complaint, an audit may transpire.

Advisory Role
The CAO's advisory role is a formal advisory mechanism on policy issues rather than on projects. They cannot specifically advise on projects as this would compromise their independence in the event that they were to receive a complaint about a project. Through its audits, the CAO has an advantage in identifying trends or issues that are apparent institution wide and that need to be addressed by IFC and MIGA in a way they have not to date. A current example is the advice the CAO is providing to the President on the way the IFC does, or does not, relate to international agreements on POPs (persistent organic pollutants).

Ombudsman Role

The ombudsman role brings the CAO into greatest contact with stakeholders outside the Bank Group. It is the independence and integrity of their role as ombudsman that is most important in their work. The CAO manages direct complaints from parties affected, or likely to be affected, by projects and complaints are lodged at project preparation, implementation or even after a project has been divested in cases where it is clear IFC or MIGA may bear some responsibility for outcomes on the ground that are unresolved. The extensive range of this function means it is not universally welcomed within IFC or MIGA. When complaints are received, they are appraised and assessed after which a report is presented to the parties concerned. The CAO attempt to resolve, manage and mediate conflicts, and the office cannot halt a project unless there is a circumstance of probable harm. In some cases, the CAO become involved in substantial mediation, but sometimes they choose to close down their role. Since May 2000, thirteen complaints have been lodged and, to date, two have been mediated, one of which was particularly sizeable. The office has closed out seven complaints, and has another four in the process of assessment.

In response to questions regarding how the CAO assesses the positive and negative aspects of a project when a complaint is lodged against it, staff responded that the office was empowered to make recommendations, or mediate conflict, arising from environmental and social issues in relation to safeguard policies. Its mandate did not cover the economic rationale of the Bank Group itself. She recognized that in the past, staff had not always engaged in debate on the economics of projects, but for large extractive industry developments where economic benefits were a major issue, IFC and MIGA would have to join in the public debate in a more frank and open way in the future.

Advisory role relevant to EI

The CAO will shortly publish three pieces of advisory work: the first is a review of safeguard policies implemented by IFC since 1998, looking at the impact and effectiveness of the entire environmental and social safeguards system; second, the CAO has undertaken work assessing the environmental and social review procedure implemented by MIGA; third, the CAO has undertaken a review of recent IFC investments and MIGA guarantees in EI and to what extent these investments relate to sustainability and value-addition. These publications will be publicly released after being approved by Senior Management.

General Observations

In the CAO’s work as a third party neutral and independent ombudsman, it is well placed to look at trends in EI. First, the environmental and social impacts of investments not surprisingly provoke a large reaction as it is these impacts that affect local communities living in the vicinity of projects. But, this is also a function of environmental and social issues being an area of Bank Group operations where the greatest disclosure exists. Civil society use information disclosed through the environmental impact assessments to glean pertinent facts about the economics and development rationale for projects. The Bank is beginning to realize that a more open dialogue is necessary to clarify who benefits from projects and how, what the overall goal is, and whether or not it has been achieved. Accountability and transparency are issues to be greater addressed by the WBG in the future. As IFC and MIGA move towards a greater commitment to value-added beyond the objective of 'do no harm', they will have to be increasingly explicit about what this means, how it can be measured and how it can be achieved in reality.

Questions
A question was raised by a local villager from the Bulyanhulu area in Tanzania, who had previously given testimony regarding alleged human rights violations to small-scale miners living in the vicinity of the Bulyanhulu gold mine. She commented on the CAO's official investigation and the delayed report on their complaint and asked why its conclusions did not accord with the facts she had personally presented to the CAO at the time. Responding, the CAO staff member remarked that she well remembered meeting the testament and hearing her story. The report was indeed delayed, mainly due to the necessity of clarifying many issues that remained unclear following the field mission. She emphasized that after reviewing all the evidence and talking to parties involved in the conflict, the CAO were unable to substantiate the claims laid out in the complaint and their report, published in English and Swahili, reflected this conclusion. She regretted that the report had disappointed any hopes or was felt by the parties concerned to be inadequate, but emphasized that while the CAO aimed to satisfy its complainants, it also had to protect the integrity of its office and draw its conclusions from substantiated evidence.

World Bank Information Disclosure
In response to critical questions regarding the Bank's policies on disclosure, and comments that Bank institutions lack openness and transparency, a staff member highlighted the Bank's revised disclosure policy. An NGO, the Bank Information Center, led a push on information disclosure that resulted in 18 worldwide consultations in 2000, including several in Africa. The revised policy went into place in 2002, and it includes provisions for country officers to make documentation available in all relevant local languages. Another change includes making all IBRD/IDA Country Assistance Strategies immediately available, and they will be posted on the web. Another demand from civil society was that information be made available about ongoing projects and their implementation; the Operations Policy Vice-Presidency is therefore putting together an electronic source on the web relating to projects and their execution. The new disclosure policy is available on the web and some NGOs, including the Bank Information Center, have been testing it; others are encouraged to do the same. In addition, the Bank is also trying to encourage its partners in countries to disclose information; pilot programs are being established in several countries, including Mozambique and Zambia, to promote information disclosure with the permission of governments.

5. Global Energy Outlook

Introduction
Introducing a session on global energy, a representative from British Petroleum (BP) commented that the EIR does more than focus on the critical role of the WBG in EI; it also exposes some key challenges society will face over the next century with regard to energy supply and demand.

Over the next fifty years, a rise in real income and improvements in income distribution will be required to meet the energy needs of a global population expected to double in size. This increase in energy demand will have to be met without further irreversible damage to the ecosystems upon which economic growth depends. Despite the global trend towards greater wealth and improved quality of life, extreme poverty and instability still exists due to inequitable distribution of resources. Access to clean, affordable and reliable energy is, therefore, at the heart of sustainable economic development and poverty alleviation. At the same time, the energy system raises a set of trans-boundary issues such climate change, air quality, the local environment, and energy security; and underpinning all of this is the need for good governance.

The debate over the past performance of the WBG in EI should address what leadership role it can provide in finding solutions to these dilemmas in the future.

Global Energy Scenarios

A representative from Shell International presented the company's work on global energy scenarios over the next fifty years. The energy system is entering a particularly innovative period; the development of renewable energy sources raises the question of how long it will be before fossil fuels are replaced. There is more than one path towards a sustainable energy future and a number of factors will shape long-term energy demand.

Indicators Determining Long-Term Energy Demand

By 2050, world population will have reached 8-10 billion people, with average per capita income amounting to $15-25,000 a year. With increasing urbanization, eighty percent of the population will be living in cities, and markets will become increasingly liberalized expanding consumer possibilities. Energy demand is expected to increase two to threefold over this period. However, major disruptions could happen that are impossible to foresee; one example being the HIV/Aids epidemic.

Climbing the Energy Ladder

There is a sharp increase in energy demand as per capita GDP rises with industrialization. China and India will go through this phase in the next fifty years, as incomes per capita reach $5000 a year. Industrialization is complete when income per capita reaches $10,000 a year, as in Thailand, Mexico, Korea, and Brazil. Services start to dominate growth at $15,000 per capita, and as economies surpass this mark, the energy market becomes saturated and demand flattens out. At this stage, societies and economies are more technologically advanced and more efficient in their energy use, per quantum of energy.

Who will shape the future?

Today, two thirds of energy demand is in the OECD countries, Eastern Europe and the Former Soviet Union (FSU); one third of the energy demand is in Asia and the Middle East. However, in Asia, China and India are both huge countries with fast growing markets, and their energy demands are set to increase. By the middle of the 21st century, energy use patterns will significantly shift, with two thirds of total energy demand in Asia, Latin America, Africa and the Middle East. There are other factors that will shape the long-term energy outlook: will there be enough energy resources to meet demand; will the appropriate technology exist to use that energy economically and responsibly; and what will be the social priorities that guide citizens to make choices in terms of developing and using energy?

Energy Supply: The Oil and Gas Mountain

From the 1950s to 1970s, there was incredible growth in oil demand, with 7.5% annual growth in usage. This leveled off in the 1970s during the oil crisis, which was a significant push towards greater energy efficiency. Demand increased in the 1980s primarily due to economic development, and will continue to increase at 2% a year until 2025, flattening out by 2050. Ultimate recoverable oil reserves are estimated to be in the region of 3,000 billion barrels and only a quarter of these reserves have been exploited thus far. Demand is likely to move from oil, to liquids, to biofuels, and to unconventional oil, as the cost of extraction increases over the next century. For gas, the picture is similar: growth in natural gas was around 4% per annum from 1950 to 2000, and will increase yearly at 3% for the rest of the century. Undiscovered gas reserves are likely to be huge and present an attractive fuel option; gas burns cleaner than oil and coal, and may represent a bridge to the future for renewables.

Renewables

The most exciting energy options for the future are renewable resources, which are more than adequate to meet total energy needs. In North and South America, the importance of solar power will grow, while remaining minimal in Europe. There are enormous energy reserves in FSU, and huge reserves of solar power in Africa and the Middle East. However, one of the major problems will be getting affordable technology to the raw energy source. The cost of renewable energy technologies such as photovoltaic systems and wind power have reduced over time, but it is possible their cost may have flattened out and not become any cheaper. At the same time, the cost of competing energy systems will increase as oil reserves become increasingly difficult and expensive to extract. The direct competitors to oil will be gas and liquid gas; liquid gas is a very pure energy source and, while it is presently up to four times the cost of oil, its cost is coming down constantly.

Innovation and Competition

Transition points in technology are often revolutionary, representing significant steps forward that move demand from one energy resource to another. An energy revolution in coal and steam gave rise to the industrial revolution, moving demand away from wood, wind, water and animals. The arrival of electricity in the mid 1850s sparked off a new cycle of industrial development and lighter industry. The invention of the internal combustion engine revolutionized the world, developing from an immature to a mature technology between 1940 and 1970. Likewise, nuclear energy was discovered in the 1950s, matured by the 1970s, and by the 1990s was in decline. The combined cycle gas turbine took off in 1999 and is becoming increasingly important for power generation. In the next fifty years, likely jumps will occur from the use of fuel cells, which turn hydrogen directly into electricity; the only by-product of this source is steam making it the cleanest energy source imaginable. Direct electricity generation from solar power is equally attractive. Technology, choice and innovation will dictate energy choices in the future.

Future scenarios: 'Dynamics as usual'

Shell foresee two scenarios for the future. One is 'dynamics as usual', where the underlying dynamics of the energy system remain the same in terms of evolving technology and choice, with people thinking as global citizens for the greater good of the planet for clean, secure and sustainable energy. The alternative scenario is 'the spirit of the coming age' where more revolutionary developments allow people to make energy choices as consumers for their direct benefit, rather than the greater good. Taking the concept 'dynamics as usual', the push towards renewables will be supported by gas in the medium term; but this will only happen after renewable energy technology matures, and when it does, particularly in terms of energy storage, the energy market will move to a different cost curve. This will not happen for two decades. Meanwhile, the continuing efficiency and utilization of vehicles will prolong the demand for oil. In the US, gasoline demand has been decoupled from income; between 1950 and the present, GDP per capita income has increased threefold, but gasoline sales per capita have leveled off since the late 1970s. It is difficult to estimate oil consumption beyond 2025, and the price of a barrel of oil will remain volatile for some time to come.

Dash for gas

Concerns about the environmental impacts of carbon emissions from fuels such as coal and oil will encourage the use of gas, particularly in Asia where air quality is a concern. Gas is a highly efficient fuel compared to many others, and the likely decommissioning of coal and nuclear plants will further increase demand. In the West, gas and power liberalization will facilitate the use of gas, and combined cycle gas turbines and high efficiency units will remain very attractive energy generation options. With the development of a spot market for liquefied natural gas (LNG), it is increasingly becoming a commodity in the far East and Africa. In addition, countries like China, Saudi Arabia, Russia, and Iran will join the World Trade Organization (WTO) significantly increasing their economic and industrial activity, increasing the demand for gas. Gas reserves in the CIS will provide governments with much needed hard currency and in the Middle East, export diversification will also push the demand for gas over oil. The market for gas in Asia will be significant given the region's energy demands; LNG from countries with extensive reserves, like Iran, will be shipped to enormous markets developing in Malaysia, China, Korea and Japan. These markets will also be supplied by major pipeline routes being developed from Central Asia. Increased infrastructure in the area will make cheaper energy available, driving industrialization and economic growth very rapidly increasing income per capita in the countries of Eastern Asia and the large economies of China and India.

The branching point in energy use will be in 2025, when there will be a diverse range of energy sources to choose from. Many countries may choose to adopt renewables, which will be more mature; some will follow the gas route; and others may return to nuclear energy. In terms of renewables, there will have been significant improvements in solar technology by 2030. The main difficulty will switch from the generation of power itself, to finding an efficient way of storing large quantities of solar power.

The spirit of the coming age

The alternative scenario for the future, 'the spirit of the coming age', will be one driven by revolutionary developments in energy generation, driven by consumer choices. Consumers will look for increased convenience, flexibility and independence, and this could potentially be supported by advanced hydrocarbon technologies. In the long term, there will be a high demand for sustainable hydrogen as the main energy source. The breakthrough would come from using solar electrolyses to separate water into its component parts of hydrogen and oxygen, and moving to use hydrogen as the main energy source. Combined with this, an effective method for storing hydrogen would have to be developed, perhaps using carbon fiber technology or condensing the hydrogen into a solid block. These developments are likely to take another two decades.

Infrastructure is a critical enabler: the World has moved from using canals to railways to pipelines, and now the internet, all of which effect the way business is carried out. In the future, fuel cells could become small enough to run laptops and machines; cars could become mobile power stations that run on hydrogen with zero emissions. Such breakthroughs in the next twenty years would cause oil demand to drop significantly; therefore, valuable reserves today may have limited use or value in the long term when more efficient energy alternatives replace them.

Relevance of energy developments for Africa

Responding to questions on how natural resource developments would benefit Africa, the speaker commented that governance was one of the most important factors. The economic development of countries such as the USA, UK, or Norway was predicated by the exploitation of oil, gas and minerals, but the economic miracles achieved owed more to good governance. Much depends on how well the revenues generated from EI are used; responsible governments have to invest wisely, plan and manage their natural resources.

The potential for Africa to develop alternative energy resources on a large scale is currently limited due to the lack of a significant industrial base. African countries will have to think in terms of developing the resources they have, bearing in mind there will be significant alternatives available in the future.

Part Two: Closed Consultation Session

6. Introduction

Introducing the closed workshop sessions, Dr. Salim highlighted the commitment of the WBG to the Millennium Development Goals and eradication of poverty by 2015. This had to be translated into action for Africa, he said, and the success of the workshop would provide guidance on how EI could play a role in accomplishing this.

He said Africa has been seen as the lost continent and has continued to suffer widespread poverty despite its abundant natural resources. Government, business and civil society share the same goal for a free and prosperous Africa by 2015, but the question is how the three groups can work together to achieve the means for poverty reduction and sustainable development through EI. Dr. Salim encouraged participants to use the workshop as an opportunity to resolve this question. He emphasized the need to go deeper into the conventional formulas proscribed for development to identify not what should be done, but how; for example, how to facilitate knowledge transfers, how to capture investment and how to achieve good governance. The convening power of the WBG is necessary to achieve all these objectives, said Dr. Salim, and discussions should focus on how the Bank Group should do this through its technical assistance and structural adjustment programs, its investments and guarantees.

7. Strategy and Policy of the WBG in Africa

Director of the WBG's Oil, Gas, Mining and Chemicals department introduced a session on the WBG's strategy and policy in EI in Africa. Commenting on the Bank Group's overall perspective of Sub-Saharan Africa, he said the total population of 700 million will rise at a rate of 2.7% per annum, with average gross national income (GNI) per capita amounting to $470. Recent growth rates are only 3% per annum and aid flows have decreased over the last ten years to an average of $19 a head. 22 of 26 countries in the WBG/IMF Heavily Indebted Poor Countries Initiative (HIPIC) are in Africa and the region is battling to recover from conflict and dealing with HIV/Aids. Private investment flows are highly concentrated in a few countries and in a few sectors, including EI. The key point, he said, was to recognize the great divergences within the region; the Bank Group did not, therefore, have a 'one size fits all' strategy.

IBRD/IDA Program in Sub-Saharan Africa

The Bank is concentrating its efforts on accelerating progress towards the MDGs and supporting the NEPAD initiative. Its regional priorities are post-conflict support, capacity building, disease control (particularly HIV, malaria and tuberculosis), debt relief, improving market access for African goods and services, and regional integration. PRSPs are being used as a tool for diagnosis and policy and the Bank is increasingly focusing its assistance on the outcomes and development effectiveness of programs. The Bank is increasing its activities in Sub-Saharan Africa, with FY02 commitments amounting to just under $4000 million, which accounts for 50% of total IDA lending. The Bank's total portfolio in the region is around $15 billion.

IFC and MIGA Activities in Africa
IFC activities in Africa are focused on infrastructure and communications, and development of the financial sector to boost savings and channel them into the local economy. IFC is supporting SME development, working through financial intermediaries, building capacity and establishing industry associations to support SMEs, and concentrating on high impact sustainability projects. IFC's total investment portfolio amounts to $2 billion.

For MIGA, Africa is a priority region; its $0.8 billion portfolio represents 50% of the Bank Group's total guarantees. MIGA's focus is on power, telecoms, and other infrastructure developments. It provides technical assistance programs in 12 member countries and has a regional office in Johannesburg.

WBG and the Extractive Industries in Africa
Most African countries have oil, gas and mineral resources. Some countries have become new producers in recent years, for example Equatorial Guinea, Mozambique, and Mauritania. Others have a long history in EI, like Nigeria. For many countries, EI contribute a large proportion of GDP, tax revenues and FEX earnings, and account a large proportion of foreign investment. Small scale and artisanal mining is a significant activity in a number of countries.

Governments and extractive industries
Governments welcome EI developments as a source of revenues, job creation and training, direct and indirect. But, they are increasingly aware of the risks associated with EI, in terms of sustainable development. WBG role aims to improve the performance of the private sector in these activities, and to support governments in capacity building to maximize local benefits and sustainability. In addition, there is a new focus on governance and revenue management.

WBG Financing and guarantee approvals
From FY94 to FY02, EI accounted for $1 billion (19%) of total Bank investments, $600 million (28%) for IFC, and $300 million (26%) for MIGA. The Bank is focusing on technical assistance, reform and advisory work, while IFC and MIGA are financing selective investments, oil, gas and mining projects and local service companies.

Recent IBRD/IDA project in Tanzania
An example of a recent Bank project is the provision of $13 million in technical assistance to the Government of Tanzania to help develop its private sector strategy for sustainable mining. The main focus of the program was to overhaul the regulatory framework, strengthen the capacity of government institutions (to manage the sector and monitor environmental issues), and provide a strategy for small scale mining. Key outcomes were

the increased capacity of government departments, growth in private investment and output, and better management of small-scale miners.

Bank advisory work

Recent Bank advisory work included guidance for the Government of Mozambique on the privatization of its downstream petroleum sector and development of its gas sector, and advise for the Government of Nigeria on a comprehensive gas strategy to provide gas for private consumption and for industry. The Bank is also working to develop HIV/AIDS toolkits focused on the mining sector, and working with others on the CASM (Communities and Small Miners Initiative).

An IFC project in Côte d'Ivoire

An IFC project in Côte d'Ivoire provided almost $80 million in debt and equity financing CI-11 oil and gas development over several years from 1993. The investment followed a reform program developed by the Bank. The project provided much needed FEX and produces oil for export and gas for local power and industry. It also helped facilitate major private investment in the power sector, leading to lower costs and prices, and attracted other new investments.

Promoting local development: Niger Delta Contractor Facility

The WBG withdrew from Nigeria in 1995 due to the country's poor governance. IFC re-engaged following the election of a democratic government. Major oil investment programs were continuing in the Niger Delta region, but benefits were not seen as flowing to the poor. The WBG found that a number of local companies were providing services to multinationals for large projects, but lacked access to affordable financing. Local financial institutions found small companies to be high risk, so lent funds at exorbitant rates (25-30%); many companies were forced to borrow from loan sharks. IFC felt they could assist with facilitating a greater involvement of local contractors and talked to a number of local institutions and companies to partner in this effort. Shell was the only company to engage with IFC in trying to help; IFC knew the reputational risk of working with the company due to their poor perception in the region. However, the benefits to the local economy were felt to outweigh the risks. A $30 million partnership between IFC, Shell and the local bank, Diamond Bank, was set up to finance the facility. IFC alone bear the project risk and are very unlikely to make a return on the investment.

IFC faces much criticism for the project, but has followed all necessary rules and safeguards. The project could have been improved by better engaging with civil society and better communicating the project's purpose. Funds are not being given to Shell, as some believe, but go to local contractors alone. The facility has made between 50-100 small investments, which is a huge challenge for IFC in managing and monitoring the funds; they hope civil society will engage in this effort. The facility will be launched in 2003 and funds will only go to local contractors from the Niger Delta, or companies that employ at least 30% of their employees from the Niger Delta.

IFC is also funding a credit facility (Adamac) to support the development and growth of a successful local service company in Nigeria, and providing $5 million for a mining facility (SAJMF) to help empower local companies in Sub-Saharan Africa.

Recent Mining, Oil and Gas Projects
In terms of the public sector, the Bank has supported the mining sector in a number of countries through technical assistance; a large amount of financing, therefore, goes to governments for reform packages, rather than to EI directly. In oil and gas, the Bank has supported more structural or technical assistance than projects, with the exception of the Chad-Cameroon pipeline project. Recent WB advisory work includes policy dialogue on revenue management, privatization, capacity building, and gas market strategies. Recent investments with the private sector include mine rehabilitation and development, on- and offshore oil developments, and mineral processing.

Case Study of World Bank Group Project in Mining Sector, Mali
A government representative from Mali gave a presentation on a successful gold mining project in Sadiola, Mali, sponsored by the WBG, which integrates social and environment issues, with aspects of mining administration and implementation. Mali's economy is mainly agricultural and pastoral based, but has a long history of small-scale mining, said the speaker. The country has now become a major gold producer, with six tons of gold produced every hour.

Development of the mining sector
The Government of Mali wanted to develop the mining sector and the development of the Sadiola mine, based in the West of Mali, near Senegalese border, was part of a World Bank Structural Adjustment program. The Environmental Impact Assessment (EIA) was conducted in 1994, using national as well as international expertise and encompassed all the socio-economic impacts and environmental impacts of the mining development, including the social aspects relating to mine closure. The main conclusions of the EIA were that the significant development of the area would lead to the creation of local jobs and move from a subsistence to monetary economy. This assessment also led to the implementation of an environmental monitoring plan

Creation of environmental awareness
The Government had to draft an environmental policy in compliance with international standards to ensure all socio-economic benefits of the project were maximized; this included a policy on chemical products and cyanide use, as well as waste management. A main intention was to promote awareness of the environment within the Consortium running the mine and local communities. The Government was cognizant of ensuring local communities did not become too dependent on the mine, and the need to promote other income generating activities. The speaker added that the EIA took place in a non-regulatory framework, but because of involvement of IFC, Mali benefited from its first EIA. The Government has since used the report as a basis for drafting environmental decrees.

Relocation of affected communities

The development of the mine was based on a number of considerations, including the relocation of villages, which was managed through a development fund integrating economic and ecological aspects, and undertaken according to WBG guidelines. Community consultations were held prior to moving around 6000 people, facilitated with the help of a local NGO who conducted the necessary research. Infrastructure improvements were part of the relocation program, and included improvements to roads and water provision.

Mitigating environmental and social impacts

Environmental and social monitoring was based on affordable technologies. Parameters were put in place to monitor subterranean waters, dust generation, and potential social conflicts arising from the development of the mine. Improved equipment was put in place to monitor water quality and dust, and to manage solid waste. Encapsulating Acid Rock Drainage (ARD) was a priority and trees were replanted to stabilize the slopes of the mine tailings. Mud was impounded by laying down straw to encourage plant growth.

As part of the social closure plan, $5000 is set aside each month, which is managed by the community. The Sediola community is now the richest in Mali in terms of infrastructure development, access to education and local facilities, such as storehouses and shops that are managed by the local community. The mine has led to the development of other activities in the area such as improved agriculture, beekeeping, and small-scale mining, due to increased access to equipment, irrigation, and the development of commerce and trade. Old mining sites have been reclaimed and a ‘green belt’ has been developed. The mining fund has given assistance to a national broadcasting station to advertise what has happened in Sadiola. Literacy programs have been implemented around the area of the mine, a vaccination program has been established, and school attendance has increased to 75%.

Concluding comments

The speaker concluded saying that the intelligent approach adopted to develop Mali’s mineral resources and political commitment of the Government has enabled the country to fight poverty. He emphasized the importance of stakeholder involvement, where civil society works together with the Government to facilitate sustainable development through intelligent dynamics. Whether natural resources were in the form of gold or oil, he said they should not be viewed as a ‘curse’, but as a blessing to improve the capacity of a country.

8. Case Studies on Oil, Gas and Mining

This session was designed for further elaboration on pertinent issues relevant to the WBG’s involvement in oil, gas and mining developments in Africa, with the purpose of identifying lessons learnt. Discussions were based on three case studies: the Chad-Cameroon Pipeline Project (oil and gas); the Bulyanulu Gold Mine, Tanzania (large scale mining); and a general discussion on small-scale and artisanal mining in Africa. Each case study comprised presentations by World Bank Group, civil society, industry and government participants, followed by plenary discussions.

Case Study One: The Chad-Cameroon Pipeline Project
World Bank Group
Staff presented the WBG perspective of the Chad-Cameroon pipeline project. The project consists of the development of three oil fields in landlocked Chad and the construction of a pipeline system/export terminal to transport oil from Chad to offshore Cameroon.

Why was the project approved?
Outlining reasons for the WBG's approval of the project, staff referred to Chad's huge landmass, sparse population of 8 million, 200 ethnic groups and 120 different languages. According to a wide range of indicators, Chad is one of the poorest countries in the world, with a GDP per capita of $200, 60% of the population living below the poverty line, and only 20,000 people with access to electricity. T

Chad's economy is highly dependent on cotton and cattle, and the country experienced a decline in real income in the 1990s. The country has suffered three decades of civil war and sporadic conflicts continue. Oil was discovered in 1975 following exploration since the 1960s. According to conservative WBG estimates, Chad's oil reserves could more than double government revenues, amounting to US$2 billion over the 25-year life of the project.

Key stakeholder issues
Key issues identified by the WBG were providing fair access to project benefits in Chad and Cameroon; ensuring large revenue flows to Chad were used wisely; mitigating environmental aspects along the pipeline route, and social impacts on local communities in the construction and operation of the pipeline; and managing investor perceptions due to cross-border risk of a large capital investment in an area with no track record of oil development.

Conditions applied to the project
There were a number of key stakeholder agreements for the pipeline development, which took years of negotiation and inputs from civil society. Exxon valued what the Bank could offer in terms of environmental and social expertise. It was essential to build the capacity of the Chad Government to manage revenue flows and oversee the project; the revenue management law sets aside 10% of revenues for future generations, 80% for key development spending, and 5% to the Doba oil producing region. Independent oversight was key, and includes: a local committee, comprising civil society, government and judiciary representatives, for the control and supervision of revenues; an independent environmental monitoring group (ECMG), which reports quarterly; and the Independent Advisory Group (IAG) – WBG Board approval for the project was conditional on the establishment of IAG.

Staff referred to comments that the WBG should have been better prepared and waited longer before implementing the project. They emphasized that Shell and Texaco initially pulled out of the project and Exxon had to find new partners – Petronas and Chevron. Delays to the project continued for two years, but the Bank felt they had the right ingredients to go ahead with the project, even if plans were not perfect. The Inspection Panel review recommended some improvements, which they are working on.

Local Economic Development

IFC has been focusing on local economic development. An SME development specialist is located in Chad, and there is micro-credit facility up and running. It is working to develop markets for local farmers and is working with local chamber of commerce to help entrepreneurs.

Financing

IFC provided $100 million of financing for its own account, and a $100 million B loan through commercial banks. IBRD provided $39 million to help finance Chad's equity interest in the pipeline. IDA provided $18 million to assist with the revenue management, and $24 million to assist with capacity building. The Bank loaned $53 million to the Government of Cameroon to help finance its share in the pipeline.

Current progress

Construction of the pipeline is ahead of schedule. Local benefits include the creation of 12,000 jobs; while many of these are not permanent, ongoing training will increase workers' chances of finding employment in other construction projects. Other benefits include $400 million in local contracts, and long-term training facilities. First oil is expected as soon as August 2003, with revenues arriving by the end of 2003.

In terms of oversight, IAG have made 4 formal visits to the project, as well as conducting regular public environmental monitoring. ECMG have conducted 5 environmental inspections, and the WB Inspection Panel reported on the project in July 2002.

Immediate Issues

There are concerns about the lag in government capacity building, and high expectations regarding local employment and project impacts. The WBG is working with the consortium and the Chad government to manage these issues. Progress needs to be made on improving infrastructure and getting social spending underway. Other concerns are the impact of inflation on the economy, not just because of the project, but due to drought, and security concerns that are typical of large projects anywhere in the world.

Concluding comments

The WBG believe the pipeline development has tremendous potential to alleviate poverty, particularly in Chad; they hope Cameroon will similarly benefit. The project is a good example of regional integration, with both countries working closely together. Enormous revenues will flow to both governments, especially to Chad; the WBG hope appropriate mechanisms are in place to ensure revenues are used properly. Income from oil will double Chad's net government revenues, but in relation to the country's population and needs, this amount will be relatively small.

In terms of lessons learnt, staff said that one of hardest issues the WBG currently faces is on what conditions to remain engaged in a country. There are a number of countries where the WBG is not comfortable working, including a few countries in Africa. One question is whether the WBG should just ensure projects ‘do no harm,’ or accept some risk to do good. Another issue is climate change and whether the WBG should support oil projects. However, with developing countries taking the largest incremental increase in energy demand in the next few decades, prices will increase without such projects, and the poorest countries of the world will be those that suffer most. These are the difficult choices the WBG faces, but they remain committed to poverty alleviation, concluded staff.

Questions
In response to queries regarding why IBRD funds were used to finance the Chad and Cameroon governments rather than IDA funds, which have lower interest rates, staff confirmed that the financing for the project was very complex. IDA funds are limited and are set aside for specific programs, rather than projects. Staff added that debt servicing is a requirement for all loans made; the WBG applies good commercial practices even if it is not a commercial bank.

A participant from Chad questioned exactly what improvements had been made to Chad’s infrastructure, and asked what type of contracts had been offered to workers. She also referred to a list of suggestions drawn up by the Chamber of Commerce in September 2002, as well as the various monitoring mechanisms in place for the project, and asked how many of the recommendations made, thus far, have been taken into consideration by the WBG.

Staff responded that the most immediate improvement to Chad’s infrastructure was in terms of roads in Southern Chad, greatly improving mobility and communications. Other significant improvements include the bridge across the Chari River that facilitates trade from Chad to Cameroon, and vice-versa. Roads from the Chari bridge and Komi basin have been upgraded considerably, and use of the main roads from Jamina down to Southern Chad necessitated the improvement of bridges. Such improvements will continue as the project progresses. Staff added that by improving roads, the volume of traffic increases and impacts on communities. Ensuring the safety of affected communities has been a significant issue, particularly in northern Cameroon and Southern Chad.

In terms of workers’ contracts, staff responded that many of the jobs were temporary, due to the nature of the construction. Regarding the Chamber of Commerce, staff confirmed that there is an agreement for IFC to work with them on capacity building. They added that the involvement of the Chamber of Commerce came too late to involve local entrepreneurs in the construction of the pipeline, but over the life of the project, there will be plenty of time for this.

Regarding recommendations made by other monitoring bodies, staff pointed to ECMG’s 5 visits to the project, for which reports are publicly available. From these 5 reports, the number of outstanding issues has been considerably reduced, and technical, social and environmental considerations have been integrated into the project.

A participant from IAG asked why the WBG put all conditionalities on the Chad government and not on the company, Exxon. He went on to ask how many of IAG's recommendations had been followed up; they had a number of recommendations and IAG received answers for each one from the WBG. But, he continued, explanations usually implied non-action. Bank staff responded that the burden of conditionalities was not put on the Chad government alone, but also on Exxon, who are required to work through subcontractors, for example. Nevertheless, staff emphasized the importance of putting the responsibility on governments to ensure they take ownership of projects. Building government capacity made projects more successful, and the Bank ensures projects meet appropriate safeguards regardless of the government's role.

A trade union representative commented on the low quality of jobs being created and how technology transfers would generate longer-term benefits around projects. He asked how the overall focus of the project relates to regulatory frameworks and whether projects may interfere with the sovereignty of a country. He also asked whether WBG policies for labor follow ILO conventions. Regarding sovereignty, staff responded that it is an important issue, particularly in terms of revenue management; Chad's revenue management law has been criticized as being too defined, but it is the governments that ultimately decide what to do with their revenues, argued staff. On ILO conventions, staff confirmed that the CAO has been looking at this issue with respect to IFC; IFC ask that all its contracts abide by national laws, as well as by WBG standards. If a country is a signatory to ILO conventions, they have to submit to this also. In a broader context, labor issues often get built into the 'value added' in projects; IFC have been known to go beyond the four walls of the workplace in countries with inadequate labor laws, which are not signatories to ILO.

A participant from Cameroon questioned whether the WBG could effectively draw lessons from the field when there were inconsistencies in information received. As an example, the participant referred to ECMG's recommendation for the WBG to put in place a social closure plan. He questioned how the effectiveness of a closure plan would be evaluated, and whether the WBG responds to information received through informal channels, such as reports from local communities, or whether it just considers information received in formal evaluations.

In response, staff commented on the additionality brought to the project by ECMG. The Chad and Cameroon governments wanted to use access roads for other purposes, for example, in North Cameroon, there were more quarries than planned and people's lands were being dug up beyond the normal impacts expected. ECMG recommended to the WBG that social closure was necessary, beyond physical closure, to create a mechanism to ensure individuals were satisfied.

Industry perspective

A representative from Exxon gave an industry perspective of the Chad-Cameroon pipeline project, focusing on work of being undertaken by the consortium, and by Exxon in Chad and Cameroon.

WBG conditions
Two key conditions for the WBG's participation in the project were the implementation of an environmental management plan and a revenue management law. The commitments taken on by the consortium are included in these comprehensive plans. The WBG also made a specific request for external monitoring, and the consortium have met with IAG during their inspections in Chad.

Infrastructure improvements
The speaker first outlined improvements made to Chad's infrastructure as a result of the project. Exxon has repaired 400 miles of roads and built new bridges from the terminal in Cameroon to southern Chad; these roads will facilitate exports of cotton from Chad to international markets, he said. The total cost of construction is \$3.4 billion; \$2.7 billion of this amount has been paid for by the consortium, consisting of Exxon-Mobil, Petronas and Chevron Texaco.

Other positive impacts
US building codes were applied to the project for construction, and the company is setting high safety standards for the project; accident rates are low, with a 0.5 injury rate per 200,000 work hours compared to the average rate of 8.2 in the US and Canada. There has been a net positive impact on biodiversity in Cameroon with the establishment of two new national parks in cooperation with the WBG and Government of Cameroon. The consortium is funding park expenditures and the World Wildlife Center and Wildlife Conservation Society are going to run the parks. Where the pipeline was constructed and buried, land has been effectively reclaimed for agriculture.

Working with communities
The consultation process is ongoing: in the first three quarters of 2002, 1800 meetings were held with more than 63,000 people, in the largest consultation effort ever to take place in Africa. Regarding compensation, the consortium complied with WBG directives, going beyond the directives to offer individuals cash compensation or 'payment in kind'. In Cameroon, they worked with local banks to open savings accounts for those who received cash compensation. The level of compensation was agreed with land users and local NGOs. The speaker said the company is working closely with international and local NGOs as they are better equipped to deal with the issues; for example, local NGOs have helped Exxon build houses for some resettled communities. He maintained that the compensation process was fair, transparent and efficient, and the Inspection Panel did not find any cases of improper, or inadequate compensation for land, houses or trees.

Health initiatives
Exxon is participating in health initiatives in Chad and Cameroon, supporting national programs against malaria and HIV/Aids. They also have an immunization program to vaccinate against diseases such as meningitis, which has been rife in Chad.

Local jobs and contracts
The pipeline has had a positive impact on local employment and local business opportunities, said the speaker. At the end of the third quarter of 2002, 12,000 workers

were employed and 80% of workers were from Chad or Cameroon. In addition, training is providing workers with additional skills. Responding to comments regarding the short duration of the work in Cameroon, he said this was due to the movement of pipeline construction from southwest Cameroon to northeast of Cameroon. This means employment is short term, but equitably distributed amongst villages along the pipeline route. The jobs and local contracts have had a major impact on the economy of Chad; since construction began, growth in Chad was 9% by 2001, and 11% by 2002. The country is estimated to have the largest, relative economic growth in 2003.

Transparency of payments
On the issue of revenue management, while Chad's revenue management plan is the responsibility of the government, with assistance from the WBG, the speaker said the consortium's major contribution would be in terms of revenue transparency. All payments going into the government budget, such as royalties, taxes, dividends, fees and custom duties, will be fully disclosed.

Concluding comments
The speaker concluded that the development of Chad's natural resources was the only opportunity the country had to alleviate its deep poverty and should be grasped.

Government viewpoint from Chad
The National Coordinator for the Petroleum Development presented the viewpoint from the Chad government. Introducing some background on the country's petroleum sector, he said Chad gave a permit for oil exploration to an American consortium in 1969. When oil was discovered and found to be commercially viable, there was no doubt that Chad should exploit the reserves; it was a unique opportunity for the country to improve the quality of life of its citizens. With an economy based on agriculture and cattle, the government felt it would also be able to improve the management of the agriculture sector as oil revenues came into the country. To exploit the reserves, the construction of a pipeline was necessary as Chad is a landlocked country. Two companies were asked to develop the oil, TOTCO (Chad's national oil company), and COTCO (Cameroon's national company), who were responsible for the construction and management of the pipeline in Chad and Cameroon, respectively. The cost of the pipeline was $2.2 billion and the WBG came in as concession partners at this point. Chad and Cameroon contributed $140 million, amounting to 3% of the total cost.

Why the need for the WBG?
Chad accepted, and has fulfilled, all the conditions laid out by the WBG if it was to engage in the project. The speaker said the process of engaging and consulting with the WBG, NGOs and the Consortium has been an enriching experience for the Chadian government. He said the project had the support not only of the government, but of many people in Chad; consequently, they can improve environmental management, ensure the emergence of a responsible civil society - who can become a counter-weight to the public sector – and promote human rights. Government capacity to manage the project has been developed through a credit line set up by the Bank with IDA funds.

The Government's role in the project

Follow-up on the project is being conducted by the CNPP (Coordination Nationale du Projet Pétrole). A technical committee works closely with the Consortium and is charged with reinforcing environmental management capacities, taking action to reduce impacts on the ground, and developing action plans for local initiatives. In addition, the government has set up a social fund whose objective is to assess the impacts of the project and assist the sustainable development of people living in the oil producing zone. The Ministry of Petroleum follows technical aspects of the project and works with the consortium on the ground, reporting its findings to CNPP. A communication unit manages the flow of information between the state, NGOs and all partners in the project. Another unit is assisting the government with capacity building, increasing resources at the local level to help manage the project. This unit is also helping reinforce all government ministries, setting up management structure to manage expenditures. Hence, the project has had a big impact on enhancing government institutions.

Revenue management

Regarding revenue management, a 'college' comprising all stakeholders is responsible for applying the revenue management law to mobilize funds. The funds are put in an offshore account which is divided into several small accounts: one to repay loans to the European Investment Bank; one to repay WBG loans; one for debt servicing; one to set aside 10% of funds for future generations; and lastly, one for 90% of the funds dedicated for priority projects being implemented by government ministries.

Concluding comments

The project has been demanding for the Chad government, but they firmly believe it has been worthwhile not only for Chad, but for African countries in general in disseminating knowledge on revenue and environmental management. The project has brought about civil society in Chad, ensuring the project is multi-dimensional, with government, civil society, the private sector and WBG working together. The Government hopes that with the arrival of revenues later in 2003, they will be able to present even more positive conclusions on the project.

Civil society: lessons learnt

Civil society participants presented 8 lessons they had learnt during the implementation phase of the project.

Lesson one: Oil for development

The speaker firstly commented on the WBG's presentation, saying civil society were not convinced that oil revenues would be used to fight poverty. Bank staff admitted that 'only time will tell'; the project involved risks and while it was not perfect, lessons had been learnt. The project was approved because the WBG assured that oil revenues would be used for development. The speaker questioned why more time was not taken in the preparation phase if staff were not sure of the project's success in this regard.

Lesson Two: Investing funds for poverty reduction
The mechanisms set up to manage project revenues are based on the clear supposition that the governments will use the increase in revenues to invest in projects to reduce poverty. The speaker questioned whether this was realistic and suggested the WBG may be well aware of this fact.

Lesson three: A poor deal for Chad
The speaker said the WBG did not allow the Chad government to make a good commercial deal on the oil produced. He cited the example of Congo, where the government recoups 33% of the price of a barrel; in comparison, Chad only receives 25%. He argued that the Chad government bears the greatest burden of financial costs, leaving little to fight against poverty, while the main beneficiary, Exxon maximize their profits due to beneficial tax exemptions.

Lesson four: Environmental and social concerns
The project has a number of major environmental and social problems that the monitoring mechanisms put in place by the WBG are aware of, said the speaker. While 12,000 jobs were created, many of these were three-week contracts; workers are underpaid and some have not been paid social security, which is required by law in Chad. There is a lack of capacity to respond to nascent conflicts, many of which relate to compensation and workers' grievances. In Chad there is no arbiter for redress of grievances; the only recourse for grievances is the Inspection Panel, he continued. Food security has not been addressed, prices have increased, and there are health issues few are aware of and that remain unchecked on the ground. Despite compensation, many people have lost their means of production and subsistence. The WBG assured people they would benefit from revenues and job creation, but this does not seem certain, said the speaker.

Lesson five: Monitoring mechanisms
Monitoring mechanisms are seen as ineffective and powerless, and civil society do not see the various recommendations being taken into consideration by the WBG, argued the speaker. She commented that the Inspection Panel's economic evaluation of the project did not even include any quantitative data. Despite clear examples of non-compliance, no remedies have been found for the problems on the ground. The WBG continues to state that it is making efforts to find solutions, but many believe these solutions will come too late.

Lesson six: Project expansion
The speaker expressed concerns regarding the apparent expansion of the project; Exxon are exploring other basins beyond Doba. The WBG insist the company is in compliance with its safeguards, but civil society has seen no evidence of an environmental impact assessment being conducted; installations are in place, roads are being constructed and people's land has been expropriated.

Lesson seven: Public consultations
Lessons learnt from public consultations are that they must be better organized to be effective.

Lesson eight: Good governance
The speaker concluded emphasizing the importance of good governance. Referring to the case study on Mali, she said the country was one of the few in Africa where good governance had helped ensure the success of a project. The WBG should insist on minimum conditions of good governance and democracy before engaging in projects.

Case Study Two: Kahama Gold Mine, Tanzania
Civil society perspective
The speaker focused on five volumes of evidence submitted by Barrick Gold and the Kahama Mining Corporation to MIGA and the Development Corporation of Canada. He said this would establish whether the gold mine was achieving poverty alleviation in line with the mission of the WBG.

Economic benefits of SSM
The speaker commented that the Government of Tanzania legalized artisanal mining in the 1979 mining law, and since 1980, Bulyanhulu had been the sole preserve of SSM. The Kahama Mining Corporation never had a license to operate in the Bulyanhulu region, he argued. Prior to the 1996 evictions, there were approximately 20,000 people employed in SSM activities. Many more were involved in auxiliary activities associated with artisanal mining; including dependents, this increased the total number of affected people to hundreds of thousands, argued the speaker. Per capita income was highest in the area of SSM greatly stimulating the local economy, and there has been a significant decline in income since the departure of the small-scale miners. He referred to EIA reports that quoted the positive social and economic effects of SSM activities in generating local income and improving services. The document acknowledges the negative effects of the closure of SSM on the economic and social development of the region. He said these were the conclusions Barrick Gold presented to MIGA, and the governments of Tanzania and Canada. Yet, on these conclusions, MIGA approved a political risk guarantee for the gold mine, which was the biggest single contract in the organization's history. The speaker questioned whether this was consistent with the poverty alleviation objectives of the WBG, considering the destruction of thousands of people's livelihoods.

Economic injustice
The people of Bulyanhulu have not yet received compensation for their losses; the CEO of Kahama Mining Corporation prepared a $3 million compensation program for local communities, which was shut down by the Board of Sutton Resources, said the speaker. Yet, Sutton Resources were paid $280 million by Barrick Gold for the Bulyanhulu Gold Mine, and Barrick Gold will benefit from $3 billion in revenues over the life of the mine. He concluded that this type of corporate investment in the mining sector in a country like Tanzania was synonymous with plunder. He urged the CAO to reconsider the unambiguous complaint that was submitted on the basis of evidence given by affected communities.

MIGA's involvement
A staff member briefly outlined MIGA activities in Africa, before describing its role in the Bulyanhulu project. He said that because of what MIGA does not do - in terms of loans, grants, equity positions and debt lending - they are the most misunderstood arm of the WBG; MIGA's work does not only consist of political risk guarantees, but includes investment marketing services and mediation. The scope of MIGA's activity in Africa is broad: they have projects in Mali, Togo, Mozambique, Ghana, Senegal and Tanzania. MIGA's portfolio in the extractive sector only consists of three projects, of which one is the Bulyanhulu Gold Mine, in Tanzania.

Positive impacts
The speaker said MIGA would review testimony presented at the workshop, but added that in a recent review of the Bulyanhulu mine, he had found a world-class operation on the technical and social side. The project's community development program includes a housing, healthcare and education projects, water supply and electrification, and a malaria control campaign. He added that the most impressive achievements are the provision of water to 30,000 people and extension of electricity over a 150 km area. Discussions with the Tanzanian government and other authorities demonstrate a high level of satisfaction with the benefits the project has brought to the country.

Lessons from the case
The speaker said that the WBG tries to fairly evaluate the costs and benefits associated with its work, whether in terms of individuals or governments. The key question is who gets what benefits, when, where and how, and what decision-making mechanisms should be used, and what principles followed. He questioned to what extent the WBG should get involved in the internal decision-making processes of a country – should the WBG assess whether or not to support projects after a government decides to choose conventional mining over SSM, or should the WBG be more involved in formulating those decisions, raising the issue of sovereignty. Finally, he noted that MIGA, like IFC, works exclusively with the private sector, and that time is an important factor in terms of lost opportunities, lost incomes and lost lives; not doing something while waiting for perfection carries with it tremendous costs.

A participant questioned whether MIGA undertook necessary due diligence before engaging in Bulyanhulu, by following relevant safeguards relating to displacement and compensation. MIGA staff responded saying they did believe they had undertaken due diligence and followed appropriate safeguards, but acknowledged that they were constantly improving on their work.

CAO's viewpoint
A staff member confirmed that the CAO had reviewed the complaint submitted on the Bulyanhulu mine, and the office had provided a summary assessment report to the complainant, as well as Barrick Gold and MIGA. The report identifies what the CAO considers to be serious shortcomings in MIGA's approach to the guarantee at the time it was made. The CAO discussed the report with MIGA and with the President of the WBG in the context of reviewing MIGA's procedures. These shortcomings include the way in

which MIGA carried out its due diligence, MIGA's supervision of the project to date, and the way MIGA communicates with the company and broader community. The CAO urged MIGA to disseminate the wide spectrum of best practices and experiences that exist in all parts of the WBG to enable the company, Barrick Gold, learn lessons from a responsible guarantor and partner. She said the CAO concluded that the project is in line with MIGA policies not due to rigid supervision by MIGA, but mainly because Barrick Gold seems to be operating at the best practice level.

Maximizing benefits, minimizing losses
In a summary of lessons learnt, she said the biggest issue in this case was how to take a state of the art gold mine, with a large FDI, into the poorest area of one of the poorest countries in the world, and help it contribute to the transformation of an economy based on SSM. The challenge was in maximizing the benefits and the number of winners, while diminishing the negative impacts and limiting potential losses in the short-term. It is this question that lies at the root of most complaints to the CAO.

Increasing cooperation within the WBG
Another lesson was how to systematically increase cooperation within the WBG, where different operating roles, different management traditions, and different perspectives and analysis exist. She questioned whether the World Bank country office in Tanzania saw MIGA's work in the country as an important part of what the institution was doing more broadly in the region, and whether MIGA are able to guide the Government of Tanzania and Barrick Gold to the other opportunities and resources at their disposal within the WBG to help them achieve their goals. The key question was how to manage for excellence across the whole WBG.

What kind of partnerships?
Lesson can also be learnt on the nature of partnerships. In the case of Bulyanhulu, she said the Tanzanian NGO, LEAT, had presented their perspective on the project; but there were other local, national and international NGOs who are engaged in partnership with Barrick Gold, including AMFAR and CARE. Barrick's partnerships also involve different government ministries to help build up basic infrastructure and services that are lacking in the area. Nevertheless, there are pros and cons to the different ways of building partnerships. She recommended that the EIR should analyze what kind of partnerships work, and what are the triggers and incentives. There are many best practice examples of successful partnerships in Africa that can provide lessons to the rest of the world.

HIV/AIDS
This is a crucial issue, but the ways in which oil, gas and mining companies approach this with regard to their own staff and communities varies greatly. Barrick are innovating on this with their workforce and local community, and lessons could be learnt from this for other projects that lack the same quality of work.

Safeguard policy review of IFC
One conclusion drawn by the CAO from their review of IFC safeguard policies, and relevant to the WBG generally, is that the environmental and social outcomes of projects

are dependent on the quality of the partnership between the project sponsor, or company, the government responsible for enforcing regulations, and the quality of the input by IFC. Each of the three pillars must be strong in order to get good outcomes. It is not enough for the WBG to have an excellent set of policies; inputs are also needed from civil society. How this can be achieved on a consistent basis is a major challenge facing the WBG.

Concluding comments
She concluded saying that the CAO stands by their report on Bulyanhulu, and suggested it was now better to concentrate on the future of the gold mine and how to improve the quality of life for the poor living in the vicinity of great riches and ensure their development.

Case Study Three: Small Scale and Artisanal Mining
Recommendations from Mining Industry
A representative from the Mining Industry Association of South Africa (MIASA) opened the discussion on small-scale and artisanal mining. MIASA had six members, which are the Chamber of Mines of Botswana, Namibia, South Africa, Tanzania, Zambia and Zimbabwe. MIASA represents large-scale mining, and to a lesser extent, junior mining; nevertheless, the importance and extent of SSM in Africa, and the effect it can have on the development of larger mining operations, has resulted in MIASA spending considerable time trying to define the nature of SSM and assessing how its member organizations can better interact with the sector. Through this process, MIASA developed a position on SSM that was submitted to the South African Development Committee (SADC) of mining ministers in July 2000, and this now forms a part of policy making in the region.

Harare Declaration on SSM
The speaker said SSM is difficult to define and there is no universal definition; at its most basic, the sector can be classified into formal small-scale mining and informal artisanal mining. In the past, informal artisanal mining was viewed as undesirable or as one means of lifting people out of poverty. The latter view is gaining favor with organizations such as the WBG, ILO and UN. But while differences in opinion exist, the speaker highlighted the importance of the UN Inter-regional Seminar on the Development of Small and Medium Scale Mining in 1989. This resulted in the Harare Declaration, which consisted of guidelines to provide a framework encouraging the development of the SSM sector as a legal, sustainable activity and to optimize its contribution to social and economic development. MIASA believe this is an excellent guideline and suggest the WBG adopt it.

Differences between SSM and artisanal mining
Formal SSM implies that miners have a legal right to mine their sites, which means governments can exercise control over the activities of miners. As a private sector activity, the policies that will promote investment in the mineral sector will also promote investment in SSM. The problems encountered by SSM are the same as those affecting large-scale mines; however, in the case of small-scale miners, problems are exacerbated by a lack of expertise and resources, metallurgical skills and access to markets. The WBG could, and does, play a major role in this regard.

The artisanal mining sector is far more complex, and although it provides a livelihood for innumerous communities throughout Africa, it engenders many undesirable effects. Mining is executed in a rudimentary fashion, where products are disposed of in formal markets at discounted prices. Due to the lack of controls, artisanal mining is unsafe and unhealthy, and has significant, adverse environmental and social impacts. As only the richest parts of the mine are exploited, the sites are not generally desirable for large-scale development.

Formalizing the SSM sector
In MIASA's view, uncontrolled artisanal mining is undesirable since any benefits it brings are outweighed by its damaging social and environmental consequences. In contrast, a formal SSM sector can play an important developmental role, and help maximize the mineral potential of countries, create employment, support communities, and provide additional demand for goods and services, thereby boosting the development of a secondary sector.

Building the capacity of SSM sector
Small-scale mines often grow into large-scale operations. To develop SSM sectors in countries in the first instance, suitable deposits need to be identified and made accessible to small-scale miners. This issue can be jointly addressed by mining companies, geological surveys, and relevant government departments, and the WBG is in a position to make a significant input by providing financial, material and administrative assistance. Second, for small-scale miners to mine effectively, necessary knowledge and skills are required. This should be provided through formal assistance, with large mining companies voluntarily becoming involved in the SSM sector at a practical level, with a particular training focus on marketing and financial aspects. The WBG could also assist in this regard. Third, large mining companies should make their equipment, expertise and services available to assist in the establishment of an effective SSM sector.

Facilitating cooperation between SSM and large-scale mining
The main objective would be to make formal SSM an attractive option, not only to entrepreneurs, but also to informal miners by giving them the incentives to operate legally. This transformation should not occur by depriving artisanal miners of their livelihood; rather, the establishment of SSM cooperatives and joint ventures, in conjunction with existing mining companies, would be one option. The possibility of such cooperation is being explored in Tanzania, through a project being funded by USAID, managed by the Tanzanian government and executed, in part, by the Chamber of Mines in Tanzania. The project is fostering value-added, up-and downstream activities. There is a role of the WBG in this regard, and the speaker recommended that it investigate these initiatives.

Importance of legal titles to mineral rights
In considering the formalization of the artisanal mining sector, it is vital that miners are empowered by government to acquire legal titles to their mineral rights, without infringing on established mineral rights. Such ownership will permit artisanal miners to trade their rights, or use them as collateral to obtain financing. The WBG can also contribute in this regard.

Civil society: Contribution and significance of SSM for development

A civil society participant outlined the contribution of, and challenges to the SSM sector in Africa. He said SSM had long been regarded as an economic activity, which co-existed with other activities within the local economy, such as hunting and fishing. It remained an enclave activity until colonization, and reached its peak when the structural adjustment program was inserted in Africa. Since then, he said, there has been a growing number of small-scale miners and areas of SMM activities, also due to the increased large-scale mining investment in areas that were known for small-scale and artisanal mining.

The contribution of SSM can be looked at in two ways: first, for its economic contribution - for instance, in Ghana where small-scale miners dominate the diamond industry. In Tanzania, the economic contribution of SSM amounted to $37 million per annum. Second, SSM contributes to engaging the labor force; in Ghana, 200,000 people work as small-scale miners, in Sierra Leone, over 400,000, and in Zimbabwe, over 600,000.

Challenges to the SSM sector

The SSM sector faces certain challenges, and this includes the extent to which the sector can engage in public sector policy dialogue. The small-scale mining sector lacks an equivalent of the Chamber of Mines, which represents the interests of large-scale mining. The speaker said a major challenge was the disconnect that exists between SSM activities conducted on the ground and policy-making at the national level. Another problem is the legal status of small-scale miners; many do not have legal mineral titles for their operations. In countries, such as Ghana where a small-scale mining law was enacted in 1989, the processes required for obtaining a license are often cumbersome. In relation to environmental degradation, he said SSM was viewed as one of the worst culprits; yet, this could not compare to the scale of environmental impacts caused by large-scale mining operations, in his opinion.

Summary

In conclusion, the speaker said the SSM sector could be seen as an alternative catalyst for mineral resource-led development. Any intervention by the WBG or other actors should be directly linked to the evolution of policies, which must facilitate the access of information to all stakeholders regarding SSM.

9. Lessons Learnt from Case Studies

Participants divided into three groups to further examine major issues raised by the discussion of the three case studies, with the purpose of formulating recommendations for the WBG based on ‘lessons learnt’ that could be applied to future WBG activities in the extractive industries in Africa.

Lessons for Petroleum Developments

Revenue Management

The group encouraged the WBG should use its leverage to ensure good revenue management in the countries in which it works, and build on the high-level of political support for revenue management initiatives at the international level, perhaps working more closely with the IMF on the issue. Companies particularly have a role to play in revenue disclosure, and the WBG should help establish a level playing field to facilitate revenue disclosure for the sector internationally. They emphasized the importance of good revenue management emerging as an output of projects, with a focus on country-led priorities identified by a range of stakeholders, to ensure ownership over revenue management plans by the countries concerned. Outcomes should be strictly monitored.

Implementation
The group advised the WBG to prepare simple, measurable 'best practice' guidelines for project implementation and establish a convention for contractual engagement. Projects should be considered in a regional context, and lead to the implementation of a regional development plan. Participants highlighted the danger of two-speed development, where fast project construction was contrasted by a lag in capacity building; capacity building programs should be in place from the outset of projects. They advised the WBG to implement community development plans from the start of projects and ensure a proper determination of the value of compensation for resettlement. The income diversities that exist within countries should be considered, and effects of inflation guarded against. Local communities should have greater access to work opportunities and be guaranteed proper health insurance.

Environment
The group commented on the lack of baseline measures and recommended that the WBG gather solid baseline data to anticipate the cumulative regional and sectoral impacts of large projects. Each impact factor should be mitigated through measures set in place to target specific problems. The WBG could develop studies in collaboration with relevant experts. Corrective measures in environmental plans should be implemented and followed up by the WBG.

Human Rights
The WBG should ensure appropriate legislation exists to ensure an adequate level of respect for human rights. The group highlighted the link between human rights and the private sector, which should be fostered by the WBG; the private sector creates economic growth and opportunities, and this growth provides favorable conditions for human rights improvement. Business should condemn human rights violations and makes its views known to governments.

Project pre-conditions
The WBG should define precise, public eligibility criteria for states. Pre-conditions should include government transparency and free political life, including freedom of speech, and press. The WBG should guarantee the capacity of the sector to alleviate poverty, and create conditions to enable 'value-added' at the local level.

Lessons for Large-Scale Mining Projects
Community issues
Involuntary resettlement is a key issue, and the WBG should ensure that a clear and agreed upon compensation strategy in is place at project implementation. Adequate time should

be dedicated for resolution of compensation issues and related community concerns. The group also recommended community development programs be in place from the outset and implemented simultaneously with projects. Expectations should be better managed.

Governance and accountability
The group pointed to the lack of trust that exists between impacted communities, and the government and companies concerned. Multinationals and national governments are seen to lack accountability. They highlighted the fact that WBG procedures are not generally understood and the nature of decision-making processes surrounding foreign investment are opaque. The WBG should help build trust by ensuring a transparent flow of information between all stakeholders, and should also disseminate information on its own practices and procedures to help build understanding. The WBG should manage the risks of (poor) governance, promote transparency, and ensure project revenues are captured to equitably benefit all in the country concerned.

Implementation and Monitoring
Project implementation needs to be better monitored and reviewed, and the credibility of those implementing projects be guaranteed, whether from the company, government or WBG. Procedures should be defined for no-go zones.

Conflict Resolution
The group highlighted the problem of polarized positions in disputes generated by projects and pointed to failures in dispute resolution. They recommended that conflict resolution and management mechanisms should be a necessity for large-scale developments and all parties should be engaged. Equally important were the existence of mechanisms for complaints management and redress.

Law and Order
The WBG should help prevent illegality and impunity relating to its projects by helping countries to develop adequate institutions for law and order. The countries in which the WBG works should respect existing human rights conventions to help prevent grievous abuses.

Small-scale miners
Equal incentives should be ensured for small-scale miners. The group highlighted the constraints that exist on SSM in development priorities, due to the lack of mechanisms for inclusion of the SSM sector.

Lessons for Small-Scale and Artisanal Mining
WBG policy on SSM
The group questioned whether the WBG has a coherent policy on SSM and if so, it should be disseminated more widely. A WB project on small-scale and artisanal mining in Burkina Faso was cited as an excellent example of the kind of assistance the WBG can extend to the sector, to reinforce and legal frameworks; capacity building and training; socio-economic aspects; geological mapping; environment; health and safety; improved monitoring; financing; marketing; education; and access to appropriate equipment.

Legal and Institutional Framework
The WBG should help countries revise fiscal regimes and mining laws to ensure they adequately protect and represent the interests of the SSM sector. Participants pointed to the uncertainty regarding to land tenure and confusion over the ownership of mineral rights. The WBG should build the knowledge and capacity of relevant authorities to deal with SSM in an effective way. This could include assisting governments with geological mapping to identify and track the type of deposits to be mined, and promoting effective monitoring of SSM operations.

Socio-economic considerations
Poor health and safety practices in the SSM are major concerns. The living standards of small-scale miners should be improved, and vulnerable groups working in the sector, such as women and children, should be recognized. The WBG should assist governments to improve the sustainability of SSM as a livelihood.

Marketing and Production
Marketing and production are key; the WBG should consider how value can be added to raw material extraction. Small-scale miners should have access to financial support and formal organizations should be established to represent their interests.

Best practice code
The WBG should help develop a code of best practice for the SSM sector, to be ratified by states; the group referred to the Compendium of Best Practices issued by the UN at the Yaounde Seminar, November 19-22, 2002. The group questioned why prior recommendations for the sector have not been implemented and recommended the WBG to be fully involved in the implementation of recommendations.

Partnerships for capacity building
The WBG should take more of a lead role in facilitating partnerships between stakeholders on small-scale and artisanal mining issues. In particular, large-scale mining companies should be persuaded to assist the SSM sector through technical support, facilitating access to new technology and practices and training. Civil society organizations could be involved in building this relationship.

10. Final Recommendations

Based on stakeholder presentations, case studies on WBG oil, gas and mining projects, and the discussion of major issues relevant to the extractive sectors in the region, Dr. Salim called on participants to formulate recommendations to guide future WBG involvement in EI in Africa. Ten areas were identified from the workshop discussions, where stakeholders raised significant issues regarding the role of the World Bank Group: artisanal and small-scale mining; community development; the environment; conflict management; revenue management; governance; disclosure, transparency and trust-building; human rights; WBG policies, procedures and guidelines; and capacity building. In the context of the ten topics, participants were asked to consider how Bank policies, projects and procedures could be improved to ensure EI contributed to poverty eradication and sustainable development in Africa by 2015, in line with the Millennium Development Goals.

Commenting on the topics identified for discussion, participants proposed that a deeper analysis of the issues was necessary in order to address the reasons behind the development lag in Africa, despite the continent's abundant mineral resources and long history of EI. Recommendations needed to be formulated in a way that would close the gap between theory and practice, ensuring effective implementation on the ground, and bearing in mind who should own, and have control over, the process of development in Africa.

1. Small-Scale and Artisanal Mining

(i) *Small-scale and Artisanal Mining Policy:* while the Bank funds some projects relating to small-scale and artisanal mining, it lacks a clear policy for the sector. The Bank could address this by convening a meeting with specialists to develop a policy paper specifically outlining a strategic approach.

(ii) *Legislation:* national legal frameworks should incorporate laws for small-scale and artisanal mining. The Bank could play an advocacy role at the governmental level to promote the drafting of appropriate legislation.

(iii) *Mineral Titles:* the legal transferability of mineral titles should be strongly encouraged by the World Bank.

(iv) *Fiscal Regimes:* the Bank should assist in the development of appropriate and progressive fiscal regimes that often do not exist with regard to small-scale and artisanal mining.

(v) *Capacity Building:* the Bank could play an important role in the development of an effective institutional framework for the sector, bringing funding to capacity building programs to train private operators and institutions.

(vi) *Investment:* to address the shortage of financing for small-scale and artisanal mining, the Bank could be active in enhancing allocation of funds to CASM[12] and encourage action at the country level to mobilize local investment. Burkina Faso was cited as an example where this had been successfully achieved with assistance from the World Bank.

(vii) *Marketing and Value Addition:* the Bank could help improve the commercial success of the sector by assisting in the establishment of a 'buying, marketing and value-added center'. It could also encourage the creation of a market for additional mining products i.e. the promotion of other minerals beyond precious commodities, such as gold and diamonds.

(viii) *Infrastructure and Social Services:* the Bank should encourage the provision of infrastructure and social services to areas of mining activity.

(ix) *Sustainability:* to ensure the sustainability of small-scale and artisanal mining as a livelihood, the Bank should encourage the reinvestment of profits back into mining areas. To improve the viability of mining, the Bank should look at the applicability of HIDC funds to the development of mining areas.

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[12] The Collaborative Group on Artisinal and Small-Scale Mining (CASM) is a multi-donor technical assistance facility aimed at poverty reduction by improving the environmental, social and economic performance of artisanal and small-scale mining in developing countries.

(x) *Best Practice:* the Bank should develop a compendium of best practices for the small-scale and artisanal mining sector, that would become a working document for the World Bank.

(xi) *Child Labor:* given the large number of children living, and working, on small-scale and artisanal mining sites, the Bank should give due attention to this issue when intervening in projects.

(xii) *HIV/Aids:* in addition to national initiatives to combat HIV/Aids, the Bank should fund separate initiatives focused on mining sites where many artisanal miners are affected by the disease.

(xiii) *Harare Declaration:* the 1994 Harare Declaration[13] should be used by the World Bank as the basis for its consideration of all small-scale and artisanal mining issues in Africa. Its main proposition was the formalization of small and medium-scale mining, operating under full mineral titles, to facilitate its integration with the large-scale mining sector. This transformation would be achieved by increasing government support for the sector, with the assistance of international development agencies.

2. Community Development

(i) *Consultation Process:* consultations should be improved through several identifiable steps: (a) consultations should be mandatory for all WBG projects and sufficient time allocated for effective consultations to take place; (b) codification should be used to ensure that the consultation process is inclusive of all groups in the community hierarchy; (c) project information must be communicated to a non-technical audience in the relevant local language, with the information stage, itself, adding to capacity building efforts; (d) consultation should include negotiation with communities on the alternatives presented to them in community development programs; (e) an independent adviser should be employed, paid out of project costs, to work with local communities and act on their behalf.

(ii) *Poverty Alleviation:* poverty alleviation aspect must be foremost in project planning, and measured in terms of addressing health and education issues, infrastructure development, and building local capacity to maintain projects after they are completed.

(iii) *Development Plan*: (a) the Bank should address community development as a specific activity, not as a bi-product of other projects; (b) proper baseline surveys should be fundamental to any activity, to assess community needs; (c) allocated funds should be non-divertible and administered transparently; (d) a maintenance capability should be created within the community to ensure development programs are sustainable.

(iv) *Services to Communities*: (a) the Bank should make a greater commitment to facilitating rural communities' access to healthcare, education, and water, and to reinforcing existing infrastructure; (b) the Bank should help develop the capacity of NGOs to assist governments deliver essential services to communities; (c) as a part of projects, campaigns should be devised to educate communities on tropical disease and nutrition, and support be extended to local medical institutions to help build their

[13] Harare Declaration on Small-Scale and Artisanal Mining, United Nations, 1989

knowledge and management of disease; (d) survey and monitoring stages should be established to enable communities to assess the local impact of projects.

(v) *Capacity Building:* the Bank should target illiteracy in Africa, focusing on building individual, as well as community and group capacity. In partnership with other bodies, the Bank could achieve this through campaigns and programs for free basic education; training; information and capacity building workshops; and by identifying credible delivery bodies. Capacity building should also focus on empowering African women, who are currently lagging behind.

(vi) *Conflict Resolution:* the Bank should develop an effective conflict resolution mechanism

(vii) *Community Development Funds:* community development funds should be structured to better address local needs, rather than being ad-hoc arrangements

(viii) *Leveraging Resources:* leveraging available resources is an important factor for community development projects. Involving other companies or organizations, such as UNDP, increases funding opportunities and provides more leverage to utilize available resources beyond the bounds of a specific project.

(ix) *Role of Local Government:* tax regimes should allow local governments to tax projects run by companies. This would leave them better placed to run development programs for communities in the area of projects, working closely with local communities to identify priorities.

3. Environment

(i) *Bank Policies and Guidelines:* the Bank should address the disconnect between its safeguard policies, in theory, and their application, in practice. Procedures and guidelines, particularly relating to environmental assessment, should be better communicated to those working in the field.

(ii) *Legislation:* the Bank should assist governments with the formulation of environmental policy and legislative frameworks, and address the perennial problem of implementation and enforcement through training. Outdated legislation in many African countries is a hindrance to good environmental management, and a major problem for companies operating in the region.

(iii) *Government Capacity Building:* the Bank should help build capacity in environmental ministries, which are usually the weakest in government, and establish support programs to build capacity to manage and monitor large-scale projects.

(iv) *Environmental Management:* in Africa, where the environment is not generally recognized as a sector in itself, a more holistic approach to environmental management is needed to understand the many socio-economic linkages that exist beyond the bio-physical interpretation of the environment.

(v) *Strategic Environmental Assessment:* environmental assessment should be elevated to a strategic level, using such tools as strategic environmental assessment and sustainability impact assessment to reflect a comprehensive, multi-dimensional approach to the environment. This would help identify the cumulative impacts of projects, and provide a broader range of policy choices that would streamline the eventual Environmental Impact Assessment (EIA) process applied at the project level.

(vi) *Poverty-Environment Interface:* poverty is recognized as a cause of environmental degradation, while mismanagement of the environment and natural resources has a detrimental effect on the poor. Both sides of the dynamic need to be addressed through improved environmental management of the poor.

(vii) *Managing Impacts:* the Bank should better assist with the management of local impacts: training and assistance should be given to improve the quality of Environmental Management Plans (EMPs) and EIAs, to improve monitoring procedures, and train local professionals to replace expatriates.

(viii) *No-Go Zones:* the Bank should protect and manage biodiversity, identifying and protecting no-go areas.

(ix) *Access to Information:* the Bank must improve access to information (such as baseline studies used in EMPs) and increase the transparency of its environmental assessment process.

(x) *Climate Change:* the Bank should assist in policy formulation at international level, and provide guidance on standards for e.g. emissions.

(xi) *Site Closure:* the Bank should address the physical and socio-economic aspects of site closure. Appropriate exit strategies should be devised, including acceptable guidelines on land use post-closure. Directives on closure plans should be incorporated into project planning, and dedicated funds be set-up to manage site closure. The temporary closure and re-opening of small mines, due to fluctuations in commodity prices, was cited as a problem lying outside the bounds of regular mine closure regimes.

(xii) *Legacy of the Past:* the Bank should address the legacy of past operations, in particular: physical rehabilitation of orphaned mines; land regeneration; water quality; community welfare; and access issues. The Bank should develop programs to assist government ministries address these issues and to identify sources of funding for site rehabilitation. Compensation funds should be established for people impacted by past developments.

(xiii) *Artisanal and Small-Scale Mining:* in recognition of the cumulative environmental impacts of artisanal mining, the Bank should increase available resources for the CASM program and increase technical assistance to the sector. It could also encourage mentoring by larger operators with technical expertise, in skills training for small scale miners.

(xiv) *Junior Mining and State-Owned Companies:* the Bank should bring junior and state-owned enterprises ‘up to speed’ on environmental issues, through increased technical assistance; capacity building; information dissemination; and best practice case studies.

4. Conflict Management

(i) *Sources of Conflict:* in the context of extractive industry development, typical sources of conflict are resettlement; compensation; unclear land and mineral rights; alternative visions of development; distribution of benefits; lack of information; unkept promises; and failures in expectations.

(ii) *Pre-existing and Potential Conflict:* the World Bank should assess pre-existing and potential conflict prior to making an initial investment. Due diligence on conflict should be incorporated into Country Assistance Strategies, and project risk assessment in a given country should include conflict areas.

(iii) *Consultation:* conflict should be managed through early consultation to find agreement or consensus before a project is implemented. The Bank should enhance the consultation process by identifying affected and interested parties, and by making consultations more participatory, rather than just representative. Consultation should be an ongoing process, throughout the life of a project, to manage changing expectations and ensure a common understanding in reached between relevant parties.

(iv) *Conflict Resolution Mechanisms:* the Bank should build conflict resolution mechanisms into its projects, using traditional methods where possible. If conflict is resolved, procedures should be put in place for managing similar, future scenarios.

(v) *Legal and Regulatory Frameworks:* the Bank should assist countries to develop the necessary legal and regulatory framework for conflict resolution mechanisms, and promote judicial reform to ensure adequate recourse measures are in place.

(vi) *WBG Bodies:* the WBG should strengthen its internal mechanisms for dealing with conflict arising from projects, such as the CAO and Inspection Panel. The transparency, efficiency and independence of relevant internal bodies should also be improved.

(vii) *External Mechanisms:* the Bank should employ external dispute resolution mechanisms and retain the option of an independent commission for.

5. Revenue Management

(i) *Revenue Management Plan:* revenue management plans should be agreed through multi-stakeholder dialogue, with principles of disclosure and transparency applicable to all actors. Governments should be fully accountable for reporting on spending and deliverables, so the onus for disclosure does not lie solely with the private sector, and equitable allocation of revenues would be guaranteed between local and national government, and government and the private sector.

(ii) *Role of the World Bank Group:* the WBG should take action on the three main issues: disclosure and transparency of revenues and their use; equitable allocation of revenues; and optimum fiscal policy in host countries.

(iii) *Disclosure and Transparency*: the World Bank should support minimum standards for revenue disclosure by companies and governments. This assumes a mechanism can be found to ‘level the playing field’ to ensure all companies are compliant, e.g. disclosure as a requirement for stock exchange listing, or supported by institutions such as the Securities and Exchange Commission (SEC). The World Bank should facilitate this process: (a) through stronger linkages to other initiatives, namely Publish What You Pay’ (Soros/Global Witness), and the Extractive Industries Transparency Initiative (Department for International Development (DFID), UK; (b) working as an information clearing house, aggregating financial data from individual companies to take into account confidentiality clauses; (c) improving the synergy between various components of the World Bank Group, (and linking to the IMF), to lever conditionalities on countries (even if the Bank is not supporting the extractive sector in that country).

(iv) *Allocation of Revenues*: the WBG should provide guidance to governments on optimizing the allocation of revenues at the local and national level – state objectives need to be clearly upfront at the start of a project. The Bank should: (a) support baseline assessments and devise consultation mechanisms to ensure the 'buy-in' of all stakeholders on spending priorities; (b) identify a variety of best practice examples from other countries on effective revenue allocation; (c) balance the needs of present and future generations, taking into account changing development priorities over time; (d) act as an honest broker, building consensus, perhaps with the help of independent panels and using conflict resolution tools where necessary; (e) help build capacity of local authorities to manage spending prudently.

(v) *Optimum Fiscal Policy*: the WBG should proactively advise governments on optimum fiscal policy to help host countries capture valuable tax revenues generated by natural resource developments. Concerns focused on limiting losses from the repatriation of funds to the company's home country in the form of top-up taxes. The Bank should use its capacity and expertise to advise governments on fiscal policy options. It should take an holistic approach, assessing the complexities of tax regimes in both host and home countries when helping devise appropriate policies, and should advise governments on models for decentralization to local and state governments.

6. Governance

i. *Promoting Good Governance:* the WBG should promote models and principles of good governance through its consultation processes and improved information exchange. The Bank should establish eligibility criteria, amounting to 'governance conditionalities' that countries should adhere to in order to gain Bank support. This would include non-involvement with violators. Further, the Bank could frame good governance as a value proposition, in terms of preferential loan rates and debt relief for countries its works with. The Bank should also look at its internal governance measures and accept some liability for potential project failures by establishing an appropriate accountability mechanism.

ii. *Anti-Corruption:* the Bank should help combat corruption by encouraging countries to adopt explicit legal mechanisms to improve implementation and enforcement. The Bank should assist governments minimize legal loopholes to improve accountability, and strengthen their civil services, with adequate remuneration for government employees. Assistance should be suspended where corruption is rife, nor support given for projects where mining licenses were not transparently and competitively acquired. Companies who fall short of minimum acceptable standards should be blacklisted. The Bank could also make efforts to support the work of anti-corruption organizations working in host countries, such as disseminating their findings to send a strong message to governments.

iii. *Institution Building:* the WBG should provide information and advice on various institutional models of good governance, and extend financial, legal and technical assistance to help set up institutions according to best international standards.

iv. *Regulatory Framework:* regulatory frameworks should be adequate, integrated and transparent, effective at both the national and local level, and with competitive and equal regulations for large and small-scale enterprises. In countries where regulation is poor, the WBG should provide assistance, advising on 'best' examples of regulatory frameworks and standards.

v. *Rule of Law:* the WBG should use its expertise to promote effective, fair and consistent implementation and enforcement of the rule of law, and assist countries to draft appropriate legislation. To help the swift resolution of disputes, the Bank could assist countries to streamline cumbersome processes of redress and to set up arbitration tribunals. Adequate legal protection should be ensured for small-scale and artisanal miners, and access to information and levels of public participation improved.

vi. *Land and Mineral Rights:* the Bank should assist governments to review land rights and mineral laws to ensure customary rights are protected. This should include clear mapping of mineral areas.

7. Trust Building, Disclosure Policy and Transparency

(i) *Trust Building:* a communications plan should be devised from the conceptual stage of projects to build trust between stakeholders. It should identify and involve all interested parties, and address the issue of accountability by clearly defining stakeholder roles and responsibilities, including those of the Bank itself. Participatory mechanisms should be incorporated to facilitate an effective flow of information between all groups, many of whom may be located in remote regions.

(ii) *Project Information:* the Bank should develop clear, understandable project information to disseminate to non-technical audiences, taking into account illiteracy levels, linguistic differences and the remote location of some affected communities. This could be achieved using alternative media and training.

(iii) *Best Practices:* the Bank should spread experience to countries by transparently promoting its success stories, as well as failures. When engaged in a country, the Bank should establish 'best practice' projects and then work with governments to develop this approach to the entire sector (including non-Bank projects). The dissemination of 'best practices' to governments would multiply the benefits stemming from specific projects themselves.

(iv) *Conditionalities:* the Bank should perhaps attach conditionalities to governments to encourage transparency and disclosure, and ensure the participation of civil society.

(v) *Information Exchange:* the Bank should facilitate cross-country exchange of project experience to illuminate governments on how disclosure and transparency from an early stage, benefits outcomes.

(vi) *Industry Guidelines:* the Bank should develop clear, concise rules and guidelines for industry that apply overall. The Bank should define how such rules should be measured, and define different stakeholder roles, so no matter whether it is involved in a project, the proponent has the responsibility to communicate alternatives to others and conduct necessary due diligence (such as environmental impacts assessments).

(vii) *Bank Influence:* in recognition of the fact that WBG have an influence beyond the sphere of transactions in which they are involved, it should take a responsibility for the kind of business development taking place in Africa, or other parts of the world by using its power to influence governments and companies to ensure elements of human development and sustainability are built into all projects.

8. Human Rights

i. *Human Rights and Sustainable Development:* human rights (defined as political, civil, social, economic and cultural rights) are fundamental to sustainable development. Any framework of implementation must take all these dimensions of human rights into account.

ii. *Progressive Realization of Human Rights:* the WBG should ensure human rights are progressively realized through its work with governments and the private sector. Bank operating policies, procedures, contracts and technical assistance should explicitly contain conditions for the respect of human rights.

iii. *Human Rights Climate:* the WBG should assess whether human rights are respected at the national level, the local level of the project, and by the operating companies themselves. Where there is a proven record of human rights violations, it was suggested that the Bank should not engage. Should violations occur subsequent to Bank involvement, it should consider suspending or withholding support until allegations are investigated and resolved in accordance with national laws and international conventions.

iv. *Partnerships and Independent Monitoring:* the Bank should build strong partnerships with international groups working on human rights issues, such as Transparency International, and actively engage the human rights community (organizations, activists and lawyers) working in the local context of projects. The Bank should give access to independent groups who can monitor projects objectively and provide information that ensures human rights abuses are documented to help bring about necessary change.

v. *Legal Framework:* before engaging in projects, the Bank should consider whether national legal frameworks provide effective protection of human rights, and whether citizens have access to independent redress mechanisms.

9. WBG Procedures and Policies

i. *Monitoring and Supervision:* the WBG should enforce its procedures for compliance monitoring and respond to cases of non-compliance with balance. The Bank should be cognizant of the costs of multi-layer monitoring and improve the coordination between the various, independent monitoring groups. The methodology of monitoring should be revised, such the short timeframes in which monitoring groups operate, and their mandate, composition and powers. Recommendations should be enforced by the Bank, but with limits of power.

ii. *Conflict Management*: the WBG should conduct conflict impact assessments, in line with social impact assessments (SIAs), to assess the potential for conflict around artisanal and large scale mines, within host and resettled communities, or from inter-intra group tensions, for example, due to distribution of payments, or employment issues.

iii. *Good Governance:* governments should respect minimum requirements for good governance and compliance prior to project implementation. Such requirements should also be applicable to the WBG which should improve the consistency and transparency of its decision-making processes.

iv. *Improving Implementation:* the Bank should work to build institutional capacity at the government level, particularly within ministries responsible for implementing extractive industry projects. Greater flexibility should be employed in the application of Bank guidelines by adapting them to prevailing conditions in the host country to ensure projects are successfully implemented. The synergy between various departments of WBG should also be improved.

v. *Safeguards for Workers:* the Bank should adopt and commit to ILO conventions safeguarding worker's rights, and promote technology transfer and capacity building programs to benefit large numbers of local workers. A 'reinsertion plan' should be prepared to safeguard workers post-closure.

vi. *Project Approval Stage*: prior to project approval, compliance should be observed at the level of WBG procedures and policies. Environmental impact assessments should be consistent with Bank guidelines and developed with inputs from national experts, and a code of conduct should be established to ensure multinational companies adhere to Bank standards through the life of the project. A framework should be put in place to verify the level of consensus between all stakeholders prior to project approval.

vii. *Indigenous Peoples*: the Bank should better define the concept of indigenous people to ensure the interests of all marginalized groups are adequately protected by its safeguard policies. This should take into account the diversity of ethnic groups in certain regions and of migrant communities that may have settled over generations in mineral rich areas.

viii. *Closure Planning*: the Bank should develop guidelines for closure planning to address retrenchment and social issues.

ix. *Voting Rights:* the Bank should address the perception that the national interests of host countries are subordinated to Western industrial interests. The Bank should guarantee equality for developing countries in its decision-making processes.

10. Capacity Building

i. *Policy Development:* the Bank should address the lack of expertise governments have in policy development, not only in EI, but in related fields such as taxation, investment or privatization. The Bank should provide technical assistance, and help governments to develop an integrated policy and related human resource capacity (e.g. mandatory training of local workers).

ii. *Training and Skills Retention:* a) the lack of technical expertise and lack of skills retention (or 'brain drain') was highlighted as a major problem. At the broadest level, it was acknowledged that the poor macroeconomic climate of many African countries accounted for the flight of experts abroad and lack of capacity at home. The Bank should work with development partners to help governments capture, and draw back, African experts by establishing preferential training schemes, secondments (e.g. sending representatives to successful, modern projects in other countries) and formal learning programs.; b) governments should enforce capacity at the local level by promoting the patriate workforce in all sectors of the economy; c) the Bank should help governments develop a database of African expertise to reduce reliance on ex-patriate consultants undertaking technical and policy work.

iii. *Geological Mapping:* the Bank should assist governments to develop natural resource databases to address the lack of adequate geological information.
iv. *Support for Small and Junior Enterprises*: recognizing the importance of supporting small enterprise development through EI, the WBG should work with banks to develop a mechanism to provide grants, loans and guarantees to small enterprises who lack access to affordable financing. The Bank can also help develop and promote fora for knowledge sharing in recognition of the difficulty small enterprises have accessing the new technology and information critical for growth.
v. *Strengthening Civil Society:* civil society lack sufficient expertise to be an effective development partner and are often excluded from participating in the early stages of project planning. The Bank should better orientate civil society organizations and local communities to potential projects by raising awareness through basic training and information transfer. It should also facilitate periodic international fora to encourage the sharing of experiences and practices between governments, civil society, industry and other parties.
vi. *Private Sector:* the private sector is over dependent on expatriate manpower, failing to capture the technical expertise that exists in Africa, but is underused. The World Bank should assist governments to earmark revenues for formal technical training to ensure Africans are involved at a technical level and to improve the sustainability of projects in the long-term.
vii. *International Partnerships:* the Bank could remedy the lack of coordination on capacity building initiatives underway in many countries. The Bank should combine its own efforts with those of its partners.

11. Final Discussions

During final discussions, participants commented on the main issues raised by the suggested recommendations and on the major themes that emerged during the course of the workshop.

Participants saw the efforts of the WBG to review its work on poverty reduction and sustainable development in relation to EI in Africa as positive. However, many remained skeptical that real change would be realized unless the Bank was cognizant of its past and present mistakes; concrete steps should be taken to build the capacity of all stakeholders if Africa was to achieve its potential for long-term development through the exploitation of its natural resources.

Presenting a position paper on the role of the WBG in EI in Africa, representatives from African civil society organizations called on the Bank to set a moratorium on oil, gas and mining investments until past and present social and environmental damages were addressed. Outlining a set of conditions that should govern any future WBG involvement in EI in the region, the group called for the Bank to meet their demands through effective consultations.

A participant from Zambia commented on the value instilled in the EIR process to examine the World Bank Group's involvement in EI in Africa. They welcomed that the Bank had made a commitment to engage all interested stakeholders in the future, and welcomed an opportunity to improve its performance. Suggestions made that Africans were responsible for mismanaging their resources and finances was misplaced. $1.3 trillion in foreign aid/investment may have been wasted in Africa, but the overriding impression of many Africans was that their countries had been robbed of their resources over many years.

A civil society participant from Sierra Leone commented on the tremendous resource outflows suffered by the country during three decades of a civil war, in which many multinational companies were implicated. The instigation of the Kimberley Process[14] was due to actions taken by civil society who recognized the need to stop the carnage on the Africa continent. Likewise, the EIR was prompted neither by the World Bank nor industry, but by civil society concerns regarding the role of the WBG in the region. Therefore, asserted the speaker, a consensus view from all stakeholders was not necessary; rather, the priority should be on those who were victims of circumstance. Civil society called upon the EIR to consider the conditions laid out in the position paper as the only terms in which African civil society would be willing to work with the WBG and extractive industry companies in the future.

One participant remarked that civil society was just one emerging group in Africa, hence the importance of taking their ethical concerns into consideration. Civil society organizations have taken creative action in fighting poverty in Africa, and continue to question how countries can develop when revenues are used to wage war and facilitate corruption. Governments were not the only ones responsible; all stakeholders interested in development were responsible for allowing Africa to live, rather than merely survive, said the speaker. Other participants also recognized the importance of engaging civil society as partners in the process of development. The WBG, and others involved in extractive industry developments, should readjust to criticisms to ensure development objectives are realized.

Participants commented on the constructive discussions on WBG guidelines, procedures and policies and on how the Bank should engage in Africa. A notable exchange of ideas stemmed from group discussions on the subject of small-scale and artisanal mining. The Bank's support for small-scale mining projects in Burkina Faso and Zambia were of particular interest, and participants viewed them as model examples of the type of work the Bank should repeat throughout Africa.

Capacity building was viewed as a key factor. Some African nations had successfully developed their capacity in certain areas, for example in social relations and community development, particularly in Mali and Tanzania. However, there was little specialist expertise in areas where there could be profound impacts, such as acid rock drainage (ACD), tailings and cyanide, among other concerns. The WBG was advised to play a greater role in building capacity for countries to better manage these aspects of the extractive sector.

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[14] Kimberley Process: this process aims to create a certification system for rough diamonds which will exclude conflict diamonds from legitimate trade.

While acknowledging the problems discussed concerning the Bank's involvement in EI in Africa, a government representative from Chad personally viewed the participation of the Bank, in Chad, as positive. Referring to compensation payments for the Chad-Cameroon oil pipeline, the Bank had insisted they be paid according to its guidelines rather than Chad's outdated land laws, doubling or tripling the amounts paid. He pointed out that ceasing WBG financing did not necessarily stop projects being implemented, and its involvement often bore more positive results were felt by those who were impacted.

A government representative from Burkina Faso emphasized that problems were experienced not only in EI but in other sectors financed by the World Bank Group, whether infrastructure developments, dams or agriculture projects, but this was not a good reason for the Bank to withdraw its support. While there were unfortunate examples of Bank-sponsored extractive industry projects, there were also many positive examples, as presentations on mining projects in Mali and Burkina Faso demonstrated.

A government representative from Zimbabwe commented that the mining industry had benefited communities in Africa for a long period of time. After a meaningful discussion of the issues, critical points should be identified in order to find a way forward. WBG assistance to EI was crucial in Africa, where governments do not have the funds to develop the sectors on their own. Small-scale mining was especially important and the Bank needed to find a way off getting these issues raised.

The WBG was encouraged by other participants to do everything in its power to assist small and medium-sized companies. Gold panning and small-scale mining were important sectors, generating substantial incomes for local people. The Bank should assist the sector to access more financing.

From a government perspective, the participation of the WBG was welcomed to help governments develop sectors in which they have little expertise. The Bank can provide the sort of knowledge transfer and assistance that will help countries new to extractive sectors develop their industries. Examples include Nigeria's attempts to develop its solid minerals industry, and Mali, and Niger, who are new to the oil sector.

12. Closing Remarks

Closing remarks for the Consultation were made by the Director of the World Bank Group's, Rashad Kaldany, and the EIR's Eminent Person, Dr. Emil Salim.

Speaking on behalf of the World Bank Group, the Director for the Oil, Gas, Mining and Chemicals department thanked all participants. The dialogue had been frank, constructive, and informative. Comparable issues had been raised at two prior consultations convened by the EIR for Latin America and the Caribbean, and Eastern Europe and Central Asia, but Bank staff had been struck by the depth and passion of discussions in Africa, where participants had brought regional variations sharply into focus. There was further progress to be made, and WBG was now be tasked with analyzing the recommendations and assessing how they could be put into action.

The quality of consultations was crucial for effecting good communication between stakeholders, and demanded a level playing field, he said. Evidence of this was apparent in the quality of discussions at the Africa workshop. Stakeholders had formulated excellent recommendations on governance and revenue management, and deep discussions on artisanal and small-scale mining had shown how the Bank must pay greater attention to the sector in the future. Recommendations on capacity building had covered all stakeholders but the World Bank Group; building the capacity of the Bank was also important to ensure it effectively delivered on its mission for poverty reduction. He commented that the WBG had greatly changed its practices over the past ten years, improving its response to the difficulties and challenges presented by the extractive sector, but it still had much to learn and would continue to do so. Problems not only existed in EI; there were other areas for improvement also. Nevertheless, the Bank was not omnipotent and could not be expected to solve everything, he reminded participants. They believed in empowerment and needed local partners to work more effectively.

The EIR's Eminent Person closed the workshop sessions thanking participants for their efforts in formulating the recommendations. Appreciation was extended to members of civil society for participating in the workshop, acknowledging prior doubts expressed regarding the effectiveness of consultations. Civil society concerns had been clearly put on the table for government, industry and the WBG to see, said Dr. Salim, and such dialogue should continue to ensure their voices were heard.

Dr. Salim went on to recognize the frustrations felt by all stakeholders in Africa. Civil society pointed to Africa's suffering under colonization and remained skeptical whether development objectives had the interests of Africans in mind. They saw the WBG as dominated by rich, western nations, and the involvement of multinational companies in Africa was viewed as a form of neo-colonialism. Governments, too, were frustrated and challenged by rigid structural adjustment programs, the requirement to use foreign consultants, and the many strings attached to securing foreign aid. The private sector were frustrated by government failures to effectively manage large revenues flowing from projects and highly sensitive to civil society criticisms that companies reneged on their responsibilities. Lastly, the WBG was frustrated at project failures, despite years of preparation and planning. The infinite complexities of difficult extractive industry projects demanded their best efforts, yet criticisms from all sides were pushing many in the Bank to be risk averse.

These frustrations had fostered serious debate and discussion during the consultation and stakeholders had agreed on ten recommendations for the World Bank Group. Many would question whether the recommendations would now be implemented. But, commented Dr. Salim, it was in the interests of all actors interested in Africa's development to build partnerships to work towards a common goal. Africa lacked the enabling environment to allow it to make use of its creativity and grow. Key to this was building trust between government, civil society and business to create an environment conducive to development. Poverty eradication would not solely be realized through the development of natural resources, but by developing human resources, building capacity and skills, with decentralization to put development in the hands of the people. Such a shared vision would help Africa prosper by 2025.